

Troika Rates Smaller Oil Firms Better

By [The Moscow Times](#)

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Smaller Russian oil companies such as Gazprom Neft and TNK-BP Holding are better buys than their bigger competitors, as they provide higher dividends and have better production prospects, according to Troika Dialog.

Russia's oldest investment bank sees "much more value in smaller oil names, such as Gazprom Neft, TNK-BP Holding and Bashneft, which are our top picks in the sector over the blue chips due to their superior longer-term production growth, better free cash flow generation and higher dividends," Troika analysts including Oleg Maximov and Alex Fak wrote in a report e-mailed this week.

Troika is "cautious" on the stock of Gazprom, Gazprom Neft's parent and the world's largest natural gas producer, on concern gas demand in Russia is lagging behind the pace of economic growth.

Gazprom Neft forecasts oil and natural gas output will climb to a record this year as the St. Petersburg-based company seeks to almost double volumes by the end of 2020. Production

will rise to 59.6 million tons of oil equivalent in 2012, or 1.19 million barrels a day, Gazprom Neft said Dec. 29.

The company plans to increase annual oil and gas output to 100 million tons in the next nine years as it expands in Iraq, Venezuela and Africa, and develops its Siberian fields.

Gazprom plans to raise output by at least 2.5 percent this year after less than 0.5 percent growth last year, Nail Gafarov, deputy head of the production department, said in December. The energy producer may double its dividend payout for 2011 to a record, according to a Dec. 20 statement.

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