

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR249      TP: IN305 (+22%)      Buy**

### Valuations inexpensive; focus on volume growth

- **ONGC's 3QFY25 EBITDA was in line with our estimate at INR189.7b, as crude oil/gas sales came in line. Both crude oil and natural gas production trends were flat QoQ. With higher-than-estimated DDA, PAT stood 13% below our estimate. ONGC reported an oil realization of USD72.6/bbl in 3Q, at USD2.7/bb discount to Brent. Amid tighter US sanctions on Russian and Iranian oil exports and elevated seasonal energy demand, Brent has averaged USD78.3 in 4QFY25YTD. After scrapping the windfall tax, higher QoQ crude prices shall result in higher realization in 4Q for ONGC.**
- **ONGC is currently trading at 5.6x consolidated FY26E P/E, below its one-year fwd. LTA mean P/E of 6.8x. With FY26E RoE at ~14.4%, the current valuations appear attractive. We see limited downside from the current levels as we build in crude prices to average USD70/bbl in FY26/FY27. We value the company at 7x Dec'26E adj. EPS of INR29 and add the value of investments to arrive at our TP of INR305 (implying 23% upside potential). We reiterate our BUY rating on the stock.**

### Guided production CAGR of 3.4% over FY25-FY27E

- **ONGC aims to increase production at ~3.4% CAGR, reaching 42.44/44.51/45.61mmtoe in FY25/FY26/FY27. In FY26, crude oil/gas production shall be 21.96/22.63mmtoe. However, these numbers do not include any expected increase post-BP's appointment for Mumbai High (MH).**
- **This volume growth shall be driven by offshore projects: KG-DWN-98/2, Cluster –II, and MHN Redevelopment are expected to be commissioned in 4QFY25 itself, and the Daman Upside project is likely to be commissioned in Feb'26. Production from DSF II shall also come up in Apr'27. While current production from KG-98/2 is 35kbpd/~3mmscmd of crude oil/gas, crude oil production is expected to ramp up to 45kbpd by 1QFY26.**
- **Further, M/s BP Exploration, the technical service provider for ONGC's MH Field, has also indicated a ~60% rise over ONGC's baseline production from MH. MH currently produces 120-130kbpd oil and 12-13mmscmd gas, which is currently declining at a 5.3-5.4% rate.**

### OPaL's performance to improve steadily due to competitive feedstock availability

- **Management believes OPaL's performance will improve significantly going forward, as:**
  - **It will receive a full 3.2mmscmd gas feed from ONGC (current: 2.7mmscmd). Maximizing gas cracking shall have a positive impact on margins.**
  - **It will undertake financial restructuring: the INR184b additional investment by ONGC in OPaL recently shall help improve its profitability, as interest expenses will reduce significantly.**
  - **OPaL's exit from SEZ shall further enhance its performance by improving realizations.**

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USD\$)	3132.5 / 35.9
52-Week Range (INR)	345 / 223
1, 6, 12 Rel. Per (%)	-1/-19/-10
12M Avg Val (INR M)	5501

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

Y/E March	FY25E	FY26E	FY27E
Sales	6,243	5,602	5,730
EBITDA	993	1,082	1,095
Adj. PAT	463	558	575
Adj. EPS (INR)	37	44	46
EPS Gr. (%)	(21)	20	3
BV/Sh.(INR)	287	317	348

### Ratios

Net D:E	0.1	0.0	(0.1)
RoE (%)	13.1	14.4	13.5
RoCE (%)	12.1	14.0	13.6
Payout (%)	31.5	31.5	31.3

### Valuations

P/E (x)	6.8	5.6	5.4
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	3.7	2.9	2.5
Div. Yield (%)	4.6	5.5	5.6
FCF Yield (%)	18.5	21.5	23.1

### Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	58.9	58.9	58.9
DII	29.7	29.3	29.0
FII	7.5	8.1	9.2
Others	3.9	3.7	2.9

FII Includes depository receipts

**Other key takeaways from the conference call**

- ONGC aims to intensify exploration at a ~9% CAGR (accretion in mmtoe - 55mmtoe/61mmtoe/65mmtoe in FY25/FY26/FY27).
- FY26 capex plan: INR370b (38%/30%/20%/8%/4% on Capital/Development Drilling/Exploratory Drilling/Survey/others).
- ONGC is on track to drill more than 500 wells in FY25.
- About 10% p.a. (~5mmscmd) of ONGC's gas production shall be converted to NW gas every year (pricing: 12% of crude; NW gas now: 5.5mmscmd).

**EBITDA in line; high DDA drags PAT**

- In 3QFY25, crude oil/gas sales came in line with our est. at 4.7mmt/3.9bcm. VAP sales stood at 649tmt (est. 674tmt).
- Reported oil realization was at USD72.6/bbl, a USD2.7/bb discount to Brent.
- Both crude oil and natural gas production trends were flat on a QoQ basis.
- EBITDA came in line at INR189.7b (up 11% YoY), while PAT of INR82.4b was 13% below our estimate.
- Higher-than-estimated DDA, dry well write-offs, and survey costs combined with lower-than-estimated other income led to a miss on PAT.
- 3QFY25 financial performance was also hit by an FX loss of INR7b.
- **For 9MFY25**, ONGC's net sales/EBITDA growth remained similar YoY, while PAT was down 11% YoY.
- The Board has approved an interim dividend of INR5/share (FV: INR5/share).
- **ONGC Videsh Limited:**
- OVL's oil production declined 1% YoY to 1.8mmt, while gas production was 0.773bcm (-10% YoY).
- Crude oil sales stood at 1.23mmt (flat YoY), while gas sales were 0.29cm (-40% YoY).
- OVL's revenue was INR24.5b (-16% YoY) and PBDT stood at INR2.7b (-71% YoY).

**Valuation and view**

- ONGC has guided for a 3.4% CAGR rise in production volumes over FY25-FY27, driven by rising production from the KG 98/2 asset, Daman upside development, and monetization of stranded gas reserves.
- ONGC is trading at 2.7x FY26E EV/EBITDA (SA) and 7.1x FY26E P/E (SA). We value the company at 7x Dec'26E adj. EPS of INR29 and add the value of investments to arrive at our TP of INR305 (implying 23% upside potential). **We reiterate our BUY rating** on the stock.

## Standalone - Quarterly Earning Model

(INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	338.1	351.6	347.9	346.4	352.7	338.8	337.2	337.3	1,384.0	1,364.7	320.8	5%
YoY Change (%)	-20.1	-8.2	-9.8	-4.6	4.3	0.2	-4.1	-3.0	-11.0	-1.4	-8.8	
EBITDA	194.5	183.6	171.6	174.1	186.2	182.4	189.7	193.0	723.8	751.6	187.2	1%
Margin (%)	57.5	52.2	49.3	50.3	52.8	53.8	56.3	57.2	52.3	55.1	58.3	
Depreciation	67.0	59.6	69.3	71.9	75.4	68.1	87.0	77.3	260.6	307.4	70.4	
Interest	10.1	10.2	10.2	10.3	11.8	11.6	10.7	11.9	40.8	46.0	14.6	
Other Income	16.1	20.9	34.0	36.8	20.6	47.7	18.1	27.9	107.8	114.3	24.2	
PBT	133.6	134.7	126.1	128.6	119.6	150.4	110.0	131.1	530.2	512.5	126.4	-13%
Tax	33.5	32.6	27.2	29.9	30.2	30.5	27.6	33.0	124.9	121.3	31.8	
Rate (%)	25.0	24.2	21.6	23.3	25.2	20.3	25.1	25.2	23.6	23.7	25.2	
Reported PAT	100.2	102.2	98.9	98.7	89.4	119.8	82.4	98.1	405.3	391.2	94.6	-13%
<b>Key Assumptions (USD/bbl)</b>												
Oil Realization (pre windfall tax)	76.5	84.8	81.1	80.8	83.1	78.3	72.6	74.5	80.8	77.2	74.6	-3%
Crude Oil Sold (mmt)	4.7	4.7	4.7	4.7	4.6	4.6	4.7	4.8	18.8	19	4.6	1%
Gas Sold (bcm)	4.1	4.0	4.0	3.8	3.8	3.9	3.9	3.9	15.9	16	3.7	6%
VAP Sold (tmt)	589	651	573	622	629	608	649	691	2,435	2,577	674	-4%

## Major Assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.2	86.0	86.2
APM Gas Price (USD/mmBtu)	3.5	3.8	2.3	2.6	7.3	6.6	6.5	7.0	7.0
Brent crude price (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.4	70.0	70.0
<b>Production Details (mmtoe)</b>									
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.2	20.9	21.6	22.0
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	20.4	21.3	21.9
Domestic Production (mmtoe)	50.0	48.3	45.3	43.4	42.8	41.8	41.3	42.8	43.9
OVL Production (mmtoe)	14.8	14.7	13.0	12.3	9.8	10.5	10.6	11.8	11.8
Group Production (mmtoe)	64.9	62.9	58.4	55.7	52.6	52.3	51.9	54.6	55.7
<b>Oil Price Realization (USD/bbl)</b>									
Gross	68.9	58.8	42.8	76.4	92.1	80.8	77.1	70.0	70.0
Windfall tax	0.0	0.0	0.0	0.0	13.0	10.4	4.5	0.0	0.0
Net (post windfall)	68.9	58.8	42.8	76.4	79.0	70.4	72.6	70.0	70.0
Consolidated EPS	27.7	13.3	16.5	32.9	32.0	46.3	36.8	44.4	45.7



## Highlights from the management commentary

## Production growth:

- ONGC aims to increase production at ~3.4% CAGR (42.44mmtoe/44.51mmtoe/45.61mmtoe in FY25/FY26/FY27).
- FY26 split: 21.96/22.63mmtoe w.r.t oil/gas. These numbers do not include any expected increase post-BP appointment.
- Offshore projects KG-DWN-98/2, Cluster –II, and MHN Redevelopment envisaging a gain of 44.74mmtoe/4.69mmtoe shall start in 4QFY25 itself, while 13.89mmtoe Daman Upside project shall commission in Feb'26. DSF II (12.29mmtoe) shall come up in Apr'27.

## Exploration growth:

- ONGC aims to increase exploration at a ~9% CAGR (accretion in mmtoe - 55mmtoe/61mmtoe/65mmtoe in FY25/FY26/FY27).

**Green energy roadmap summary:**

- The company plans to reach 10GW by FY30 (60-70% solar/30-40% onshore wind) (organic & inorganic).
- Expected capex shall be INR1,000b.
- 1GW capacity shall be achieved in FY25 (INR10b capex).
- 40% of the target shall be achieved by FY26 (mostly inorganic).
- ONGC is in the final stage of multiple projects, which will be announced soon.

**M/s BP Exploration appointed as TSP for ONGCs MH Field:**

- The current recovery from MH is 28%-29% (70% of the reserves are still there). The recovery has to go up not only to cover the decline but also to provide growth.
- Baseline decline is ~5.3-5.4% p.a. TSP promises a 60% growth over the baseline.
- The increase in production compensates for ONGCs entire decline.
- MH currently produces 120-130kbpd oil and 12-13mmscmd gas.

**KG-98/2:**

- Current production: Oil: 35kb/d from 13 active wells, Gas: ~3mmscmd.
- A total of 26 wells are there. Four more gas wells will come up by mid-CY25.
- Peak production: Crude oil production to ramp up to 45kb/d by 1QFY26.

**Capex:**

- FY26 capex plan: INR370b (38%/30%/20%/8%/4% on Capital/Development Drilling/Exploratory Drilling/Survey/others).
- FY25 capex is higher on account of investment in OPaL.
- This shall result in a significant reduction in OPaL's debt.

**OPAL:**

- Inputs: Gas and Naphtha from ONGC
- OpaL shall get full 3.2mmscmd gas feed from ONGC (current: 2.7mmscmd)
- Going forward, the company shall maximize gas utilization.
- SEZ exit shall also help increase EBITDA.
- Financial restructuring shall help in improving financial performance.
- Management expects OPAL to perform better in FY26, primarily led by gas cracking.

**Oil Field Regulation Bill:**

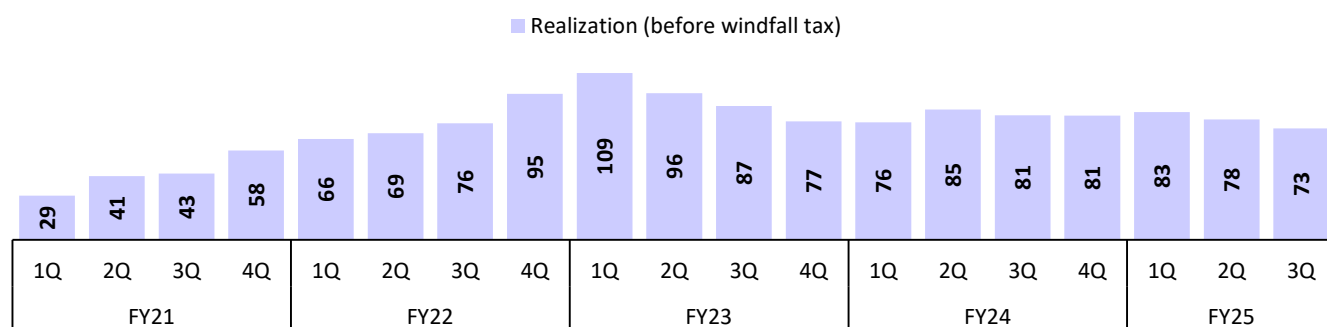
- Passed by Lok Sabha and it is with Rajya Sabha.
- The Chairman of ONGC believes that the new bill is being passed to attract foreign O&G players.

**Other KTAs:**

- ONGC is on track to drill 500+ wells in FY25.
- APM price to rise to USD6.75/mmbtu from 1 Apr'25.
- 10% p.a. (~5mmscmd) of ONGCs gas production shall be converted to NW gas every year (pricing: 12% of crude) (NW gas now: 5.5mmscmd).
- NW gas is identified every month which is approved by DGH.
- The Chairman of ONGC believes that it is unlikely that SAED will come back, given crude prices remain below USD100/bbl.

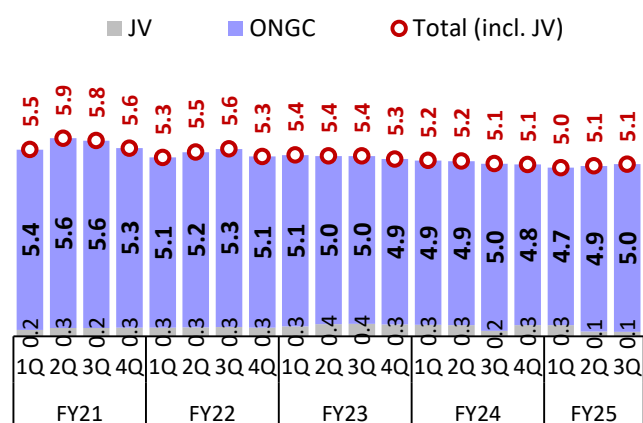
## Story in charts

Exhibit 1: Oil price realization (USD/bbl)



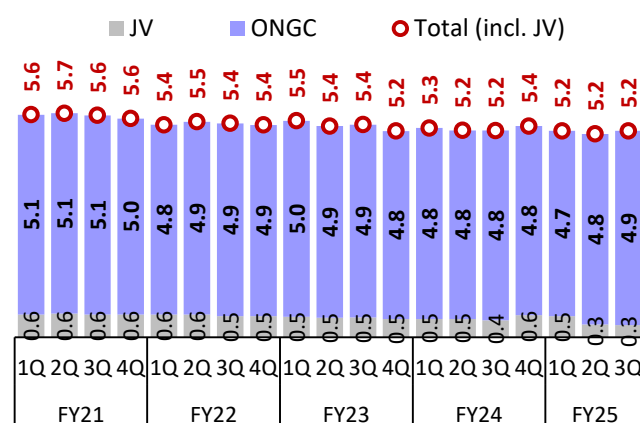
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



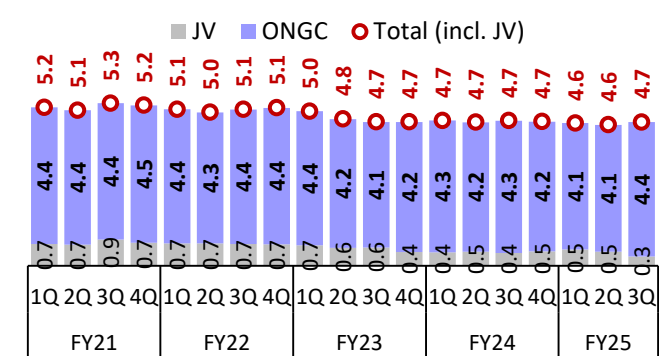
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



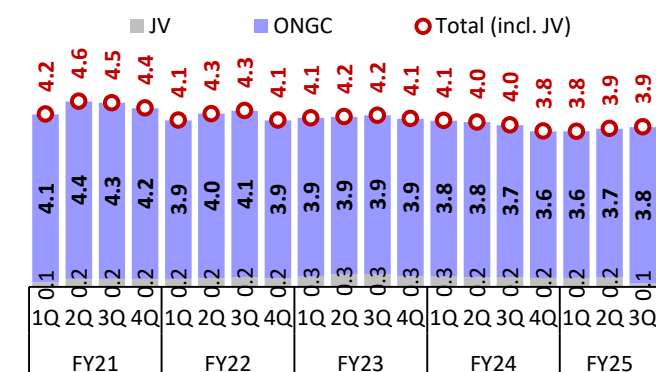
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



Source: Company, MOFSL

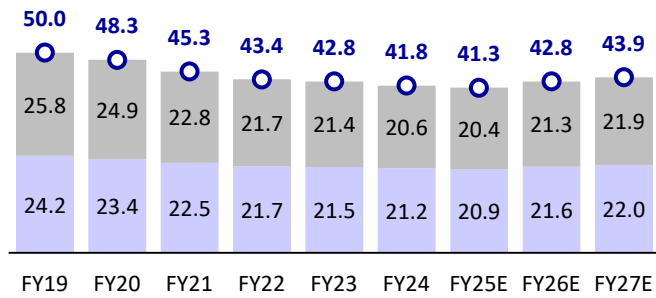
Exhibit 5: Gas sales (bcm)



Source: Company, MOFSL

**Exhibit 6: Oil/Gas production to increase**

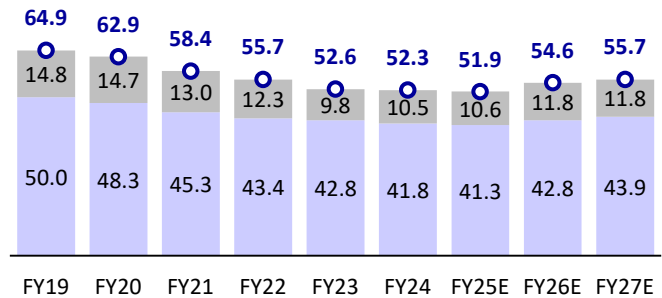
■ Domestic Gas Production (bcm) ■ Domestic Oil Production (mmt)



Source: Company, MOFSL

**Exhibit 7: OVL production to increase**

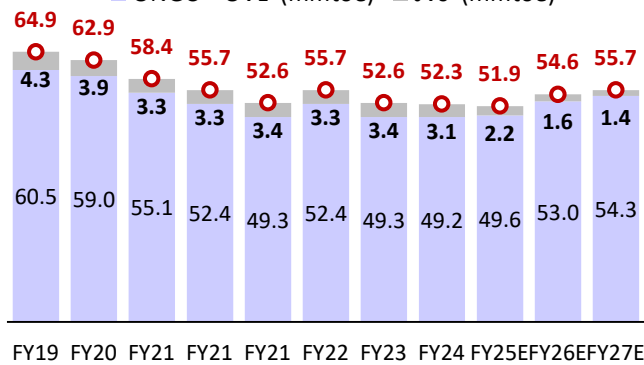
■ Domestic Production (mmt) ■ OVL Production (mmt)



Source: Company, MOFSL

**Exhibit 8: JV contribution to decline marginally**

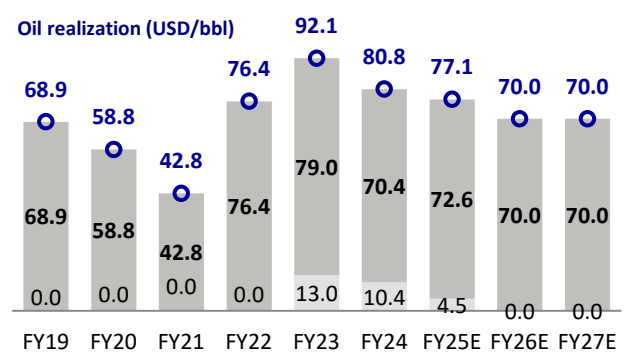
■ ONGC + OVL (mmt) ■ JVs (mmt)



Source: Company, MOFSL

**Exhibit 9: Realization of ONGC (USD/bbl)**

■ Windfall tax ■ Net (post windfall) ■ Gross



Source: Company, MOFSL

## Financials and Valuations (consol)

### Consolidated - Income Statement

(INR b)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>6,848</b>	<b>6,430</b>	<b>6,243</b>	<b>5,602</b>	<b>5,730</b>
Change (%)	28.8	-6.1	-2.9	-10.3	2.3
<b>EBITDA</b>	<b>857</b>	<b>1,086</b>	<b>993</b>	<b>1,082</b>	<b>1,095</b>
Margin (%)	12.5	16.9	15.9	19.3	19.1
Depreciation	330	346	386	379	387
<b>EBIT</b>	<b>527</b>	<b>741</b>	<b>607</b>	<b>703</b>	<b>708</b>
Int. and Finance Charges	79	102	87	61	42
Other Income	81	122	123	111	114
<b>PBT bef. EO Exp.</b>	<b>528</b>	<b>761</b>	<b>645</b>	<b>793</b>	<b>818</b>
EO Items	-81	-16	0	0	0
<b>PBT after EO Exp.</b>	<b>447</b>	<b>745</b>	<b>645</b>	<b>793</b>	<b>818</b>
Total Tax	107	198	158	194	200
Tax Rate (%)	23.9	26.5	24.5	24.5	24.5
Share of associates/JVs/Minority interest	0	-24	23	41	43
<b>Reported PAT</b>	<b>340</b>	<b>571</b>	<b>463</b>	<b>558</b>	<b>575</b>
<b>Adjusted PAT</b>	<b>402</b>	<b>583</b>	<b>463</b>	<b>558</b>	<b>575</b>
Change (%)	-2.7	44.9	-20.5	20.4	3.0
Margin (%)	5.9	9.1	7.4	9.8	9.9

### Consolidated - Balance Sheet

(INR b)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	63	63	63	63	63
Total Reserves	2,765	3,308	3,625	4,008	4,403
<b>Net Worth</b>	<b>2,828</b>	<b>3,371</b>	<b>3,688</b>	<b>4,071</b>	<b>4,466</b>
Minority Interest	206	280	310	357	405
Total Loans	1,292	1,198	838	587	411
Deferred Tax Liabilities	304	368	368	368	368
<b>Capital Employed</b>	<b>4,630</b>	<b>5,216</b>	<b>5,204</b>	<b>5,381</b>	<b>5,649</b>
Gross Block	5,241	6,000	6,090	6,181	6,272
Less: Accum. Deprn.	2,863	3,151	3,554	3,963	4,378
<b>Net Fixed Assets</b>	<b>2,378</b>	<b>2,850</b>	<b>2,536</b>	<b>2,219</b>	<b>1,894</b>
Goodwill on Consolidation	120	121	121	121	121
Capital WIP	960	920	1,197	1,486	1,773
Exploratory wells under progress	205	240	240	240	240
<b>Total Investments</b>	<b>799</b>	<b>1,036</b>	<b>1,036</b>	<b>1,036</b>	<b>1,036</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,694</b>	<b>1,921</b>	<b>1,800</b>	<b>1,893</b>	<b>2,216</b>
Others	712	770	788	806	824
Inventory	442	523	423	364	373
Account Receivables	214	223	212	190	195
Cash and Bank Balance	291	367	337	489	780
Cash	26	41	40	240	579
Bank Balance	265	326	296	249	201
Loans and Advances	34	39	39	39	39
<b>Curr. Liability &amp; Prov.</b>	<b>1,526</b>	<b>1,872</b>	<b>1,724</b>	<b>1,606</b>	<b>1,630</b>
Account Payables	1,069	1,296	1,148	1,030	1,054
<b>Net Current Assets</b>	<b>168</b>	<b>49</b>	<b>73</b>	<b>275</b>	<b>574</b>
<b>Appl. of Funds</b>	<b>4,630</b>	<b>5,216</b>	<b>5,204</b>	<b>5,381</b>	<b>5,649</b>



## Financials and Valuations (consol)

### Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>32.0</b>	<b>46.3</b>	<b>36.8</b>	<b>44.4</b>	<b>45.7</b>
Cash EPS	57.1	72.4	66.2	72.6	74.6
BV/Share	220.3	262.7	287.4	317.2	348.0
DPS	11.0	12.0	11.4	13.7	14.0
Payout (%)	41.6	27.0	31.5	31.5	31.3
<b>Valuation (x)</b>					
P/E	7.8	5.4	6.8	5.6	5.4
Cash P/E	4.4	3.4	3.8	3.4	3.3
P/BV	1.1	0.9	0.9	0.8	0.7
EV/Sales	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	4.9	3.7	3.7	2.9	2.5
Dividend Yield (%)	4.4	4.8	4.6	5.5	5.6
FCF per share	37.2	48.0	46.1	53.5	57.5
<b>Return Ratios (%)</b>					
RoE	14.8	18.8	13.1	14.4	13.5
RoCE	11.9	14.6	12.1	14.0	13.6
RoIC	14.9	19.9	16.6	22.4	25.5
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	1.3	1.1	1.0	0.9	0.9
Asset Turnover (x)	1.5	1.2	1.2	1.1	1.0
Inventory (Days)	24	30	25	24	24
Debtor (Days)	11	13	12	12	12
Creditor (Days)	57	74	67	67	67
<b>Leverage Ratio (x)</b>					
Current Ratio	1.1	1.0	1.0	1.2	1.3
Interest Cover Ratio	6.7	7.3	7.0	11.6	16.7
Net Debt/Equity	0.4	0.2	0.1	0.0	-0.1

### Consolidated - Cash Flow Statement

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR b)</b>					
OP/(Loss) before Tax	447	769	645	793	818
Depreciation	246	288	386	379	387
Interest expense	79	102	87	61	42
(Inc)/Dec in WC	87	1	-54	-49	-8
Others	157	-21	35	53	55
<b>CF from Operating incl EO</b>	<b>861</b>	<b>993</b>	<b>941</b>	<b>1,037</b>	<b>1,088</b>
(Inc)/Dec in FA	-384	-377	-350	-350	-350
<b>Free Cash Flow</b>	<b>477</b>	<b>616</b>	<b>591</b>	<b>687</b>	<b>738</b>
(Pur)/Sale of Investments	-28	-22	0	0	0
Others	-339	-174	0	0	0
<b>CF from Investments</b>	<b>-751</b>	<b>-573</b>	<b>-350</b>	<b>-350</b>	<b>-350</b>
Issue of Shares	0	0	0	0	0
Inc/(Dec) in Debt	174	-154	-359	-251	-176
Dividend Paid	-176	-129	-146	-176	-180
Others	-136	-122	-87	-61	-42
CF from Fin. Activity	-138	-405	-592	-488	-399
<b>Inc/Dec of Cash</b>	<b>-28</b>	<b>15</b>	<b>-1</b>	<b>199</b>	<b>339</b>
Opening Balance	54	26	41	40	240
<b>Closing Balance</b>	<b>26</b>	<b>41</b>	<b>40</b>	<b>240</b>	<b>579</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



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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