Oil India Limited

July 18, 2024

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	7,408.83 (Enhanced from 2,797.03)	CARE AAA; Stable	Reaffirmed
Long-term/Short-term bank facilities	3,859.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	2,059.45 (Enhanced from 1,836.45)	CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Oil India Limited (OIL) continue to factor in its majority ownership by the Government of India (GoI), its strategic importance to 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) and 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 GoI. The subsidiaries/associates of OIL are strategically important to OIL due to their presence across the hydrocarbon value chain. List of entities consolidated is 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 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 holds 56.66% equity stake as on June 30, 2024. OIL is 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 8% of India's natural gas production in FY24 (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 northeast region, OIL plays a crucial role in the implementation of GoI policies in the oil & gas sector, with presence across hydrocarbon value chain.

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

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 domestic reserves (2P) base of 876 million barrel of oil equivalent (MMBOE) of natural gas and 496 MMBOE of crude oil, as on March 31, 2024, with exploration rights over 63 blocks (five are non-operating) in India with an area of ~64,000 square kilo metre. Furthermore, the company has been effectively replenishing reserves marked by Reserve Replacement Ratio (RRR) which had consistently remained above unity over the years till FY23. While the company's RRR stood at 0.97x in FY24, the company has plans to increase its focus on E&P front going forward. Apart from the domestic reserves, OIL has 10 international projects spread over Russia, Africa (Mozambique, Gabon, Libya & Nigeria), Venezuela and Bangladesh comprising of four exploration blocks, two development blocks and four production blocks. OIL had crude oil and natural gas overseas reserves (2P) of 173 MMBOE and 131 MMBOE respectively, as on March 31, 2024.

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. In FY24, the company drilled 61 wells (17 exploratory wells and 44 development) which was the highest since inception.

Presence across the hydrocarbon value chain

From an E&P player, OIL has gradually expanded its operations in refining and petrochemicals thereby making its 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 5.50 MMTPA. As a part of its refinery expansion plan, it is building a 1,640 km long crude oil pipeline of 6 MMTPA from Paradip, Odisha to Numaligarh, Assam and crude oil import terminal at Paradip, Odisha.

Apart from this, OIL has strategic investments across the value chain in various entities engaged in petrochemicals, natural gas pipeline and city gas distribution network through associates and joint ventures (JVs). OIL also holds 5.16% equity stake in Indian Oil Corporation Ltd as on March 31, 2024. It operates renewable energy with an installed capacity of 188 MW (174 MW in wind power and 14 MW in solar power) as on March 31, 2024. The company also has established 100 KW green hydrogen pilot plant in Assam.

Healthy operating performance and profitability

The company's consolidated total operating income (TOI) declined by 10% in FY24 to ₹32,466 crore on account of lower realization of crude oil, natural gas, and petroleum products on the back of normalisation of its prices coupled with decline in throughput of NRL (-19% yoy) primarily on account of maintenance shutdown in Q1FY24. The decline in the revenue was partially offset by an increase in volume sales of crude oil and natural gas. The consolidated profit before interest, lease rentals, depreciation and taxation (PBILDT) margin declined to 38.51% from 45.04% in FY23 on the back of the decline in product realisation and lower refining margin in the petroleum products. Notwithstanding the decline, the company continues to enjoy a strong profitability margin. OIL's healthy consolidated profitability is aided by efficient cost structure with production cost of around 35 USD/bbl in E&P business and 50% exemption on excise duty payable in refining business.

The Numaligarh refinery, with 3 MMTPA capacity and a nelson complexity index of 9.61, reported throughput of 2.50 MMT (3.09 MMT in FY23) and gross refining margins of USD 13.17/bbl in FY24 (USD 19.86/bbl in FY23; USD 14.33/bbl in FY22). The gross refining margin, which had witnessed a substantial increase in FY23 on the back of higher transportation fuel cracks, witnessed a decline in FY24, with normalisation in the cracks.

Comfortable financial risk profile

OIL's comfortable financial risk profile is marked by overall gearing of 0.46x as on March 31, 2024 (March 31, 2023 – 0.45x), and total debt/PBILDT of 1.92x in FY24 (FY23: 1.16x). Decline in the profitability coupled with increase in debt for funding the ongoing expansion of the Numaligarh refinery led to moderation in the total debt/PBILDT. 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, the company's overall gearing and total debt/PBILDT are expected to remain below 0.70x and 2.00x 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 two and half decades in the field of geosciences. Mr Ashok Das, Director (Human Resources) & Additional Charge of Director (Finance), has over more than three decades of industry experience and has played a pivotal role in shaping OIL's human resource functions. Mr Pankaj Kumar Goswami, Director (Operations), has more than three decades of experience in oil & gas production activities at Assam and Assam-Arakan Basin in northeast India.

Liquidity: Strong

OIL's liquidity is strong marked by healthy cash accruals against term debt repayment obligations along with free cash and mutual fund investments of around ₹6,611 crore as on March 31, 2024. The company has refinanced its scheduled repayment of the bonds of USD 500 million (~₹4,199 crore), due in April 2024 with ECB loans, and there are no other scheduled repayments in FY25. The utilisation of OIL's fund-based working capital limits was nil for twelve months ended June 2024. Further, with an overall gearing of 0.46x as on March 31, 2024, 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 and 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 among others.

Large capex requirements

OIL needs to incur substantial quantum of routine capex in E&P business whereas the returns from the capex incurred could remain longer. OIL incurred E&P capex of around ₹5,900 crore in FY24 (FY23: ~₹5,500 crore), which was funded through internal accruals. To achieve target of 4 MMTPA crude oil and 5 BCMPA natural gas production, OIL's E&P capex intensity is expected to remain higher going forward. The same, though, is expected to be funded through internal accruals.
The subsidiary, NRL is undertaking refinery capacity expansion 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 December 2025. 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 March 31, 2024, the company has spent capex of around ₹14,000 crore and availed term debt of ₹8,000 crore. Besides, NRL also plans to set up 360 KTPA Polypropylene plant at a cost of ~₹7,000 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's 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 company's cash flows. 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 among others, 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 the government imposes 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 minimise greenhouse gas emissions. Additionally, the company is focusing on energy efficiency measures, optimising 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, in FY23, it had minimal Lost Time Injury Frequency Rate (LTIF) of 0.143. During the year under review, the company spent ₹123 crore towards CSR projects.
Governance	The Board of the company comprises of 7 directors including 2 nominee directors from the administrative ministry i.e. Ministry of Petroleum & Natural Gas (MoPNG) and 2 independent directors which includes 1 woman director. The Board of Directors, through its committees, oversees the ESG initiatives and performance.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Government Support
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

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 JV 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 June 30, 2024. It was awarded Navratna status in 2010 and later 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 Consolidated Financials (₹ crore)	FY23 (A)	FY24 (Abridged)
Total operating income	36,097	32,466
PBILDT	16,258	12,504
PAT	9,854	6,980
Overall gearing (times)	0.45	0.46
Interest coverage (times)	18.05	12.98

A: Audited; Classified as per CARE Ratings' 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: Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	440.00	CARE AAA; Stable
Fund-based - LT-External commercial borrowings	-	-	#May 2025 May 2026 May 2027 April 2029	6,968.83	CARE AAA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	3,859.00	CARE AAA; Stable /CARE A1+
Non-fund-based - ST-Bank guarantee	-	-	-	623.00	CARE A1+
Non-fund-based - ST-Bank guarantee	-	-	-	1,436.45	CARE A1+

Bullet repayment in May 2025, May 2026, May 2027, and April 2029

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 2024-2025	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
1	Fund-based - LT-Cash credit	LT	440.00	CARE AAA; Stable	-	1)CARE AAA; Stable (27-Feb-24)	1)CARE AAA; Stable (30-Dec-22)	1)CARE AAA; Stable (04-Oct-21)
2	Non-fund-based - ST-Bank guarantee	ST	623.00	CARE A1+	-	1)CARE A1+ (27-Feb-24)	1)CARE A1+ (30-Dec-22)	1)CARE A1+ (04-Oct-21)
3	Non-fund-based - ST-Bank guarantee	ST	1,436.45	CARE A1+	-	1)CARE A1+ (27-Feb-24)	1)CARE A1+ (30-Dec-22)	1)CARE A1+ (04-Oct-21)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	3,859.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (27-Feb-24)	1)CARE AAA; Stable / CARE A1+ (30-Dec-22)	1)CARE AAA; Stable / CARE A1+ (04-Oct-21)
5	Fund-based - LT-Term loan	LT	-	-	-	-	1)Withdrawn (30-Dec-22)	1)CARE AAA; Stable (04-Oct-21)
6	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (30-Dec-22)	1)CARE A1+ (04-Oct-21)
7	Fund-based - LT-External Commercial Borrowings	LT	6,968.83	CARE AAA; Stable	-	1)CARE AAA; Stable (27-Feb-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of 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 entities consolidated

Sr No	Name of the entity	Extent of Consolidation	Rationale for consolidation
1	Numaligarh Refinery Ltd	Full	These entities are strategically important for OIL's business and have significant operational linkages with OIL.
2	Oil India Sweden AB	Full	
3	Oil India International B.V.	Full	
4	Oil India International Pte Ltd	Full	
5	IndOil Netherlands B.V.	Proportionate	
6	World Ace Investments Limited	Proportionate	
7	Vankor India Pte. Ltd.	Proportionate	
8	Taas India Pte. Ltd.	Proportionate	
9	HPOIL Gas Pvt Ltd	Proportionate	
10	Assam Petro-Chemicals Ltd	Proportionate	
11	Beas Rovuma Energy Mozambique Ltd	Proportionate	
12	Northeast Gas Distribution Company Limited	Proportionate	
13	Purba Bharati Gas Pvt Ltd.	Proportionate	
14	Suntera Nigeria 205 Ltd	Proportionate	
15	Duliajan Numaligarh Pipeline Ltd	Proportionate	
16	Indradhanush Gas Grid Ltd	Proportionate	
17	Brahmaputra Cracker and Polymer Ltd	Proportionate	
18	Assam Bio Refinery Private Limited	Proportionate	

Note on complexity levels of rated instrument: CARE Ratings Ltd. has classified instruments rated by it based on complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications

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About us:

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