

# OIL AND GAS

## *High diesel demand and highest ever refining margins*

Indian diesel consumption has grown 13.5% Y-o-Y over the past four months. Higher consumption has increased FY08 diesel intensity to ~1.25x (of GDP) compared to the previous three-year average of 0.55x. We believe the spurt in diesel demand is possibly a result of the combined effects of: (1) sales of commercial vehicles/SUVs in the past; and (2) increase in the usage of diesel-powered generators.

Similar consumption pattern has been seen across the globe due to preference for diesel powered cars. Higher diesel demand will benefit diesel-heavy refiners (Indian refiners) as it will keep diesel-crude spreads at higher levels. The diesel-crude spreads have widened recently on the back of spurt in demand for diesel, leading to high refining margins for Indian refiners and increasing under-recoveries for oil marketing companies (OMC).

The widening in diesel spreads is structural in nature and we have, therefore, increased FY09 diesel spread assumption from USD 10/bbl to USD 14/bbl. This has resulted in increase in FY09E and FY10E refining margins by USD 0.75/bbl and USD 0.5/bbl, respectively. Further, we have also increased FY09E crude average from USD 85/bbl to USD 90/bbl while maintaining the FY10E and long-term crude price assumption at USD 80/bbl and USD 70/bbl, respectively. All these changes have resulted in reduction in our earnings estimates for oil marketing companies and ONGC. Chennai Petroleum's EPS has shown a marginal increase.

Trading opportunities exist for investors by being long on standalone refiners (Chennai Petroleum, Reliance Industries, MRPL) and going short on government-controlled upstream companies (ONGC). Assuming that crude prices and refining margins (average for the past 15 days) sustain in Q1FY09, Chennai Petroleum and Reliance Industries are likely to report GRMs of USD 10.9/bbl (Q3FY08 GRMs of USD 8.75/bbl) and USD 17.8/bbl (Q3FY08 GRMs of USD 15.40/bbl), respectively. ONGC may end-up with Q1FY09E net crude realization of USD 39.3/bbl compared to USD 54.5/bbl in Q3FY08. OMCs will be net beneficiaries as increase in refining margins will more than offset the increase in under recoveries from the marketing segment (assuming government share of under-recovery at 57%).

At INR 316, Chennai Petroleum is trading at a P/E of 5.7x and 8.2x FY09E and FY10E respectively. We maintain our 'BUY' recommendation. Top Pick.

At INR 1,002, ONGC is trading at a P/E of 10.0x and 9.5x FY09E and FY10E respectively. We have reduced of fair SOP for the company from INR 1,559 to INR 1,505 and maintain our 'BUY' recommendation on the stock.

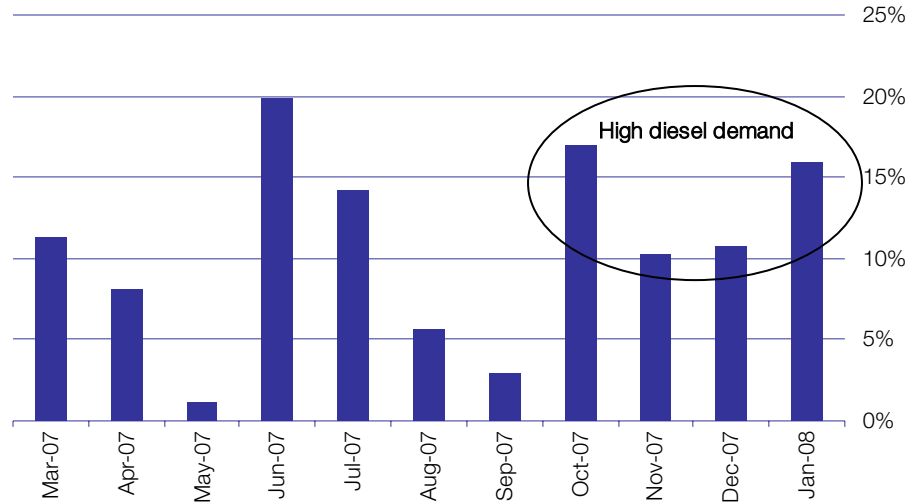
At INR 388, BPCL is trading at a P/E of 13.0x and 7.3x FY09E and FY10E respectively. We maintain our 'ACCUMULATE' recommendation. At INR 448, BPCL is trading at a P/E of 9.5x and 7.6x FY09E and FY10E respectively. We maintain our 'ACCUMULATE' recommendation. At INR 245, HPCL is trading at a P/E of 7.0x and 3.8x FY09E and FY10E respectively. We are downgrading our recommendation from 'BUY' to 'ACCUMULATE'.

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Diesel demand has recently exhibited high growth of 10.2-17.0% Y-o-Y during the four months ended January 2008 (October 2007-January 2008). We believe the high growth in diesel demand has come from combined effect of (1) sales of commercial vehicles/SUVs in the past, and (2) increased usage of diesel powered generator sets.

**Chart 1: Industrial diesel demand growth (% Y-o-Y) has increased recently**

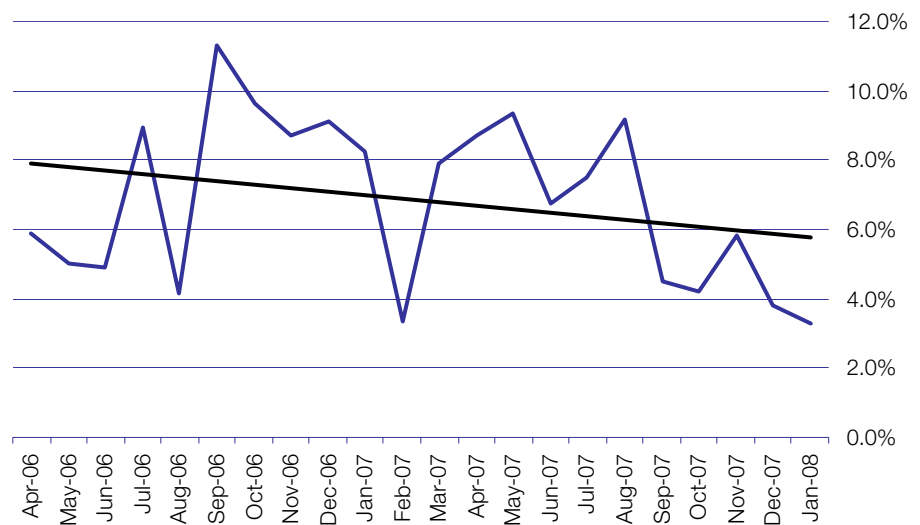


Source: Industry

**\* More diesel powered generators are possibly being used to generate electricity**

While the Index of Industrial Production has grown by over 6% in the past three months (November 2007 to January 2008), electricity generation has shown a declining trend. Growth in sales of diesel possibly implies that diesel-powered generators are increasingly being used to generate electricity in households and industries.

**Chart 2: Dip in electricity generation growth (Y-o-Y) implies high usage of diesel generators**

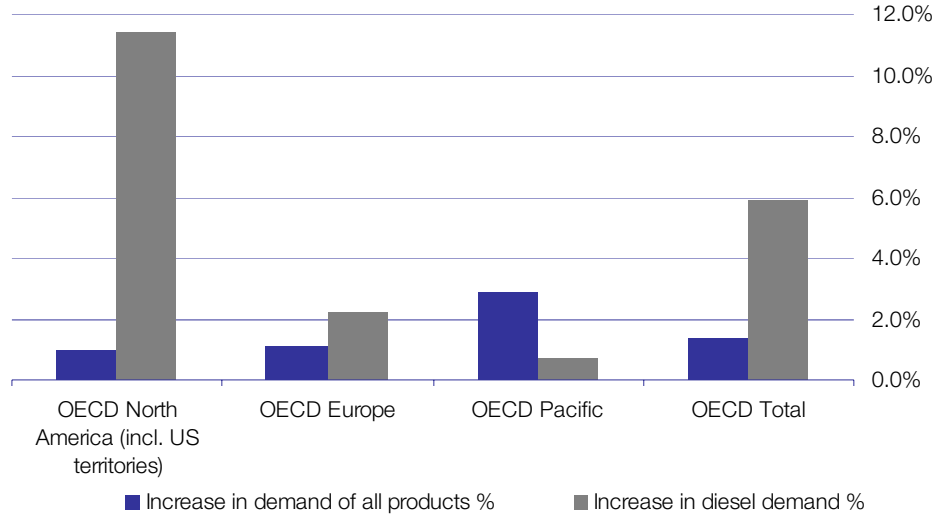


Source: Edelweiss research

**\* Dieselization - a global trend**

Similar consumption patterns have been seen across the globe; however, for different reasons. In Europe and the US, demand is growing due to preference for diesel-powered cars.

**Chart 3: Global diesel demand growth (Jan 2008) has outpaced in other petroleum products**



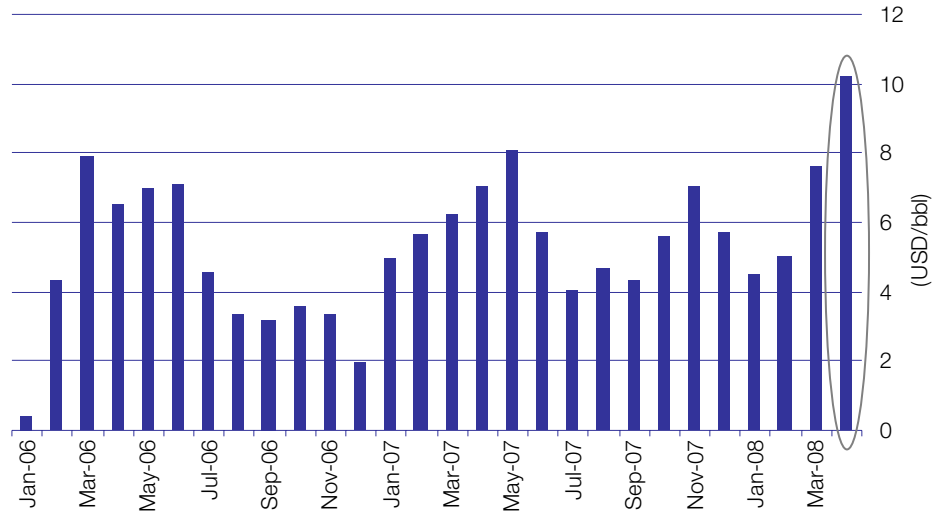
Source: IEA

**Chart 4: Diesel spreads (wrt Indian crude basket) have increased to more than USD 30/bbl**



Source: Edelweiss research

Chart 5: Margins for diesel-heavy refiners have increased (Edelweiss Simple Margins)

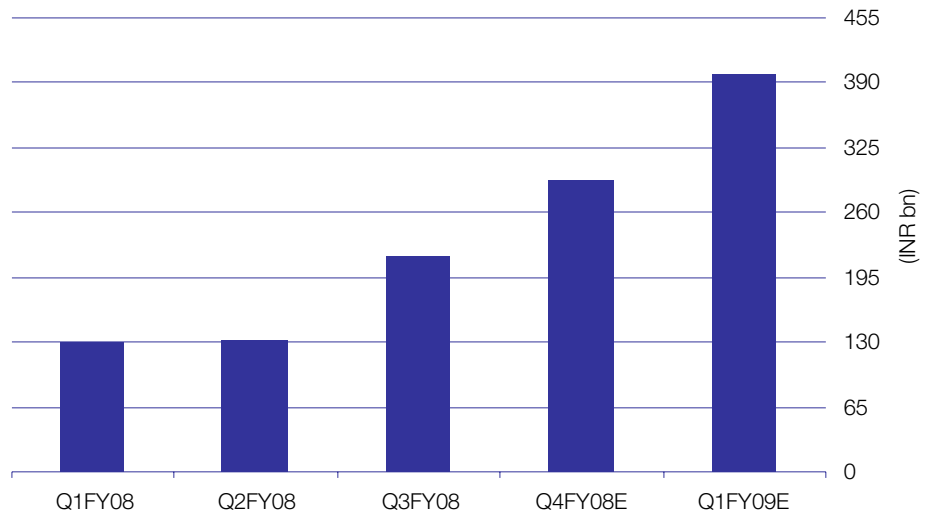


Source: Edelweiss research

\* Q1FY09 numbers do not look promising for ONGC, OMCs; Highest ever profits for Chennai Petroleum

High diesel consumption combined with high diesel refining margins are likely to lead to sharp increase in gross under recoveries in Q1FY09.

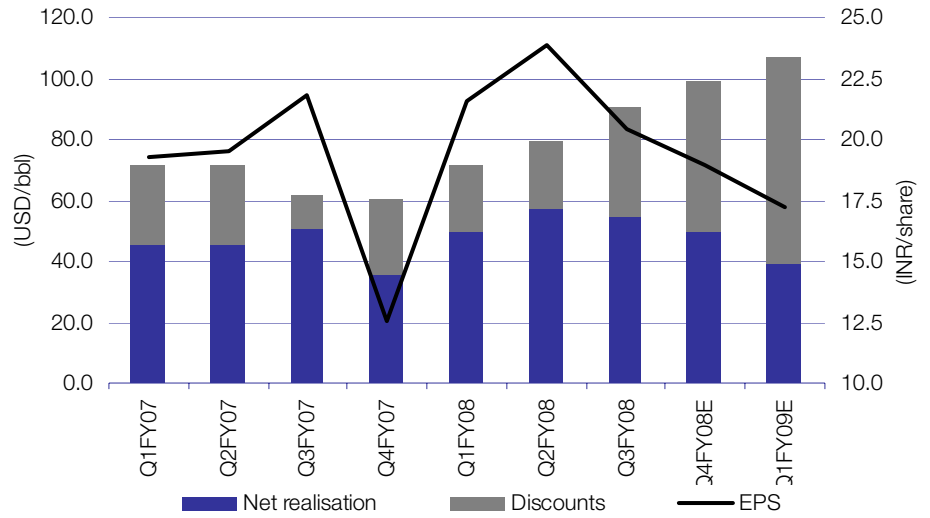
Chart 6: Gross under recoveries of OMCs



Source: Edelweiss research

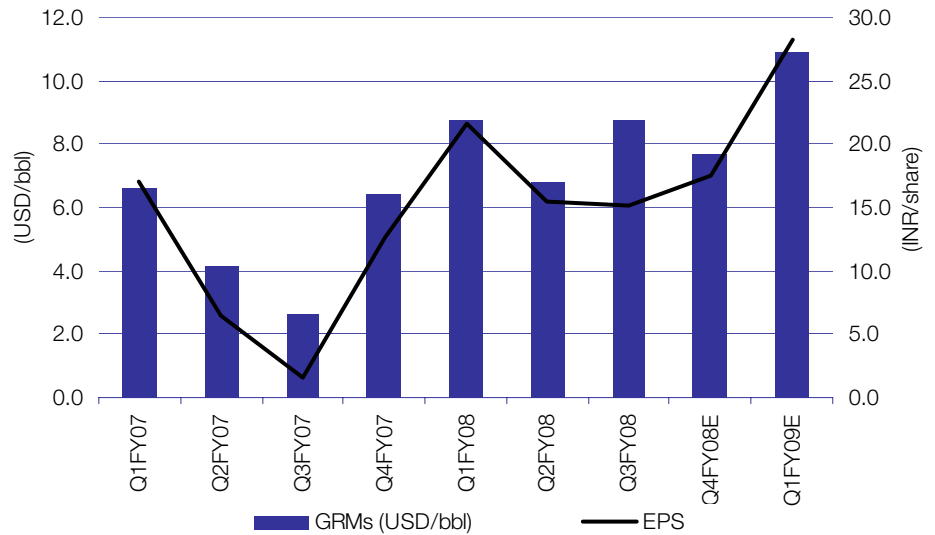
At current QTD crude average, ONGC’s Q1FY09 gross realization is expected to be USD 106.6/bbl. Assuming that upstream companies bear one-third of total under-recoveries, ONGC may have to provide for discounts of ~USD 67/bbl, leading to net crude realization of USD 39.3/bbl. This may lead to ONGC reporting ~20% Y-o-Y fall in EPS for Q1FY09.

**Chart 7: ONGC's Q1FY09E net crude realization and EPS may fall (assuming Q1FY09E QTD crude average and refining margins)**



Source: Edelweiss research

**Chart 8: Chennai Petroleum's Q1FY09E GRMs and Q1FY09E EPS (assuming Q1FY09E QTD crude average and refining margins)**



Source: Edelweiss research

Table 1: Change in assumptions

	Revised estimates		Previous estimates		(% Change)		Comments
	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	
<b>Assumptions</b>							
Crude price assumption	90.0	80.0	85.0	80.0	5.9	-	recent rise in crude prices
Govt support assumption	57%	57%	50%	50%	14.0	14.0	High government support required for OMCs to report profits in FY09
Indian refining margins (USD/bbl)	6.0	5.5	5.3	5.0	14.3	10.0	increasing diesel spreads
Diesel / LSGO spread (USD/bbl)	14.0	12.0	10.0	9.0	40.0	33.3	recent high demand growth of diesel
INR/USD	39.3	38.1	39.0	38.0	0.7	0.3	
Gross under-recovery (INR bn)	1,019.3	749.8	801.7	687.6	27.2	9.1	Increase in crude prices and increasing diesel spreads
<b>Estimates</b>							
<b>Chennai petroleum</b>							
Revenue (INR bn)	291	261	273	260	6.3	0.6	
EBITDA (INR bn)	16	14	16	13	(1.6)	3.5	
Net profit (INR bn)	8	6	8	5	4.2	5.8	
EPS (INR)	55.7	38.8	53.5	36.7	4.1	5.7	
<b>ONGC (Consolidated)</b>							
Revenue (INR bn)	1,016	981	1,053	1,028	(3.6)	(4.6)	
EBITDA (INR bn)	392	401	432	445	(9.3)	(9.9)	
Net profit (INR bn)	215	226	241	256	(11.1)	(12.0)	
EPS (INR)	100.3	105.5	112.9	119.8	(11.2)	(11.9)	
<b>BPCL (Consolidated)</b>							
Revenue (INR bn)	1,382	1,281	1,217	1,177	13.6	8.8	
EBITDA (INR bn)	30	45	44	46	(31.5)	(3.8)	
Net profit (INR bn)	11	19	20	21	(46.7)	(7.8)	
EPS (INR)	29.9	53.0	56.1	57.5	(46.7)	(7.8)	
<b>IOCL (Consolidated)</b>							
Revenue (INR bn)	2,564	2,308	2,310	2,183	11.0	5.7	
EBITDA (INR bn)	105	125	136	131	(22.5)	(4.1)	
Net profit (INR bn)	56	70	87	80	(35.4)	(12.5)	
EPS (INR)	47.0	58.7	72.7	67.1	(35.4)	(12.5)	
<b>HPCL</b>							
Revenue (INR bn)	1,236	1,204	1,110	1,100	11.3	9.4	
EBITDA (INR bn)	18	25	27	28	(32.5)	(11.7)	
Net profit (INR bn)	12	22	17	21	(31.7)	1.8	
EPS (INR)	35.0	63.9	51.3	62.8	(31.8)	1.8	

Source: Edelweiss research

Table 2: Valuations of the O&amp;G companies (post change)

Company	Market Price	P/E Ratio (x)			EV/EBITDA Ratio (x)		
		FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Chennai Petroleum	316	4.5	5.7	8.2	3.7	4.2	6.1
ONGC *	1,002	9.6	10.0	9.5	4.3	4.3	4.0
BPCL *	388	4.4	13.0	7.3	4.8	10.1	6.2
IOCL *	448	4.1	9.5	7.6	2.0	4.3	3.7
HPCL	245	4.4	7.0	3.8	7.5	18.4	15.4

Source: Edelweiss research

\* Consolidated numbers

**Table 3: ONGC SOTP value**

<b>Sum of the parts value of ONGC (consolidated)</b>	<b>INR/share</b>
Value of domestic operations	887
DCF value of existing Fields	862
New fields (KG-DWN-98/2 + Mahanadi MN-OSN-2000/2)	25
2P reserves upsides	159
Value of overseas operations	214
Net cash/debt value	159
Value of strategic investments (MRPL/PLNG)	53
Value of non-strategic investments (GAIL/IOC)	33
<b>Total value per share (INR)</b>	<b>1,505</b>

Source: Edelweiss research

## Bharat Petroleum Corporation

## Financial Statements (Consolidated)

Income statement					(INR mn)
Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	775,161	984,192	1,209,666	1,382,082	1,280,845
Cost of goods sold	732,365	909,397	1,118,359	1,318,614	1,200,619
Gross profit	42,796	74,796	91,307	63,468	80,225
Employee expenses	9,352	10,676	11,624	12,786	14,063
SG&A expenses	16,403	18,924	19,657	20,546	21,584
Operating expenses	25,755	29,600	31,281	33,332	35,647
EBITDA	17,041	45,196	60,026	30,137	44,578
Depreciation & amortisation	9,458	11,021	12,352	12,815	13,919
EBIT	7,583	34,175	47,674	17,322	30,659
Interest	3,052	5,204	6,013	7,556	7,546
Other income	3,994	6,698	10,473	11,246	11,025
Extraordinary items	191	(1,974)	0	0	0
Profit before tax (PBT)	8,717	33,695	52,133	21,012	34,139
Current taxes	816	10,056	13,070	6,340	10,547
Deferred taxes	958	(61)	5,122	1,301	1,654
Other taxes	(93)	141	151	151	151
Taxes	1,681	10,136	18,343	7,791	12,353
Profit after tax (PAT)	7,036	23,559	33,790	13,221	21,787
Minority interest	1,663	2,107	2,051	2,415	2,632
Profit after minority interest	5,373	21,452	31,739	10,806	19,155
Equity shares outstanding (mn)	362	362	362	362	362
EPS (INR)	14.9	59.3	87.8	29.9	53.0
Dividend per share (INR)	2.5	16.0	23.9	6.1	12.8
Dividend payout (%)	16.8	27.0	27.3	20.4	24.2

## Common size metrics (% sales)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Cost of goods sold	88.3	86.1	86.2	88.9	87.4
Operating expenses	3.1	2.8	2.4	2.2	2.6
EBITDA	2.1	4.3	4.6	2.0	3.2
Depreciation & amortisation	1.1	1.0	1.0	0.9	1.0
Interest	0.4	0.5	0.5	0.5	0.5
Net profit	0.8	2.2	2.6	0.9	1.6

## Growth metrics (%)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	31.1	27.4	22.9	14.3	(7.3)
EBITDA	(54.9)	165.2	32.8	(49.8)	47.9
PBT	(70.7)	286.6	54.7	(59.7)	62.5
Net profit	(66.1)	234.8	43.4	(60.9)	64.8
EPS	(71.1)	299.3	48.0	(66.0)	77.3

<b>Balance sheet</b>					<b>(INR mn)</b>
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Equity share capital	3,615	3,615	3,615	3,615	3,615
Reserves and surplus	95,575	110,094	132,289	140,523	153,603
Shareholder's equity (A)	99,191	113,709	135,904	144,139	157,218
Minority interest	6,264	7,574	8,030	9,352	10,205
Secured loans	38,088	30,143	40,000	50,000	60,000
Unsecured loans	54,594	83,523	126,526	135,701	99,480
Total debt (B)	92,682	113,666	166,526	185,701	159,480
Net deferred tax liability (C)	17,655	17,625	22,382	23,683	25,337
Capital employed (A+B+C)	215,792	252,575	332,842	362,874	352,240
Accounts payable	93,507	110,337	138,675	163,388	146,592
Provisions	5,953	11,977	16,141	18,221	16,767
Current liabilities & provisions (D)	99,460	122,314	154,816	181,609	163,360
<b>Total liabilities (A+B+C+D)</b>	<b>315,252</b>	<b>374,889</b>	<b>487,658</b>	<b>544,483</b>	<b>515,600</b>
Gross fixed assets	206,422	230,626	240,633	249,633	287,559
Accumulated depreciation	83,151	96,115	106,627	119,124	132,611
Net fixed assets	123,271	134,511	134,006	130,509	154,948
Capital WIP	15,737	12,767	17,700	27,900	5,374
Total fixed assets (A)	139,008	147,279	151,706	158,409	160,322
Investments (B)	32,207	72,341	92,639	99,888	91,969
Inventories	98,959	95,323	159,677	188,304	168,915
Accounts receivables	14,060	16,332	21,435	24,347	22,356
Cash and cash equivalents	5,623	16,240	16,513	22,343	24,537
Loans and advances	17,644	17,269	38,597	44,101	40,409
Other current assets	7,744	10,096	7,091	7,091	7,091
Current assets (C)	144,029	155,261	243,314	286,186	263,308
Other assets (D)	8	9	0	0	0
<b>Total assets (A+B+C+D)</b>	<b>315,252</b>	<b>374,889</b>	<b>487,658</b>	<b>544,483</b>	<b>515,600</b>

<b>Cash flow statement</b>					<b>(INR mn)</b>
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Ope. cash flow before wkg cap. ch.	23,158	34,850	46,594	25,560	33,723
(Incr)/Decr in working capital	(9,743)	22,240	(55,278)	(10,250)	6,822
Cash flow from operations (A)	13,415	57,090	(8,684)	15,310	40,546
Net purchase of fixed assets	(22,640)	(21,235)	(14,940)	(19,200)	(15,400)
Net purchase of investments	(28,427)	(40,134)	(20,297)	(7,250)	7,919
Net cash flow from investing (B)	(51,067)	(61,369)	(35,237)	(26,450)	(7,481)
Net incr./.(decr.) in equity capital	0	615	0	0	0
Net incr./.(decr.) in debt	37,204	20,984	52,860	19,175	(26,221)
Dividends paid	(1,031)	(6,703)	(8,666)	(2,206)	(4,650)
Cash flow from financing (C)	36,173	14,896	44,194	16,969	(30,871)
<b>Net incr./.(decr.) in cash (A+B+C)</b>	<b>(1,479)</b>	<b>10,617</b>	<b>273</b>	<b>5,829</b>	<b>2,194</b>

**Valuation parameters**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
EPS (INR)	14.9	59.3	87.8	29.9	53.0
EPS Y-o-Y growth (%)	(71.1)	299.3	48.0	(66.0)	77.3
CEPS (INR)	48.3	95.5	141.8	75.6	103.3
P/E (x)	26.1	6.5	4.4	13.0	7.3
Book value per share (INR)	274.4	314.5	375.9	398.7	434.9
P/BV (x)	1.4	1.2	1.0	1.0	0.9
EV/Sales (x)	0.3	0.2	0.2	0.2	0.2
EV/EBITDA (x)	13.3	5.3	4.8	10.1	6.2
Dividend yield (%)	0.6	4.1	6.2	1.6	3.3

**Liquidity ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Current ratio	1.5	1.4	1.8	1.8	1.8
Quick ratio	0.5	0.5	0.6	0.6	0.6
Cash ratio	0.1	0.1	0.1	0.1	0.2
Receivable turnover (x)	59.0	64.7	60.6	60.9	61.5
Inventory turnover (x)	7.4	9.5	7.0	7.0	7.1
Payables turnover (x)	7.8	8.2	8.1	8.1	8.2
Receivables (days)	6	6	6	6	6
Inventory (days)	49	38	52	52	51
Payables (days)	47	44	45	45	45
Cash conversion cycle (days)	9	(0)	13	13	13

**Operating ratios (x)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Total asset turnover	2.6	2.8	2.7	2.7	2.7
Fixed asset turnover	6.7	7.9	9.7	11.4	8.9
Equity turnover	8.4	9.3	9.6	10.3	8.7

**Profitability ratios (%)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Gross profit margin	5.2	7.1	7.0	4.3	5.8
EBITDA margin	2.1	4.3	4.6	2.0	3.2
ROCE	7.0	13.2	14.3	6.2	8.7
ROE	8.0	22.1	27.1	9.4	14.5
ROA	4.6	8.9	9.7	4.2	5.9

**Financial ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Debt-equity (x)	0.7	0.8	1.2	1.3	1.1
Long term debt / Cap. emp. (%)	42.9	45.0	50.0	51.2	45.3
Total debt / Capital employed (%)	97.2	100.4	103.3	107.7	98.8
	1.9	4.1	5.2	2.6	3.5

## Hindustan Petroleum Corporation

## Financial Statements

Income statement					(INR mn)
Year to March	FY06	FY07	FY08E	FY09E	FY10E
Adjusted net revenues	710,379	890,413	1,122,397	1,235,532	1,203,811
Cost of goods sold	663,513	824,235	1,044,751	1,168,777	1,127,539
Gross profit	46,866	66,178	77,645	66,755	76,272
Employee expenses	6,415	7,294	7,878	8,508	9,189
Other expenses	32,309	34,647	37,498	39,858	42,081
Operating expenses	38,724	41,941	45,376	48,366	51,270
EBIDTA	8,142	24,237	32,270	18,390	25,002
Depreciation & amortisation	6,890	7,040	9,173	11,110	11,843
EBIT	1,252	17,197	23,096	7,280	13,160
Other income	3,285	6,845	7,017	12,551	20,369
Interest	1,587	4,230	6,258	7,012	6,288
Extraord. items / Prior period exp.	0	(61)	0	0	0
Profit before tax (PBT)	2,949	19,752	23,855	12,819	27,241
Current tax	785	6,527	8,343	4,274	9,151
Deferred tax	97	365	(234)	83	109
Other taxes	(2,087)	(2,931)	(3,166)	(3,419)	(3,693)
Tax	(1,205)	3,960	4,943	938	5,567
Profit after tax (PAT)	4,154	15,792	18,913	11,881	21,675
Equity shares outstanding (mn)	339.3	339.0	339.3	339.3	339.3
EPS (INR)	12.2	46.6	55.7	35.0	63.9
Dividend per share (INR)	3.0	18.0	16.2	8.7	18.5
Dividend payout (%)	24.5	38.7	29.1	24.9	29.0

## Common size metrics (% sales)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Cost of goods sold	93.4	92.6	93.1	94.6	93.7
Operating expenses	5.5	4.7	4.0	3.9	4.3
EBITDA	1.1	2.7	2.9	1.5	2.1
Depreciation & amortisation	1.0	0.8	0.8	0.9	1.0
Interest	0.2	0.5	0.6	0.6	0.5
Net profit	0.6	1.8	1.7	1.0	1.8

## Growth metrics (%)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	18.8	25.3	26.1	10.1	(2.6)
EBITDA	(60.3)	197.7	33.1	(43.0)	36.0
PBT	(82.0)	569.8	20.8	(46.3)	112.5
Net profit	(67.5)	280.1	19.8	(37.2)	82.4
EPS	(67.5)	280.1	19.8	(37.2)	82.4

<b>Balance sheet</b>					(INR mn)
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Equity capital	3,389	3,390	3,390	3,390	3,390
Reserves and surplus	83,968	92,597	101,896	106,893	117,511
Shareholder's equity (A)	87,357	95,987	105,285	110,282	120,901
Secured loans	14,862	10,055	3,000	3,000	3,000
Unsecured loans	51,777	95,121	171,977	266,925	313,663
Total debt (B)	66,638	105,175	174,977	269,925	316,663
Net deferred tax liability (C)	13,844	14,209	13,975	14,058	14,166
Capital employed (A+B+C)	167,840	215,371	294,237	394,265	451,731
Accounts payable	73,947	88,918	116,083	129,864	125,282
Provisions	5,602	12,277	16,836	18,533	18,057
Current liabilities & provisions (D)	79,549	101,195	132,919	148,397	143,339
<b>Total liabilities (A+B+C+D)</b>	<b>247,389</b>	<b>316,566</b>	<b>427,157</b>	<b>542,662</b>	<b>595,070</b>
Gross fixed assets	134,793	156,385	210,545	233,855	239,855
Accumulated depreciation	61,419	68,176	77,350	88,460	100,302
Net fixed assets	73,374	88,208	133,195	145,395	139,552
Capital WIP	23,639	42,436	12,776	(2,034)	(2,034)
Total fixed assets (A)	97,013	130,644	145,971	143,361	137,518
Investments (B)	40,276	71,275	143,239	246,745	309,626
Inventories	78,103	80,984	100,182	112,074	108,120
Accounts receivables	13,923	15,778	18,912	20,818	20,283
Cash and cash equivalents	426	868	1,122	1,236	1,204
Loans and advances	17,535	16,094	17,507	18,181	18,078
Other current assets	114	923	224	247	241
Current assets (C)	110,100	114,647	137,947	152,556	147,926
<b>Total assets (A+B+C+D)</b>	<b>247,389</b>	<b>316,566</b>	<b>427,157</b>	<b>542,662</b>	<b>595,070</b>

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Operating cash flow bfr wkg cap ch	11,096	23,119	24,686	19,654	29,933
(Incr)/Decr in working capital	(7,005)	17,541	8,679	982	(459)
Cash flow from operations (A)	4,091	40,660	33,365	20,636	29,474
Net purchase of fixed assets	(26,598)	(40,671)	(24,500)	(8,500)	(6,000)
Net purchase of investments	(22,708)	(30,998)	(71,964)	(103,506)	(62,881)
Net cash flow from investing (B)	(49,306)	(71,669)	(96,464)	(112,006)	(68,881)
Net incr./(decr.) in debt	44,785	38,537	69,802	94,948	46,738
Dividends paid	(1,161)	(7,086)	(6,448)	(3,465)	(7,363)
Cash flow from financing (C)	43,624	31,452	63,354	91,483	39,375
Net incr./(decr.) in cash (A+B+C)	(1,590)	442	254	113	(32)
Opening cash balance	2,016	426	868	1,122	1,236
Closing cash balance	426	868	1,122	1,236	1,204
<b>Working capital less cash</b>	<b>30,125</b>	<b>12,584</b>	<b>3,905</b>	<b>2,924</b>	<b>3,383</b>

**Valuation parameters**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
EPS (INR)	12.2	46.6	55.7	35.0	63.9
EPS Y-o-Y growth (%)	(67.5)	280.5	19.6	(37.2)	82.4
CEPS (INR)	32.5	67.4	82.8	67.8	98.8
P/E (x)	20.0	5.3	4.4	7.0	3.8
Book value per share (INR)	257.4	283.2	310.3	325.0	356.3
P/BV (x)	1.0	0.9	0.8	0.8	0.7
EV/Sales (x)	0.2	0.2	0.2	0.3	0.3
EV/EBITDA (x)	16.6	7.1	7.5	18.4	15.4
Dividend yield (%)	1.2	7.4	6.6	3.6	7.6

**Liquidity ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Current ratio	1.5	1.3	1.2	1.2	1.2
Quick ratio	0.4	0.4	0.3	0.3	0.3
Receivable turnover (x)	58.2	60.0	64.7	62.2	58.6
Inventory turnover (x)	9.8	10.4	11.5	11.0	10.2
Payables turnover (x)	9.8	10.1	10.2	9.5	8.8
Receivables (days)	6	6	6	6	6
Inventory (days)	37	35	32	33	36
Payables (days)	37	36	36	38	41
Cash conversion cycle (days)	6	5	1	1	1

**Operating ratios (x)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Total asset turnover	3.2	3.2	3.0	2.5	2.1
Fixed asset turnover	9.9	11.0	10.1	8.9	8.4
Equity turnover	8.3	9.7	11.2	11.5	10.4

**Profitability ratios (%)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Gross profit margin	6.6	7.4	6.9	5.4	6.3
EBITDA margin	1.1	2.7	2.9	1.5	2.1
ROCE	3.6	9.7	9.0	4.8	6.1
ROE	4.8	17.2	18.8	11.0	18.8
ROA	2.4	6.6	6.2	3.4	4.5

**Financial ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Debt-equity (x)	0.8	1.3	2.1	3.2	3.8
Long term debt / Cap emp (%)	39.7	48.8	59.5	68.5	70.1
Total debt / Capital emp (%)	95.3	102.4	109.4	109.7	105.0
Interest coverage (x)	2.9	5.7	4.8	2.8	5.3

## Indian Oil Corporation

## Financial Statements (Consolidated)

Income statement					(INR mn)
Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	1,613,083	1,999,308	2,394,916	2,564,240	2,308,250
Cost of goods sold	1,461,233	1,809,315	2,118,339	2,383,147	2,104,759
Gross profit	151,850	189,993	276,577	181,093	203,490
Employee expenses	22,213	29,413	30,087	31,722	33,245
SG&A expenses	42,317	43,737	45,295	44,147	45,056
Operating expenses	64,530	73,149	75,382	75,870	78,301
EBITDA	87,320	116,844	201,194	105,223	125,190
Other income	23,384	27,619	52,392	48,273	64,713
Interest	12,514	17,430	17,159	26,757	39,961
Depreciation & amortisation	25,504	29,703	29,974	34,177	38,514
Extraordinary items	247	18,787	0	0	0
Profit before tax	72,932	116,117	206,452	92,562	111,428
Current tax	19,450	25,539	62,031	22,774	26,317
Deferred tax	2,323	8,785	8,858	9,262	11,906
Tax	21,773	34,324	70,889	32,035	38,223
Total profit after tax	51,159	81,794	135,564	60,527	73,205
Minority interest	1,681	3,119	5,140	4,543	3,199
Net profit after tax	49,479	78,675	130,424	55,984	70,006
Equity shares outstanding (mn)	1,168	1,192	1,192	1,192	1,192
EPS (INR) - diluted	42.4	66.0	109.4	47.0	58.7
Dividend per share (INR)	12.5	18.9	31.6	13.1	16.9
Dividend payout (%)	29.5	28.6	28.9	27.9	28.7

## Common size metrics (% sales)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Cost of goods sold	90.6	90.5	88.5	92.9	91.2
Operating expenses	4.0	3.7	3.1	3.0	3.4
EBITDA	5.4	5.8	8.4	4.1	5.4
Depreciation & amortisation	1.6	1.5	1.3	1.3	1.7
Interest	0.8	0.9	0.7	1.0	1.7
Net profit	3.1	4.0	5.5	2.3	3.1

## Growth metrics (%)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	20.9	23.9	19.8	7.1	(10.0)
EBITDA	(7.2)	33.8	72.2	(47.7)	19.0
PBT	(3.2)	59.2	77.8	(55.2)	20.4
Net profit	(9.5)	59.0	65.8	(57.1)	25.0
EPS	(9.5)	55.8	65.8	(57.1)	25.0

<b>Balance sheet</b>					(INR mn)
<b>As on March end</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Preference share capital	0	1	0	0	0
Equity share capital	11,680	11,680	11,924	11,924	11,924
Total equity capital	11,680	11,681	11,924	11,924	11,924
Reserves & surplus	294,729	353,764	423,618	461,295	507,128
Shareholder's equity (A)	306,409	365,445	435,542	473,219	519,051
Minority interest (B)	17,426	16,978	18,273	20,847	22,657
Secured loans	97,309	66,208	59,262	55,950	54,635
Unsecured loans	203,328	228,603	300,336	571,349	733,649
Total debt (C)	300,636	294,811	359,599	627,299	788,284
Deferred tax liability (D)	52,237	60,596	68,717	77,979	89,885
Capital employed (A+B+C+D)	676,708	737,830	882,131	1,199,343	1,419,877
Accounts payable	244,754	270,531	354,894	377,096	343,673
Provisions	21,226	33,160	40,389	42,923	39,131
Current liabilities & provisions (E)	265,979	303,691	395,282	420,019	382,804
<b>Total liabilities (A+B+C+D+E+F)</b>	<b>942,688</b>	<b>1,041,521</b>	<b>1,277,413</b>	<b>1,619,362</b>	<b>1,802,681</b>
Gross fixed assets	532,218	613,195	682,354	784,266	893,703
Depreciation	213,349	240,893	268,800	302,978	341,491
Intangible assets	1,635	2,779	2,323	2,323	2,323
Net fixed assets	320,504	375,081	415,876	483,611	554,535
Capital WIP	98,989	48,224	46,197	52,257	70,857
Total fixed assets (A)	419,493	423,304	462,074	535,869	625,392
Total investments (B)	123,727	193,649	299,557	519,662	666,467
Inventories	286,397	289,897	343,063	379,386	340,670
Accounts receivable	50,321	51,668	100,733	106,845	97,553
Cash and cash equivalents	10,529	10,767	11,600	13,917	14,045
Loans and advances	51,263	62,889	52,844	56,076	51,041
Other current assets	339	7,761	5,969	6,035	5,940
Current assets (C)	398,848	422,982	514,209	562,259	509,249
Other assets (D)	619	1,584	1,573	1,573	1,573
<b>Total assets (A+B+C+D)</b>	<b>942,688</b>	<b>1,041,519</b>	<b>1,277,413</b>	<b>1,619,362</b>	<b>1,802,681</b>

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Operating cash flow before working c	43,538	71,014	69,461	68,083	77,938
(Incr)/Decr in working capital	(16,088)	13,817	1,197	(20,997)	15,923
Cash flow from operations (A)	27,450	84,831	70,658	47,087	93,862
Net purchase of fixed assets	(48,594)	(31,355)	(66,677)	(107,972)	(128,037)
Net purchase of investments	(94,003)	(69,922)	(105,908)	(220,105)	(146,805)
Cash flow from investing (B)	(142,597)	(101,277)	(172,585)	(328,077)	(274,843)
Net incr./(decr.) in equity capital	0	1	243	0	0
Net incr./(decr.) in debt	97,338	(5,825)	64,788	267,700	160,985
Dividends paid	14,600	22,509	37,729	15,607	20,124
Cash flow from financing (C)	111,938	16,685	102,760	283,307	181,109
Net incr./(decr.) in cash (A+B+C)	(3,209)	239	833	2,317	128
Opening cash balance	13,737	10,529	10,767	11,600	13,917
<b>Closing cash balance</b>	<b>10,529</b>	<b>10,767</b>	<b>11,600</b>	<b>13,917</b>	<b>14,045</b>

**Valuation parameters**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
EPS (INR)	42.4	66.0	109.4	47.0	58.7
<i>EPS Y-o-Y growth (%)</i>	<i>(9.5)</i>	<i>55.8</i>	<i>65.8</i>	<i>(57.1)</i>	<i>25.0</i>
CEPS (INR)	65.6	93.5	138.8	79.4	93.7
P/E (x)	10.6	6.8	4.1	9.5	7.6
Book value per share (INR)	262.3	306.5	365.3	396.9	435.3
P/BV (x)	1.7	1.5	1.2	1.1	1.0
EV/Sales (x)	0.3	0.2	0.2	0.2	0.2
EV/EBITDA (x)	6.3	3.9	2.0	4.3	3.7

**Liquidity ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Current ratio	1.6	1.6	1.4	1.5	1.5
Quick ratio	0.5	0.5	0.5	0.5	0.5
Cash ratio	0.0	0.0	0.0	0.0	0.0
Receivable turnover (x)	34.0	39.2	31.4	24.7	22.6
Inventory turnover (x)	5.6	6.3	6.7	6.6	5.8
Payables turnover (x)	6.4	7.0	6.8	6.5	5.8
Receivables (days)	11	9	12	15	16
Inventory (days)	65	58	55	55	62
Payables (days)	57	52	54	56	62
Cash conversion cycle (days)	18	15	12	14	16

**Operating ratios (x)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Total asset turnover	1.9	2.0	2.1	1.8	1.3
Fixed asset turnover	5.1	5.7	6.1	5.7	4.4
Equity turnover	5.6	6.0	6.0	5.6	4.7

**Profitability ratios (%)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Gross profit margin	9.4	9.5	11.5	7.1	8.8
EBITDA margin	5.4	5.8	8.4	4.1	5.4
ROCE	10.4	14.0	18.9	8.4	8.6
ROE	17.6	24.3	33.8	13.3	14.8
ROA	5.9	8.2	11.7	4.2	4.3

**Financial ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Debt-equity (x)	1.0	0.8	0.8	1.3	1.5
Long term debt / Cap. emp. (%)	44.4	40.0	40.8	52.3	55.5
Total debt / Capital employed (%)	91.5	89.3	93.4	93.8	88.8
Interest coverage (x)	6.8	7.7	13.0	4.5	3.8

## ONGC

## Financial Statements (Consolidated)

Income statement					(INR mn)
Year to March	FY06	FY07	FY08E	FY09E	FY10E
Revenues	742,341	862,762	1,082,229	1,015,747	980,700
Total levies	175,873	216,411	246,770	247,644	243,170
Net revenues realised	566,468	646,351	835,459	768,103	737,530
Cost of sales	170,299	182,629	325,705	269,493	218,253
Gross profit	396,168	463,721	509,754	498,610	519,277
Employee expenses	13,671	30,705	15,217	16,716	18,341
Other operational expenses	67,773	81,678	81,533	90,060	99,520
Total operating expenses	81,445	112,383	96,750	106,776	117,861
EBIDTAX	314,724	351,339	413,004	391,834	401,416
Recouped costs	97,852	124,153	109,300	111,053	114,607
EBIT	216,872	227,186	303,704	280,781	286,809
Financing costs	1,135	1,906	1,176	1,145	1,225
Prov./prior period/extraord. items	3,663	(4,751)	0	0	0
Other income	27,733	47,527	37,806	42,243	50,580
Profit before tax (PBT)	239,808	277,558	340,333	321,879	336,165
Current taxes	69,860	88,505	101,374	96,004	102,051
Deferred /prior period/other taxes	15,073	9,949	14,137	10,256	7,943
Taxes	84,932	98,454	115,511	106,260	109,994
Profit after tax (PAT)	154,875	179,104	224,822	215,619	226,171
Add: Sh of P/(L) in Asso. for ear years	107	102	0	0	0
Less: Share of profit/(loss) min int.	1,006	1,424	2,467	1,110	610
Group profit after tax	153,976	177,782	222,355	214,509	225,561
Equity shares outstanding (mn)	2,139	2,139	2,139	2,139	2,139
EPS (INR)	72.0	83.1	104.0	100.3	105.5
Dividend per share (INR)	30.0	45.0	42.9	40.0	43.6
Dividend payout (%)	41.7	54.1	41.3	39.9	41.4

## Common size metrics (% sales)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Cost of goods sold	30.1	28.3	39.0	35.1	29.6
Operating expenses	14.4	17.4	11.6	13.9	16.0
EBITDAX	55.6	54.4	49.4	51.0	54.4
Recouped costs	17.3	19.2	13.1	14.5	15.5
Net profit	27.2	27.5	26.6	27.9	30.6

## Growth metrics (%)

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Net revenues	21.5	14.1	29.3	(8.1)	(4.0)
EBITDAX	10.8	11.6	17.6	(5.1)	2.4
PBT	6.8	15.7	22.6	(5.4)	4.4
Net profit	7.4	15.5	25.1	(3.5)	5.2
EPS	7.4	15.5	25.1	(3.5)	5.2

<b>Balance sheet</b>					(INR mn)
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Equity share capital	14,259	21,416	21,416	21,416	21,416
Reserves and surplus	553,421	645,719	753,661	867,148	983,165
Shareholder's equity (A)	567,680	667,136	775,078	888,565	1,004,582
Minority interest (B)	7,230	8,321	9,390	10,123	10,526
Secured loans	7,416	6,557	0	0	0
Unsecured loans	14,925	9,449	5,000	0	0
Total debt (C)	22,341	16,005	5,000	0	0
Net deferred tax liability (D)	71,633	81,119	95,122	105,377	113,320
Capital employed (A+B+C+D)	668,885	772,580	884,590	1,004,065	1,128,428
Accounts payable	91,308	133,745	149,981	141,698	141,809
Provisions	40,971	49,211	58,921	60,996	63,235
Current liabilities & provisions (F)	132,278	182,956	208,901	202,694	205,044
<b>Total Liabilities (A+B+C+D+E+F)</b>	<b>801,164</b>	<b>955,536</b>	<b>1,093,491</b>	<b>1,206,760</b>	<b>1,333,472</b>
Net fixed assets	138,806	185,355	177,320	175,206	172,874
Net producing properties	183,964	199,884	253,052	282,606	301,848
Capital WIP	76,292	64,055	65,472	73,653	103,819
Exploratory WIP	40,314	46,248	43,998	44,103	44,200
Goodwill	17,103	30,616	27,686	27,686	27,686
Total assets (A)	456,478	526,158	567,528	603,253	650,426
Investments (B)	35,579	35,832	36,614	27,058	27,058
Inventories	49,433	58,743	65,261	60,408	57,986
Accounts receivables	44,271	48,167	56,484	54,360	51,895
Cash and cash equivalents	45,721	150,653	272,023	368,196	454,156
Other current assets	0	1	90,581	88,484	86,952
Current assets (C)	305,443	388,405	484,349	571,448	650,988
Misc expenditure not written off (D)	3,663	5,141	5,000	5,000	5,000
<b>Total assets (A+B+C+D)</b>	<b>801,164</b>	<b>955,536</b>	<b>1,093,491</b>	<b>1,206,760</b>	<b>1,333,472</b>

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Oper cash flow before wkg Cap Ch.	269,218	301,979	339,852	335,652	348,097
(Incr)/Decr in working capital	(43,166)	72,648	51,371	2,867	8,770
Cash flow from operations (A)	226,052	374,627	391,223	338,518	356,867
Net purchase of assets	(145,914)	(193,833)	(150,670)	(146,779)	(161,779)
Net purchase of investments	(9,023)	(253)	(782)	9,556	0
Net cash flow from investing (B)	(154,937)	(194,086)	(151,452)	(137,222)	(161,779)
Net incr./(decr.) in equity capital	0	7,157	0	0	0
Net incr./(decr.) in debt	(18,261)	(6,336)	(11,005)	(5,000)	0
Dividends paid	(73,166)	(76,430)	(107,396)	(100,123)	(109,127)
Cash flow from financing (C)	(91,428)	(75,609)	(118,402)	(105,123)	(109,127)
<b>Net incr./(decr.) in cash (A+B+C)</b>	<b>(20,314)</b>	<b>104,932</b>	<b>121,370</b>	<b>96,173</b>	<b>85,960</b>

**Valuation parameters**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
EPS (INR)	72.0	83.1	104.0	100.3	105.5
EPS Y-o-Y growth (%)	7.4	15.5	25.1	(3.5)	5.2
CEPS (INR)	124.8	145.8	161.7	157.0	162.8
P/E (x)	13.9	12.1	9.6	10.0	9.5
Book value per share (INR)	263.7	309.5	360.0	413.1	467.3
P/BV (x)	3.8	3.2	2.8	2.4	2.1
EV/Sales (x)	3.6	3.0	2.1	2.2	2.2
EV/EBITDAX (x)	6.4	5.4	4.3	4.3	4.0
EV/EBIDAX (x)	8.8	7.6	6.0	6.0	5.5
Dividend yield (%)	3.0	4.5	4.3	4.0	4.4

**Liquidity ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Current ratio	2.3	2.1	2.3	2.8	3.2
Quick ratio	1.9	1.8	2.0	2.5	2.9
Cash ratio	0.3	0.8	1.3	1.8	2.2
Receivable turnover (x)	16.3	18.7	20.7	18.3	18.5
Inventory turnover (x)	16.2	16.0	17.5	16.2	16.6
Payables turnover (x)	8.8	7.7	7.6	7.0	6.9
Receivables (days)	22.5	19.6	17.6	19.9	19.8
Inventory (days)	22.5	22.9	20.9	22.6	22.0
Payables (days)	41.4	47.6	47.8	52.4	52.8
Cash conversion cycle (days)	3.5	(5.2)	(9.3)	(9.9)	(11.0)

**Operating ratios (x)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Total asset turnover	0.8	0.7	0.8	0.7	0.6
Fixed asset turnover	1.3	1.3	1.5	1.3	1.2
Equity turnover	1.1	1.0	1.2	0.9	0.8

**Profitability ratios (%)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Gross profit margin	69.9	71.7	61.0	64.9	70.4
EBITDAX margin	55.6	54.4	49.4	51.0	54.4
ROCE	34.4	31.5	36.7	29.7	26.9
ROE	29.2	28.8	30.8	25.8	23.8
ROA	20.4	20.2	21.7	18.7	17.8

**Financial ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Long term debt / Cap. emp. (%)	3.3	2.1	0.6	0.0	0.0
Total debt / Cap. emp. (%)	14.0	12.6	11.3	10.5	10.0

## Chennai Petroleum Corporation

### Financial Statements

<b>Income statement</b>					<b>(INR mn)</b>
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Net revenues	211,288	246,948	274,732	291,398	261,334
Cost of goods sold	195,716	229,037	249,971	269,400	241,981
Gross profit	15,572	17,911	24,761	21,998	19,353
Employee expenses	968	1,506	1,295	1,555	1,632
Other expenses	3,772	3,934	4,095	3,858	4,032
Operating expenses	4,741	5,440	5,390	5,413	5,664
EBIDTA	10,831	12,472	19,371	16,585	13,689
Interest	1,740	1,883	2,033	2,157	2,673
Depreciation & amortisation	2,358	2,419	2,457	2,622	2,781
Other income	418	640	1,007	768	518
Extraordinary items	83	0	0	0	0
Profit before tax (PBT)	7,234	8,809	15,888	12,574	8,753
Current taxes	2,250	2,999	5,200	4,010	2,833
Deferred taxes	160	67	200	264	142
Taxes	2,424	3,156	5,400	4,274	2,975
Profit after tax (PAT)	4,810	5,653	10,488	8,300	5,778
Equity shares outstanding (mn)	149	149	149	149	149
EPS (INR)	32.3	38.0	70.4	55.7	38.8
Dividend per share (INR)	12.0	12.0	20.0	18.0	12.0
Dividend payout (%)	37.2	31.6	28.4	32.3	30.9

#### Common size metrics (% sales)

<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Cost of goods sold	92.6	92.7	91.0	92.5	92.6
Operating expenses	2.2	2.2	2.0	1.9	2.2
EBITDA	5.1	5.1	7.1	5.7	5.2
Depreciation & amortisation	1.1	1.0	0.9	0.9	1.1
Interest	0.8	0.8	0.7	0.7	1.0
Net profit	2.3	2.3	3.8	2.8	2.2

#### Growth metrics (%)

<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Net revenues	48.7	16.9	11.3	6.1	(10.3)
EBITDA	(11.7)	15.1	55.3	(14.4)	(17.5)
PBT	(22.5)	21.8	80.4	(20.9)	(30.4)
Net profit	(19.4)	17.5	85.5	(20.9)	(30.4)
EPS	(19.4)	17.5	85.5	(20.9)	(30.4)

<b>Balance sheet</b>					<b>(INR mn)</b>
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Equity share capital	1,490	1,490	1,490	1,490	1,490
Reserves and surplus	21,325	24,887	31,890	37,053	40,741
Shareholder's equity (A)	22,815	26,377	33,380	38,544	42,231
Secured loans	12,252	5,797	13,111	9,833	12,058
Unsecured loans	15,227	12,545	12,500	12,500	25,000
Total debt (B)	27,479	18,341	25,611	22,333	37,058
Net deferred tax liability (C)	5,668	5,735	5,935	6,199	6,341
Capital employed (A+B+C)	55,962	50,454	64,926	67,076	85,630
Accounts payable	22,188	24,744	27,473	29,140	26,133
Provisions	1,838	2,920	2,747	2,914	2,613
Current liabilities & provisions (D)	24,026	27,665	30,221	32,054	28,747
<b>Total liabilities (A+B+C+D+E)</b>	<b>79,988</b>	<b>78,119</b>	<b>95,146</b>	<b>99,130</b>	<b>114,377</b>
Gross fixed assets	48,226	49,081	54,361	57,201	62,401
Accumulated depreciation	16,173	18,274	20,731	23,353	26,134
Net fixed assets	32,053	30,806	33,630	33,848	36,267
Capital WIP	707	1,814	2,154	8,214	26,814
Total fixed assets (A)	32,759	32,621	35,784	42,062	63,081
Investments (B)	1,155	1,119	1,119	1,119	1,119
Inventories	31,491	32,148	41,210	40,796	36,587
Accounts receivables	11,834	10,023	13,737	11,656	10,453
Cash and cash equivalents	606	114	549	583	523
Loans and advances	2,117	2,090	2,747	2,914	2,613
Other current assets	5	4	0	0	0
Current assets (C)	46,053	44,379	58,243	55,948	50,176
Other assets (D)	20	0	0	0	0
<b>Total assets (A+B+C+D)</b>	<b>79,988</b>	<b>78,119</b>	<b>95,146</b>	<b>99,130</b>	<b>114,377</b>

<b>Cash flow statement</b>					<b>(INR mn)</b>
<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>
Operating cash flow bfr wkg cap ch	7,316	8,160	13,144	11,186	8,701
(Incr)/Decr in working capital	(6,416)	4,821	(10,873)	4,161	2,405
Cash flow from operations (A)	901	12,981	2,271	15,347	11,106
Net purchase of fixed assets	(931)	(2,281)	(5,620)	(8,900)	(23,800)
Net purchase of investments	(927)	36	0	0	0
Net cash flow from investing (B)	(1,858)	(2,244)	(5,620)	(8,900)	(23,800)
Net incr./decr. in debt	3,504	(9,138)	7,269	(3,277)	14,725
Dividends paid	(2,038)	(2,091)	(3,485)	(3,137)	(2,091)
Cash flow from financing (C)	1,467	(11,228)	3,784	(6,414)	12,634
<b>Net incr./decr. in cash (A+B+C)</b>	<b>509</b>	<b>(492)</b>	<b>435</b>	<b>33</b>	<b>(60)</b>

**Valuation parameters**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
EPS (INR)	32.3	38.0	70.4	55.7	38.8
<i>EPS Y-o-Y growth (%)</i>	<i>(19.4)</i>	<i>17.5</i>	<i>85.5</i>	<i>(20.9)</i>	<i>(30.4)</i>
CEPS (INR)	49.2	54.6	88.3	75.1	58.4
P/E (x)	9.8	8.3	4.5	5.7	8.2
Book value per share (INR)	153.2	177.1	224.1	258.8	283.5
P/BV (x)	2.1	1.8	1.4	1.2	1.1
EV/Sales (x)	0.4	0.3	0.3	0.2	0.3
EV/EBITDA (x)	6.8	5.2	3.7	4.2	6.1
Dividend yield (%)	3.8	3.8	6.3	5.7	3.8

**Liquidity ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Current ratio	2.1	1.8	2.1	1.9	1.9
Quick ratio	0.7	0.5	0.6	0.5	0.5
Receivable turnover (x)	17.9	24.6	20.0	25.0	25.0
Inventory turnover (x)	6.2	7.1	6.1	6.6	6.6
Payables turnover (x)	8.8	9.3	9.1	9.2	9.3
Receivables (days)	20	15	18	15	15
Inventory (days)	59	51	60	55	55
Payables (days)	41	39	40	39	39
Cash conversion cycle (days)	38	27	38	30	30

**Operating ratios (x)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Total asset turnover	2.6	3.2	2.9	2.9	2.3
Fixed asset turnover	6.6	8.0	8.2	8.6	7.2
Equity turnover	9.3	9.4	8.2	7.6	6.2

**Profitability ratios (%)**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Gross profit margin	7.4	7.3	9.0	7.5	7.4
EBITDA margin	5.1	5.1	7.1	5.7	5.2
ROCE	12.1	13.6	21.0	15.2	10.0
ROE	22.4	23.0	35.1	23.1	14.3
ROA	8.5	9.2	14.0	10.3	7.1

**Financial ratios**

Year to March	FY06	FY07	FY08E	FY09E	FY10E
Debt-equity (x)	0.6	0.4	0.5	0.5	0.8
Long term debt / Cap. employed (%)	49.1	36.4	39.4	33.3	43.3
Total debt / Capital employed (%)	102.2	102.6	95.1	90.3	84.3
Interest coverage (x)	4.1	4.6	7.5	5.8	4.1

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**Coverage group(s) of stocks by primary analyst(s): Oil & Gas, Petrochemicals**

Bharat Petroleum Corporation, Cairn India, Chennai Petroleum Corp., Engineers India, Finolex Industries, Hindustan Petroleum Corporation, Indian Oil Corporation, Indraprastha Gas, ONGC, PSL, Reliance Industries

### Recent Research

Date	Report	Title	Price (INR)	Recos
2-Apr-08	<b>Oil &amp; Gas Monthly</b>	Highest-ever diesel/kerosene refining spreads; <i>Monthly Update</i>		
31-Mar-08	<b>Cairn India</b>	Fairly valued <i>Result Update</i>	224	Accumulate
3-Mar-08	<b>Oil &amp; Gas Monthly</b>	Auto fuel prices increased <i>Monthly Update</i>		
18-Feb-08	<b>Reliance Industries</b>	Incorporating D9 & D3 reserves; <i>Company Update</i>	2,552	Accumulate

### Distribution of Ratings / Market Cap

#### Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	107	45	18	3	193
* 13 stocks under review / 7 rating withheld					
	> 50bn	Between 10bn and 50 bn	< 10bn		
Market Cap (INR)	104	69	20		

### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 20% over a 12-month period
<b>Accumulate</b>	appreciate up to 20% over a 12-month period
<b>Reduce</b>	depreciate up to 10% over a 12-month period
<b>Sell</b>	depreciate more than 10% over a 12-month period

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