

Estimate change	↓
TP change	↓
Rating change	↔

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USDb)	3223.1 / 38.2
52-Week Range (INR)	345 / 188
1, 6, 12 Rel. Per (%)	-8/-13/8
12M Avg Val (INR M)	5666

Financials & Valuations (consol) (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	6,018	5,865	5,976
EBITDA	1,000	1,136	1,136
Adj. PAT	513	588	620
Adj. EPS (INR)	41	47	49
EPS Gr. (%)	(12)	15	6
BV/Sh.(INR)	290	322	356
Ratios			
Net D:E	0.1	0.0	(0.1)
RoE (%)	14.5	15.0	14.2
RoCE (%)	12.5	13.9	13.9
Payout (%)	30.4	30.5	29.3
Valuations			
P/E (x)	6.3	5.5	5.2
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	3.8	2.9	2.5
Div. Yield (%)	4.7	5.4	5.5
FCF Yield (%)	17.5	22.4	23.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	58.9	58.9	58.9
DII	29.3	29.1	29.9
FII	8.1	8.6	8.4
Others	3.7	3.5	2.8

FII Includes depository receipts

CMP: INR256 TP: IN330 (+29%) Buy

Volume growth key catalyst in FY26

- ONGC's reported EBITDA stood at INR182b (flat YoY) in 2QFY25, in line with our estimate. PAT was 30% above our estimate, mainly aided by higher other income. In the conference call, the management highlighted that gas from new wells from nominated blocks will be priced at 12% slope to the Indian crude basket price. The management also expressed confidence that ONGC Petro-Additions Limited (OPaL) will see a turnaround in FY26 amid lower interest costs and lower-priced feedstock gas. While gas from KG 98/2 asset is set to ramp up by FY25 end, the management has reduced overall production volume guidance (standalone + JV) for FY26/FY27 to 44.9/46.2mmtoe (from 46.5/49mmtoe for FY26/FY27).
- As a result, we trim our volume assumptions in line with the updated guidance and update our model for lower profitability at key subsidiaries HPCL/MRPL, for which we cut our earnings estimates significantly (given weak refining margins and LPG related losses). Accordingly, we reduce our adjusted PAT estimates for FY25/FY26/FY27 by 9%/11%/11%.
- ONGC management expects total production volume (incl. JV) to rise by 11% over FY24-FY27 to 46.2mmtoe, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 4QFY25, is expected to ramp up to 10mmscmd by FY25 end-1QFY26, while oil production is expected to ramp up to 45,000bopd by 4QFY25. ONGC expects capex to average INR360b from FY26.
- Other key takeaways from the conference call:
 - Effective 8th Aug'24, ~4.7mmscmd gas shall be sold at 12% of price of the Indian crude basket.
 - Current production from KG 98/2: oil – 25kb/d from 8 active wells; Gas – ~2.5mmscmd.
 - Additional 5mmscmd/4mmscmd gas shall be produced from Daman upside/DSF-II from 2HFY27.
- We value the standalone business at 8x Dec'26E adj. EPS of INR30 and add the value of investments to arrive at a TP of INR330, implying 29% potential upside. **We reiterate our BUY rating on the stock.**

EBITDA in line; PAT boosted by other income

- ONGC's reported 2QFY25 EBITDA (INR 182bn) was in line with our est. of INR184b. Crude oil/gas sales came in -1%/+2% vs. our estimate. ONGC reported that as of Oct'24, oil production from KG DWN-98/2 field has risen to ~25kb/d (1QFY25: 12kb/d), which should boost investor confidence in the company's ability to implement volume growth initiatives. ONGC's stock price has corrected ~25% in the past three months on concerns that crude oil prices may average lower than USD75/bbl in CY25.
- In 2QFY25, crude oil/gas sales came in line with our est. at 4.6mmt/3.9bcm. VAP sales stood at 608tmt (est. 836tmt).
- Reported oil realization was in line with our est. at USD78.3/bbl (-18% YoY).

- While crude oil production (incl. JVs) stood at 5.16mmt (down 2% YoY), gas production (incl. JVs) stood at 5.06bcm, down 3% YoY.
- EBITDA came in line with our est. at INR182.4b (flat YoY), while PAT of INR119.8b was 30% above our est.
- **ONGC Videsh Limited**
- OVL's oil production increased by 3% YoY to 1.82mmt, while gas production was 0.705bcm (-13% YoY).
- Crude oil sales stood at 1.23mmt (flat YoY), while gas sales came in at 0.53bcm (-4% YoY).
- OVL's revenue was INR23.5b (-12% YoY) and PBDT stood at INR9.9b (flat YoY).
- ONGC announced six hydrocarbon discoveries so far in FY25 (one new discovery in 2Q).
- In Aug'24, ONGC entered into its first LNG master sale and purchase agreements (MSPAs) with Emirates National Oil Company Private Limited (ENOC) and M/s Gunvor Singapore Pte. Ltd. These agreements are designed to secure spot and short-term LNG sourcing and further strengthen ONGC's efforts toward greater integration across the hydrocarbon value chain.
- **Update on KG-DWN-98/2 Cluster-II Production:** The three oil wells in the A-field of the deep-water block KG-DWN-98/2 were brought online on 30th Oct'24, increasing the total oil production to ~25kb/d from the eight flowing wells of Cluster-II. The remaining five oil wells are scheduled to be opened in the near future.
- The board has approved an interim dividend of INR6/share (FV: INR5/share).

Valuation and view

- ONGC has guided for 11% growth in total production volume over FY24-FY27, driven by rising production from KG 98/2 asset, Daman upside development, and monetization of stranded gas reserves.
- ONGC is trading at 2.7x FY26E EV/EBITDA (SA) and 7.2x FY26E P/E (SA). We value the company at 8x Dec'26E adj. EPS of INR30 and add the value of investments to arrive at our TP of INR330 (29% upside potential). **We reiterate our BUY rating** on the stock.

Standalone - Quarterly Earning Model

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		(%)
Net Sales	338.1	351.6	347.9	346.4	352.7	338.8	331.9	343.0	1,384.0	1,366.4	351.9	-4%
YoY Change (%)	-20.1	-8.2	-9.8	-4.6	4.3	0.2	-5.6	-1.4	-11.0	-1.3	4.1	
EBITDA	194.5	183.6	171.6	174.1	186.2	182.4	211.5	218.8	723.8	798.8	183.7	-1%
Margin (%)	57.5	52.2	49.3	50.3	52.8	53.8	63.7	63.8	52.3	58.5	52.2	
Depreciation	67.0	59.6	69.3	71.9	75.4	68.1	73.8	74.4	260.6	291.6	69.8	
Interest	10.1	10.2	10.2	10.3	11.8	11.6	14.6	20.3	40.8	58.3	14.6	
Other Income	16.1	20.9	34.0	36.8	20.6	47.7	24.2	4.3	107.8	96.7	24.3	
PBT before EO expense	133.6	134.7	126.1	128.6	119.6	150.4	147.4	128.4	530.2	545.7	123.6	22%
Extra-Ord expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	133.6	134.7	126.1	128.6	119.6	150.4	147.4	128.4	530.2	545.7	123.6	22%
Tax	33.5	32.6	27.2	29.9	30.2	30.5	37.1	32.3	124.9	130.1	31.1	
Rate (%)	25.0	24.2	21.6	23.3	25.2	20.3	25.2	25.2	23.6	23.8	25.2	
Reported PAT	100.2	102.2	98.9	98.7	89.4	119.8	110.3	96.1	405.3	415.6	92.5	30%
Adj PAT	100.2	102.2	98.9	98.7	89.4	119.8	110.3	96.1	399.9	415.6	92.5	30%
YoY Change (%)	-34.1	-20.3	-10.4	41.9	-10.8	17.3	11.5	-2.7	-13.1	3.9	-9.5	
Margin (%)	29.6	29.1	28.4	28.5	25.3	35.4	33.2	28.0	28.9	30.4	26.3	
Key Assumptions (USD/bbl)												
Oil Realization (pre windfall tax)	76.5	84.8	81.1	80.8	83.1	78.3	75.0	75.0	80.8	77.8	80.0	-2%
Crude Oil Sold (mmt)	4.7	4.7	4.7	4.7	4.6	4.6	4.8	4.9	18.8	19	4.7	-2%
Gas Sold (bcm)	4.1	4.0	4.0	3.8	3.8	3.9	3.9	3.9	15.9	16	3.8	3%
VAP Sold (tmt)	589	651	573	622	629	608	564	728	2,435	2,529	836	-27%

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.0	84.9	85.0
APM Gas Price (USD/mmBtu)	3.5	3.8	2.3	2.6	7.3	6.6	6.5	7.0	7.0
Brent crude price (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.7	75.0	75.0
Production Details (mmtoe)									
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.1	21.1	21.5	21.6
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	20.8	22.0	22.6
Domestic Production (mmtoe)	50.0	48.3	45.3	43.4	42.8	41.8	41.9	43.5	44.2
OVL Production (mmtoe)	14.8	14.7	13.0	12.3	9.8	10.5	10.9	11.8	11.8
Group Production (mmtoe)	64.9	62.9	58.4	55.7	52.6	52.3	52.8	55.3	56.0
Oil Price Realization (USD/bbl)									
Gross	68.9	58.8	42.8	76.4	92.1	80.8	77.8	75.0	75.0
Windfall tax	0.0	0.0	0.0	0.0	13.0	10.4	4.5	2.0	2.0
Net (post windfall)	68.9	58.8	42.8	76.4	79.0	70.4	73.3	73.0	73.0
Consolidated EPS	27.7	13.3	16.5	32.9	32.0	46.3	40.8	46.7	49.3



Highlights from the management commentary

2QFY25 Performance

- Sales declined by INR12.2b in 2Q (down 3.5% YoY) due to lower crude prices.
- The decrease in statutory levies during 2Q was mainly led by INR29.6b decrease in SAED.

Management Guidance:

- Production targets (ONGC SA + JV): 41.9/44.9/46.2mmtoe for FY25/FY26/FY27 (prev. guidance: 43.8/46.5/49mmtoe for FY25/FY26/FY27).
- Management guided for capex of INR360b in FY26.

KG-98/2

- Current production: Oil: 25kb/d from 8 active wells, Gas: ~2.5mmscmd.
- Crude oil/gas production to ramp up to 45kbpd/10mmscmd by FY25end-1QFY26.
- The remaining 5 wells shall start producing shortly.

New gas getting 12% of price of Indian crude basket

- Effective 8th Aug'24, 4.68mmscmd gas will be sold at 12% of price of the Indian crude basket.
- Gas from new wells from nominated blocks will be sold at a 12% slope to the Indian crude basket. APM gas is priced at a 10% slope to the Indian crude basket. (i.e., USD 70/bbl, gas from new wells will be priced at 12% of USD70).
- **Starting point for higher gas price**
 - FY24 is the base year and the decline rate for ONGCs volumes is 7.5%.
 - Any kind of new wells will attract higher gas price.
 - The 4.68mmscmd volume does not include 1.8mmscmd from KG 98/2.

OVL

- OVL has 32 assets (11/ 14/ 4/ 3 being exploratory/ producing/ development/ pipeline assets, respectively).
- Production guidance: 10.5mmtoe in FY25 (vs. 10.52mmtoe in FY24). Russian assets are producing lower due to war.

Dividend income in 2Q

- Total dividend income during 2Q stood at INR30.7b.
- Dividend income from IOCL/ OVL/ HPCL/ MRPL/ PLNG stood at INR14b/ INR0.75b/ INR12.9b/ INR2.5b/ INR0.6b.

OPAL

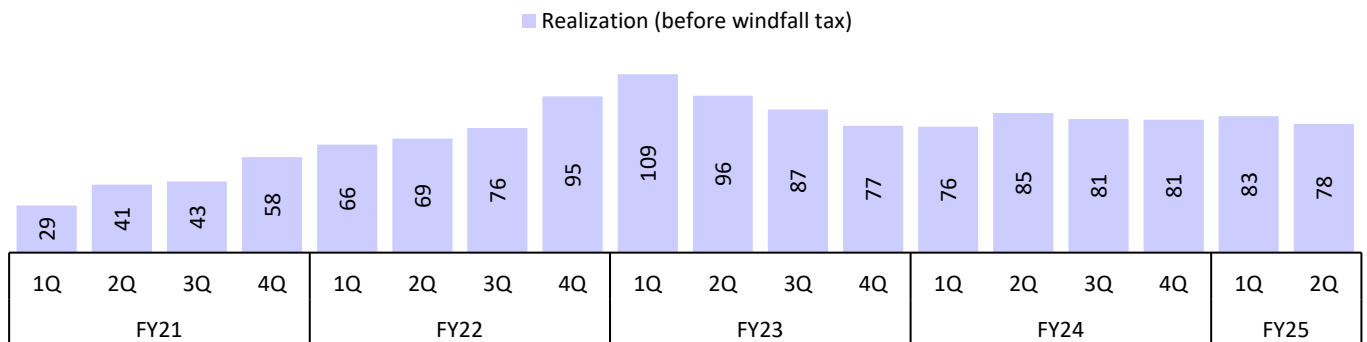
- Total investment till date stands at INR183.7b, out of which INR132b was infused this year.
- As on 30th Sep'24, net debt at OPAL amounts to INR140b.
- Management expects OPAL to turn profitable in FY26.
- OPAL currently secures LNG at USD9/mmbtu.
- In 2Q, OPAL's utilization stood at 94%, EBITDA at INR787m, and net loss at INR6.4b (vs. 1Q net loss of INR9.8b).

Other KTA's

- Additional 5mmscmd/4mmscmd gas will be produced from Daman Upside/DSF-II.
- Platforms will be completed by FY26-end and production will commence in 2HFY27.

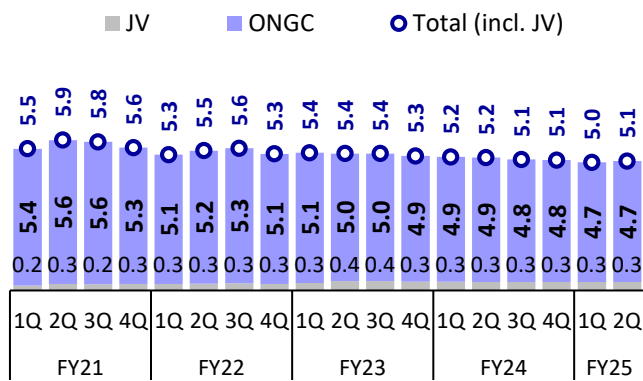
Story in charts

Exhibit 1: Oil price realization (USD/bbl)



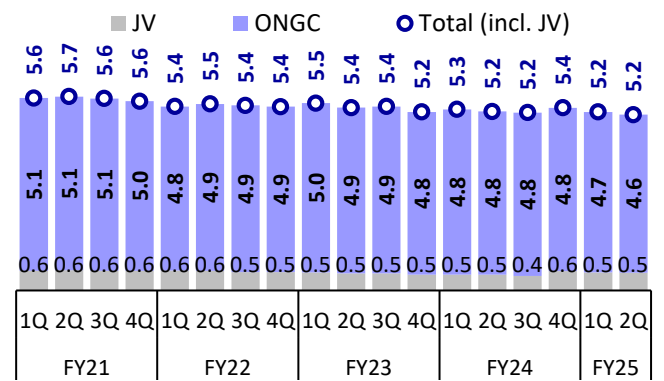
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



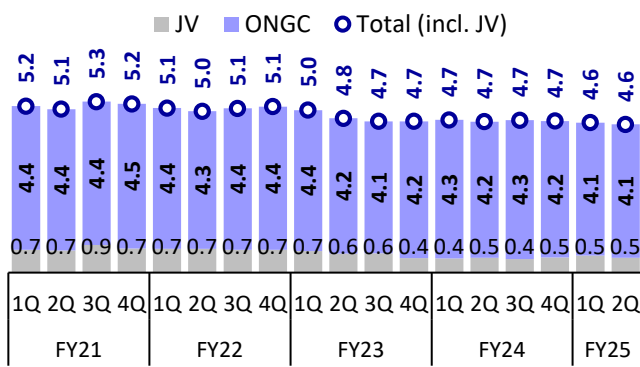
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



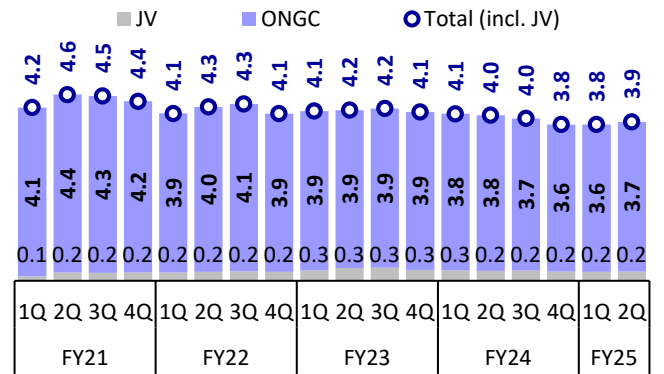
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



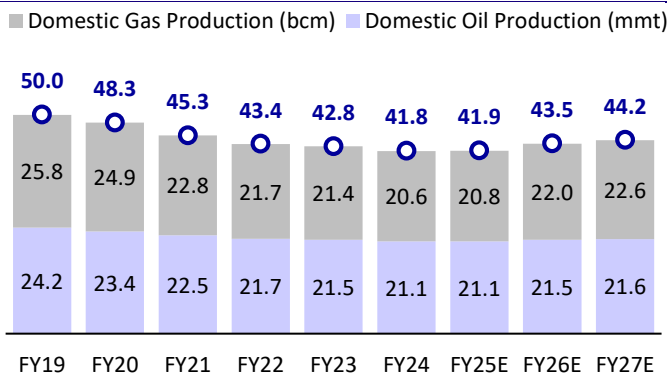
Source: Company, MOFSL

Exhibit 5: Gas sales (bcm)



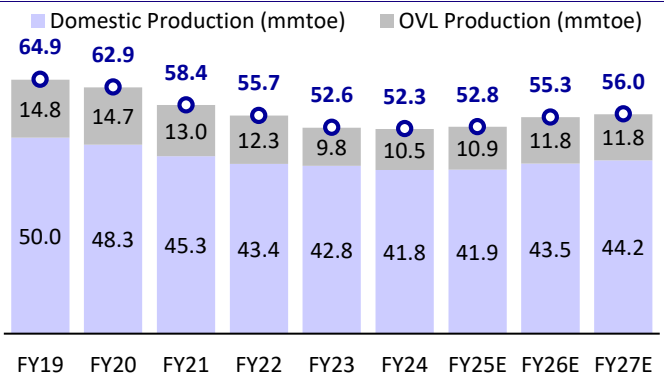
Source: Company, MOFSL

Exhibit 6: Oil/Gas production to increase



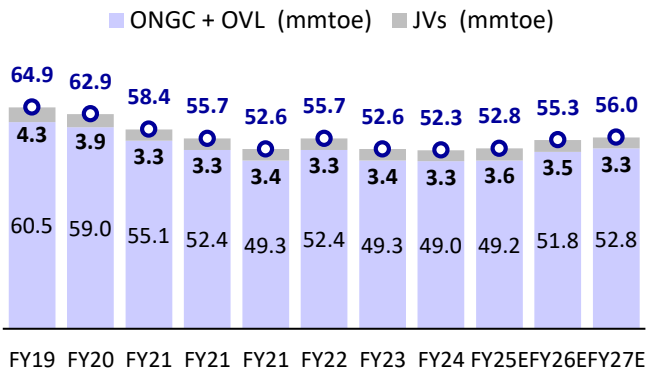
Source: Company, MOFSL

Exhibit 7: OVL production to increase



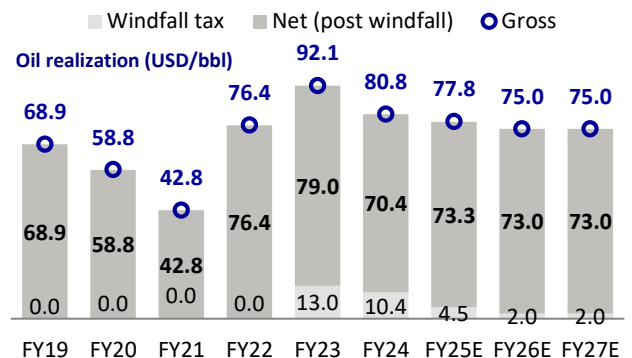
Source: Company, MOFSL

Exhibit 8: JV contribution to decline marginally



Source: Company, MOFSL

Exhibit 9: Realization of ONGC (USD/bbl)



Source: Company, MOFSL

Financials and Valuations (consol)

Consolidated - Income Statement					(INR b)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	6,848	6,430	6,018	5,865	5,976
Change (%)	28.8	-6.1	-6.4	-2.5	1.9
EBITDA	857	1,086	1,000	1,136	1,136
Margin (%)	12.5	16.9	16.6	19.4	19.0
Depreciation	330	346	368	378	384
EBIT	527	741	632	758	752
Int. and Finance Charges	79	102	87	61	42
Other Income	81	122	122	99	140
PBT bef. EO Exp.	528	761	667	796	849
EO Items	-81	-16	0	0	0
PBT after EO Exp.	447	745	667	796	849
Total Tax	107	198	163	195	208
Tax Rate (%)	23.9	26.5	24.5	24.5	24.5
Share of associates/JVs/Minority int	0	-24	-9	13	21
Reported PAT	340	571	513	588	620
Adjusted PAT	402	583	513	588	620
Change (%)	-2.7	44.9	-12.0	14.6	5.5
Margin (%)	5.9	9.1	8.5	10.0	10.4

Consolidated - Balance Sheet					(INR b)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	63	63	63	63	63
Total Reserves	2,765	3,308	3,665	4,073	4,512
Net Worth	2,828	3,371	3,728	4,136	4,575
Minority Interest	206	280	296	335	377
Total Loans	1,292	1,198	838	587	411
Deferred Tax Liabilities	304	368	368	368	368
Capital Employed	4,630	5,216	5,230	5,426	5,730
Gross Block	5,241	6,000	6,090	6,181	6,272
Less: Accum. Deprn.	2,863	3,151	3,554	3,963	4,378
Net Fixed Assets	2,378	2,850	2,537	2,219	1,894
Goodwill on Consolidation	120	121	121	121	121
Capital WIP	960	920	1,215	1,505	1,795
Exploratory wells under progress	205	240	240	240	240
Total Investments	799	1,036	1,036	1,036	1,036
Curr. Assets, Loans&Adv.	1,694	1,921	1,763	1,960	2,319
Others	712	770	788	806	824
Inventory	442	523	404	381	390
Account Receivables	214	223	204	199	203
Cash and Bank Balance	291	367	328	535	863
Cash	26	41	18	264	634
Bank Balance	265	326	310	271	229
Loans and Advances	34	39	39	39	39
Curr. Liability & Prov.	1,526	1,872	1,683	1,654	1,675
Account Payables	1,069	1,296	1,107	1,078	1,099
Net Current Assets	168	49	81	305	644
Appl. of Funds	4,630	5,216	5,230	5,426	5,730

Financials and Valuations (consol)

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	32.0	46.3	40.8	46.7	49.3
Cash EPS	57.1	72.4	68.6	75.3	78.3
BV/Share	220.3	262.7	290.5	322.3	356.5
DPS	11.3	12.3	12.1	14.0	14.2
Payout (%)	42.4	27.5	30.4	30.5	29.3
Valuation (x)					
P/E	8.0	5.5	6.3	5.5	5.2
Cash P/E	4.5	3.5	3.7	3.4	3.3
P/BV	1.2	1.0	0.9	0.8	0.7
EV/Sales	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	5.0	3.8	3.8	2.9	2.5
Dividend Yield (%)	4.4	4.8	4.7	5.4	5.5
FCF per share	37.2	48.0	45.1	57.5	60.1
Return Ratios (%)					
RoE	14.8	18.8	14.5	15.0	14.2
RoCE	11.9	14.6	12.5	13.9	13.9
RoIC	14.9	19.9	17.2	22.9	25.9
Working Capital Ratios					
Fixed Asset Turnover (x)	1.3	1.1	1.0	0.9	1.0
Asset Turnover (x)	1.5	1.2	1.2	1.1	1.0
Inventory (Days)	24	30	25	24	24
Debtor (Days)	11	13	12	12	12
Creditor (Days)	57	74	67	67	67
Leverage Ratio (x)					
Current Ratio	1.1	1.0	1.0	1.2	1.4
Interest Cover Ratio	6.7	7.3	7.3	12.5	17.7
Net Debt/Equity	0.4	0.2	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	447	769	667	796	849
Depreciation	246	288	368	378	384
Interest expense	79	102	87	61	42
(Inc)/Dec in WC	87	1	-70	-18	-10
Others	157	-21	40	65	64
CF from Operating incl EO	861	993	928	1,087	1,121
(Inc)/Dec in FA	-384	-377	-350	-350	-350
Free Cash Flow	477	616	578	737	771
(Pur)/Sale of Investments	-28	-22	0	0	0
Others	-339	-174	0	0	0
CF from Investments	-751	-573	-350	-350	-350
Issue of Shares	0	0	0	0	0
Inc/(Dec) in Debt	174	-154	-359	-251	-176
Dividend Paid	-176	-129	-156	-180	-182
Others	-136	-122	-87	-61	-42
CF from Fin. Activity	-138	-405	-602	-492	-400
Inc/Dec of Cash	-28	15	-23	246	371
Opening Balance	54	26	41	18	264
Closing Balance	26	41	18	264	634

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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