## Result Update

Kyon ki bhaiya, sabse bada rupaiya.

## Lower operational income and exchange fluctuation losses drag profitability margins

Owing to under recoveries (Rs 5515 crore) and loss of Rs 862 crore incurred on account of currency fluctuations, EBITDA margin in Q1FY11 declined by 520 bps to $59.3 \%$. Each barrel of oil sold during the current quarter fetched $22.6 \%$ lower price to ONGC as compared to same period in the last year. Meanwhile, due to lower operating margin, net margin for Q1FY11 declined by 550 bps. However, with decontrol of petrol prices and hike in gas price, we expect company to post better margins for the latter part of year.
Subsidy I mpact on Profit

| Details | Q1FY09 | Q1FY09 | FY'ros) |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Gross Discount | 5,515 | 429 | 11,554 | FY09 | FY08 |
| Impact on Statutory Levies | 790 | 63 | 1,629 | 4,292 | 22,001 |
| Impact on Profit Before Tax | 4,725 | 366 | 9,925 | 23,933 | 20,942 |
| Impact on Profit After Tax | 3,119 | 242 | 6,551 | 15,798 | 13,241 |

## New discoveries, investment in renewable resources and MRPL to offer significant revenue streams

During the quarter ONGC made 5 new oil discoveries. Aided by these new discoveries the company aims to ramp up both its oil and gas production capacities. Besides this, with the investment of Rs 650 crore the company has planned to set up 102 MW wind farm in Rajasthan to be commissioned by Sep 2011. Meanwhile, with the installation of SPM at New Mangalore Port, the company has enhanced coastal infrastructural facilities for MRPL. It will enable MRPL to receive crude in VLCC (Very Large Crude Carriers) tankers

## Valuation and recommendation

At CMP of Rs 1276.5 the stock is trading at 10.3 x of its FY 12 earnings of Rs 124.4. With its production likely to increase and better realization in few years, we recommend a 'BUY 'on stock at CMP.

## Result Update

Kyon ki bhaiya, sabse bada rupaiya.

|  |  |  |  |  |  |  |  | (Rs. In Cr.) |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Oil \& Natural Gas Corpn. Ltd. | Q1FY11 | Q1FY10 | \% Chg. | Q1FY11 | Q4FY10 | \% Chg. | FY201003 | FY200903 | \% Chg. |
| Net Sales | 13665.6 | 14879.3 | -8.2 | 13665.6 | 14713.3 | -7.1 | 59987.6 | 63599.8 | -5.7 |
| Other operational Income | 157.4 | 256.8 | -38.7 | 157.4 | 1289.1 | -87.8 | 1994.9 | 948.0 | 110.4 |
| Total Oper. Income(TOI) | 13823.0 | 15136.1 | -8.7 | 13823.0 | 16002.3 | -13.6 | 61982.5 | 64547.8 | -4.0 |
| Raw Materials Cons.- | 135.3 | 110.7 | 22.2 | 135.3 | 195.7 | -30.9 | 570.3 | 768.2 | -25.8 |
| \% to TOI | 1.0\% | 0.7\% | - | 1.0\% | 1.2\% | - | 0.9\% | 1.2\% | - |
| Stock adj. (-)Inc / (+)Dec- | -92.3 | -119.8 | -22.9 | -92.3 | 53.5 | PL | -118.0 | -81.1 | 45.6 |
| \% to TOI | -0.7\% | -0.8\% | - | -0.7\% | 0.3\% | - | -0.2\% | -0.1\% | - |
| Net Raw Mat adj. for stock | 43.0 | -9.1 | LP | 43.0 | 249.1 | -82.8 | 452.3 | 687.1 | -34.2 |
| \% to TOI | 0.3\% | -0.1\% | - | 0.3\% | 1.6\% | - | 0.7\% | 1.1\% | - |
| Other expenses | 5307.9 | 5136.2 | 3.3 | 5307.9 | 6069.1 | -12.5 | 22932.2 | 31076.6 | -26.2 |
| \% to TOI | 38.4\% | 33.9\% | - | 38.4\% | 37.9\% | - | 37.0\% | 48.2\% | - |
| Contribution Net_Sales | 8472.1 | 10009.1 | -15.4 | 8472.1 | 9684.1 | -12.5 | 38598.0 | 32784.2 | 17.7 |
| Personnel | 278.9 | 251.2 | 11.0 | 278.9 | 266.1 | 4.8 | 1106.7 | 886.8 | 24.8 |
| \% to TOI | 2.0\% | 1.7\% | - | 2.0\% | 1.7\% | - | 1.8\% | 1.4\% |  |
| Total expenditure | 5629.8 | 5378.3 | 4.7 | 5629.8 | 6584.3 | -14.5 | 24491.2 | 32650.5 | -25.0 |
| Operating Profit | 8193.2 | 9757.8 | -16.0 | 8193.2 | 9418.0 | -13.0 | 37491.4 | 31897.4 | 17.5 |
| \% to TOI | 59.3\% | 64.5\% | - | 59.3\% | 58.9\% | - | 60.5\% | 49.4\% | - |
| Non-Operating Income | 407.2 | 788.0 | -48.3 | 407.2 | 469.1 | -13.2 | 2219.9 | 4221.5 | -47.4 |
| Interest | 2.8 | 6.1 | -54.8 | 2.8 | 56.1 | -95.1 | 68.7 | 119.0 | -42.3 |
| Exceptional Items |  | 0.0 |  |  | 0.0 | 0.0 | 0.0 |  | 0.0 |
| Gross Profit | 8597.7 | 10539.7 | -18.4 | 8597.7 | 9831.1 | -12.6 | 39642.6 | 35999.9 | 10.1 |
| Depreciation | 3114.3 | 3178.9 | -2.0 | 3114.3 | 4448.0 | -30.0 | 14658.8 | 12084.9 | 21.3 |
| PBT before Extra-ord | 5483.4 | 7360.8 | -25.5 | 5483.4 | 5383.1 | 1.9 | 24983.8 | 23915.0 | 4.5 |
| \% to TOI | 39.7\% | 48.6\% | - | 39.7\% | 33.6\% | - | 40.3\% | 37.1\% |  |
| Extraordinary Items |  | 0.0 |  |  | 0.0 | 0.0 | 0.0 | 43.4 | -100.0 |
| PBT | 5483.4 | 7360.8 | -25.5 | 5483.4 | 5383.1 | 1.9 | 24983.8 | 23958.4 | 4.3 |
| Tax Rate | 33.2\% | 34.1\% | - | 33.2\% | 29.9\% | - | 32.9\% | 32.7\% | - |
| Prov. for Tax | 1822.3 | 2512.9 | -27.5 | 1822.3 | 1606.6 | 13.4 | 8216.3 | 7832.1 | 4.9 |
| \% to TOI | 13.2\% | 16.6\% | - | 13.2\% | 10.0\% | - | 13.3\% | 12.1\% |  |
| Profit after Tax | 3661.1 | 4847.9 | -24.5 | 3661.1 | 3776.4 | -3.1 | 16767.6 | 16126.3 | 4.0 |
| \% to TOI | 26.5\% | 32.0\% | - | 26.5\% | 23.6\% | - | 27.1\% | 25.0\% | - |
| Face Value | 10.0 | 10.0 | 0.0 | 10.0 | 10.0 |  | 10.0 | 10.0 | 0.0 |
| Equity Share capital | 2138.9 | 2138.9 | 0.0 | 2138.9 | 2138.9 | 0.0 | 2138.9 | 2138.9 | 0.0 |
| EPS (Rs.) | 17.1 | 22.7 | -24.5 | 17.1 | 17.7 | -3.1 | 78.4 | 75.4 | 4.0 |
| CEPS (Rs.) | 31.7 | 37.5 | -15.6 | 31.7 | 38.5 | -17.6 | 146.9 | 131.9 | 11.4 |

Source: ACE Equity

Kyon ki bhaiya, sabse bada rupaiya.

