

Result Update

October 8, 2009

Rating matrix

Rating	:	Outperformer
Target	:	Rs. 456
Target Period	:	12-15 months
Potential Upside	:	35%

Key Financials (Rs Crore)

	FY08	FY09	FY10E	FY11E
Net Sales	574.3	871.3	1307.4	1502.8
EBITDA	221.5	352.2	531.5	576.3
Net Profit	92.7	192.7	232.7	270.2

Valuation summary

	FY08	FY09	FY10E	FY11E
EPS (Rs)	21.1	43.9	53.0	61.6
PE (x)	16.0	7.7	6.4	5.5
Target PE (x)	21.6	10.4	8.6	7.4
EV to EBITDA (x)	9.9	9.8	6.1	5.1
Price to book (x)	2.2	1.7	1.4	1.1
RoNW (%)	13.8	22.4	21.4	20.0
RoCE (%)	12.5	10.9	14.9	16.1

Stock data

Market Capitalisation	Rs 1483.8 crore
Debt (FY09)	Rs 2071.2 crore
Cash (FY09)	Rs 103.4 crore
EV	Rs 3451.6 crore
52 week H/L	508/88
Equity capital	Rs 43.9 Crore
Face value	Rs. 10
MF Holding (%)	8.7
RI Holding (%)	5

Price movement (Stock vs. Nifty)



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Shiv Vani Oil & Gas (SHIVAN)

Rs 339

WHAT'S CHANGED...

PRICE TARGET	Changed from Rs 367 to Rs 456
EPS (FY10E)	Changed from Rs 45.9 to Rs 53
EPS (FY11E)	Changed from Rs 61.2 to Rs 61.6
RATING.....	Unchanged

Good performance...

Shiv Vani Oil has reported strong Q2FY10 results with topline growth of 70.8% YoY to Rs 319.8 crore and bottomline growth of 18.5% YoY to Rs 56.4 crore. The EBITDA increased by 52.2% YoY from Rs 90.8 crore in Q2FY09 to Rs 138.2 crore in Q2FY10. However, net profit growth was lower on account of higher interest and depreciation costs. The company has a robust order book of Rs 3900 crore with execution period of ~2.5 years. We continue to maintain our OUTPERFORMER rating on the back of a robust profit outlook for the next two years.

■ Highlights for the quarter

Traction in project execution has led to a 70.8% YoY rise in sales from Rs 187.2 crore in Q1FY09 to Rs 319.8 crore in Q2FY10. The company has 30 rigs fully under operations in the current quarter. More rigs are expected to come under operation in the coming quarters. Depreciation charges increased on the back of more rigs coming under operation while interest costs also increased on account of higher debt for funding capital expenditure. Shiv Vani reported a net profit growth of 18.5% YoY from Rs 47.6 crore in Q2FY09 to Rs 56.4 crore in Q2FY10. The company has bid for tenders worth Rs ~3,000 crore and would consider equity dilution for capital expansion if it bags orders for some of the above tenders.

Valuations

Shiv Vani's current order book of ~Rs 3900 crore to be executed over the next ~2.5 years has improved its visibility, going forward. Traction in execution has also improved the fundamentals of the company. The stock is currently trading at 5.5x FY11E EPS of Rs 61.6 and at an EV/EBITDA multiple of 5.1x FY11E. We have valued Shiv Vani at 6x FY11E EV/EBITDA and rate the stock as OUTPERFORMER with a price target of Rs 456.

Exhibit 1: Key Financials

	(Rs Crore)	Q2FY10	Q2FY09	Q1FY10	YoY Gr.(%)	QoQ Gr.(%)	YTD FY10
Net Sales		319.8	187.2	281.2	70.8	13.8	601.0
EBITDA		138.2	90.8	113.7	52.2	21.6	251.9
EBITDA Margin (%)		43.2	48.5	40.4	-10.9	6.9	41.9
Depreciation		27.1	10.7	21.8	153.2	24.6	48.9
Interest		40.8	17.5	34.8	133.0	17.3	75.6
Reported PAT		56.4	47.6	42.1	18.5	34.0	98.4
EPS (Rs)		12.8	10.8	9.6	18.5	34.0	22.4

Source: Company, ICICIdirect.com Research

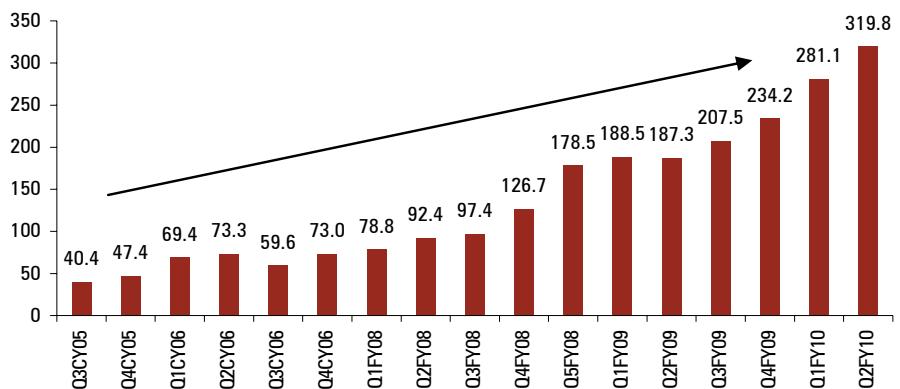
Result Analysis

■ Robust project execution

Shiv Vani has achieved robust improvement in its performance on account of traction in the order execution. Net sales have increased by 70% YoY to Rs 319.8 crore in Q2FY10. In the current quarter, there were 30 rigs under operations, which are expected to improve the sales performance on account of more rigs coming on stream in the coming quarters.

Exhibit 2: Growth in net sales

(Rs Crore)



Steady growth in project execution

Source: Company, ICICIdirect.com Research

■ Records EBITDA of Rs 138.2 crore

Shiv Vani has reported an EBITDA growth of 52.2% YoY and 21.6% QoQ to Rs 138.2 crore in Q2FY10. The company has maintained an EBITDA margin of 43.2% in the current quarter. We expect a marginal decline in the margins ahead on account of higher operating costs. We expect Shiv Vani to report an EBITDA of Rs 531.5 crore and Rs 576.3 in FY10E and FY11E, respectively.

■ Net profit grows 18.5% YoY

The net profit growth was lower compared to sales on account of higher interest and depreciation costs YoY, which increased by 133% and 153.2%, respectively. The depreciation costs increased to Rs 27.1 crore at 8.5% of net sales in Q2FY10 as against 5.7% in Q2FY09 on account of the increase in the number of rigs. Increase in loan funds to fund the capex plans also increased the interest costs to Rs 40.8 crore in Q2FY10. Interest costs increased from 9.4% of net sales in Q2FY09 to 12.8% in Q2FY10. Shiv Vani reported net profit of Rs 56.4 crore in Q2FY10.

Exhibit 3: Common size profit and loss account

	Q2FY09	Q2FY10
Net Sales	100.0	100.0
EBITDA	48.5	43.2
Depreciation	5.7	8.5
Interest	9.4	12.8
Other income	0.2	0.5
PBT	33.6	21.8
Tax	7.1	4.8
PAT	25.4	17.6

Source: Company, ICICIdirect.com Research

Valuation

Shiv Vani's current order book of ~Rs 3900 crore to be executed over the next ~2.5 years has improved its visibility, going forward. Traction in execution has also improved the fundamentals of the company. Shiv Vani has bid for tenders worth Rs ~3,000 crore and would consider equity dilution for capital expansion if it bags orders for some of the above tenders. The stock is currently trading at 5.5x FY11E EPS of Rs 61.6 and at an EV/EBITDA multiple of 5.1x FY11E. We have valued Shiv Vani at 6x FY11E EV/EBITDA and rate the stock as **OUTPERFORMER** with a price target of Rs 456.

Exhibit 4: Valuation Table

Year	Sales (Rs Crore)	Sales Gr. (%)	EPS (Rs)	EPS Gr. (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	871.3	51.7	43.9	107.5	7.7	9.8	22.4	10.9
FY10E	1307.4	50.1	53.0	20.8	6.4	6.1	21.4	14.9
FY11E	1502.8	14.9	61.6	16.1	5.5	5.1	20.0	16.1

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Outperformer (OP): 20% or more;

Performer (P): Between 10% and 20%;

Hold (H): $\pm 10\%$ return;

Underperformer (U): -10% or more;

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