# ASIA-PACIFIC MARKETS Morning Notes

#### Morning meeting notes from CLSA India

#### Thursday, 29 June 2006

#### Indices

	Last close	% Chg	% YTD
Sensex	10,130	(0.2)	7.8
Nifty	2,981	(0.0)	5.1
CNX Midcap	3,795	(0.8)	(5.8)
Nasdaq	2,112	0.6	(4.2)
DJIA	10,974	0.4	2.4

#### Volumes

	US\$m	% Chg
BSE	760	(1.2)
NSE	1,281	(24.2)
Derivatives (NSE)	6,438	(20.0)

#### ADR/GDR (US\$)

1010 0011 (00	-+)		
	Latest	% Chg	% Prem
Dr Reddy's Lab	27.3	(0.0)	(0.8)
HDFC Bank	49.6	0.2	5.0
ICICI Bank	22.5	(0.2)	6.3
ITC	3.8	(1.3)	(2.3)
Infosys	72.7	2.4	13.0
Satyam	32.2	1.1	8.6
Ranbaxy	7.7	(2.2)	0.9
Reliance	42.7	0.2	(1.5)
Wipro	12.2	2.4	16.1
SBI	38.9	(1.0)	25.5
Tata Motors	16.2	0.2	0.9

Net Inflows/Outflows (US\$m)							
27-Jun MTD							
FIIs	(24.5)	360	2,622				
Dom MFs	(6.8)	(546)	2,523				

#### Currencies

	Closing	Chg
Rs/US\$	46.20	(0.20)
US\$/EUR	1.25	(0.0)

#### Bond Markets

	Closing	Chg
10 yr bond	8.12	(0.02)
Interbank call	5.80	(0.02)

#### Commodities

Latest	% Chg %	Chg 1 m
71.6	(0.0)	2.8
582	1.9	(10.2)
7,045	0.7	(15.1)
465	-	-
	71.6 582 7,045	71.6         (0.0)           582         1.9           7,045         0.7

#### FII activity in derivatives 27-Jun

	Index	Stocks
Net buying	44.3	40.6
Open interest	2,782.4	2,037.6
Cha in open int. (DoD)	83.3	19.2



### What's inside

ONGC, Arvind Mills

#### News headlines: Corporate

- Niko Resources has increased its estimate of the natural gas reserves in the KG D6 block by 197% to 35.4tn cubic feet. (ET)
- Qualcomm has ruled out any cut in royalties on CDMA handsets and is instead looking at local manufacture of handsets. (ET)
- □ UK Court of Appeal has rejected **Ranbaxy**'s appeal against UK High Court ruling regarding patent infringement of its atorvastatin product. (ET)
- **Birla Corp** to set up a 2mt cement plant in Jharkhand. (BS)
- **Tata Tele** to launch services in three additional circles by end-FY07. (BS)
- Mittal Steel's Jharkhand plant is getting delayed over lack of availability of iron ore. (BS)
- □ **Reliance Ind.** in talks with Pequiven (Venezuela) to form a joint venture to manufacture plastics, resins and other petro-products. (BS)
- **Suzion** has received shareholder approval to raise Rs50bn. (BL)

#### News headlines: Economic and Political

- Finance Ministry has relaxed ADR/GDR norms permitting unlisted companies to make sponsored share issues abroad. (ET)
- □ Govt has reduced customs duty on wheat from 50% to 5%. (BS)
- Govt is planning to encourage smaller airlines by relaxing norms and exempting them from payment of user charges. (BS)
- Govt has asked ONGC and Reliance Ind. to surrender 10 oil and gas blocks for not adhering to minimum work programme commitments. (BS)
- Cement prices in Mumbai have come down by Rs2-4/bag to Rs245/bag. (BS)

	Price (Rs)	Chg (%)	Vol(\$m)	YTD chg (%)		Price (Rs)	Chg (%)	YTD chg (%)
Bajaj Auto	2,683	3.6	11.1	34.1	Top Gainers			
TCS	1,694	3.1	27.4	(0.5)	GE Shipping	228	10.3	(1.3)
Hindalco	165	2.1	22.0	15.0	Essar Oil	47	9.7	13.0
Wipro	484	1.9	20.5	4.3	GTL	152	7.7	41.4
BHEL	1,829	1.7	24.9	31.9	Fino lex Ind.	77	6.5	(0.7)
Gail	253	1.6	4.3	(4.8)	Colgate-Palmolive	392	4.8	45.5
Reliance	1,001	1.5	231.8	46.2	VSNL	399	3.8	4.3
Zee	227	1.5	4.4	44.4	Bajaj Auto	2,683	3.6	34.1
Grasim	1,803	0.9	12.7	29.6	Engineers India	496	3.4	(25.4)
Hero Honda	758	0.8	5.6	(11.9)	Apollo Tyres	245	3.4	(12.0)
пс	177	0.7	49.7	24.9	ABB	2,416	3.4	25.3
Infosys	2,973	0.6	42.4	(0.8)	Birla Corp	218	3.3	(15.0)
Bharti	363	0.5	10.1	5.0	TCS	1,694	3.1	(0.5)
NTPC	109	0.4	2.8	(3.1)	Dabur India Ltd	134	3.0	27.3
Maruti	724	0.3	23.6	13.7	Balrampur Chini	117	2.6	0.2
Tata Motors	742	(0.5)	39.2	13.6	Top Losers			
Satyam	684	(0.6)	39.4	(7.3)	Jaiprakash Associat	e 344	(6.9)	(11.6)
L&T	2,070	(0.7)	13.4	12.2	Jindal Saw	241	(6.0)	(39.3)
Sun Pharma	760	(0.7)	6.8	11.4	Alok Ind	55	(5.8)	(19.5)
Tata Steel	515	(0.7)	90.9	35.4	Sesa Goa	1,051	(5.1)	3.8
IOC	400	(1.0)	1.8	(28.1)	Jubilant Organ.	211	(4.4)	(1.8)
HDFC Bank	727	(1.8)	15.0	2.7	Ispat Industries	14	(4.3)	33.7
HLL	216	(1.8)	14.8	9.6	Bombay Dyeing	540	(4.1)	44.8
ICICI Bank	489	(2.0)	16.6	(16.4)	Kotak Mahindra	222	(4.0)	(1.0)
SBI	715	(2.1)	39.1	(21.2)	Voltas	769	(4.0)	28.2
Dr. Reddy's	1,270	(2.3)	4.5	29.8	HPCL	245	(3.9)	(25.5)
Ranbaxy	352	(2.5)	18.4	(3.0)	JSW Steel	267	(3.5)	16.3
ONGC	1,033	(2.7)	44.0	(12.1)	HDFC	1,051	(3.5)	(12.8)
SAIL	78	(3.1)	27.5	43.9	Jet Airways	605	(3.3)	(47.2)
HDFC	1,051	(3.5)	6.6	(12.8)	Corporation Bank	222	(3.3)	(38.6)



# Oil & Natural Gas

Rs1,033.20 - BUY

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28 June 2006

#### India F&P

Reuters Bloomberg ONGC.BO ONGC IN

Priced on 28 June 2006 India Sensex @ 10,129.7

**12M price target** Rs1,200.00 **±% up/downside** +16% Target set on 20 Jun 06

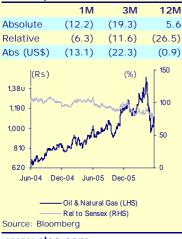
Market capUS\$31,770mShares in issue1,425.9mFree float (est.)15.8%

3M average daily volume Rs2,907.7m (US\$64.0m)

12M high/low Rs1,514.00/854.00

Foreign shareholding 8.5% Major shareholders Government of India 74.1% IOC 7.7%

#### Stock performance (%)



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# Value play

ONGC's FY06 operating numbers were inline with estimates but a slew of exceptionals and higher recouped costs pulled down reported EPS below forecasts. Rs4.5bn of goodwill write-off by ONGC Videsh also impacted consolidated EPS. We are cutting our FY07 EPS estimate by 11% to factor in a 3 month delay in production ramp-up in Sakhalin and operational cost increase but still expect ONGC to report a 14.4% EPS growth led by 7% production growth. The outlook on subsidies remains key to near term stock performance but at 4.8% dividend yield and 8.4x PE, the stock is one of the cheapest in the Indian market. At US\$4/boe, it is also one of the cheapest global upstream plays. BUY.

#### ONGC's operational numbers were inline with estimates

ONGC's earnings grew 11% in FY06. While operational numbers were inline with estimates, a slew of exceptionals (net negative of Rs2bn) and higher than expected recouped costs pulled down reported numbers below our forecasts. Core Ebitda grew 36%YoY to Rs395bn but Rs120bn in subsidies shaved off 30% from Ebitda and 33% from profits. ONGC's net crude price realization has remained at US\$26-27/bbl (after subsidies and taxes) for FY05-06 and we expect this to remain the same in FY07.

#### Rs4.5bn write-off in ONGC Videsh. Reserve replacement ratio of 1.2x

Consolidated profits grew at a more muted 7%YoY as MRPL (72% owned) profits fell 58%YoY to Rs3.7bn and ONGC Videsh profits grew at a lacklustre 18%YoY to Rs9bn. Much of the disappointment can, however, be explained by a Rs4.5bn goodwill write-off taken by ONGC Videsh. ONGC accrued 375mboe of domestic reserves pushing up reserve replacement ratios to 1.1 for the year. ONGC Videsh has accrued 107mboe of reserves in the year pulling up overall reserve replacement ratios to a healthy 1.2x.

#### Cutting estimates but still expect 14.4% earnings growth

We are cutting our earnings estimates by 11% for FY07 to account for a 3-4 month delay in Sakhalin production ramp-up and also lower price realisations due to a delay in commissioning of the export terminal. Nevertheless, we expect ONGC to report a 14.4% EPS growth in FY07 led a 10% increase in domestic crude volumes (Mumbai High comes back to full steam after the fire) and also additional volumes in ONGC Videsh (Sakhalin). Our estimates, as yet, do not, include earnings from the Syrian acquisition (1.3mtpa) and Sudan 5A (0.5mtpa); these can add 3-4% to estimates.

#### Valuations are attractive at 4.8% dividend yield and US\$4/boe

The outlook on retail fuel subsidies remains key to near term stock performance (and also the principal concern especially if volatility in crude prices skews the subsidy sharing and reduces net realisations) However, at 4.7% dividend yield (Rs45/share declared dividend in FY06) and 8.4x PE, ONGC is one of the cheapest Indian stocks. At US\$4/boe (implied US\$28-29/bbl terminal crude) it is also one of the cheapest global upstream plays. Our target price indicates 16% upside. BUY.

Financiais					
Year to 31 Mar	05A	06CL	07CL	08CL	09CL
Revenue (Rsm)	471,141	625,643	711,628	655,872	691,131
Ebitda (Rsm)	289,499	317,632	341,953	351,934	365,584
Net profit (Rsm)	143,277	153,976	176,210	189,892	196,684
NP forecast change (%)			(11.4)	(5.2)	(4.6)
EPS (Rs)	100.5	108.0	123.6	133.2	137.9
CLSA/consensus(14) (%)	-	-	95	97	104
EPS (% YoY)	52.9	7.4	14.4	7.7	3.5
PEx (@Rs1,033.2)	10.3	9.6	8.4	7.8	7.5
Price/book (x)	3.0	2.6	2.2	1.9	1.7
EV/Op Ebitda (x)	4.9	4.5	4.2	4.0	3.7
Dividend yield (%)	3.9	4.4	4.8	4.8	5.3
Courses CLCA Asia Desifia Marka	to				

Source: CLSA Asia-Pacific Markets



Figure 1

FY03

Rsm         40FY05         40FY05         %YoY         FY05         FY06         %Yo0           Gross Sales         123,529         136,757         29         460,245         592,266         22           Crude         91,515         113,492         24         338,042         422,000         22           Natural Gas         12,000         19,191         40         53,122         71,388         33           Others         19,114         26,071         (31,550)         21         (103,257)         (124,809)         24           Statutory duties         (26,077)         (31,550)         21         (103,257)         (124,809)         24           Statutory duties         (26,077)         (20,075)         224         (41,038)         (119,533)         109           Proferbing period Ebilda         79,353         103,273         30         62,071,73         60         68,904         11           Broperted Ebilda         79,353         103,273         33         (52,070)         275,773         10           Recouped costs were sharply higher than estimates in 40FY06         Subsidiary dividends         17,784         (23,365)         13         (62,070)         17,10         17,10         111		Quarterly results summ	narv					
Core Ebitids growth of 3656 in the year       01515       113.402       24       328.042       422.900       22         Core Ebitids growth of 3656 in the year       19.114       20.074       36       69.090       97.998       4.         Statutory duties       (26.077)       (31.950)       21       (102.277)       (124.808)       22         Net Sales       97.452       127.206       31       356.967       47.478       33         Statutory duties       (26.077)       (20.866)       27       (55.970)       (17.83)       395.306       33         Subskiy sharing       (P.927)       (31.069)       224       (41.033)       (19.19.533)       19         Recouped costs were sharply higher than estimates in 40PY06       Subskiy sharing       (P.923)       (31.069)       224       (41.033)       19         Recouped costs were sharply higher than 40PY06       PitT       51.87       45.839       (12)       20.65.07.00       275.773       11         PitT       51.87       45.839       (8)       17.279       (40.00)       27.171       12         Other income       4.93       4.53       (8)       17.279       17.710       11         Other income       5.977       50.6				4QFY06	5 %YoY	FY05	FY06	%YoY
Core Ebitds growth of 36% in the year       Net Sales       12,2000       19,191       49       53,123       71,388       38       36         Core Ebitds growth of 36% in the year       Statutory duties       (26,077)       (31,550)       21       (103,257)       (124,608)       22         Net Sales       97,652       127,206       31       356,967       467,478       33         Recouped costs were sharply higher than estimates in 40FY06       16,173       (20,856)       29       (35,977)       (61,743)       11         PBT       51,372       71,384       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       35,970       (11,743)       36,970       (11,743)       37,773       31       36,970       (11,743)       31,71       35,970       (11,743)       31,71       36,970       (11,743)       31,71       31,31       31,71       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31       31,31		Gross Sales	123,529	158,757	7 29	460,245	592,286	29
Core Ebitda growth of 36% in the year $(26, 07, 03, 155, 01, 24, 000)$ 97,998 4. Stutisticy dulies $(26, 07, 03, 155, 01, 24, 000)$ 97,998 4. Subsidies in the year $(25, 07, 03, 155, 01, 24, 000)$ 97,998 4. Recouped costs were sharply higher than estimates in 4QFV06 the theorem $(10, 173)$ (20, 856) 29 (55, 970) (61, 749) 10 Growth of the theorem $(10, 173)$ (20, 856) 29 (55, 970) (61, 749) 10 Growth of the theorem $(10, 173)$ (20, 856) 29 (55, 970) (24, 200) 17 Reported Ebitda 97,456 69,204 (0) 250,700 257,773 11 Recouped cost $(17, 154)$ (23, 365) 33 (62, 106) (68, 960) 17 Reported Ebitda (17, 154) (23, 365) 33 (62, 106) (68, 960) 17 Recouped cost $(17, 154)$ (23, 365) 33 (62, 106) (68, 960) 17 Recouped cost $(17, 154)$ (23, 365) 118, 664 206,870 11 Interest expenses $(102)$ (323) 217 (377) (460) 22 PET 51, 071 50, 056 (12) 205, 66, 224, 120 (40, 107) 10 Differ income $(13, 273)$ 30, 859 (19) 12, 205, 66, 224, 120 (40, 107) 10 Subsidiary dividends (10, 199) (10, 199) (10, 199) (10, 199)		Crude	91,515	113,492	2 24	338,042	422,900	25
Core Ebitda growth of 36% in the year $(1, 22, 3, 23, 5)$ $(1, 24, 308)$ $(2, 27, 7)$ $(3, 150)$ $(2, 1, 33, 25, 7)$ $(24, 308)$ $(24, 308)$ $(25, 77)$ $(6, 1749)$ $(1, 27)$ $(2, 0, 25)$ $(25, 77)$ $(6, 1749)$ $(1, 28)$ $(25, 77)$ $(6, 1749)$ $(1, 28)$ $(25, 77)$ $(6, 1749)$ $(1, 28)$ $(25, 77)$ $(25, 1749)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 77)$ $(25, 78)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(27, 77)$ $(26, 99)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77)$ $(27, 77$		Natural Gas	12,900	19,191	1 49	53,123	71,388	34
Core Ebilda growth of 36% in the year       Net Sales       97,452       127,206       33       356,947       467,478       33         Recouped costs were sharply higher than estimates in 4QFV06       Recouped Cost       99,053       103,273       300,021,738       395,947       467,478       33         A slew of exceptionals in 4QFV06       Finde periods/X00       (5,684)       221,738       395,947       467,478       33         Profits would have been 50% higher without subsidies in FV06       Interest expenses       (10,17)       40,610       (68,990)       112,298       17,738       395,947       40,7478       33         Profits would have been 50% higher without subsidies in FV06       Toxes       (10,19)       188,644       20,6870       11         Pat       56,701       50,056       (12)       205,605       224,120       0       0         Profits would have been 50% higher without subsidies in FV06       Taxes       (13,040)       (17,020)       120,66,200       (14,04)       11,2       11         Taxes       (13,040)       (17,020)       120,66,200       (14,4318       11       12         Source: CLSA Asia-Pacific Markets       Figure 2       OMGC       60,7       91,0       101,1       108,9       115,3		Others	19,114	26,074	4 36	69,080	97,998	42
Core Ebitida growth of 36% in the year       Employee cost (1.927)       (1.927) (2.0.856)       (2.0.97)       (6.0       (9.279)       (0.1.424)       (1.423)         Recouped costs were sharply higher than estimates in 4QFV06       Copenting expenses (1.9.27)       (1.9.27)       (3.077)       6.0       (9.279)       (0.1.424)       (1.927)         A slew of exceptionals in 4QFV06       Per to protect Ebita (4QFV06)       (1.9.27)       (3.077)       6.0       (2.7.97)       (1.9.27)       (1.1.9.33)       (1.9.27)       (1.9.27)       (1.9.27)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (1.9.33)       (		Statutory duties	(26,077)	(31,550)	) 21	(103,257)	(124,808)	21
36% In the year         Operating expenses         (16,173)         (20,856)         29         (55,970)         (61,749)         11           Recouped costs were sharply higher than estimates in 4QFY06         Reported Ebitala         69,836         (34,069)         244         (41,038)         (119,533)         199           A slew of exceptionals in 4QFY06         Reported Ebitala         69,456         69,204         (0)         250,700         275,773         11           PBIT         51,8172         45,839         (12)         128,684         206,670         11           Other income         4,931         4,539         (6)         12,7298         17,710         2           PBT         56,701         50,066         (12)         205,605         224,120         0           PBT         51,017         48,064         nm         -         2,310         nm           Subsidiary dividends         1         74,701         50,66         21,9,830         143,318         15,327           Subsidiary dividends         51,017         48,061         170,02         32         66,622         74,064         11           PBT         51,017,48,061         (6)         196,655         218,382         112		Net Sales	97,452	127,206	5 31	356,987	467,478	31
36% in the year         Operating expenses         (16,173)         (20,856)         29         (55,970)         (61,749)         11           Recouped costs were sharply higher than estimates in 40FY06         Teblida         (9,876)         (34,069)         244         (10,383)         (119,533)         19           A slew of exceptionals in 40FY06         Teblida         (9,876)         (34,069)         244         (10,383)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (119,733)         (1	Core Ebitda growth of	Employee cost	(1,927)	(3,077)	) 60	(9,279)	(10,424)	12
Recouped costs were sharply higher than estimates in 40FV06       Subsidy sharing (9.8%) (24,00%) (24,44 (10.3%) (110.533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,533) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53) (19,53		Operating expenses	(16,173)	(20,856)	) 29	(55,970)	(61,749)	10
Recouped costs were sharply higher that estimates in 40FY06       Reported Ebitua       69,456       69,204       (0)       257,773       11         Recouped Cost       (17,584)       (23,365)       33       (62,016)       (68,904)       11         PBIT       51,672       45,839       (12)       188,684       206,870       11         Other Income       4,931       4,539       (6)       17,298       17,710       32         A slew of exceptionals in 40FY06       40FY06       (5,664)       22,270       (140)       (8,990)       2,151       (12,205,605       224,120       0         Piot periods/X0       (5,664)       12,270       (10,199)       nm       (10,199)       nm       11       128,822       11         Taxes       (13,040)       (17,7202)       32       (66,826)       (74,044)       17       13,832       144,318       15       34       34,33       14       15       35       34,0       34,33       144,318       15       36       144,318       15       36       144,318       15       36       144,318       15,326       144,318       15,326       144,318       15,326       144,318		Ebitda	79,353	103,273	3 30	291,738	395,306	36
sharply higher than estimates in 4QFV06       Reported Lost $(7, 184)$ $(23, 345)$ $(33, 62, 016)$ $(68, 904)$ 11         A slew of exceptionals in 4QFV06       PBIT $51, 872$ $45, 839$ $(12)$ $188, 684$ $206, 904$ 11         PBIT $51, 872$ $45, 839$ $(12)$ $188, 684$ $206, 904$ 11         Interest expenses $(102)$ $(333)$ $217$ $(377)$ $(460)$ $22$ Profits would have been 50% higher without       Profits would have been 50% logicary divideds $(2, 206, 605)$ $(21, 89, 904)$ $11$ Profits would have been 50% logicary dividends $51, 017$ $48, 061$ $(6)$ $196, 655$ $218, 382$ $11$ Taxes $(13, 040)$ $(17, 202)$ $32$ $(66, 826)$ $(74, 064)$ $11$ Profits would have been 50% higher without       PAT $37, 97$ $30, 859$ $(19)$ $192, 830$ $144, 318$ $11$ Parce 2 $00KC$ $86, 644$ $129, 830$ $144, 318$ $11$ We expect ONGC Videsh to be a meaningful contributor from next year onwards $83, 890$ $133, 996$ $153, 976$ <td></td> <td>Subsidy sharing</td> <td>(9,896)</td> <td>(34,069)</td> <td>) 244</td> <td>(41,038)</td> <td>(119,533)</td> <td>191</td>		Subsidy sharing	(9,896)	(34,069)	) 244	(41,038)	(119,533)	191
estimates in 4QFY06       recouped Ctst       (17,388)       (12,3408)       33       (02,010)       (68,904)       1         A slew of exceptionals in 4QFY06       QFY06       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (12,010)       (12,010)       (12,010)       (12,010)       (12,010)       (12,010)       (12,010)       (12,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11,010)       (11		Reported Ebitda	69,456	69,204	4 (0)	250,700	275,773	10
A slew of exceptionals in 40FY06 40FY06 40FY06 40FY06 Prof periods/X0 (5,684) 2,270 (140) (8,950) 2,151 (124 MUT pipelind depreciation (4,264) mm - (10,199) mm - (10,199) mm - (10,199) mm - 100,199 mm - 2,310 mm - 100,199 mm - 100,200 mm - 2,310 mm - 2,310 mm - 100,199 mm - 100,200 mm - 2,310 mm - 2,3		Recouped Cost	(17,584)	(23,365)	) 33	(62,016)	(68,904)	11
A slew of exceptionals in 4QFY06 PBT 56,701 50,056 (12) 205,605 224,120 (460) 2,215 (124 MUT pipelind depreciation (4,264) nm - (10,199) nm Subsidiary dividends - nm - (10,199) nm PBT 51,017 48,061 (6) 196,655 218,382 11 Taxes (13,040) (17,202) 32 (60,826) (14,064) 1 Taxes (13,040) (17,202) 32 (14,318 1 PAT 37,977 30,859 (19) 129,830 144,318 1 PS 2,66 35,8 35,4 (1) 109,0 151,8 33 Source: (LSA Asia-Pacific Markets Figure 2 ONGC 100sC Videsh pulls down reported numbers Me expect ONGC Videsh pulls for ONSC Videsh pulls More 1 De a meaningful production of 1.2mbpd of production of 1.2mbpd of $76 \frac{1}{53,8} 57.3 58.4 56.6 \frac{60.6}{63.1} \frac{63.1}{53.8} 57.3 58.4 56.6 \frac{60.6}{63.1} \frac{63.1}{53.8} \frac{1}{53.8} \frac{57.3}{53.8} \frac{57.3}{58.4} \frac{56.6}{56.6} \frac{60.6}{63.1} \frac{63.1}{53.8} \frac{1}{53.8} \frac{57.3}{53.8} \frac{57.3}{58.4} \frac{56.6}{56.6} \frac{60.6}{63.1} \frac{63.1}{53.8} \frac{1}{53.8} \frac{57.3}{53.8} \frac{57.3}{58.4} \frac{56.6}{56.6} \frac{60.6}{63.1} \frac{63.1}{55.8} \frac{57.3}{55.8} \frac{57.3}{56.4} \frac{56.6}{60.6} \frac{63.1}{55.8} \frac{57.3}{55.8} \frac{57.3}{56.4} \frac{56.6}{60.6} \frac{63.1}{55.8} \frac{57.3}{55.8} \frac{57.3}{56.4} \frac{56.6}{60.6} \frac{63.1}{55.8} \frac{57.3}{55.8} \frac{57.3}{56.4} \frac{56.6}{60.6} \frac{63.1}{55.8} \frac{57.3}{55.8} \frac{57.3}{55.8} \frac{57.3}{56.4} \frac{56.6}{56.6} \frac{60.6}{57.8} \frac{53.8}{57.8} \frac{57.3}{56.4} \frac{56.6}{56.6} \frac{57.8}{56.6} \frac{57.8}{56.$	estimates in 4QFY06	PBIT	51,872	45,839	9 (12)	188,684	206,870	10
A slew of exceptionals in 4QFY06       PBT       56,701       50,056       (12)       205,605       224,120       0         Prior periods/X0       (5,684)       2,270       (140)       (8,950)       2,151       (12)         Prior periods/X0       (5,684)       2,270       (140)       (8,950)       2,151       (12)         Prior periods/X0       (5,684)       2,270       (140)       (8,950)       2,151       (12)         Prior periods/X0       (5,684)       (1,2)       205,605       224,120       (12)       (140)       (8,950)       2,151       (12)         Prior periods/X0       (5,684)       (1,2)       205,605       218,382       11       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (12)       (13)       (14)       (13)       (13)       (14)       (13)       (11)       (12)       (12)       (13)       (14)       (13)       (14)       (13)       (14)       (13)       (14)       (14)       (14)		Other Income	4,931	4,539	7 (8)	17,298	17,710	2
4QFY06       Prior periods/X0       (5,684)       2,270       (140)       (8,950)       2,151       (124)         MUT pipeline depreciation       (4,264)       nm       -       (10,199)       nn         Profits would have been 50% higher without subsidier dividends       11,017       48,061       (6)       196,655       218,382       11         Part       51,0107       48,061       (6)       196,655       218,382       11         Parts       (13,040)       (17,202)       32       (66,826)       (74,064)       11         Parts       37,977       30,859       (19)       129,830       144,318       11         PAT       37,977       30,859       (19)       120,830       144,318       11         EPS       ex LGS Asia-Pacific Markets       Figure 2       ONGC       0NGC       86,644       129,830       144,318       155,367       164,455         ONGC Group profits       ONGC Group profits       Image: State of EPS (Rs)       0NGC       144,318       155,367       164,455         We expect ONGC Videsh pulls to be a meaningful contributor from next year onwards       3.0       2.2       6.2       2.6       3.0       2.2       2.2       6.3       2.2       6.3		Interest expenses	(102)	(323)	) 217	(377)	(460)	22
Profits would have been 50% higher without subsidies in FY06 Rs4.5bn in goodwill write- off for ONGC Videsh pulls down reported numbers We expect ONGC Videsh pulls to be a meaningful contributor from next year onwards An adjusted overall production of 1.2mbd of rate = 3 An adjusted overall production of 1.2mbd of rate = 3 rate = 3	A slew of exceptionals in	PBT	56,701	50,056	6 (12)	205,605	224,120	ç
Profits would have been 50% higher without subsidies in FYO6 Rs4.5bn in goodwill write- off for ONGC Videsh we expect ONGC Videsh production f 1.2mbpd of production f 1.2mbpd of 123.8 $33.6$ $10.4$ $10.1$ $108.9$ $113.3$ $155.3$ $10.4$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$ $10.2$	4QFY06	Prior periods/XO	(5,684)	2,270	) (140)	(8,950)	2,151	(124)
Profits would have been 50% higher without subsidies in FV06       PAT       \$31,0400       (17,020)       32       (66,826)       (74,064)       11         Taxes       (13,040)       (17,202)       32       (66,826)       (74,064)       11         Taxes       (13,040)       (17,202)       32       (66,826)       (74,064)       11         Taxes       (13,040)       (17,202)       32       (66,826)       (74,064)       11         PAT       37,977       30,859       (19)       129,830       144,318       11         EPS       26.6       21.6       (19)       91.0       101.2       17         Source: CLSA Asia-Pacific Markets       Figure 2       0NGC       0NGC       76       07CL       08CL         ONGC Videsh pulls       down reported numbers       60,70       91.0       101.1       108.9       144,318       155,367       164,456         ONGC Videsh pulls       0NGC       60.7       91.0       101.1       108.9       115.3       100.00       21.476       30.00       31.4       31.33.9       153.976       176,210       189.892       Share of EPS (RS)       0NGC       60.7       91.0       101.1       108.9       12.5       12.6				(4,264)	) nm	-	(10,199)	nm
Profits would have been 50% higher without subsidies in FY06       Taxes $(13,040)$ $(17,202)$ $32$ $(66,826)$ $(74,064)$ $11$ PAT $37,977$ $30,859$ $(19)$ $129,830$ $144,318$ $11$ EPS ex LPG/kero $35.8$ $35.4$ $(1)$ $109,0$ $151.8$ $31$ Rs4.5bn in goodwill write- off for ONGC Videsh pulls down reported numbers       FV04       FV05       FV06 $07CL$ $08CL$ NRPL $4,594$ $8,798$ $3,716$ $4,226$ $4,173$ Consolidated $93,803$ $144,318$ $155,367$ $164,458$ ONGC $86,644$ $129,830$ $144,318$ $155,367$ $164,458$ ONGC Videsh pulls down reported numbers       Consolidated $93,803$ $143,390$ $153,976$ $176,210$ $189,892$ Share of EPS (Rs)       ONGC $60,7$ $91,0$ $101,1$ $108,9$ $115,3$ ONGC Videsh to be a meaningful contributor from next year onwards $3.2$ $6.2$ $2.6$ $3.0$ $2.5$ Source: CLSA Asla-Pacific Markets       Fipre 3       Group profultion profile						-		nm
Profits would have been 50% higher without subsidies in FY06       Taxes $(13,040)$ $(17,202)$ 32 $(66,826)$ $(74,064)$ 11         PAT $35,8$ $35,8$ $34,0$ $34,3$ 11         EPS $26,6$ $21,6$ $(19)$ $129,830$ $144,318$ 11         EPS ex LPG/kero $35,8$ $35,4$ $(1)$ $109,0$ $151,8$ $36$ Source: CLSA Asia-Pacific Markets       Figure 2 <b>ONGC group profits FV04</b> FV05       FV06 $07CL$ $08CL$ ONGC Videsh pulls down reported numbers <b>Kim 600,6</b> $76,14$ $9,010$ $21,476$ $30,002$ Share of EPS (Rs) <b>ONGC Gooldet 93,803</b> $144,318$ $155,367$ $164,456$ ONGC Videsh pulls down reported numbers <b>60,644</b> $129,830$ $144,318$ $155,367$ $164,456$ ONGC Videsh pulls down reported numbers <b>60,64</b> $9,9803$ $144,318$ $155,367$ $164,456$ ONGC Videsh to be a meaningful consolidated $93,803$ $143,390$ $153,30$ $22,6$ $30,0$ $22,5$ Source: CLSA Asia-Pacific Markets			51,017	48,061	1 (6)	196,655	218,382	11
Profits would have been 50% higher without subsidies in FYO6       Eff tax Rate %       25.6       35.8       34.0       34.3         PAT       37,977       30,859       (19)       129,830       144,318       11         EPS       26.6       21.6       (19)       129,830       144,318       11         EPS ex LPG/kero       35.8       35.4       (1)       109.0       151.8       34         Source: CLSA Asia-Pacific Markets       Figure 2       ONGC Group profits       50%       07CL       08CL         Rs4.5bn in goodwill write-off for ONGC Videsh pulls down reported numbers       4,285       7,614       9,010       21,476       30,003         MRPL       4,594       8,798       3,716       4,226       4,173         Consolidated       93,803       143,390       153,976       176,210       189,892         Share of EPS (Rs)       0NGC Videsh       3.0       5.3       6.3       151.1       21.0         MRPL       3.2       6.2       2.6       3.0       2.25       3.0       2.25         ONGC Videsh       3.0       5.3       10.4       6.7       13.4       15.5         Source: CLSA Asia-Pacific Markets       Figure 3       10.4		Taxes						11
50% higher without subsidies in FYO6       PAT       37,977       30,859       (19)       129,830       144,318       11         EPS       26.6       21.6       (19)       91.0       101.2       11         EPS ex LPG/kero       35.8       35.4       (1)       109.0       151.8       32         Source: CLSA Asia-Pacific Markets       Figure 2       ONGC       90.6644       129,830       144,318       155,367       164,456         ONGC       00GC group profits       7.614       9.010       21,476       30.003         MRPL       4.259       7.614       9.010       21,476       30.003         ONGC Videsh pulls down reported numbers       0NGC 60.7       91.0       101.1       108.9       115.3         ONGC Videsh to be a meaningful contributor from next year onwards       3.2       6.2       2.6       3.0       2.5         Source: CLSA Asia-Pacific Markets       Figure 3       Tocosolidated       65.7       100.1       108.9       115.3         Source: CLSA Asia-Pacific Markets       Source: CLSA Asia-Pacific Markets       Source: CLSA Asia-Pacific Markets       10.4       6.7       13.4       15.5         Source: CLSA Asia-Pacific Markets       Figure 3       Tocosolidated       65.4	Profits would have been	Eff tax Rate %	25.6			34.0	34.3	
subsidies in FY06       EPS       26.6       21.6       (19)       91.0       101.2       11         EPS       26.6       21.6       (19)       91.0       101.2       11         Source: CLSA Asia-Pacific Markets       Figure 2       Image: Clear and a star and a st	50% higher without	РАТ				129,830		11
EPS ex LPG/kero       35.8       35.4       (1)       109.0       151.8       34         Source: CLSA Asia-Pacific Markets       Figure 2	subsidies in FY06	EPS						11
Source: CLSA Asia-Pacific Markets         Figure 2         ONGC group profits         Rs4.5bn in goodwill write- off for ONGC Videsh pulls down reported numbers         We expect ONGC Videsh fulls to be a meaningful contributor from next year onwards         An adjusted overall production of 1.2mbpd of production         The distribution of 1.2mbpd of production         Total and the distribution of 1.2mbpd of profile         Total and the distribution of 1.2mbpd of production         Total and the distribution of 1.2mbpd of production (mtoe)         Total and the distribution of 1.2mbpd of production         Total and the distribution of the distribution of the distribution (mtoe)         Total and th		FPS ex LPG/kero	35.8	35.4			151.8	39
Rs4.5bn in goodwill write- off for ONGC Videsh pulls down reported numbers       ONGC       86,644       129,830       144,318       155,367       164,458         ONGC Videsh pulls down reported numbers       4,285       7,614       9,010       21,476       30,003         MRPL       4,594       8,798       3,716       4,226       4,173         Consolidated       93,803       143,390       153,976       176,210       189,892         Share of EPS (Rs)       ONGC       60,7       91.0       101.1       108.9       115.3         ONGC Videsh to be a meaningful contributor from next year onwards       0NGC Videsh       3.0       5.3       6.3       15.1       21.0         MRPL       3.2       6.2       2.6       3.0       2.9         Consolidated       65.7       100.5       107.9       123.5       133.1         % higher       8.3       10.4       6.7       13.4       15.5         Source: CLSA Asia-Pacific Markets       Figure 3       Group production profile       76       60.6       63.1 $0^{-6}$ 46       66       58.4       56.6       60.6       63.1       66			kets					
Rs4.5bn in goodwill write- off for ONGC Videsh pulls down reported numbers       ONGC Videsh       4,285       7,614       9,010       21,476       30,000         MRPL       4,594       8,798       3,716       4,226       4,173         Consolidated       93,803       143,390       153,976       176,210       189,892         Share of EPS (Rs)       ONGC       60.7       91.0       101.1       108.9       115.3         ONGC Videsh       3.0       5.3       6.3       15.1       21.0         MRPL       3.2       6.2       2.6       3.0       2.5         Source: CLSA Asia-Pacific Markets       Source: CLSA Asia-Pacific Markets       Figure 3       53.8       57.3       58.4       56.6       60.6       63.1         64       64       65		Figure 2		FYO4	FY05	FY06	07CL	08CL
off for ONGC Videsh pulls down reported numbers       ONGC Videsh       4,285       7,614       9,010       21,476       30,003         MRPL       4,594       8,798       3,716       4,226       4,173         Consolidated       93,803       143,390       153,976       176,210       189,892         Share of EPS (Rs)       ONGC Videsh       3.0       5.3       6.3       15.1       21.0         MRPL       3.2       6.2       2.6       3.0       2.9         Consolidated       65.7       100.5       107.9       123.5       133.1         % higher       8.3       10.4       6.7       13.4       15.5         Source: CLSA Asia-Pacific Markets		Figure 2 ONGC group profits		FYO4	FY05	FY06	07CL	08CL
down reported numbers       MRPL       4,594       8,798       3,716       4,226       4,173         Consolidated       93,803       143,390       153,976       176,210       189,892         Share of EPS (Rs)       ONGC       60.7       91.0       101.1       108.9       115.3         ONGC       0NGC       60.7       91.0       101.1       108.9       115.3         ONGC Videsh       3.0       5.3       6.3       15.1       21.0         MRPL       3.2       6.2       2.6       3.0       2.9         Consolidated       65.7       100.5       107.9       123.5       133.1         % higher       8.3       10.4       6.7       13.4       15.5         Source: CLSA Asia-Pacific Markets       Figure 3       Group production profile       76       60.6       63.1         76       97.3       58.4       56.6       60.6       63.1         66       56       53.8       57.3       58.4       56.6       60.6       63.1		Figure 2 ONGC group profits Rsm						
We expect ONGC Videsh to be a meaningful contributor from next year onwards       ONGC $60.7$ $91.0$ $101.1$ $108.9$ $115.3$ An adjusted overall production of 1.2mbpd of production of 1.2mbpd of $46.7$ $76.3$ $57.3$ $58.4$ $56.6$ $60.6$ $63.1$		Figure 2 ONGC group profits Rsm ONGC	86	5,644	129,830	144,318	155,367	164,458
We expect ONGC Videsh to be a meaningful contributor from next year onwards An adjusted overall production of 1.2mbpd of production of 1.2mbpd of 76 46 7 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 73.8 75.8.4 75.8.4 75.8.4 75.8.4 75.6.6 60.6 63.1 60.6 63.1 60.6 63.1 60.6 63.1 60.6 63.1 60.6 63.1 60.6 60.6 63.1 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6	off for ONGC Videsh pulls	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh	86	5, <b>644</b> 4,285	<mark>129,830</mark> 7,614	<b>144,318</b> 9,010	<b>155,367</b> 21,476	<b>164,458</b> 30,003
We expect ONGC Videsh to be a meaningful contributor from next year onwards $3.0$ $5.3$ $6.3$ $15.1$ $21.0$ MRPL $3.2$ $6.2$ $2.6$ $3.0$ $2.9$ Source: CLSA Asia-Pacific Markets $8.3$ $10.4$ $6.7$ $13.4$ $15.5$ Figure 3Group production profile $76$ $76$ $73.8$ $57.3$ $58.4$ $56.6$ $60.6$ $63.1$ $76$ $73.8$ $57.3$ $58.4$ $56.6$ $60.6$ $63.1$	off for ONGC Videsh pulls	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL	86	5 <mark>,644</mark> 4,285 4 <mark>,594</mark>	<b>129,830</b> 7,614 8,798	<mark>144,318</mark> 9,010 <u>3,716</u>	<b>155,367</b> 21,476 4,226	<mark>164,458</mark> 30,003 4,173
We expect ONGC Videsh to be a meaningful contributor from next year onwardsMRPL $3.2$ $6.2$ $2.6$ $3.0$ $2.9$ MRPL year onwards $3.2$ $6.7$ $100.5$ $107.9$ $123.5$ $133.1$ MRPL year onwards $8.3$ $10.4$ $6.7$ $13.4$ $15.5$ Source: CLSA Asia-Pacific MarketsFigure 3Group production profile76 $66$ Figure 3Group production (mtoe) $66$ $53.8$ $57.3$ $58.4$ $56.6$ $60.6$ $63.1$ $66$ $53.8$ $57.3$ $58.4$ $56.6$	off for ONGC Videsh pulls	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL Consolidated	86	5 <mark>,644</mark> 4,285 4 <mark>,594</mark>	<b>129,830</b> 7,614 8,798	<mark>144,318</mark> 9,010 <u>3,716</u>	<b>155,367</b> 21,476 4,226	08CL 164,458 30,003 4,173 189,892
to be a meaningful contributor from next year onwards An adjusted overall production of 1.2mbpd of production profile $ \frac{76}{66} \frac{1}{53.8} \frac{57.3}{57.3} \frac{58.4}{56.6} \frac{60.6}{60.6} \frac{63.1}{63.1} $	off for ONGC Videsh pulls	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL Consolidated Share of EPS (Rs)	86	5, <b>644</b> 4,285 4,594 <b>3,803</b>	129,830 7,614 8,798 143,390	144,318 9,010 3,716 153,976	155,367 21,476 4,226 176,210	<b>164,458</b> 30,003 4,173
contributor from next year onwardsConsolidated $65.7$ $100.5$ $107.9$ $123.5$ $133.1$ % higher $8.3$ $10.4$ $6.7$ $13.4$ $15.5$ Source: CLSA Asia-Pacific MarketsFigure 3Group production profile76 $60.6$ $63.1$ $60.6$ $63.1$ $60.6$ $63.1$ $60.6$ $63.1$ $60.6$ $63.1$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$ $60.6$	off for ONGC Videsh pulls down reported numbers	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL Consolidated Share of EPS (Rs) ONGC	86	60.7	129,830 7,614 8,798 143,390 91.0	144,318 9,010 3,716 153,976 101.1	155,367 21,476 4,226 176,210	164,458 30,003 4,173 189,892
year onwards An adjusted overall production of 1.2mbpd of production production An adjusted overall production of 1.2mbpd of production for file 76 60.6 53.8 57.3 58.4 56.6 60.6 60.6 63.1 63.1 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6	off for ONGC Videsh pulls down reported numbers We expect ONGC Videsh	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL Consolidated Share of EPS (Rs) ONGC ONGC Videsh	86	6,644 4,285 4,594 3,803 60.7 3.0	129,830 7,614 8,798 143,390 91.0 5.3	<b>144,318</b> 9,010 3,716 <b>153,976</b> <b>101.1</b> 6.3	155,367 21,476 4,226 176,210 108.9 15.1	164,458 30,003 4,173 189,892 115.3
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An adjusted overall production of 1.2mbpd of production for (mtoe) 66 53.8 57.3 58.4 56.6 60.6 60.6 63.1 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6 60.6	off for ONGC Videsh pulls down reported numbers We expect ONGC Videsh to be a meaningful contributor from next	Figure 2 ONGC group profits Rsm ONGC ONGC Videsh MRPL Consolidated Share of EPS (Rs) ONGC ONGC Videsh MRPL Consolidated	86	60.7 3.0 3.2 65.7	129,830 7,614 8,798 143,390 91.0 5.3 6.2 100.5	144,318 9,010 3,716 153,976 101.1 6.3 2.6 107.9	155,367 21,476 4,226 176,210 108.9 15.1 3.0 123.5	<b>164,458</b> 30,003 4,173 <b>189,892</b> <b>115.3</b> 21.0 2.9
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Source: CLSA Asia-Pacific Markets. Note: We have excluded 0.993mtoe of crude production from the Syrian acquisition pertaining to the July-05 to Jan-06 period (both inclusive).

□ ONGC □ JVs ■ ONGC Videsh

FY06

FY05

FY04

08C L

07CL

#### Figure 4

Key assumptions						
	FY03	FY04	FY05	FY06	07CL	08CL
Pricing						
Brent (US\$/bbl)	27.7	29.2	42.4	58.0	70.0	52.0
CLSA estimate (US\$/bbl)					60.0*	52.5*
Gas consumer price (Rs/mcm)	2,850	2,850	2,850	3,113	3,200	3,200
Others						
Retail subsidies (Rsm)	-	(26,904)	(41,038)	(119,533)	(214,275)	(74,857)
US\$/bbl on own crude	-	(3.4)	(5.3)	(16.9)	(26.7)	(9.1)
Post subsidy crude price (US\$/bbl)	27.7	25.8	36.8	41.1	43.3	42.9
Exchange rate (Rs/US\$)	48.4	46.0	44.9	44.6	45.7	45.0
Depr/(Appr) (%)	1.8	(5.1)	(2.2)	(0.7)	2.5	(1.5)

Source: CLSA Asia-Pacific Markets. \* US\$60/bbl for calendar 2006 and US\$52.5/bbl for calendar 2007.

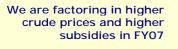
Figure 5

ONGC earns US\$26-27/bbl on crude after statutory duties and subsidies						
(US\$/bbl)	FY03	FY04	FY05	FY06	07CL	08CL
Crude realizations						
Brent	27.7	29.2	42.2	58.0	70.0	52.0
Import duties	1.4	1.5	2.0	1.5	1.8	1.3
Sales tax benefit	0.6	0.6	0.8	1.1	1.3	1.0
Quality and other discounts	(1.5)	(1.7)	(2.5)	(3.8)	(4.3)	(3.2)
Gross Realization	28.1	29.6	42.6	56.8	68.8	51.1
Statutory levies						
Cess	(4.9)	(5.1)	(5.3)	(5.3)	(7.2)	(7.3)
Royalties	(2.9)	(3.0)	(4.3)	(5.7)	(6.8)	(5.1)
Sales tax	(1.1)	(1.2)	(1.7)	(2.2)	(2.7)	(2.0)
NCCD	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total	(8.9)	(9.4)	(11.4)	(13.4)	(16.8)	(14.5)
Net Core Realization	19.2	20.2	31.2	43.4	52.0	36.6
Subsidies	-	(3.3)	(5.1)	(15.9)	(25.1)	(8.6)
ONGC Realization	19.2	17.0	26.2	27.5	26.9	28.0

Source: CLSA Asia-Pacific Markets

Figure 6							
Standalone income statement summary in US\$/boe							
(US\$/boe)	FY03	FYO4	FY05	FY06	07CL	08CL	
Gross Sales	17.9	20.1	25.6	34.6	40.7	32.1	
Statutory duties	(4.7)	(5.1)	(5.7)	(7.3)	(8.6)	(7.6)	
Net Sales	13.1	15.0	19.8	27.3	32.0	24.5	
Operational expenses	(2.6)	(3.3)	(3.7)	(4.1)	(4.3)	(4.6)	
Ebitda	10.5	11.7	16.2	23.1	27.7	19.9	
Subsidy sharing	-	(1.5)	(2.3)	(7.0)	(11.7)	(4.1)	
Reported Ebitda	10.5	10.2	13.9	16.2	16.0	15.8	
Recouped Costs	(2.1)	(3.2)	(3.4)	(3.8)	(3.6)	(3.7)	
Ebit	8.4	7.0	10.4	12.3	12.4	12.1	
Other Income	1.0	0.9	1.0	1.2	1.3	1.4	
Interest expenses	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
Adjustments/others	(1.1)	(0.1)	(0.4)	(0.7)	(0.7)	(0.1)	
PBT	8.3	7.8	10.9	12.7	13.0	13.5	
Taxes	(2.9)	(2.8)	(3.7)	(4.3)	(4.5)	(4.5)	
PAT	5.4	4.9	7.2	8.4	8.6	8.9	

Source: CLSA Asia-Pacific Markets



Crude net realisation for ONGC is largely flat due to subsidies

Subsidy sharing shaved off US\$7/boe from Ebitda in FY06

Our estimates imply US\$16/boe of reported Ebitda over FY06-08CL

US\$8.4/boe of reported profits

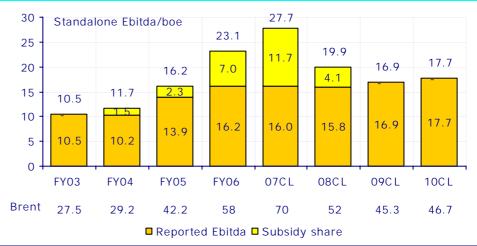




Incremental revenues from higher crude prices is taken away due to higher subsidies

#### Figure 7

We have factored in net Ebitda at c.US\$16/boe after subsidies in FY06-08CL

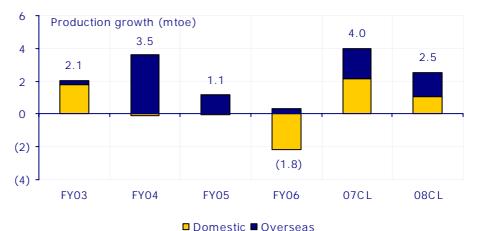


Source: CLSA Asia-Pacific Markets

Figure 8



#### Our profit growth estimate for FY07 is led by the strong 4mtoe (7%) increase in production



Source: CLSA Asia-Pacific Markets

#### Figure 9 Sum of parts valuation for ONGC US\$m Rs/share Comment Existing crude and gas assets 36,215 1,143 Implied asset value of US\$5.4/boe Domestic crude and oil assets 31,061 980 Risk adjusted DCF based asset valuations for ONGC Videsh 163 crude and gas assets 5,154 **Exploration** assets 1,511 48 At Myanmar, Sudan, Syria and KG Basin Other core assets 85 Value added products, drilling assets 2,691 ONGC core business value 40,416 1,275 Strategic Investments 853 27 25 20% discount to current market prices Value of MRPL 781 Value of Petronet LNG 2 20% discount to current market prices 72 **Financial investments** 941 30 Value of IOC stake 757 24 20% discount to current market prices Value of Gail stake 184 6 20% discount to current market prices Total enterprise value 42,210 1,332 49 FY06 end estimated net cash Adjusted net cash 1,551 Site restoration fund (1, 596)(50) Estimated deposit for statutory requirement Implied fair equity value 42,166 1,331

Adjusted fair core equity value Source: CLSA Asia-Pacific Markets

Less DCF of subsidy sharing

Target price of Rs1200/share

(3, 972)

38,194

(125) NPV of subsidy sharing expected from ONGC 1,205 Implied US\$5.4 EV/boe for E&P Assets





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#### Note: In the interests of timeliness, this document was not edited.

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Arvind Mills

Rs57.60 - UNDERPERFORM

#### Anirudha Dutta

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28 June 2006

#### India Textiles

Reuters Bloomberg ARMI.NS NARVND IN

Priced on 27 June 2006 India Sensex @ 10,151.0

Market cap	US\$260m
Shares in issue	208.9m
Free float (est.)	63.0%

3M average daily volume Rs161.5m (US\$3.6m)

12M high/low Rs143.80/51.00

Foreign shareholding 26.5% Major shareholders Promoters 37.0%

#### Stock performance (%)



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## Denim blues

Denim prices in the domestic market are under pressure after fresh capacities have been commissioned. While volumes in the export markets have picked up, price recovery is some time away. Given the above, the next 12-month outlook remains uncertain and we are cutting our estimates for FY07 by 54%. FY08 performance will primarily depend on the recovery in denim prices and volumes. Maintain UNDERPERFORM.

#### FY06: denim troubles hit performance

During FY06 Arvind's sales declined by 4% and net profits were flat, primarily due to deterioration in performance of the denim division. Consolidated net profits declined by 27% yoy. Denim volumes declined in every quarter for the last three quarters and price realisations also fell (see Charts inside). Results would have been further impacted but for soft cotton prices. Company's debt has increased by about Rs2bn (12% yoy) as working capital requirements have increased (higher cotton inventory).

#### FY07: Denim blues will continue to hurt the company

The pressure on denim prices has worsened in the domestic market with commissioning of fresh capacities. While the volumes in the export markets have recovered, prices have not. It will take at least another 12 months for the excess capacity to be absorbed. We are cutting our forecasts for FY07 by 54% on the back of lower denim volumes (-20% from previous estimates) and lower prices (-5%). Energy costs are also expected to increase due to shortage of natural gas. Shirting business continues to perform steadily and garment business is witnessing growth in excess of 20% cagr.

#### Garments: Future growth avenue

In FY06 garments was 12% of the company's turnover and this is expected to increase to over 25% by FY08. We believe ramp up in productivity in the garments business will be slow as Arvind learns to deal with larger complexities and low volume runs, unlike its traditional fabric business of high volumes. The company plans to increase its garmenting facilities from 12.7mn pcs pa to nearly 42mn pcs pa by FY09, which will catapult it to among top 3 players in India in apparels by the end of the decade. The increase in capacity is also being matched by the increase in retail shelf space to increase the sales of branded garments in the domestic market.

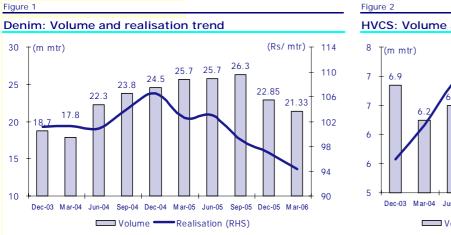
#### Near term outlook puts cap on stock performance

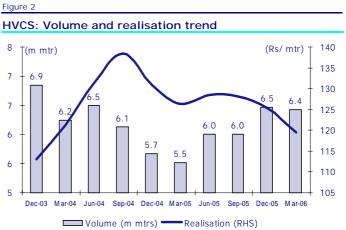
We believe that the uncertain near term outlook puts a cap on stock price performance notwithstanding recent price declines. Recovery in the denim cycle coupled with visible signs of success in garments will be the next triggers, which are still at least 12-months away. Maintain UNDERPERFORM.

04A	05A	06CL	07CL	08CL
14,577	17,024	16,923	17,583	19,569
		0	(8.9)	(5.9)
884	1,233	1,177	891	1,283
			(53.6)	(43.5)
4.5	6.3	5.6	4.3	6.1
-	-	92	67	85
(34.5)	39.3	(10.7)	(24.3)	44.0
12.7	9.1	10.2	13.5	9.4
-	2.0	2.0	1.0	1.0
8.30	10.50	8.70	5.80	7.90
8.2	7.7	5.8	5.8	4.9
	14,577 884 4.5 (34.5) 12.7 - 8.30	14,577       17,024         884       1,233         4.5       6.3         -       -         (34.5)       39.3         12.7       9.1         -       2.0         8.30       10.50	14,577       17,024       16,923         0       0         884       1,233       1,177         4.5       6.3       5.6         -       -       92         (34.5)       39.3       (10.7)         12.7       9.1       10.2         -       2.0       2.0         8.30       10.50       8.70	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

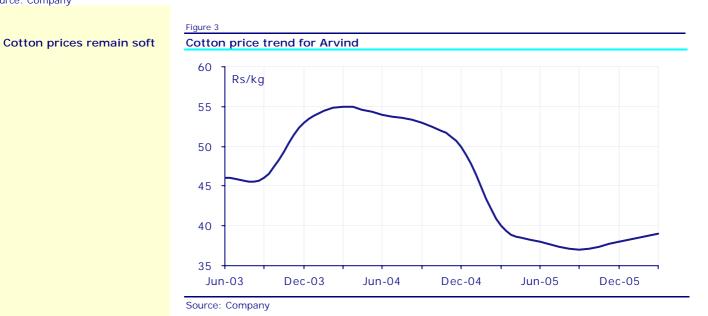
Source: CLSA Asia-Pacific Markets







Source: Company

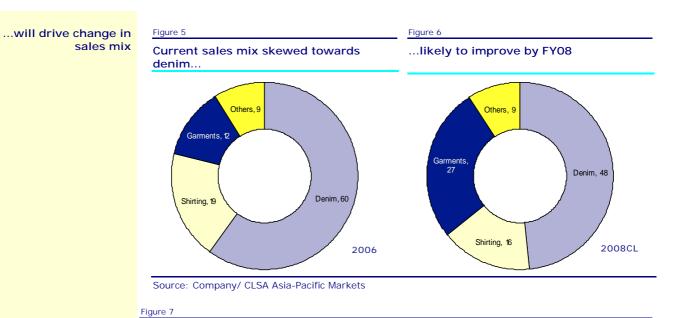


Garment capacity to expand >3x over next 3 years...

	Installed capacity (m	Planned additions				
Category	pcs)	FY07	FY08	FY09	Total	
Jeans	4.0	5.0	5.0	3.0	17.0	
Shirts	4.5	-	3.0	2.0	9.5	
Knits	4.2	1.0	3.0	3.0	11.2	
Khakis	-	1.5	3.0	-	4.5	
Cum total	12.7	20.2	34.2	42.2		

Source: Company





Quarterly financials (Rsm)	Mar-05	Jun-05	Sep-05	Dec-05	Mar-0
Net sales	4,450	4,204	4,280	3,902	3,578
% YoY	27.4	6.2	0.9	(5.7)	
Expenditure:					
(Inc)/ dec in stock	(139)	(66)	146	258	(239
Raw materials	1,643	1,383	1,331	1,114	1,22
Power & fuel	338	373	375	318	370
Stores consumed	413	456	457	380	417
Staff cost	337	338	369	309	342
Other expenditure	740	571	542	510	553
Total expenditure	3,332	3,055	3,219	2,888	2,663
Op Ebitda	1,118	1,149	1,061	1,014	91
Depreciation	382	385	387	385	394
Op Ebit/ operating profit	737	764	674	629	52
Other income	50	67	77	21	60
Ebit	787	831	751	650	58
Interest	317	335	342	296	330
Forex Gain/ (Loss)		40	20	(96)	(51
РВТ	470	497	409	258	20
Taxation	(60)	46	37	24	(15
Extraordinaries inc/ (exp)	-			-	-
PAT	530	451	372	234	21
Eps (Rs)	2.48	2.25	1.74	1.07	0.9
Ratios:					
% Op Ebitda	25.1%	27.3%	24.8%	26.0%	25.69
% Op Ebit	16.6%	18.2%	15.7%	16.1%	14.6%
% NPM	11.9%	10.7%	8.7%	6.0%	6.09
% Raw materials	33.8%	31.3%	34.5%	35.1%	27.49
% Power & fuel	7.6%	8. <b>9</b> %	8.8%	8.1%	10.39
% Stores consumed	9.3%	10.9%	10.7%	9.7%	11.79
% Staff cost	7.6%	8.0%	8.6%	7.9%	9.6%
% Other expenditure	16.6%	13.6%	12.7%	13.1%	15.5%

Sales impacted as denim prices turned soft

Soft cotton prices have helped to maintain margins

Power costs increase as gas availability is impacted

#### Summary P&L forecast (Rsm) Year to 31 March 2004A 2005A 2006A 200701 200801 Revenue 14,577 17,024 16,923 17,583 19,569 **Operating Ebitda** 3,112 3,734 4,121 3,884 4,374 Operating Ebit 1,609 2,243 2,239 2,642 2,562 Interest income 0 0 0 0 0 (893) Interest expense (1, 133)(1, 179)(1, 275)(1,035)Other items 537 229 125 125 125 Profit before tax 1,013 1,293 1,412 1,329 1,874 (525) Taxation (46)(20)(169) (372) Minorities and other (83)(41)(66)(66)(66)Profit 884 1,233 1,177 891 1,283 Summary cashflow forecast (Rsm) 1,609 2,243 2,562 2,239 2,642 **Operating Ebit** Depreciation/amort 1,503 1,491 1,559 1,645 1,732 (1, 445)Working capital - trade (1,218) (329) (704)(363) Other operating items (1,060)(2,650)4,441 555 (159)**Operating cashflow** 1,347 (361)7,344 4,111 3,852 (1,445) (1, 418)Net interest/taxes/other (1, 133)(1, 199)(1,407) Cashflow 214 (1,559)5,900 2,704 2,434 Capital expenditure (393)(1, 367)(769)(1,200)(900) Acq/inv/disposals (140)(1,060)(67) 0 0 Free Cashflow 4,071 1,504 1,534 (318)(2,993)Ord div paid/Other items 170 (275)1,500 (107)(511)Decrease in net debt 5,571 1,396 1,024 (148)(3, 269)Summary balance sheet forecast (Rsm) Cash & equivalents 127 129 2,054 1,450 1,125 Debtors - trade 2.354 3,191 2,870 2.982 3,319 3,804 5,112 6,463 6,846 Inventories - trade 7,203 Other current assets 4,455 7,585 3,046 2,637 2,935 14,971 **Fixed** assets 14,848 14,058 13,612 12,781 Intangible assets 0 0 0 0 0 2,590 2,590 2,590 Other term assets 1,464 1.531 Total assets 32,394 31,081 29,953 27,176 30,118 Short-term debt 0 0 0 0 0 Creditors - trade 2.389 1.689 2,201 2.367 2,699 Other current liabs 73 324 102 123 137 Long-term debt/CBs 13,554 16,824 13,178 11,178 9,830 Other long-term liabs 46 46 45 46 46 Minorities/other equity 695 660 660 660 660 Shareholder funds 11,118 12,151 14,894 15,743 16,582 29,953 Total liabs & equity 27,176 32,394 31,081 30,118 Ratio analysis (Rsm) 3.9 Revenue growth (%) (6.0)16.8 (0.6)11.3 10.4 Op Ebitda growth (%) (25.5)20.0 (5.7)12.6 39.4 Op Ebit growth (%) (40.4)14.2 (12.6)18.0 Op Ebitda margin (%) 21.3 21.9 24.4 22.1 22.3 Op Ebit margin (%) 11.0 13.2 15.1 12.7 13.5 Net profit margin (%) 6.1 7.2 7.0 5.1 6.6 10.0 Dividend payout (%) 0.0 18.0 20.0 12.0 Tax rate (%) 12.0 28.0 28.0 4.5 1.5 Ebitda/net int exp (x) 2.7 3.2 3.2 3.8 4.9 71.5 Net debt/equity (%) 113.7 130.3 59.3 50.5 Gross debt/equity (%) 114.7 131.3 84.7 68.1 57.0 Net debt/op Ebitda (x) 4.3 4.5 2.7 2.5 2.0 4.4 4.5 3.2 2.9 2.2 Gross debt/op Ebitda (x) Return on equity (%) 8.4 10.6 8.7 5.8 7.9 ROCE (%) 8.7 9.0 9.6 9.0 10.6 4.1 3.7 2.9 Return on assets (%) 3.3 4.3

Source: CLSA Asia-Pacific Markets

#### Recommendation history - Arvind Mills NARVND IN

Date	Rec level	Closing price	Target
28 June 2006	U-PF	57.55	50.00
28 October 2005	U-PF	101.30	100.00
02 August 2005	U-PF	139.20	110.00
14 December 2004	O-PF	111.90	110.00
23 August 2004	BUY	74.15	90.00
20 August 2004	N-R	74.75	
19 August 2004	N-R	75.90	
18 August 2004	N-R	75.35	

Source: CLSA Asia-Pacific Markets

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#### Note: In the interests of timeliness, this document was not edited.

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