

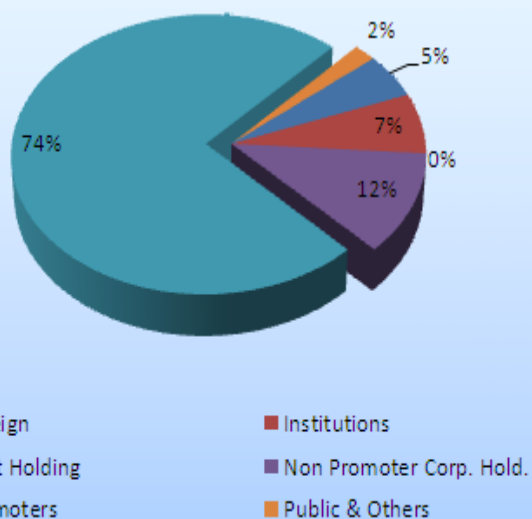
## Oil &amp; Natural Gas Corporation Ltd

## Investment Thoughts

Recommendation : Buy    CMP : 261.70    Target : 310

BSE Code	500312
NSE Code	ONGC
Market Cap (Rs Cr)	215469.77
52 week High/Low (Rs)	341.23/226.95
Lat. Face Value	5
Lat. EPS (Rs)	26.43
Lat. Book Value (Rs)	113.97
Lat. P/E Ratio	9.53

## Share Holding Pattern



## View and Valuation:

At current market price we believe, ONGC is trading below from its fair value. With strong top line and bottom line, the company is expected to perform well in the FY12 & FY13. Also, we expect higher crude oil price in upcoming years which would increase the profit margin of ONGC.

At the CMP of Rs261.70, the company is trading at a P/E of 9.42 times its FY12E EPS of Rs 27.78. We recommend BUY on the stock with a target price of Rs 310 by assigning the PE multiples of 11.16x, which represents a potential upside of 18%.

## Investment Arguments:

- ONGC is the only fully integrated Petroleum Company in India, operating along the entire hydrocarbon value chain, holds largest share of hydrocarbon acreages in India, contributes over 79 per cent of Indian's oil and gas production and refining capacity of about 12 MMTPA.
- ONGC's wholly-owned subsidiary ONGC Videsh Ltd (OVL) is the biggest Indian multinational, with 40 Oil & Gas projects (9 of them producing) in 15 countries, OVL had invested around Rs 50,000 Crore.
- During Q2FY12, ONGC reported 24% increase in topline to Rs 22616.32 crore compared to corresponding previous year period on account of higher crude oil revenues, naphtha revenues, LPG revenues and C2C3 revenues while its bottomline jumped 60% to Rs 8642.33 crore.
- Crude oil sales volume of ONGC decreased 4% to 5.687 MMT while gas volume sales remained flat at 5.05 BCM during the quarter ended September 2011. However Post discount crude oil realization rose 31% in rupee terms. Crude oil revenues increased 32% to Rs 17270 crore while gas revenues decreased 3% to Rs 3470 crore. Naphtha revenues increased 60% to Rs 1706 crore, C2C3 revenues jumped 95% to Rs 341 crore. Profit Petroleum during the quarter increased to Rs 864 crore from Rs 274 crore in the corresponding previous year quarter.
- ONGC made 3 new discoveries during Q2 of 2011-12 and one more in October 2011 totaling 9 discoveries (5 in Q1FY12) so far in this fiscal.
- First deep water G1 field is likely to be operational in February-March 2013, with an initial run rate of 3-4mmscmd.

Year End	FY13E	FY12E	FY11	FY10	FY09	FY08
Net Sales	97880.6	80020.1	65822.2	59963.7	63568.9	59848.3
PAT	32904.9	24623.9	18924	16767.5	16126.3	16701.6
Book Value (Rs)	133.65	123.88	113.97	408.07	368.11	330.16
EPS (Rs.)	37.46	27.78	20.7	72.96	69.96	72.65
P/E Ratio	10.42	11.16	14.01	15.06	11.14	13.51
Dividend (%)	NA	NA	175	330	320	320
<b>Rate of Growth (%)</b>						
Net Sales	22.32	21.57	9.77	-5.67	6.22	5.67
PAT	33.63	30.12	12.86	3.98	-3.44	6.77

**Financial Performance**

Year End	201103	201003	200903	200803	200703
Equity	4277.76	2138.89	2138.89	2138.89	2138.89
Networth	97504.43	87282.6	78735.42	70617.4	61923.93
Enterprise Value	243312.17	233129.48	163707.19	199963.06	183653.14
Capital Employed	115068.68	103688.25	94771.12	83100.11	77033
Gross Block	80938.59	71553.78	61355.61	57463.78	52038.07
Sales	66154.88	60204.82	63947.71	60137.02	56912.31
Other Income	5900.77	4186.69	5378.04	5124.24	5481.13
PBIDT	29640.82	26216.09	25541.09	26689.97	25299.15
PBDT	29615.71	26201.67	25422.17	26631.01	25277.65
PBIT	27641.48	24996.02	24097.66	25291.56	23689.72
PBT	27616.37	24981.6	23978.74	25232.6	23668.22
RPAT	18924	16767.56	16126.32	16701.65	15642.92
APAT	18909.54	16767.56	16083.41	16701.65	15327.87
CP	20923.34	17987.63	17569.75	18100.06	17252.35
Book Value (Rs)	113.97	408.07	368.11	330.16	289.51
EPS (Rs.)	20.7	72.96	69.96	72.65	68.4
Dividend (%)	175	330	320	320	310
Payout (%)	42.27	45.23	45.74	44.05	45.32
<b>Rate of Growth (%)</b>					
Net Worth	11.71	10.86	11.5	14.04	14.76
Sales	9.88	-5.85	6.34	5.67	17.97
PAT	12.86	3.98	-3.44	6.77	8.4
M Cap	5.63	40.89	-20.55	11.75	0.59

**Latest Quarterly Result**

Period-Ended	201109	201009	Var (%)
Sales	22616.32	18193.59	24.31
Other Income	1132.97	906.18	25.03
PBIDT	15601.6	12227.99	27.59
PBDT	15595.07	12227.08	27.55
PBIT	12323.43	7827.92	57.43
PBT	12316.9	7827.01	57.36
RPAT	8642.23	5388.77	60.37
EPAT	0	0	NA
APAT	8642.23	5388.77	60.37
CP	11920.4	9788.84	21.78

### Key Financial Ratios

Year End	201103	201003	200903	200803	200703	200603	200503	200403
<b>Key Ratios</b>								
Debt-Equity Ratio	0.18	0.2	0.19	0.21	0.24	0.22	0.24	0.16
Long Term Debt-Equity Ratio	0.18	0.2	0.19	0.21	0.24	0.22	0.22	0.13
Current Ratio	1.66	1.73	1.78	1.55	1.41	1.44	1.45	1.34
<b>Turnover Ratios</b>								
Fixed Assets	0.56	0.58	0.69	0.71	0.72	0.68	0.72	0.54
Inventory	13.88	12.71	15.42	16.55	17.7	17.77	19.47	16.36
Debtors	19.16	16.86	15.15	16.89	17.61	12.98	15.45	10.4
Interest Cover Ratio	1100.82	1733.43	202.64	428.96	1101.85	733.44	478.63	280.7
PBIDTM (%)	44.81	43.54	39.94	44.38	44.45	49.93	43.35	43.85
PBITM (%)	41.78	41.52	37.68	42.06	41.62	45.32	42.18	41.99
PBDTM (%)	44.77	43.52	39.75	44.28	44.42	49.86	43.26	43.7
CPM (%)	31.63	29.88	27.48	30.1	30.31	34.52	28.96	28.5
APATM (%)	28.61	27.85	25.22	27.77	27.49	29.91	27.79	26.64
ROCE (%)	25.46	25.38	27.3	31.82	33.17	35.68	36.61	31.1
RONW (%)	20.48	20.2	21.59	25.2	27	28.63	29.71	22.72

### Key Valuation Ratios

Year End	201103	201003	200903	200803	200703	200603	200503	200403
Price Earning (P/E)	14.01	15.06	11.14	13.51	12.84	13.8	10.31	14.57
Price to Book Value ( P/BV)	2.55	2.69	2.12	2.97	3.03	3.46	2.69	2.96
Price/Cash EPS (P/CEPS)	12.59	13.96	10.16	12.39	11.57	11.85	9.87	13.57
EV/EBIDTA	8.21	8.89	6.41	7.49	7.26	7.91	6.24	8.59
Market Cap/Sales	3.75	3.9	2.61	3.49	3.3	3.87	2.69	3.68

Disclaimer

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