

Estimate change 

TP change 

Rating change 

CMP: INR159

TP: IN215 (+35%)

Buy

Bloomberg	ONGC IN
Equity Shares (m)	12833
M.Cap.(INRb)/(USD\$b)	1999 / 24.2
52-Week Range (INR)	169 / 120
1, 6, 12 Rel. Per (%)	-3/13/-3
12M Avg Val (INR M)	2703

Financials & Valuations (consol) (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	6,848	6,778	6,825
EBITDA	857	1,083	1,111
Adj. PAT	390	542	555
Adj. EPS (INR)	30.4	42.2	43.2
EPS Gr. (%)	-5.8	39.1	2.3
BV/Sh.(INR)	218.7	244.0	270.0
Ratios			
Net D:E	0.4	0.3	0.1
RoE (%)	14.4	18.3	16.8
RoCE (%)	11.6	14.5	14.5
Payout (%)	44.0	40.1	39.9
Valuations			
P/E (x)	5.2	3.8	3.7
P/BV (x)	0.7	0.7	0.6
EV/EBITDA (x)	3.5	2.6	2.2
Div. Yield (%)	7.1	10.6	10.8
FCF Yield (%)	23.4	24.6	33.8

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	58.9	58.9	58.9
DII	30.2	29.6	16.4
FII	8.0	8.4	9.9
Others	3.0	3.1	14.8

FII Includes depository receipts

Exceptional items lead to net loss

- ONGC's reported EBITDA stood at INR163.4b (-12% YoY, -20% QoQ), 22% below our estimate, due to higher other expenses in 4QFY23. Net loss came in at INR2.5b (v/s our PAT est. of INR109.3b) led by exceptional items of INR92.4b for provisions-related ongoing dispute regarding the applicability of service tax and GST on Royalty.
- Management expects oil production from KG-DWN-98/2 to commence by Aug'23 in an optimistic scenario and by Oct'23 in a worst case scenario. The peak oil production is likely to be ~40-45kbopd as per earlier guidance.
- Although the levy of windfall tax by the Center with a fortnightly revision raised concerns on realizations of upstream companies, the govt. has adjusted windfall taxes in line with crude oil fluctuations. Our estimate suggests that the govt. is allowing a post-windfall realization of USD68-81/bbl and we expect it to remain at ~USD70/bbl for FY24-25.
- The implementation of the Kirit Parikh Committee's recommendations from Apr'23 has provided the much-needed respite to the company, as it had to sell gas below the cost of production for quite a long time. We build in gas price assumptions of USD6.5/mmBtu for FY24-FY25E. Further, management highlighted that every year, ~6-8% of APM gas production comes from new wells that will attract 20% premium as per the new pricing policy.
- We keep our standalone estimates unchanged for now, however, we cut our consolidated estimates, due to the investments ONGC has in HPCL, MRPL and PLNG.
- We value the standalone business at 6x FY25E adj. EPS of INR30.4 and add the value of investments of INR33 to arrive at our TP of INR215, implying 35% potential upside. **We reiterate our BUY rating on the stock.**

Production in line, oil realization slightly below estimate

- ONGC reported revenue of INR362.9b, 5% below our estimate.
- Crude oil sales stood at 4.7mmt, while gas sales came in at 4.1bcm (both in line).
- VAP sales stood at 613tmt (est. 793.8 tmt).
- Reported oil realization was at USD77.1/bbl; 5% below our estimate.
- Net of windfall tax, realization stood at USD71.6/bbl.
- EBITDA came in 22% below our est. at INR163.4b (-12% YoY, -20% QoQ) due to higher other expenses at INR89.6b (v/s INR45.4b in 3QFY23).
- Net loss stood at INR2.5b (our est. PAT of INR109.3b) due to exceptional items worth INR92.4b.
- The exceptional items were on account of provisions made by ONGC related to an ongoing dispute regarding the applicability of service tax and GST on Royalty.
- Adj. PAT came in at INR61.8b for the quarter.

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- For FY23, revenue stood at INR1,555.2b (+41% YoY) with EBITDA at INR814.9b (+36% YoY). Reported PAT declined 4% to INR388.3b.
- ONGC announced a final dividend of INR0.5/share; total dividend for the year stood at INR11.25/share.

Valuation and view

- The company intends to add more than 100,000 sq. km of exploratory area each year while also spending INR100b each year on exploration.
- The capex guidance stands at INR301b for FY24. The company had recently approved three new projects for a capex of INR58.8b. It is also looking at INR70-80b of petchem expenditure at MRPL and might also consider construction of a new petchem facility for a budget of INR300-400b.
- ONGC is trading at 2.6x FY24E EV/EBITDA and 3.8x FY24E P/E. We value the company at 6x FY25E adj. EPS of INR30.4 and add the value of investments to arrive at our TP of INR215. **Reiterate BUY with a 35% potential upside.**

Standalone - Quarterly Earnings Model

Y/E March	(INR b)											
	FY22				FY23				FY22	FY23	FY23	Var v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	est (%)
Net Sales	230.2	243.5	284.7	345.0	423.2	383.2	385.8	362.9	1,103.5	1,555.2	380.6	-5%
YoY Change (%)	76.9	44.0	67.3	62.8	83.8	57.4	35.5	5.2	61.9	40.9	10.3	
Total Expenditure	108.7	111.3	125.0	159.1	163.9	195.1	181.7	199.5	504.1	740.2	171.0	17%
EBITDA	121.5	132.3	159.7	185.9	259.3	188.1	204.1	163.4	599.4	814.9	209.6	-22%
Margin (%)	52.8	54.3	56.1	53.9	61.3	49.1	52.9	45.0	54.3	52.4	55.1	
Depreciation	53.2	46.4	54.6	76.4	57.1	53.1	64.6	93.0	230.5	267.9	72.8	
Interest	6.2	5.8	5.8	5.8	6.4	6.7	6.9	7.1	23.6	27.0	7.1	
Other Income	5.3	31.5	14.9	13.4	7.6	35.3	14.1	19.3	65.2	76.3	16.4	
PBT before EO expense	67.5	111.5	114.2	117.1	203.4	163.6	146.7	82.6	410.4	596.3	146.0	-43%
Extra-Ord expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	92.4	0.0	92.4	0.0	
PBT	67.5	111.5	114.2	117.1	203.4	163.6	146.7	-9.8	410.4	504.0	146.0	PL
Tax	24.2	-72.0	26.6	28.5	51.4	35.3	36.3	-7.3	7.3	115.7	36.8	
Rate (%)	35.8	-64.5	23.3	24.4	25.3	21.6	24.7	74.7	1.8	23.0	25.2	
Reported PAT	43.3	183.5	87.6	88.6	152.1	128.3	110.4	-2.5	403.1	388.3	109.3	PL
Adj PAT	43.3	85	88	88.6	152.1	128.3	110.4	61.8	304.6	452.5	109.3	-43%
YoY Change (%)	774.0	133.4	596.6	86.0	250.8	50.9	26.0	-30.3	195.6	48.6	23.3	
Margin (%)	18.8	34.9	30.8	25.7	35.9	33.5	28.6	17.0	27.6	29.1	28.7	
Key Assumptions (USD/bbl)												
Net Oil Realization	65.6	69.4	75.7	95.0	108.5	95.5	87.1	77.1	76.4	92.1	81.2	-5%
Crude Oil Sold (mmt)	5.1	5.0	5.1	5.1	5.0	4.8	4.7	4.7	20.3	19.2	4.7	-1%
Gas Sold (bcm)	4.1	4.3	4.3	4.1	4.1	4.2	4.2	4.1	16.8	16.7	4.2	-1%
VAP Sold (tmt)	784	777	724	772	671	640	599	613	3,057	2,523	794	-23%

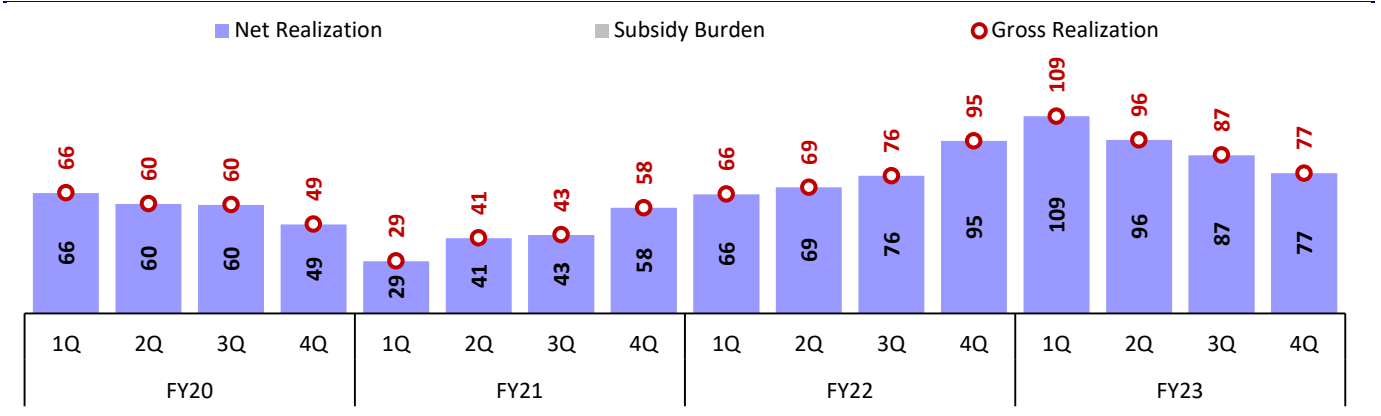
Exhibit 1: Major assumptions for ONGC

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	84.4	83.0
APM Gas Price (USD/mmBtu)	3.0	3.5	3.8	2.3	2.6	7.3	6.5	6.5
Brent crude price (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	90.0	90.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	26.2	24.2	23.4	22.5	21.7	21.5	22.7	23.9
Domestic Gas Production (bcm)	25.6	25.8	24.9	22.8	21.7	21.4	23.7	25.4
Domestic Production (mmtoe)	51.8	50.0	48.3	45.3	43.4	42.8	46.4	49.3
OVL Production (mmtoe)	14.2	14.8	14.7	13.0	12.3	10.2	11.3	11.8
Group Production (mmtoe)	66.0	64.9	62.9	58.4	55.7	53.0	57.7	61.1
Oil Price Realization (USD/bbl)								
Gross	57.4	68.9	58.8	42.8	76.4	92.1	90.0	90.0
Upstream Discount	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net	57.4	68.9	58.8	42.8	76.4	92.1	90.0	90.0
Consolidated EPS	20.2	27.2	13.0	16.1	32.2	30.4	42.2	43.2

Source: Company, MOFSL

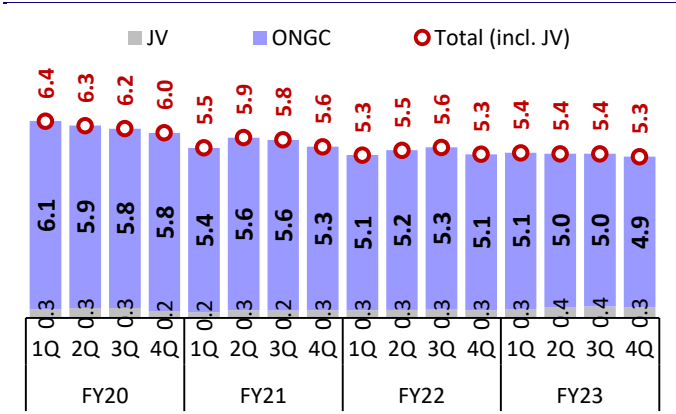
Key charts from the quarter

Exhibit 2: Oil price realization (USD/bbl)



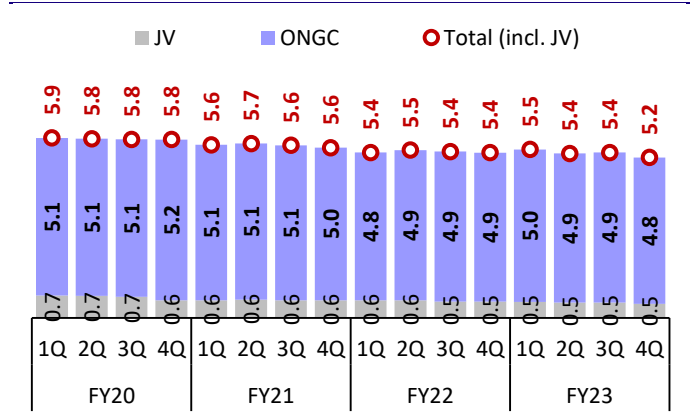
Source: Company, MOFSL

Exhibit 3: Oil production (mmt)



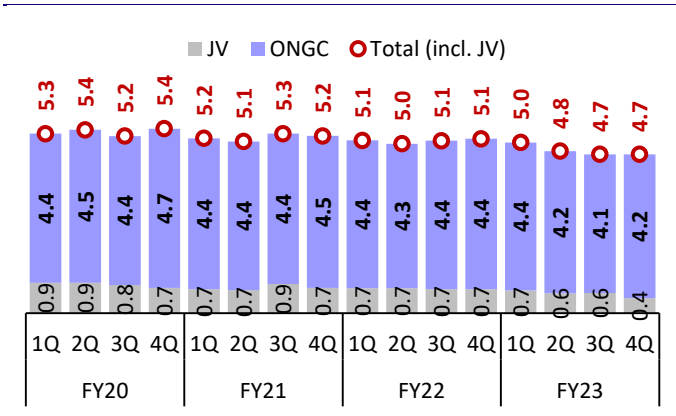
Source: Company, MOFSL

Exhibit 4: Gas production (bcm)



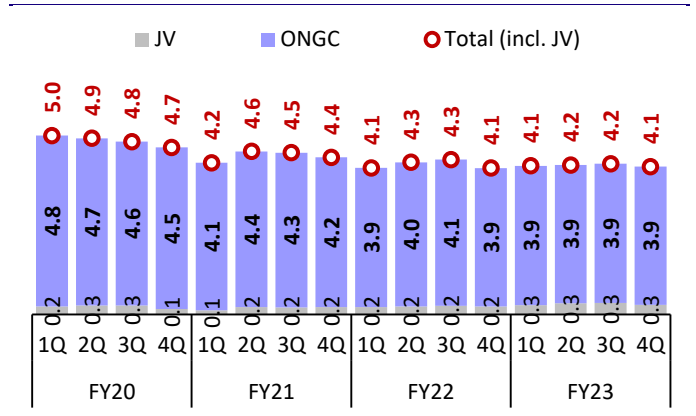
Source: Company, MOFSL

Exhibit 5: Oil sales (mmt)



Source: Company, MOFSL

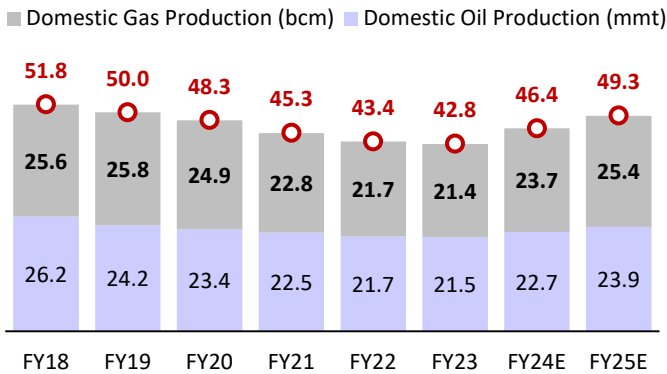
Exhibit 6: Gas sales (bcm)



Source: Company, MOFSL

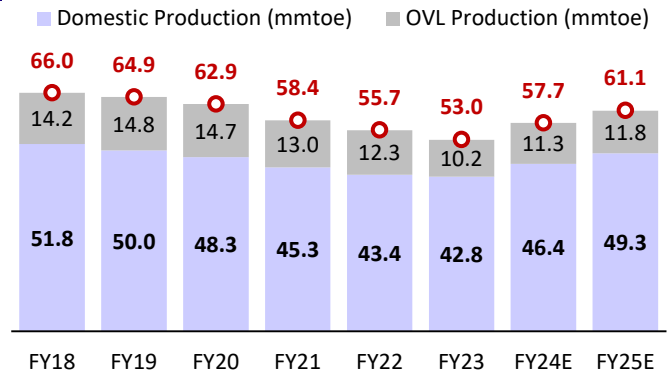
Story in charts

Exhibit 7: Oil/Gas production to increase (mmt)



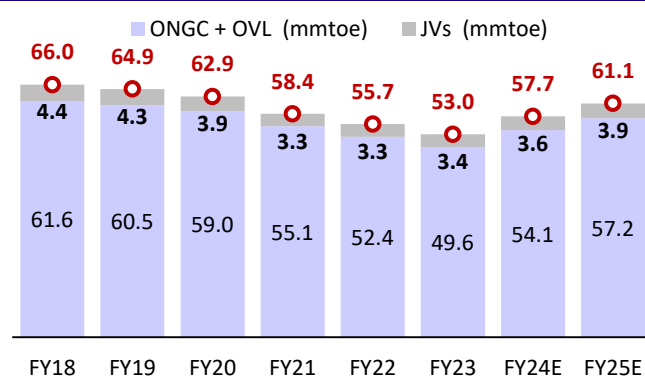
Source: Company, MOFSL

Exhibit 8: OVL production to increase marginally



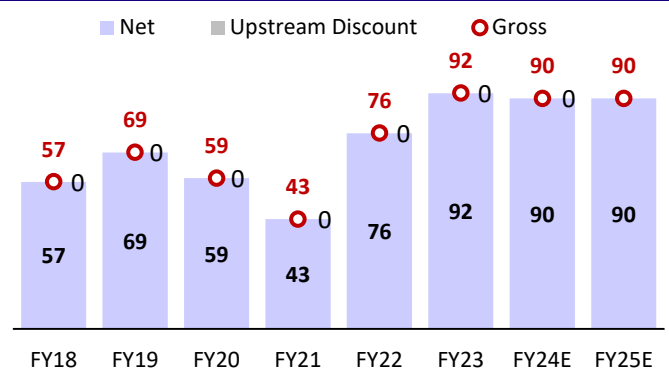
Source: Company, MOFSL

Exhibit 9: JV contribution to stabilize



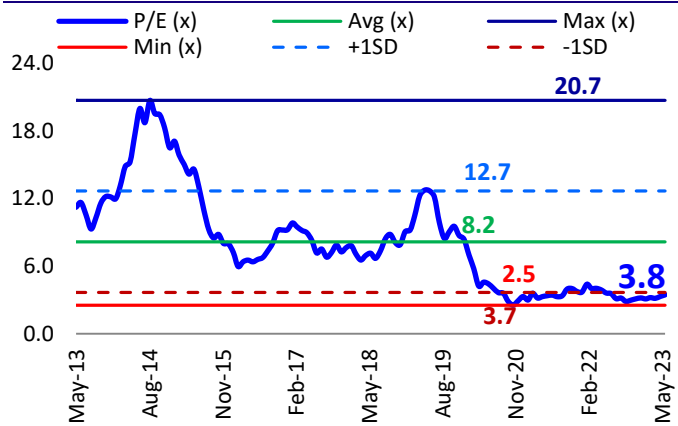
Source: Company, MOFSL

Exhibit 10: Realization of ONGC (USD/bbl)



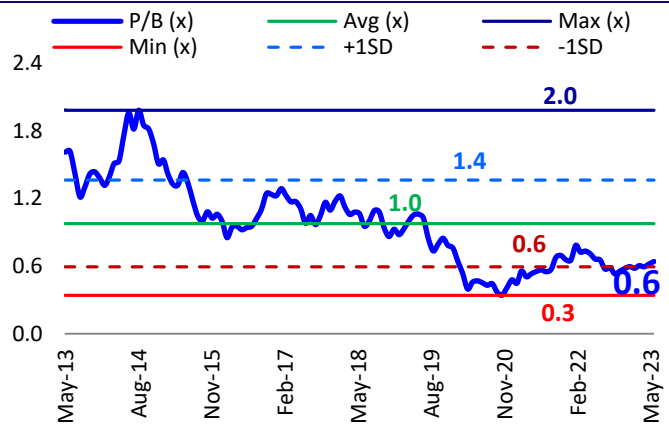
Source: Company, MOFSL

Exhibit 11: ONGC: 1-yr fwd. P/E



Source: MOFSL

Exhibit 12: ONGC: 1-yr fwd. P/B



Source: MOFSL

Financials and Valuations (consol)

Consolidated - Income Statement								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	3,622	4,537	4,250	3,606	5,318	6,848	6,778	6,825
Change (%)	11.2	25.2	-6.3	-15.2	47.5	28.8	-1.0	0.7
EBITDA	644	840	611	566	858	857	1,083	1,111
Margin (%)	17.8	18.5	14.4	15.7	16.1	12.5	16.0	16.3
Depreciation	306	329	357	327	328	347	357	372
EBIT	338	511	255	239	530	510	726	739
Int. and Finance Charges	50	58	75	51	57	79	84	79
Other Income	75	77	91	93	74	81	83	82
PBT bef. EO Exp.	362	530	271	282	547	512	725	742
EO Items	2	-16	-90	9	-21	-81	0	0
PBT after EO Exp.	365	514	180	291	526	430	725	742
Total Tax	131	209	75	88	48	103	182	187
Tax Rate (%)	36.0	40.7	41.6	30.1	9.1	23.9	25.2	25.2
Share of associates/JVs/Minority interest	-27	-34	-9	-10	-15	0	0	1
Reported PAT	261	339	115	213	493	328	542	555
Adjusted PAT	259	349	167	207	414	390	542	555
Change (%)	-9.9	34.6	-52.1	23.8	99.8	-5.8	39.1	2.3
Margin (%)	7.2	7.7	3.9	5.7	7.8	5.7	8.0	8.1

Consolidated - Balance Sheet								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	64	63	63	63	63	63	63	63
Total Reserves	1,963	2,092	1,988	2,147	2,532	2,744	3,068	3,402
Net Worth	2,028	2,155	2,051	2,210	2,595	2,806	3,131	3,464
Minority Interest	156	183	184	216	238	206	206	206
Total Loans	993	1,015	1,044	1,098	1,078	1,292	1,098	769
Deferred Tax Liabilities	391	450	434	427	349	297	297	297
Capital Employed	3,568	3,803	3,713	3,951	4,260	4,602	4,733	4,736
Gross Block	3,683	3,983	4,382	4,642	5,039	5,241	5,330	5,419
Less: Accum. Deprn.	1,590	1,827	2,093	2,348	2,617	2,863	3,215	3,573
Net Fixed Assets	2,093	2,156	2,289	2,293	2,422	2,378	2,115	1,845
Goodwill on Consolidation	142	141	142	135	112	120	120	120
Capital WIP	207	298	458	629	715	740	946	1,144
Exploratory wells under progress	401	392	380	374	352	400	400	400
Total Investments	667	738	575	609	677	799	799	799
Curr. Assets, Loans&Adv.	1,048	1,252	1,229	1,365	1,544	1,685	1,896	1,978
Others	503	632	642	626	686	703	722	741
Inventory	305	351	331	446	542	442	628	630
Account Receivables	156	175	115	186	217	214	213	214
Cash and Bank Balance	51	48	96	72	68	291	298	359
Cash	25	38	48	40	54	26	33	94
Bank Balance	26	10	49	32	14	265	265	265
Loans and Advances	33	46	44	36	31	34	34	34
Curr. Liability & Prov.	990	1,175	1,360	1,454	1,561	1,520	1,542	1,550
Account Payables	694	853	987	1,045	1,131	1,063	1,086	1,093
Net Current Assets	58	77	-132	-90	-17	165	353	428
Appl. of Funds	3,568	3,803	3,713	3,951	4,260	4,602	4,733	4,736

Financials and Valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	20.2	27.2	13.0	16.1	32.2	30.4	42.2	43.2
Cash EPS	44.0	52.8	40.8	41.6	57.8	57.4	70.0	72.2
BV/Share	158.0	167.9	159.8	172.2	202.2	218.7	244.0	270.0
DPS	6.6	6.9	5.8	3.6	10.5	11.3	16.9	17.3
Payout (%)	38.0	31.3	77.7	21.6	27.3	44.0	40.1	39.9
Valuation (x)								
P/E	7.9	5.8	12.2	9.9	4.9	5.2	3.8	3.7
Cash P/E	3.6	3.0	3.9	3.8	2.8	2.8	2.3	2.2
P/BV	1.0	0.9	1.0	0.9	0.8	0.7	0.7	0.6
EV/Sales	0.8	0.7	0.7	0.9	0.6	0.4	0.4	0.4
EV/EBITDA	4.6	3.6	4.9	5.4	3.6	3.5	2.6	2.2
Dividend Yield (%)	4.2	4.3	3.6	2.3	6.6	7.1	10.6	10.8
FCF per share	22.6	27.8	22.4	11.8	35.0	37.2	39.1	53.8
Return Ratios (%)								
RoE	13.0	16.7	8.0	9.7	17.2	14.4	18.3	16.8
RoCE	9.2	11.3	6.4	7.3	15.7	11.6	14.5	14.5
RoIC	9.1	11.3	5.6	6.4	17.7	13.9	19.9	21.6
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	1.1	1.0	0.8	1.1	1.3	1.3	1.3
Asset Turnover (x)	1.0	1.2	1.1	0.9	1.2	1.5	1.4	1.4
Inventory (Days)	31	28	28	45	37	24	34	34
Debtor (Days)	16	14	10	19	15	11	11	11
Creditor (Days)	70	69	85	106	78	57	58	58
Leverage Ratio (x)								
Current Ratio	1.1	1.1	0.9	0.9	1.0	1.1	1.2	1.3
Interest Cover Ratio	6.8	8.8	3.4	4.7	9.3	6.5	8.7	9.3
Net Debt/Equity	0.5	0.4	0.5	0.5	0.4	0.4	0.3	0.1

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	392	548	190	301	541	431	725	742
Depreciation	231	237	266	255	269	246	357	372
Interest expense	49	58	75	51	57	79	84	79
(Inc)/Dec in WC	3	-98	127	-39	37	83	-181	-15
Others	1	22	148	-21	12	157	0	-1
CF from Operating incl EO	568	615	706	472	780	842	801	991
(Inc)/Dec in FA	-277	-258	-419	-321	-331	-365	-300	-300
Free Cash Flow	291	357	287	151	449	478	501	691
(Pur)/Sale of Investments	87	-9	-18	-12	-12	-29	0	0
Others	-470	-102	-99	-59	-61	-339	0	0
CF from Investments	-660	-368	-535	-391	-405	-732	-300	-300
Issue of Shares	0	-40	0	0	0	0	0	0
Inc/(Dec) in Debt	241	-31	24	53	-130	174	-194	-329
Dividend Paid	-112	-122	-99	-31	-129	-176	-217	-221
Others	-30	-39	-86	-111	-102	-136	-84	-79
CF from Fin. Activity	99	-233	-161	-89	-361	-138	-495	-630
Inc/Dec of Cash	7	13	10	-8	14	-28	7	61
Opening Balance	18	25	38	48	40	54	26	33
Closing Balance	25	38	48	40	54	26	33	94

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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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