

January 11, 2016

CARE ASSIGNS 'CARE AAA' AND 'CARE A1+' RATINGS TO THE BANK FACILITIES OF OIL INDIA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	200.00	CARE AAA (Triple A)	Assigned
Short-term Bank Facilities	2,402.03	CARE A1+ (A One Plus)	Assigned
Total	2,602.03 (Rupees Two Thousand Six Hundred Two crore and Three lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Oil India Limited (OIL) derive strength from the company's long track record of operation in the Exploration & Production (E&P) sector, its robust infrastructure and proven technical capabilities, presence across the hydrocarbon value chain and strong financial risk profile marked by high profitability and strong liquidity. The rating also considers the majority ownership of OIL by Government of India (GoI) and its strategic importance to GoI as well as the experienced and professional management.

The ratings, however, remain exposed to regulatory risk and inherent risks in the E&P business.

Going forward, effective replacement of extinguishing reserves, maintaining capital structure and outcome of Government of Assam's claim related to royalties/taxes would be the key rating sensitivities.

Background

OIL (CIN No L11101AS1959GOI001148) 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 and later became 50:50 joint venture (JV) among BOC and GoI. In 1981, it became a wholly-owned GoI enterprise and came out with an IPO in 2009.

OIL, a Navratna PSU, is engaged in exploration, development and production of crude oil and natural gas, transportation of crude oil and production of LPG. OIL also provides various E&P related services and holds 26% equity in Numaligarh Refinery Ltd (NRL) which is operating a 3 million metric tonnes per annum (MMTPA) refinery at Numaligarh (Assam).

During FY15 (Audited; refers to the period April 1 to March 31), OIL reported a PAT of Rs.2,510 crore (PY: Rs.2,981 crore) on the total income of Rs.11,020 crore (PY: Rs.11,215 crore). During H1FY16 (unaudited; refers to period from April 1 to September 30), OIL's total income stood at Rs.5,414 crore (PY: Rs.4,841 crore) and the company posted PAT of Rs.1,450 crore (PY: Rs.1,460 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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