

Estimate change 

TP change 

Rating change 

CMP: INR280

TP: IN340 (+21%)

Buy

Volume outlook robust; execution will be key

- ONGC's reported EBITDA stood at INR174b (+7% YoY) in 4QFY24, 3% below our estimate, mainly due to higher-than-expected other expenses. The sharp rise in other expenses was due to one-off charges of INR9b for tax-related matters. 4Q PAT was 13% higher than our estimate, mainly aided by lower-than-expected depreciation and dry well write-offs.
- ONGC management expects total production (excl. JV) to rise to 47mmtoe in the next three years from 39mmtoe now, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 3QFY25, is expected to ramp up to 10mmscmd by FY25 end, while oil production could ramp up to 45,000bopd by 4QFY25. FY24 capex stood at INR370b, attributed to one-off projects and the capitalization of some expenses. ONGC expects capex to normalize at INR330-350b in FY25.
- We increase our total production assumptions for FY25/FY26 by 2%/3%. We value the standalone business at 7x FY26E adj. EPS of INR34 and add the value of investments to arrive at our TP of INR340, implying 21% potential upside. **We reiterate our BUY rating on the stock.**

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USD\$b)	3523.7 / 42.3
52-Week Range (INR)	293 / 150
1, 6, 12 Rel. Per (%)	0/33/46
12M Avg Val (INR M)	3436

Financials & Valuations (consol) (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	6,430.4	6,613.7	6,871.2
EBITDA	1,086.5	1,186.9	1,262.8
Adj. PAT	583.0	664.0	722.6
Adj. EPS (INR)	46.3	52.8	57.4
EPS Gr. (%)	44.9	13.9	8.8
BV/Sh.(INR)	262.7	301.3	342.1

Ratios

Net D:E	0.2	0.1	0.0
RoE (%)	18.8	18.3	17.5
RoCE (%)	14.6	15.2	15.4
Payout (%)	27.5	25.3	27.6

Valuations

P/E (x)	6.0	5.3	4.9
P/BV (x)	1.1	0.9	0.8
EV/EBITDA (x)	4.1	3.3	2.7
Div. Yield (%)	4.4	4.7	5.5
FCF Yield (%)	17.1	20.6	22.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	58.9	58.9	58.9
DII	29.2	29.0	30.2
FII	8.9	9.2	8.0
Others	3.1	2.9	3.0

FII Includes depository receipts

EBITDA in line; PAT beat led by lower dry well write-offs

- Crude oil sales stood at 4.7mmt in 4QFY24, while gas sales came in at 3.8bcm (both marginally below). VAP sales stood at 622tmt (our est. of 590tmt).
- Reported oil realization was in line with our est. at USD80.8/bbl (+5% YoY).
- EBITDA came in 3% below our est. at INR174b (+7% YoY), while PAT was INR99b (our est. of INR87b). The outperformance in PAT was aided by lower-than-expected depreciation and dry well write-offs. Operating performance was also boosted by inventory gains of INR9b.
- ONGC has declared a final dividend of INR2.5/share, in addition to the INR9.75/share declared earlier in FY24.
- OVL's oil production declined 2% QoQ to 1.78mmt, while gas production was 0.843bcm in 4QFY24 (-2% QoQ). Crude oil sales stood at 1.184mmt (-3% YoY), while gas sales came in at 0.444bcm (-15% YoY).
- OVL's revenue was INR20.8b (-15% YoY) and PBDT stood at INR18.8b (+106% YoY).

Valuation and view

- ONGC has guided for 6% production volume CAGR over the next three years, driven by rising production from KG 98/2 asset, Daman upside development, and monetization of stranded gas reserves. While volume guidance is upbeat, execution is vital, and should ONGC achieve guided volumes, we see upside risk to our and Street earnings estimates.
- ONGC is trading at 2.8x FY26E EV/EBITDA (SA) and 7.1x FY26E P/E (SA). We value the company at 7x FY26E adj. EPS of INR34 and add the value of investments to arrive at our TP of INR340. **We reiterate our BUY rating on the stock with a 21% upside potential.**

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone - Quarterly Earning Model

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	423.2	383.2	385.8	362.9	338.1	351.6	347.9	346.4	1,555.2	1,384.0	348.8	-1%
YoY Change (%)	83.8	57.4	35.5	5.2	-20.1	-8.2	-9.8	-4.6	40.9	-11.0	-3.9	
EBITDA	259.3	188.1	204.1	163.4	194.5	183.6	171.6	174.1	814.9	723.8	180.1	-3%
Margin (%)	61.3	49.1	52.9	45.0	57.5	52.2	49.3	50.3	52.4	-734.8	51.6	
Depreciation	57.1	53.1	64.6	82.7	67.0	59.6	69.3	71.9	251.0	260.6	87.5	
Interest	6.4	6.7	6.9	7.1	10.1	10.2	10.2	10.3	27.0	40.8	10.5	
Other Income	7.6	35.3	14.1	19.3	16.1	20.9	34.0	36.8	76.3	107.8	34.3	
PBT before EO expense	203.4	163.6	146.7	92.9	133.6	134.7	126.1	128.6	613.2	530.2	116.3	11%
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	
PBT	203.4	163.6	146.7	0.6	133.6	134.7	126.1	128.6	520.9	530.2	116.3	11%
Tax	51.4	35.3	36.3	-4.7	33.5	32.6	27.2	29.9	119.9	124.9	29.3	
Rate (%)	25.3	21.6	24.7	-828.7	25.0	24.2	21.6	23.3	23.0	23.6	25.2	
Reported PAT	152.1	128.3	110.4	5.3	100.2	102.2	98.9	98.7	401.0	405.3	87.0	13%
Adj PAT	152.1	128.3	110.4	69.5	100.2	102.2	98.9	98.7	460.3	399.9	87.0	13%
YoY Change (%)	250.8	50.9	26.0	-21.5	-34.1	-20.3	-10.4	41.9	51.1	-13.1	40.8	
Margin (%)	35.9	33.5	28.6	19.2	29.6	29.1	28.4	28.5	29.6	28.9	24.9	
Key Assumptions (USD/bbl)												
Oil Realization (pre windfall tax)	108.5	95.5	87.1	77.1	76.5	84.8	81.1	80.8	92.1	80.8	80.8	0%
Crude Oil Sold (mmt)	5.0	4.8	4.7	4.7	4.7	4.7	4.7	4.7	19.2	18.8	4.9	-4%
Gas Sold (bcm)	4.1	4.2	4.2	4.1	4.1	4.0	4.0	3.8	16.7	15.9	4.0	-5%
VAP Sold (tmt)	671	640	599	613	589	651	573	622	2,523	2,435	590	5%

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	83.9	85.0
APM Gas Price (USD/mmBtu)	3.5	3.8	2.3	2.6	7.3	6.6	6.5	7.0
Brent crude price (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	85.0	85.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.1	22.4	23.3
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	22.6	24.6
Domestic Production (mmtoe)	50.0	48.3	45.3	43.4	42.8	41.8	45.0	47.9
OVL Production (mmtoe)	14.8	14.7	13.0	12.3	9.8	10.5	11.8	11.8
Group Production (mmtoe)	64.9	62.9	58.4	55.7	52.6	52.3	56.8	59.7
Oil Price Realization (USD/bbl)								
Gross	68.9	58.8	42.8	76.4	92.1	80.8	85.0	85.0
Windfall tax	0.0	0.0	0.0	0.0	13.0	10.4	12.0	12.0
Net (post windfall)	68.9	58.8	42.8	76.4	79.0	70.4	73.0	73.0
Consolidated EPS	27.7	13.3	16.5	32.9	32.0	46.3	52.8	57.4



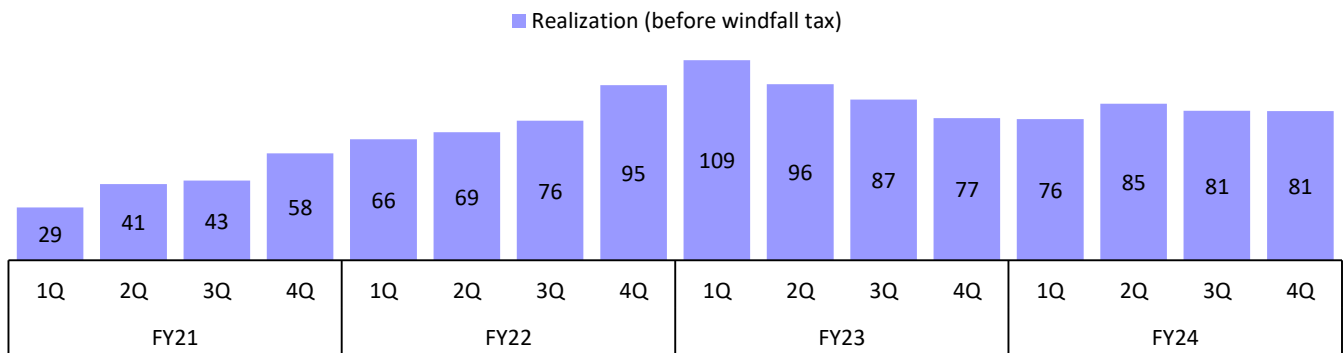
Highlights from the management commentary

- ONGC achieved its highest-ever standalone PAT of INR405.3b and highest-ever consolidated PAT of INR571b in FY24.
- The company declared a total dividend of INR12.25/share (245% of FV) for FY24.
- INR9b in stock gains in 4Q were related to inventory gains on crude oil accumulation in FPSO from the KG-98/2 project.
- ONGC has 37 JU rigs, of which six are owned by the company and the rest are hired. ONGC also has two floaters. It does not envisage any shortage of rigs in the medium term.
- **Production guidance in FY25-26:**
 - Current standalone production of 39mmtoe is expected to rise to 47mmtoe over the next three years.
 - Oil production is projected to rise from 19.2mmtoe in FY24 to 22mmtoe in FY27.
 - Gas production is also projected to rise from 19.3bcm to 25.5bcm in FY27.
- **In 4QFY24, Opex was higher due to:**
 - The “Vivad se Vishwas” scheme-related charges. A part of the interest pertaining to the scheme was capitalized. Overall, the scheme’s impact on opex was ~INR7b to INR8b. There was also a VAT-related charge of INR1.6b.
- **Depletion** was higher in 4QFY24 due to the capitalization of INR160b of additional assets. The change in the reserve replacement ratio also contributed to high depletion.
 - Depletion could rise due to oil production from KG-98/2; otherwise, it should remain at the current levels.
- In terms of gas pricing for new wells in mature fields, the management informed that DGH has constituted a committee to look into the modalities of well intervention pricing.
- For KG 98/2 production, ONGC believes the windfall tax is not applicable.
- **Capex:**
 - Capex in FY24 was high at INR370b as ONGC incurred additional costs in the KG-98/2 project as it changed contractors. Moreover, it also incurred some pipeline replacement expenditure in Bombay High assets. Capex also included one-offs such as the Vivad se Vishwas scheme-related capitalization.
 - Capex is expected to normalize at INR330-350b, excluding incremental capex required for Opal.
- **Decline in gas production:**
 - will be countered by an increase in gas from KG-98/2 discovery (~1 bcm in FY25), monetization/development of stranded gas reserves (0.3bcm) in various fields, and Daman upside development (1.5bcm).
 - While mature fields saw a 7-8% decline, ONGC arrested this at 2% only in FY24.
 - With respect to KG98/2 asset, the central processing platform (CPP) has already been installed with likely production ramp-up in 3QFY25; full potential should be witnessed 4QFY25 onward.
 - Oil production trajectory from KG98/2 is expected to be ~12,000bbl’s currently to 20,000bbl’s (by 3QFY25) and 45,000bbl’s by (4QFY25).

- **Opal:**
 - ONGC had announced INR180b investment in Opal and expects pending approvals soon. In FY23, OPAL reported a PAT loss of INR40b, which narrowed to INR33b in FY24. OPAL posted an operating loss in FY24.
 - ONGC plans to exit SEZ and convert debt to equity; this should help reduce losses further.
 - The management has guided that Opal should break even in a year or two.
- **ONGC announced 11 discoveries in FY24, with a 2P reserve replacement ratio at 1.15.**
 - ONGC has monetized seven of these 11 discoveries, besides four discoveries from the previous year.
 - ONGC has plans to monetize 8-10 discoveries in FY25. Overall, 103 exploration wells and 438 development wells were drilled in FY24.
- **KG 98/2 Gas production:**
 - Overall gas production potential is 10mmscmd from 98/2 asset, while the current production is ~2.4mmscmd. Another ~7.5mmscmd incremental gas production will begin in 2HFY25.
- **Renewable Energy:**
 - Capex remains uncertain contingent upon what projects the company undertakes. Capex guided for ONGC excludes Green related opportunities.
- **OVL production:**
 - The target is 11mmtoe in FY25, from 10.5mmtoe in FY24, which is expected to rise further to 11.2mmtoe in FY26.

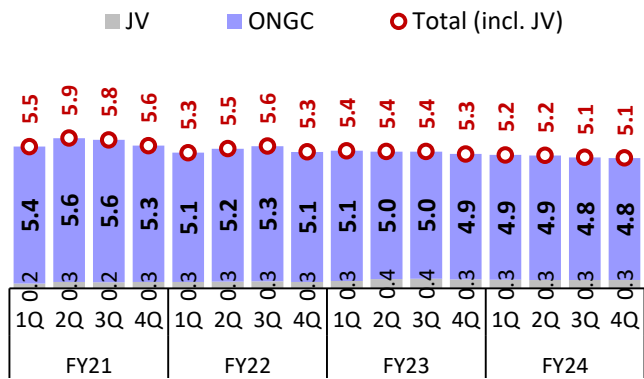
Story in charts

Exhibit 1: Oil price realization (USD/bbl)



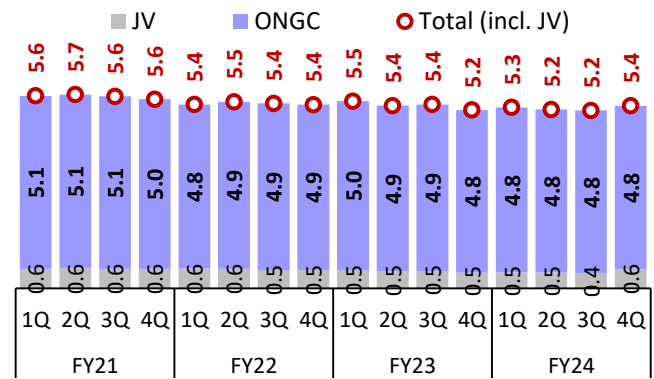
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



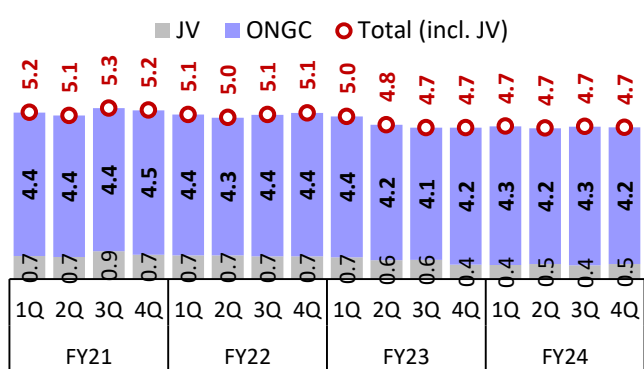
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



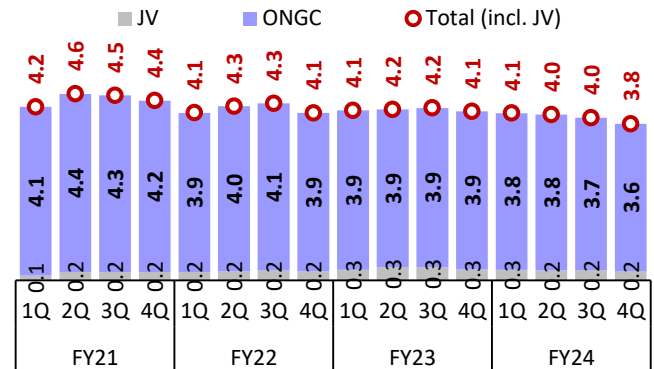
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



Source: Company, MOFSL

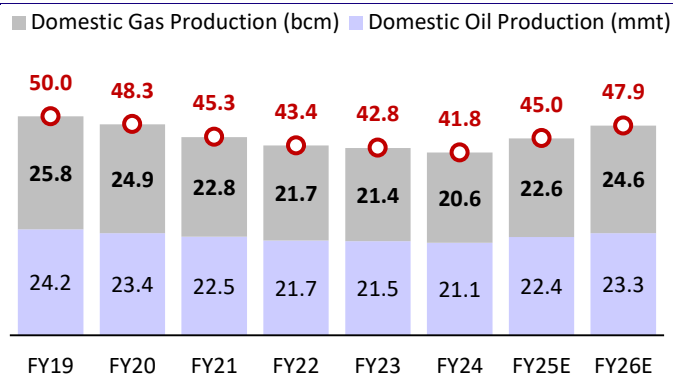
Exhibit 5: Gas sales (bcm)



Source: Company, MOFSL

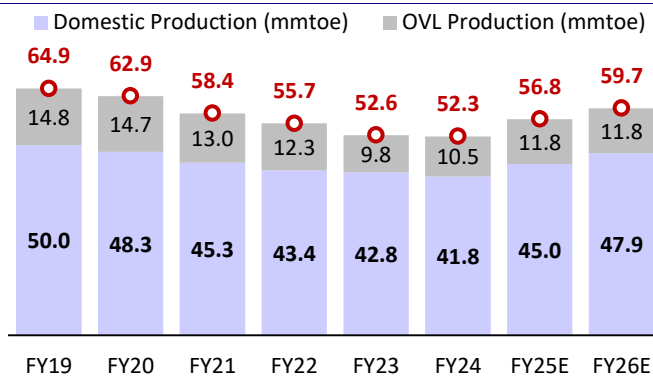
Story in charts

Exhibit 6: Oil/Gas production to increase



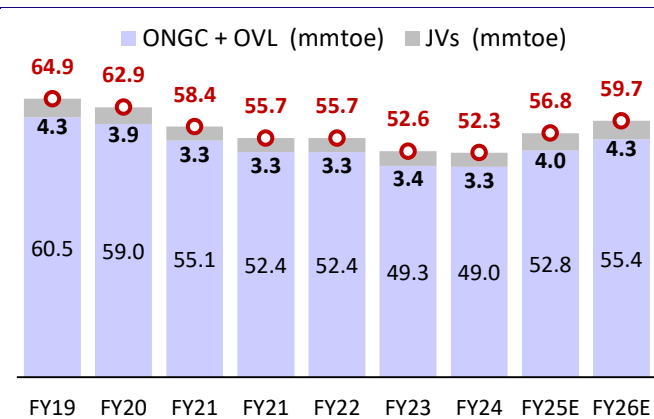
Source: Company, MOFSL

Exhibit 7: OVL production to increase



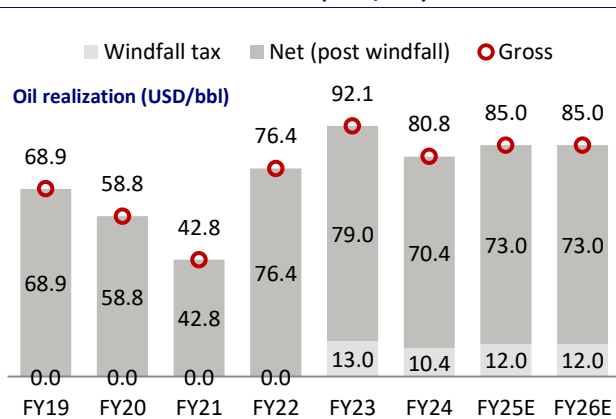
Source: Company, MOFSL

Exhibit 8: JV contribution to increase



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	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	3,257	3,622	4,537	4,250	3,606	5,318	6,848	6,430	6,614	6,871
Change (%)	140.1	11.2	25.2	-6.3	-15.2	47.5	28.8	-6.1	2.9	3.9
EBITDA	580	644	840	611	566	858	857	1,086	1,187	1,263
Margin (%)	17.8	17.8	18.5	14.4	15.7	16.1	12.5	16.9	17.9	18.4
Depreciation	254	306	329	357	327	328	330	346	353	376
EBIT	326	338	511	255	239	530	527	741	834	887
Int. and Finance Charges	36	50	58	75	51	57	79	102	87	61
Other Income	93	75	77	91	93	74	81	122	107	106
PBT bef. EO Exp.	383	362	530	271	282	547	528	761	855	933
EO Items	6	2	-16	-90	9	-21	-81	-16	0	0
PBT after EO Exp.	389	365	514	180	291	526	447	745	855	933
Total Tax	125	131	209	75	88	48	107	198	215	235
Tax Rate (%)	32.3	36.0	40.7	41.6	30.1	9.1	23.9	26.5	25.2	25.2
Share of associates/JVs/Minority int	-28	-27	-34	-9	-10	-15	0	-24	-24	-25
Reported PAT	292	261	339	115	213	493	340	571	664	723
Adjusted PAT	288	259	349	167	207	414	402	583	664	723
Change (%)	64.9	-9.9	34.6	-52.1	23.8	99.8	-2.7	44.9	13.9	8.8
Margin (%)	8.8	7.2	7.7	3.9	5.7	7.8	5.9	9.1	10.0	10.5

Consolidated - Balance Sheet										(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	64	64	63	63	63	63	63	63	63	63
Total Reserves	1,880	1,963	2,092	1,988	2,147	2,532	2,765	3,308	3,803	4,327
Net Worth	1,944	2,028	2,155	2,051	2,210	2,595	2,828	3,371	3,866	4,390
Minority Interest	133	156	183	184	216	238	206	280	280	280
Total Loans	744	993	1,015	1,044	1,098	1,078	1,292	1,198	838	587
Deferred Tax Liabilities	352	391	450	434	427	349	304	368	368	368
Capital Employed	3,173	3,568	3,803	3,713	3,951	4,260	4,630	5,216	5,353	5,624
Gross Block	3,328	3,683	3,983	4,382	4,642	5,039	5,241	6,000	6,091	6,180
Less: Accum. Deprn.	1,358	1,590	1,827	2,093	2,348	2,617	2,863	3,151	3,554	3,963
Net Fixed Assets	1,969	2,093	2,156	2,289	2,293	2,422	2,378	2,850	2,537	2,217
Goodwill on Consolidation	142	142	141	142	135	112	120	121	121	121
Capital WIP	214	207	298	458	629	715	960	920	1,230	1,524
Exploratory wells under progress	377	401	392	380	374	352	205	240	240	240
Total Investments	707	667	738	575	609	677	799	1,036	1,036	1,036
Curr. Assets, Loans&Adv.	1,029	1,048	1,252	1,229	1,365	1,544	1,694	1,921	1,981	2,326
Others	428	503	632	642	626	686	712	770	788	806
Inventory	299	305	351	331	446	542	442	523	437	452
Account Receivables	139	156	175	115	186	217	214	223	225	233
Cash and Bank Balance	132	51	48	96	72	68	291	367	492	796
Cash	18	25	38	48	40	54	26	41	167	470
Bank Balance	114	26	10	49	32	14	265	326	326	326
Loans and Advances	31	33	46	44	36	31	34	39	39	39
Curr. Liability & Prov.	1,266	990	1,175	1,360	1,454	1,561	1,526	1,872	1,792	1,839
Account Payables	985	694	853	987	1,045	1,131	1,069	1,296	1,216	1,263
Net Current Assets	-236	58	77	-132	-90	-17	168	49	189	486
Appl. of Funds	3,173	3,568	3,803	3,713	3,951	4,260	4,630	5,216	5,353	5,624

Financials and Valuations (consol)

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)										
EPS	22.4	20.2	27.7	13.3	16.5	32.9	32.0	46.3	52.8	57.4
Cash EPS	42.2	44.0	52.8	40.8	41.6	57.8	57.1	72.4	79.2	85.6
BV/Share	151.5	158.0	167.9	159.8	172.2	202.2	220.3	262.7	301.3	342.1
DPS	6.9	6.6	6.9	5.8	3.6	10.5	11.3	12.3	13.1	15.5
Payout (%)	36.0	38.0	31.3	77.7	21.6	27.3	42.4	27.5	25.3	27.6
Valuation (x)										
P/E	12.5	13.9	10.1	21.1	17.0	8.5	8.8	6.0	5.3	4.9
Cash P/E	6.6	6.4	5.3	6.9	6.7	4.8	4.9	3.9	3.5	3.3
P/BV	1.8	1.8	1.7	1.8	1.6	1.4	1.3	1.1	0.9	0.8
EV/Sales	1.3	1.3	1.0	1.1	1.3	0.9	0.7	0.7	0.6	0.5
EV/EBITDA	7.2	7.0	5.4	7.4	8.2	5.4	5.4	4.1	3.3	2.7
Dividend Yield (%)	2.5	2.4	2.5	2.1	1.3	3.8	4.0	4.4	4.7	5.5
FCF per share	19.8	22.6	27.8	22.4	11.8	35.0	37.2	48.0	57.6	63.5
Return Ratios (%)										
RoE	14.7	13.0	16.7	8.0	9.7	17.2	14.8	18.8	18.3	17.5
RoCE	11.1	9.2	11.3	6.4	7.3	15.7	11.9	14.6	15.2	15.4
RoIC	10.6	9.1	11.3	5.6	6.4	17.7	14.9	19.9	22.7	27.3
Working Capital Ratios										
Fixed Asset Turnover (x)	1.0	1.0	1.1	1.0	0.8	1.1	1.3	1.1	1.1	1.1
Asset Turnover (x)	1.0	1.0	1.2	1.1	0.9	1.2	1.5	1.2	1.2	1.2
Inventory (Days)	33	31	28	28	45	37	24	30	24	24
Debtor (Days)	16	16	14	10	19	15	11	13	12	12
Creditor (Days)	110	70	69	85	106	78	57	74	67	67
Leverage Ratio (x)										
Current Ratio	0.8	1.1	1.1	0.9	0.9	1.0	1.1	1.0	1.1	1.3
Interest Cover Ratio	9.1	6.8	8.8	3.4	4.7	9.3	6.7	7.3	9.6	14.6
Net Debt/Equity	0.3	0.5	0.4	0.5	0.5	0.4	0.4	0.2	0.1	0.0

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	417	392	548	190	301	541	447	769	855	933
Depreciation	202	231	237	266	255	269	246	288	353	376
Interest expense	36	49	58	75	51	57	79	102	87	61
(Inc)/Dec in WC	-27	3	-98	127	-39	37	87	1	-14	6
Others	-75	1	22	148	-21	12	157	-21	24	25
CF from Operating incl EO	458	568	615	706	472	780	861	993	1,090	1,165
(Inc)/Dec in FA	-203	-277	-258	-419	-321	-331	-384	-377	-350	-350
Free Cash Flow	254	291	357	287	151	449	477	616	740	815
(Pur)/Sale of Investments	-125	87	-9	-18	-12	-12	-28	-22	0	0
Others	-111	-470	-102	-99	-59	-61	-339	-174	0	0
CF from Investments	-439	-660	-368	-535	-391	-405	-751	-573	-350	-350
Issue of Shares	25	0	-40	0	0	0	0	0	0	0
Inc/(Dec) in Debt	160	241	-31	24	53	-130	174	-154	-359	-251
Dividend Paid	-173	-112	-122	-99	-31	-129	-176	-129	-168	-199
Others	-31	-30	-39	-86	-111	-102	-136	-122	-87	-61
CF from Fin. Activity	-19	99	-233	-161	-89	-361	-138	-405	-614	-511
Inc/Dec of Cash	0	7	13	10	-8	14	-28	15	126	303
Opening Balance	18	18	25	38	48	40	54	26	41	167
Closing Balance	18	25	38	48	40	54	26	41	167	470

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Explanation of Investment Rating	
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