

BSE SENSEX 77,764 S&P CNX 24,271



Stock Info

Bloomberg	ONGC IN
Equity Shares (m)	12580
M.Cap.(INRb)/(USD\$b)	2992.1 / 31.4
52-Week Range (INR)	308 / 228
1, 6, 12 Rel. Per (%)	-15/6/2
12M Avg Val (INR M)	3936
Free float (%)	41.1

Financials Snapshot (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	6,622	6,867	6,600
EBITDA	1,133	1,068	1,197
Adj. PAT	501	485	532
Adj. EPS (INR)	39.8	38.6	42.3
EPS Gr. (%)	30.4	(3.1)	9.7
BV/Sh.(INR)	289.7	313.1	338.7

Ratios

Net D:E	0.3	0.2	0.2
RoE (%)	14.0	12.5	12.7
RoCE (%)	15.4	13.8	15.7
Payout (%)	33.5	38.1	38.4

Valuations

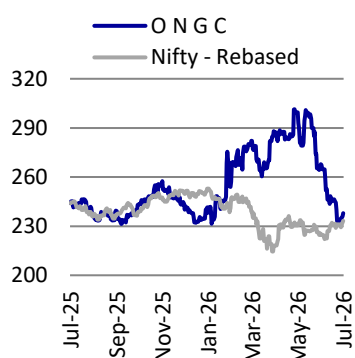
P/E (x)	5.9	6.1	5.6
P/BV (x)	0.8	0.8	0.7
EV/EBITDA (x)	3.6	3.6	3.1
Div. Yield (%)	5.6	6.2	6.9
FCF Yield (%)	20.1	18.9	19.8

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	58.9	58.9	58.9
DII	29.6	30.0	30.2
FII	8.0	7.4	7.1
Others	3.5	3.7	3.8

FII includes depository receipts

Stock performance (one-year)



CMP: INR235 TP: INR288 (+22%) Upgrade to Buy

An energy security play with rising volumes and a solid dividend yield

- Upgrade ONGC to BUY...:** Our upgrade is premised upon a combination of inexpensive valuations, decent volume growth pick-up, and ONGC being a beneficiary of a multi-year government focus to turn around the sector. While a peace MOU has been reached in West Asia, according to forecasts by the US EIA and our view, OECD commercial inventories of crude oil and liquid products are unlikely to normalize for CY26 and 1HCY27. This is likely to keep crude prices elevated, and we raise our Brent price assumptions to USD84.2/USD75 per bbl for FY27/FY28 from USD75/USD65 per bbl earlier.
- ...with a TP of INR288:** This revision leads to a 9%/18% rise in ONGC's FY27/FY28 Consol PAT. We model ~2.6% volume growth overall (Oil: 1.6%, Gas: 3.7%) and value the standalone business at 6.5x Dec'27 EPS, investments at a 25% discount to CMP, and OVL stake at 0.5x FY25 BVPS to arrive at our TP of INR288.

After a 10-year hiatus, upstream back in favor for capital allocation

- Globally, capital allocation is shifting toward upstream oil & gas after a decade of underinvestment amid declining oil & gas production and elevated crude prices over several years. Further, notwithstanding the recent weakness in Brent prices, the recent West Asia crisis has brought to the fore the need for countries to 1) refill depleted inventories and 2) expand strategic crude reserves.
- Domestically, for both ONGC and Oil India, there has been an increased focus on 1) finding new reserves and 2) monetizing existing discoveries on a fast-track basis (e.g., the Daman Upside Development Project (DUDP) for ONGC). Exploration and development efforts in overseas assets have also received a renewed lease on life and can unlock value due to elevated crude prices.

Energy security could be a decade-long theme with multiple facets:

- We believe that energy security as a theme will remain a key focus for many years due to the following reasons: 1) India's crude oil imports at ~90% of total demand are unsustainably high (vs. Gas: ~50%; LPG: 60% fare only slightly better), and 2) India has under-invested in the upstream sector over the past decade, but the government now aims for domestic companies to take the lead with new initiatives such as Samudra Manthan.
- The focus on energy security is also evident from: 1) the recently announced coal gasification policy ([link](#)), which aims to gradually reduce dependence on imported natural gas; 2) reports that a similar policy for compressed bio-gas (CBG) may be in development; and 3) the gov't's plans to expand strategic crude and petroleum reserve capacity, with ONGC tasked to invest INR150b ([link](#)).

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Modeling 2.6% volume growth; ~6% dividend yield

- Our rating upgrade is premised upon a combination of inexpensive valuations, a modest pick-up in volume growth, and greater operational freedom amid multi-year government focuses on energy security (e.g., following the technical services provider (TSP-1) contract for Mumbai High, ONGC and BP have signed a new contract for fields in the Western Offshore Basin).
- We are modeling only a 2.6% volume CAGR for ONGC, aided by the start of DUDP, KG-98/2, and Samudra Manthan.
- We are building in ~40% dividend payout in FY27, which implies a ~6% dividend yield at CMP. ONGC's gas price realization (unlike Oil India's) will continue to see an uptick as ~7-8% of volumes every year qualify for higher new-well gas prices. With HPCL's capex cycle nearly over and gross marketing margins normalizing higher, we see limited investor concerns on that front.

Standalone EBITDAX estimates up 13%/15% for FY27/28

- **Over 16%/22% increase in FY27/FY28E standalone PAT:** Our Brent crude assumptions of USD84.2/75 per bbl for FY27/28 imply a materially stronger earnings outlook for ONGC. Earnings are further boosted by higher New Well (NW) gas realization, as ~20%/27.5% of gas production qualifies as NWG in FY27/28. The revised Brent price translates into a ~13%/15% increase in EBITDAX and a ~16%/22% increase in Standalone PAT for FY27/FY28.
- **We raise our Brent assumption by USD10/bbl for FY28:** Crude oil prices are likely to remain supported over the near term despite the reopening of the Strait of Hormuz. We expect Brent to average ~USD84.2/75 per bbl in FY27/28 (vs. USD75/65 per bbl earlier), as the normalization of trade flows, supply chains, and production levels is likely to be gradual rather than immediate.
- **Brent to average USD80/bbl in 2HFY27:** In addition, inventory replenishment after the recent drawdowns, coupled with a renewed focus on energy security and higher strategic storage requirements across consuming nations, should sustain demand for crude. Any residual disruption to upstream assets and uncertainty around the extent of damage to oil and gas fields could further delay the return of supply to pre-conflict levels, keeping the oil market relatively tight in the near term.

Production visibility improves as key offshore projects reach completion

- **Expect 2.6% volume CAGR over FY26-28:** We expect ONGC's domestic oil/gas production to reach 21.2mmt/21.5bcm by FY28, implying a CAGR of 1.6%/3.7% over FY26-FY28. Management has guided a production CAGR of 5%+ during the same period, led by a sharp ramp-up in gas output from the Daman and KG-98/2 fields. With plans to drill more than 500 wells annually, including over 100 exploratory wells, ONGC continues to invest aggressively in arresting production decline and sustaining production growth, providing confidence in our volume assumptions while strengthening the long-term reserve and production pipeline.
- **About 3-4mmscmd of gas volumes to flow from DUDP in 2HFY27:** The Daman Upside Development (DUDP) has recently commenced operations and is expected to be a key contributor to ONGC's near-term gas production growth. All wells under the project are targeted to be commissioned by Sep'26, with gas output expected to ramp up progressively towards peak production of

~5mmscmd (in 2 years). In parallel, DSF blocks remain under development and are targeted for commissioning by the end of FY27.

- **KG-98/2: Volumes expected to recover to 25-30kbd oil and 3-4mmscmd gas over the next year:** In KG-98/2, execution remains on track with all 26 wells drilled, subsea infrastructure substantially completed, and key offshore facilities installed. Current production stands at ~24kbd of oil and 2.3mmscmd of gas, with management expecting volumes to increase to 25-30kbd and 3-4mmscmd, respectively, over the next year. The field retains significant upside, with peak potential of 35-40kbd of oil and 7-8mmscmd of gas.
- **Western Offshore investments and exploration intensity strengthen medium-term growth visibility:** ONGC is also executing a large-scale offshore investment program, with INR331b of projects underway in the Western Offshore. The appointment of BP as technical service provider across the entire Western Offshore region, following the successful Mumbai High intervention program, is expected to support production optimization. Combined with an annual drilling program of 500+ wells, including 100+ exploratory wells, and intensified exploration under Project DeepX and Samudra Manthan, ONGC has strengthened its medium-term production and reserve growth outlook.
- We believe that the timely start-up/ramp-up of the Daman Upside Development project and KG-98/2 could boost ONGC's earnings, given the strong price realization outlook.

Key risks: Soft crude price and a lag in execution

- Key risks to our thesis include: 1) lower-than-expected crude oil and domestic gas realizations arising from a weaker commodity price environment.; 2) delays in ramp-up or underperformance of key growth projects such as DUDP, KG-98/2, DSF blocks, and Mumbai High; and 3) adverse regulatory or fiscal changes, including higher government levies or changes in gas pricing mechanisms.

Valuation and view

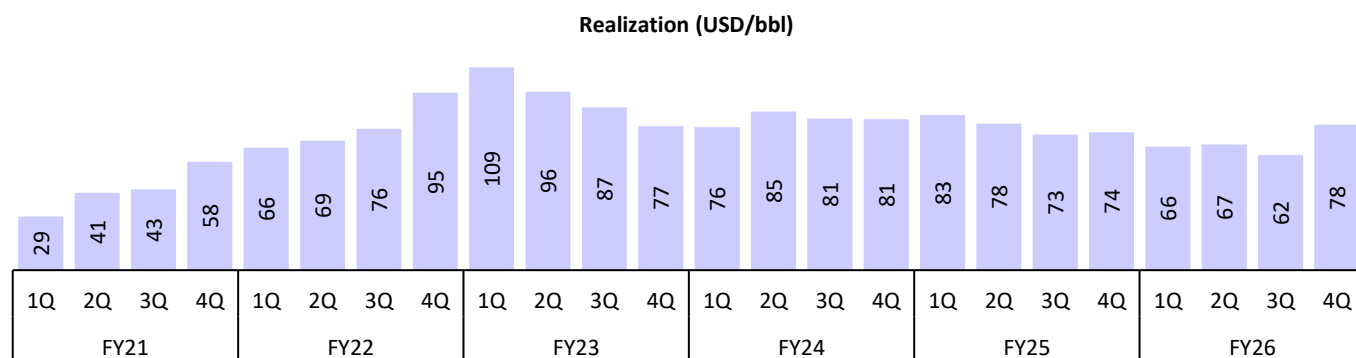
- ONGC currently trades at 5.6x FY28E P/E, below its long-term average one-year forward P/E of 6.5x. Adjusting for the value of listed investments (INR65/share) and our valuation of OVL (INR23/share), the implied valuation of the core business suggests that the market is effectively discounting a Brent crude price of only ~USD65/bbl over 2QFY27-FY28, which we believe is overly conservative given the current industry backdrop.
- We derive our SoTP-based TP of INR288, underpinned by an FY26-FY28 production CAGR of 1.6%/3.7% in oil/gas. With a stronger commodity price outlook and increasing contribution from higher-realization New-Well gas, we raise our FY27/FY28 Consol PAT estimates by 9%/18% and **upgrade the stock to BUY.**

Exhibit 1: Valuation of ONGC

Standalone adj EPS (INR)	31.1
PE (x)	6.5
Valuation of ONGC stand (INR/share)	202
Listed investments	
Indian Oil Corporation	17
Petronet LNG	3
GAIL	3
MRPL	11
HPCL	27
Total valuation	264
Book value of OVL (INR b)	588
Book value per share of ONGC (INR)	47
Valuation for ONGC at 0.5x BV (INR)	23
Valuation of ONGC (INR/share)	288
Current market price (INR/share)	235
Upside / (Downside)	22%

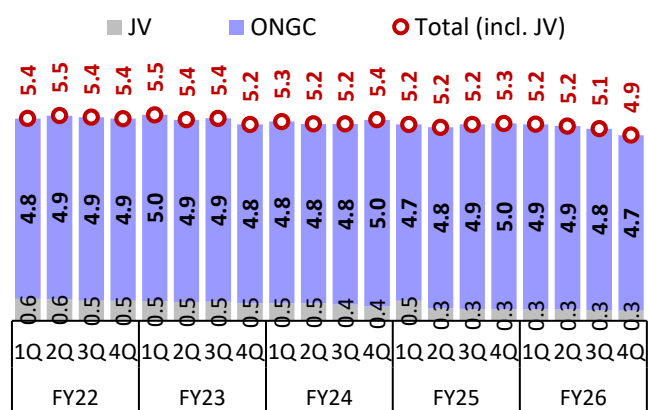
Story in charts

Exhibit 2: Oil price realization (USD/bbl)



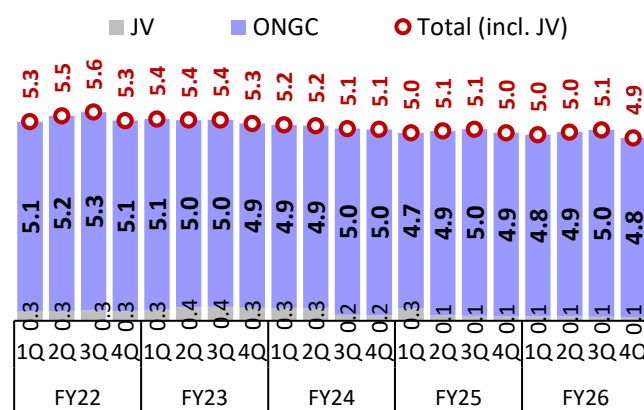
Source: Company, MOFSL

Exhibit 3: Oil production (mmt)



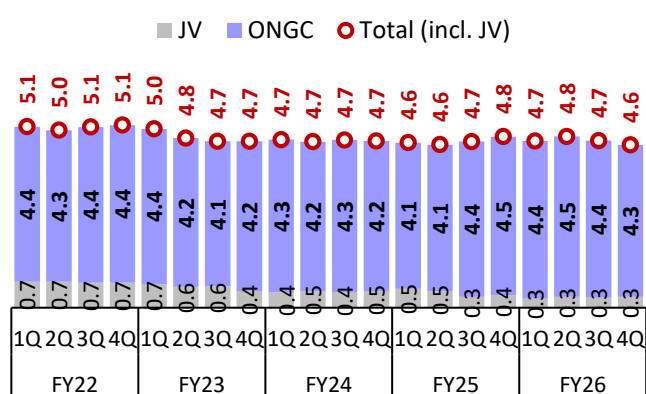
Source: Company, MOFSL

Exhibit 4: Gas production (bcm)



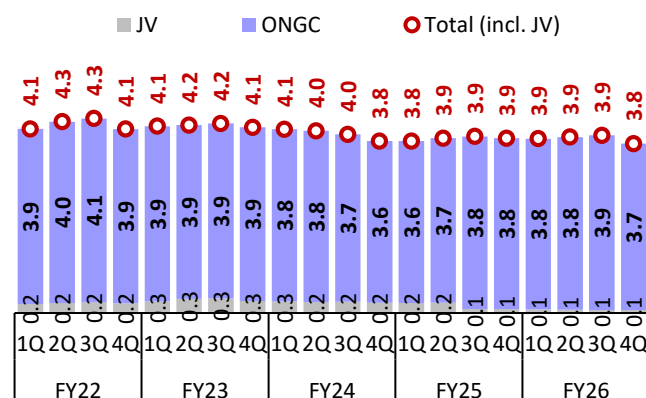
Source: Company, MOFSL

Exhibit 5: Oil sales (mmt)



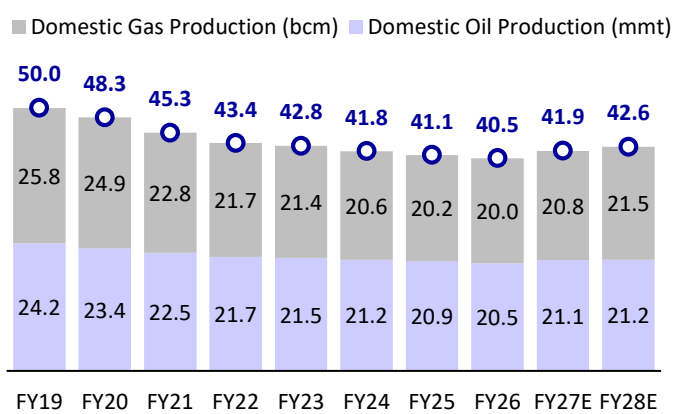
Source: Company, MOFSL

Exhibit 6: Gas sales (bcm)



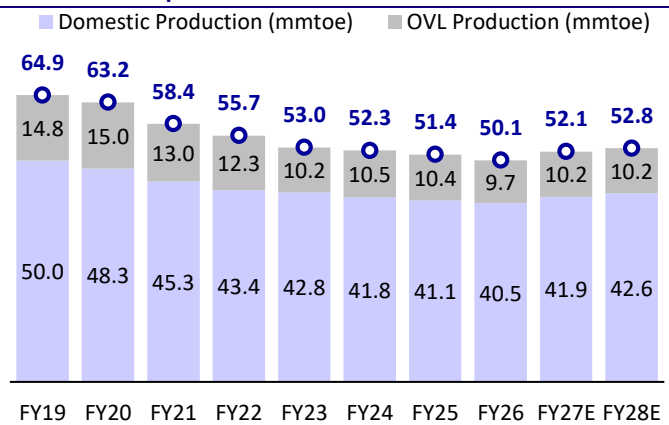
Source: Company, MOFSL

Exhibit 7: Oil/Gas production to increase



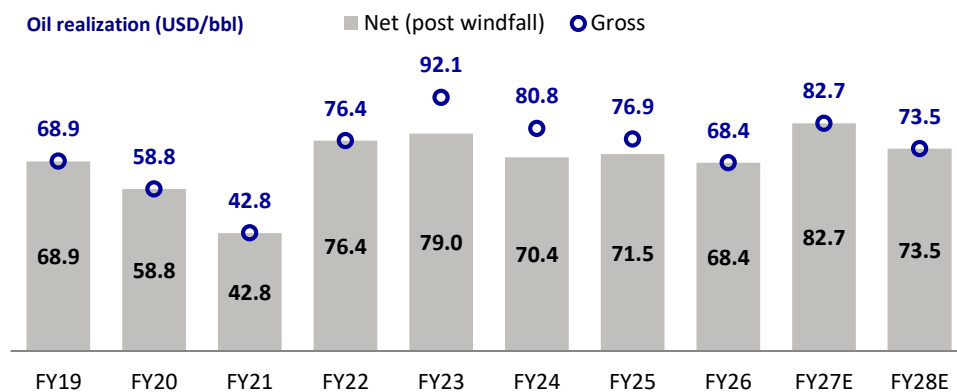
Source: Company, MOFSL

Exhibit 8: OVL production to increase



Source: Company, MOFSL

Exhibit 9: Oil price realization (USD/bbl)



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	3,606	5,318	6,848	6,532	6,633	6,622	6,867	6,600
Change (%)	-15.15%	47.48%	28.78%	-4.62%	1.55%	-0.15%	3.70%	-3.89%
EBITDAX	566	858	857	1,082	989	1,133	1,068	1,197
Margin (%)	15.70%	16.13%	12.52%	16.56%	14.90%	17.11%	15.55%	18.14%
Depreciation & exploratory well write-offs	327	328	330	363	452	476	483	497
EBIT	239	530	527	719	537	657	585	700
Int. and Finance Charges	51	57	79	130	145	130	103	97
Other Income	93	74	81	120	124	124	134	136
PBT bef. EO Exp.	282	547	528	709	515	651	616	739
EO Items	9	-21	-81	-16	-2	-4	0	0
PBT after EO Exp.	291	526	447	693	514	646	616	739
Total Tax	88	48	107	184	141	178	160	184
Tax Rate (%)	30.1%	9.1%	23.9%	26.5%	27.4%	27.6%	26.0%	24.9%
Share of associates/JVs/Minority int	-10	-15	0	-43	-10	-30	-30	23
Reported PAT	213	493	340	553	383	498	485	532
Adjusted PAT	207	414	402	565	384	501	485	532
Change (%)	23.77%	99.78%	-2.71%	40.36%	-31.94%	30.36%	-3.13%	9.67%
Margin (%)	5.74%	7.78%	5.88%	8.65%	5.80%	7.57%	7.07%	8.07%

Consolidated - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	63	63	63	63	63	63	63	63
Total Reserves	2,147	2,532	2,783	3,328	3,372	3,655	3,955	4,284
Net Worth	2,210	2,595	2,845	3,391	3,434	3,718	4,018	4,346
Minority Interest	216	238	150	206	308	379	379	432
Total Loans	1,098	1,078	1,636	1,577	1,536	1,421	1,207	1,026
Deferred Tax Liabilities	427	349	271	318	317	332	332	332
Capital Employed	3,951	4,260	4,903	5,492	5,595	5,849	5,937	6,136
Gross Block	4,642	5,039	5,476	6,235	6,779	7,200	7,929	8,491
Less: Accum. Deprn.	2,348	2,617	2,863	3,167	3,519	3,893	4,376	4,873
Net Fixed Assets	2,293	2,422	2,613	3,068	3,260	3,307	3,553	3,618
Goodwill on Consolidation	135	112	120	121	128	138	138	138
Capital WIP	629	715	957	917	870	915	636	524
Exploratory wells under progress	374	352	205	240	253	248	248	248
Total Investments	609	677	766	1,022	970	1,026	1,096	1,176
Curr. Assets, Loans&Adv.	1,365	1,544	1,708	1,988	2,035	2,210	2,197	2,222
Others	626	686	710	771	857	872	867	890
Inventory	446	542	460	538	590	649	636	622
Account Receivables	186	217	213	222	236	246	254	257
Cash and Bank Balance	72	68	291	418	272	322	318	333
Cash	40	54	26	41	46	16	12	26
Bank Balance	32	14	265	377	226	306	306	306
Loans and Advances	36	31	34	39	80	121	121	121
Curr. Liability & Prov.	1,454	1,561	1,467	1,865	1,922	1,995	1,932	1,790
Account Payables	1,045	1,131	1,009	1,288	1,308	1,380	1,317	1,175
Provisions	410	430	457	576	614	615	615	615
Net Current Assets	-90	-17	242	124	113	215	265	432
Appl. of Funds	3,951	4,260	4,903	5,492	5,595	5,849	5,937	6,136

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	16.5	32.9	32.0	44.9	30.6	39.8	38.6	42.3
Cash EPS	41.6	57.8	57.1	72.3	65.2	76.1	75.4	80.2
BV/Share	172.2	202.2	221.7	264.2	267.6	289.7	313.1	338.7
DPS	3.6	10.5	11.3	12.3	12.3	13.3	14.7	16.2
Payout (%)	21.2	26.8	41.6	27.9	40.2	33.5	38.1	38.4
Valuation (x)								
P/E	14.3	7.2	7.4	5.2	7.7	5.9	6.1	5.6
Cash P/E	5.7	4.1	4.1	3.3	3.6	3.1	3.1	2.9
P/BV	1.4	1.2	1.1	0.9	0.9	0.8	0.8	0.7
EV/Sales	1.1	0.7	0.6	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	7.0	4.6	5.0	3.8	4.3	3.6	3.6	3.1
Dividend Yield (%)	1.5	4.5	4.8	5.2	5.2	5.6	6.2	6.9
FCF per share	12.0	35.7	37.9	48.5	39.9	47.3	45.1	45.9
Return Ratios (%)								
RoE	9.7	17.2	14.8	18.1	11.3	14.0	12.5	12.7
RoCE	10.4	17.3	14.9	17.7	13.3	15.4	13.8	15.7
RoIC	9.1	19.5	18.5	23.8	16.2	18.5	15.6	17.5
Working Capital Ratios								
Fixed Asset Turnover (x)	0.8	1.1	1.3	1.0	1.0	0.9	0.9	0.8
Asset Turnover (x)	0.9	1.2	1.4	1.2	1.2	1.1	1.2	1.1
Inventory (Days)	45	37	24	30	32	36	34	34
Debtor (Days)	19	15	11	12	13	14	14	14
Creditor (Days)	106	78	54	72	72	76	70	65
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.2	1.1	1.1	1.1	1.1	1.2
Interest Cover Ratio	4.7	9.3	6.7	5.5	3.7	5.0	5.7	7.2
Net Debt/Equity	0.5	0.4	0.5	0.3	0.4	0.3	0.2	0.2

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	301	541	447	736	524	676	646	769
Depreciation	255	269	246	304	352	374	483	497
Interest expense	51	57	79	130	145	130	103	97
(Inc)/Dec in WC	-39	37	87	2	14	75	-54	-152
Others	-21	12	157	-39	14	64	0	0
CF from Operating incl EO	472	780	861	988	909	1,127	1,018	1,027
(Inc)/Dec in FA	-321	-331	-384	-379	-407	-532	-450	-450
Free Cash Flow	151	449	477	610	502	595	568	577
(Pur)/Sale of Investments	-12	-12	-28	-22	8	-8	-70	-80
Others	-59	-61	-339	-174	-31	-37	0	0
CF from Investments	-391	-405	-751	-575	-430	-577	-520	-530
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	53	-130	174	-112	-74	-160	-213	-181
Dividend Paid	-31	-129	-176	-129	-170	-170	-185	-204
Others	-111	-102	-136	-158	-231	-234	-103	-97
CF from Fin. Activity	-89	-361	-138	-399	-474	-563	-501	-482
Inc/Dec of Cash	-8	14	-28	15	4	-13	-4	15
Opening Balance	48	40	54	26	41	28	16	12
Closing Balance	40	54	26	41	46	16	12	26

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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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