



Oil and Gas: PSU update

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Change in FY13E EPS for 1INR/USD depreciation

Co.	% Impact
BPCL	(2.1)
HPCL	(1.3)
IOC	(0.4)
GAIL	(0.2)
ONGC	1.2
OINL	3.2

Source: ENAM Research

	FY12E	FY13E
Brent (US\$/bl)	112	105
INR:USD	47.6	46.5

NEGATIVE SUBSIDY SURPRISE FOR UPSTREAM COS

INR depreciation, high crude prices & limited scope of price hikes would take gross under-recoveries to an all time high levels of Rs 1.4 trn in FY12 – thereby mounting further pressure on Oil PSUs. Swelling fiscal deficit in FY12 would limit govt. subsidy to Rs 600 bn (H1 subsidy at Rs 300 bn). Limited capacity of OMCs would result in FY12 upstream subsidy at 54% (33% in H1FY12).

ONGC better-off than Oil India (OIL)

Higher contribution from OVL & Cairn's Rajasthan block would provide support to ONGC's earnings. Moreover, high cash levels (~50% of mkt cap) of OIL would create an overhang on the stock if government pushes for cross-holding of PSU shares to adhere to its divestment plans.

GAIL: a good defensive play

We do not anticipate higher subsidy burden on GAIL as its LPG business is not highly profitable. Historically, the govt. has allowed marginal profitability for LPG business. Recent correction offers good entry opportunity for investors looking at safe havens.

OMCs could be good bets, though near-term risks persist

OMCs' fundamentals look weak and they are currently trading at near their worst case valuations in CY08 – could offer reasonable upside once regulatory environment improves.

Estimates revised

We revise our FY12 and FY13 exchange rate estimates to Rs 47.6 and Rs 46.5 (vs. 46.5 and 45.1 earlier) respectively. We revise FY12 Brent estimate to \$ 112/ bl (vs. \$ 110/bl earlier); maintain FY13 and LT Brent prices at \$ 105/bl and \$ 90/bl respectively.

Financial summary

Co.	Price (Rs)	TP (Rs)	Upside (%)	Rating	EPS (Rs)		P/E (x)		P/BV* (x)		EV/EBITDA (x)	
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
BPCL	526	620	18.0	BUY	21.0	35.5	25.1	14.8	0.49	0.46	12.4	9.2
GAIL	397	420	5.8	HOLD	29.4	34.1	13.5	11.7	2.31	2.04	8.5	8.2
HPCL	276	300	8.6	HOLD	5.6	26.7	49.5	10.4	0.66	0.64	17.4	10.1
IOCL	259	295	14.0	BUY	6.0	23.7	42.8	10.9	0.80	0.76	9.2	6.9
ONGC	266	250	(5.9)	HOLD	21.5	29.6	12.4	9.0	1.74	1.54	4.4	3.4
Oil India	1,135	1,050	(7.5)	HOLD	66.9	131.0	17.0	8.7	1.64	1.47	6.8	3.3

Source: ENAM Research; *BV of BPCL, HPCL and IOC adjusted for market value of investments in listed entities.

REVISED ASSUMPTIONS ON INR DEPRECIATION & YTD CRUDE PRICES

Based on YTD Brent prices, we have marginally increased our crude price estimates for FY12 to \$ 112.5/bl (vs. \$ 110/bl earlier). We maintain our FY13 and LT Brent estimates at \$ 105/bl and \$ 90/bl. We have also accounted for depreciation in INR by assuming exchange rate at 47.6 and 46.5 in FY12 and FY13 respectively.

Changes in assumptions

	FY12E			FY13E		
	Old	New	% chg	Old	New	% chg
Crude price (US\$/bl)	110.0	112.5	2.3	105.0	105.0	0.0
Exchange rate (Rs/US\$)	45.5	47.6	4.6	44.4	46.5	4.7

Source: ENAM Research

FY12 upstream subsidy sharing likely at 54%

We expect FY12E gross U/R at Rs 1.4 trn. This would create an overhang on upstream companies as government is not in a position to take higher than Rs 600 bn subsidy hit due to the bulging fiscal deficit levels. OMCs also can take a maximum net under-recovery of Rs 40 bn or they would run into losses. This may force the govt. to raise upstream's subsidy share to 54%, thereby putting severe pressure on upstream companies' profitability.

Changes in the subsidy model

(Rs bn)	FY12E			FY13E		
	Old	New	% chg	Old	New	% chg
Total gross under-recoveries	1,079	1,382	28	1,119	1,275	14
Upstream subsidy	421	742	76	436	548	26
Government bonds	540	600	11	582	663	14
Net under-recoveries of OMCs	119	40	(66)	101	64	(37)
Sharing (%)						
Upstream	39	54	15	39	43	4
Government oil bonds	50	43	(7)	52	52	0
OMCs	11	3	(8)	9	5	(4)

Source: ENAM Research

GAIL – the only safe bet

Government's proposal to exclude benefits from customs & excise duty cuts, while calculating upstream subsidy share, would benefit GAIL as it does not share under-recoveries on Diesel, the major beneficiary of duty cuts. Moreover, if government increases subsidy burden on GAIL – its LPG business, which shares the subsidies, would run into losses.

Upstream's subsidy sharing breakup

(Rs bn)	FY12E			FY13E		
	Old	New	% chg	Old	New	% chg
Upstream subsidy sharing breakup	421	742	76	436	548	26
ONGC	341	620	82	356	456	28
GAIL	30	30	0	26	26	(0)
OIL	50	92	82	55	67	21

Source: ENAM Research

OMCs – Under-recoveries

(Rs bn)	FY12E			FY13E		
	Gross UR	Subsidy support	Net UR	Gross UR	Subsidy support	Net UR
OMCs' total	1,381	1,341	40	1,275	1,211	64
BPCL	330	320	10	316	300	16
HPCL	305	296	9	284	269	14
IOC	747	726	22	676	642	34

Source: ENAM Research

Change in earnings estimates

(Rs/ Sh)	FY12E			FY13E		
	Old	New	% change	Old	New	% change
BPCL	27.9	21.0	(25.0)	36.3	35.5	(2.2)
GAIL	30.1	29.4	(2.2)	35.3	34.1	(3.6)
HPCL	10.7	5.6	(47.9)	33.5	26.7	(20.4)
IOC	15.7	6.0	(61.5)	24.0	23.7	(1.3)
ONGC	32.7	21.5	(34.2)	32.3	29.6	(8.5)
Oil India	144.2	66.9	(53.6)	147.2	131.0	(11.0)

Source: Bloomberg, ENAM Research

Earning Sensitivities

ONGC - FY13E EPS Sensitivities

(Rs/sh)		Upstream subsidy sharing (%)					
		33.0%	39.0%	43.0%	50.0%	55.0%	60.0%
Crude oil price (\$/bbl)	90	35.4	33.4	32.1	29.6	27.9	26.1
	100	35.9	32.7	30.5	26.5	23.6	20.5
	105	36.1	32.3	29.6	24.8	21.3	17.6
	110	36.3	31.8	28.7	23.1	18.9	14.5
	120	36.7	30.9	26.9	19.4	13.8	7.9
	130	37.1	30.0	24.9	15.5	8.4	0.9

Source: ENAM Research

Oil India - FY13E EPS Sensitivities

(Rs/sh)		Upstream subsidy sharing (%)					
		33.0%	39.0%	43.0%	50.0%	55.0%	60.0%
Crude oil price (\$/bbl)	90	173.2	161.2	153.2	139.2	129.2	119.1
	100	169.8	150.9	138.4	116.4	100.7	85.0
	105	168.0	145.8	131.0	105.0	86.5	68.0
	110	166.3	140.6	123.6	93.7	72.3	50.9
	120	162.8	130.4	108.7	70.9	43.9	16.8
	130	159.3	120.1	93.9	48.1	15.4	(17.3)

Source: ENAM Research

GAIL - FY13E EPS Sensitivities

(Rs/sh)		Upstream subsidy sharing (%)					
		33.0%	39.0%	43.0%	50.0%	55.0%	60.0%
Crude oil price (\$/bbl)	90	34.1	32.7	31.7	30.0	28.7	27.5
	100	36.3	34.5	33.3	31.2	29.6	28.1
	105	37.4	35.4	34.1	31.8	30.1	28.4
	110	38.4	36.3	34.9	32.4	30.5	28.7
	120	40.6	38.1	36.5	33.5	31.4	29.3
	130	42.8	39.9	38.0	34.7	32.3	29.9

Source: ENAM Research

Prefer downstream as subsidy risks loom large on upstream

With upstream companies' earnings under pressure due to higher subsidy sharing and OMCs' valuations approaching 2008 levels, we believe OMCs offer better risk-reward to investors versus the upstream stocks.

BPCL top pick among OMCs

We rate BPCL as our preferred bet amongst the OMCs on the back of its superior E&P assets portfolio. BPCL's Mozambique block (10% stake) has recoverable reserves of 15-30+ tcf, and could potentially be worth Rs 300/share (~55% of BPCL's mkt cap). However, conservatively, we have valued BPCL's E&P portfolio at a 50% discount to DCF value due to cash sourcing and possible delays in monetization.

Assumptions for valuation

Item	Unit	Value	Remark
Basin specific assumptions			
Total gas reserves	(tcf)	20.0	Recoverable reserves
LNG terminal capacity	(mtpa)	18.8	Assuming 25 year life of the terminal
First production	Year	FY18	
Project cost assumptions			
LNG terminal cost	(USD bn)	11.3	Based on cove-energy presentation
E&P cost	(USD bn)	13.4	Assuming development cost of US\$ 4.5/bl
Total cost fixed	(USD bn)	24.6	
Debt:equity	(x)	80:20	
Operating/lifting costs	(USD/ mnbtu)	0.6	
Pricing related assumptions			
Crude price (long-term)	(USD/ bl)	90.0	
Gas price linkage	(%)	11%	Current linkage on long term contracts is 12-15%
Gas price realization	(USD/ mnbtu)	9.9	
INR-USD exchange rate	(INR/USD)	45.0	

Source: ENAM Research

Mozambique: Valuation of recoverable reserves (10 tcf)

(USD mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CFO	-	-	-	-	-	-	5,338	5,355	5,379	5,402
Capex	(1,232)	(2,464)	(3,697)	(4,929)	(4,929)	(6,161)	(1,232)	0	0	0
FCFF	(1,232)	(2,464)	(3,697)	(4,929)	(4,929)	(6,161)	4,106	5,355	5,379	5,402
Debt issued	1,232	2,464	2,464	3,697	3,697	4,929	(200)	(500)	(500)	(500)
Interest cost adjustment	-	-	-	-	-	-	875	858	835	811
FCFE	-	-	(1,232)	(1,232)	(1,232)	(1,232)	4,781	5,713	5,713	5,713

NPV (USD mn) at 10% 21,659

BPCL's stake (USD mn) 2,166

BPCL's stake (Rs mn) 99,633

BPCL's stake (Rs/shr) 304

Source: ENAM Research

GAIL a safe bet in a volatile sector

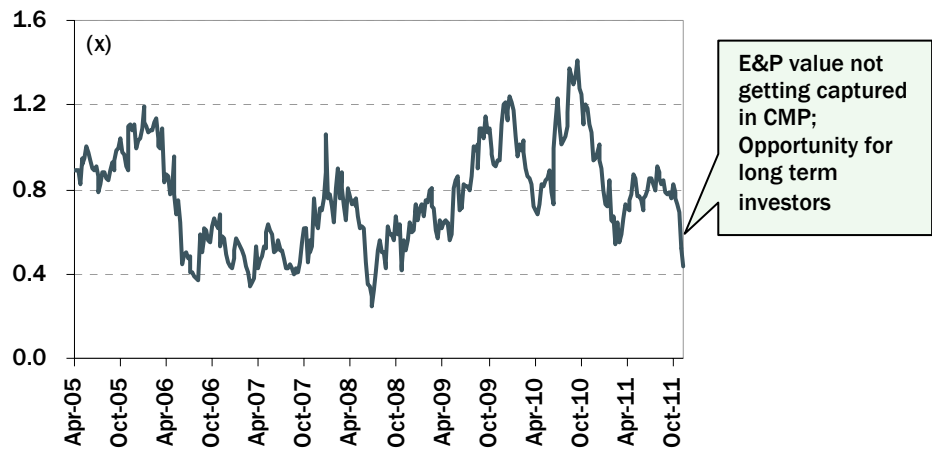
The recent stock price correction in GAIL as well as relatively lower risk of subsidy burden offers better risk-reward to investors. We value the stock at Rs 410, offering 5% upside to CMP. We do not expect a meaningful correction in GAIL's FY12 EPS estimates.

OMCs – P/Adjusted Book Value (1-year forward FY12E)

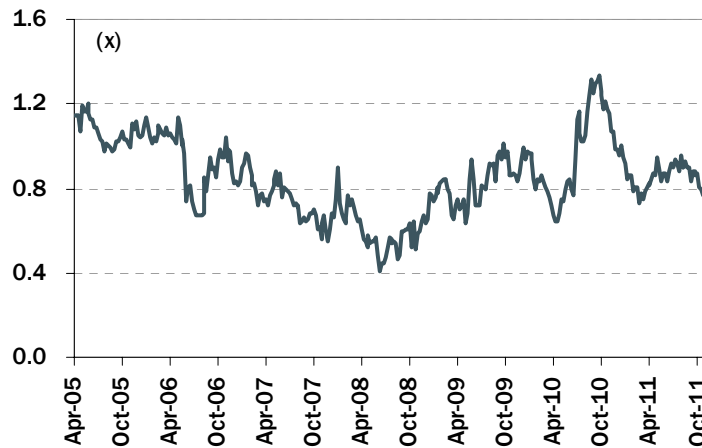
	BPCL	HPCL	IOC
(Rs mn)			
FY12 Reported BV	152,419	122,592	538,240
Less: Treasury stocks	(6,577)	0	(10,179)
Less: Current investments	(25,211)	(10,334)	(36,342)
Adjusted Book Value (ABV)	120,631	112,257	491,718
(Nos)			
Reported number of shares	362	339	2,428
Treasury shares	34	0	58
Adjusted number of shares	328	339	2,370
(Rs/share)			
Current Market Price (CMP)	526	276	259
Less: Mkt value of investments in listed entities	346	57	92
Core CMP	179	219	167
Book Value (Rs/share)			
Adjusted Book Value	368	331	208
Reported Book Value	422	362	222
Adjusted P/BV on CMP (x)	0.49	0.66	0.80
Adjusted P/BV on TP (x)	0.74	0.73	0.98

Source: ENAM Research

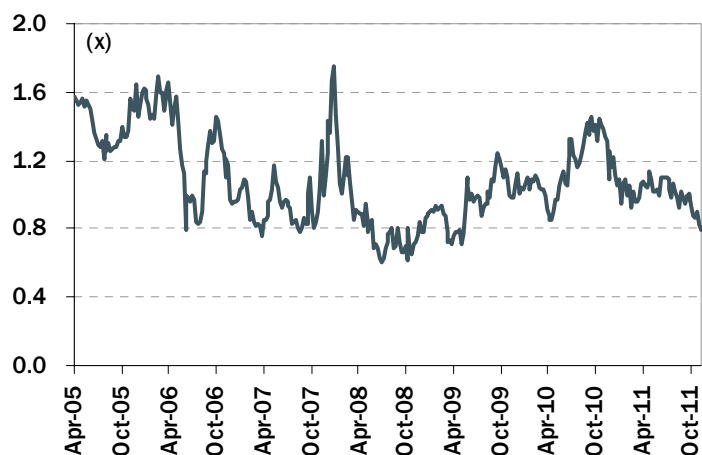
BPCL – Historical P/Adjusted Book Value (1-year forward)



HPCL – Historical P/Adjusted Book Value (1-year forward)



IOCL – Historical P/Adjusted Book Value (1-year forward)



Source: ENAM Research

BPCL: SoTP valuation

	EV (Rs bn)	(Rs/sh)	Remarks
Refining fair value	73	224	FY13E refining EV/EBITDA of 5x
Valuation of subsidy burden	(123)	(376)	Wtd. average of EV/EBITDA of Marketing & Refining business
Marketing fair value	197	602	DCF based value; WACC of 15.5%; terminal growth rate Nil
Core business EV	148		
Investments			
Nurmaligarh Refineries Ltd	15	46	5x EV/EBITDA; 20% holding company discount
Bharat PetroResources Ltd	59	181	DCF based value at 40% discount due to funding issues
OIL stake	6	17	10% discount to current market value
Indraprastha Gas	9	26	40% discount to target price of Rs 450
Petronet LNG	8	25	40% discount to target price of Rs 145
BORL	14	42	Investments made to date
Other investments	18	54	Investments made to date
EV of BPCL	276	841	
Net debt/ (Cash)	72	221	
BPCL fair value	203	620	

Source: ENAM Research; Note: We consider investment in OIL as liquid investment, hence valued at 10% discount to CMP. IGL & PLNG considered strategic investments and valued at 40% discount to TP.

HPCL: SoTP valuation

	EV (Rs bn)	(Rs/share)	Remarks
Refining fair value	76	225	FY13E refining EV/EBITDA at 5.0x
Marketing fair value	187	551	DCF based value; WACC of 15.5%; terminal growth rate Nil
Subsidy valuation	(102)	(301)	Wtd. average of EV/EBITDA of Marketing & Refining business
Core business EV	161	474	
E&P investments	-	-	EV/boe based valuation
MRPL stake	11	33	40% discount CMP
OIL stake	6	17	10% discount CMP
Investments	28	82	
EV of HPCL	205	606	
Net debt/ (Cash)	104	307	
HPCL fair value	101	299	
HPCL fair value (Rs/sh)	299		

Source: ENAM Research; Note: MRPL is a strategic investment valued at 40% discount to CMP. OIL is liquid investment valued at 10% discount to CMP.

IOC: SoTP valuation

SoTP	EV (Rs bn)	Rs/ share	Remarks
Refining	325	137	FY13E EV/EBITDA of 5x
Retail	536	226	DCF based value; WACC of 15.5%; terminal growth rate Nil
Subsidy	(264)	(111)	Valued at 7.8x FY13E subsidy burden
Core business value	597	252	
Investments			
Chennai Petroleum (CPCL)	11	5	20% discount to CMP
Petronet LNG (PLL)	8	3	40% discount to TP of Rs 145
ONGC	155	65	10% discount to CMP
Oil India Limited (OIL)	11	5	10% discount to CMP
GAIL	1	1	10% discount to CMP
Other investments in group co's	11	5	Net of investments in listed co's
Value of Investments	198	83	
Enterprise value	795	335	
Net Debt/ (Cash)	97	41	
Value of the company	698	294	

Source: ENAM Research; Note: CPCL is majority owned operating subsidiary, valued at 20% discount to CMP. PLNG is a strategic investment and valued at 40% discount to TP. ONGC, OIL & GAIL are liquid investments, valued at 10% discount to the CMP.

ONGC Valuation

	(USD mn)	Comments
WACC (%)	14.8%	
Undiscounted CashFlow	88,966	DCF; Cash flow for 30 yrs
PresentValue of CashFlow	27,400	
Net Debt	(4,986)	
Net present value of proved reserves	32,386	
No. of shares (mn)	8,556	
Proved reserve value per share (Rs/shr)	164	DCF at 14%
Investments In JV's (Rs/ Share)		
- Petronet LNG	1	at 40% discount to TP of Rs 145
- MRPL	7	at 20% discount to CMP
- IOC	6	at 10% discount to CMP
- Probable reserves	17	US\$1.5/boe
- sale of other products	11	DCF
- GAIL	2	at 10% discount to CMP
- ONGC worth (ex-OVL)	209	
OVL valuation		
Value for ONGC (Rs/ share)	41	Effective US\$9.1/boe
Total Valuation for ONGC (Rs/share)	250	

Source: ENAM Research; Note: PLNG is a strategic investment valued at 40% discount to TP. MRPL is majority owned subsidiary valued at 20% discount to CMP. IOC is a liquid investment valued at 10% discount to CMP.

Oil India Valuation

	Reserves	EV	
	(bcfe)	(Rs bn)	(Rs/share)
Proved reserves	3,126	153	635
Probable Reserves	2,616	26	108
Net reserves value	5,742	179	743
LPG business		2	7
NRL		6	25
India Producing JVs		3	13
Farsi block service contract		1	4
Contingent reserves upgradation for BCPL		15	62
Net debt		(48)	(199)
Equity value		253	1,053

Source: ENAM Research

GAIL Valuation

	(Rs bn)	(Rs/sh)	Remarks
Enterprise Value			
Natural Gas transmission	45	36	EV computed based on DCF; WACC of 12.1%; Terminal growth rate NIL
LPG transmission	27	21	EV computed based on DCF; WACC of 12.1%; Terminal growth rate NIL
DUPL/ Other pipelines	17	14	EV computed based on DCF; WACC of 12.1%; Terminal growth rate 3%
Add: National Gas Grid	186	146	DCF; WACC of 13.3% , terminal growth @ 0%; Pre-tax IRR of 17%
Total EV of transmission business (A)	275	217	
Natural Gas trading (B)	48	38	6x FY12E gross margins
LPG production business (C)	6	5	Valued at EV/E of 6x; Sharing of industry wide subsidies on LPG/SKO and MS/HSD retained at current levels
Petrochemicals business (D)	92	72	Valued at EV/E of 5x
Total EV (D)	422	332	(A)+(B)+(C)+(D)
2.4% stake in ONGC	48	38	10% discount to CMP
12.5% stake in Petronet LNG	8	7	40% discount to TP of Rs 145
22.5% stake in Indraprastha Gas	9	7	40% discount to TP of Rs 450
50% stake in Mahanagar Gas	14	11	Similar earnings multiple as of IGL
Total portfolio stake (E)	79	62	
8.45% stake in Myanmar A-1 block	14	11	Valued based on EV/Reserves of 4x ; Proven reserves of 4.3TCF; probable reserves of 5.7tcf and possible reserves of 10tcf
50% stake in Cambay offshore block	1	1	Valued based on EV/Reserves of 3x; Recoverable reserves of 10mn bbl
CBM blocks valuations	8	6	Total reserves of 11.6tcf across its 3 blocks
Possible write-offs in the next 3 yrs	(11)	(9)	
E&P value (F)	12	9	
Stakes In City gas distribution projects (India and abroad) (G)	10	8	Includes China Gas, Bhagyanagar Gas (JV with HPCL in A.P), Shell CNG Egypt, Nat Gas Egypt and Fayum Gas; Valued at cost
Firm Value	523	412	(D)+(E)+(F)+(G)
Less: Net Debt (FY11E)	(7)	(5)	
Equity Value	530	418	
Sum of Parts Value	530	418	

Source: ENAM Research; Note: ONGC is a liquid investment, valued at 10% discount to the CMP. PLNG & IGL are strategic investments and valued at 40% discount to TPs.

Company Financials (BPCL)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	1,238.2	1,536.4	1,948.0	1,839.5
Other operating income	0.0	0.0	0.0	0.0
Total Income	1,238.2	1,536.4	1,948.0	1,839.5
Cost of goods sold	1,124.8	1,428.2	1,828.3	1,708.7
Contribution (%)	11.0	9.0	7.2	8.2
Advt/Sales/Distrn O/H	82.8	65.5	83.2	84.6
Operating Profit	30.5	42.8	36.5	46.2
Other income	23.7	17.3	14.9	11.9
PBIDT	54.2	60.0	51.3	58.1
Depreciation	14.4	18.9	20.1	21.0
Interest	11.2	12.5	17.7	15.9
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	28.5	28.6	13.5	21.2
Tax provision	10.2	10.2	4.8	7.3
(-) Minority Interests	0.9	1.1	1.2	1.0
Associates	0.0	0.0	0.0	0.0
Adjusted PAT	17.4	17.3	7.6	12.8
E/o income / (Expense)	(1.1)	(1.0)	0.0	0.0
Reported PAT	16.3	16.3	7.6	12.8

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	429.2	428.4	445.0	432.9
Gross block	305.9	348.7	366.2	378.7
Net fixed assets	171.4	196.1	193.5	185.0
CWIP	78.2	82.9	79.9	77.3
Investments	119.3	84.6	54.6	54.6
Wkg. cap. (excl cash)	53.0	56.8	103.7	95.4
Cash / Bank balance	7.3	8.0	13.4	20.6
Others/Def tax assets	0.0	0.0	0.0	0.0
Capital employed	429.2	428.4	445.0	432.9
Equity capital	3.6	3.6	3.6	3.6
Reserves	147.2	159.8	161.8	169.0
Borrowings	266.9	251.9	266.2	246.2
Others	11.5	13.1	13.5	14.1

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	(9.3)	24.1	26.8	(5.6)
OPM	2.5	2.8	1.9	2.5
Oper. profit growth	(9.5)	40.0	(14.7)	26.7
COGS / Net sales	90.8	93.0	93.9	92.9
Overheads/Net sales	6.7	4.3	4.3	4.6
Depreciation / G. block	4.7	5.4	5.5	5.6
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	0.0	0.0	0.0	0.0
Net sales / Gr block (x)	4.3	4.7	5.5	4.9
Incremental RoCE	(6.3)	(789.3)	(18.2)	(45.8)
RoCE	9.9	10.1	7.7	9.1
Debt / equity (x)	1.8	1.5	1.5	1.3
Effective tax rate	35.9	35.8	35.3	34.6
RoE	11.9	11.1	4.7	7.7
Payout ratio (Div/NP)	30.3	30.2	55.8	32.9
EPS (Rs.)	48.1	47.9	21.0	35.5
EPS Growth	167.8	(0.4)	(56.3)	69.6
CEPS (Rs.)	88.0	100.2	76.7	93.7
DPS (Rs.)	13.7	13.6	11.7	11.7

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	46.2	(1.3)	36.8	8.8
Cash profit	29.7	38.9	29.3	35.5
(-) Dividends	6.4	6.6	6.3	6.3
Retained earnings	23.2	32.3	23.0	29.2
Issue of equity	0.0	0.0	0.0	0.0
Borrowings	24.5	(32.1)	14.3	(20.0)
Others	(1.6)	(1.5)	(0.4)	(0.4)
Applications	46.2	(1.3)	36.8	8.8
Capital expenditure	55.4	25.3	14.5	10.0
Investments	(44.7)	(20.9)	(30.0)	0.0
Net current assets	39.4	(7.3)	46.9	(8.3)
Change in cash	(3.9)	1.7	5.4	7.2

Company Financials (GAIL)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	250.0	324.8	363.0	390.1
Other operating income	32.2	32.6	32.7	33.0
Total Income	282.2	357.4	395.7	423.1
Cost of goods sold	223.7	290.4	319.8	333.5
Contribution (%)	25.9	23.0	22.9	25.0
Advt/Sales/Distrn O/H	11.9	11.8	10.5	11.6
Operating Profit	46.7	55.2	65.4	77.9
Other income	5.4	5.2	2.4	2.6
PBIDT	52.1	60.4	67.8	80.5
Depreciation	5.6	6.5	7.5	11.3
Interest	0.7	0.8	1.8	7.0
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	45.8	53.1	58.5	62.2
Tax provision	14.4	16.8	21.1	19.0
(-) Minority Interests	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Adjusted PAT	31.4	36.3	37.4	43.2
E/o income / (Expense)	0.0	0.2	0.0	0.0
Reported PAT	31.4	36.5	37.4	43.2

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	196.7	232.8	300.2	414.8
Gross block	214.1	225.8	333.3	468.1
Net fixed assets	123.0	128.3	228.5	351.9
CWIP	19.6	54.5	22.3	9.2
Investments	20.7	25.8	43.6	44.6
Wkg. cap. (excl cash)	(8.4)	2.0	(2.6)	(3.6)
Cash / Bank balance	41.7	22.1	8.4	12.7
Others/Def tax assets	0.0	0.0	0.0	0.0
Capital employed	196.7	232.8	300.2	414.8
Equity capital	12.7	12.7	12.7	12.7
Reserves	155.3	180.6	205.5	233.9
Borrowings	14.8	23.1	63.0	148.9
Others	13.9	16.3	19.0	19.3

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	3.8	30.0	11.8	7.5
OPM	18.7	17.0	18.0	20.0
Oper. profit growth	7.1	18.3	18.4	19.1
COGS / Net sales	79.2	81.2	80.8	78.8
Overheads/Net sales	4.2	3.3	2.6	2.8
Depreciation / G. block	2.6	2.9	2.2	2.4
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	(0.0)	(0.0)	(0.0)	(0.0)
Net sales / Gr block (x)	1.3	1.5	1.3	1.0
Incremental RoCE	23.3	15.1	14.5	8.0
RoCE	27.1	27.0	24.2	20.4
Debt / equity (x)	0.1	0.1	0.3	0.6
Effective tax rate	31.4	31.6	36.1	30.5
RoE	19.9	20.1	18.2	18.6
Payout ratio (Div/NP)	30.3	26.1	28.5	29.4
EPS (Rs.)	24.8	28.6	29.4	34.1
EPS Growth	4.5	15.6	2.9	15.7
CEPS (Rs.)	29.2	33.7	35.3	43.0
DPS (Rs.)	7.5	7.5	8.4	10.0

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	29.4	42.6	74.9	125.9
Cash profit	37.6	45.2	47.5	54.8
(-) Dividends	11.1	11.1	12.5	14.9
Retained earnings	26.5	34.1	35.1	40.0
Issue of equity	0.0	0.0	0.0	0.0
Borrowings	2.8	8.3	39.9	85.9
Others	0.0	0.2	0.0	0.0
Applications	29.4	42.6	74.9	125.9
Capital expenditure	33.5	46.7	75.4	121.6
Investments	3.4	5.1	17.8	1.0
Net current assets	(14.6)	10.4	(4.6)	(1.0)
Change in cash	7.2	(19.6)	(13.7)	4.3

Company Financials (HPCL)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	957.8	1,148.0	1,521.8	1,445.8
Other operating income	55.6	89.8	132.5	147.5
Total Income	1,013.5	1,237.7	1,654.3	1,593.3
Cost of goods sold	924.1	1,149.5	1,561.1	1,485.9
Contribution (%)	10.7	9.4	7.4	8.8
Advt/Sales/Distrn O/H	53.2	55.1	69.9	71.0
Operating Profit	36.2	33.1	23.2	36.4
Other income	16.5	13.4	8.1	9.8
PBIDT	52.6	46.5	31.3	46.2
Depreciation	11.6	14.1	16.1	18.1
Interest	9.0	8.8	12.3	14.5
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	31.9	23.6	2.8	13.6
Tax provision	11.3	7.2	1.0	4.6
(-) Minority Interests	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Adjusted PAT	20.6	16.4	1.9	9.0
E/o income / (Expense)	(7.6)	(1.0)	0.0	0.0
Reported PAT	13.0	15.4	1.9	9.0

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	346.7	407.6	468.9	447.7
Gross block	249.9	296.5	370.7	377.6
Net fixed assets	153.1	186.4	244.5	233.3
CWIP	38.9	38.0	8.8	5.9
Investments	113.9	113.4	107.4	97.4
Wkg. cap. (excl cash)	38.4	69.0	105.0	97.9
Cash / Bank balance	2.4	0.8	3.2	13.3
Others/Def tax assets	0.0	0.0	0.0	0.0
Capital employed	346.7	407.6	468.9	447.7
Equity capital	3.4	3.4	3.4	3.4
Reserves	112.2	122.1	119.2	123.5
Borrowings	213.0	250.2	314.2	288.3
Others	18.1	32.0	32.1	32.5

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	1.2	19.8	32.6	(5.0)
OPM	3.8	2.9	1.5	2.5
Oper. profit growth	26.0	(8.5)	(29.8)	56.6
COGS / Net sales	91.2	92.9	94.4	93.3
Overheads/Net sales	5.2	4.5	4.2	4.5
Depreciation / G. block	4.7	4.7	4.4	4.8
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	0.0	0.0	0.1	0.1
Net sales / Gr block (x)	4.2	4.2	4.6	3.9
Incremental RoCE	20.4	(8.7)	(18.4)	(52.6)
RoCE	12.4	9.2	3.7	6.6
Debt / equity (x)	1.8	2.0	2.6	2.3
Effective tax rate	35.4	30.7	33.5	33.5
RoE	18.5	13.6	1.5	7.2
Payout ratio (Div/NP)	31.1	30.6	214.8	45.0
EPS (Rs.)	60.9	48.3	5.6	26.7
EPS Growth	372.9	(20.7)	(88.4)	377.2
CEPS (Rs.)	95.2	89.8	53.2	80.1
DPS (Rs.)	11.9	13.9	12.0	12.0

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	7.3	75.0	77.4	(3.1)
Cash profit	34.3	44.3	18.1	27.6
(-) Dividends	4.9	5.5	4.8	4.8
Retained earnings	29.5	38.8	13.4	22.9
Issue of equity	0.0	0.0	0.0	0.0
Borrowings	(14.5)	37.2	64.0	(26.0)
Others	(7.6)	(1.0)	0.0	0.0
Applications	7.3	75.0	77.4	(3.1)
Capital expenditure	37.0	46.6	45.0	4.0
Investments	(28.1)	(0.5)	(6.0)	(10.0)
Net current assets	2.2	30.6	36.0	(7.1)
Change in cash	(3.8)	(1.6)	2.4	10.1

Company Financials (IOC)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	2,501.1	3,081.3	4,591.0	4,611.3
Other operating income	0.0	0.0	0.0	0.0
Total Income	2,501.1	3,081.3	4,591.0	4,611.3
Cost of goods sold	2,226.5	2,788.3	4,275.2	4,239.0
Contribution (%)	0.0	0.0	0.0	0.0
Advt/Sales/Distrn O/H	145.0	167.7	184.3	189.0
Operating Profit	129.6	125.3	131.5	183.3
Other income	73.7	55.0	22.0	22.9
PBIDT	203.3	180.3	153.5	206.2
Depreciation	35.6	49.3	52.9	62.4
Interest	17.3	29.8	54.8	54.3
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	150.5	101.1	45.8	89.5
Tax provision	40.5	20.3	28.5	29.5
(-) Minority Interests	2.9	2.5	2.6	2.4
Associates	0.0	0.0	0.0	0.0
Adjusted PAT	107.1	78.3	14.7	57.5
E/o income / (Expense)	0.0	0.0	0.0	0.0
Reported PAT	107.1	78.3	14.7	57.5

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	1,091.7	1,244.2	1,252.4	1,347.5
Gross block	788.9	1,008.7	1,035.3	1,372.8
Net fixed assets	454.8	626.5	600.2	875.2
CWIP	227.7	142.8	256.5	77.2
Investments	214.3	186.5	136.5	134.0
Wkg. cap. (excl cash)	178.7	272.8	229.3	215.9
Cash / Bank balance	16.0	15.4	29.6	45.1
Others/Def tax assets	0.2	0.2	0.2	0.2
Capital employed	1,091.7	1,244.2	1,252.4	1,347.5
Equity capital	24.3	24.3	24.3	24.3
Reserves	518.5	571.2	561.5	594.5
Borrowings	494.7	578.4	593.6	653.3
Others	54.2	70.3	73.0	75.4

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	(12.6)	23.2	49.0	0.4
OPM	5.2	4.1	2.9	4.0
Oper. profit growth	121.6	(3.3)	4.9	39.4
COGS / Net sales	89.0	90.5	93.1	91.9
Overheads/Net sales	5.8	5.4	4.0	4.1
Depreciation / G. block	4.5	4.9	5.1	4.5
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	0.1	0.1	0.1	0.0
Net sales / Gr block (x)	3.4	3.4	4.5	3.8
Incremental RoCE	37.3	(10.0)	5.9	51.4
RoCE	16.9	11.8	8.5	11.7
Debt / equity (x)	0.9	1.0	1.0	1.1
Effective tax rate	26.9	20.1	62.3	33.0
RoE	21.1	13.8	2.5	9.5
Payout ratio (Div/NP)	29.7	30.0	157.1	40.1
EPS (Rs.)	44.1	32.3	6.0	23.7
EPS Growth	304.8	(26.9)	(81.2)	291.5
CEPS (Rs.)	58.8	52.6	27.8	49.4
DPS (Rs.)	13.1	9.7	9.5	9.5

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	123.9	201.5	61.1	157.6
Cash profit	140.0	146.3	72.9	124.8
(-) Dividends	37.3	27.5	27.0	27.0
Retained earnings	102.7	118.8	45.9	97.8
Issue of equity	0.2	(0.0)	0.0	0.0
Borrowings	21.3	83.7	15.2	59.8
Others	(0.3)	(1.0)	0.0	0.0
Applications	123.9	201.5	61.1	157.6
Capital expenditure	142.0	136.2	140.3	158.1
Investments	(98.9)	(27.8)	(50.0)	(2.5)
Net current assets	74.6	94.1	(43.5)	(13.4)
Change in cash	6.2	(1.0)	14.3	15.4

Company Financials (ONGC)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	1,017.5	1,176.2	1,412.7	1,574.9
Other operating income	0.0	0.0	0.0	0.0
Total Income	1,017.5	1,176.2	1,412.7	1,574.9
Cost of goods sold	333.3	398.2	645.4	663.5
Contribution (%)	53.1	52.0	43.5	46.3
Advt/Sales/Distrn O/H	240.7	288.3	270.8	302.7
Operating Profit	443.5	489.7	496.6	608.7
Other income	52.7	69.3	42.4	47.8
PBIDT	496.2	559.0	539.0	656.5
Depreciation	187.2	206.3	229.1	244.1
Interest	5.0	4.4	8.9	7.5
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	304.0	348.4	301.0	404.9
Tax provision	107.3	122.8	111.9	146.3
(-) Minority Interests	3.3	3.7	4.9	5.3
Associates	0.1	0.0	0.0	0.0
Adjusted PAT	193.5	221.9	184.2	253.3
E/o income / (Expense)	0.6	(11.1)	17.0	0.0
Reported PAT	194.0	210.8	201.2	253.3

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	1,362.3	1,538.3	1,796.1	1,956.8
Gross block	1,933.0	2,170.4	2,582.1	2,874.9
Net fixed assets	755.4	840.5	1,084.7	1,198.9
CWIP	256.2	376.2	341.3	306.6
Investments	51.6	33.6	33.6	33.6
Wkg. cap. (excl cash)	(20.2)	(88.8)	(57.6)	(74.9)
Cash / Bank balance	223.8	286.9	304.3	402.7
Others/Def tax assets	95.4	89.9	89.9	89.9
Capital employed	1,362.3	1,538.3	1,796.1	1,956.8
Equity capital	42.8	42.8	42.8	42.8
Reserves	979.3	1,122.6	1,263.6	1,437.8
Borrowings	62.7	62.9	172.1	152.1
Others	277.5	310.0	317.6	324.2

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	(2.7)	15.6	20.1	11.5
OPM	43.6	41.6	35.2	38.6
Oper. profit growth	6.4	10.4	1.4	22.6
COGS / Net sales	32.8	33.9	45.7	42.1
Overheads/Net sales	23.7	24.5	19.2	19.2
Depreciation / G. block	9.7	9.5	8.9	8.5
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	(0.0)	(0.0)	(0.1)	(0.0)
Net sales / Gr block (x)	0.6	0.6	0.6	0.6
Incremental RoCE	(5.9)	19.9	(6.6)	155.9
RoCE	29.7	30.5	22.9	26.5
Debt / equity (x)	0.1	0.1	0.1	0.1
Effective tax rate	35.3	35.2	37.2	36.1
RoE	19.8	20.3	14.9	18.2
Payout ratio (Div/NP)	36.2	35.3	24.5	28.1
EPS (Rs.)	22.6	25.9	21.5	29.6
EPS Growth	0.4	14.7	(17.0)	37.5
CEPS (Rs.)	44.5	50.0	48.3	58.1
DPS (Rs.)	8.2	8.7	5.8	8.3

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	328.8	371.7	492.6	404.7
Cash profit	394.6	440.5	424.4	512.6
(-) Dividends	84.2	87.0	57.7	83.4
Retained earnings	310.3	353.4	366.7	429.2
Issue of equity	0.0	(0.2)	0.0	0.0
Borrowings	(2.9)	0.2	109.2	(20.0)
Others	21.4	18.2	16.8	(4.5)
Applications	328.8	371.7	492.6	404.7
Capital expenditure	313.3	411.4	438.4	323.6
Investments	16.8	(18.0)	0.0	0.0
Net current assets	(19.0)	(68.7)	31.2	(17.2)
Change in cash	17.7	47.0	23.1	98.3

Company Financials (Oil India)

Income statement

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Net sales	77.5	83.0	66.2	96.2
Other operating income	0.0	0.0	0.0	0.0
Total Income	77.5	83.0	66.2	96.2
Cost of goods sold	16.8	16.4	20.9	21.6
Contribution (%)	60.2	62.4	48.2	59.4
Advt/Sales/Distrn O/H	21.8	22.8	19.6	25.0
Operating Profit	38.9	43.8	25.7	49.6
Other income	7.8	8.9	10.2	10.3
PBIDT	46.7	52.7	36.0	59.9
Depreciation	7.6	9.5	12.4	14.0
Interest	0.0	0.1	0.3	0.3
Other pretax	0.0	0.0	0.0	0.0
Pre-tax profit	39.0	43.1	23.3	45.6
Tax provision	12.8	14.3	7.2	14.1
(-) Minority Interests	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Adjusted PAT	26.2	28.8	16.1	31.5
E/o income / (Expense)	(0.1)	0.0	0.0	0.0
Reported PAT	26.1	28.9	16.1	31.5

Balance sheet

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Total assets	148.1	179.4	190.3	211.5
Gross block	92.6	102.6	127.7	140.9
Net fixed assets	46.2	51.2	71.7	79.8
CWIP	3.3	4.5	5.5	5.7
Investments	8.6	8.9	8.9	8.9
Wkg. cap. (excl cash)	4.6	(2.9)	(3.2)	(1.8)
Cash / Bank balance	85.4	117.7	107.5	118.9
Others/Def tax assets	0.0	0.0	0.0	0.0
Capital employed	148.1	179.4	190.3	211.5
Equity capital	2.4	2.4	2.4	2.4
Reserves	135.0	153.6	163.8	183.8
Borrowings	0.4	10.3	10.3	10.3
Others	10.2	13.1	13.8	15.1

Source: Company, ENAM Research

Key ratios

(%)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sales growth	10.2	7.2	(20.2)	45.3
OPM	50.2	52.7	38.8	51.5
Oper. profit growth	15.9	12.6	(41.2)	92.6
COGS / Net sales	21.6	19.8	31.5	22.5
Overheads/Net sales	28.2	27.5	29.6	26.0
Depreciation / G. block	8.2	9.2	9.7	9.9
Effective interest rate	0.0	0.0	0.0	0.0
Net wkg.cap / Net sales	(0.0)	0.0	(0.0)	(0.0)
Net sales / Gr block (x)	0.9	0.9	0.6	0.7
Incremental RoCE	30.9	(254.7)	(99.5)	226.0
RoCE	33.7	28.4	13.7	24.6
Debt / equity (x)	0.0	0.1	0.1	0.1
Effective tax rate	32.8	33.1	31.0	31.0
RoE	22.7	19.7	10.0	17.9
Payout ratio (Div/NP)	31.3	31.1	31.2	31.2
EPS (Rs.)	109.0	119.9	66.9	131.0
EPS Growth	7.6	10.1	(44.2)	95.9
CEPS (Rs.)	140.7	159.3	118.5	189.1
DPS (Rs.)	33.9	37.3	20.9	40.9

Cash-flow

(Rs bn)

Y/E Mar	FY10	FY11	FY12E	FY13E
Sources	52.8	40.7	23.3	35.2
Cash profit	35.0	39.6	29.1	46.7
(-) Dividends	9.8	10.5	5.9	11.5
Retained earnings	25.3	29.1	23.3	35.2
Issue of equity	27.8	(0.0)	0.0	0.0
Borrowings	(0.2)	9.9	0.0	0.0
Others	(0.1)	1.7	0.0	0.0
Applications	52.8	40.7	23.3	35.2
Capital expenditure	11.7	15.7	33.8	22.5
Investments	3.7	0.3	0.0	0.0
Net current assets	12.6	(7.5)	(0.3)	1.4
Change in cash	24.7	32.1	(10.2)	11.4

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CONFLICT OF INTEREST DISCLOSURE STATEMENT

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Disclosure of interest statement (As of November 29, 2011)	ONGC	Oil India	GAIL	HPCI	BPCL	IOCL
1. Analyst ownership of the stock	No	No	No	No	No	No
2. Firm ownership of the stock	No	No	No	No	No	No
3. Directors ownership of the stock	Yes	Yes	Yes	Yes	No	Yes
4. Investment Banking mandate	No	No	No	No	No	No
5. Broking relationship	No	No	No	No	No	No

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