

<b>CMP:</b>	Rs.308
<b>Target Price:</b>	Rs 339
<b>Recommendation:</b>	<b>Hold</b>

#### Stock Info

BSE Group	A
BSE Code	500312
NSE Symbol	ONGC
Bloomberg	ONGC.IN
Reuters	ONGC.BO
BSE Sensex	19461
NSE Nifty	5898

#### Market Info

Market Capital	Rs.2,63,586cr
Equity Capital	Rs.4279 cr
Avg. Trading Vol.	4133726
52 Wk High/ Low	354/240
Face Value	Rs.5

#### Shareholding Pattern (%) (31<sup>st</sup> Dec 2012)

Govt of India	74.1
Domestic Institutions	7.0
Foreign Institutions	5.3
Non Promoters Corp.	-
Public & Others	13.6



ONGC's 3QFY13 results came in better than estimates largely aided by higher volumes and lower subsidy burden. ONGC reported 15.8% yoy jump in net sales to Rs 21093cr. Net realisation post discount jumped 7.3% yoy to \$ 47.97/barrel. On volumes front, crude oil sales volumes went up by 7% yoy and this was largely due to 50% jump in JV's sales volumes. However, on qoq basis ONGC own crude oil sales remain stagnant at 4.9mn tonnes. Gas volumes also remained flat yoy at 5.02mn tonnes. Company's value added product segment, however, reported -3% yoy decline in volumes at 0.798mn tonnes.

EBITDA margin though dropped 240bps yoy, it jumped by 200bps qoq to 44% in current quarter. Margins improved qoq as employee expense declined by 36.5% qoq to Rs 346cr. EBITDA for the quarter came in at Rs 9272cr, which was 9.8% higher on yoy basis. Under recoveries paid by ONGC during the quarter was tad lower yoy at Rs 12433cr compared to Rs 12536cr during 3QFY12.

Profit after tax during the quarter declined 17.5% yoy to Rs 5563cr. 35% yoy dip in depreciation cost aided profitability of ONGC to a certain extent.

#### Valuations:

ONGC has broadly outperformed the broader markets in recent times largely due to indication from government to de-regulate Diesel prices. Further recent jump in crude oil prices and largely stable rupee has helped ONGC to post good margins. However, ONGC is currently witnessing decline in oil and gas production and unless incremental production starts flowing in from various clusters of marginal field, stock is unlikely to see significant re-rating. Nevertheless, management has guided 7% jump in Oil production at 25.78 mn tonnes in FY14. **We have valued ONGC on DCF methodology and have arrived at fair value of Rs 339 per share. Post recent run in stock price we recommend hold rating on the stock with a price target of Rs 339.**

#### Financials

Y/E March, (₹ in Cr)	FY11	FY12	FY13E	FY14E
Net Revenue	122934	151121	150622	154175
EBIDTA	55495	58750	67774	68782
PAT	22456	28144	28075	33403
EPS	26.3	32.9	32.8	39.0
RONW (%)	20.1	22.5	19.6	23.3
P/E (X)	11.8	9.4	9.4	7.9
EV/EBITDA(X)	5.3	4.9	4.4	4.3

**3QFY13 Results (standalone)**

Rs in Crore	3QFY13	3QFY12	YoY (%)	2QFY13	QoQ (%)
<b>Net Sales</b>	<b>21093</b>	<b>18223</b>	<b>15.8</b>	<b>19885</b>	<b>6.1</b>
Expenditure	11821	9776	20.9	11596	1.9
<b>EBITDA</b>	<b>9272</b>	<b>8447</b>	<b>9.8</b>	<b>8289</b>	<b>11.9</b>
EBITDA Margins (%)	44	46.4	-	42	-
<b>Other Income</b>	<b>1281</b>	<b>1252</b>	<b>2.3</b>	<b>1901</b>	<b>-32.6</b>
Interest	1.21	2	-34.9	3	-60.5
Depreciation	2342	2222	5.4	1648	42.1
Exceptional Items	-	3142	-	-	-
<b>PBT after exceptional items</b>	<b>8211</b>	<b>10617</b>	<b>-22.7</b>	<b>8539</b>	<b>-3.9</b>
Tax	2648	3876	-31.7	2643	0.2
Tax rate (%)	32%	37%	-11.7	31%	4.2
<b>PAT after extraordinary items</b>	<b>5563</b>	<b>6741</b>	<b>-17.5</b>	<b>5897</b>	<b>-5.7</b>
Net Profit Margin (%)	26	37		30	-



Profit & Loss Account (consolidated)				
Y/E Mar. (Rs. in cr)	FY11	FY12	FY13E	FY14E
<b>Total Income</b>	<b>122934</b>	<b>151121</b>	<b>150622</b>	<b>154175</b>
YoY%	14.9	20.6	-0.3	2.4
Operating Exp	67439	92371	82848	85393
<b>EBITDA</b>	<b>55495</b>	<b>58750</b>	<b>67774</b>	<b>68782</b>
YoY%	10.5	5.9	15.4	1.5
Net Interest	1237	1337	1216	1122
<b>Depreciation</b>	<b>15950</b>	<b>17750</b>	<b>20193</b>	<b>21944</b>
<b>PBT</b>	<b>38308</b>	<b>39663</b>	<b>46365</b>	<b>45716</b>
Tax	14557	13407	20270	25331
PAT	22456	28144	28075	33403
YoY%	15.7	25.3	-0.2	19.0

Cash Flow Statement ( Consolidated)				
Y/E Mar. (Rs. in cr)	FY11E	FY12E	FY13E	FY14E
PBT	38308	39663	46365	45716
Depreciation	11353	12919	20193	21944
Change in WC	6755	-7051	-6621	-1733
Tax	-10519	-11869	-20270	-25331
Operating cash flow	53079	43614	36215	37144
Cash flow from Inv	-32209	-35843	-26214	-26214
Cash flow from Fin	-14866	102	-6021	-6021
Change In cash	6004	7874	3980	4909
Opening cash	14812	20816	27890	31869
<b>Closing cash</b>	<b>20816</b>	<b>27890</b>	<b>31869</b>	<b>36778</b>

Balance sheet (Consolidated)				
Y/E March (Rs Cr)	FY11	FY12	FY13E	FY14E
<b>Shareholder's funds</b>	<b>4278</b>	<b>4278</b>	<b>4278</b>	<b>4278</b>
Reserves and Surplus	111049	132161	142161	152161
Minority Interest	1989	2208	2208	2208
<b>Non-current liabilities</b>	<b>70323</b>	<b>76410</b>	<b>86453</b>	<b>90562</b>
Long-term borrowings	3977	5209	7709	10209
Deferred Tax Liab	11153	12185	12185	12185
Other Long Term Liabilities	941	1061	1061	1061
Long Term Trade Payables	32	18	18	18
Long Term Provisions	54220	57937	65480	67089
<b>Current liabilities</b>	<b>36446</b>	<b>50366</b>	<b>53159</b>	<b>54160</b>
<b>Equity + Liability</b>	<b>224086</b>	<b>265424</b>	<b>288259</b>	<b>303370</b>
<b>Net Fixed assets</b>	<b>93048</b>	<b>99342</b>	<b>99149</b>	<b>107205</b>
CWIP	34760	49698	59698	59698
Goodwill	0	0	0	0
Non-current Assets	179112	204457	220548	230070
<b>Non Current Investments</b>	<b>2892</b>	<b>2041</b>	<b>2041</b>	<b>2041</b>
Long Term Loans & Adv	39727	43406	48019	49199
Other Non Current Assets	8684	9970	11641	11927
Current assets	44406	60055	66799	72388
Misc exp	568	912	912	912
<b>Assets</b>	<b>224086</b>	<b>265424</b>	<b>288259</b>	<b>303370</b>

Key Ratios (Consolidated)				
Y/E March ( Rs Cr)	FY11	FY12	FY13E	FY14E
<b>Per Share data (Rs)</b>				
EPS	26.2	32.9	32.8	39.0
Cash EPS	44.9	53.6	56.4	64.7
DPS	17.5	9.8	9.8	9.8
Book value	135	159	171	183
<b>Operating, Returns Ratio</b>				
Debt/ Equity (X)	0.05	0.06	0.08	0.08
Current Ratio (X)	1.5	1.6	1.7	1.7
ROE (%)	19.5	21.7	19.6	23.3
ROCE (%)	35.9	37.0	36.1	36.6
Dividend Yield (%)	6.7	3.7	3.7	3.7
<b>Valuation Ratio (X)</b>				
P/E	11.8	9.4	9.4	7.9
P/BV	1.9	1.7	1.6	1.6
EV/ Sales	2.4	2.2	2.0	2.0
EV/EBITDA	5.3	4.9	4.4	4.3



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**Stock Rating Scale**

**Absolute Return**

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

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