

Confidence Petroleum India Ltd

Q2FY12 First cut – A disappointing quarter

Fundamental Grade	3/5 (Good fundamentals)
Valuation Grade	5/5 (CMP has strong upside)
Industry	Oil, Gas & Consumable Fuels

Confidence Petroleum India Ltd's (Confidence's) Q1FY12 results were highly disappointing. Both revenues and net profits were much lower than CRISIL Research's estimates. Revenues during the quarter fell sharply as auto LPG division segment revenue declined 50% y-o-y; the cylinder division's sales growth (21%) was also lower than our estimates. Profit declined sharply owing to decline in revenues and lower EBITDA margins. Due to the significant underperformance of the company, we will lower our estimates and also may revisit our fundamental grade post interaction with the management. For now, we maintain its fundamental grade at **3/5**.

Q2FY12 result analysis

- Revenues fell ~42% y-o-y (~28% q-o-q) to Rs 1,808 mn primarily due to a sharp ~50% y-o-y (36% q-o-q) decline in the LPG division, which was partially offset by a 21% y-o-y (18% q-o-q) growth in its cylinder division. The LPG division comprises LPG cylinder manufacturing, LPG blending, marketing, bottling and other businesses; the cylinder division comprises production and marketing operations of LPG/CNG cylinders.
- EBITDA margin for the quarter declined 330bps y-o-y owing to lower revenues and higher employee costs. Significant de-growth in the top-line and lower margin resulted in EBITDA de-growing by ~61% y-o-y (down ~56% q-o-q) to Rs 122 mn.
- Adjusted PAT declined ~91% y-o-y (decline of ~87% q-o-q) to Rs 16 mn due to higher depreciation and interest costs and lower other income. PAT margin too fell sharply by 464bps y-o-y to a mere 0.9%.
- EPS was Rs 0.1 compared to Rs 0.7 in Q2FY11.

Valuations

We had valued Confidence using discounted cash flow method to arrive at valuation of Rs 20. Our estimates are under review. We will revise our estimates and will be lowering our fair value post management discussion on the quarterly results.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11
Operating income	2,482	5,529	11,532
EBITDA	206	620	1,207
Adj PAT	154	295	629
Adj EPS-Rs	0.6	1.1	2.4
EPS growth (%)	(27.9)	91.3	113.5
Dividend yield (%)	-	-	-
RoCE(%)	8.6	19.6	25.8
RoE(%)	11.0	18.2	30.1
PE (x)	13.3	6.9	3.3
P/BV (x)	1.4	1.2	0.8
EV/EBITDA (x)	11.9	4.9	3.3

NM: Not meaningful; CMP: Current market price

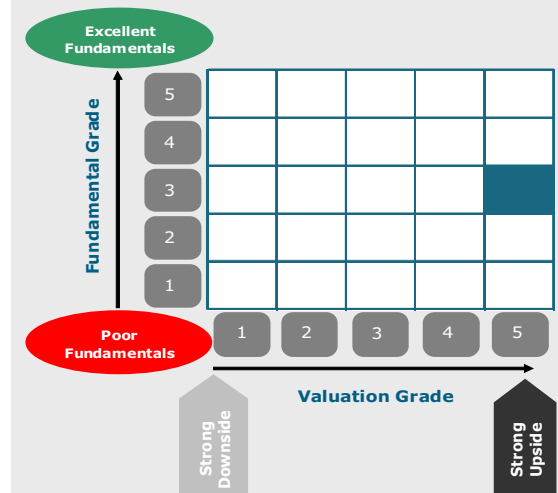
Source: Company, CRISIL Research estimate

November 15, 2011

Fair Value Rs 20

CMP Rs 7

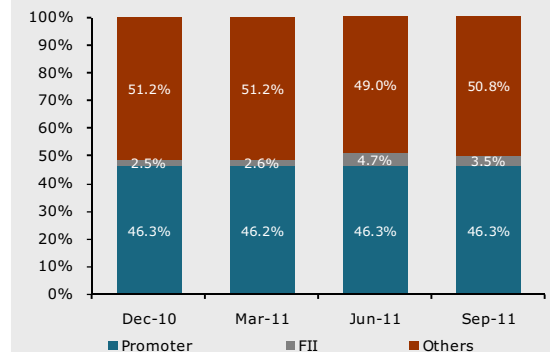
CFV MATRIX



KEY STOCK STATISTICS

NSE/SENSEX	17119/5148
BSE Ticker	CONFIPET
Face Value (Rs per share)	1
Shares outstanding (mn)	258.8
Market cap (Rs mn)/(US\$ mn)	2,047/41
Enterprise value (Rs mn)/(US\$ mn)	3,861/77
52-week range (Rs) (H/L)	25/7
Beta	1.24
Free float (%)	54.3%
Avg daily volumes (30-days)	202,119
Avg daily value (30-days) (Rs mn)	1.8

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Confidence	-49%	-40%	-52%	-66%
NIFTY	8%	9%	0%	-9%

ANALYTICAL CONTACT

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