

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USDb)	3002.5 / 34.3
52-Week Range (INR)	345 / 205
1, 6, 12 Rel. Per (%)	11/-/31
12M Avg Val (INR M)	3709

Financials & Valuations (consol) (INR b)			
Y/E March	FY25	FY26E	FY27E
Sales	6,633	5,562	5,447
EBITDA	989	997	990
Adj. PAT	384	355	374
Adj. EPS (INR)	31	28	30
EPS Gr. (%)	(32)	(8)	5
BV/Sh.(INR)	268	286	306
Ratios			
Net D:E	0.4	0.3	0.1
RoE (%)	11.3	10.0	9.8
RoCE (%)	9.7	10.1	10.0
Payout (%)	40.2	34.1	32.1
Valuations			
P/E (x)	7.8	8.5	8.0
P/BV (x)	0.9	0.8	0.8
EV/EBITDA (x)	4.4	4.0	3.6
Div. Yield (%)	5.0	3.9	3.9
FCF Yield (%)	16.4	20.3	21.9

Shareholding pattern (%)			
As On	Jun-25	Mar-25	Jun-24
Promoter	58.9	58.9	58.9
DII	30.1	30.2	29.1
FII	7.1	7.1	8.6
Others	3.9	3.8	3.5

FII Includes depository receipts

CMP: INR239 TP: INR230 (-4%) Downgrade to Neutral

Volume guidance cut, price outlook muted

- ONGC's 1QFY26 revenue came in 5% above our est. at INR320b. Crude oil/gas sales were in line with our est. at 4.7mmt/3.9bcm. VAP sales stood at 616tmt (est. 633tmt). Reported oil realization was USD66.1/bbl, representing a USD0.9/bb discount to Brent during the quarter. EBITDAX also stood 12% above our est. at INR186.6b, while PAT of INR80.2b was 4% above our est. DDA, dry well write-offs, and survey costs stood above estimates, while other income came in below estimate, impacting profitability.
- Upstream has remained our least preferred sector since Jun'24: We have been bearish on crude oil prices since Jun'24 when Brent oil prices were USD83/bbl amid record-high OPEC+ spare capacity ([Oil price outlook: Has the crude oil party peaked?](#)). Since then, Brent prices have corrected 23%, while ONGC's stock price has corrected 13%. In the past few quarters, strong volume growth guidance by ONGC, after years of under-investment and sluggish volume trajectory, has fueled investor enthusiasm in upstream stocks. While we have had a BUY rating on ONGC, upstream has been our least preferred sector ([Upstream remains our relatively less preferred sector despite cheap valuations](#)).
- In the past few quarters, ONGC has struggled to raise production/sales, with no YoY production/sales growth in 1Q.
- Cut FY26/FY27 SA earnings estimates by 6%/11%; higher gas realization argument under pressure: Given continued weak volume growth, we cut our FY26/FY27 SA EPS estimates for ONGC by 6%/11%. While we like increased exploration intensity (which is key to building a robust development pipeline), we believe this will likely be accompanied by higher dry well write-offs, which will weigh on earnings.
- Benefits of increased new well gas proportion for ONGC will be mostly offset by subdued gas realization amid a weaker crude oil price outlook.
- On our revised estimates, ONGC is estimated to report SA PAT CAGR of -8% over FY25-27. Given a sluggish earnings outlook, we cut FY27 PE multiple to 6x. Our SA PAT estimates for ONGC are 14%/22% below Street estimates for FY26/FY27.
- Oil prices may remain under pressure amid record-high OPEC+ spare capacity: Current OPEC+ spare capacity is 4.6mb/d, which is at a multi-year high. OPEC+ has already accelerated the unwinding of 2.2mb/d spare capacity in a bid to increase its market share. Further, tariff-related uncertainty can lead to world GDP growth, and therefore oil demand has been under continued pressure.
- Lastly, a weaker oil price outlook also raises risks of further impairments, especially for ONGC's overseas assets.
- Key risks/monitorables to watch out for:
- While we build in a crude oil price of USD65/bbl in FY26/FY27, downside risks to crude oil price remain elevated.
- Cut to Street earnings estimates as ONGC SA guides for 5% volume CAGR over FY25-27, which we believe is aggressive.
- Considering the above factors, we downgrade ONGC to Neutral. We arrive at our SoTP-based TP of INR230 as we model a CAGR of 2%/4% in oil/gas production volume over FY25-27.

Key takeaways from the conference call

- FY26 SA production guidance: 19.93mmt/20.11mmtoe for oil/gas. FY27 SA production guidance: 21mmt/21.487mmtoe **for oil/gas**
- Current NW gas is ~2.6bcm (13-14%). In FY27, NW gas shall be ~4.8+bcm (24-25%).
- KG-98/2 production (both oil and gas) should ramp up from Jan-Feb'26, and gas production should ramp up to **6-7mmscmd by FY26 end**.
- **ONGC BP contract:** Teams are working and **tangible production output should be visible from 4QFY26.**

EBITDAX beats estimates; high DDA drags PAT

- In 1QFY26, ONGC's revenue came in 5% above our est. at INR320b.
- Crude oil/gas sales were in line with our est. at 4.7mmt/3.9bcm. VAP sales stood at 616tmt (est. 633tmt).
- Reported oil realization was USD66.1/bbl, at a USD0.9/bb discount to Brent during the quarter.
- Crude oil and natural gas production was flat QoQ/YoY.
- EBITDAX also stood 12% above our est. at INR186.6b, while PAT of INR80.2b was 4% above our est.
- DDA, dry well write-offs, and survey costs stood above estimate, while other income came in below estimate, impacting profitability.
- **ONGC Videsh Limited**
- OVL's oil production was marginally down YoY at 1.75mmt, while gas production was 0.7bcm (similar YoY).
- Crude oil sales stood at 1.17mmt, while gas sales came in at 0.43bcm (down YoY).
- OVL's revenue was INR24.5b, and PBDT stood at INR4.5b.

Valuation and view

- In the past few quarters, ONGC has struggled to raise production/sales, with no meaningful production/sales growth YoY of 1Q. Further, we like the increased exploration intensity (which is key to building a robust development pipeline), though we believe it will likely be accompanied by higher dry well write-offs, which will weigh on earnings. Also, the benefits of increased new well gas proportion for ONGC will be mostly offset by subdued gas realization amid a weaker crude oil price outlook.
- Given continued weak volume growth, we cut our FY26/FY27 SA EPS estimates for ONGC by 6%/11%. On our revised estimates, ONGC will report SA PAT CAGR of -8% over FY25-27. Given a sluggish earnings outlook, we cut FY27 PE multiple to 6x. Owing to the above factors, **we downgrade ONGC to Neutral**. We arrive at our SoTP-based TP of INR230 as we model a CAGR of 2%/4% in oil/gas production volume growth over FY25-27.

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY25				FY26E				FY25	FY26
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	352.7	338.8	337.2	349.8	320.0	309.6	317.6	318.3	1,378.5	1,265.5
YoY Change (%)	4.3	0.2	-4.1	0.6	-7.6	-12.2	-6.3	-5.6	-0.4	-8.2
Total Expenditure	165.2	156.4	146.6	159.7	133.5	139.5	143.5	148.9	626.4	565.3
EBITDAX	187.5	182.4	190.6	190.1	186.6	170.1	174.1	169.4	752.1	700.2
Margin (%)	53.2	53.8	56.5	54.3	58.3	54.9	54.8	53.2	54.6	55.3
Depreciation	75.4	68.1	87.0	111.3	80.0	83.2	88.3	105.5	341.8	357.0
Interest	11.8	11.6	10.7	11.9	11.2	10.8	10.0	10.9	46.0	42.9
Other Income	19.3	47.7	17.2	20.7	12.1	47.2	17.1	27.5	104.8	103.9
PBT	119.6	150.4	110.0	87.7	107.4	123.4	92.9	80.5	469.1	404.2
Tax	30.2	30.5	27.6	23.2	27.2	31.1	23.4	20.3	111.5	101.9
Rate (%)	25.2	20.3	25.1	26.5	25.3	25.2	25.2	25.2	23.8	25.2
Reported PAT	89.4	119.8	82.4	64.5	80.2	92.3	69.5	60.2	357.6	302.3
Key Assumptions (USD/bbl)										
Oil Realization (pre windfall tax)	83.1	78.3	72.6	73.7	66.1	65.0	65.0	65.0	76.9	72.7
Crude Oil Sold (mmt)	4.6	4.6	4.7	4.8	4.7	4.7	4.9	4.9	19	19
Gas Sold (bcm)	3.8	3.9	3.9	3.9	3.9	4.0	4.0	4.0	16	16
VAP Sold (tmt)	629	608	649	645	616	682	682	682	2,531	2,518

Major Assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	86.0	86.2
APM Gas Price (USD/mmBtu)	3.5	3.8	2.3	2.6	7.3	6.6	6.5	6.9	7.5
Brent crude price (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	65.4	65.0
Production Details (mmtoe)									
Domestic Oil Production (mmt)	24.2	23.4	22.5	21.7	21.5	21.2	20.9	21.4	21.8
Domestic Gas Production (bcm)	25.8	24.9	22.8	21.7	21.4	20.6	20.2	20.9	21.9
Domestic Production (mmtoe)	50.0	48.3	45.3	43.4	42.8	41.8	41.1	42.3	43.6
OVL Production (mmtoe)	14.8	14.7	13.0	12.3	9.8	10.5	10.3	11.3	11.8
Group Production (mmtoe)	64.9	62.9	58.4	55.7	52.6	52.3	51.4	53.6	55.4
Oil Price Realization (USD/bbl)									
Gross	68.9	58.8	42.8	76.4	92.1	80.8	76.9	65.3	65.0
Net	68.9	58.8	42.8	76.4	79.0	70.4	71.5	62.9	65.0
Consolidated EPS	27.7	13.3	16.5	32.9	32.0	44.9	30.6	28.2	29.7



Highlights from the management commentary

Production growth:

- FY26 SA production guidance: 19.93mmmt/20.11mmtoe oil/gas. FY27 SA production guidance: 21mmmt/21.487mmtoe for oil/gas (guidance downgraded).
- Guidance given on previous call: FY26 SA production guidance: 21.5mmmt/21mmtoe oil/gas. FY27 SA production guidance: 22mmtoe gas.
- **NW gas**
- Current NW gas is ~2.6bcm (13-14%). In FY27, NW gas shall be ~4.8+bcm (24-25%).

KG-98/2:

- Current production: 30+kb/d oil and 3mmscmd gas.
- Production (both oil and gas) should ramp up from Jan-Feb'26, and gas production should ramp up to 6-7mmscmd by FY26 end.
- The living quarter and platform installation are still pending at KG-98/2 (delayed). This will be completed by Dec'25.
- Peak oil/gas production shall be 45kbpd/10mmscmd.

ONGC BP contract:

- Teams are working and tangible production output should be visible from 4QFY26.

Capex:

- FY26 capex guidance maintained: INR320-350b (INR800-100b exploration, INR150b on infra and INR100b on drilling).

OPAL:

- Ethane usage will start from FY28. ONGC is planning to own ships for transportation of Ethane (cheaper).
- Ethane usage from FY28: 600ktpa
- OPAL was EBITDA positive in 1Q (INR130m). Plant is running at 90% capacity and should end the year on a positive note.
- Interest rate and debt are going down.

OVL:

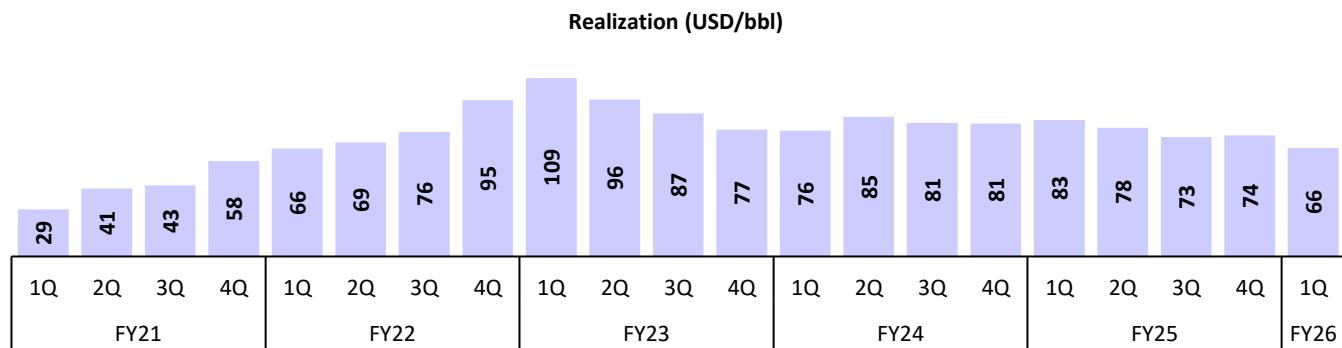
- A change in the accounting method has led to a sharp decline in YoY revenue for OVL. However, OVL is receiving profits via JV.
- In Mozambique, the force majeure can be lifted any day and work has already started there.

Other KTAs:

- Contribution to OPAL in 4Q and a decline in interest rates led to a decline in other income in 1Q.

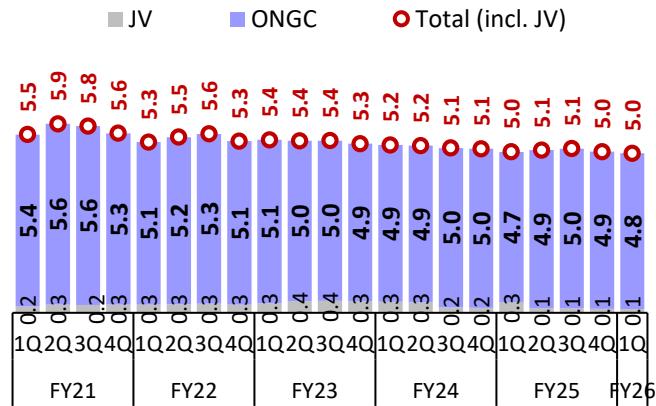
Story in charts

Exhibit 1: Oil price realization (USD/bbl)



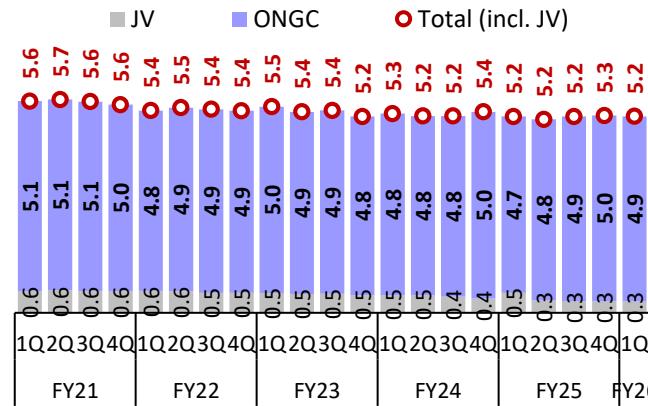
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



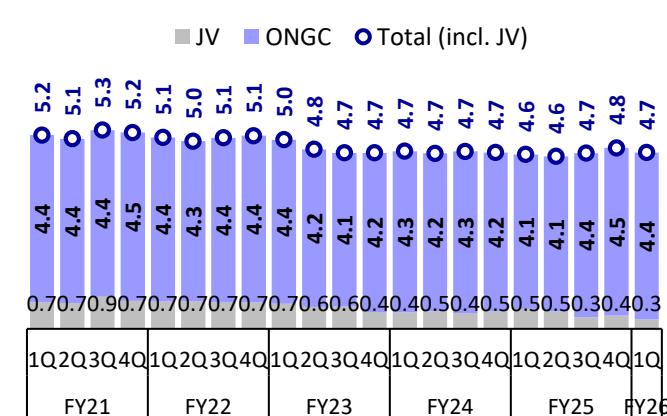
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



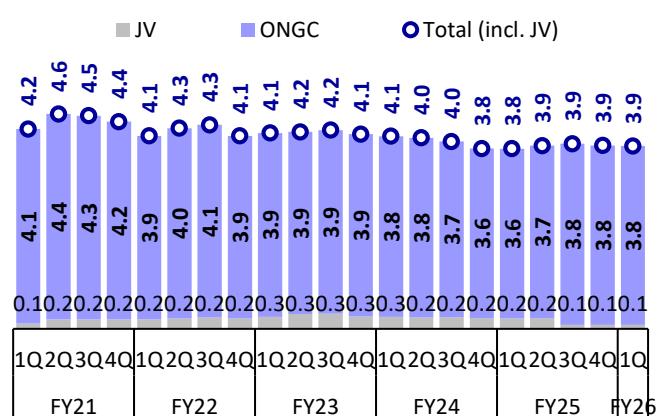
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



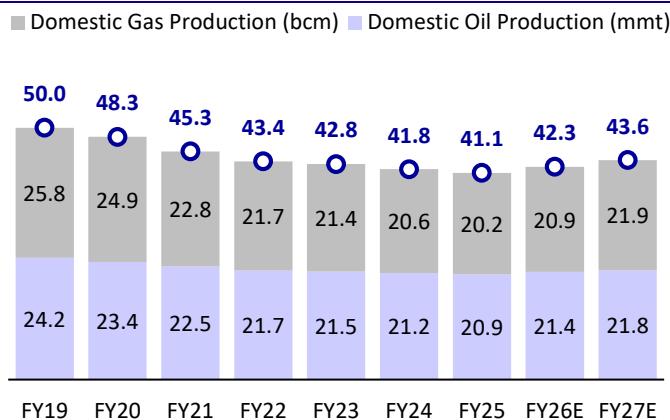
Source: Company, MOFSL

Exhibit 5: Gas sales (bcm)



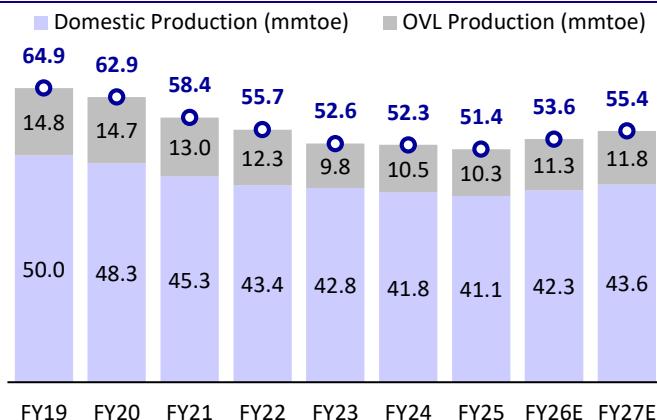
Source: Company, MOFSL

Exhibit 6: Oil/Gas production to increase



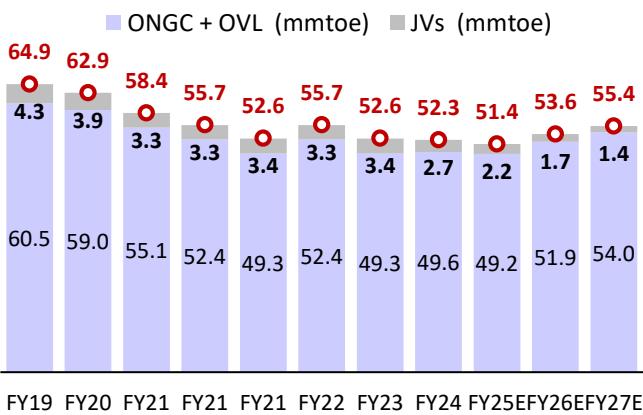
Source: Company, MOFSL

Exhibit 7: OVL production to increase



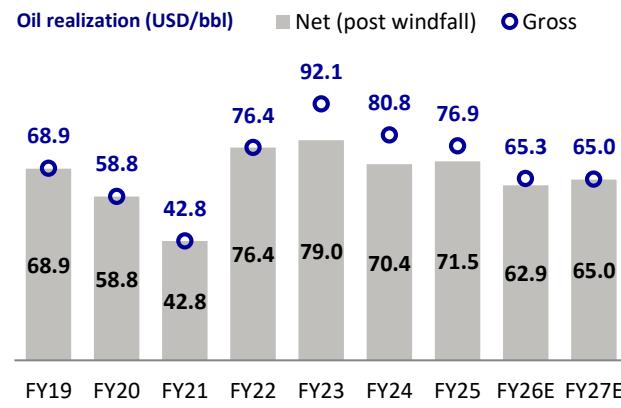
Source: Company, MOFSL

Exhibit 8: JV contribution to decline marginally



Source: Company, MOFSL

Exhibit 9: Realization of ONGC (USD/bbl)



Source: Company, MOFSL

Financials and Valuations (consolidated)

Consolidated - Income Statement (INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	6,848	6,532	6,633	5,562	5,447
Change (%)	28.8	-4.6	1.5	-16.1	-2.1
EBITDAX	857	1,082	989	997	990
Margin (%)	12.5	16.6	14.9	17.9	18.2
Depreciation	330	363	452	452	468
EBIT	527	719	537	546	522
Int. and Finance Charges	79	130	145	111	88
Other Income	81	120	124	112	128
PBT bef. EO Exp.	528	709	515	547	561
EO Items	-81	-16	-2	0	0
PBT after EO Exp.	447	693	514	547	561
Total Tax	107	184	141	134	138
Tax Rate (%)	23.9	26.5	27.4	24.5	24.5
Share of associates/JVs/Minority int	0	-43	-10	58	50
Reported PAT	340	553	383	355	374
Adjusted PAT	402	565	384	355	374
Change (%)	-2.7	40.4	-31.9	-7.7	5.3
Margin (%)	5.9	8.6	5.8	6.4	6.9

Consolidated - Balance Sheet

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	63	63	63	63	63
Total Reserves	2,783	3,328	3,372	3,606	3,859
Net Worth	2,845	3,391	3,434	3,668	3,922
Minority Interest	150	206	308	376	437
Total Loans	1,636	1,577	1,536	1,228	983
Deferred Tax Liabilities	271	318	317	317	317
Capital Employed	4,903	5,492	5,595	5,590	5,658
Gross Block	5,476	6,235	6,779	6,415	6,506
Less: Accum. Deprn.	2,863	3,167	3,519	4,011	4,441
Net Fixed Assets	2,613	3,068	3,260	2,404	2,065
Goodwill on Consolidation	120	121	128	128	128
Capital WIP	957	917	870	1,624	1,845
Exploratory wells under progress	202	240	253	253	253
Total Investments	766	1,022	970	970	970
Curr. Assets, Loans&Adv.	1,711	1,988	2,035	1,912	2,077
Others	713	771	857	880	903
Inventory	460	538	590	472	461
Account Receivables	213	222	236	192	188
Cash and Bank Balance	291	418	272	288	444
Cash	26	41	46	130	347
Bank Balance	265	377	226	158	98
Loans and Advances	34	39	80	80	80
Curr. Liability & Prov.	1,467	1,865	1,922	1,702	1,680
Account Payables	1,009	1,288	1,308	1,088	1,066
Net Current Assets	244	124	113	210	397
Appl. of Funds	4,903	5,492	5,595	5,590	5,658

Financials and Valuations (consolidated)

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	32.0	44.9	30.6	28.2	29.7
Cash EPS	57.1	72.3	65.2	62.9	65.6
BV/Share	221.7	264.2	267.6	285.9	305.6
DPS	11.0	12.0	12.0	9.4	9.3
Payout (%)	41.6	27.9	40.2	34.1	32.1
Valuation (x)					
P/E	7.5	5.3	7.8	8.5	8.0
Cash P/E	4.2	3.3	3.7	3.8	3.6
P/BV	1.1	0.9	0.9	0.8	0.8
EV/Sales	0.6	0.6	0.7	0.7	0.7
EV/EBITDA	5.1	3.9	4.4	4.0	3.6
Dividend Yield (%)	4.6	5.0	5.0	3.9	3.9
FCF per share	37.2	47.5	39.1	48.5	52.3
Return Ratios (%)					
RoE	14.8	18.1	11.3	10.0	9.8
RoCE	11.3	13.1	9.7	10.1	10.0
RoIC	14.1	17.6	11.8	13.3	15.4
Working Capital Ratios					
Fixed Asset Turnover (x)	1.3	1.0	1.0	0.9	0.8
Asset Turnover (x)	1.4	1.2	1.2	1.0	1.0
Inventory (Days)	24	30	32	31	31
Debtor (Days)	11	12	13	13	13
Creditor (Days)	54	72	72	71	71
Leverage Ratio (x)					
Current Ratio	1.2	1.1	1.1	1.1	1.2
Interest Cover Ratio	6.7	5.5	3.7	4.9	5.9
Net Debt/Equity	0.5	0.3	0.4	0.3	0.1

Consolidated - Cash Flow Statement (INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	447	736	524	547	561
Depreciation	246	304	352	452	468
Interest expense	79	130	145	111	88
(Inc)/Dec in WC	87	2	14	-81	-30
Others	157	-39	14	79	71
CF from Operating incl EO	861	988	909	973	1,021
(Inc)/Dec in FA	-384	-379	-407	-350	-350
Free Cash Flow	477	610	502	623	671
(Pur)/Sale of Investments	-28	-22	8	0	0
Others	-339	-174	-31	0	0
CF from Investments	-751	-575	-430	-350	-350
Issue of Shares	0	0	0	0	0
Inc/(Dec) in Debt	174	-112	-74	-307	-246
Dividend Paid	-176	-129	-170	-121	-120
Others	-136	-158	-231	-111	-88
CF from Fin. Activity	-138	-399	-474	-539	-454
Inc/Dec of Cash	-28	15	4	84	217
Opening Balance	54	26	41	46	130
Closing Balance	26	41	46	130	347

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

*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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