

February 4, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>288</b>		<b>300</b>	
Sales (Rs. bn)	6,396	6,549	6,409	6,566
% Chng.	(0.2)	(0.3)		
EBITDA (Rs. bn)	1,097	1,128	1,115	1,147
% Chng.	(1.6)	(1.6)		
EPS (Rs.)	44.0	44.7	44.5	45.2
% Chng.	(1.0)	(1.2)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	6,430	6,466	6,396	6,549
EBITDA (Rs. bn)	1,086	991	1,097	1,128
Margin (%)	16.9	15.3	17.2	17.2
PAT (Rs. bn)	560	503	565	574
EPS (Rs.)	43.6	39.2	44.0	44.7
Gr. (%)	115.7	(10.2)	12.2	1.6
DPS (Rs.)	12.2	15.4	17.7	18.4
Yield (%)	4.9	6.2	7.1	7.4
RoE (%)	18.1	14.3	14.7	13.7
RoCE (%)	18.5	13.6	14.7	14.5
EV/Sales (x)	0.6	0.6	0.6	0.5
EV/EBITDA (x)	3.7	4.0	3.3	3.0
PE (x)	5.7	6.4	5.7	5.6
P/BV (x)	0.9	0.9	0.8	0.7

### Key Data

ONGC.BO | ONGC IN

52-W High / Low	Rs.345 / Rs.223
Sensex / Nifty	77,187 / 23,361
Market Cap	Rs.3,132bn / \$ 35,926m
Shares Outstanding	12,580m
3M Avg. Daily Value	Rs.3515m

### Shareholding Pattern (%)

Promoter's	58.89
Foreign	8.12
Domestic Institution	19.04
Public & Others	13.95
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.8)	(24.6)	(3.2)
Relative	(1.3)	(20.9)	(9.6)

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## Production ramp-up key monitorable

### Quick Pointers:

- Peak oil production of 45,000bopd expected by FY25 end. Peak gas production of 10mmscmd from mid-FY26
- 10% of gas to be eligible for premium pricing every year

**Oil and Natural Gas Corporation's (ONGC) operating profit stood at Rs189.7bn (up 4% QoQ, PLe: Rs181.3bn, BBGe: Rs180bn). PAT declined 31.2%QoQ to Rs82.4bn (PLe: Rs98bn, BBGe: Rs97bn) led by higher depreciation and lower other income. Oil and gas production remained flat YoY. Current production from KG Basin stands at 25,000bopd of oil and 3mmscmd of gas. Production guidance for FY25/26/27E stands at 42.4/44.5/45.6mmtoe of oil and gas. Going ahead, we build in 4% and 6% CAGR volume growth in oil and gas production, respectively, over FY25-FY27E. The stock is currently trading at 5.7/5.6x FY26/27 EPS. We maintain 'BUY' rating with a TP of Rs288, valuing the standalone business at 8x FY27 adj EPS and adding the value of investments.**

**Higher depreciation and lower other income drags earnings:** EBITDA at Rs189.7bn rose 4% QoQ. However, PAT fell 31.2% QoQ to Rs82.4bn due to a 27.8% increase in depreciation and 62% QoQ fall in other income. On a YoY basis, EBITDA grew 10.5% while PAT declined 16.7%.

**Production improves QoQ:** ONGC's oil production stood at 5.2mmt, up 1.5% QoQ. Similarly, gas production grew 1% QoQ to 5.1bcm. On an annual basis, oil production increased 0.3%, while gas production fell 0.3%. Value-added products' (VAP) production at ~0.6mmt increased 5% QoQ and 7% YoY. ONGC Videsh's (OVL) oil production at 1.8mmt fell 1% QoQ and YoY, while gas production improved 10% QoQ but fell 10% YoY to 0.77bcm. Oil sales at 4.7mmt rose 2% QoQ (fell 1% YoY). Gas sales grew 1% QoQ to 3.9mmt, but fell 1% YoY. Net oil realization came in at US\$72.6/bbl (vs US\$74.3/bbl in Q2) while gas realization remained unchanged QoQ at US\$6.5/mmBtu. ~10mmscmd of gas to be added in 1.5 years' time from Daman Upside and DSF II fields. BP to enhance production from Mumbai High field, expected increase of upto 60% (40% for oil and 90% for gas) from baseline production levels over 10 years period. Incremental production to commence from Mar'26. Going ahead, we build in a volume CAGR of 4% and 6% for oil and gas, respectively, over FY25-27E to 22.6mmt of oil and 23bcm of gas in FY27E.

**Concall highlights:** **1)** 353 development wells and 60 exploratory wells were drilled in 9MFY25. **2)** Capex incurred in 9M stands at Rs453bn (including OPaL infusion of Rs183bn), guidance of Rs369bn for FY26. **3)** 10% of gas to become new well gas every year. **4)** Exploratory well Chola-1 was drilled in OALP block of Cauvery basin, gas production of 517,425scmd and 368bopd condensate. **5)** ONGC Green to have 10 GW renewable energy by 2030 (60-70% solar and 30-40% onshore wind), 25 CBG plants, 1 mmtpa of green NH2. **6)** OPAL to receive 3.2mmscmd of gas from FY26 and will maximize gas feedstock. Petchem spreads over naphtha currently at US\$300-350/mmt, but with usage of gas, spreads to improve and improve EBITDA.

**Exhibit 1: Valuation Table**

Valuation Table	Remarks
Standalone adj EPS(INR)	29.4 FY27E adj EPS
PE (x)	8.0
Valuation of ONGC standalone (INR/share)	235
Listed Investments	Investments in IOCL, PLNG, GAIL, 52 MRPL, HPCL at 25% holding company discount
<b>Total (Rs/share)</b>	<b>288</b>

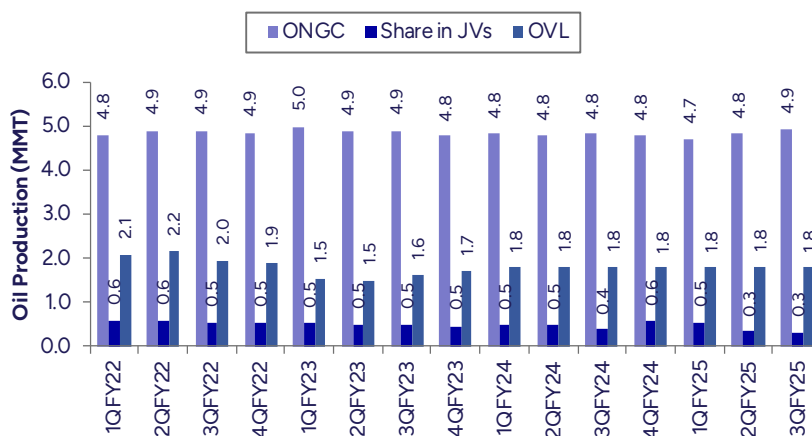
Source: PL

**Exhibit 2: Standalone Quarterly and 9MFY25 Financials**

Y/e March (Rs bn)	Q3FY25	Q2FY25	QoQ gr.	Q3FY25E	% Var	Q3FY24	YoY gr.	9MFY25	9MFY24	YoY gr.
<b>Net Sales</b>	<b>337.2</b>	<b>338.8</b>	<b>-0.5%</b>	<b>317.4</b>	<b>6.2%</b>	<b>347.9</b>	<b>-3.1%</b>	<b>1028.6</b>	<b>1037.7</b>	<b>-0.9%</b>
YoY Change (%)	-3.1	-3.6		-8.8		-9.8				
Total Expenditure	147.5	156.4	-5.7%	136.0	8.4%	176.2	-16.3%	470.4	487.9	-3.6%
<b>EBITDA</b>	<b>189.7</b>	<b>182.4</b>	<b>4.0%</b>	<b>181.3</b>	<b>4.6%</b>	<b>171.6</b>	<b>10.5%</b>	<b>558.2</b>	<b>549.8</b>	<b>1.5%</b>
Margins (%)	56.3	53.8		57.1		49.3		54.3	53.0	
Depreciation	87.0	68.1	27.8%	69.0	26.2%	69.3	25.6%	230.5	188.7	22.1%
Interest	10.7	11.6	-7.1%	11.6	-7.2%	10.2	5.1%	34.1	30.5	12.1%
Other Income	18.1	47.7	-62.0%	30.2	-40.0%	34.0	-46.7%	86.4	71.0	21.7%
<b>PBT</b>	<b>110.0</b>	<b>150.4</b>	<b>-26.8%</b>	<b>130.9</b>	<b>-16.0%</b>	<b>126.1</b>	<b>-12.8%</b>	<b>379.9</b>	<b>401.6</b>	<b>-5.4%</b>
Tax	27.6	30.5	-9.6%	33.0	-16.2%	27.2	1.5%	88.3	95.0	-7.0%
Rate (%)	25.1	20.3		25.2		21.6		23.2	23.7	
<b>Reported PAT</b>	<b>82.4</b>	<b>119.8</b>	<b>-31.2%</b>	<b>98.0</b>	<b>-15.9%</b>	<b>98.9</b>	<b>-16.7%</b>	<b>291.6</b>	<b>306.6</b>	<b>-4.9%</b>
<b>Oil Production (mmt)</b>	<b>5.2</b>	<b>5.2</b>	<b>1.5%</b>	<b>5.0</b>	<b>3.7%</b>	<b>5.2</b>	<b>0.3%</b>	<b>15.6</b>	<b>15.8</b>	<b>-0.9%</b>
<b>Gas Production (bcm)</b>	<b>5.1</b>	<b>5.1</b>	<b>1.0%</b>	<b>5.1</b>	<b>0.6%</b>	<b>5.1</b>	<b>-0.3%</b>	<b>15.2</b>	<b>15.5</b>	<b>-2.3%</b>

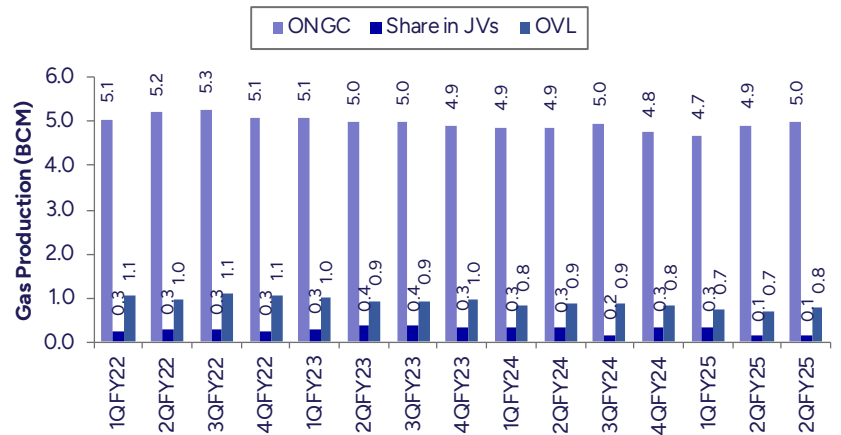
Source: Company, PL

**Exhibit 3: Oil production improved 1.5% QoQ**



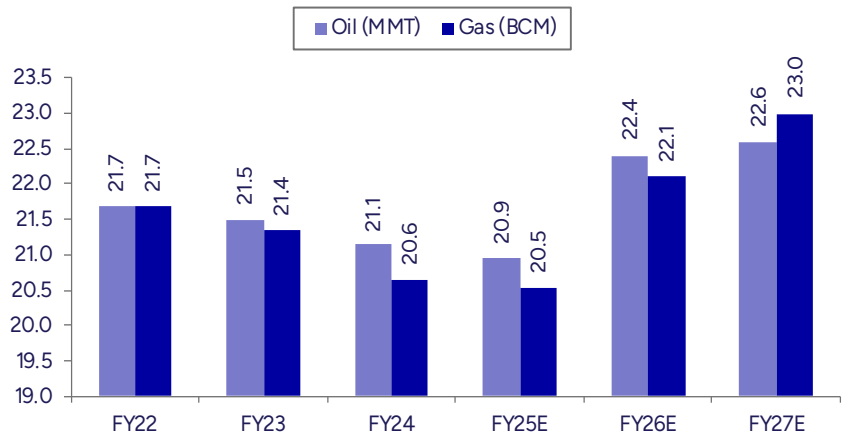
Source: Company, PL

**Exhibit 4: Gas production grew 1% QoQ**



Source: Company, PL

**Exhibit 5: Oil/gas volume to clock 4%/6% CAGR over FY25-27E**



Source: Company, PL

## Financials

### Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>6,430</b>	<b>6,466</b>	<b>6,396</b>	<b>6,549</b>
YoY gr. (%)	(6.1)	0.6	(1.1)	2.4
Cost of Goods Sold	5,344	5,475	5,299	5,421
Gross Profit	1,086	991	1,097	1,128
Margin (%)	16.9	15.3	17.2	17.2
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>1,086</b>	<b>991</b>	<b>1,097</b>	<b>1,128</b>
YoY gr. (%)	26.7	(8.8)	10.7	2.9
Margin (%)	16.9	15.3	17.2	17.2
Depreciation and Amortization	282	358	379	387
<b>EBIT</b>	<b>804</b>	<b>632</b>	<b>718</b>	<b>741</b>
Margin (%)	12.5	9.8	11.2	11.3
Net Interest	102	119	123	135
Other Income	122	128	128	129
<b>Profit Before Tax</b>	<b>750</b>	<b>641</b>	<b>723</b>	<b>735</b>
Margin (%)	11.7	9.9	11.3	11.2
Total Tax	198	162	182	185
Effective tax rate (%)	26.3	25.2	25.2	25.2
<b>Profit after tax</b>	<b>552</b>	<b>480</b>	<b>541</b>	<b>550</b>
Minority interest	-	-	-	-
Share Profit from Associate	24	23	23	24
<b>Adjusted PAT</b>	<b>560</b>	<b>503</b>	<b>565</b>	<b>574</b>
YoY gr. (%)	115.7	(10.2)	12.2	1.6
Margin (%)	8.7	7.8	8.8	8.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>560</b>	<b>503</b>	<b>565</b>	<b>574</b>
YoY gr. (%)	115.7	(10.2)	12.2	1.6
Margin (%)	8.7	7.8	8.8	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	560	503	565	574
<b>Equity Shares O/s (bn)</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>EPS (Rs)</b>	<b>43.6</b>	<b>39.2</b>	<b>44.0</b>	<b>44.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>5,331</b>	<b>5,429</b>	<b>5,527</b>	<b>5,626</b>
Tangibles	5,331	5,429	5,527	5,626
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>3,215</b>	<b>3,574</b>	<b>3,939</b>	<b>4,311</b>
Tangibles	3,215	3,574	3,939	4,311
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,846</b>	<b>1,855</b>	<b>1,588</b>	<b>1,315</b>
Tangibles	2,846	1,855	1,588	1,315
Intangibles	-	-	-	-
Capital Work In Progress	1,105	2,139	2,427	2,713
Goodwill	121	121	121	121
Non-Current Investments	1,036	1,036	1,036	1,036
Net Deferred tax assets	(368)	(368)	(368)	(368)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	523	441	427	437
Trade receivables	223	220	217	222
Cash & Bank Balance	367	318	513	735
Other Current Assets	543	672	672	672
<b>Total Assets</b>	<b>7,102</b>	<b>7,158</b>	<b>7,375</b>	<b>7,644</b>
<b>Equity</b>				
Equity Share Capital	63	63	63	63
Other Equity	3,308	3,614	3,952	4,289
<b>Total Networth</b>	<b>3,371</b>	<b>3,677</b>	<b>4,015</b>	<b>4,352</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,198	1,078	970	873
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	1,872	1,741	1,728	1,756
<b>Total Equity &amp; Liabilities</b>	<b>7,102</b>	<b>7,158</b>	<b>7,375</b>	<b>7,644</b>

Source: Company Data, PL Research

**Cash Flow (Rs bn)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	571	642	723	735
Add. Depreciation	288	357	379	387
Add. Interest	102	119	123	135
Less Financial Other Income	122	128	128	129
Add. Other	176	23	23	24
Op. profit before WC changes	1,137	1,143	1,249	1,281
Net Changes-WC	1	(64)	(14)	(6)
Direct tax	(146)	(162)	(182)	(185)
<b>Net cash from Op. activities</b>	<b>993</b>	<b>917</b>	<b>1,052</b>	<b>1,091</b>
Capital expenditures	(377)	(400)	(400)	(400)
Interest / Dividend Income	44	-	-	-
Others	(240)	-	-	-
<b>Net Cash from Invst. activities</b>	<b>(573)</b>	<b>(400)</b>	<b>(400)</b>	<b>(400)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(154)	(120)	(108)	(97)
Dividend paid	(129)	(198)	(227)	(236)
Interest paid	(91)	(119)	(123)	(135)
Others	(31)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(405)</b>	<b>(437)</b>	<b>(458)</b>	<b>(469)</b>
<b>Net change in cash</b>	<b>15</b>	<b>80</b>	<b>195</b>	<b>222</b>
Free Cash Flow	616	517	652	691

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	43.6	39.2	44.0	44.7
CEPS	65.6	67.1	73.5	74.9
BVPS	262.6	286.5	312.8	339.1
FCF	48.0	40.3	50.8	53.8
DPS	12.2	15.4	17.7	18.4
<b>Return Ratio(%)</b>				
RoCE	18.5	13.6	14.7	14.5
ROIC	11.9	9.2	10.5	10.7
RoE	18.1	14.3	14.7	13.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.2	0.2	0.1	0.0
Net Working Capital (Days)	-	-	-	-
<b>Valuation(x)</b>				
PER	5.7	6.4	5.7	5.6
P/B	0.9	0.9	0.8	0.7
P/CEPS	3.8	3.7	3.4	3.3
EV/EBITDA	3.7	4.0	3.3	3.0
EV/Sales	0.6	0.6	0.6	0.5
Dividend Yield (%)	4.9	6.2	7.1	7.4

Source: Company Data, PL Research

**Quarterly Financials (Rs bn)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>346</b>	<b>353</b>	<b>339</b>	<b>337</b>
YoY gr. (%)	(4.6)	4.3	(3.6)	(3.1)
Raw Material Expenses	-	9	14	9
Gross Profit	346	344	325	328
Margin (%)	99.9	97.6	95.9	97.2
<b>EBITDA</b>	<b>174</b>	<b>186</b>	<b>182</b>	<b>190</b>
YoY gr. (%)	6.5	(4.3)	(0.7)	10.5
Margin (%)	50.3	52.8	53.8	56.3
Depreciation / Depletion	72	75	68	87
<b>EBIT</b>	<b>102</b>	<b>111</b>	<b>114</b>	<b>103</b>
Margin (%)	29.5	31.4	33.7	30.4
Net Interest	10	12	12	11
Other Income	37	21	48	18
<b>Profit before Tax</b>	<b>129</b>	<b>120</b>	<b>150</b>	<b>110</b>
Margin (%)	37.1	33.9	44.4	32.6
Total Tax	30	30	31	28
Effective tax rate (%)	23.3	25.2	20.3	25.1
<b>Profit after Tax</b>	<b>99</b>	<b>89</b>	<b>120</b>	<b>82</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>99</b>	<b>89</b>	<b>120</b>	<b>82</b>
YoY gr. (%)	43.0	(15.1)	17.1	(16.7)
Margin (%)	28.5	25.3	35.4	24.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>99</b>	<b>89</b>	<b>120</b>	<b>82</b>
YoY gr. (%)	1,769.7	(15.1)	17.1	(16.7)
Margin (%)	28.5	25.3	35.4	24.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>99</b>	<b>89</b>	<b>120</b>	<b>82</b>
Avg. Shares O/s (bn)	13	13	13	13
<b>EPS (Rs)</b>	<b>7.7</b>	<b>7.0</b>	<b>9.3</b>	<b>6.4</b>

Source: Company Data, PL Research

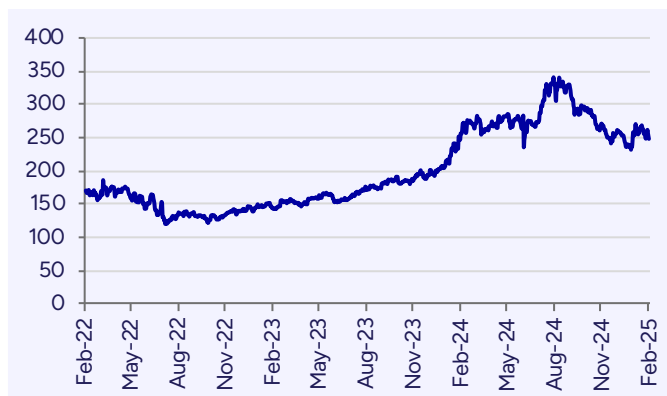
**Key Operating Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
Oil production (mmt)	21.1	20.9	22.4	22.6
Gas production (bcm)	20.6	20.5	22.1	23.0
Net oil realization (US\$/bbl)	73.4	73.7	75.0	75.0
Gas realization (US\$/mmBtu)	6.6	6.5	6.8	7.0

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	16-Jan-25	BUY	300	260
2	08-Jan-25	Accumulate	295	263
3	12-Nov-24	Accumulate	271	256
4	07-Oct-24	Accumulate	305	289
5	11-Sep-24	Accumulate	329	296
6	07-Aug-24	Hold	322	306
7	02-Aug-24	Reduce	320	342
8	07-Jul-24	Hold	256	288
9	21-May-24	Hold	265	280
10	09-Apr-24	Hold	262	270

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	381	405
2	Bharat Petroleum Corporation	Hold	286	271
3	Bharti Airtel	Accumulate	1,783	1,599
4	Clean Science and Technology	Hold	1,329	1,385
5	Deepak Nitrite	Reduce	2,295	2,460
6	Fine Organic Industries	BUY	5,765	4,474
7	GAIL (India)	Accumulate	192	167
8	Gujarat Fluorochemicals	Reduce	3,190	3,537
9	Gujarat Gas	Sell	362	508
10	Gujarat State Petronet	Hold	351	359
11	Hindustan Petroleum Corporation	Hold	373	353
12	Indian Oil Corporation	Hold	124	123
13	Indraprastha Gas	Sell	150	192
14	Jubilant Ingrevia	Hold	680	660
15	Laxmi Organic Industries	Hold	237	226
16	Mahanagar Gas	Accumulate	1,412	1,267
17	Mangalore Refinery & Petrochemicals	Accumulate	168	145
18	Navin Fluorine International	Accumulate	4,373	3,908
19	NOCIL	Reduce	226	247
20	Oil & Natural Gas Corporation	BUY	300	260
21	Oil India	BUY	714	465
22	Petronet LNG	Reduce	276	291
23	Reliance Industries	Accumulate	1,472	1,266
24	SRF	Hold	2,698	2,831
25	Vinati Organics	Accumulate	1,925	1,707

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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