

Shiv-Vani Oil and Gas Exploration Services Limited or “SVOG” is present in the upstream sector of the hydrocarbon industry and is a key player in the domestic oil and natural gas exploration and production space. Over the past two decades the company has gained immense experience in the onshore and offshore operations, as well as in natural gas compression & allied services wherein some of its work areas include shot hole drilling, seismic surveying, directional drilling, well development, downhole operations and engineering & logistics.

Company owns one of the largest fleet of onshore rigs in India

SVOG started its operations by providing shot-hole drilling services to ONGC and since then has consistently strengthened its position in the E&P industry by acquiring a large number of shot-hole drilling and workover rigs. Presently, it owns the largest fleet of 40 deep drilling and workover rigs in India and has successfully diversified into other crucial activity areas with seismic data acquisition equipment, crew boats, compressors, drilling rigs and a logistic support vehicles comprising of cranes, bunk houses, trailers, prime movers & fork lifts. Backed by its extensive experience in the oil and gas E&P industry coupled with large fleet of equipment SVOG is pre-qualified to work for more than 25 oil and gas E&P companies around the globe.

Financial performance to ameliorate in the second half

During the previous year, SVOG registered a more than 44% rise in its Total Income to Rs 12,564 Mln while the EBITDA accelerated by more than 70% to Rs 5593 Mln. The Operating margins too expanded by around 500 bps to 44.7%. Though the company has recorded strong financial and operating growth over the past many years, it recorded a muted financial growth in the Sep 10 quarter. Its consolidated Net Sales dipped by nearly 10% o Rs 2882 Mln while the Operating Profit dropped by 5.5% to Rs 1307 Mln. Despite a decent performance on the EBITDA front, its Bottom-line slumped by more than 42% to Rs 326 Mln mainly due to the an almost doubling of interest costs of the company to Rs 795 Mln. On a Standalone basis, the performance was even lower wherein the company reported Net Loss of Rs 78 Mln whereas the Net sales declined by 6% to Rs 2471 Mln.

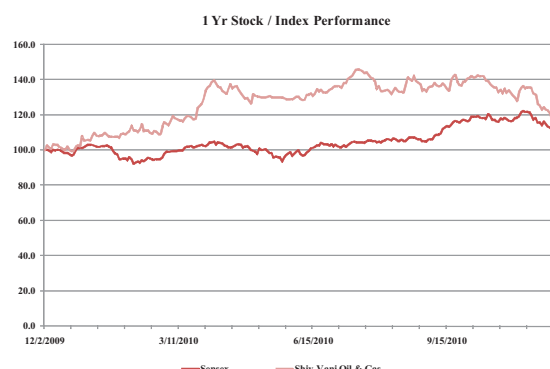
The silver lining is, the management is still confident of clocking a Top-line of over Rs 15000 Mln though they have lowered the Net-profit guidance to Rs 2300-2500 Mln from over Rs 2500 Mln earlier.

SVOG is expected to be a strong beneficiary of the large scale investment opportunity for E&P of crude oil, gas and CBM in India primarily led by the NELP programs by the GoI and huge investment by state owned ONGC and OIL for strengthening their oil & gas reserves. Moreover, SOVG's more than Rs 30,000 Mln (2.4X FY 10 Net Sales) worth of Order book provides a healthy visibility for its future financial performance. **We recommend a “Buy” rating on the stock with a Target price of Rs 483 in Twelve months.**



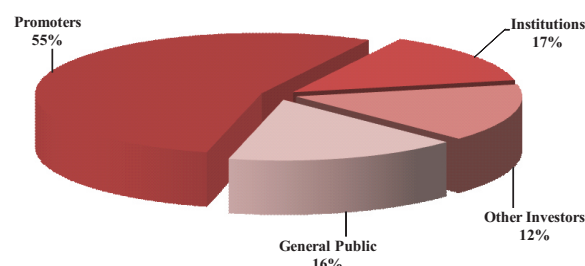
Industry: Oil and Gas Exploration & Production

Current Price	407
Target Price	483
Market Cap (Cr.)	1887
52 Week H/L	496/302
FV	10
Book Value/Share	199
BSE Sensex	19978
NSE Nifty	6008
BSE Code	522175
NSE Code	SHIV-VANI
Reuters Code	SHVD.BO
Bloomberg Code	SVOG:IN



Particulars (In Rs. Mln)	FY 07	FY 08	FY 09	FY 10
Net Revenue	276.8	573.9	817.5	1252.0
Operating Exp	180.0	352.0	491.6	692.8
EBITDA	96.8	221.9	325.9	559.3
Net Profit	42.1	107.5	121.1	202.9
EPS	10.9	21.5	30.6	45.6

Share Holding Pattern as on Sep 30, 2010



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