Oil India Limited

February 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,362.03	CARE AAA; Stable	Assigned
Long-term bank facilities	435.00 (Enhanced from 295.00)	CARE AAA; Stable	Reaffirmed
Long-term/short-term bank facilities	3,859.00 (Reduced from 3,859.42)	CARE AAA; Stable/ CARE A1+	Reaffirmed
Short-term bank facilities	1,836.45 (Enhanced from 1,102.03)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Oil India Limited (OIL) continues to factor in its majority ownership by the Government of India (GoI), strategic importance of the company for GoI in supporting the country's energy security needs, development of hydrocarbon reserves in the north-eastern region and its experienced and professional management team. The ratings further derive comfort from OIL's significant market position in the domestic oil and gas exploration and production (E&P) industry with adequate reserves providing revenue visibility, healthy operating performance and profitability backed by robust E&P infrastructure and proven technical capabilities, presence across the hydrocarbon value chain with controlling stake in Numaligarh Refinery Limited (NRL) coupled with its comfortable financial risk profile and strong liquidity.

The ratings, however, remain susceptible to the inherent risk related to the E&P business, exposure to fluctuations in the crude oil and natural gas prices, regulatory risks and large capex requirements.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Reduction in shareholding of GoI below 51% and/or change in GoI policies which could impact OIL's strategic importance for GoI.
- Higher than expected debt-funded capital expenditure or acquisition resulting in consolidated overall gearing beyond 1x.
- Sustained decline in liquidity position with decline in free cash and bank balance along with current liquid investment of below ₹1,000 crore

Analytical approach: Consolidated while factoring in linkages with the Government of India. The subsidiaries/associates of OIL are strategically important to OIL due to their presence across the hydrocarbon value chain. List of entities consolidated are mentioned in annexure 6.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that OIL would continue to maintain its significant position in the domestic E&P industry backed by strategic importance to the GoI which shall result in sustenance of its comfortable financial risk profile.

Detailed description of the key rating drivers:

Key strengths

Strong parentage and strategic importance to GOI: OIL was established in 1889 as Burma Oil Company (BOC) with the first discovery of crude oil in Digboi, Assam. In 1981, it became a wholly-owned GoI enterprise and came out with an IPO in 2009 whereby GoI hold 56.66% equity stake as on December 31, 2023.

OIL is the second-largest Indian national oil company engaged in the business of exploration, development, and production of crude oil and natural gas, transportation of crude oil and natural gas, and production of LPG. It contributed around 11% of India's total crude oil production and around 9% of India's natural gas production during FY23 (refers to period April 01 to March 31). It continues to be of strategic importance to GoI in the Indian energy sector to cater to energy security needs of the country. As the largest player in north-east region, OIL plays a crucial role in the implementation of GoI policies in the oil & gas sector, with presence across hydrocarbon value chain.

Significant market position with adequate reserves providing revenue visibility: OIL is the second-largest government-owned hydrocarbon exploration and production company in India. It had crude oil and natural gas domestic reserves (2P) of

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

70.56 million metric tonnes (MMT) and 138.51 billion cubic metres (BCM) respectively, as on March 31, 2023, with exploration rights over 62 operating blocks in India with an area of 62,820 square kilo meter. Furthermore, the company has been effectively replenishing reserves marked by Reserve Replacement Ratio (RRR) of 1.01 in FY23 (PY: 1.11) whereby the company has consistently maintained above unity RRR over the years. Apart from the domestic reserves, OIL has 10 international projects spread over Russia, Africa (Mozambique, Gabon, Libya & Nigeria), Venezuela and Bangladesh. OIL had crude oil and natural gas overseas reserves (2P) of 29.72 MMT and 21.21 BCM, respectively, as on March 31, 2023.

Robust infrastructure and proven technical capabilities: OIL has been able to develop a robust infrastructure and an in-house expertise, during its long track record of operations of more than six decades, providing it an advantage over newer players in the industry. OIL has developed significant onshore and offshore production facilities, subsea and land pipelines, gas processing, drilling and work-over rigs, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India. OIL has drilled 16 exploratory wells and 29 development wells during FY23 and has made oil discovery in Assam which was also brought to production and contributed 5,400 MT crude oil during FY23.

Presence across the hydrocarbon value chain: From an E&P player, OIL has gradually expanded its operations in refining and petrochemicals thereby making presence across the hydrocarbon value chain. In the downstream operations, the company has 69.63% stake in NRL, which operates a 3 MMTPA refinery, which is being expanded to 9 MMTPA, in Numaligarh (Assam).
In the transportation segment, the company has 1,157 km long crude transportation pipeline of 6 MMTPA and 660 km long multi-product pipeline of 1.72 MMTPA which is being enhanced to 5.5 MMTPA. It has commissioned a 130 km long product pipeline of 1 MMTPA from Siliguri in West Bengal to Parbatipur in Bangladesh during March 2023. As a part of its refinery expansion plan, it is building a 1640 km long crude oil pipeline of 6 MMTPA from Paradip, Odisha to Numaligarh, Assam along with crude oil import terminal at Paradip, Odisha.
Apart from this, OIL has strategic investments in various entities engaged in petrochemicals, natural gas pipeline and city gas distribution network along with 5.16% equity stake in Indian Oil Corporation Ltd. OIL also has renewable energy installed capacity of 188 MW (174 MW in wind power and 14 MW in solar power).

Healthy operating performance and profitability: The consolidated total operating income (TOI) of the company registered a healthy growth of ~39% in FY23, to ₹36,097 crore, on the back of increased production of crude oil, natural gas and petroleum products along with elevated crude oil and natural gas prices, and transportation fuel cracks. Accordingly, the consolidated PBILDT also increased by ~39%, to ₹16,258 crore, in FY23. OIL's healthy consolidated profitability is aided by efficient cost structure with production cost of around 35 USD/bbl in E&P business along with 50% exemption on excise duty payable in refining business.
In 9MFY24, the company has reported TOI of ₹24,453 crore and PBILDT of ₹10,377 crore, vis-à-vis TOI of ₹28,792 crore and PBILDT of ₹12,311 crore in 9MFY23. The moderation in performance during 9MFY24 is on account of normalization of crude oil and natural gas prices as well as transportation fuel cracks to an extent along with maintenance shutdown of Numaligarh refinery of around 75 days which impacted the refinery throughput.
The Numaligarh refinery, with 3 MMTPA capacity and a nelson complexity index of 9.61, reported throughput of 3.09 MMT (1.70 MMT in 9MFY24) and Gross Refining Margins of 19.86 USD/bbl in FY23 (13.12 USD/bbl in 9MFY24).

Comfortable financial risk profile: OIL's comfortable financial risk profile is marked by overall gearing of 0.45 times as on March 31, 2023 along with total debt/PBILDT of 1.16 times during FY23. OIL is expected to fund routine E&P capex through internal accruals only whereas capex of ₹28,026 crore for refinery expansion is expected to be partly funded through term debt of ₹18,904 crore. However, its overall gearing and total debt/PBILDT are expected to remain below 0.70 times and 2 times respectively, going forward, aided by its healthy profitability and accruals.

Experienced management: OIL is managed by a team with substantial experience in the oil and gas industry. Dr Ranjit Rath is the Chairman and Managing Director with an experience of over 26 years in the field of geosciences. Mr Harish Madhav, Director (Finance), has over 33 years of experience in oil & gas industry in both upstream and downstream sectors. Mr Pankaj Kumar Goswami, Director (Operations), has over 34 years of experience in oil & gas production activities at Assam & Assam-Arakan Basin in Northeast India.

Liquidity: Strong
OIL's strong liquidity is marked by strong cash accruals vis-à-vis term debt repayment obligations along with free cash and mutual fund investments of around ₹5,772 crore as on September 30, 2023. On the back of strong operational cash flows, utilization of OIL's fund based working capital limits was almost nil for twelve months ended December 2023. Further, with an overall gearing of 0.45 times as on March 31, 2023, OIL has sufficient gearing headroom to avail debt for funding of its planned capex. OIL also derives significant financial flexibility from its parentage of GoI which provides access to funds at attractive rates.

Key weaknesses

Risk related to the E&P business and fluctuation in the crude oil and natural gas prices: E&P business is a highly capital-intensive business with long gestation period. E&P players need to incur substantial capex for various activities such as topographical surveys, geologic studies, geophysical & seismic surveys, exploratory drilling, developmental drilling and setting up of processing infrastructure. E&P business's risk primarily arises from uncertainty associated with discovery of oil & gas after undertaking these activities.
Furthermore, the company is also exposed to the commodity price risk since the bulk of the revenue comes from the sale of crude oil and gas. Prices of crude oil and natural gas depend on various factors including policies of major producers, global as well as regional demand variations, geopolitical situations, and government policies etc.

Large capex requirements: OIL need to incur substantial quantum of routine capex in E&P business. OIL incurred E&P capex of ₹5,534 crore during FY23 and expected to incur similar capex during FY24. To achieve target of 4 MMTPA crude oil and 5 BCMPA natural gas production, OIL's E&P capex is expected to increase going forward; however, it is expected to be funded through internal accruals only.
The company is undertaking capacity expansion of Numaligarh refinery from 3 to 9 MMTPA at an investment of ₹28,026 crore to be funded through term debt of ₹18,904 crore and expected to be completed by FY25-end. This project also includes crude oil import terminal at the Paradip port in Odisha and laying of a 1,640 km long pipeline from Paradip port to the Numaligarh refinery. By September 30, 2023, the company has completed refinery expansion capex of around ₹13,000 crore and availed term debt of ₹5,643 crore.
OIL has sufficient gearing headroom to fund capex requirements; however, risk associated with E&P capex and its impact on the company's return indicators will be a key rating monitorable.

Regulatory risk: GOI policy with respect to, pricing of domestically-produced natural gas through APM mechanism, prioritisation of customers and differential pricing for natural gas along with levy of royalty and cess on production of crude oil and natural gas, have significant bearing on the cash flows of the company. Furthermore, GOI's control on allocation of blocks, approval of development plan of discovered fields, monitoring of minimum performance obligations and levy of penalties in case of non-compliance etc. substantially increases risk associated with E&P activity. The regulatory risk also arises in the event of a sharp rise in global crude oil prices or high fuel cracks whereby recently the government imposed windfall tax on the export of key petroleum products (MS, HSD) and on production of crude oil.

Environment, social, and governance (ESG) risks:

Parameter	Compliance and action by the company
Environmental	OIL has set the target of becoming net-zero carbon by 2040. The company's net zero commitment encompasses a range of initiatives, including adopting cleaner energy sources, investing in renewable energy projects and implementing advanced technologies to minimize greenhouse gas emissions. Additionally, the company is focusing on energy efficiency measures, optimizing operations and promoting circular economy practices to ensure a sustainable and low-carbon future.
Social	As on March 31, 2023, the total number of employees at the company stood at 6,759. Despite large human capital, during FY23, it had minimal Lost Time Injury Frequency Rate (LTIF) of 0.143. During the year under review, the company spent ₹98.21 crore towards CSR projects, which is more than the requirement of spending as per the Companies Act 2013.
Governance	The Board of the company comprises of 5 functional directors, 1 nominee director from the administrative ministry i.e. Ministry of Petroleum & Natural Gas (MoPNG) and 3 independent directors which includes 1 woman director. The Board of Directors, through its committees, oversee the ESG initiatives and performance.

Applicable criteria

Policy on Default Recognition
Rating Outlook and Credit Watch
Factoring Linkages Government Support
Manufacturing Companies
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial Sector Entities
Short Term Instrument

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Energy	Oil, Gas & Consumable Fuels	Oil	Oil Exploration & Production

OIL was established as Burma Oil Company (BOC), with first discovery of crude oil in Digboi, Assam in 1889. 'Oil India Private Ltd' was incorporated on February 18, 1959 as a joint venture company between BOC (2/3rd holding) and GoI (1/3rd holding) and later became 50:50 joint venture among BOC and GoI in 1961. In 1981, it became a wholly-owned GoI enterprise and came out with an IPO in 2009. GOI held 56.66% equity stake in OIL as on December 31, 2023. It was awarded Navratna status in 2010 and later awarded Maharatna status in 2023.

OIL is engaged in exploration, development and production of crude oil and natural gas, transportation of crude oil and natural gas, and production of LPG. OIL holds 69.63% equity stake in Numaligarh Refinery Ltd (NRL) which is operating a 3 million metric tonnes per annum (MMTPA) refinery at Numaligarh, Assam.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	25,906	36,097	24,453
PBILDT	11,669	16,258	10,377
PAT	6,719	9,854	4,648
Overall gearing (times)	0.51	0.45	NA
Interest coverage (times)	12.41	18.05	14.23

A: Audited, UA: Unaudited, NA: Not Available; Classified as per CARE Ratings Limited's standards

Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	435.00	CARE AAA; Stable
Fund-based - LT-External Commercial Borrowings	-	-	#May 2025 May 2026 May 2027	2362.03	CARE AAA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	3859.00	CARE AAA; Stable /CARE A1+
Non-fund-based - ST-Bank Guarantee	-	-	-	400.00	CARE A1+
Non-fund-based - ST-Bank Guarantee	-	-	-	1436.45	CARE A1+

Bullet repayment in May 2025, May 2026 and May 2027

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	435.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Dec-22)	1)CARE AAA; Stable (04-Oct-21)	1)CARE AAA; Stable (26-Mar-21) 2)CARE AAA; Stable (11-Feb-21)
2	Non-fund-based - ST-Bank Guarantee	ST	400.00	CARE A1+	-	1)CARE A1+ (30-Dec-22)	1)CARE A1+ (04-Oct-21)	1)CARE A1+ (26-Mar-21) 2)CARE A1+ (11-Feb-21)
3	Non-fund-based - ST-Bank Guarantee	ST	1436.45	CARE A1+	-	1)CARE A1+ (30-Dec-22)	1)CARE A1+ (04-Oct-21)	1)CARE A1+ (26-Mar-21) 2)CARE A1+ (11-Feb-21)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	3859.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Dec-22)	1)CARE AAA; Stable / CARE A1+ (04-Oct-21)	1)CARE AAA; Stable / CARE A1+ (26-Mar-21) 2)CARE AAA; Stable / CARE A1+ (11-Feb-21)
5	Fund-based - LT-External Commercial Borrowings	LT	2362.03	CARE AAA; Stable	-	-	-	-
6	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (30-Dec-22)	1)CARE AAA; Stable (04-Oct-21)	1)CARE AAA; Stable (26-Mar-21)
7	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (30-Dec-22)	1)CARE A1+ (04-Oct-21)	1)CARE A1+ (26-Mar-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-External Commercial Borrowings	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the company	% holding as on March 31, 2023	Extent of Consolidation	Rationale for consolidation
1	Numaligarh Refinery Ltd	69.63%	Full	These entities are strategically important for OIL's business and have significant operational linkages with OIL.
2	Oil India Sweden AB	100%	Full	
3	Oil India International B.V.	100%	Full	
4	Oil India International Pte Ltd	100%	Full	
5	IndOil Netherlands B.V.	50%	Proportionate	
6	World Ace Investments Limited	50%	Proportionate	
7	Vankor India Pte. Ltd.	33.50%	Proportionate	
8	Taas India Pte. Ltd.	33.50%	Proportionate	
9	HPOIL Gas Pvt Ltd	50%	Proportionate	
10	Assam Petro-Chemicals Ltd	48.79%	Proportionate	
11	Beas Rovuma Energy Mozambique Ltd	40%	Proportionate	
12	Purba Bharati Gas Pvt Ltd.	26%	Proportionate	
13	Suntera Nigeria 205 Ltd	25%	Proportionate	
14	Duliajan Numaligarh Pipeline Ltd	23%	Proportionate	
15	Indradhanush Gas Grid Ltd	20%	Proportionate	
16	Brahmaputra Cracker and Polymer Ltd	10%	Proportionate	

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Name: Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Name: Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Name: Hardik Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Name: Krunal Pankajkumar Modi Associate Director **CARE Ratings Limited** Phone: +91-79-4026 5614 E-mail: krunal.modi@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in