

OCTOBER 17, 2016

CARE REAFFIRMS THE RATINGS TO THE BANK FACILITIES OF OIL INDIA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	200	CARE AAA [Triple A]	Reaffirmed
Short-term Bank Facilities	2,402.03	CARE A1+ (A One Plus)	Reaffirmed
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) continue to derive strength from the majority ownership of OIL by Government of India (GoI) and its strategic importance to GoI as well as the experienced and professional management along with long track record of operations. The ratings also consider the 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 ratings, however, remain exposed to regulatory risk and inherent risks in the E&P business.

Going forward, consistent increase in output as well as effective replacement of extinguishing reserves, large capital expenditure or acquisition and its corresponding funding 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 FY16 (Audited; refers to the period April 1 to March 31), OIL reported a PAT of Rs.2,330 crore (PY: Rs.2,510 crore) on the operating income of Rs.9,765 crore (PY: Rs.9,748 crore). During Q1FY17 (unaudited; refers to period from April 1 to Jun 30), OIL's operating income stood at Rs.2,221 crore (PY: Rs.2,883 crore) and the company posted PAT of Rs.494 crore (PY: Rs.743 crore).

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

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

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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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