Angel Securities
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Event Update | Oil & Gas

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# Oil Price Deregulation

## On the path of reforms


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In a meeting held on Friday, June 25, 2010, the Empowered Group of Ministers (EGoM) took a major policy decision on the country's retail fuel pricing. After long deliberation for more than a year, the EGoM has freed the price of petrol from the government's control. On an immediate basis, petrol price has increased by Rs3.7/litre. Diesel prices has been also increased by Rs2/litre and are to be deregulated in a phased manner. However, no timeline for the decontrol has been mentioned. In the cooking fuel segment, domestic LPG prices has been increased by Rs35/cylinder, and kerosene price by Rs3/litre. However, cooking fuels will continue to be subsidised.

While the announcement of petrol deregulation is in line with our expectation, the announcement of the deregulation of diesel prices and increase in prices of kerosene and domestic LPG has surprised us positively. However, absence of (1) the timeline of the diesel price deregulation, (2) the frequency of change in petrol price and (3) pricing limit (band) for petrol price takes some sheen off the decision.

We were also pinning hopes on the announcement of the subsidy-sharing formulae; however, the absence of the same has left us a bit disappointed, as it makes it difficult to judge the beneficiaries of the move.

All said, we believe the policy change is a significant step in the right direction and has come as a positive surprise for PSU oil companies, viz. ONGC, OIL India, GAIL, IOC, HPCL and BPCL. In case of upstream companies, we were already building in the proposed moves and the same was reflected in higher-than-consensus EPS estimates for ONGC and GAIL.

We believe downstream oil companies are likely to be key beneficiaries of the deregulation on the following counts:

- Reduction in overall subsidies to manageable limits
- Subdued outlook on crude oil prices
- Improved profitability situation of upstream companies post the APM gas price hike, enables them to bear a relatively higher subsidy burden
- Government efforts towards divestment in IOC

**Thus, we believe, while the move is likely to benefit downstream oil marketing companies, the same is likely to be neutal for upstream oil companies.**

### Valuation Summary

| Companies | CMP | Target | Reco | Mkt Cap | EPS | | P/E | | P/B | | EV/EBITDA (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rs) | Price | | (Rs cr) | FY2011E | FY2012E | FY2011E | FY2012E | FY2011E | FY2012E | FY2011E | FY2012E |
| ONGC | 1,304 | 1,356 | Neutral | 278,973 | 114.6 | 123.3 | 11.4 | 10.6 | 2.4 | 2.1 | 4.7 | 4.3 |
| GAIL | 473 | 580 | Buy | 60,031 | 30.3 | 35.2 | 15.6 | 13.4 | 3.1 | 2.6 | 10.6 | 8.3 |
| HPCL | 433 | - | Not Rated | 14,664 | 47.3 | 48.4 | 9.1 | 8.9 | 1.2 | 1.1 | 5.4 | 5.0 |
| BPCL | 642 | - | Not Rated | 23,225 | 48.1 | 60.4 | 13.4 | 10.6 | 1.4 | 1.3 | 10.5 | 7.1 |

*Source: Angel Research*

## Broad counters of the move

*On an immediate basis, petrol price has gone up by Rs3.7/litre (~7%). Similarly, the government has increased diesel price by Rs2/litre (~5%). The price of domestic LPG has been increased by Rs35/cylinder (~11%), and kerosene price has increased by Rs3/litre (~33%).*

**Petrol price deregulated; Diesel (to be deregulated) and cooking fuel prices also hiked:** In the EGoM meeting held on June 25, 2010, the government has decided to increase the prices of all subsidised petro products. The government has also deregulated petrol prices. This will, in turn, permit oil marketing companies (OMCs) to fix the price of petrol on a market determined basis. On an immediate basis, petrol price has gone up by Rs3.7/litre (~7%). Similarly, the government has increased diesel price by Rs2/litre (~5%) and has proposed to deregulate diese pricel in the future. However, no timeline for the decontrol has been mentioned. In the cooking fuel segment, domestic LPG price has been increased by Rs35/cylinder (~11%), and kerosene price has been increased by Rs3/litre (~33%).

Prices of petrol and diesel were last increased in February 2010, while prices of LPG and kerosene were previously revised in January 2009 and April 2002, respectively. Post the price hikes, retail selling prices of petrol, diesel, LPG and kerosene in Mumbai will increase to Rs55.4/litre, Rs41.6/litre, Rs347/cylinder and Rs12/litre, respectively.

**Exhibit 1: Revised vs. old prices of subsidised petro products**

| Particulars | Old prices (Rs/litre, Rs/cyl) | New prices (Rs/litre, Rs/cyl) | Inc. in prices (Rs/litre, Rs/cyl) | Hike (USD/bbl) |
|---|---|---|---|---|
| Petrol | 51.7 | 55.4 | Rs ~3.7 | 12.8 |
| Diesel | 39.6 | 41.6 | Rs ~2.0 | 6.8 |
| Kerosene | 9.0 | 12.0 | Rs 3.0 | 10.3 |
| Domestic LPG | 312.0 | 347.0 | Rs ~35 | 4.6 |

*Source: Government of India, Angel Research*

*The announcement of petrol deregulation is in line with our expectation, the announcement of the deregulation of diesel and increased prices of kerosene and domestic LPG have surprised us positively*

While the announcement of petrol deregulation is in line with our expectation, the announcement of the deregulation of diesel and increased prices of kerosene and domestic LPG have surprised us positively. However, absence of (1) the timeline of the diesel price deregulation, (2) the frequency of change in petrol price and (3) pricing limit (band) for petrol price takes some sheen off the decision.

We were also pinning hopes on the announcement of the subsidy-sharing formulae; however, the absence of the same has left us a bit disappointed, as it makes it difficult to judge the beneficiaries of the move. Although the current reforms are positive in nature, they in themselves are not adequate and need to be followed by the deregulation of diesel prices coupled with announcement of the subsidy-sharing mechanism.

## EGoM decision in sink with Kirit Parekh Committee's recommendation

Relative to the recommendation of the Kirit Parikh committee, decisions taken by the EGoM seem to be inadequate as the increase in kerosene and domestic LPG prices is less than that proposed by the Kirit Parekh Committee. The deregulation of diesel prices in a phased manner is contrary to the complete deregulation recommended by the committee. We believe the government has marginally increased prices, considering the possible political fallout in case the prices were increased significantly.

However, we believe government has done enough on the recommendations of Kirit Parekh Committee. Moreover, if the recommendation of the Kirit Parikh committee would have been accepted in totality, under recoveries would have come down drastically. Significantly lower under recoveries along with cash subsidy of Rs20,000cr to be provided by the government would have resulted in a reduction subsidy-sharing burden for ONGC, OIL and GAIL to the levels of around Rs1,600cr-2,000cr. Thus, we were not anticipating any increase in the retail prices of kerosene and domestic LPG.

**Exhibit 2: Oil reforms-Key proposals of Kirit Parekh Committee, EGoM's decision and Impact analysis**

| Proposal | Kirit Parekh Committee | EGoM decision | Impact analysisfu |
|---|---|---|---|
| Pricing of petrol | Prices of petrol should be deregulated | Petrol prices deregulated | Positive for marketing operations of OMCs, upstream segment and private retailers |
| Pricing of diesel | Prices of diesel should be deregulated | Diesel prices hiked by Rs2/litre with a promise to deregulate the same in future | Positive for marketing operations of OMCs, upstream segment and private retailers |
| Pricing of kerosene | Prices of the kerosene to be increased by Rs6/litre, subsidy on kerosene to be restricted to BPL families and delivered through smart cards/UID project in the future | Kerosene prices hiked by Rs3/litre, UID project to address the deliverability issue | Lower-than-recommended price hike for kerosene; however, better-than-market expectations |
| Pricing of Domestic LPG | Prices of the domestic LPG to be increased by Rs100/cylinder | Prices of the domestic LPG increased by Rs35/cylinder | Lower-than-recommended price hike for domestic LPG |
| Subsidy on LPG and kerosene | Cap on subsidy on domestic LPG and kerosene of Rs20,000cr to be borne by the government | No mention of the same | Absence of the subsidy-sharing formulae |

*Source: Kirit Parekh committee report, Angel Research*

## Impact of the EGoM decision on under recoveries

After incorporating the EGoM's decision, under recoveries in the sector are expected to reduce by around 29% to Rs54,516cr for FY2011E from the earlier estimate of Rs77,213cr.

**Exhibit 3: Change in under recoveries on account of EGoM's decision for FY2011E**

| Particulars | Pre price revision (Rs cr) | Post price revision (Rs cr) | % change |
|---|---|---|---|
| HSD | 27,602 | 16,465 | (40) |
| MS | 6,923 | 1,731 | (75) |
| **Total auto fuels** | **34,525** | **18,196** | **(47)** |
| LPG | 20,772 | 18,125 | (13) |
| Kerosene | 21,917 | 18,196 | (17) |
| **Total cooking fuels** | **42,688** | **36,320** | **(15)** |
| **Total under recoveries** | **77,213** | **54,516** | **(29)** |

*Source: Angel Research*

The government's move to increase petro products' prices will also affect under recoveries in FY2012E. However, the amount of under recoveries in FY2012E is likely to be contingent on the deregulation of diesel prices or otherwise; this would lead to two scenarios:

**If diesel prices are deregulated by FY2012E:** The government has not provided the roadmap of the deregulation of diesel prices. However, we believe the same is contingent on headline inflation numbers going ahead. Given the expectation of moderation in inflation numbers, we foresee decontrol of diesel prices by the end of FY2011E.

**Exhibit 4: Under recoveries for FY2012E (in case of diesel prices are deregulated)**

| Particulars (Rs cr) | FY2012E |
|---|---|
| HSD | - |
| MS | - |
| **Total auto fuels** | **-** |
| LPG | 20,738 |
| Kerosene | 22,151 |
| **Total cooking fuels** | **42,890** |
| **Total under recoveries** | **42,890** |

*Source: Angel Research*

**Government continues to control diesel prices:** If the government is unable to increase diesel prices going ahead, under recovery in diesel will continue to exist. Thus, in addition to a subsidy on cooking fuels, there will be a subsidy on diesel as well. This will result in overall under recoveries of Rs55,118cr (in line with the subsidies expected in FY2011E).

**Exhibit 5: Under recoveries for FY2012E (in case of diesel prices are not deregulated)**

| Particulars (Rs cr) | FY2012E |
|---|---|
| HSD | 12,228 |
| MS | - |
| **Total auto fuels** | **12,228** |
| LPG | 20,738 |
| Kerosene | 22,151 |
| **Total cooking fuels** | **42,890** |
| **Total under recoveries** | **55,118** |

*Source: Angel Research*

However, given the likely softening of inflation going ahead, we believe the government will deregulate diesel prices. This will reduce under recoveries to manageable levels. In our view, the government will share 50% of the total under recoveries under the scenario, while upstream companies will be asked to share the remaining (50%). Thus, downstream companies will not be required to share the subsidy burden going ahead. Our estimates are factoring similar subsidy-sharing mechanism in the picture, which in turn results in ONGC reporting net realisations of around US$58-60/bbls and EPS of around Rs120-125/share.

## Key issues to watch out in the near future

**Time for deregulation of diesel:** While the EGoM has deregulated petrol prices, we believe the key event to watch out for going ahead will be the timeframe to deregulate diesel prices. Under recoveries on petrol are less than 10% of the overall under recoveries, the same on diesel are higher at 20% (on account of higher sales volume). Thus, the timeframe regarding the deregulation of diesel must be known for better clarity.

### Exhibit 6: Subsidy burden over the years

| Particulars (Rs cr) | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|
| Brent prices(US$/bbl) | 29 | 42 | 58 | 64 | 82 | 85 | 85 |
| Subsidies on PDS kerosene | 3800 | 9,480 | 14,384 | 17,883 | 19,102 | 28,200 | 17,364 |
| % of total | 40.9 | 47.1 | 36.0 | 36.2 | 24.8 | 27.2 | 37.7 |
| Domestic LPG | 5500 | 8,362 | 10,246 | 10,701 | 15,523 | 17,800 | 14,257 |
| % of total | 59.1 | 41.5 | 25.6 | 21.7 | 20.1 | 17.2 | 31.0 |
| **Cooking fuel** | **9,300** | **17,842** | **24,630** | **28,584** | **34,625** | **46,000** | **31,621** |
| **% of total** | **100** | **89** | **62** | **58** | **45** | **44** | **69** |
| Diesel | - | 2,154 | 12,647 | 18,776 | 35,166 | 52,300 | 9,279 |
| % of total | | 10.7 | 31.6 | 38.0 | 45.6 | 50.5 | 20.1 |
| Motor Spirit | - | 150 | 2,723 | 2,027 | 7,332 | 5,200 | 5,151 |
| % of total | | 0.7 | 6.8 | 4.1 | 9.5 | 5.0 | 11.2 |
| **Transport fuel** | **-** | **2,304** | **15,370** | **20,803** | **42,498** | **57,500** | **14,430** |
| **% of total** | **-** | **11** | **38** | **42** | **55** | **56** | **31** |
| **Total under recoveries** | **9,300** | **20,146** | **40,000** | **49,387** | **77,123** | **103,500** | **46,051** |

*Source: PPAC, Angel Research*

**Subsidy-sharing mechanism going ahead:** We believe that possible deregulation will certainly have some effect on the position of under recoveries going ahead. However, the possible beneficiary of price deregulation still needs to be ascertained. The likely beneficiaries will be determined on the basis of the subsidy-sharing structure between the various stakeholders, viz. the government (via cash subsidy), upstream companies (discount on crude and products sold) and OMCs. However, the subsidy-sharing arrangement is based on the paying capacity of the companies involved, which is further contingent on the overall subsidy level and level of crude oil prices.

**Exhibit 7: Ad-hoc subsidy-sharing mechanism**

| Particulars (Rs cr) | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
|---|---|---|---|---|---|---|---|
| Oil bonds | - | - | 11,500 | 24,100 | 35,300 | 71,292 | 26,000 |
| % of total subsidy | - | - | 28.8 | 48.8 | 45.8 | 68.9 | 56.5 |
| Upstream companies | 3,200 | 5,900 | 16,700 | 20,700 | 25,700 | 32,208 | 14,430 |
| % of total subsidy | 34.4 | 29.3 | 41.8 | 41.9 | 33.3 | 31.1 | 31.3 |
| Borne by OMCs | 6,100 | 14,246 | 11,800 | 4,587 | 16,123 | - | 5,621 |
| % of total subsidy | 65.6 | 70.7 | 29.5 | 9.3 | 20.9 | - | 12.2 |
| **Total under recoveries** | **9,300** | **20,146** | **40,000** | **49,387** | **77,123** | **103,500** | **46,051** |

*Source: Company, Angel Research*

*The absence of definite free pricing bands acts as an overhang. However, we believe the move is unlikely to pose a major concern for OMCs given our subdued outlook on crude oil prices going ahead*

Historically, the subsidy burden-sharing trend seems to be missing with the subsidy between various parties shared in an ad-hoc manner (based on the paying capacity of the various parties involved). For instance, the share of OMCs has fluctuated between 0-71%. Thus, there exists the risk of proportion of subsidy burden sharing in favour of the government at the expense of oil PSUs, which could lead to downside in stock price of companies uder consideration.

**Definitive price band for petrol:** The absence of definite free pricing bands acts as an overhang over the deregulation process. We expect government to provide further details over the free pricing mechanism of petrol. However, we believe the move is unlikely to pose a major concern for OMCs given our subdued outlook on crude oil prices going ahead.

## Deregulation of retail prices - On a firm footing

*In FY2002, the government gave limited freedom to the OMCs to revise retail prices within a band of +/-10% of the mean of rolling average of the last 12 month's and the last 3 month's international C&F prices*

This is not the first attempt by the government to deregulate petroleum product prices. In April 2002, in an attempt to phase out subsidy on petroleum products, the government dismantled the administered pricing mechanism (APM), paving the way for free pricing mechanism for petrol and diesel, while prices of kerosene and LPG were still kept under the regulator's purview. At that time, the government gave limited freedom to OMCs to revise retail prices within a band of +/-10% of the mean of rolling average of the last 12 month's and the last 3 month's international C&F prices. In case of breach of the band, the matter had to be taken up with the Ministry of Finance for modulation in excise duty rates. Oil companies were given some freedom to determine the prices based on the international petroleum market. However, the euphoria of dismantling was short-lived. When crude prices started to increase in 2004 and oil companies wanted to pass on the same, the government's interference halted the free pricing of petrol and diesel in June 2004. Thus, the past record of implementation of the pricing reforms has not been very impressive.

In such a scenario, the key concern that is likely to emerge is how long the current deregulation work. Leaving apart political compulsions, we see a strong possibility of market-based pricing of petrol and diesel likely to evolve going ahead. The key arguments in favour of the same are:

*We expect crude oil prices to average US$75/bbls in FY2011E and FY2012E*

**Subdued outlook on crude prices:** We expect crude oil prices to be range-bounded in the near future, on account of relatively subdued demand outlook in OECD countries, along with growth in production of NGL by OPEC countries. On account of the same, we expect crude oil prices to average US$75/bbls in FY2011E and FY2012E. Considering the same, the required changes in the price of petrol and diesel will not be significant. Though there is no mention of the pricing band as was the case in erstwhile dismantling of APM, we believe the government is likely to provide pricing freedom to OMCs until US$90/bbls (thus providing a tentative pricing freedom of 15% from the current crude levels).

**Headroom for further reforms:** Even if crude oil prices were to register a significant increase, we believe the government has certain levers in the form of reduction in excise and custom duty to address the situation of under recoveries. Moreover, the recent statement by the petroleum minister also seems to suggest that the government will also discuss the issue of the high state tax on petroleum products. Any favourable development on the issue could widen the headroom available for further corrective measures in the event of spiraling increases in crude oil prices. Also a clear policy of subsidy in high oil price environment would be positive.

## Impact of deregulation on OMCs

We believe downstream oil companies (HPCL, BPCL and IOC) are likely to be key beneficiaries of the deregulation on the following counts:

- **Reduction in overall subsidies to manageable limits:** On account of the EGoM's recommendation regarding the deregulation of petrol price coupled with the proposed deregulation of diesel price and increase in kerosene and domestic LPG prices, the overall subsidies are likely to subside to manageable limits.
- Subdued outlook on crude oil prices
- Improved profitability situation of upstream companies post the APM gas price hike, enables them to bear a relatively higher subsidy burden
- Government efforts towards divestment in IOC

HPCL, on an average, has traded at 1.15 times P/B in the last five years. We expect further re-rating of the P/B multiple going forward, contingent of deregulation of the diesel prices. At the expected book value of Rs405/share in FY2012E and assigning a P/B multiple of 1.15x, we have arrived at a fair value of Rs465 for HPCL. Thus, at the CMP, the stock provides an upside of 7.4%. **We do not have rating HPCL at the current juncture.**

We expect BPCL to report EPS of Rs60.4 in FY2012E . At the expected book value of Rs481.2/share in FY2012E and assigning a P/B multiple of 1.3x, we have arrived at a core business value of Rs625/share and ascribing Rs75/share to the E&P business of the company, we arrive at a fair value of Rs700/share for BPCL. Thus, at the CMP, the stock provides an upside of 9%. We believe in this case the risk-reward ratio is skewed in favour of the return. **We do not have rating on BPCL at the current juncture.**

### Exhibit 8: Key Financials - BPCL

| Y/E March (Rs cr) | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **135,252** | **123,817** | **131,001** | **152,760** |
| *% chg* | *22.1* | *(8.5)* | *5.8* | *16.6* |
| **Net Profits** | **634** | **1,632** | **1,740** | **2,184** |
| *% chg* | *(66.8)* | *157.4* | *6.6* | *25.5* |
| OPM (%) | 2.9 | 2.4 | 2.9 | 3.1 |
| **EPS (Rs)** | **17.5** | **45.1** | **48.1** | **60.4** |
| P/E (x) | 36.6 | 14.2 | 13.4 | 10.6 |
| P/BV (x) | 1.0 | 1.6 | 1.4 | 1.3 |
| RoE (%) | 4.6 | 11.4 | 11.2 | 13.1 |
| RoCE (%) | 6.7 | 6.7 | 7.6 | 10.3 |
| EV/Sales (x) | 0.3 | 0.3 | 0.3 | 0.2 |
| EV/EBITDA (x) | 9.4 | 13.8 | 10.5 | 7.1 |

*Source: Company, Angel Research*

### Exhibit 9: Key Financials - HPCL

| Y/E March (Rs cr) | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **124,752** | **107,637** | **111,134** | **109,186** |
| *% chg* | *19.1* | *(13.7)* | *3.2* | *(1.8)* |
| **Net Profits** | **575** | **1,301** | **1,605** | **1,641** |
| *% chg* | *(49.3)* | *126.3* | *23.3* | *2.3* |
| OPM (%) | 2.3 | 2.4 | 3.5 | 3.8 |
| **EPS (Rs)** | **17.0** | **38.4** | **47.3** | **48.4** |
| P/E (x) | 25.5 | 11.3 | 9.1 | 8.9 |
| P/BV (x) | 1.4 | 1.3 | 1.2 | 1.1 |
| RoE (%) | 5.4 | 11.7 | 13.3 | 12.5 |
| RoCE (%) | 5.9 | 3.8 | 6.6 | 6.6 |
| EV/Sales (x) | 0.2 | 0.2 | 0.2 | 0.2 |
| EV/EBITDA (x) | 8.2 | 8.2 | 5.4 | 5.0 |

*Source: Company, Angel Research*

## Impact of Auto fuel deregulation on ONGC

*We expect ONGC to report net realisation of around US$60/bbls (in FY2011E and FY2012E) as the large part of the benefit on account of reduction in under recoveries is retained by the government and OMCs*

In case of upstream companies, we were already building in proposed moves, the same was reflected in higher-than-consensus EPS estimates for ONGC. We expect ONGC to report net realisation of around US$60/bbls (in FY2011E and FY2012E) as the large part of the benefit on account of reduction in under recoveries is retained by the government and OMCs. However, in case of ONGC, on the back of reduction in overall under recoveries, the risk associated with variability in earnings estimates of ONGC has reduced to an extent. Therefore, we increase our target multiple for the company from 10x to 11x. At FY2012E EPS of Rs123.3/share, we arrive at a target price of 1356/share for ONGC, resulting in an upside of 3.9% from current levels. **We recommend Neutral rating on ONGC.**

**Exhibit 10: Key Financials - ONGC**

| Y/E March (Rs cr) | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **104,588** | **101,760** | **117,551** | **124,021** |
| *% chg* | *8.1* | *(2.7)* | *15.5* | *5.5* |
| **Net Profits** | **19,795** | **19,404** | **24,505** | **26,372** |
| *% chg* | *(0.4)* | *(2.0)* | *26.3* | *7.6* |
| OPM (%) | 41.3 | 43.7 | 44.9 | 46.1 |
| **EPS (Rs)** | **92.5** | **90.7** | **114.6** | **123.3** |
| P/E (x) | 14.1 | 14.4 | 11.4 | 10.6 |
| P/BV (x) | 3.0 | 2.7 | 2.4 | 2.1 |
| RoE (%) | 23.4 | 20.0 | 22.2 | 20.8 |
| RoCE (%) | 24.5 | 19.4 | 23.3 | 23.3 |
| EV/Sales (x) | 2.5 | 2.5 | 2.1 | 2.0 |
| EV/EBITDA (x) | 6.1 | 5.8 | 4.7 | 4.3 |

*Source: Company, Angel Research*

## Impact of auto fuel deregulation on GAIL

*The Kirit Parikh committee has recommended that there should not be any subsidy burden on GAIL. The move if accepted would be significantly positive for GAIL*

We were also pinning hopes on the announcement of the subsidy-sharing formulae; however, the absence of the same has left us a bit disappointed, as it makes it difficult to judge the beneficiaries of the move. The key decision regarding whether GAIL should be asked to share the subsidy burden or not is also not taken. The Kirit Parikh committee has recommended that there should not be any subsidy burden on GAIL. The committee perceived GAIL to be a distribution company rather than an upstream company. Currently, we continue to build subsidy sharing by GAIL in our estimates. However, the Kirit Parikh committee recommendation if accepted would be significantly positive for GAIL. **We maintain our estimates and recommend a Buy on GAIL with a target price of Rs580.**

**Exhibit 11: Key Financials - GAIL**

| Y/E March (Rs cr) | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **23,776** | **24,996** | **36,672** | **40,840** |
| *% chg* | *32.0* | *5.1* | *46.7* | *11.4* |
| **Net Profits** | **2,804** | **3,140** | **3,843** | **4,466** |
| *% chg* | *7.8* | *12.0* | *22.4* | *16.2* |
| OPM (%) | 17.1 | 18.7 | 15.9 | 17.6 |
| **EPS (Rs)** | **22.1** | **24.8** | **30.3** | **35.2** |
| P/E (x) | 21.4 | 19.1 | 15.6 | 13.4 |
| P/BV (x) | 4.1 | 3.5 | 3.1 | 2.6 |
| RoE (%) | 20.2 | 19.8 | 21.0 | 20.9 |
| RoCE (%) | 21.3 | 22.1 | 21.8 | 22.4 |
| EV/Sales (x) | 2.4 | 2.2 | 1.7 | 1.5 |
| EV/EBITDA (x) | 14.2 | 11.7 | 10.6 | 8.3 |

*Source: Company, Angel Research*

## Private marketers likely to benefit from the deregulation

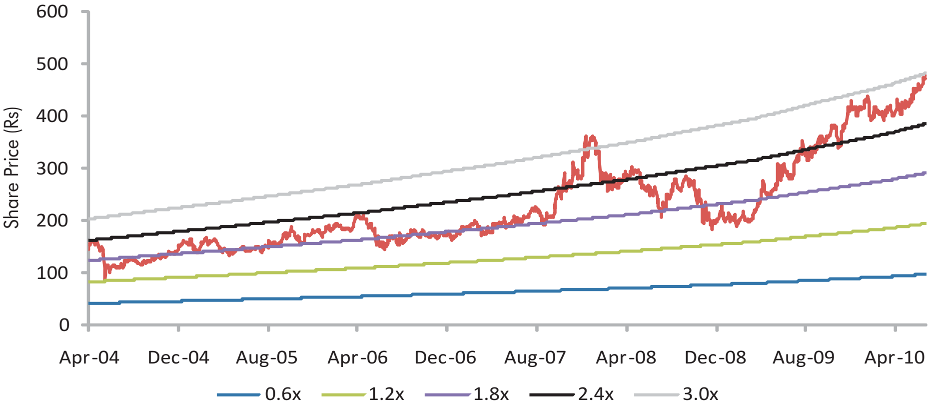
*Reliance Industries (RIL) and Essar (EOL), which had closed down its retail operations on the back of lack of level playing field, are likely to benefit on account of the proposed de-regulation*

We believe the deregulation of auto fuels is likely to result in the re-entry of private players into auto fuel dispensing. Reliance Industries (RIL) and Essar Oil (EOL), which had closed down their retail operations due to lack of a level-playing field, are likely to benefit from the deregulation. EOL has already started to ramp up its entire retail outlet network, with most of it having started and rest about to start. RIL has also started opening its retail outlets, and the company would get more aggressive if the government policy regarding the complete deregulation of diesel prices gets clearer.

*We believe that BPCL due to its overlapping presence with RIL in the highway segment is likely to be most affected on account of increased competition due to de-regulation of the auto fuel prices*

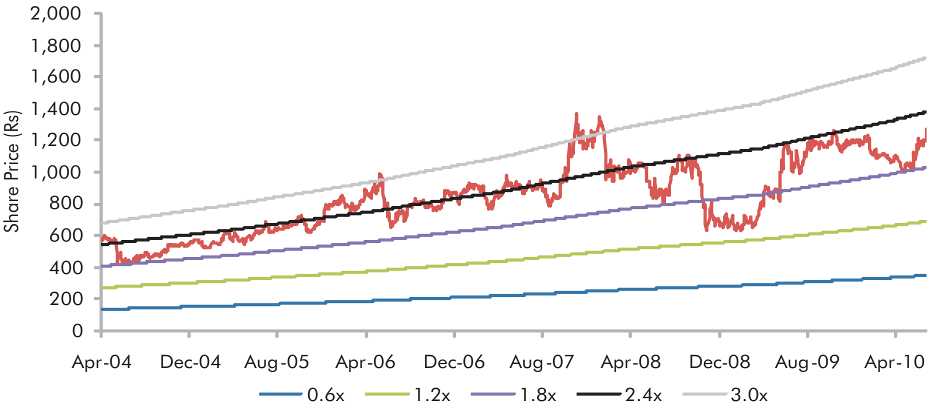
RIL, in particular, could ramp up its retail operations at a much faster pace, as in the past the company was able to ramp up its share in the diesel segment to 14% in three to four years. Given that the company has its retail outlets in place, regaining the lost market share would not take more than two to three quarters. We have not built in the potential impact of the entry of private players in auto fuel dispensing. Thus, there exists a threat of lower sales of petrol and diesel for public sector OMCs. We believe BPCL, due to its overlapping presence with RIL in the highway segment, is likely to be the most affected on account of increased competition due to the deregulation. The committee has also recommended that private marketers should be provided with a subsidy for under recoveries on the sale of cooking fuel. This step, if implemented, would be positive for RIL and EOL. **We maintain a Buy on RIL with a target price of Rs1,260.**

**Exhibit 12: One-Year Forward P/BV of GAIL**



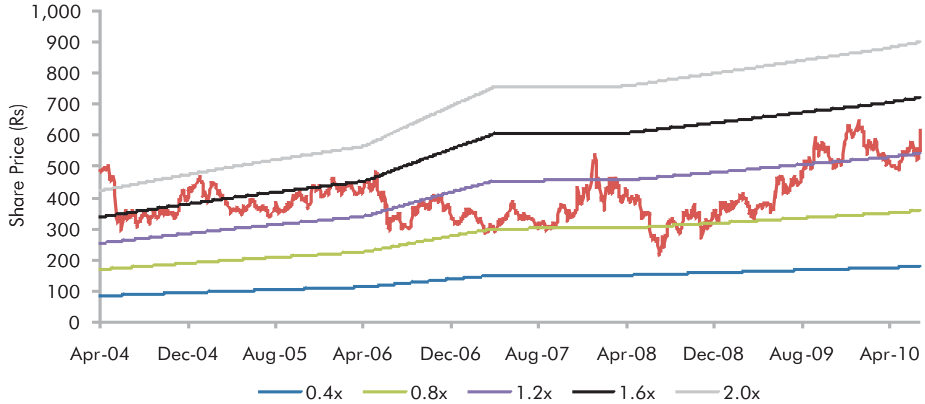

*Source: Company, Angel Research*

**Exhibit 13: One-Year Forward P/BV of ONGC**



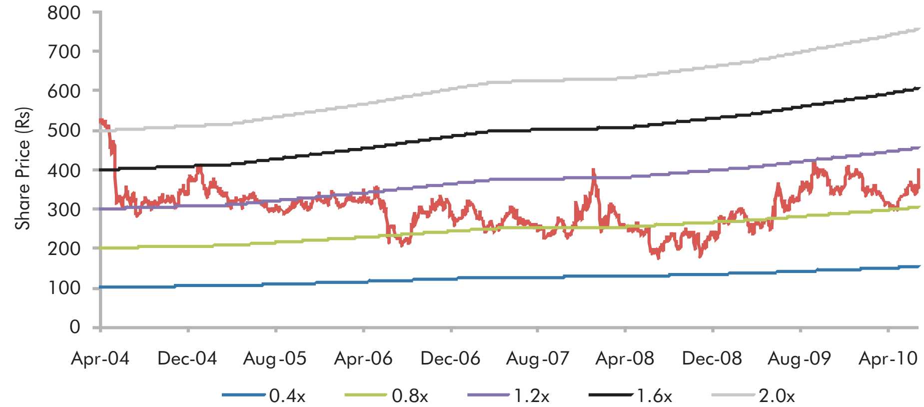

*Source: Company, Angel Research*

**Exhibit 14: One-Year Forward P/BV of BPCL**




*Source: Company, Angel Research*

**Exhibit 15: One-Year Forward P/BV of HPCL**




*Source: Company, Angel Research*

## GAIL

### Profit & Loss Statement (Standalone)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| **Total operating income** | **16,047** | **18,008** | **23,776** | **24,996** | **36,672** | **40,840** |
| *% chg* | | *12.2* | *32.0* | *5.1* | *46.7* | *11.4* |
| Total Expenditure | 13,058 | 14,081 | 19,711 | 20,327 | 30,833 | 33,652 |
| Net Raw Materials | 10,247 | 11,165 | 16,452 | 17,609 | 27,423 | 29,772 |
| Other Mfg costs | 763 | 728 | 870 | 950 | 1,394 | 1,552 |
| Personnel | 293 | 470 | 577 | 621 | 697 | 776 |
| Other | 1,755 | 1,717 | 1,813 | 1,147 | 1,320 | 1,552 |
| **EBITDA** | **2,990** | **3,927** | **4,065** | **4,669** | **5,839** | **7,188** |
| *% chg* | | *31.4* | *3.5* | *14.9* | *25.0* | *23.1* |
| *(% of Net Sales)* | *18.6* | *21.8* | *17.1* | *18.7* | *15.9* | *17.6* |
| Depreciation& Amortisation | 575 | 571 | 560 | 562 | 802 | 903 |
| **EBIT** | **2,414** | **3,356** | **3,505** | **4,107** | **5,037** | **6,285** |
| *% chg* | | *39.0* | *4.4* | *17.2* | *22.6* | *24.8* |
| *(% of Net Sales)* | *15.0* | *18.6* | *14.7* | *16.4* | *13.7* | *15.4* |
| Interest & other Charges | 107 | 80 | 87 | 70 | 133 | 491 |
| Other Income | 545 | 556 | 797 | 541 | 650 | 650 |
| *(% of PBT)* | *19.1* | *14.5* | *18.9* | *11.8* | *11.7* | *10.1* |
| Share in profit of Associates | - | - | - | - | - | - |
| **Recurring PBT** | **2,852** | **3,833** | **4,214** | **4,578** | **5,554** | **6,444** |
| *% chg* | | *34.4* | *9.9* | *8.6* | *21.3* | *16.0* |
| Extraordinary Expense/(Inc.) | (340) | - | - | - | - | - |
| **PBT (reported)** | **3,192** | **3,833** | **4,214** | **4,578** | **5,554** | **6,444** |
| Tax | 813 | 1,254 | 1,400 | 1,439 | 1,711 | 1,978 |
| *(% of PBT)* | *25.5* | *32.7* | *33.2* | *31.4* | *30.8* | *30.7* |
| **PAT (reported)** | **2,379** | **2,580** | **2,814** | **3,140** | **3,843** | **4,466** |
| Add: Share of earnings of associate | - | - | - | - | - | - |
| Less: Minority interest (MI) | - | - | - | - | - | - |
| Prior period items | (8) | (22) | 10 | - | - | - |
| **PAT after MI (reported)** | **2,387** | **2,601** | **2,804** | **3,140** | **3,843** | **4,466** |
| **ADJ. PAT** | **2,727** | **2,601** | **2,804** | **3,140** | **3,843** | **4,466** |
| *% chg* | | *(4.6)* | *7.8* | *12.0* | *22.4* | *16.2* |
| *(% of Net Sales)* | *17.0* | *14.4* | *11.8* | *12.6* | *10.5* | *10.9* |
| **Basic EPS (Rs)** | **18.8** | **20.5** | **22.1** | **24.8** | **30.3** | **35.2** |
| **Fully Diluted EPS (Rs)** | **18.8** | **20.5** | **22.1** | **24.8** | **30.3** | **35.2** |
| *% chg* | | *9.0* | *7.8* | *12.0* | *22.4* | *16.2* |

## Balance Sheet (Standalone)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| SOURCES OF FUNDS | | | | | | |
| Equity Share Capital | 846 | 846 | 1,268 | 1,268 | 1,268 | 1,268 |
| Reserves& Surplus | 10,547 | 12,159 | 13,501 | 15,655 | 18,385 | 21,738 |
| **Shareholders Funds** | **11,393** | **13,005** | **14,770** | **16,924** | **19,653** | **23,006** |
| Minority Interest | - | - | - | - | - | - |
| Total Loans | 1,338 | 1,266 | 1,200 | 1,480 | 5,300 | 5,300 |
| Deferred Tax Liability | 1,319 | 1,320 | 1,326 | 1,390 | 1,435 | 1,480 |
| **Total Liabilities** | **14,049** | **15,590** | **17,296** | **19,794** | **26,388** | **29,786** |
| APPLICATION OF FUNDS | | | | | | |
| Gross Block | 14,933 | 16,958 | 17,604 | 17,904 | 22,904 | 24,404 |
| Less: Acc. Depreciation | 7,478 | 8,025 | 8,554 | 9,115 | 9,917 | 10,820 |
| **Net Block** | **7,454** | **8,933** | **9,050** | **8,789** | **12,987** | **13,584** |
| Capital Work-in-Progress | 1,937 | 817 | 2,426 | 2,688 | 6,188 | 7,688 |
| Goodwill | - | - | - | - | - | - |
| **Investments** | **1,464** | **1,491** | **1,737** | **2,073** | **2,123** | **2,123** |
| Current Assets | 7,746 | 10,410 | 12,237 | 16,623 | 14,096 | 16,088 |
| Cash | 2,660 | 4,473 | 3,456 | 7,081 | 3,733 | 5,439 |
| Loans & Advances | 3,710 | 4,237 | 6,621 | 7,606 | 7,606 | 7,606 |
| Other | 1,375 | 1,700 | 2,159 | 1,935 | 2,756 | 3,043 |
| Current liabilities | 4,551 | 6,060 | 8,155 | 10,378 | 9,006 | 9,697 |
| **Net Current Assets** | **3,194** | **4,350** | **4,082** | **6,244** | **5,090** | **6,391** |
| Mis. Exp. not written off | - | - | - | - | - | - |
| **Total Assets** | **14,049** | **15,590** | **17,296** | **19,794** | **26,388** | **29,786** |

## Cash Flow Statement (Standalone)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| Profit before tax | 2,860 | 3,855 | 4,204 | 4,578 | 5,554 | 6,444 |
| Depreciation | 575 | 571 | 560 | 562 | 802 | 903 |
| Change in Working Capital | (1,455) | 657 | (749) | 1,463 | (2,194) | 405 |
| Less: Other income | (545) | (556) | (797) | (541) | (650) | (650) |
| Direct taxes paid | (794) | (1,253) | (1,394) | (1,375) | (1,666) | (1,933) |
| **Cash Flow from Operations** | **641** | **3,274** | **1,824** | **4,687** | **1,845** | **5,169** |
| (Inc.)/ Dec. in Fixed Assets | (1,784) | (905) | (2,256) | (562) | (8,500) | (3,000) |
| (Inc.)/ Dec. in Investments | (20) | (27) | (246) | (336) | (50) | - |
| Other income | 545 | 556 | 797 | 541 | 650 | 650 |
| **Cash Flow from Investing** | **(1,260)** | **(376)** | **(1,706)** | **(356)** | **(7,900)** | **(2,350)** |
| Issue of Equity | - | - | - | - | - | - |
| Inc./(Dec.) in loans | (579) | (72) | (66) | 280 | 3,820 | - |
| Dividend Paid (Incl. Tax) | (969) | (989) | (1,039) | (1,113) | (1,113) | (1,113) |
| Others | 331 | (25) | (31) | 127 | 0 | 0 |
| **Cash Flow from Financing** | **(1,217)** | **(1,086)** | **(1,136)** | **(705)** | **2,707** | **(1,113)** |
| Inc./(Dec.) in Cash | (1,836) | 1,813 | (1,017) | 3,625 | (3,348) | 1,706 |
| **Opening Cash balances** | **4,496** | **2,660** | **4,473** | **3,456** | **7,081** | **3,733** |
| **Closing Cash balances** | **2,660** | **4,473** | **3,456** | **7,081** | **3,733** | **5,439** |

## Key Ratios

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| **Valuation Ratio (x)** | | | | | | |
| P/E (on FDEPS) | 25.7 | 23.5 | 21.8 | 19.5 | 15.9 | 13.7 |
| P/CEPS | 20.7 | 19.3 | 18.2 | 16.5 | 13.2 | 11.4 |
| P/BV | 5.4 | 4.7 | 4.1 | 3.6 | 3.1 | 2.7 |
| Dividend yield (%) | 1.4 | 1.4 | 1.5 | 1.6 | 1.6 | 1.6 |
| EV/Sales | 3.7 | 3.2 | 2.5 | 2.2 | 1.7 | 1.5 |
| EV/EBITDA | 20.0 | 14.8 | 14.5 | 11.9 | 10.8 | 8.5 |
| EV/Total Assets | 4.3 | 3.7 | 3.4 | 2.8 | 2.4 | 2.1 |
| **Per Share Data (Rs)** | | | | | | |
| EPS (Basic) | 18.8 | 20.5 | 22.1 | 24.8 | 30.3 | 35.2 |
| EPS (fully diluted) | 18.8 | 20.5 | 22.1 | 24.8 | 30.3 | 35.2 |
| Cash EPS | 23.4 | 25.0 | 26.5 | 29.2 | 36.6 | 42.3 |
| DPS | 6.7 | 6.7 | 7.0 | 7.5 | 7.5 | 7.5 |
| Book Value | 89.8 | 102.5 | 116.4 | 133.4 | 154.9 | 181.4 |
| **Dupont Analysis (%)** | | | | | | |
| EBIT margin | 15.0 | 18.6 | 14.7 | 16.4 | 13.7 | 15.4 |
| Tax retention ratio | 71.8 | 67.7 | 66.9 | 68.6 | 69.2 | 69.3 |
| Asset turnover (x) | 1.6 | 1.6 | 1.9 | 1.9 | 2.1 | 1.7 |
| ROIC (Post-tax) | 17.3 | 20.2 | 18.8 | 21.2 | 19.7 | 18.5 |
| Cost of Debt (Post Tax) | - | - | - | - | 2.7 | 6.4 |
| Leverage (x) | - | - | - | - | (0.1) | 0.0 |
| Operating ROE | 17.3 | 20.2 | 18.8 | 21.2 | 18.0 | 18.9 |
| **Returns (%)** | | | | | | |
| ROCE (Pre-tax) | 17.7 | 22.6 | 21.3 | 22.1 | 21.8 | 22.4 |
| Angel ROIC (Pre-tax) | 27.5 | 34.0 | 32.3 | 38.3 | 38.0 | 37.9 |
| ROE | 22.3 | 21.3 | 20.2 | 19.8 | 21.0 | 20.9 |
| **Turnover ratios (x)** | | | | | | |
| Asset Turnover (Gross Block) | 13.7 | 13.4 | 15.0 | 17.7 | 8.1 | 7.1 |
| Inventory / Sales (days) | 11.8 | 11.4 | 9.0 | 9.0 | 7.7 | 8.5 |
| Receivables (days) | 17.6 | 18.9 | 19.8 | 20.4 | 15.6 | 17.3 |
| Payables (days) | 80.4 | 77.1 | 69.8 | 86.4 | 68.7 | 69.0 |
| WC cycle (ex-cash) (days) | (4.4) | 4.2 | 3.9 | (1.5) | 2.6 | 10.3 |
| **Solvency ratios (x)** | | | | | | |
| Net debt to equity | (0.1) | (0.2) | (0.2) | (0.3) | 0.1 | (0.0) |
| Net debt to EBITDA | (0.4) | (0.8) | (0.6) | (1.2) | 0.3 | (0.0) |
| Interest Coverage (EBIT/Interest) | 22.5 | 42.2 | 40.3 | 58.7 | 37.8 | 12.8 |

## ONGC

### Profit & Loss Statement (Consolidated)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| **Total operating income** | **82,262** | **96,782** | **104,588** | **101,760** | **117,551** | **124,021** |
| *% chg* | | *17.7* | *8.1* | *(2.7)* | *15.5* | *5.5* |
| Total Expenditure | 46,067 | 55,527 | 61,364 | 57,321 | 64,762 | 66,860 |
| Net Raw Materials | 18,263 | 25,070 | 28,975 | 25,339 | 27,381 | 26,181 |
| Other Mfg costs | 17,179 | 18,419 | 17,678 | 17,015 | 21,277 | 22,944 |
| Personnel | 2,380 | 1,328 | 1,162 | 1,407 | 1,411 | 1,860 |
| Other | 8,245 | 10,710 | 13,549 | 13,560 | 14,694 | 15,875 |
| **EBITDA** | **36,195** | **41,255** | **43,225** | **44,439** | **52,789** | **57,161** |
| *% chg* | | *14.0* | *4.8* | *2.8* | *18.8* | *8.3* |
| *(% of Net Sales)* | *44.0* | *42.6* | *41.3* | *43.7* | *44.9* | *46.1* |
| Depreciation& Amortisation | 11,968 | 13,888 | 15,430 | 18,739 | 18,493 | 18,824 |
| **EBIT** | **24,227** | **27,367** | **27,794** | **25,700** | **34,295** | **38,337** |
| *% chg* | | *13.0* | *1.6* | *(7.5)* | *33.4* | *11.8* |
| *(% of Net Sales)* | *29.5* | *28.3* | *26.6* | *25.3* | *29.2* | *30.9* |
| Interest & other Charges | 418 | 894 | 1,774 | 556 | 296 | 349 |
| Other Income | 4,739 | 4,541 | 5,072 | 5,298 | 4,200 | 3,100 |
| *(% of PBT)* | *16.6* | *14.6* | *16.3* | *17.4* | *11.0* | *7.5* |
| **Recurring PBT** | **28,548** | **31,014** | **31,093** | **30,441** | **38,199** | **41,089** |
| *% chg* | | *8.6* | *0.3* | *(2.1)* | *25.5* | *7.6* |
| Adj. related to prior period (Net) | 1,275 | 93 | (11) | - | - | - |
| Extraordinary Expense/(Inc.) | (475) | - | (66) | - | - | - |
| **PBT (reported)** | **27,747** | **30,921** | **31,169** | **30,441** | **38,199** | **41,089** |
| Tax | 9,845 | 10,700 | 11,009 | 10,714 | 13,284 | 14,316 |
| *(% of PBT)* | *35.5* | *34.6* | *35.3* | *35.2* | *34.8* | *34.8* |
| **PAT (reported)** | **17,902** | **20,221** | **20,160** | **19,728** | **24,915** | **26,773** |
| Add: Share of associate | 10.2 | 2.1 | 9.9 | 7.8 | 9.9 | 9.9 |
| Less: Minority interest (MI) | 142 | 351 | 375 | 332 | 420 | 410 |
| **PAT after MI (reported)** | **17,770** | **19,872** | **19,795** | **19,404** | **24,505** | **26,372** |
| **ADJ. PAT** | **18,245** | **19,872** | **19,861** | **19,404** | **24,505** | **26,372** |
| *% chg* | | *8.9* | *(0.1)* | *(2.3)* | *26.3* | *7.6* |
| *(% of Net Sales)* | *22.2* | *20.5* | *19.0* | *19.1* | *20.8* | *21.3* |
| **Basic EPS (Rs)** | **83.1** | **92.9** | **92.5** | **90.7** | **114.6** | **123.3** |
| **Fully Diluted EPS (Rs)** | **83.1** | **92.9** | **92.5** | **90.7** | **114.6** | **123.3** |
| *% chg* | | *11.8* | *(0.4)* | *(2.0)* | *26.3* | *7.6* |

## Balance Sheet (Consolidated)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| SOURCES OF FUNDS | | | | | | |
| Equity Share Capital | 2,139 | 2,139 | 2,139 | 2,139 | 2,139 | 2,139 |
| Preference Capital | - | - | - | - | - | - |
| Reserves& Surplus | 64,575 | 75,948 | 90,085 | 100,980 | 116,727 | 134,091 |
| **Shareholders Funds** | **66,714** | **78,087** | **92,224** | **103,119** | **118,866** | **136,230** |
| Minority Interest | 832 | 1,145 | 1,411 | 1,735 | 2,146 | 2,546 |
| Total Loans | 1,601 | 944 | 6,559 | 7,100 | 7,400 | 7,750 |
| Deferred Tax Liability | 8,112 | 8,738 | 9,223 | 10,379 | 10,679 | 11,029 |
| Liability for abandonment cost | 15,186 | 12,932 | 17,145 | 17,145 | 17,145 | 17,145 |
| Total Liabilities | 92,444 | 101,846 | 126,562 | 139,478 | 156,235 | 174,699 |
| APPLICATION OF FUNDS | | | | | | |
| Gross Block | 137,145 | 149,493 | 169,748 | 203,470 | 222,770 | 244,770 |
| Less: Acc. Depreciation | 83,436 | 93,825 | 105,955 | 124,694 | 133,787 | 143,711 |
| **Net Block** | **53,710** | **55,668** | **63,794** | **78,777** | **88,983** | **101,060** |
| Capital Work-in-Progress | 11,030 | 14,423 | 24,758 | 12,300 | 14,500 | 14,000 |
| Goodwill | 3,062 | 2,578 | 11,404 | 11,404 | 11,404 | 11,404 |
| **Investments** | **3,583** | **4,482** | **3,480** | **3,480** | **3,480** | **3,480** |
| Current Assets | 38,840 | 47,534 | 50,715 | 59,499 | 65,161 | 71,664 |
| Cash | 20,676 | 25,056 | 22,596 | 30,433 | 35,757 | 41,403 |
| Loans & Advances | 6,736 | 7,068 | 13,264 | 13,264 | 13,264 | 13,264 |
| Other | 11,429 | 15,411 | 14,855 | 15,802 | 16,139 | 16,997 |
| Current liabilities | 18,296 | 23,513 | 28,239 | 26,633 | 27,944 | 27,559 |
| **Net Current Assets** | **20,545** | **24,022** | **22,476** | **32,867** | **37,217** | **44,105** |
| Mis. Exp. not written off | 514 | 674 | 651 | 651 | 651 | 651 |
| **Total Assets** | **92,444** | **101,846** | **126,562** | **139,478** | **156,235** | **174,699** |

## Cash Flow Statement (Consolidated)

Rs crore

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| Profit before tax | 28,548 | 31,014 | 31,093 | 30,441 | 38,199 | 41,089 |
| Depreciation | 7,864 | 9,078 | 8,779 | 18,739 | 9,093 | 9,924 |
| (Incr)/ Decr in Misc Exp | (148) | (180) | 1 | - | - | - |
| Change in Working Capital | 2,689 | 2,415 | 2,355 | (2,515) | 723 | (1,492) |
| Less: Other income | (2,115) | (2,903) | (3,238) | (5,298) | (4,200) | (3,100) |
| Direct taxes paid | (8,520) | (10,508) | (10,244) | (9,558) | (12,984) | (13,966) |
| Cash Flow from Operations | 28,318 | 28,915 | 28,746 | 31,810 | 30,832 | 32,454 |
| (Inc.)/ Dec. in Fixed Assets | (13,566) | (16,814) | (21,639) | (21,264) | (21,500) | (21,500) |
| (Inc.)/ Dec. in Investments | (2,212) | (1,260) | 902 | - | - | - |
| (Inc.)/ Dec. in loans and adv | 35 | (1) | (1,951) | - | - | - |
| Other income | 1,356 | 2,078 | 3,365 | 5,298 | 4,200 | 3,100 |
| Cash Flow from Investing | (14,387) | (15,996) | (19,323) | (15,967) | (17,300) | (18,400) |
| Issue of Equity | 703 | 166 | - | - | - | - |
| Inc./(Dec.) in loans | (661) | (598) | 4,968 | 541 | 300 | 350 |
| Dividend Paid (Incl. Tax) | (7,695) | (7,822) | (8,103) | (8,547) | (8,508) | (8,758) |
| Others | 5,291 | (285) | (8,748) | - | - | - |
| Cash Flow from Financing | (2,361) | (8,538) | (11,883) | (8,006) | (8,208) | (8,408) |
| Inc./(Dec.) in Cash | 11,570 | 4,380 | (2,460) | 7,838 | 5,324 | 5,646 |
| **Opening Cash balances** | **9,106** | **20,676** | **25,056** | **22,596** | **30,433** | **35,757** |
| **Closing Cash balances** | **20,676** | **25,056** | **22,596** | **30,433** | **35,757** | **41,403** |

## Key Ratios

| Y/E March | FY2007 | FY2008 | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|---|---|
| **Valuation Ratio (x)** | | | | | | |
| P/E (on FDEPS) | 15.2 | 13.6 | 13.7 | 13.9 | 11.0 | 10.3 |
| P/CEPS | 10.8 | 9.3 | 9.0 | 7.1 | 7.3 | 6.9 |
| P/BV | 4.1 | 3.5 | 3.0 | 2.6 | 2.3 | 2.0 |
| Dividend yield (%) | 2.5 | 2.5 | 2.5 | 2.7 | 2.8 | 2.8 |
| EV/Sales | 3.1 | 2.5 | 2.4 | 2.4 | 2.1 | 1.9 |
| EV/EBITDA | 6.9 | 6.0 | 5.9 | 5.6 | 4.6 | 4.1 |
| EV/Total Assets | 2.7 | 2.4 | 2.0 | 1.8 | 1.6 | 1.4 |
| **Per Share Data (Rs)** | | | | | | |
| EPS (Basic) | 83.1 | 92.9 | 92.5 | 90.7 | 114.6 | 123.3 |
| EPS (fully diluted) | 83.1 | 92.9 | 92.5 | 90.7 | 114.6 | 123.3 |
| Cash EPS | 117 | 135 | 140 | 178 | 174 | 184 |
| DPS | 31 | 32 | 32 | 34 | 35 | 36 |
| Book Value | 310 | 362 | 428 | 479 | 553 | 634 |
| **Dupont Analysis (%)** | | | | | | |
| EBIT margin | 29.5 | 28.3 | 26.6 | 25.3 | 29.2 | 30.9 |
| Tax retention ratio | 65.7 | 65.7 | 64.8 | 64.8 | 65.2 | 65.2 |
| Asset turnover (x) | 1.2 | 1.3 | 1.2 | 1.0 | 1.0 | 1.0 |
| ROIC (Post-tax) | 22.5 | 24.4 | 20.1 | 15.7 | 19.6 | 19.8 |
| Cost of Debt (Post Tax) | - | - | - | - | - | - |
| Leverage (x) | - | - | - | - | - | - |
| Operating ROE | 22.5 | 24.4 | 20.1 | 15.7 | 19.6 | 19.8 |
| **Returns (%)** | | | | | | |
| ROCE (Pre-tax) | 28.3 | 28.3 | 24.5 | 19.4 | 23.3 | 23.3 |
| Angel ROIC (Pre-tax) | 40.8 | 44.9 | 39.6 | 29.4 | 34.1 | 34.2 |
| ROE | 29.0 | 27.7 | 23.4 | 20.0 | 22.2 | 20.8 |
| **Turnover ratios (x)** | | | | | | |
| Asset Turnover (Gross Block) | 0.6 | 6.8 | 6.6 | 5.5 | 5.5 | 5.3 |
| Inventory / Sales (days) | 24 | 25 | 24 | 24 | 22 | 20 |
| Receivables (days) | 21 | 22 | 25 | 27 | 25 | 25 |
| Payables (days) | 89 | 99 | 109 | 123 | 107 | 105 |
| Working capital cycle (ex-cash) (days) | 18 | (2) | (2) | 4 | 6 | 6 |
| **Solvency ratios (x)** | | | | | | |
| Net debt to equity | (0.3) | (0.3) | (0.2) | (0.2) | (0.2) | (0.2) |
| Net debt to EBITDA | (0.5) | (0.6) | (0.4) | (0.5) | (0.5) | (0.6) |
| Interest Coverage (EBIT/Interest) | 58.0 | 30.6 | 15.7 | 46.2 | 115.9 | 109.9 |

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**Note: Please refer to the important `Stock Holding Disclosure' report on the Angel website (Research Section).**

| Disclosure of Interest Statement | GAIL | ONGC |
|---|---|---|
| 1. Analyst ownership of the stock | No | No |
| 2. Angel and its Group companies ownership of the stock | No | Yes |
| 3. Angel and its Group companies' Directors ownership of the stock | No | No |
| 4. Broking relationship with company covered | No | No |

*Note: We have not considered any Exposure below Rs 1 lakh for Angel, its Group companies and Directors.*

| Ratings (Returns) : | | | |
|---|---|---|---|
| | Buy (> 15%) | Accumulate (5% to 15%) | Neutral (-5 to 5%) |
| | Reduce (-5% to -15%) | Sell (< -15%) | |

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