

July 26, 2017

Oil India Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Long Term Fund Based	200.00	[ICRA]AAA (Stable); Reaffirmed
Short-Term Non-Fund Based Limits	2102.30	[ICRA]A1+; Reaffirmed
Total	2302.30	

*Issuer did not co-operate; Based on best available information.

^Instrument Details captured under Annexure-1

Rating action

ICRA has reaffirmed its long term rating of [ICRA]AAA (pronounced ICRA triple A) with stable outlook assigned to the Rs 200.00 crore¹ long term fund based facilities of Oil India Limited (OIL)². ICRA has also reaffirmed its short term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to the Rs 2102.30 crore short term non-fund based limits of OIL.

Rationale

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with PRPL, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA]AAA(Stable)/[ICRA]A1+ ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

Key rating drivers

Credit strengths

- Competitive cost structure, with the company's finding and development (F&D) cost being on a par with that of global majors; advantage arising out of access to superior infrastructure and restricted operations in a few basins
- Favourable reserve replacement track record; new oil & gas finds likely to drive future business growth
- Strong financial position, characterised by robust profitability, low gearing, large liquid investments, comfortable debt protection metrics, and high financial flexibility
- High financial flexibility for large overseas acquisitions considering high cash and bank balances
- Significant sovereign ownership and strategic importance to country's energy security

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

- Geographical concentration risk and relatively small size of operations
- Geological, technology and execution risks inherent in exploration and production (E&P) activities, especially in areas outside the North-East, where the company proposes to increase its activity
- Regulatory risk arising from Government policies on subsidy sharing and sales tax/transportation tariff recovery
- Aggressive overseas expansion strategy, which may entail significant geological, geo-political and event risks
- Large capital expenditure plans for domestic and overseas operations. Besides, debt-funded overseas acquisitions are expected to lead to higher gross gearing level; however, in view of large liquid investments, net debt and gearing levels may continue to be low

Description of key rating drivers:

The ratings reflect the strong operating performance of OIL, as evident from its competitive cost structure and favourable reserve replacement track record; its currently favourable financial risk profile, as characterised by robust profitability, comfortable capital structure and large liquid investments; its strategic importance to the energy security of India and the significant sovereign ownership. ICRA notes that OIL has major expansion plans, including overseas expansion strategy, which could entail significant geological, geo-political and event risks. The risks are heightened by the relatively small size of the current operations of OIL and the limited diversification in its existing production activities, which are largely concentrated in the country's North-East basins. ICRA, nevertheless, draws comfort from OIL's stated policy of tying up with other state-owned companies like Indian Oil Corporation Limited (IOC) for its expansion overseas and the three-tier approval process of the Government of India (GoI). The under recovery burden was nil in FY2017 and is likely to remain nil till gross crude realisations of ~US\$60/bbl. Going ahead, ICRA expects the financial risk to remain low considering its low gearing level, large liquid investments and robust internal accruals. However, the scale of the investment plans of OIL and the funding strategy adopted for the same are expected to have a critical bearing on its business and financial risk profile in the future.

Analytical approach: *For arriving at the ratings, ICRA has applied its rating methodologies as indicated below*

Links to applicable criteria:

Upstream Oil Companies

Corporate Credit Rating Methodology

About the company:

OIL is a GoI undertaking that is engaged primarily in the businesses of oil and natural gas exploration and production. Established in 1889 as Burma Oil Company, it was one of the earliest E&P companies in the world. GoI acquired 50% of the shareholding in Burma Oil Company in 1959 and the balance in 1981. GoI currently holds a 67.64% stake in OIL. PSU Oil Marketing Companies (IOCL, BPCL and HPCL) also hold 8.9% stake in OIL. The company accounted for 9% of the domestic crude oil and 9% of the domestic natural gas production in FY2017. With its track record of over one century, OIL has built modest proved reserves, primarily in the onshore regions of Assam, Arunachal Pradesh and Rajasthan. Besides having independent operations in its three producing basins, OIL has participating interests in 39 blocks and is the operator in 33 of these blocks. OIL also has an overseas presence with stakes in blocks spread over the US, Venezuela, Russia, Mozambique, Libya, Gabon, Yemen, Nigeria, Bangladesh and Myanmar and a pipeline project in Sudan. Further, the company has a 26% equity stake in Numaligarh Refinery Limited (NRL), a stand-alone refinery in the North-East and 10% stake in Brahmaputra Cracker

and Polymer Limited (BCPL). Besides, OIL has interests in crude oil and product pipelines spreading in primarily north eastern region of the country.

During FY2017, OIL reported an operating income of Rs. 9566 crore and a net profit of Rs. 1597 crore (against operating income of Rs. 9821 crore and a net profit of Rs. 2080 crore during FY2016).

Key Financial Indicators (Audited)

	FY2015	FY2016
Operating Income (Rs. crore)	10,011	9,937
PAT (Rs. crore)	2,485	1,815
OPBDIT/ OI (%)	37%	37%
RoCE (%)	14%	11%
Total Debt/ TNW (times)	0.41	0.45
Total Debt/ OPBDIT (times)	2.42	2.81
Interest coverage (times)	10.50	9.91
NWC/ OI (%)	19%	26%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating FY2018			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				July 2017	July 2016	-	Jan 2015
1	Fund Based Limits	Long Term	200.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	[ICRA]AAA (Stable)
2	Non-Fund Based Limits	Short Term	2102.30	[ICRA]A1+	[ICRA]A1+	-	[ICRA]A1+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Long-Term Fund Based Limits				200.00	[ICRA]AAA (Stable)
Short-Term Non-Fund Based Limits				2102.30	[ICRA]A1+

Source: Oil India Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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