

August 13, 2022

Q1FY23 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	160		160	
Sales (Rs. m)	53,64,323	53,19,829	53,64,323	53,19,829
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,55,105	7,82,030	9,55,105	7,82,030
% Chng.	-	-	-	-
EPS (Rs.)	40.7	26.4	40.7	26.4
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	3,606	5,318	5,364	5,320
EBITDA (Rs. bn)	566	858	955	782
Margin (%)	15.7	16.1	17.8	14.7
PAT (Rs. bn)	253	493	512	332
EPS (Rs.)	20.1	39.2	40.7	26.4
Gr. (%)	22.8	95.0	3.8	(35.0)
DPS (Rs.)	2.6	10.7	7.9	4.7
Yield (%)	1.9	7.7	5.7	3.4
RoE (%)	11.8	20.5	16.6	9.1
RoCE (%)	8.7	15.2	12.0	6.8
EV/Sales (x)	0.8	0.5	0.5	0.5
EV/EBITDA (x)	4.8	3.2	2.8	3.6
PE (x)	6.9	3.6	3.4	5.3
P/BV (x)	0.8	0.7	0.5	0.5

Key Data

ONGC.BO | ONGC IN

52-W High / Low	Rs.195 / Rs.109
Sensex / Nifty	59,463 / 17,698
Market Cap	Rs.1,751bn / \$ 21,985m
Shares Outstanding	12,580m
3M Avg. Daily Value	Rs.4581.6m

Shareholding Pattern (%)

Promoter's	58.89
Foreign	9.97
Domestic Institution	17.83
Public & Others	13.31
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.2	(17.2)	19.7
Relative	1.6	(19.0)	10.4

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Imposition of windfall tax limit gains

Quick Pointers:

- Operationally strong performance led by higher crude oil and gas realization.
- Imposition of windfall taxes of ~USD30/bbl will mean ONGC not benefit from rising commodity prices.

We maintain our FY23/24E earnings. ONGC's Q1 standalone EBIDTA was in line at Rs259.3bn (+40%Q/Q; PLe Rs255.1bn), while PAT of Rs152.1bn (+71%Q/Q PLe Rs147.5bn) was due to high crude oil and gas realization. Q1 consolidated EBIDTA/PAT stood at Rs200.8bn (-26%Q/Q) and Rs92.5bn (-35%Q/Q) due to losses at HPCL. Recent government decision to impose windfall taxes will mean ONGC's crude oil realization will be ~USD60-70/bbl, thereby not benefiting from soaring commodity prices. We maintain 'BUY' rating with PT of Rs160 based on 3.5x EV/E FY23E (unchanged).

- Operating performance in line with estimates:** ONGC reported Q1FY23 standalone EBITDA/PAT of Rs259.3bn (+40%Q/Q; PLe Rs255.1bn), while PAT of Rs152.1bn (+71%Q/Q PLe Rs147.5bn) was due to high crude oil and gas realization. Consolidated EBITDA stood at Rs200.8bn (-26%Q/Q) and Rs92.5bn (-35%Q/Q) due to losses at HPCL.
- Higher realizations tracking international prices:** For Q1, operational profitability was supported by higher crude price realization of US\$108.5/bbl (Q4 US\$94.9/bbl), as global demand recovered. Q1 blended gas realization was at USD6.76/mmbtu (Q4: USD3.49/mmbtu on Net Calorific Value basis). Higher gas realization was due to price revision effective April 22. The next revision is in October 22 when gas prices are likely to be revised upwards. However, we maintain our FY23E gas realization at USD6.1/mmbtu.
- Volumes remain muted:** ONGC's Q1 crude oil production came to 5.49MMT (+2% QoQ), while gas volumes were at 5.38bcm (+1% QoQ). Crude oil sales were at 5.03MTPA (-2% QoQ) and gas sales were at 4.15bcm (+1.5% QoQ). For FY23, we have factored in crude oil and gas production of 20.8MTPA and 23.3BCM.
- ONGC Videsh's (OVL's) overall Q4 volumes were at 2.55MTOE (Q4: 2.96).** While crude oil production was at 1.55MTPA in Q1 (1.89 in Q4), gas volumes were at 1.0BCM (1.07 in Q4). Q1 PBT was at Rs12.1bn vs Rs19.4bn in Q4 due to lower production volumes.
- Sakhalin production was hit from May22 due to imposition of force Majeure by the operator, Exxon Mobil, given geopolitical disturbance. ONGC expects production volumes to resume from October 22.
- MRPL, ONGC's subsidiary Q1 PAT was at Rs27bn (Q4: Rs30bn) as refining thruput was at 4.2MTPA and GRM was at \$24.5/bbl.

Exhibit 1: Q1FY23 Standalone Result Overview (Rs mn)

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Net sales	4,23,207	2,30,216	83.8	3,44,972	13,09,785	11,03,454	18.7
Inc/dec in stock	(2,901)	(294)	885.3	(6)	-	(1,430)	NA
Raw material cons	7,482	7,298	2.5	8,824	35,997	32,725	10.0
Staff cost	7,107	7,302	(2.7)	7,644	33,209	28,877	15.0
Statutory levies	1,06,148	59,696	77.8	88,560	3,31,648	2,79,322	18.7
Other expenditure	46,068	34,687	32.8	54,048	2,43,475	1,64,577	47.9
Exp	1,63,905	1,08,688	50.8	1,59,071	6,44,329	5,04,071	27.8
Operating profit	2,59,303	1,21,528	113.4	1,85,902	6,65,456	5,99,383	11.0
Interest	(6,356)	(6,197)	2.6	(5,798)	(34,087)	(23,599)	44.4
Depreciation	(57,094)	(53,166)	7.4	(76,399)	(3,15,759)	(2,30,540)	37.0
Other income	7,577	5,337	42.0	13,437	68,414	65,156	5.0
Profit before tax	2,03,430	67,503	201.4	1,17,143	3,84,024	4,10,400	(6.4)
Current tax	(51,560)	(22,860)	125.5	(30,755)	(84,485)	(89,760)	(5.9)
Profit after current tax	1,51,870	44,643	240.2	86,387	2,99,539	3,20,640	(6.6)
Deferred tax	189	(1,294)	(114.6)	2,208	(1,920)	82,418	(102.3)
Net profit	1,52,059	43,348	250.8	88,595	2,97,618	4,03,058	(26.2)
Extra-ordinary item	-	-	-	-	-	-	-
Adj PAT	1,52,059	43,348	250.8	88,595	2,97,618	4,03,058	(26.2)

Source: Company, PL

Exhibit 2: ONGC crude oil realization has increased with international prices

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Gross realisation (US\$/bbl)	95.0	58.1	63.6	75.7	70.3	37.7	86.3
Net realisation (US\$/bbl)	95.0	58.1	63.6	75.7	70.3	37.7	86.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	36,05,723	53,17,618	53,64,323	53,19,829
YoY gr. (%)	(15.2)	47.5	0.9	(0.8)
Cost of Goods Sold	-	-	-	-
Gross Profit	36,05,723	53,17,618	53,64,323	53,19,829
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	-	-	-	-
Other Expenses	19,13,089	33,18,612	3,47,526	3,02,388
EBITDA	5,66,015	8,57,668	9,55,105	7,82,030
YoY gr. (%)	(7.5)	51.5	11.4	(18.1)
Margin (%)	15.7	16.1	17.8	14.7
Depreciation and Amortization	2,87,386	3,27,763	4,19,405	4,06,591
EBIT	2,78,630	5,29,905	5,35,701	3,75,439
Margin (%)	7.7	10.0	10.0	7.1
Net Interest	50,790	56,960	74,970	85,399
Other Income	93,230	74,376	1,03,621	1,12,431
Profit Before Tax	3,21,070	5,47,321	5,64,352	4,02,471
Margin (%)	8.9	10.3	10.5	7.6
Total Tax	87,662	47,970	75,387	36,837
Effective tax rate (%)	27.3	8.8	13.4	9.2
Profit after tax	2,33,408	4,99,351	4,88,965	3,65,634
Minority interest	(10,194)	(14,640)	(22,588)	33,308
Share Profit from Associate	9,188	(21,049)	-	-
Adjusted PAT	2,52,789	4,92,942	5,11,553	3,32,326
YoY gr. (%)	22.8	95.0	3.8	(35.0)
Margin (%)	7.0	9.3	9.5	6.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,52,789	4,92,942	5,11,553	3,32,326
YoY gr. (%)	22.8	95.0	3.8	(35.0)
Margin (%)	7.0	9.3	9.5	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,52,789	4,92,942	5,11,553	3,32,326
Equity Shares O/s (m)	12,580	12,580	12,580	12,580
EPS (Rs)	20.1	39.2	40.7	26.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	25,47,324	29,15,802	47,00,925	51,60,925
Tangibles	25,47,324	29,15,802	47,00,925	51,60,925
Intangibles	-	-	-	-
Acc: Dep / Amortization	34,56,593	39,14,243	49,62,336	54,48,477
Tangibles	11,54,515	14,82,278	19,84,661	23,02,315
Intangibles	-	-	-	-
Net fixed assets	23,02,078	24,31,965	29,77,674	31,46,162
Tangibles	22,93,209	24,21,691	29,77,510	31,45,981
Intangibles	8,868	10,274	164	181
Capital Work In Progress	10,03,320	10,67,193	9,34,377	10,96,092
Goodwill	1,35,386	1,12,057	1,77,021	1,93,693
Non-Current Investments	8,73,316	9,92,557	15,32,953	16,78,728
Net Deferred tax assets	(3,34,209)	(3,49,344)	(3,59,276)	(3,67,318)
Other Non-Current Assets	1,59,768	1,56,850	1,83,409	2,01,750
Current Assets				
Investments	54,176	53,715	59,087	64,995
Inventories	4,45,733	5,41,631	6,04,109	5,91,892
Trade receivables	1,60,158	1,91,873	2,53,941	2,32,920
Cash & Bank Balance	71,923	68,409	7,43,941	8,39,454
Other Current Assets	1,26,546	1,46,738	1,47,824	1,62,606
Total Assets	54,32,646	58,54,485	76,62,068	83,48,621
Equity				
Equity Share Capital	62,902	62,902	62,902	62,902
Other Equity	21,46,909	25,32,128	34,90,170	37,16,057
Total Networkth	22,09,810	25,95,029	35,53,072	37,78,958
Non-Current Liabilities				
Long Term borrowings	7,91,621	8,80,427	9,12,736	9,67,736
Provisions	62,867	3,63,306	4,41,632	4,85,795
Other non current liabilities	4,61,936	28,448	5,385	5,923
Current Liabilities				
ST Debt / Current of LT Debt	3,06,576	1,97,331	7,75,548	10,25,548
Trade payables	2,74,491	4,01,702	4,73,850	4,61,577
Other current liabilities	6,51,580	6,75,201	7,56,395	8,27,739
Total Equity & Liabilities	54,32,646	58,54,484	76,62,068	83,48,621

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	3,21,070	5,47,321	5,64,352	4,02,471
Add. Depreciation	2,55,385	2,88,717	3,10,320	3,13,004
Add. Interest	50,790	56,960	74,970	85,399
Less Financial Other Income	93,230	74,376	1,03,621	1,12,431
Add. Other	(93,230)	(74,376)	(1,03,621)	(1,12,431)
Op. profit before WC changes	5,34,014	8,18,622	8,46,021	6,88,443
Net Changes-WC	31,733	(1,53,295)	1,10,443	(10,235)
Direct tax	(90,636)	(1,33,520)	(92,543)	(42,596)
Net cash from Op. activities	4,75,112	5,31,807	8,63,921	6,35,612
Capital expenditures	(4,18,924)	(4,59,148)	(7,88,179)	(6,59,878)
Interest / Dividend Income	93,230	74,376	1,03,621	1,12,431
Others	(93,091)	(66,660)	(5,03,032)	(1,11,574)
Net Cash from Inv. activities	(4,18,786)	(4,51,432)	(11,87,590)	(6,59,020)
Issue of share cap. / premium	(19,077)	1,28,260	5,63,145	(41,208)
Debt changes	61,618	(20,439)	6,10,526	3,05,000
Dividend paid	(33,194)	(1,34,750)	(99,500)	(59,472)
Interest paid	(50,790)	(56,960)	(74,970)	(85,399)
Others	-	-	-	-
Net cash from Fin. activities	(41,444)	(83,889)	9,99,201	1,18,921
Net change in cash	14,883	(3,514)	6,75,532	95,513
Free Cash Flow	56,188	72,659	75,742	(24,265)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	2,43,536	2,84,729	3,44,972	4,23,207
YoY gr. (%)	44.0	67.3	62.8	83.8
Raw Material Expenses	7,176	8,297	8,818	4,582
Gross Profit	2,36,360	2,76,432	3,36,154	4,18,626
Margin (%)	97.1	97.1	97.4	98.9
EBITDA	1,32,262	1,59,691	1,85,902	2,59,303
YoY gr. (%)	56.8	91.3	83.6	113.4
Margin (%)	54.3	56.1	53.9	61.3
Depreciation / Depletion	46,416	54,559	76,399	57,094
EBIT	85,846	1,05,131	1,09,503	2,02,209
Margin (%)	35.2	36.9	31.7	47.8
Net Interest	5,788	5,816	5,798	6,356
Other Income	31,465	14,916	13,437	7,577
Profit before Tax	1,11,524	1,14,232	1,17,143	2,03,430
Margin (%)	45.8	40.1	34.0	48.1
Total Tax	(71,954)	26,594	28,548	51,371
Effective tax rate (%)	(64.5)	23.3	24.4	25.3
Profit after Tax	1,83,477	87,637	88,595	1,52,059
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,83,477	87,637	88,595	1,52,059
YoY gr. (%)	1,018.9	535.9	(5.2)	250.8
Margin (%)	75.3	30.8	25.7	35.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,83,477	87,637	88,595	1,52,059
YoY gr. (%)	537.5	535.9	31.6	250.8
Margin (%)	75.3	30.8	25.7	35.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,83,477	87,637	88,595	1,52,059
Avg. Shares O/s (m)	6,290	6,290	6,290	6,290
EPS (Rs)	29.2	13.9	14.1	24.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	20.1	39.2	40.7	26.4
CEPS	42.9	65.2	74.0	58.7
BVPS	175.7	206.3	282.4	300.4
FCF	4.5	5.8	6.0	(1.9)
DPS	2.6	10.7	7.9	4.7
Return Ratio(%)				
RoCE	8.7	15.2	12.0	6.8
ROIC	5.3	9.2	7.8	5.0
RoE	11.8	20.5	16.6	9.1
Balance Sheet				
Net Debt : Equity (x)	0.4	0.4	0.2	0.3
Net Working Capital (Days)	34	23	26	25
Valuation(x)				
PER	6.9	3.6	3.4	5.3
P/B	0.8	0.7	0.5	0.5
P/CEPS	42.9	65.2	74.0	58.7
EV/EBITDA	4.8	3.2	2.8	3.6
EV/Sales	0.8	0.5	0.5	0.5
Dividend Yield (%)	1.9	7.7	5.7	3.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Gross realisation (US\$/bbl)	43	77	72	59
Net realisation (US\$/bbl)	43	77	72	59
Oil Production (mn tons)	23	23	24	24
Gas production (bcm)	23	24	24	25
US\$/Rs	74	75	77	79

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-22	BUY	160	127
2	31-May-22	BUY	180	144
3	23-May-22	BUY	240	162
4	04-Apr-22	BUY	240	168
5	14-Feb-22	BUY	210	168
6	06-Jan-22	BUY	210	150
7	15-Nov-21	BUY	210	155
8	05-Oct-21	UR	-	148
9	14-Aug-21	BUY	155	116

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	Hold	331	336
2	GAIL (India)	BUY	180	140
3	Gujarat Gas	BUY	553	463
4	Hindustan Petroleum Corporation	Hold	247	251
5	Indian Oil Corporation	Hold	81	73
6	Indraprastha Gas	BUY	576	359
7	Mahanagar Gas	BUY	1,103	818
8	Oil & Natural Gas Corporation	BUY	160	127
9	Oil India	BUY	300	191
10	Petronet LNG	BUY	307	216
11	Reliance Industries	BUY	3,165	2,572

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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