



Corporate Finance Assignment

Financial Analysis of the Company
(Oil India Ltd.)

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History of the Company

Oil India Limited (OIL) a Navratna PSU is a fully integrated Exploration & Production (E&P) company in the upstream sector. Besides having a Pan-India presence OIL has Participating Interest in blocks in over nine countries overseas. The company also has a stake in Numaligarh Refinery Limited and Brahmaputra Cracker and Polymer Limited.

The company's history spans the discovery of crude oil in the far east of India at Digboi, Assam in 1889 to its present status as a fully integrated upstream petroleum company. It became a Public Sector Undertaking in 1981. Govt. owns 67.64% and Central Public Sector Enterprises (IOCL, BPCL & HPCL) own 8.9%

Oil India Ltd was incorporated as a private limited company on February 18 1989 as Oil India Pvt Ltd. The name of the company was changed from Oil India Pvt Ltd to Oil India Ltd with effect from May 4 1961.

In July 1961 the company was transformed into an equal partnership joint venture company between Burmah Oil Ltd and President of India. Also, they commissioned a gas-based power plant at Duliajan in Assam.

In the year 1981 the equity shares of the company held by Burmah Oil Company Ltd were transferred to the President of India in which the company became a wholly owned Government company

In the year 2000 the company acquired 12.35% equity stake in Numaligarh Refinery Ltd. In the year 2004 the company was upgraded to schedule 'A' category. Also, they acquired 25% equity stake in Suntera Nigeria 205 Ltd. In October 2006 the company entered into a joint venture agreement with Gail Numaligarh Refinery Ltd and the Government of Assam and incorporated Brahmaputra Cracker and Polymer Ltd to establish a gas-based cracker project at Lepatkata Assam in which the company holds 10% equity stake. They increased their equity shares in Numaligarh Refinery Ltd from 12.35% to 26%.

Oil India Limited was conferred the Navratna status by the Government of India in April 2010. The Board of Directors of Oil India Limited at its meeting held on 11 February 2012 recommended the issue of bonus.

In 2009, Oil India IPO opens for subscription.

In 2010, OIL granted Navratna status and it has been producing 10,000 tons of oil a day and also with other Indian Oil PSUs sign JV agreement for \$20 billion Carabobo-1 Project in Venezuela. In 2011, Oil India signs biofuels R&D pact with Energy and Resources Institute and OIL donated Rs 50 lakh to CM's Relief Fund. In 2012, Adani group, Oil India inked an agreements to bid BG group in Gujarat Gas Co Ltd (GGCL). It also achieved highest production oil, natural gas. **Oil India had given the Bonus in the Ratio of 3:2.**

In 2013, OIL plans to spend Rs 12,000 crore in North East for business expansion, diversification and it has expanded its presence in the renewable energy sector with successful commissioning of 54 MW wind turbine power plant in Rajasthan. In OIL declared final dividend of 70%.

Oil India Bonus Issue History

<u>Date</u>	<u>Ratio</u>
29-Mar-18	01:02
13-Jan-17	01:03
31-Mar-12	03:02

Competitor Analysis

<u>Company</u>	<u>Price</u> <u>(In Rs)</u>	<u>CHG</u> <u>(%)</u>	<u>Mkt Cap</u> <u>(Rs Cr)</u>	<u>Sales</u> <u>(Rs Cr)</u>	<u>Profit</u> <u>(Rs Cr)</u>	<u>EPS</u> <u>(Rs)</u>	<u>P/E</u> <u>(x)</u>
<u>O N G C</u>	159.55	1.66	200718.37	27694.09	8262.70	22.72	7.02
<u>Oil India</u>	185.35	0.32	20099.54	3514.03	1233.45	33.80	5.48

ONGC's net Sales and PAT is better than OIL while EPS and P/E is better for OIL so, OIL is capable of generating a significant dividend for investors, a high ratio indicates a potentially worthwhile investment, depending on the market price of the stock and also it indicates that investors expect higher earnings.

Projects taken up - events like IPO and its price

Oil india IPO Details

Issue Open	Sep 7, 2009 - Sep 10, 2009
Issue Type	Book Built Issue IPO
Issue Size	26,449,982 Eq Shares of Rs 10 (aggregating up to Rs 2,777.25 Cr)
Face Value	Rs 10 Per Equity Share
Issue Price	Rs 950 - Rs 1050 Per Equity Share
Market Lot	6 Shares
Min Order Quantity	6 Shares
Listing At	BSE, NSE

Dividends and Coupon rate provided by the Company

Capital Structure

During the year, 4,49,12,000 equity shares were bought back by the Company in June, 2017 resulting in decrease in paid up share capital of the Company by 4,49,12,000 shares. As a result, the post buy-back, paid-up capital of the Company was Rs 756.60 crore divided into 75,66,02,607 shares of Rs 10/- each, with 66.13% as holding of the Government. Subsequently, the Company approved issue of bonus shares in the ratio of

1:2 (one bonus shares for two existing shares held) in March, 2018. Accordingly, 37,83,01,304 bonus shares were allotted to the shareholders on 3 April, 2018

Based on the provisional financial data trend, your Company paid interim dividend @140% (pre bonus capital) amounting to Rs 1,059.25 crores for the year 2017-18. The Board of Directors are now pleased to recommend a final dividend @10% post bonus paid up capital for the financial year 2017-18, subject to the approval of the shareholders at the 59 Annual General Meeting.

Ex-Dividend Date	Dividend (%)	Dividend Type
21-Feb-19	85	Interim
12-Sep-18	10	Final
21-Feb-18	140	Interim
14-Sep-17	47.5	Final
13-Feb-17	95	Interim

Dividend Summary

For the year ending March 2018, Oil India has declared an equity dividend of 150.00% amounting to Rs 15 per share. At the current share price of Rs 185.45 this results in a dividend yield of 8.09%. The company has a good dividend track report and has consistently declared dividends for the last 5 years.

Dividend Declared

Effective Date	Dividend Type	Dividend (%)	Remarks
21-02-2019	Interim	85	Rs.8.5000 per share (85%) Interim Dividend
12-09-2018	Final	10	Rs.1.0000 per share (10%) Final Dividend
21-02-2018	Interim	140	Rs.14.0000 per share (140%) Interim Dividend
14-09-2017	Final	47.5	Rs.4.7500 per share (47.5%) Final Dividend
13-02-2017	Interim	95	Rs.9.5000 per share (95%) Interim Dividend.

Coupon Price Provided

Moody's rating for OIL INDIA LTD. bond is Baa2.

Bond (XS1056232322)

The Oil India Ltd.-Bond has a maturity date of 4/17/2024 and offers a coupon of 5.3750%. The payment of the coupon will take place 2,0 times per biannual on the 17.10. At the current price of 107.07 USD this equals a annual yield of 3.92%. The Oil India Ltd.-Bond was issued on the 4/17/2014 with a volume of 500 M. USD.

BONDS OF OIL INDIA LTD.			
ISIN	MATURITY	COUPON	YIELD
XS1932866079	02-04-2029	5.13%	4.43%
XS1057074871	4/17/2019	3.88%	3.34%

Exchange FSE			
KEY DATA			
Coupon in %	5.38%	Yield in %	3.92%
Duration	4.4026	Modified Duration	4.3179
Accrued Interest	2.4336	Currency	USD
BOND DATA			
ISIN	XS1056232322		
Name	OIL INDIA 14/24		
Country	India		
ISSUEANCE			
Issuer	Oil India Ltd.		
Issue Volume	50,00,00,000		
Currency	USD		
Issue Price			
Issue Date	4/17/2014		
COUPON			
Coupon	5.38%		
Denomination	1000		
Quotation Type			
Payment Type	regular interest		
Special Coupon Type			
Maturity Date	4/17/2024		
Coupon Payment Date	4/17/2019		
Payment Frequency			
No. of Payments per Year	2,0		
Coupon Start Date	10/17/2014		
Final Coupon Date	4/16/2024		
Floater?	No		

Revenue & Profitability

During the year, OIL has earned total revenue of Rs 12,140.64 crore as against Rs 11,191.07 crore in the previous year 2016-17.

The **profit before tax (PBT)** in the year 2017-18 was Rs 3,709.80 crore against PBT of Rs 2,146.32 crore in the previous year. The profit after tax (PAT) was Rs 2,667.93 crore in the financial year 2017-18 against Rs 1,548.68 crore in the previous year. The profit increased mainly due to higher crude price realisation and rise in crude oil production.

The profits for the financial year 2017-18 in comparison to previous year display steep increase mainly due to payment of differential royalty of Rs 1,151.73 crore on crude oil for the period from February, 2014 to March, 2016, as per Govt. directives which had adverse impact on the profits of the Company in financial year 2016-17.

The operating profit margin of the Company for financial year 2017-18 was 20.89%. After adjusting the finance cost related to investments in overseas projects, the operating profit margin for the year is 23.97%.

The average price realisation of crude oil for the Company was USD 55.72/bbl in the financial year 2017-18 against USD 47.36/bbl. in the previous year. The average natural gas price was USD 2.69/MMBtu in the year 2017-18 against USD 2.78/MMBtu in the previous year. The INR/USD exchange rate was ` 64.45 in the year 2017-18 against ` 67.07 in the previous year.

Balance Sheet Analysis

OIL INDIA LTD. Balance Sheet as on March 2018

No. of Months Year Ending		12 Mar-17*	12 Mar-18*	% Change
Net worth	Rs m	295,194	290,300	-1.7
Current Liabilities	Rs m	85,402	43,762	-48.8
Long-term Debt	Rs m	89,475	106,898	19.5
Total Liabilities	Rs m	512,343	486,345	-5.1
Current assets	Rs m	118,930	85,084	-28.5
Fixed Assets	Rs m	124,440	133,085	6.9
Total Assets	Rs m	512,343	486,345	-5.1

OIL INDIA LTD. Balance Sheet Analysis

- The company's current liabilities during FY18 down at Rs 44 billion as compared to Rs 85 billion in FY17, thereby witnessing an decrease of -48.8%.
- Long-term debt stood at Rs 107 billion as compared to Rs 89 billion during FY17, a growth of 19.5%.
- Current assets fell 28% and stood at Rs 85 billion, while fixed assets rose 7% and stood at Rs 133 billion in FY18.
- Overall, the total assets and liabilities for FY18 stood at Rs 486 billion as against Rs 512 billion during FY17, thereby witnessing a fall of 5%.

Income Statement Analysis

OIL INDIA LTD. Income Statement 2017-18

No. of Months Year Ending		12 Mar-17*	12 Mar-18*	% Change
Net Sales	Rs m	95,664	106,978	11.8%
Other income	Rs m	14,198	10,101	-28.9%
Total Revenues	Rs m	109,861	117,078	6.6%
Gross profit	Rs m	31,205	39,275	25.9%
Depreciation	Rs m	11,804	13,266	12.4%
Interest	Rs m	4,406	5,537	25.7%
Profit before tax	Rs m	29,193	30,573	4.7%
Tax	Rs m	6,955	11,245	61.7%
Profit after tax	Rs m	15,966	27,346	71.3%
Gross profit margin	%	32.6	36.7	
Effective tax rate	%	23.8	36.8	
Net profit margin	%	14.5	23.4	

OIL INDIA LTD. Income Statement Analysis

- Operating income during the year rose 11.8% on a year-on-year (YoY) basis.
- The company's operating profit increased by 25.9% YoY during the fiscal. Operating profit margins witnessed a rise and up at 36.7% in FY18 as against 32.6% in FY17.
- Depreciation charges increased by 12.4% and finance costs decreased by 25.7% YoY, respectively.
- Other income declined by 28.9% YoY.
- Net profit for the year grew by 71.3% YoY.
- Net profit margins during the year grew from 14.5% in FY17 to 23.4% in FY18.

Cash Flow Statement Analysis

OIL INDIA LTD. Cash Flow Statement 2017-18

Particulars		12 Mar-17	12 Mar-18	% Change
Cash Flow from Operating Activities	Rs m	31,139	39,331	26.3%
Cash Flow from Investing Activities	Rs m	-61,393	14,601	-
Cash Flow from Financing Activities	Rs m	27,580	-57,000	-
Net Cash Flow	Rs m	68	124	81.6%

OIL INDIA LTD. Cash Flow Statement Analysis

- OIL INDIA LTD.'s cash flow from operating activities (CFO) during FY18 stood at Rs 39 billion, an improvement of 26.3% on a YoY basis.
- Cash flow from investing activities (CFI) during FY18 stood at Rs 15 billion on a YoY basis.
- Cash flow from financial activities (CFF) during FY18 stood at Rs -57 billion on a YoY basis.
- Overall, net cash flows for the company during FY18 stood at Rs 124 million from the Rs 68 million net cash flows seen during FY17.

Per Share Data/Valuations Analysis

Per Share Data/Valuations

No. of Months Year Ending		12 Mar-17*	12 Mar-18*
Sales per share	Rs	119.4	141.4
TTM Earnings per share	Rs	19.9	36.1
Diluted earnings per share	Rs	19.9	34.1
Price to Cash Flow	x	6.7	4.6
TTM P/E ratio	x	5.1	5.1
Price / Book Value ratio	x	1.1	0.8
Market Cap	Rs m	150,123	150,127
Dividends per share (Unadj.)	Rs	9.5	14.0

Current Valuations for OIL INDIA LTD.

- The trailing twelve-month earnings per share (EPS) of the company stands at Rs 36.1, an improvement from the EPS of Rs 19.9 recorded last year.
- The price to earnings (P/E) ratio at the current price of Rs 187.3, stands at 5.1 times its trailing twelve months earnings.
- The price to book value (P/BV) ratio at current price levels stands at 0.8 times, while the price to sales ratio stands at 2.1 times.
- The company's price to cash flow (P/CF) ratio stood at 4.6 times its end-of-year operating cash flow earnings.

Key Ratio Analysis

Key Ratio Analysis

No. of Months Year Ending		12 Mar-17*	12 Mar-18*
Current ratio	x	1.4	1.9
Debtors' Days	Days	39	48
Interest coverage	x	7.6	6.5
Debt to equity ratio	x	0.3	0.4
Return on assets	%	4.0	6.8
Return on equity	%	5.4	9.4
Return on capital employed	%	7.1	11.1

Ratio Analysis for OIL INDIA LTD.

- **Solvency Ratios**

Current Ratio: The company's current ratio improved and stood at 1.9x during FY18, from 1.4x during FY17. The current ratio measures the company's ability to pay short-term and long-term obligations.

Interest Coverage Ratio: The company's interest coverage ratio deteriorated and stood at 6.5x during FY18, from 7.6x during FY17. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.

- **Profitability Ratios**

Return on Equity (ROE): The ROE for the company improved and stood at 9.4% during FY18, from 5.4% during FY17. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

Return on Capital Employed (ROCE): The ROCE for the company improved and stood at 11.1% during FY18, from 7.1% during FY17. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.

Return on Assets (ROA): The ROA of the company improved and stood at 6.8% during FY18, from 4.0% during FY17. The ROA measures how efficiently the company uses its assets to generate earnings.

Share Price Performance Analysis

OIL INDIA LTD. Share Price Performance

Over the last one year, OIL INDIA LTD. share price has moved up from Rs 349.1 to Rs 187.3, registering a loss of Rs 161.8 or around 46.3%.

Meanwhile, the S&P BSE OIL & GAS Index is trading at Rs 12,316.1 (down 11.4%). Over the last one year it has moved down from 15,150.5 to 12,316.1, a loss of 2,834 points (down 18.7%).

Overall, the S&P BSE SENSEX is up 9.6% over the year.