

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR177**      **TP: IN220 (+24%)**      **Buy**

## Outlook intact amid steady performance

- ONGC's reported EBITDA stood at INR194.5b (-25% YoY, +19% QoQ), 8% above our estimate, due to slightly higher gas realization and lower profit petroleum.
- As per earlier guidance, 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.
- Although the levy of windfall tax by the Center with a fortnightly revision raised concerns on realizations of upstream companies, the government has adjusted windfall taxes in line with crude oil fluctuations. Our estimate suggests that the government is allowing a post-windfall realization of USD68-81/bbl and we expect it to remain at ~USD70/bbl from 2QFY24 onwards.
- 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 USD6.7/mmBtu for FY24-FY25E. Additionally, ~6-8% of APM gas production comes from new wells that will attract 20% premium as per the new pricing policy.
- We value the standalone business at 6x FY25E adj. EPS of INR30.8 and add the value of investments to arrive at our TP of INR220, implying 24% potential upside. **We reiterate our BUY rating on the stock.**



Bloomberg	ONGC IN
Equity Shares (m)	12833
M.Cap.(INRb)/(USDb)	2228.6 / 26.9
52-Week Range (INR)	180 / 122
1, 6, 12 Rel. Per (%)	8/12/23
12M Avg Val (INR M)	1995

### Financials & Valuations (consol) (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	6,848.3	6,355.5	6,907.9
EBITDA	857.1	1,078.6	1,124.7
Adj. PAT	389.7	548.3	560.3
Adj. EPS (INR)	30.4	42.7	43.7
EPS Gr. (%)	-5.8	40.7	2.2
BV/Sh.(INR)	218.7	246.3	272.6
<b>Ratios</b>			
Net D:E	0.4	0.2	0.1
RoE (%)	14.4	18.4	16.8
RoCE (%)	11.6	14.6	14.6
Payout (%)	44.0	35.5	39.8
<b>Valuations</b>			
P/E (x)	5.8	4.1	4.1
P/BV (x)	0.8	0.7	0.7
EV/EBITDA (x)	3.8	2.8	2.4
Div. Yield (%)	6.3	8.5	9.8
FCF Yield (%)	21.0	21.5	31.7

### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	58.9	58.9	58.9
DII	30.1	30.2	17.8
FII	8.1	8.0	10.0
Others	2.9	3.0	13.3

FII Includes depository receipts

### Production and oil realization in-line

- Crude oil sales stood at 4.7mmt, gas sales stood at 4.1bcm (both in line).
- VAP sales was also in line at 589tmt.
- Reported oil realization was in line with our est. at USD76.5/bbl.
- Net of windfall tax, realization stood at USD74/bbl.
- The company reported revenue 7% above our est. at INR338.1b, due to slightly higher gas realization and lower profit petroleum.
- Gas realization stood at INR6.71/mmBtu (vs. our est. of INR6.5mmBtu).
- The company reported a profit petroleum of INR3b (vs. our est. of INR7.2b).
- EBITDA came in 8% above our est. at INR194.5b (down 25% YoY, up 19% QoQ).
- PAT came in at 10% above our est. at INR100.2b (down 34% YoY).

### 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 for FY24 stands at INR301b. 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 constructing a new petchem facility for a budget of INR300-400b.
- ONGC is trading at 2.8x FY24E EV/EBITDA and 4.1x FY24E P/E. We value the company at 6x FY25E adj. EPS of INR30.8 and add the value of investments to arrive at our TP of INR220. **We reiterate our BUY rating on the stock with a 24% potential upside.**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

## Standalone - Quarterly Earnings Model

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var vs est (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>423.2</b>	<b>383.2</b>	<b>385.8</b>	<b>362.9</b>	<b>338.1</b>	<b>356.1</b>	<b>381.6</b>	<b>411.0</b>	<b>1,555.2</b>	<b>1,486.8</b>	<b>316.9</b>	<b>7%</b>
YoY Change (%)	83.8	57.4	35.5	5.2	-20.1	-7.1	-1.1	13.2	40.9	-4.4	-25.1	
Total Expenditure	163.9	195.1	181.7	199.5	143.6	172.0	189.2	213.7	740.2	718.5	135.9	6%
<b>EBITDA</b>	<b>259.3</b>	<b>188.1</b>	<b>204.1</b>	<b>163.4</b>	<b>194.5</b>	<b>184.1</b>	<b>192.5</b>	<b>197.3</b>	<b>814.9</b>	<b>768.4</b>	<b>180.9</b>	<b>8%</b>
Margin (%)	61.3	49.1	52.9	45.0	57.5	51.7	50.4	48.0	52.4	51.7	57.1	
Depreciation	57.1	53.1	64.6	93.0	67.0	67.3	69.8	70.8	267.9	274.8	65.2	
Interest	6.4	6.7	6.9	7.1	10.1	10.7	10.7	11.4	27.0	43.0	10.7	
Other Income	7.6	35.3	14.1	19.3	16.1	18.1	17.2	17.4	76.3	68.8	16.6	
<b>PBT before EO expense</b>	<b>203.4</b>	<b>163.6</b>	<b>146.7</b>	<b>82.6</b>	<b>133.6</b>	<b>124.1</b>	<b>129.2</b>	<b>132.5</b>	<b>596.3</b>	<b>519.4</b>	<b>121.6</b>	<b>10%</b>
Extra-Ord expense	0.0	0.0	0.0	92.4	0.0	0.0	0.0	0.0	92.4	0.0	0.0	
<b>PBT</b>	<b>203.4</b>	<b>163.6</b>	<b>146.7</b>	<b>-9.8</b>	<b>133.6</b>	<b>124.1</b>	<b>129.2</b>	<b>132.5</b>	<b>504.0</b>	<b>519.4</b>	<b>121.6</b>	<b>10%</b>
Tax	51.4	35.3	36.3	-7.3	33.5	31.2	32.5	33.3	115.7	130.5	30.6	
Rate (%)	25.3	21.6	24.7	74.7	25.0	25.2	25.2	25.2	23.0	25.1	25.2	
<b>Reported PAT</b>	<b>152.1</b>	<b>128.3</b>	<b>110.4</b>	<b>-2.5</b>	<b>100.2</b>	<b>92.9</b>	<b>96.7</b>	<b>99.1</b>	<b>388.3</b>	<b>388.8</b>	<b>91.0</b>	<b>10%</b>
<b>Adj PAT</b>	<b>152.1</b>	<b>128.3</b>	<b>110.4</b>	<b>61.8</b>	<b>100.2</b>	<b>92.9</b>	<b>96.7</b>	<b>99.1</b>	<b>452.5</b>	<b>388.8</b>	<b>91.0</b>	<b>10%</b>
YoY Change (%)	250.8	50.9	26.0	-30.3	-34.1	-27.6	-12.5	60.5	48.6	-14.1	-40.2	
Margin (%)	35.9	33.5	28.6	17.0	29.6	26.1	25.3	24.1	29.1	26.2	28.7	
<b>Key Assumptions (USD/bbl)</b>												
Oil Realization (pre windfall tax)	108.5	95.5	87.1	77.1	76.5	82.0	85.0	90.0	92.1	83.4	76.0	1%
Crude Oil Sold (mmt)	5.0	4.8	4.7	4.7	4.7	4.8	4.9	5.0	19.2	19.4	4.6	2%
Gas Sold (bcm)	4.1	4.2	4.2	4.1	4.1	4.1	4.3	4.3	16.7	16.7	4.0	1%
VAP Sold (tmt)	671	640	599	613	589	634	709	793	2,523	2,724	575	2%

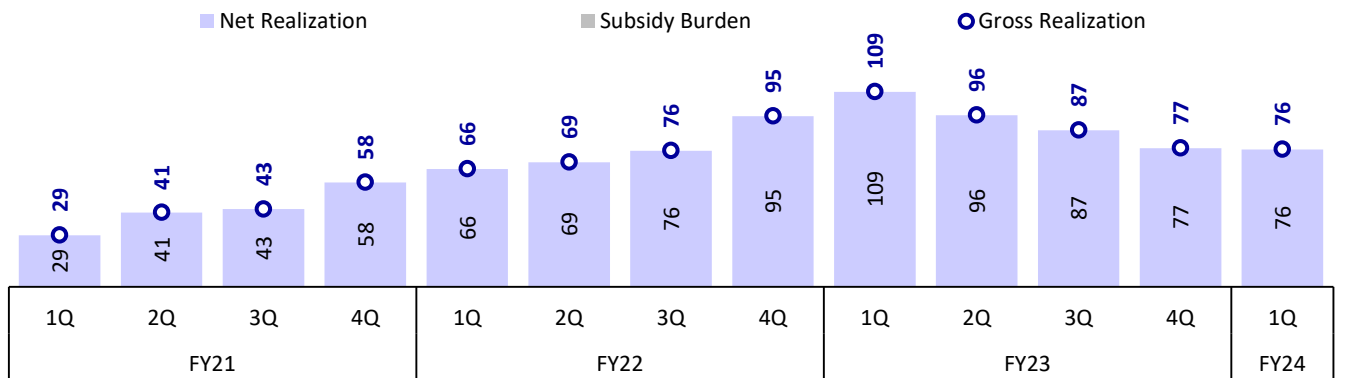
## Exhibit 1: Major assumptions for ONGC

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	82.9	84.1
APM Gas Price (USD/mmBtu)	3.0	3.5	3.8	2.3	2.6	7.3	6.7	6.7
Brent crude price (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	83.8	90.0
<b>Production Details (mmtoe)</b>								
Domestic Oil Production (mmt)	26.2	24.2	23.4	22.5	21.7	21.5	21.5	23.9
Domestic Gas Production (bcm)	25.6	25.8	24.9	22.8	21.7	21.4	21.6	25.4
<b>Domestic Production (mmtoe)</b>	<b>51.8</b>	<b>50.0</b>	<b>48.3</b>	<b>45.3</b>	<b>43.4</b>	<b>42.8</b>	<b>43.0</b>	<b>49.3</b>
<b>OVL Production (mmtoe)</b>	<b>14.2</b>	<b>14.8</b>	<b>14.7</b>	<b>13.0</b>	<b>12.3</b>	<b>10.2</b>	<b>11.1</b>	<b>11.8</b>
<b>Group Production (mmtoe)</b>	<b>66.0</b>	<b>64.9</b>	<b>62.9</b>	<b>58.4</b>	<b>55.7</b>	<b>53.0</b>	<b>54.2</b>	<b>61.1</b>
<b>Oil Price Realization (USD/bbl)</b>								
Gross	57.4	68.9	58.8	42.8	76.4	92.1	83.4	90.0
Upstream Discount	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net</b>	<b>57.4</b>	<b>68.9</b>	<b>58.8</b>	<b>42.8</b>	<b>76.4</b>	<b>92.1</b>	<b>83.4</b>	<b>90.0</b>
<b>Consolidated EPS</b>	<b>20.2</b>	<b>27.2</b>	<b>13.0</b>	<b>16.1</b>	<b>32.2</b>	<b>30.4</b>	<b>42.7</b>	<b>43.7</b>

Source: Company, MOFSL

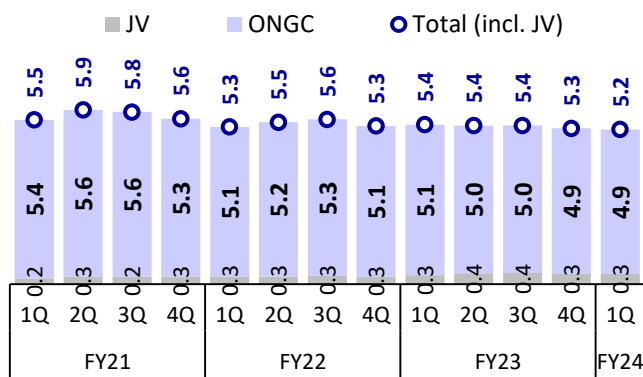
## Key charts from the quarter

Exhibit 2: Oil price realization (USD/bbl)



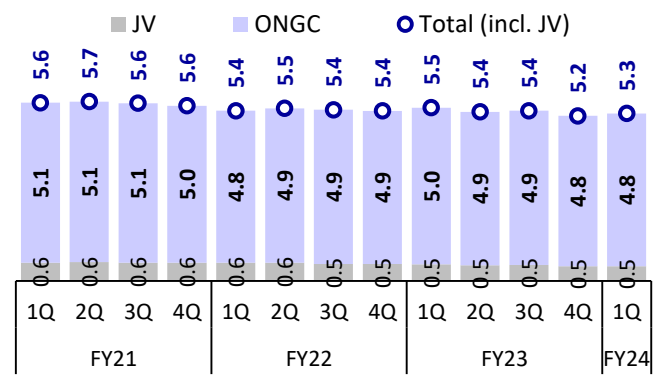
Source: Company, MOFSL

Exhibit 3: Oil production (mmt)



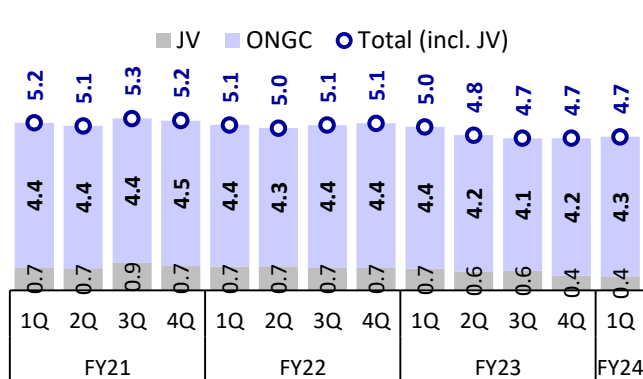
Source: Company, MOFSL

Exhibit 4: Gas production (bcm)



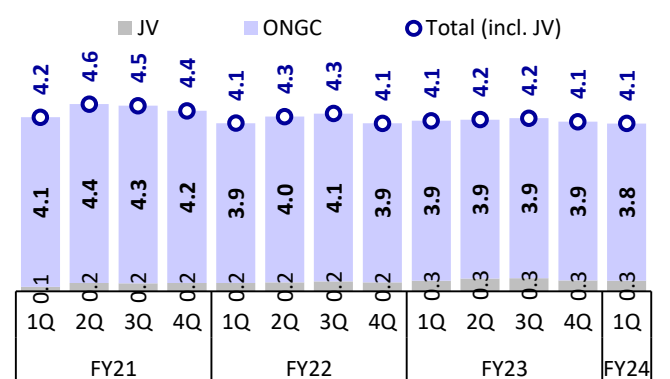
Source: Company, MOFSL

Exhibit 5: Oil sales (mmt)



Source: Company, MOFSL

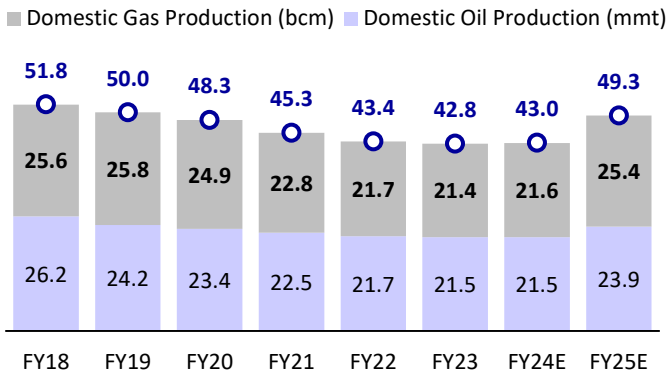
Exhibit 6: Gas sales (bcm)



Source: Company, MOFSL

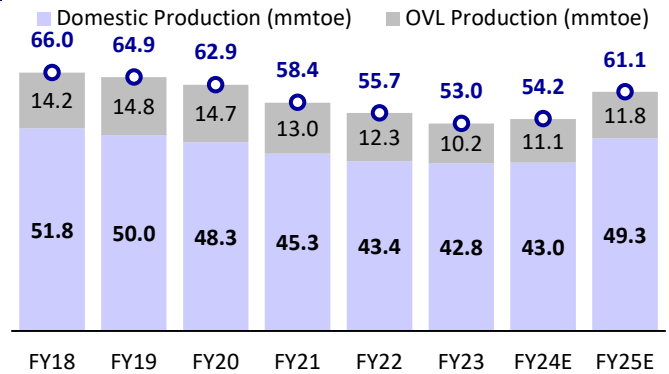
## Story in charts

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



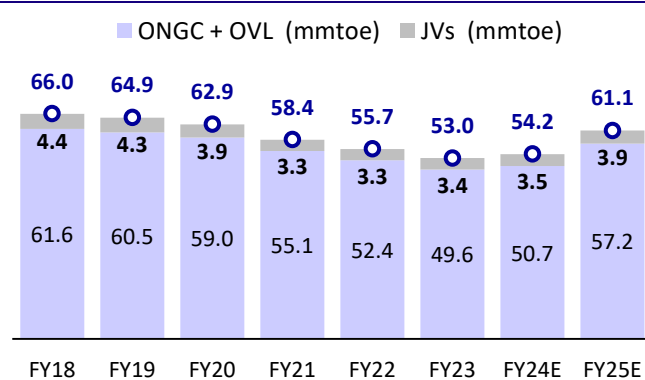
Source: Company, MOFSL

**Exhibit 8: OVL production to increase marginally**



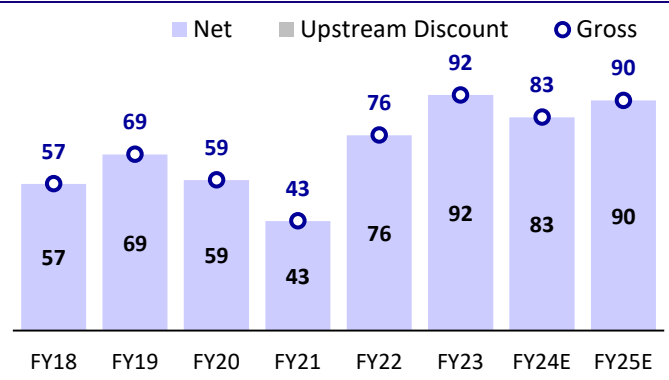
Source: Company, MOFSL

**Exhibit 9: JV contribution to stabilize**



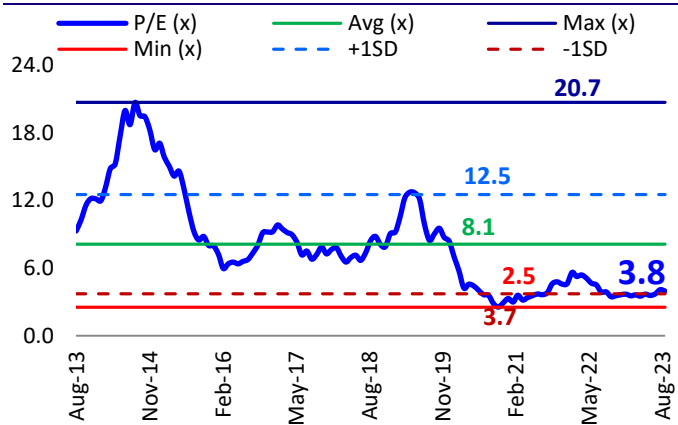
Source: Company, MOFSL

**Exhibit 10: Realization of ONGC (USD/bbl)**



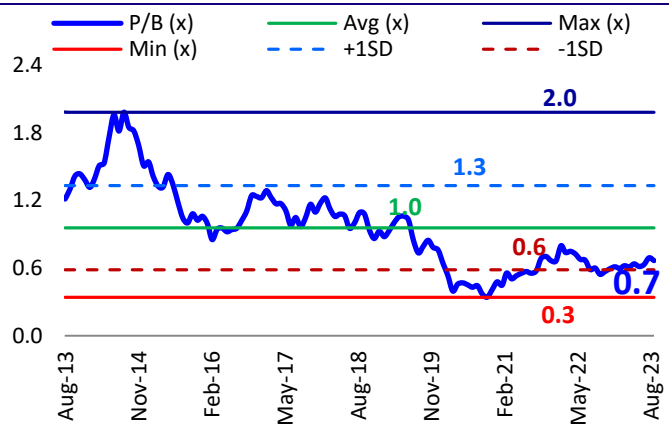
Source: Company, MOFSL

**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
<b>Total Income from Operations</b>	<b>3,622</b>	<b>4,537</b>	<b>4,250</b>	<b>3,606</b>	<b>5,318</b>	<b>6,848</b>	<b>6,355</b>	<b>6,908</b>
Change (%)	11.2	25.2	-6.3	-15.2	47.5	28.8	-7.2	8.7
<b>EBITDA</b>	<b>644</b>	<b>840</b>	<b>611</b>	<b>566</b>	<b>858</b>	<b>857</b>	<b>1,079</b>	<b>1,125</b>
Margin (%)	17.8	18.5	14.4	15.7	16.1	12.5	17.0	16.3
Depreciation	306	329	357	327	328	347	346	384
<b>EBIT</b>	<b>338</b>	<b>511</b>	<b>255</b>	<b>239</b>	<b>530</b>	<b>510</b>	<b>733</b>	<b>741</b>
Int. and Finance Charges	50	58	75	51	57	79	84	79
Other Income	75	77	91	93	74	81	84	88
<b>PBT bef. EO Exp.</b>	<b>362</b>	<b>530</b>	<b>271</b>	<b>282</b>	<b>547</b>	<b>512</b>	<b>733</b>	<b>750</b>
EO Items	2	-16	-90	9	-21	-81	0	0
<b>PBT after EO Exp.</b>	<b>365</b>	<b>514</b>	<b>180</b>	<b>291</b>	<b>526</b>	<b>430</b>	<b>733</b>	<b>750</b>
Total Tax	131	209	75	88	48	103	184	189
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
<b>Reported PAT</b>	<b>261</b>	<b>339</b>	<b>115</b>	<b>213</b>	<b>493</b>	<b>328</b>	<b>548</b>	<b>560</b>
<b>Adjusted PAT</b>	<b>259</b>	<b>349</b>	<b>167</b>	<b>207</b>	<b>414</b>	<b>390</b>	<b>548</b>	<b>560</b>
Change (%)	-9.9	34.6	-52.1	23.8	99.8	-5.8	40.7	2.2
Margin (%)	7.2	7.7	3.9	5.7	7.8	5.7	8.6	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	3,097	3,435
<b>Net Worth</b>	<b>2,028</b>	<b>2,155</b>	<b>2,051</b>	<b>2,210</b>	<b>2,595</b>	<b>2,806</b>	<b>3,160</b>	<b>3,498</b>
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
<b>Capital Employed</b>	<b>3,568</b>	<b>3,803</b>	<b>3,713</b>	<b>3,951</b>	<b>4,260</b>	<b>4,602</b>	<b>4,762</b>	<b>4,770</b>
Gross Block	3,683	3,983	4,382	4,642	5,039	5,241	5,331	5,420
Less: Accum. Deprn.	1,590	1,827	2,093	2,348	2,617	2,863	3,215	3,574
<b>Net Fixed Assets</b>	<b>2,093</b>	<b>2,156</b>	<b>2,289</b>	<b>2,293</b>	<b>2,422</b>	<b>2,378</b>	<b>2,116</b>	<b>1,846</b>
Goodwill on Consolidation	142	141	142	135	112	120	120	120
Capital WIP	207	298	458	629	715	740	956	1,142
Exploratory wells under progress	401	392	380	374	352	400	400	400
<b>Total Investments</b>	<b>667</b>	<b>738</b>	<b>575</b>	<b>609</b>	<b>677</b>	<b>799</b>	<b>799</b>	<b>799</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,048</b>	<b>1,252</b>	<b>1,229</b>	<b>1,365</b>	<b>1,544</b>	<b>1,685</b>	<b>1,846</b>	<b>2,026</b>
Others	503	632	642	626	686	703	722	741
Inventory	305	351	331	446	542	442	582	638
Account Receivables	156	175	115	186	217	214	200	217
Cash and Bank Balance	51	48	96	72	68	291	308	396
Cash	25	38	48	40	54	26	43	131
Bank Balance	26	10	49	32	14	265	265	265
Loans and Advances	33	46	44	36	31	34	34	34
<b>Curr. Liability &amp; Prov.</b>	<b>990</b>	<b>1,175</b>	<b>1,360</b>	<b>1,454</b>	<b>1,561</b>	<b>1,520</b>	<b>1,475</b>	<b>1,563</b>
Account Payables	694	853	987	1,045	1,131	1,063	1,018	1,106
<b>Net Current Assets</b>	<b>58</b>	<b>77</b>	<b>-132</b>	<b>-90</b>	<b>-17</b>	<b>165</b>	<b>371</b>	<b>463</b>
<b>Appl. of Funds</b>	<b>3,568</b>	<b>3,803</b>	<b>3,713</b>	<b>3,951</b>	<b>4,260</b>	<b>4,602</b>	<b>4,762</b>	<b>4,770</b>

## Financials and Valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>20.2</b>	<b>27.2</b>	<b>13.0</b>	<b>16.1</b>	<b>32.2</b>	<b>30.4</b>	<b>42.7</b>	<b>43.7</b>
Cash EPS	44.0	52.8	40.8	41.6	57.8	57.4	69.7	73.6
BV/Share	158.0	167.9	159.8	172.2	202.2	218.7	246.3	272.6
DPS	6.6	6.9	5.8	3.6	10.5	11.3	15.1	17.4
Payout (%)	38.0	31.3	77.7	21.6	27.3	44.0	35.5	39.8
<b>Valuation (x)</b>								
P/E	8.8	6.5	13.6	11.0	5.5	5.8	4.1	4.1
Cash P/E	4.0	3.4	4.3	4.3	3.1	3.1	2.5	2.4
P/BV	1.1	1.1	1.1	1.0	0.9	0.8	0.7	0.7
EV/Sales	0.9	0.7	0.8	0.9	0.6	0.5	0.5	0.4
EV/EBITDA	5.0	3.9	5.3	5.8	3.8	3.8	2.8	2.4
Dividend Yield (%)	3.7	3.9	3.2	2.0	5.9	6.3	8.5	9.8
FCF per share	22.6	27.8	22.4	11.8	35.0	37.2	38.1	56.1
<b>Return Ratios (%)</b>								
RoE	13.0	16.7	8.0	9.7	17.2	14.4	18.4	16.8
RoCE	9.2	11.3	6.4	7.3	15.7	11.6	14.6	14.6
RoIC	9.1	11.3	5.6	6.4	17.7	13.9	20.0	21.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.0	1.1	1.0	0.8	1.1	1.3	1.2	1.3
Asset Turnover (x)	1.0	1.2	1.1	0.9	1.2	1.5	1.3	1.4
Inventory (Days)	31	28	28	45	37	24	33	34
Debtor (Days)	16	14	10	19	15	11	11	11
Creditor (Days)	70	69	85	106	78	57	58	58
<b>Leverage Ratio (x)</b>								
Current Ratio	1.1	1.1	0.9	0.9	1.0	1.1	1.3	1.3
Interest Cover Ratio	6.8	8.8	3.4	4.7	9.3	6.5	8.8	9.3
Net Debt/Equity	0.5	0.4	0.5	0.5	0.4	0.4	0.2	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	733	750
Depreciation	231	237	266	255	269	246	346	384
Interest expense	49	58	75	51	57	79	84	79
(Inc)/Dec in WC	3	-98	127	-39	37	83	-189	-4
Others	1	22	148	-21	12	157	0	-1
<b>CF from Operating incl EO</b>	<b>568</b>	<b>615</b>	<b>706</b>	<b>472</b>	<b>780</b>	<b>842</b>	<b>789</b>	<b>1,020</b>
(Inc)/Dec in FA	-277	-258	-419	-321	-331	-365	-300	-300
<b>Free Cash Flow</b>	<b>291</b>	<b>357</b>	<b>287</b>	<b>151</b>	<b>449</b>	<b>478</b>	<b>489</b>	<b>720</b>
(Pur)/Sale of Investments	87	-9	-18	-12	-12	-29	0	0
Others	-470	-102	-99	-59	-61	-339	0	0
<b>CF from Investments</b>	<b>-660</b>	<b>-368</b>	<b>-535</b>	<b>-391</b>	<b>-405</b>	<b>-732</b>	<b>-300</b>	<b>-300</b>
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	-194	-223
Others	-30	-39	-86	-111	-102	-136	-84	-79
CF from Fin. Activity	99	-233	-161	-89	-361	-138	-472	-632
<b>Inc/Dec of Cash</b>	<b>7</b>	<b>13</b>	<b>10</b>	<b>-8</b>	<b>14</b>	<b>-28</b>	<b>17</b>	<b>88</b>
Opening Balance	18	25	38	48	40	54	26	43
<b>Closing Balance</b>	<b>25</b>	<b>38</b>	<b>48</b>	<b>40</b>	<b>54</b>	<b>26</b>	<b>43</b>	<b>131</b>

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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

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