

ONGC –Results above estimates

CMP:	Rs.278
Target Price:	Rs 339
Recommendation:	Buy

Stock Info

BSE Group	A
BSE Code	500312
NSE Symbol	ONGC
Bloomberg	ONGC.IN
Reuters	ONGC.BO
BSE Sensex	17563
NSE Nifty	5284

Market Info

Market Capital	Rs.2,37,543cr
Equity Capital	Rs.4279 cr
Avg. Trading Vol.	4133726
52 Wk High/ Low	349/227
Face Value	Rs.5

Shareholding Pattern (%) (30th Sep 2011)

Govt of India	74.1
Domestic Institutions	7.0
Foreign Institutions	5.2
Non Promoters Corp.	-
Public & Others	13.7

■ Topline grew 24% yoy

ONGC reported 24% yoy jump in 2QFY12 top-line to Rs 22925cr. The numbers were better than our estimates (Rs 20990cr), largely on account of higher realisations during the quarter. ONGC's net realisation grew 33% to \$ 83.7/bbl against \$ 62.3/bbl last year. ONGC produced 6.8mn tonne of crude oil during the quarter while its sales were at 5.8mn tonne. On natural gas front, production was 6.4bcm while sales were at 5.1bcm.

■ EBITDA margins jumps 170bps yoy

ONGC's EBITDA margin during the quarter jumped 170bps yoy to 63.1% as a result of higher net realisation and lower operating cost. On sequential basis also margins improved by 590bps as under recoveries declined 53% qoq. Total under recoveries during the quarter stood at Rs 5713cr compared to Rs 12046cr during 1QFY12. It is to be noted here that ONGC's share in total upstream under recoveries was at 80% compared to 83% in 1QFY12.

■ PAT jumps 60.4% yoy

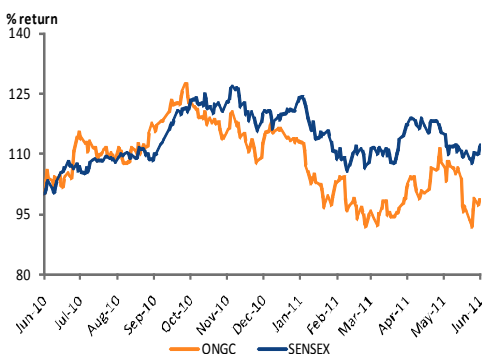
ONGC reported 60% yoy jump in profit after tax to Rs 8642cr aided by higher realisation and other income (up 25% yoy) and lower depreciation charge. Depreciation charge was lower due to 100% depreciation of some assets those were capitalised last year.

■ Valuations:

We expect ONGC's net oil and gas realizations to remain healthy as global crude oil prices to remain at elevated level. Depreciation of rupee will further aid the realisations. **Also, after "stagnant decade" in terms of production ramp-up ONGC will bring to production various clusters of its marginal fields on the western offshore in the next two years. It would add 6 MMT/yr of oil and 12-15mmscmd of gas per day to ONGC's current production and will drive the profitability going forward.** At CMP of Rs 278, the stock is trading at 8.7x and 8.3x its estimated EPS for FY12E & FY13E. **We recommend Buy rating on the stock with a price target of Rs 339.**

Financials

Y/E March, (₹ in Cr)	FY10	FY11	FY12E	FY13E
Net Revenue	107027	121929	134788	150622
EBIDTA	50222	67174	62889	67774
PAT	19404	22456	27099	28315
EPS	22.6	27.8	31.7	33.1
RONW (%)	18.5	20.4	16.9	19.7
P/E (X)	5.5	9.7	8.7	8.3
EV/EBITDA(X)	5.8	4.9	4.6	3.9



**2QFY12 Results (Consolidated)**

Rs in Crore	2QFY12	2QFY11	YoY (%)	1QFY11	QoQ (%)
Net Sales	22925	18430	24.4	16199	41.5
Expenditure	8457	7108	19.0	6932	22.0
EBITDA	14469	11322	27.8	9267	56.1
EBITDA Margins (%)	63	61		57.2	
Other Income	1133	906	25.0	930	21.8
Interest	7	1	617.6	4	63.3
Depreciation	3278	4400	-25.5	4123	-20.5
Exceptional Items (Loss)	0	0	-	-	-
PBT after exceptional items	12317	7827	57.4	6070	102.9
Tax	3675	2438	50.7	1976	86.0
Tax rate (%)	30	31		33	-9.6
PAT after extraordinary items	8642	5389	60.4	4095	111.0
Net Profit Margin (%)	38	29		25.3	



Profit & Loss Account of ONGC (consolidated)				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
Total Income	107027	121929	134788	150622
YoY%	-2.3	19.8	9.6	11.7
Operating Exp	56805	67439	71890	82848
EBITDA	50222	55495	62889	67774
YoY%	4.1	10.1	13.3	7.8
Finance Cost	502	437.4	676	1011
depreciation	18719	15950	17750	17888
Provisions	600	671	764	883
Adjustments	-40	-	-	-
PBT	30441	38321	43708	47992
Tax	10714	14562	16609	19677
PAT	19404	23759	27099	28315
YoY%	-2.1	22.4	14.1	4.5

Cash Flow Statement of ONGC (Consolidated)				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
PAT	19404	23759	27099	28315
Depreciation	18719	15950	17750	17888
Change in WC	1896	1649	-1860	-8913
Others	324	205	316	348
(A)Operating cash flow	40018	41357	42989	37291
Investment	-1679	622	0	0
Capex & maintenance	-31326	-29200	-30000	-30000
Others	316	-	-	-
Cash flow from Invest.(B)	-32690	-28578	-30000	-30000
Dividend Paid+tax	-8258	-8005	-8005	-8005
Change in loan	266	-115	1365	3715
Financial Cash flow [c]	-7992	-8120	-6640	-4290
Cash & cash equi.(A+B+C)	-663	4660	7092	3001
Opening cash	15633	15633	15633	15633
Closing Cash	14970	20293	21982	18634

Balance sheet of ONGC (Consolidated)				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
Sources of Funds:				
Equity Capital	2,139	4,278	4,278	4,278
Reserves	99,267	111049	125,600	139,209
Shareholder's Equity	101,406	115327	129,878	143,487
Minority interest	1,643	2002	2002	2002
Total Debt	6266	6291	7516	11231
Deferred Tax Liability	10308	11153	11153	11153
Liability for abandonment cost	17459	198850	19850	19850
Total Liabilities	137081	154623	170398	187722
Application of Funds:				
Net fixed asset	93093	120426	122509	128504.0
CWP (Net)	17603	10328	19226	21642
Investment	5159.3	3356	3356	3356
Deferred Tax asset	16	-	-	-
Current asset	50566	58932	68410	79363
Current liability	30198	39125	43899	45938
Net current asset	20369	19807	24511	33425
Miscellaneous Exp.	841.3	796.1	796.1	796.1
Total Asset	137082	154623	170398	187722

Key Ratios (Consolidated)				
Y/E March (Rs Cr)	FY10	FY11	FY12E	FY13E
Per Share data (Rs)				
EPS	22.6	27.8	31.7	33.1
Cash EPS	35.6	44.8	51.1	56.1
DPS	34	32	32	32
Book value	118.5	136.2	151.8	167.7
Operating, Returns Ratio				
Debt/ Equity (X)	0.06	0.05	0.06	0.08
Current Ratio (X)	1.7	1.5	1.5	1.6
ROE (%)	19.1	20.4	20.9	19.7
ROCE (%)	36.6	36.5	37.7	36.8
Dividend Yield (%)	2.6	2.5	2.5	2.5
Valuation Ratio (X)				
P/E	5.9	9.7	8.5	8.1
P/BV	2.3	2.0	1.8	1.6
EV/ Sales	2.9	2.5	2.3	2.1
EV/EBITDA	5.5	4.6	4.3	3.8



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Stock Rating Scale

Absolute Return

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
REDUCE	:	< 5%

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