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Essar Oil Ltd.

BSE Code: 500134 NSE Code: ESSAROIL Reuters Code: ESRO.NS Bloomberg Code: ESOL:IN

Essar Oil Ltd (ESSAROIL), an India-based fully integrated oil & gas company, was incorporated as a public limited company in the year 1989. The company was engaged in the exploration and production of oil and natural gas, refining of crude oil, and marketing of petroleum products. It is a part of the Essar Group based in Mumbai. It operates a major refinery in Vadinar, Gujarat, India, which made it the second largest non-state refiner in India in 2009. Moreover, ESSAROIL has a portfolio of eight oil and gas blocks in India with about 1.7 billion barrels of oil equivalent in reserves and resources.

Investor's Rationale

Witnessed a net profit of ₹0.3 billion on increase in other income

The company registered a standalone net profit of ₹0.3 billion in Q3FY'13, compared to a net loss of ₹39.9 billion in Q3FY'12 mainly on account of a rise in other income by 141.7% YoY to ₹1.7 billion. A lack of taxation cost further supported the bottom-line. Moreover, its Vadinar Refinery which processed 5.14 MMT of crude, up 83.0% over Q3FY12, also helped in turning losses into profits.

Net sales surged 85.3% YoY led by revenue from refining business segment

The India based firm engaged in production and exploration of oil and natural gas, refining of crude oil, and marketing of petroleum product, reported a 85.3% YoY increase in its top-line at ₹238.2 billion in the third quarter ended December 2012, largely due to a growth in revenue from its refining (including expansion and marketing) business segment by 85.5% YoY to ₹238.8 billion against ₹128.7 billion in the same quarter a year ago.

OPM grew by 122bps due to a decline in purchases of goods traded

ESSAROIL posted an increase in its EBITDA by 155.3% YoY at ₹10.7 billion as purchases of traded goods (as a percentage of sales) fell by 368bps YoY to 1.1% in Q3FY'13 against 4.8% in Q3FY'12. Further, a decline in other expenses by 145bps YoY to 1.2% from 2.7%, also resulted in a rise to EBITDA. Consequently, EBITDA margin grew by 122bps YoY to 4.5% in Q3FY'13 against 3.3% in Q3FY'12.

Major Development

In Q3FY'13, ESSAROIL's Vadinar Refinery, processed 5.14 MMT of crude, up 83.0% over Q3FY'12. Moreover, share of ultra heavy crude in the refinery's crude diet rose almost three fold to 67.0% from Q3FY'12. Further, production of valuable middle and light distillates improved to 85.0% of the refinery's product slate from 69.0% over the same period previous year. Besides, the company's flagship Ranigunj CBM block has completed drilling 120 wells and its current gas production has reached around 55,000 standard cubic meters per day (scm/d), against 30,000scm/d in Q3FY'12.

Market Data

CMP (₹)	77.5	
Target Price	90	
Stop Loss	70	
Duration	Short-term	
52-week High-Low (₹)	80.9/42.1	
Rise from 52WL (%)	84.1	
Correction from 52WH (%)	(4.2)	
Beta	1.3	
1 year Average Volume (mn)	2.6	
	3M	22.3
Stock Return (%)	6M-	42.9
	9M-	43.4
Market Cap (₹bn)	105.8	
Book Value per share	25.5	

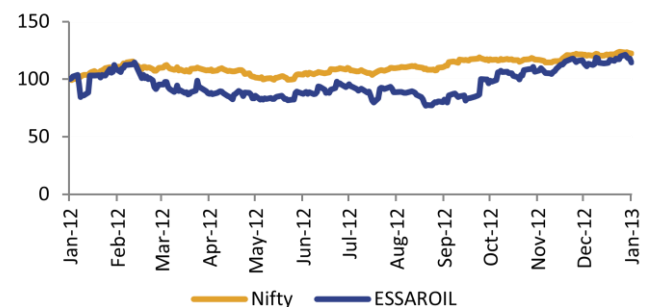
Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	16.0	16.0	-
FII (%)	1.8	1.7	0.1
DII (%)	1.5	1.6	(0.1)
Public & Others (%)	80.7	80.7	-

Quarterly Performance (Standalone)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	238.2	128.5	209.6	85.3	13.6
Op. exp	228.2	124.5	199.9	83.2	14.2
EBITDA	10.7	4.2	10.4	155.3	2.9
OPM (%)	4.5	3.3	4.9	122	(47bps)
Net profit	0.3	(39.9)	1.0	-	(69.5)
NPM (%)	0.1	-	0.5	-	(36bps)
EPS (₹)	0.2	(29.2)	0.7	-	(69.4)

One Year Price Chart





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