

## ONGC

ONGC reported 15.8% YoY growth in 3QFY13 to Rs.210 bn ahead of street expectation of Rs.188.9 bn. Better than expected revenue was due to higher than expected crude oil production and sales and higher realization. During quarter ONGC reported crude oil production of 6.06MMT (Million Metric Tons) in 3QFY13 versus 6.01 MMT in 2QFY13 and 6.74 MMT in 3QFY12. Year-on Year declined in crude oil production was due to lower production from Cairn's Rajasthan block. Despite of lower production, ONGC reported 3% QoQ growth of crude sales to 6.04 MMT as against 5.87 MMT in 2QFY13.

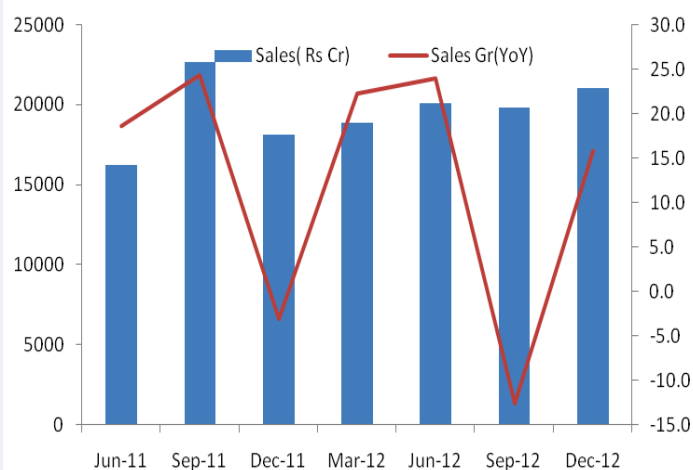
ONGC's Videsh Ltd(OVL) reported sharp decline in crude oil production as well as sales owing to prevailing ongoing Sudan and Syria issue and lower production from Imperial Energy. OVL reported crude oil production and sales volume at 1.206 MMT ( -21.3% YoY) and 0.802 MMT(-47.7% YoY) respectively. Natural gas production volumes increased 41% qoq and 21% yoy to 0.8 bcm reflecting contribution from new operations in Colombia, Imperial and Venezuela and higher production in Vietnam.

Total Crude Oil Production (MMT)	Dec.2012	Sept.2012	Dec.2011
Crude Oil - ONGC	5.155	5.103	5.963
Crude Oil - JV	0.9	0.911	0.779
OVL	1.206	0.99	1.533
Total Crude Oil Sales (MMT)	Dec.2012	Sept.2012	Dec.2011
Crude Oil - ONGC	4.914	4.712	4.894
Crude Oil - JV	1.126	1.153	0.749
OVL	0.802	0.091	1.533
Total Gas Production (BCM)	Dec.2012	Sept.2012	Dec.2011
Gas - ONGC	5.899	5.898	5.85
Gas - JV	0.445	0.46	0.545
OVL Gas	0.802	0.565	0.662
Total Gas Sales (BCM)	Dec.2012	Sept.2012	Dec.2011
Gas - ONGC	4.635	4.658	4.529
Gas - JV	0.387	0.406	0.491
OVL Gas	0.802	0.565	0.662
Total VAP Sales (BCM)	Dec.2012	Sept.2012	Dec.2011
LPG (000'Tonnes)	269	251	270
Naptha/ARN (000'Tonnes)	390	387	401
Ethane/Propane (000'Tonnes)	116	108	129
-Superior Kerosene Oil (000'Tonnes)	28	31	12

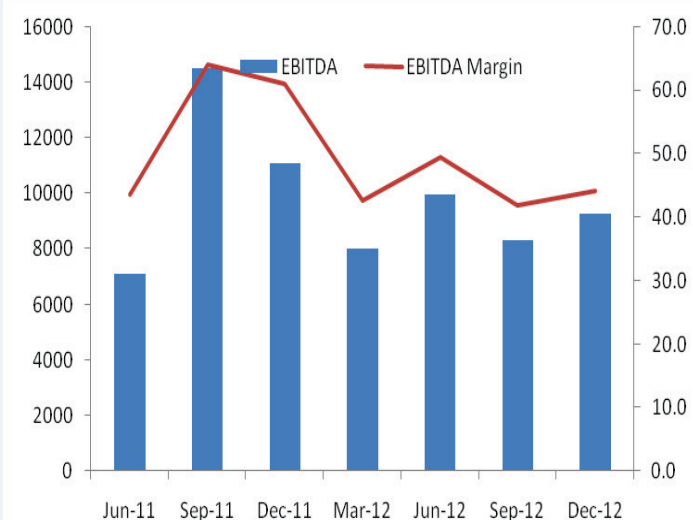
The company reported natural gas sales volume from own block was stable at 4.64 BCM during, stable at QoQ basis and 2.3% up in YoY basis. Natural gas volume from JV was at 0.39 BCM, declined of 3.7% QoQ and 21% in YoY basis.

Value added product (VAP) sales volume of the company increased to 798000 tons from 788000 tons in 2QFY13 and 820000 tons in 3QFY12.

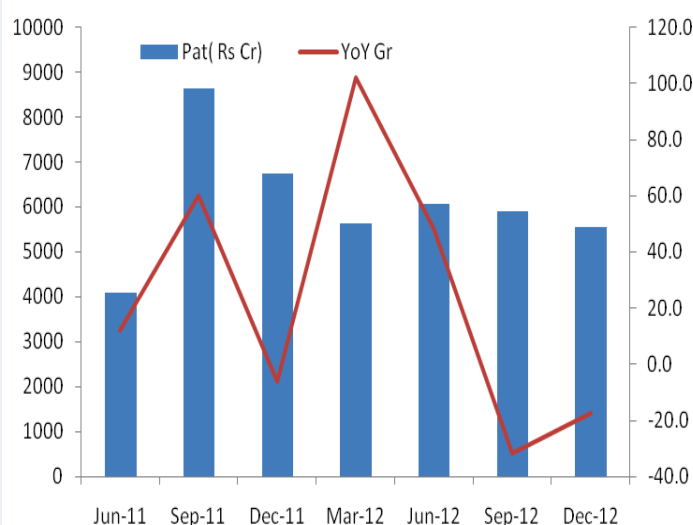
During quarter ONGC reported net crude price was at US\$ 47.97 versus US\$48.8 in 2QFY13 and US\$44.96 in 3QFY12. ONGC had given discount of Rs.12433 cr or US\$62.2 to upstream companies in 3QFY13 versus crude oil equivalent to US\$ 63.05 in 2QFY13 and US\$66.77 in 3QFY12. Total sharing of ONGC in upstream under recovery stood at 82.4% in 3QFY13 as against 81.6% in 2QFY13 and 82.1% in 3QFY12.



(Source: Company/Eastwind)



(Source: Company/Eastwind)



(Source: Company/Eastwind)

# ONGC

Till date there is lack of clarity on sharing formula which continue overhung the stock barring some news regarding hike of diesel prices.

Up Stream of Under Recovery( Rs Cr)	Dec.2012	Sept.2012	Dec.2011
ONGC	12433	12330	12536
OIL	1949	2078	1853
GAIL	700	700	872
Distribution of Upstream share( Rs Cr)	Dec.2012	Sept.2012	Dec.2011
IOC	8142	8144	8336
BPCL	3602	3618	3814
HPCL	3337	3347	3111
Crude Oil Price-ONGC	Dec.2012	Sept.2012	Dec.2011
Crude oil Realization( \$/bbl)	110	110	112
Discount(\$/bbl)	62	63	67
Net Realization(\$/bbl)	48	47	45
Net Realization(Rs /bbl)	2597	2585	2293
Exchange Rate	54	55	51

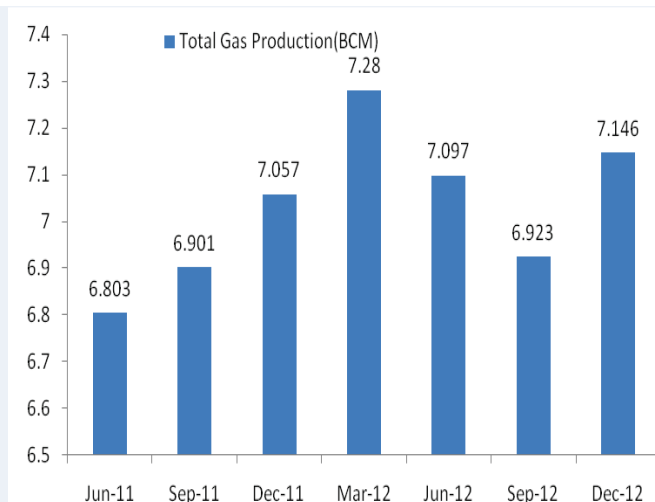
Depreciation, depletion and amortization (DDA) expenses increased at 42% QoQ to Rs.2342 cr whereas in 2QFY13 ONGC reported lower DDA expenses due to increased in proven developed reserves of Mangala field to 9.5 mn tons from 5.9 mn tons. Other Income was lower at Rs.1281 cr during quarter versus Rs.1901 cr in 2QFY13 and Rs.958 cr in 3QFY12.

The company reported EBITDA at Rs.9272 cr in present quarter versus Rs.8289 cr in 2QFY13 and Rs.11051 cr in 3QFY12 versus expectation of Rs.9540 cr . Consequently EBITDA margin improved to 44% from 42% in 2QFY13 but declined of 1670 bps on YoY basis to 61%.

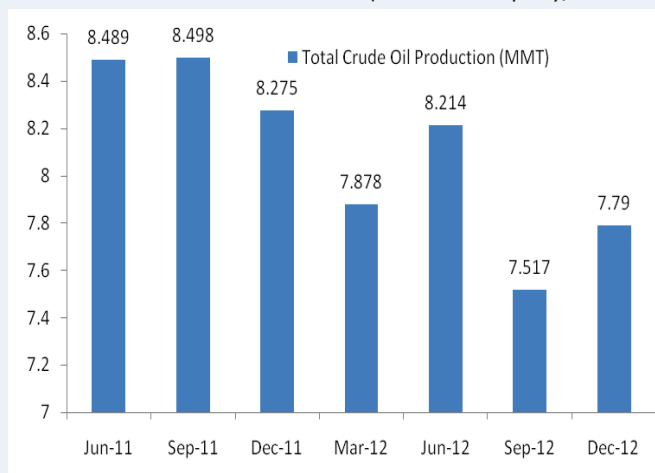
Net profit of the company declined by 17.5% YoY and 6% QoQ to Rs.5563 cr as against expectation of Rs.4620 cr. Declined in net profit was due to loss of Rs.1868 cr against cess on crude oil increased by 80% from Rs.2500/ton to Rs.4500/ton and restricted crude oil production from the eastern offshore assets and drop in gas output from the Mumbai High and Cauvery fields.

We note some positive news came on ONGC in past few days like diesel price hike and hike of gas price recommendation. According to media report, retail price increased news may in next few days. Government may also implement Rangaranjan committee on linking of domestic prices to global prices.

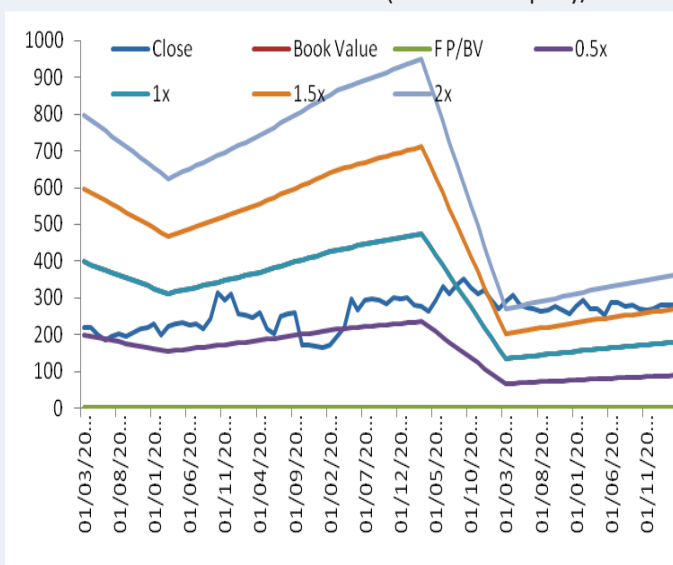
We have upgraded the stock to buy rating with revised prices target of Rs.380 from earlier target of Rs.320. Although some of key issue like muted performance of OVL due to Sudan and Syria issue, restricted crude oil production from eastern offshore and possible hike of import duty on crude oil in coming budget in order to mitigate Government fiscal deficit target. However some positive trigger news may also come in next few days like of hiking of diesel price and linking of domestic gas to global prices as recommended by Rangarajan committee which help the stock reach target prices faster



(Source: Company/Eastwind)



(Source: Company/Eastwind)



(Source: Company/Eastwind)