

Estimate change 

TP change 

Rating change 

Bloomberg	ONGC IN
Equity Shares (m)	12833
M.Cap.(INRb)/(USDb)	2509.8 / 30.2
52-Week Range (INR)	203 / 133
1, 6, 12 Rel. Per (%)	8/14/33
12M Avg Val (INR M)	1865

Financials & Valuations (consol) (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	6,848.3	6,375.9	6,872.3
EBITDA	857.1	1,096.9	1,084.6
Adj. PAT	389.7	575.7	539.9
Adj. EPS (INR)	30.4	44.9	42.1
EPS Gr. (%)	-5.8	47.7	-6.2
BV/Sh.(INR)	218.7	247.4	271.3

Ratios

Net D:E	0.4	0.2	0.1
RoE (%)	14.4	19.2	16.2
RoCE (%)	11.6	15.2	14.1
Payout (%)	44.0	36.0	43.2

Valuations

P/E (x)	6.6	4.4	4.7
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	4.2	3.1	2.8
Div. Yield (%)	5.6	8.1	9.1
FCF Yield (%)	18.7	19.6	26.3

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	58.9	58.9	58.9
DII	29.9	30.1	28.8
FII	8.4	8.1	9.0
Others	2.8	2.9	3.3

FII Includes depository receipts

CMP: INR200

TP: IN235 (+18%)

Buy

Long-awaited oil production from KG basin in sight

- ONGC's reported EBITDA stood at INR183.6b (down 2% YoY), 6% below our estimate, due to higher-than-expected SAED at USD11.8/bbl (vs. our est. of USD8.1/bbl).
- Management expects the commencement of oil production from KG-DWN-98/2 as early as Nov'23. The projected peak oil production is estimated to reach ~45kbopd by FY25. Additionally, gas production from the basin is poised to escalate to 10mmscmd by FY25.
- The government has adjusted windfall taxes in line with crude oil fluctuations and our estimate suggests that the government is allowing a post-windfall realization of ~USD75/bbl. We model the same at ~USD73/bbl from 3QFY24 onwards.
- Under the new gas pricing policy, gas produced from new APM fields or intervention in existing fields will attract 20% premium over APM prices. Every year, around 6-8% of ONGC's gas production comes from new wells. We build in gas price assumptions of USD6.5/mmBtu from 3QFY24 onwards.
- We raise our standalone EPS estimates by 5% for FY24 and FY25; however, we have cut consolidated EBITDA/PAT estimates by 7%/9% for FY24 and by 4/8% for FY25 due to ONGC's stake in MRPL and weaker-than-expected performance in OVL during 1HFY24.
- We value the standalone business at 6x FY25E adj. EPS of INR32.4 and add the value of investments to arrive at our TP of INR235, implying 18% potential upside. **We reiterate our BUY rating on the stock.**

Marginal miss on EBITDA, but PAT in line

- Net ONGC's 2QFY24 crude oil sales were at 4.7mmt, while gas sales stood at 4bcm (both in line).
- VAP sales were also in line at 651tmt.
- Reported oil realization was in line with our est. of USD84.8/bbl.
- Net of windfall tax, realization stood at USD73/bbl.
- ONGC reported in line revenue of INR351.6b (down 8% YoY)
- EBITDA came in 6% below our est. of INR183.6b (down 2% YoY) due to higher-than-expected SAED of USD11.8/bbl (vs. our est. of USD8.1/bbl)
- PAT came in line with our est. of INR102.2b (down 20% YoY) due to lower than-estimated depreciation and higher other income.
- For 1HFY24, revenue stood at INR698.8b (down 14% YoY), with EBITDA at INR378.1b (down 15% YoY). Reported PAT declined 28% to INR202.3b.
- The Board has declared an interim dividend of INR5.75 during the quarter.

Valuation and view

- The company targets to increase production by 1%/5% in FY24/25. The key wells to be targeted for exploration in 2HFY24 will be Mahanandi Basin, Western Offshore, Assam Basin, and Bengal Basin.
- The company will also be infusing additional INR183b in OPAL. It intends to approach the government seeking permission to utilize gas from new wells and well interventions in OPAL. Management expects OPAL to turn profitable from FY25.
- ONGC is trading at 3.1x FY24E EV/EBITDA and 4.4x FY24E P/E. We value the company at 6x FY25E adj. EPS of INR32.4 and add the value of investments to arrive at our TP of INR235. **We reiterate our BUY rating on the stock with a 18% potential upside.**

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Standalone - Quarterly Earning Model

(INR b)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var vs est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	423.2	383.2	385.8	362.9	338.1	351.6	381.9	411.5	1,555.2	1,483.1	360.0	-2%
YoY Change (%)	83.8	57.4	35.5	5.2	-20.1	-8.2	-1.0	13.4	40.9	-4.6	-6.1	
EBITDA	259.3	188.1	204.1	163.4	194.5	183.6	201.2	205.3	814.9	784.6	195.2	-6%
Margin (%)	61.3	49.1	52.9	45.0	57.5	52.2	52.7	49.9	52.4	52.9	54.2	
Depreciation	57.1	53.1	64.6	93.0	67.0	59.6	66.8	67.9	267.9	261.2	68.2	
Interest	6.4	6.7	6.9	7.1	10.1	10.2	10.1	10.1	27.0	40.4	10.7	
Other Income	7.6	35.3	14.1	19.3	16.1	20.9	17.2	14.5	76.3	68.6	18.1	
PBT before EO expense	203.4	163.6	146.7	82.6	133.6	134.7	141.4	141.8	596.3	551.6	134.4	0%
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	-9.8	133.6	134.7	141.4	141.8	504.0	551.6	134.4	0%
Tax	51.4	35.3	36.3	-7.3	33.5	32.6	35.6	35.7	115.7	137.3	33.8	
Rate (%)	25.3	21.6	24.7	74.7	25.0	24.2	25.2	25.2	23.0	24.9	25.2	
Reported PAT	152.1	128.3	110.4	-2.5	100.2	102.2	105.8	106.1	388.3	414.3	100.5	2%
Adj PAT	152.1	128.3	110.4	61.8	100.2	102.2	105.8	106.1	452.5	414.3	100.5	2%
YoY Change (%)	250.8	50.9	26.0	-30.3	-34.1	-20.3	-4.2	71.8	48.6	-8.5	-21.6	
Margin (%)	35.9	33.5	28.6	17.0	29.6	29.1	27.7	25.8	29.1	27.9	27.9	
Key Assumptions (USD/bbl)												
Oil Realization (pre windfall tax)	108.5	95.5	87.1	77.1	76.5	84.8	85.0	90.0	92.1	84.1	84.4	1%
Crude Oil Sold (mmt)	5.0	4.8	4.7	4.7	4.7	4.7	4.9	5.0	19.2	19.3	4.9	-4%
Gas Sold (bcm)	4.1	4.2	4.2	4.1	4.1	4.0	4.3	4.3	16.7	16.6	4.2	-5%
VAP Sold (tmt)	671	640	599	613	589	651	709	793	2,523	2,742	659	-1%

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	83.1	84.6
APM Gas Price (USD/mmBtu)	3.0	3.5	3.8	2.3	2.6	7.3	6.6	6.5
Brent crude price (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	26.2	24.2	23.4	22.5	21.7	21.5	21.5	23.1
Domestic Gas Production (bcm)	25.6	25.8	24.9	22.8	21.7	21.4	21.5	23.2
Domestic Production (mmtoe)	51.8	50.0	48.3	45.3	43.4	42.8	42.9	46.3
OVL Production (mmtoe)	14.2	14.8	14.7	13.0	12.3	10.2	11.0	11.8
Group Production (mmtoe)	66.0	64.9	62.9	58.4	55.7	53.0	53.9	58.1
Oil Price Realization (USD/bbl)								
Gross	57.4	68.9	58.8	42.8	76.4	92.1	84.1	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	84.1	90.0
Consolidated EPS	20.2	27.2	13.0	16.1	32.2	30.4	44.9	42.1

Source: Company, MOFSL

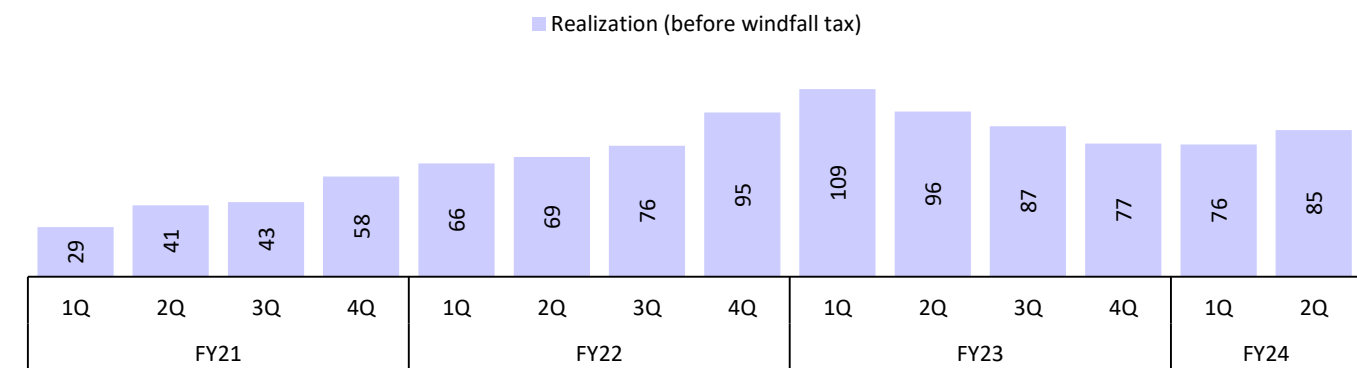


Highlights from the management commentary

- KG98/2 oil production is expected to commence as early as Nov'23.
 - Gas production should ramp up to 8-9mmscmd by May/Jun'24
 - Cost of production will be higher since it's an offshore project
 - FPSO would be the major cost at ~USD70m/day
 - Royalty will be 10%
 - If wells are deeper than 400m, for the first seven years, royalty would be 5% and it would return to 10% afterwards
- ONGC production growth should be 1% in FY24 and 5% in FY25
 - OVL production target is 10.68mmtoe for FY24 and 11mmtoe for FY25
- Capex is usually INR300b every year
 - But it should increase 10% in the current year and by further 10% next year
- OVL sales volumes are down because Sakhalin volume are not included in sales volume.
- Windfall tax was higher during the quarter due to inventory adjustment
- A dividend worth 16b Roubles is currently held up in Russia
- There are plans for additional investments totaling INR183b in OPAL
 - The management intends to approach the government seeking permission to utilize gas from new wells and well interventions in OPAL.
- OPAL is expected to turn profitable from FY25.

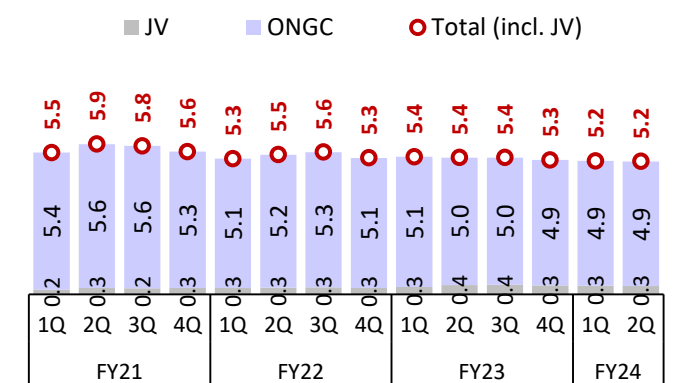
Key charts from the quarter

Exhibit 2: Oil price realization (USD/bbl)



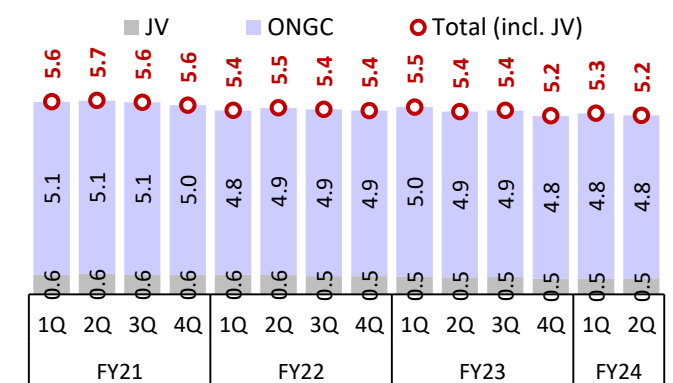
Source: Company, MOFSL

Exhibit 3: Oil production (mmt)



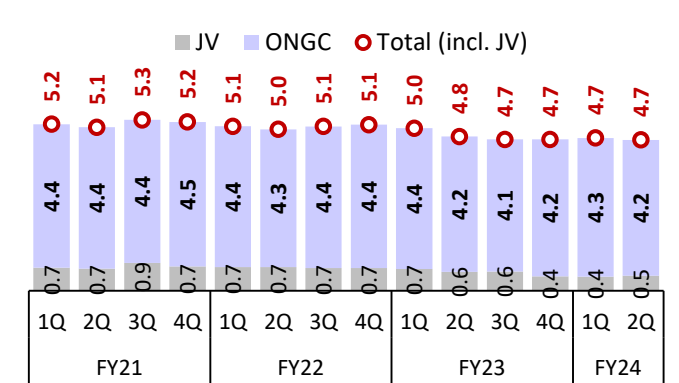
Source: Company, MOFSL

Exhibit 4: Gas production (bcm)



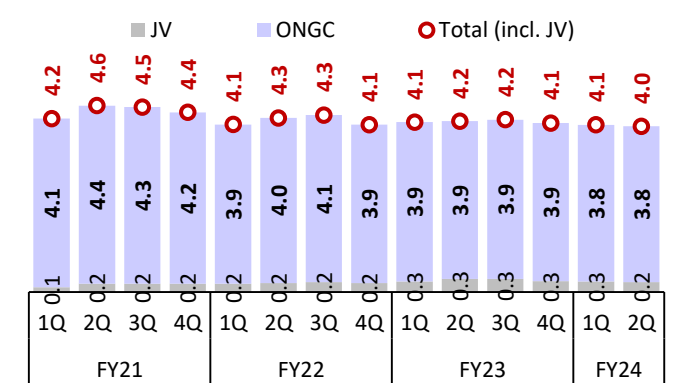
Source: Company, MOFSL

Exhibit 5: Oil sales (mmt)



Source: Company, MOFSL

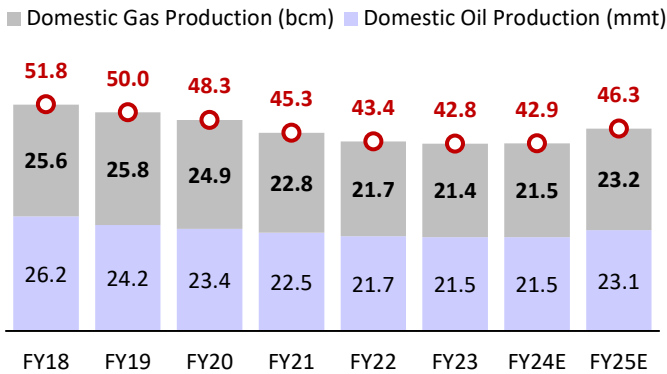
Exhibit 6: Gas sales (bcm)



Source: Company, MOFSL

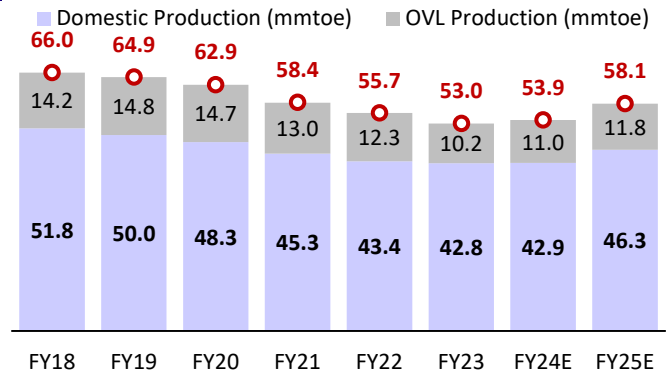
Story in charts

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



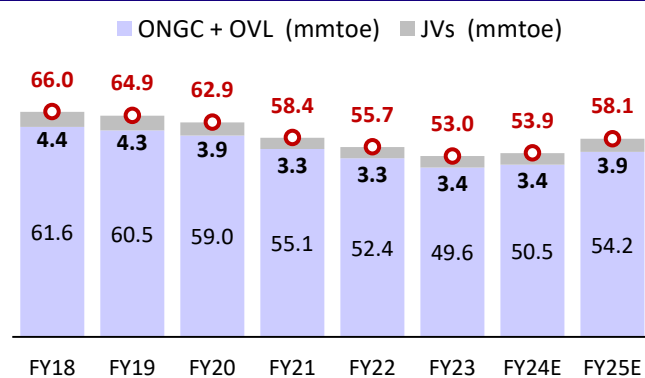
Source: Company, MOFSL

Exhibit 8: OVL production to increase marginally



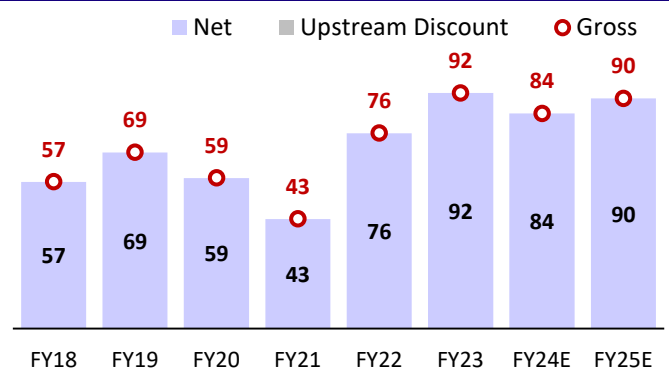
Source: Company, MOFSL

Exhibit 9: JV contribution to increase



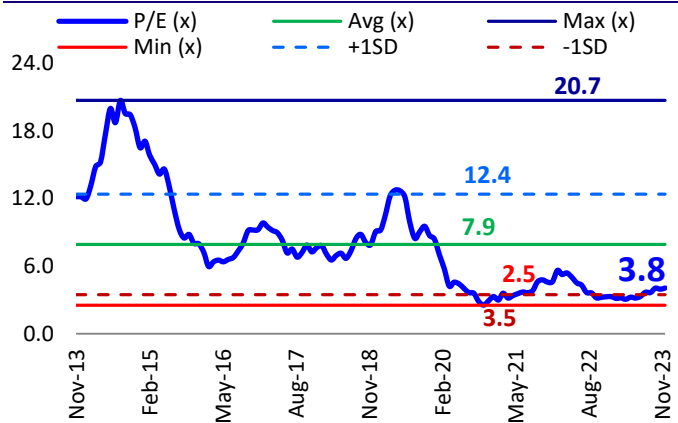
Source: Company, MOFSL

Exhibit 10: Realization of ONGC (USD/bbl)



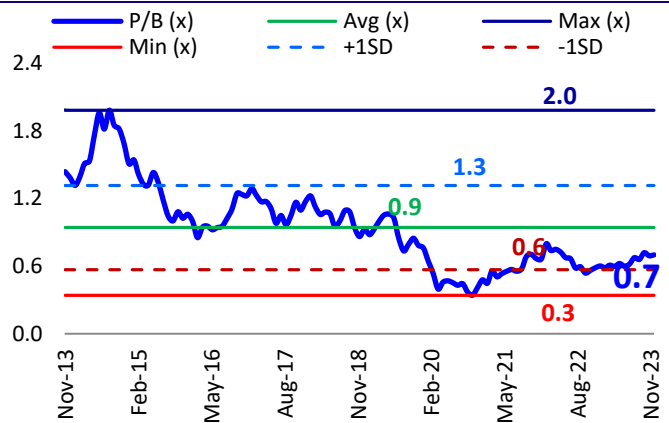
Source: Company, MOFSL

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	6,376	6,872
Change (%)	11.2	25.2	-6.3	-15.2	47.5	28.8	-6.9	7.8
EBITDA	644	840	611	566	858	857	1,097	1,085
Margin (%)	17.8	18.5	14.4	15.7	16.1	12.5	17.2	15.8
Depreciation	306	329	357	327	328	347	328	364
EBIT	338	511	255	239	530	510	769	721
Int. and Finance Charges	50	58	75	51	57	79	84	79
Other Income	75	77	91	93	74	81	84	81
PBT bef. EO Exp.	362	530	271	282	547	512	769	722
EO Items	2	-16	-90	9	-21	-81	0	0
PBT after EO Exp.	365	514	180	291	526	430	769	722
Total Tax	131	209	75	88	48	103	194	182
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	0
Reported PAT	261	339	115	213	493	328	576	540
Adjusted PAT	259	349	167	207	414	390	576	540
Change (%)	-9.9	34.6	-52.1	23.8	99.8	-5.8	47.7	-6.2
Margin (%)	7.2	7.7	3.9	5.7	7.8	5.7	9.0	7.9

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	3,112	3,419
Net Worth	2,028	2,155	2,051	2,210	2,595	2,806	3,175	3,482
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	4,776	4,753
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
Net Fixed Assets	2,093	2,156	2,289	2,293	2,422	2,378	2,116	1,847
Goodwill on Consolidation	142	141	142	135	112	120	120	120
Capital WIP	207	298	458	629	715	740	974	1,179
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	1,846	1,966
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	216
Cash and Bank Balance	51	48	96	72	68	291	307	337
Cash	25	38	48	40	54	26	42	72
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	1,478	1,557
Account Payables	694	853	987	1,045	1,131	1,063	1,021	1,101
Net Current Assets	58	77	-132	-90	-17	165	368	409
Appl. of Funds	3,568	3,803	3,713	3,951	4,260	4,602	4,776	4,753

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	44.9	42.1
Cash EPS	44.0	52.8	40.8	41.6	57.8	57.4	70.4	70.4
BV/Share	158.0	167.9	159.8	172.2	202.2	218.7	247.4	271.3
DPS	6.6	6.9	5.8	3.6	10.5	11.3	16.1	18.2
Payout (%)	38.0	31.3	77.7	21.6	27.3	44.0	36.0	43.2
Valuation (x)								
P/E	9.9	7.3	15.3	12.4	6.2	6.6	4.4	4.7
Cash P/E	4.5	3.8	4.9	4.8	3.5	3.5	2.8	2.8
P/BV	1.3	1.2	1.2	1.2	1.0	0.9	0.8	0.7
EV/Sales	1.0	0.8	0.8	1.0	0.7	0.5	0.5	0.4
EV/EBITDA	5.4	4.2	5.7	6.3	4.2	4.2	3.1	2.8
Dividend Yield (%)	3.3	3.4	2.9	1.8	5.3	5.6	8.1	9.1
FCF per share	22.6	27.8	22.4	11.8	35.0	37.2	39.0	52.4
Return Ratios (%)								
RoE	13.0	16.7	8.0	9.7	17.2	14.4	19.2	16.2
RoCE	9.2	11.3	6.4	7.3	15.7	11.6	15.2	14.1
RoIC	9.1	11.3	5.6	6.4	17.7	13.9	21.0	21.0
Working Capital Ratios								
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
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	9.2	9.1
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	769	722
Depreciation	231	237	266	255	269	246	328	364
Interest expense	49	58	75	51	57	79	84	79
(Inc)/Dec in WC	3	-98	127	-39	37	83	-187	-11
Others	1	22	148	-21	12	157	0	0
CF from Operating incl EO	568	615	706	472	780	842	800	972
(Inc)/Dec in FA	-277	-258	-419	-321	-331	-365	-300	-300
Free Cash Flow	291	357	287	151	449	478	500	672
(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	-207	-233
Others	-30	-39	-86	-111	-102	-136	-84	-79
CF from Fin. Activity	99	-233	-161	-89	-361	-138	-485	-642
Inc/Dec of Cash	7	13	10	-8	14	-28	16	30
Opening Balance	18	25	38	48	40	54	26	42
Closing Balance	25	38	48	40	54	26	42	72

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

NOTES

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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