

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR306

TP: IN360 (+18%)

Buy

KG-98/2 to drive medium-term volumes

	ONGC IN
Bloomberg Equity Shares (m)	12580
M.Cap.(INRb)/(USD\$b)	3850.8 / 45.9
52-Week Range (INR)	345 / 172
1, 6, 12 Rel. Per (%)	8/3/54
12M Avg Val (INR M)	4683

Financials & Valuations (consol) (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	6,430.4	6,424.0	6,650.8
EBITDA	1,086.5	1,135.3	1,230.3
Adj. PAT	583.0	602.6	674.1
Adj. EPS (INR)	46.3	47.9	53.6
EPS Gr. (%)	44.9	3.4	11.9
BV/Sh.(INR)	262.7	297.9	335.8

Ratios

Net D:E	0.2	0.1	0.0
RoE (%)	18.8	16.8	16.6
RoCE (%)	14.6	13.9	14.5
Payout (%)	27.5	25.0	27.8

Valuations

P/E (x)	6.6	6.4	5.7
P/BV (x)	1.2	1.0	0.9
EV/EBITDA (x)	4.4	3.8	3.1
Div. Yield (%)	4.0	3.8	4.8
FCF Yield (%)	15.7	17.5	20.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.9	58.9	58.9
DII	29.1	29.2	30.1
FII	8.6	8.9	8.1
Others	3.5	3.1	2.9

FII Includes depository receipts

- ONGC's reported EBITDA stood at INR186.2b (-4% YoY) in 1QFY25, in line with our estimate. PAT was 9% below our estimate, mainly due to higher depreciation and dry well write-offs, and lower other income QoQ.
- ONGC management expects total crude oil/gas production volume (incl. JV) to rise by 12%/27% to 23.1mmt/25.9mmt by FY27, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 4QFY25, is expected to ramp up to 6mmscmd by FY25 end, while oil production could ramp up to 30,000bopd by 4QFY25. ONGC expects capex to normalize at INR300b in FY25/FY26.
- Other key takeaways from the conference call:
 - Daman upside project would be completed by Oct'26 and KG98/2 in FY25. Mozambique field is also expected to resume by Jan'25.
 - Total gas production volumes are expected to go up to 6mmscmd by Mar'25 end (currently at 2.4mmscmd), led by six more wells by Mar'25.
 - OVL's cost has declined significantly since the royalty for the block in Columbia has shifted from 'Royalty in Cash' to 'Royalty in Kind' structure.
- We cut our domestic production assumptions for FY25/FY26 by 2%/2.5%. Considering the weak 1Q performance by MRPL and HPCL, we reduce our FY25/FY26 consolidated PAT estimates by 5%/4%, as we had trimmed HPCL's FY25E EBITDA/PAT by 23%/35%, conservatively accounting for LPG under recoveries. We value the standalone business at 8x FY26E adj. EPS of INR32 and add the value of investments to arrive at a TP of INR360, implying 18% potential upside. **We reiterate our BUY rating on the stock.**

EBITDA in line; but PAT miss due to higher dry well write-offs and lower sequential other income

- In 1QFY25, crude oil sales came in 5% below our estimate at 4.6mmt, while gas sales came in line at 3.8bcm. VAP sales stood at 629tmt (est. 836tmt).
- Crude oil production (incl. JVs) stood at 5.24mmt, down 1% YoY.
- Gas production (incl. JVs) stood at 5bcm, down 4% YoY.
- Reported oil realization was in line with our est. at USD83.1/bbl (+9% YoY).
- EBITDA came in line with our est. at INR186.2b (-4% YoY), while PAT of INR89.4b was 9% below our est. of INR98.3b.
- The PAT miss was led by higher-than-expected depreciation and dry well write-offs, and lower other income QoQ.
- OVL's oil production increased by 1% QoQ to 1.79mmt, while gas production was 0.722bcm (-14% QoQ).
- Crude oil sales stood at 1.18mmt (-4% YoY), while gas sales came in at 0.485bcm (-14% YoY).
- OVL's revenue was INR24.8b (+5% YoY). PBDT stood at INR11.7b (+38% YoY).
- ONGC announced five hydrocarbon discoveries to date. It has submitted a field development plan to DGH for monetization of the Hatta Discovery Vindhyan Basin, Madhya Pradesh.

Valuation and view

- ONGC has guided for 12%/27% growth in crude oil/gas production volume 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 3.3x FY26E EV/EBITDA (SA) and 8.2x FY26E P/E (SA). We value the company at 8x FY26E adj. EPS of INR32 and add the value of investments to arrive at our TP of INR360 (18% upside potential). **We reiterate our BUY rating** on the stock.

Standalone - Quarterly Earning Model

Y/E March	FY24				FY25				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	338.1	351.6	347.9	346.4	352.7	364.4	353.5	355.5	1,384.0	1,426.1
YoY Change (%)	-20.1	-8.2	-9.8	-4.6	4.3	7.8	0.5	2.2	-11.0	3.0
EBITDA	194.5	183.6	171.6	174.1	186.2	200.1	206.1	206.2	723.8	798.5
Margin (%)	57.5	52.2	49.3	50.3	52.8	54.9	58.3	58.0	52.3	56.0
Depreciation	67.0	59.6	69.3	71.9	75.4	73.9	75.0	75.5	260.6	299.8
Interest	10.1	10.2	10.2	10.3	11.8	14.6	14.6	17.3	40.8	58.3
Other Income	16.1	20.9	34.0	36.8	20.6	24.1	24.1	27.7	107.8	96.6
PBT before EO expense	133.6	134.7	126.1	128.6	119.6	135.7	140.6	141.1	530.2	537.0
Extra-Ord expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	133.6	134.7	126.1	128.6	119.6	135.7	140.6	141.1	530.2	537.0
Tax	33.5	32.6	27.2	29.9	30.2	34.2	35.4	35.5	124.9	135.3
Rate (%)	25.0	24.2	21.6	23.3	25.2	25.2	25.2	25.2	23.6	25.2
Reported PAT	100.2	102.2	98.9	98.7	89.4	101.6	105.2	105.6	405.3	401.8
Adj PAT	100.2	102.2	98.9	98.7	89.4	101.6	105.2	105.6	399.9	401.8
YoY Change (%)	-34.1	-20.3	-10.4	41.9	-10.8	-0.6	6.4	7.0	-13.1	0.5
Margin (%)	29.6	29.1	28.4	28.5	25.3	27.9	29.8	29.7	28.9	28.2
Key Assumptions (USD/bbl)										
Oil Realization (pre windfall tax)	76.5	84.8	81.1	80.8	83.1	75.0	75.0	75.0	80.8	77.0
Crude Oil Sold (mmt)	4.7	4.7	4.7	4.7	4.6	4.9	4.9	4.9	18.8	19
Gas Sold (bcm)	4.1	4.0	4.0	3.8	3.8	4.1	4.1	4.1	15.9	16
VAP Sold (tmt)	589	651	573	622	629	836	836	836	2,435	3,138

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	78.7	75.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.1	21.4	22.2
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	22.0	24.6
Domestic Production (mmtoe)	50.0	48.3	45.3	43.4	42.8	41.8	43.4	46.8
OVL Production (mmtoe)	14.8	14.7	13.0	12.3	9.8	10.5	11.4	11.8
Group Production (mmtoe)	64.9	62.9	58.4	55.7	52.6	52.3	54.7	58.6
Oil Price Realization (USD/bbl)								
Gross	68.9	58.8	42.8	76.4	92.1	80.8	78.3	75.0
Windfall tax	0.0	0.0	0.0	0.0	13.0	10.4	5.2	2.0
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	47.9	53.6



Highlights from the management commentary

1QFY25 Performance

- PAT was down by INR15.9b YoY (down 15% YoY) due to:
 - Lower sales revenue primarily due to lower natural gas realizations
 - Increase in exploration write-offs (increase in unsuccessful wells) and increase in depletion (western offshore – INR215cr).
- The increase in statutory levies to INR97.7b (up 31% YoY) was mainly driven by 3x increase in SAED to INR28.3b.
- The increase in DD&I costs was due to higher depletion expenditure at Western Offshore (INR7.5b) and higher depreciation (INR2.5b) at Western Offshore.
- Unsuccessful explorations at Western Offshore and Trinidad Basin led to INR6.3b YoY increase in exploration costs.

Current gas production field-wise breakup (total: 2.4mmscmd):

- KG 98/2: 1.6mmscmd
- G-1: 0.5mmscmd
- Vashishta: 0.2mmscmd
- Others: 0.1mmscmd

KG-98/2

- Crude oil production has commenced from KG98/2. Crude Oil/Gas production to increase in 3Q/4QFY25, respectively.
- Current production: Oil: 12kb/d from 4 active wells, Gas: ~1.5-1.6mmscmd.
- Crude oil production to ramp up to 30kb/d in 2HFY25, post opening of the fifth well in Aug'24.
- Gas production to increase to 2.6mmscmd from Sep'24.
- As on date, INR300b capex has been incurred at KG 98/2.

OVL

- OVL is generating sufficient revenue and cash flows to support its operations.
- Costs have reduced significantly since the royalty for the block in Columbia has shifted from 'Royalty in Cash' to 'Royalty in Kind' structure. Hence, revenue and operating expenses both decreased.

Opal

- ONGC is waiting for some government clearances and is hoping to get a positive response from the government soon.
- Opal made positive EBITDA of INR290m in 1QFY25 (FY24: Loss INR5b). Net loss stood at INR9.8b (vs. net loss of INR34.6b in FY24).
- Utilizations stood at 92% in FY24 and 89% in 1QFY25.

Management Guidance:

- W.r.t. crude oil, 12% growth is expected over two years.
- FY25/26/27 production targets for ONGC standalone at 20.5/20.72/21.87mmt and for JVs at 1.71/1.45/1.21mmt.
- W.r.t. gas, 27% growth is expected over two years.

- FY25/26/27 production targets for ONGC standalone at 20.95/23.83/25.49bcm, and for JVs at 0.53/0.42mmt (FY26/27).
- Total gas production volumes to go up to 6mmscmd by Mar'25end (currently at 2.4mmscmd). This growth is led by 6 more wells by Mar'25.
- OVL: FY25 production target is 11mmt (10.518mmt in FY24). 1QFY25 production stood in line with the target.
- Capex guidance:
- Standalone: FY25/FY26: INR300b for both years (excl. green energy investments).
- OVL: The capex target is INR56b, which may increase to INR25-30b if Mozambique is included.

Update on ongoing projects:

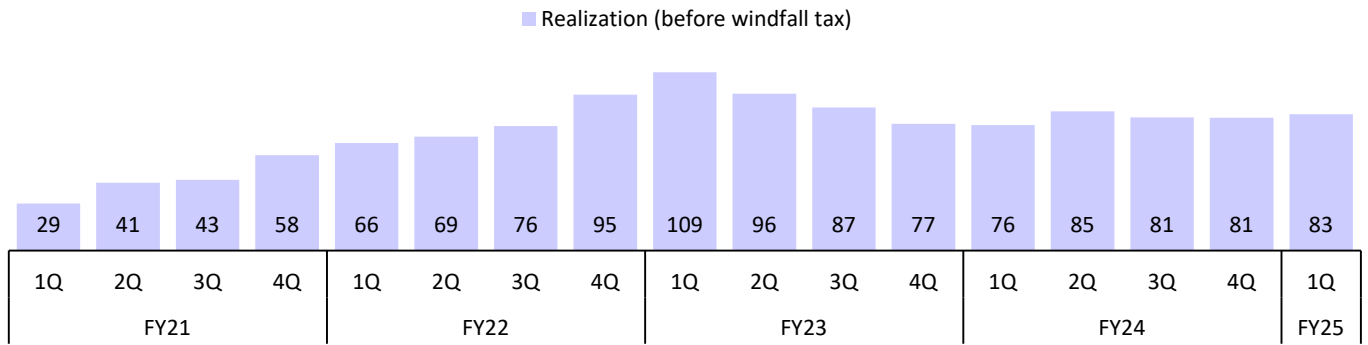
- Daman upside project shall be completed by Oct'26.
- KG98/2 shall be completed in FY25.
- Mumbai High North redevelopment phase 4 will take 3 years.
- Redevelopment of Lynch, Subhashan, Kallol, would also take another 3 years.
- Becharaji project would take 2 years.

Other KTA's

- Field Development Program: It is for a remote onshore field. ONGC has tied up with IOCL for the transportation of LNG from this area. The project is commercially viable.
- Update on Mozambique field: Total Energy said that all things have been settled with the contractor. However, it is waiting for the elections to get over. ONGC management also mentioned that there is a 1 year delay and Mozambique is expected to resume in Jan'25.
- Higher gas realization from nominated blocks: ONGC expects it will be able to get 20% additional price from wells, as it is already notified and only the calculation is pending.
- Production-to-sales ratio: The new production at East Coast will be going to FPSO. Increase in oil and gas production and sales go hand in hand.
- No windfall tax is anticipated on KG98/2.

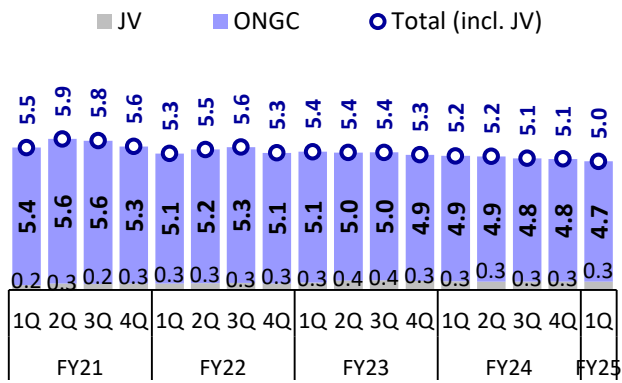
Story in charts

Exhibit 1: Oil price realization (USD/bbl)



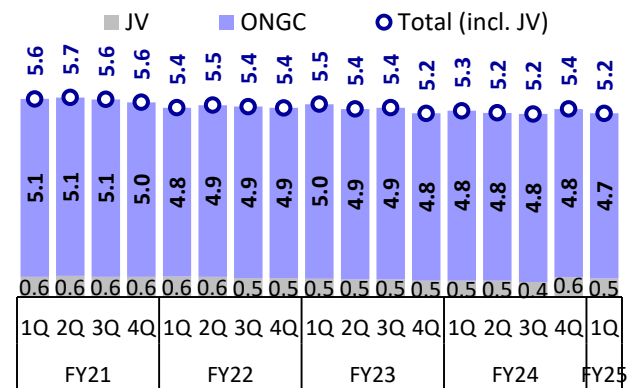
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



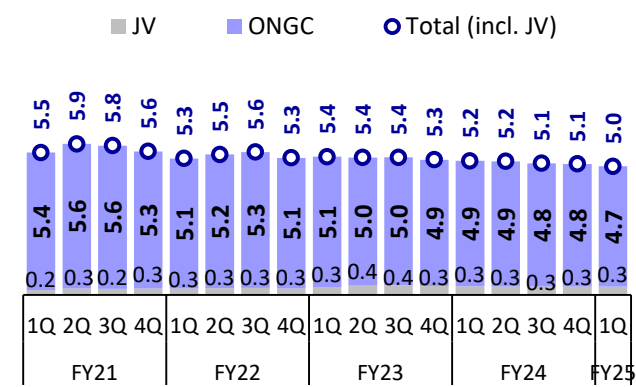
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



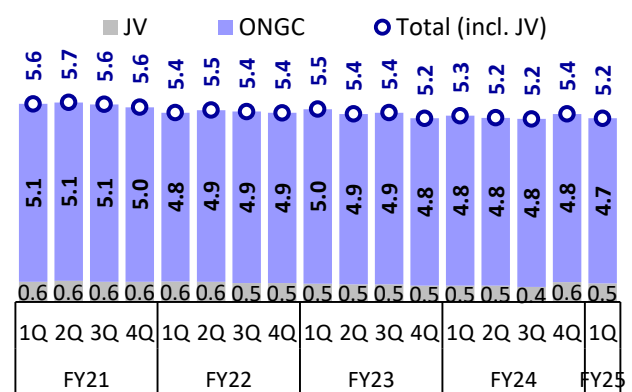
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



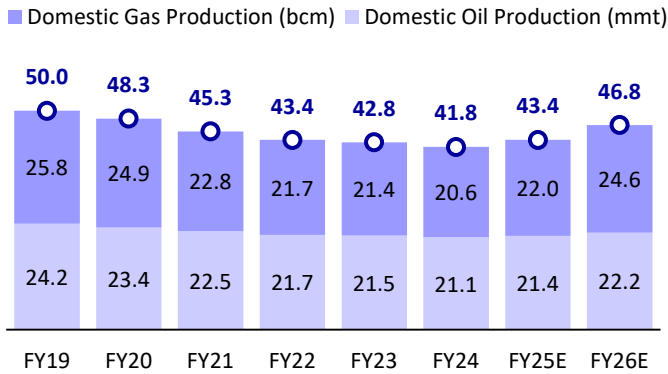
Source: Company, MOFSL

Exhibit 5: Gas sales (bcm)



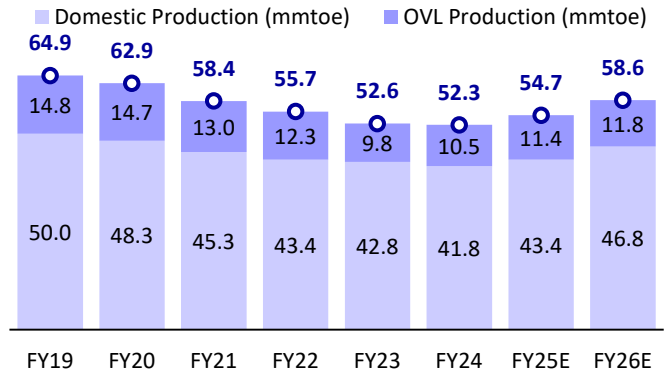
Source: Company, MOFSL

Exhibit 6: Oil/Gas production to increase



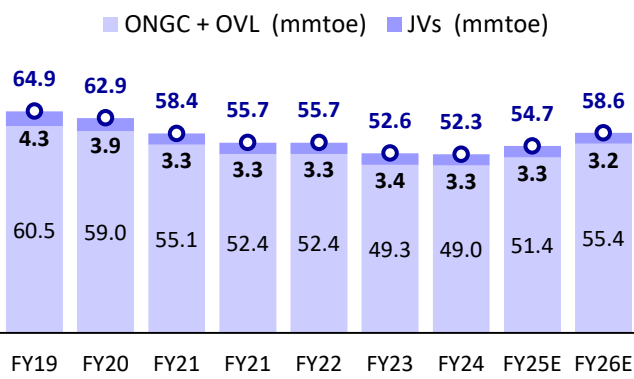
Source: Company, MOFSL

Exhibit 7: OVL production to increase



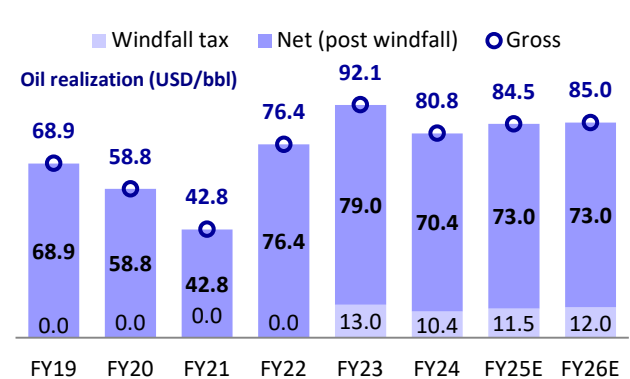
Source: Company, MOFSL

Exhibit 8: JV contribution to decline marginally



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	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	4,537	4,250	3,606	5,318	6,848	6,430	6,424	6,651
Change (%)	25.2	-6.3	-15.2	47.5	28.8	-6.1	-0.1	3.5
EBITDA	840	611	566	858	857	1,086	1,135	1,230
Margin (%)	18.5	14.4	15.7	16.1	12.5	16.9	17.7	18.5
Depreciation	329	357	327	328	330	346	379	401
EBIT	511	255	239	530	527	741	756	829
Int. and Finance Charges	58	75	51	57	79	102	87	61
Other Income	77	91	93	74	81	122	103	100
PBT bef. EO Exp.	530	271	282	547	528	761	773	868
EO Items	-16	-90	9	-21	-81	-16	0	0
PBT after EO Exp.	514	180	291	526	447	745	773	868
Total Tax	209	75	88	48	107	198	195	218
Tax Rate (%)	40.7	41.6	30.1	9.1	23.9	26.5	25.2	25.2
Share of associates/JVs/Minority int	-34	-9	-10	-15	0	-24	-24	-25
Reported PAT	339	115	213	493	340	571	603	674
Adjusted PAT	349	167	207	414	402	583	603	674
Change (%)	34.6	-52.1	23.8	99.8	-2.7	44.9	3.4	11.9
Margin (%)	7.7	3.9	5.7	7.8	5.9	9.1	9.4	10.1

Consolidated - Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	63	63	63	63	63	63	63	63
Total Reserves	2,092	1,988	2,147	2,532	2,765	3,308	3,760	4,247
Net Worth	2,155	2,051	2,210	2,595	2,828	3,371	3,823	4,309
Minority Interest	183	184	216	238	206	280	280	280
Total Loans	1,015	1,044	1,098	1,078	1,292	1,198	838	587
Deferred Tax Liabilities	450	434	427	349	304	368	368	368
Capital Employed	3,803	3,713	3,951	4,260	4,630	5,216	5,309	5,544
Gross Block	3,983	4,382	4,642	5,039	5,241	6,000	6,091	6,180
Less: Accum. Deprn.	1,827	2,093	2,348	2,617	2,863	3,151	3,554	3,963
Net Fixed Assets	2,156	2,289	2,293	2,422	2,378	2,850	2,537	2,217
Goodwill on Consolidation	141	142	135	112	120	121	121	121
Capital WIP	298	458	629	715	960	920	1,204	1,472
Exploratory wells under progress	392	380	374	352	205	240	240	240
Total Investments	738	575	609	677	799	1,036	1,036	1,036
Curr. Assets, Loans&Adv.	1,252	1,229	1,365	1,544	1,694	1,921	1,928	2,256
Others	632	642	626	686	712	770	788	806
Inventory	351	331	446	542	442	523	426	437
Account Receivables	175	115	186	217	214	223	218	226
Cash and Bank Balance	48	96	72	68	291	367	457	749
Cash	38	48	40	54	26	41	132	424
Bank Balance	10	49	32	14	265	326	326	326
Loans and Advances	46	44	36	31	34	39	39	39
Curr. Liability & Prov.	1,175	1,360	1,454	1,561	1,526	1,872	1,757	1,799
Account Payables	853	987	1,045	1,131	1,069	1,296	1,181	1,223
Net Current Assets	77	-132	-90	-17	168	49	171	458
Appl. of Funds	3,803	3,713	3,951	4,260	4,630	5,216	5,309	5,544

Financials and Valuations (consol)

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	27.7	13.3	16.5	32.9	32.0	46.3	47.9	53.6
Cash EPS	52.8	40.8	41.6	57.8	57.1	72.4	76.5	83.8
BV/Share	167.9	159.8	172.2	202.2	220.3	262.7	297.9	335.8
DPS	6.9	5.8	3.6	10.5	11.3	12.3	11.7	14.6
Payout (%)	31.3	77.7	21.6	27.3	42.4	27.5	25.0	27.8
Valuation (x)								
P/E	11.0	23.0	18.6	9.3	9.6	6.6	6.4	5.7
Cash P/E	5.8	7.5	7.4	5.3	5.4	4.2	4.0	3.7
P/BV	1.8	1.9	1.8	1.5	1.4	1.2	1.0	0.9
EV/Sales	1.1	1.1	1.4	0.9	0.7	0.7	0.7	0.6
EV/EBITDA	5.8	8.0	8.8	5.8	5.8	4.4	3.8	3.1
Dividend Yield (%)	2.2	1.9	1.2	3.4	3.7	4.0	3.8	4.8
FCF per share	27.8	22.4	11.8	35.0	37.2	48.0	53.5	61.7
Return Ratios (%)								
RoE	16.7	8.0	9.7	17.2	14.8	18.8	16.8	16.6
RoCE	11.3	6.4	7.3	15.7	11.9	14.6	13.9	14.5
RoIC	11.3	5.6	6.4	17.7	14.9	19.9	20.6	25.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.0	0.8	1.1	1.3	1.1	1.1	1.1
Asset Turnover (x)	1.2	1.1	0.9	1.2	1.5	1.2	1.2	1.2
Inventory (Days)	28	28	45	37	24	30	24	24
Debtor (Days)	14	10	19	15	11	13	12	12
Creditor (Days)	69	85	106	78	57	74	67	67
Leverage Ratio (x)								
Current Ratio	1.1	0.9	0.9	1.0	1.1	1.0	1.1	1.3
Interest Cover Ratio	8.8	3.4	4.7	9.3	6.7	7.3	8.7	13.7
Net Debt/Equity	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	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	548	190	301	541	447	769	773	868
Depreciation	237	266	255	269	246	288	379	401
Interest expense	58	75	51	57	79	102	87	61
(Inc)/Dec in WC	-98	127	-39	37	87	1	-31	5
Others	22	148	-21	12	157	-21	24	25
CF from Operating incl EO	615	706	472	780	861	993	1,037	1,141
(Inc)/Dec in FA	-258	-419	-321	-331	-384	-377	-350	-350
Free Cash Flow	357	287	151	449	477	616	687	791
(Pur)/Sale of Investments	-9	-18	-12	-12	-28	-22	0	0
Others	-102	-99	-59	-61	-339	-174	0	0
CF from Investments	-368	-535	-391	-405	-751	-573	-350	-350
Issue of Shares	-40	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-31	24	53	-130	174	-154	-359	-251
Dividend Paid	-122	-99	-31	-129	-176	-129	-151	-187
Others	-39	-86	-111	-102	-136	-122	-87	-61
CF from Fin. Activity	-233	-161	-89	-361	-138	-405	-596	-499
Inc/Dec of Cash	13	10	-8	14	-28	15	90	292
Opening Balance	25	38	48	40	54	26	41	132
Closing Balance	38	48	40	54	26	41	132	424

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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