

Write-back and lower opex drives earning's beat

CMP:	Rs.273
Target Price:	Rs 297
Recommendation:	Hold

Stock Info

BSE Group	A
BSE Code	500312
NSE Symbol	ONGC
Bloomberg	ONGC.IN
Reuters	ONGC.BO
BSE Sensex	20193
NSE Nifty	6001

Market Info

Market Capital	Rs.2,31,169cr
Equity Capital	Rs.4278 cr
Avg. Trading Vol.	4133726
52 Wk High/ Low	353/234
Face Value	Rs.5

Shareholding Pattern (%) (Dec 2013)

Govt of India	69.2
Domestic Institutions	6.5
Foreign Institutions	5.3
Non Promoters Corp.	-
Public & Others	19.0

ONGC's 3QFY14 results came above estimates on lower operating expenses and write backs. ONGC's reported revenues declined by 1.1% yoy to Rs 20852cr. Revenues include Rs 3018 cr of write backs that pertains to deductions from payments towards Octroi/VAT/CST on discount allowed by the company to refiners. On yoy basis, realisations were down 4% to \$45.98/bbl. Crude oil production was down 0.8% yoy to 6.1mn tonnes, while natural gas production was down 0.93% yoy to 6.3mmscm. Value added production too declined yoy to 765kt.

EBITDA margin improved significantly qoq from 44.0% to 50.4%. EBITDA margins improved on lower offshore royalty, higher volumes and lower operating expenses. Consequently, operating profit increased 13.3% yoy to Rs 10508cr.

Profit after tax aided by better operating performance increased 28.8% yoy to Rs 7126cr. Subsidy burden during the quarter remained almost flat qoq to Rs 13764cr (Rs 13796cr).

Other highlights:

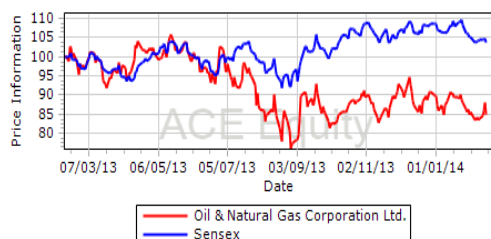
ONGC is confident of achieving incremental volumes through commissioning of marginal oil fields. Company has made four discoveries during the quarter of which 3 are on-land and 1 is off shore. Of these four discoveries two are in West Coast and two are in East Coast.

Valuations:

ONGC's volumes more or less have been stagnant in recent times. We believe unless incremental production starts flowing in from various clusters of marginal oil fields, stock is unlikely to see significant re-rating. **We have valued ONGC on DCF methodology and have arrived at fair value of Rs 297 per share. We recommend Hold rating on the stock.**

Financials

Y/E March, (₹ in Cr)	FY12	FY13	FY14E	FY15E
Net Revenue	147306	162403	176900	191100
EBIDTA	58706	67774	60401	70398
PAT	28144	24220	26568	32370
EPS	29.2	28.3	31.0	37.8
RONW (%)	21.7	19.6	23.3	26.5
P/E (X)	9.3	9.6	8.8	7.2
EV/EBITDA(X)	5.2	4.5	4.4	4.3



Date: 14-02-2014

**3QFY14 Results (standalone)**

Rs in Crore	3QFY14	3QFY13	yoy%	2QFY14	qoq%
Net Sales	20852.2	21093.2	-1.1	22414.7	-7.0
Expenditure	10344.4	11821.0	-12.5	12381.8	-16.5
EBITDA	10507.8	9272.2	13.3	10032.9	4.7
EBITDA Margins (%)	50.4	44.0	6.4	44.8	24.9
Other Income	2662.3	1281.2	107.8	1483.0	24.0
Interest	0.0	1.2	-98.3	1.2	471.4
Depreciation	2588.4	2341.7	10.5	2426.5	4.0
Exceptional Items			-		-
PBT after exceptional items	10581.8	8210.5	28.9	9088.2	57.1
Tax	3455.8	2647.8	30.5	3025.4	71.2
Tax rate (%)	33%	32%	1.3	33%	8.9
PAT after extraordinary items	7126	5562.7	28.1	6063	51.0
Net Profit Margin (%)	34.2	26.4	29.6	27.0	30.0



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Stock Rating Scale**Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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