

January 20, 2025

SECTOR UPDATE

Oil & Gas

O&G PSUs set to exceed dividend receipt targets

Dividend receipts from PSUs are a significant non-tax revenue source for the Government, of which O&G PSUs contribute as much as ~33% of the FY25 target of Rs562.6bn. So far, O&G PSUs have helped garner Rs143.9bn, and we reckon their total contribution would touch Rs214.3bn, which would take the overall receipt tally beyond Rs650bn. Key contributors include ONGC (Rs88.9bn), IOCL (Rs51bn), and BPCL (Rs36.8bn), with high payout ratios; of ~35%, ~63%, and ~44% respectively. BPCL (5.8%) and IOCL (5.5%) lead the dividend yields, underscoring the vital fiscal role of O&G PSUs in bridging deficits ahead of the Budget.

O&G PSUs: Key contributors to Government's Dividend Receipts

As the Union Budget Day draws closer, the government's fiscal management and revenue mobilization strategies take center stage. Dividend receipts from Public Sector Undertakings (PSUs) are a crucial component of the government's non-tax revenue, offering a predictable and substantial inflow to bridge fiscal deficits. For FY25, mounting expectations of fiscal prudence and capital expenditure have made the role of oil PSUs in dividend contributions even more pivotal.

The Power, Coal, and Petroleum & Natural Gas sectors together contribute around 65-70% of the total dividend receipts and hence play a strategic role in strengthening the economy. The total dividend receipts for FY25 are targeted to reach Rs 562.6bn. The bulk of the target has already been met, and only Rs 78.8bn is yet to be received.

The Ministry of Petroleum and Natural Gas, which oversees some of the most profitable PSUs, is the cornerstone of the government's dividend strategy as it contributes a whopping ~33%. At this juncture, it is pertinent to analyse dividend trends to get absolute clarity on the government's fiscal preparedness and plans of funding developmental priorities. In FY24, the dividend received from O&G PSUs stood at Rs 193.5bn, which for the current year FY25 is Rs 143.9bn till date. The O&G PSUs are among the high dividend paying companies. ONGC has an average payout of ~36%, Oil India ~34%, GAIL ~46%, IOCL ~40%, and BPCL above 60%, all on standalone earnings.

As per our analysis, the FY25 dividend receipts could reach ~Rs 650bn, which will surpass the current target of Rs 562.6bn. Our estimate of O&G PSUs is ~Rs214.3bn which includes additional receipts of Rs 70.4bn for the remaining year.

We expect **ONGC** to contribute the highest (41%) among the O&G PSUs at Rs 88.9bn, of which ~Rs 63bn (Rs 8.5/shr) has already been received. This has fuelled expectations of a Rs 3.5 DPS in H2FY25 (considering a 34.5% dividend payout based on Bloomberg consensus standalone earnings). **IOCL** comes next in our estimate at ~Rs 51bn (24%) which has already been met (Rs 7/shr) and we expect no further dividend for the year (considering a 58.4% dividend payout based on Bloomberg consensus standalone earnings). We foresee **BPCL** at third position with Rs 36.8bn (17%) of which Rs 24.1bn has been received, implying a DPS of Rs 5.5 in H2FY25 (considering a 63.3% dividend payout based on Bloomberg consensus standalone earnings). **GAIL** has not declared any dividend so far, and a dividend of Rs 23.9bn (11%) with DPS of Rs 7 is expected in its case (considering a 43.7% dividend payout based on Bloomberg consensus standalone earnings). Finally, dividend receipts of **Oil India** are expected to reach Rs 13.8bn (7%) which indicates a DPS of Rs 9.5 in H2FY25 (considering a 34% dividend payout based on Bloomberg consensus standalone earnings.)

Talking of Oil PSU Dividend yields on CMP, it is expected to be 3.8% for GAIL as it has yet not provided any, followed by 2% for BPCL and Oil India, and 1.3% for ONGC. The annual yield could be highest for BPCL 5.8%, IOCL 5.5% followed by ONGC 4.5%, GAIL 3.8% and Oil India at 3.2%.

Our top picks include MAHGL > HPCL > BPCL > GAIL > RIL.

Recommendation table

Stock	Rating	TP (Rs)
HPCL	BUY	475
BPCL	BUY	370
GAIL	BUY	240
Oil India	BUY	710
ONGC	BUY	355
IOCL	NEUTRAL	154

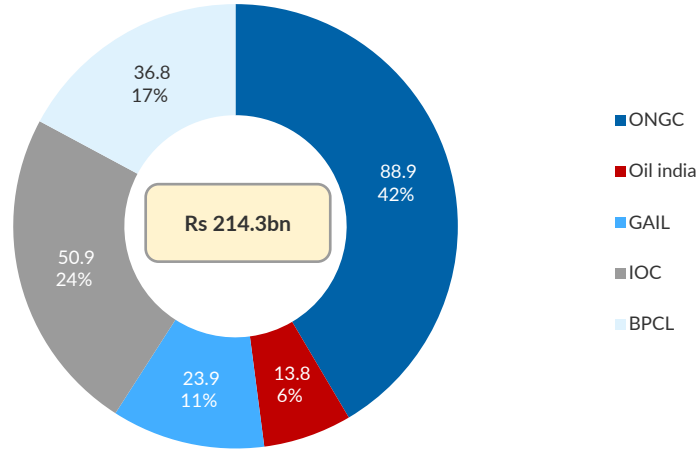
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Exhibit 1: Estimated Dividend Receipts from Ministry of Petroleum & Natural Gas for FY25



Source: Company, YES Sec

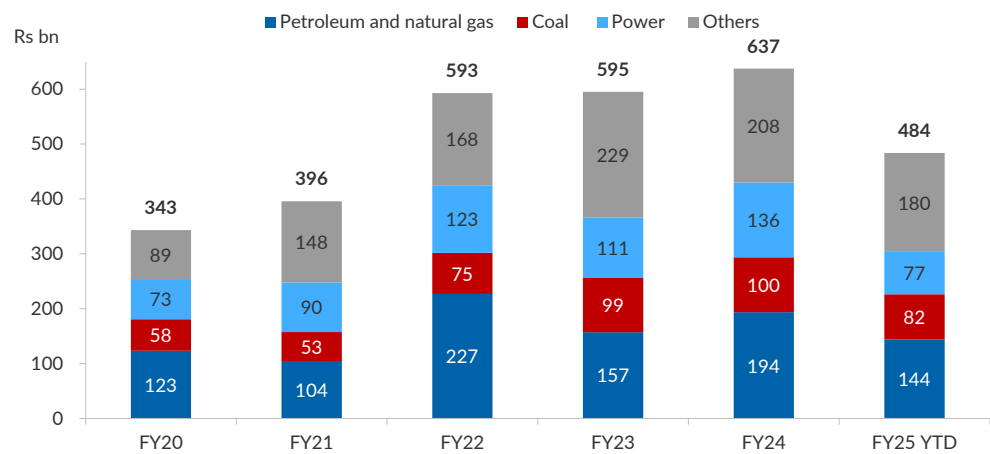
As per our analysis, the FY25 dividend receipts could reach ~Rs 650bn, exceeding the current target of Rs 562.6bn. Our estimate of the O&G PSUs stands at ~Rs214.3bn which indicates additional receipts of Rs 70.4bn for the remaining year.

Exhibit 2: FY25 expected O&G PSUs Dividend Receipts

FY25e	ONGC	Oil India	GAIL	IOCL	BPCL	HPCL*
Total dividend received YTD (Rs bn)	62.97	5.07	-	50.91	24.13	12.85
Estimated receipt for the year (Rs bn)	88.90	13.82	23.89	50.91	36.78	15.77
Amount yet to receive (Rs bn)	25.93	8.76	23.89	-	12.64	2.92
Required DPS in H2FY25 (Rs/share)	3.50	9.50	7.00	-	5.50	2.50

*HPCL's dividend is not included in our estimate as it's owned by ONGC.

Exhibit 3: Government of India's Ministry wise Dividend Receipts



Source: DIPAM, YES Sec

Exhibit 4: Expected Dividends to be paid by Major Oil & Gas PSUs in FY25

	ONGC	Oil India	GAIL	IOC	BPCL
FY25 expected dividend payout	34.5%	34.0%	43.7%	58.4%	63.3%
FY25e - Bloomberg Consensus EPS (Rs/shr)	34.8	44.1	16.0	12.0	25.3
FY25e - DPS (Rs/shr)	12.0	15.0	7.0	7.0	16.0
Total Received in H1FY25 (Rs/shr)	8.5	5.5	-	7.0	10.5
Yet to receive in H2FY25 (Rs/shr)	3.5	9.5	7.0	-	5.5
Total Received in H1FY25 (Rs bn)	63.0	5.1	-	50.9	24.1
Yet to receive in H2FY25 (Rs bn)	25.9	8.8	23.9	-	12.6
Total possible receivable in FY25 (Rs bn)	88.9	13.8	23.9	50.9	36.8
Closing CMP (Rs/shr)	266	476	182	128	274
Annual DPS (Rs/shr)	12.0	15.0	7.0	7.0	16.0
Yield (%) on CMP	4.5%	3.2%	3.8%	5.5%	5.8%
H2FY25 DPS (Rs/shr)	3.5	9.5	7.0	-	5.5
Yield (%) on CMP	1.3%	2.0%	3.8%	0.0%	2.0%

Source: DIPAM, YES Sec

Exhibit 5: ONGC Dividend Receipts Summary

ONGC	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	5.75	1.75	9.1	14	10.25	8.5
Dividend Payout (%)	53.8%	19.6%	28.4%	43.9%	31.8%	24.4%
Dividend yield (%)	8.4%	1.7%	5.6%	9.3%	3.8%	3.2%
Value (Rs bn)	72.3	22.0	114.5	176.1	128.9	106.9
Dividend recd by Govt (Rs bn)	43.94	13.30	69.15	103.72	75.94	62.97

Source: DIPAM, YES Sec

Exhibit 6: Oil India Dividend Receipts Summary

Oil India	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	10.75	5.1	10.75	19.5	17.5	5.5
Dividend Payout (%)	45.1%	31.8%	30.0%	31.0%	34.2%	12.5%
Dividend yield (%)	19.5%	6.2%	6.8%	11.6%	4.4%	1.2%
Value (Rs bn)	11.7	5.5	11.7	21.1	19.0	8.9
Dividend recd by Govt (Rs bn)	6.66	3.13	6.61	11.98	10.75	5.07

Source: DIPAM, YES Sec

Exhibit 7: GAIL Dividend Receipts Summary

GAIL	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	7.285	5	9	4.7	5.5	0
Dividend Payout (%)	48.9%	45.4%	38.6%	57.9%	40.9%	0.0%
Dividend yield (%)	14.3%	5.5%	8.7%	4.4%	3.0%	0.0%
Value (Rs bn)	32.3	22.2	40.0	30.7	36.2	-
Dividend recd by Govt (Rs bn)	17.02	11.55	20.56	15.81	18.77	-

Source: DIPAM, YES Sec

Exhibit 8: IOCL Dividend Receipts Summary

IOCL	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	5.3	10.5	10.5	3.6	8.0	7.0
Dividend Payout (%)	376.4%	45.3%	40.9%	41.1%	28.5%	58.4%
Dividend yield (%)	9.6%	17.1%	13.2%	4.6%	4.8%	5.5%
Value (Rs bn)	49.4	98.8	98.8	33.9	113.0	98.8
Dividend recd by Govt (Rs bn)	25.45	50.91	50.91	17.45	58.18	50.91

Source: DIPAM, YES Sec

Exhibit 9: BPCL Dividend Receipts Summary

BPCL	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	24.5	21	68	6	25	10.5
Dividend Payout (%)	141.2%	36.2%	151.8%	40.3%	19.0%	41.5%
Dividend yield (%)	15.5%	9.8%	37.8%	3.5%	8.3%	3.8%
Value (Rs bn)	53.1	45.6	147.5	13.0	54.2	45.6
Dividend recd by Govt (Rs bn)	28.21	24.13	78.15	6.90	28.73	24.13

Source: DIPAM, YES Sec

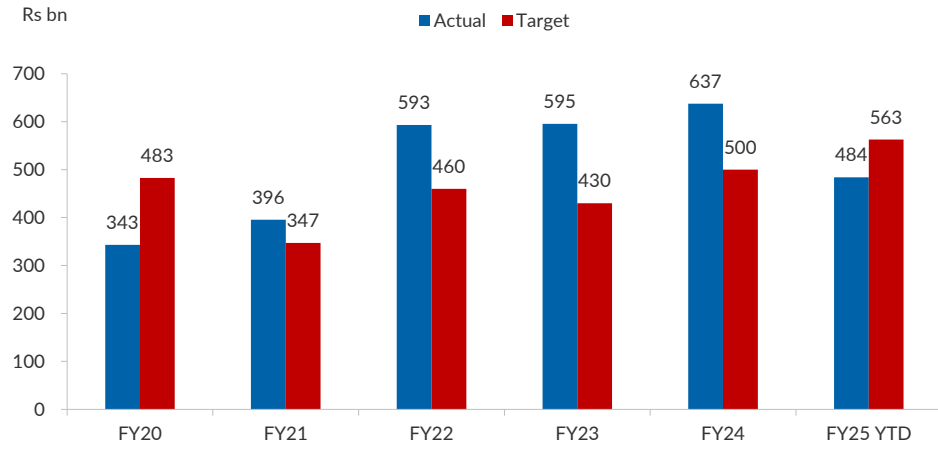
Exhibit 10: HPCL Dividend Receipts Summary

HPCL	FY20	FY21	FY22	FY23	FY24	FY25 YTD
Dividend paid (Rs/shr)	9.4	9.75	22.75	14	15	11
Dividend Payout (%)	52.4%	13.0%	50.6%	-22.1%	14.5%	42.7%
Dividend yield (%)	7.7%	14.6%	7.8%	8.9%	4.7%	3.0%
Value (Rs bn)	13.3	13.8	32.3	19.9	21.3	23.4
Dividend recd by Govt (Rs bn)	7.32	7.59	17.72	10.90	11.68	12.85

Source: DIPAM, YES Sec

Although HPCL is not directly owned by the Government of India, we have considered it for this analysis, given its strategic importance and the significant dividends it contributes to its promoter, ONGC, which in turn supports the government's non-tax revenue. Further, HPCL's inclusion allows for a comprehensive comparison with other OMCs such as IOCL and BPCL, providing actionable insights into dividend trends, payout ratios, and yield across the sector.

Exhibit 11: Government of India's Dividend Receipts Target vs Actual



Source: DIPAM, Industry, YES Sec

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