

BUZZING

STOCK

Oil Country Tubular Ltd.

CMP – Rs.35

Analyst

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Key Stock Data

Sensex	13114
Nifty	3830
Sector	Steel – Tubes / Pipes
Bloomberg	PTCIN IN
Reuters	PTCI.BO
No. of shares (m)	44
Market Cap (Rs m)	1,610
Market Cap (US\$ m)	37
52-week H/L	Rs.38/12

Shareholding Pattern (%)

Promoters	33.79
Mutual Funds	11.54
FII's	7.9
Corporate Bodies	8.14
Pubic & Others	38.63

Highlight :

Hyderabad based Oil Country Tubular Ltd (OCTL) is set to get benefited from increasing exploration and production activities in the oil and gas sector. The stock has gained more than 170% since second quarter FY07 and more than 20% over last week.

OCTL's wide product range covers Drill Pipe, Production Tubing, Casing, Tool Joints, Couplings, and others, used in oil exploration and production business. ONGC and OIL are the largest domestic customers for OCTL. Exports contribute around 12% of its total revenue.

Increasing demand:

Indian exploration and production industry has tremendous growth scope going forward. Out of the total 3.14m sq. km. of sedimentary basins in India only around 19% has been extensively explored so far. The increasing demand supply gap of exploration and production services has been well reflected in gyrating rig rental charges over last couple of years.

About the company:

Incorporated in 1985, Oil Country Tubular (OCTL) was promoted by United Steel Allied Industries, K Suryanarayana and their associates. The company has installed capacity for processing 50,000MT of Casing Pipes, 10,000MT of Drill Pipes and 15,000MT of Production Tubing. Very low capacity utilization is an indication that the company has the capacity to accept huge orders without major capex. OCTL has a tie-up with Baker Hughes Tubular Services, US that owns 5.6% share in OCTL. It has obtained the API monogram from the American Petroleum Institute, US for its quality products.

OCTL's Oil Field Accessories include Rotary Subs, Lift Plugs and Lift Subs, Cross Overs, Stabilizer Sleeves, Welded Blade Stabilizers & Integral Stabilizers and Cast Steel Lifting Bails.

Services include Tool Joint Hardbanding, Make and Break of Tool Joints, Internal Plastic Coating of Drill Pipe and Tubing, Reconditioning of Drill Pipe, Re-threading of Drill Pipe, Tubing and Casing, and Field Inspection of Tubulars.

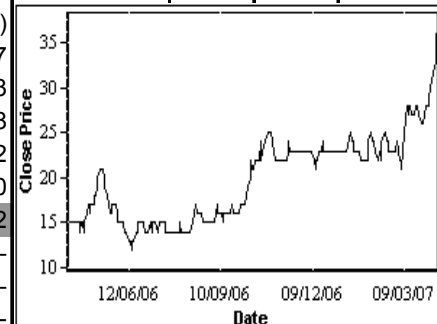
Financials and valuation :

The company was contemplating for some expansion couple of months back, but we learnt that the plan had been rejected, as the management found the financing difficult.

In Q3FY07 OCTL recorded a topline of Rs.758.5m, which is around 77% YoY growth. The company faced tremendous margin pressure due to increasing raw-material prices. The operating profit margin slumps by 12.4 percentage points to 7.3%. That along with the increasing interests burden pushes down the Q3FY07 PAT to negative zone. PAT comes down from Rs.24.8m in Q3FY06 to a loss of Rs.6.9m in Q3FY07. The current price is 56.8x the TTM EPS of Rs.0.64.

Financial Snapshot

Oil Country Tubular Ltd.						Rs.m	Ratios (%)			
	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Financial Year End: March										
Net Sales	759	429	77	1584	1186	34	Debt -Equity	2.3	2.9	(23)
Other Income	19	3	516	14	11	24	PBIDTM	16	21	(25)
Total Income	778	432	80	1597	1197	34	PBDTM	5.6	7.1	(21)
Total Expenditure	723	348	108	1335	938	42	RoCE	23	23	3
PBIDT	55	84	(35)	262	258	2	RoNW	5	5	5
Interest	48	43	11	170	172	(1)				
PBDT	7	42	(82)	92	86	7				
Depreciation	14	17	(15)	66	64	3				
Tax	0	0	-	2	2	28				
Reported Profit After Tax	(7)	25	(128)	23	21	12				
Extra -ordinary Items	-	0	-	0	0	0				
Adj. Profit After Extra-ordinary item	(7)	25	(128)	23	21	12				
No. of shares (m)	44	44	-	44	44	-				
EPS (annualised.) (Rs.)	0.0	2.2	-	0.5	0.5	-				
P/E	-	15.7	-	67.8	75.0	-				



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