

Oil & Natural Gas Corporation Ltd.

BUY

Sector: Oil, Gas & Consumable Fuels

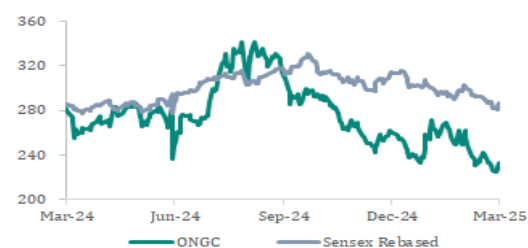
07th March, 2025

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 261
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	ONGC:IN	74,333	ONGC	500312	12 Months
				CMP	Rs. 233
				Return	+12%

Data as of: 07-03-2025

Company Data			
Market Cap (Rs. cr)	292,554		
52 Week High — Low (Rs.)	345 - 215		
Enterprise Value (Rs. cr)	298,574		
Outstanding Shares (cr)	1,258.0		
Free Float (%)	30.8		
Dividend Yield (%)	5.8		
6m average volume (cr)	1.4		
Beta	0.8		
Face value (Rs.)	5.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	58.9	58.9	58.9
FII's	8.6	8.1	7.5
MFs/Institutions	18.8	19.0	19.4
Public	3.2	3.3	3.5
Others	10.5	10.7	10.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-10.6%	-24.7%	-17.0%
Absolute Sensex	-8.8%	-8.4%	0.3%
Relative Return	-1.8%	-16.3%	-17.4%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	139,565	141,199	144,057
Growth (%)	0.8	1.2	2.0
EBITDA	68,341	70,656	73,352
EBITDA Margin (%)	49.0	50.0	50.9
Adj. PAT	38,846	40,164	41,982
Growth (%)	-4.1	3.4	4.5
Adj. EPS	30.9	31.9	33.4
Growth (%)	-4.1	3.4	4.5
P/E	7.5	7.3	7.0
P/B	0.9	0.8	0.8
EV/EBITDA	4.4	4.2	4.1
ROE (%)	11.7	11.3	11.0
D/E	0.0	0.0	0.0

Capacity expansion to drive growth

Oil and Natural Gas Corporation Ltd (ONGC) specialises in the exploration and production of crude oil and gas. The company has joint ventures in oil fields in Vietnam, Norway, Egypt, Tunisia, Iran and Australia.

- Standalone revenue from operations fell 3.1% YoY to Rs. 33,717cr in Q3FY25, owing to a fall in oil price. Crude oil realisation was USD 72.57 per barrel (-10.6% YoY) while gas price realisation was USD 6.50 per mmbtu (flat YoY) .
- Standalone crude oil production rose 2.2% YoY to 4.92 MMT, while natural gas production grew a marginal 0.2% YoY to 4.97 MMT, reflecting a reversal in declining trends.
- ONGC has set oil and gas production targets of 42.44 MMTtoE for FY25, 44.51 MMTtoE for FY26 and 45.61 MMTtoE for FY27.
- At the operational level, EBITDA in Q3FY25 rose 11.1% YoY to Rs. 17,043cr, driven by a fall in employee benefit expense and other general expenses.
- As a result, EBITDA margin increased 640bps YoY to 50.5% from 44.1% in Q3FY24.
- Reported standalone PAT declined 16.7% YoY to Rs. 8,240cr, because of a fall in oil prices and an increase in depreciation on carrying additional property.

Outlook & Valuation

ONGC demonstrated consistent volume growth, supported by the ramp-up of production at 98/2 unit, despite muted financial performance. Future prospects are bolstered by its collaboration with BP, which is expected to drive further production expansion. Besides, the absence of SAED provides a significant boost to profitability. The management's strategic focus on deepening its presence across the oil-to-chemicals value chain further strengthens long-term growth prospects. Therefore, **we reiterate our BUY rating on the stock with a rolled-forward target price of Rs. 261 based on the SOTP valuation.**

Quarterly Financials Standalone

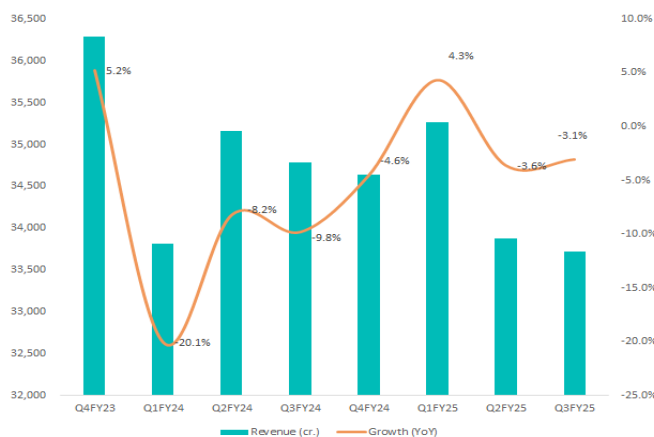
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	33,717	34,788	-3.1	33,881	-0.5	102,864	103,765	-0.9
EBITDA	17,043	15,334	11.1	17,025	0.1	51,043	50,924	0.2
Margin (%)	50.5	44.1	640bps	50.2	30bps	49.6	49.1	50bps
EBIT	10,264	10,232	0.3	11,427	-10.2	32,769	36,104	-9.2
PBT	11,000	12,610	-12.8	15,036	-26.8	37,992	40,156	-5.4
Rep. PAT	8,240	9,892	-16.7	11,984	-31.2	29,162	30,657	-4.9
Adj PAT	8,240	9,892	-16.7	11,984	-31.2	29,162	30,657	-4.9
Adj EPS (Rs)	6.5	7.9	-16.7	9.5	-31.2	23.2	24.4	-4.9



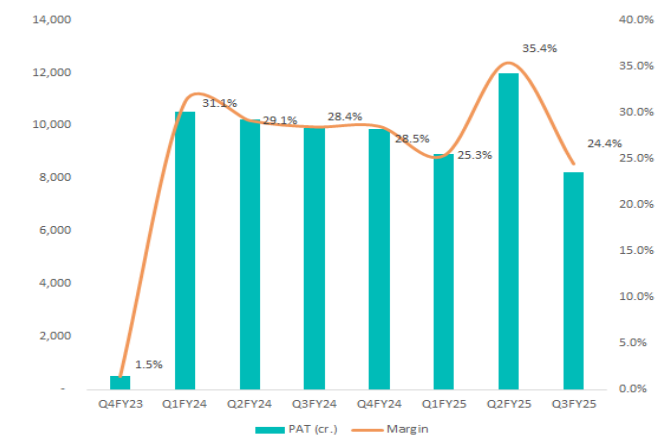
Key concall highlights

- ONGC incurred a capital expenditure (capex) of Rs. 45,335cr in 9MFY25, which includes an equity infusion of Rs. 18,365cr into OPaL. Capex for the next year is set at Rs. 36,920cr, focusing on capital (38%) and development drilling (30%).
- The company engaged BP as a technical service provider for production enhancement in the Mumbai High oil field. This collaboration is expected to result in substantial increases in both crude oil and gas productions over the next decade with crude oil output rising 44% and gas output 90%.
- ONGC made OPaL its seventh subsidiary by converting a portion of its compulsory convertible debentures (CCD) into equity, with an infusion of Rs. 18,365cr, raising its shareholding in OPaL to 95.69%.
- To ensure production growth, ONGC has 25 major projects under execution, 11 development projects and 14 infrastructure projects.
- Key projects include KG 98/2, Cluster-II, expected to be completed by March 2025, which will have an output surge of 44.74 MMT and Daman Upside project is expected to be completed by February 2026.
- On standalone basis, ONGC's crude oil rose to 13.858 MMT in 9MFY25 from 13.687 MMT in 9MFY24. However, standalone gas production dropped to 14.761 BCM from 15.027 BCM during the same period.

Revenue



PAT



Sum-Of-The-Parts (SOTP) Valuation

Particulars	Methodology	Multiple	% Holding	Value (Rs. cr.)	Discount (%)	Value Per Share (Rs.)
ONGC	FY27E P/E	5	100.0%	209,910	-	167
Investments						94
- HPCL	Geojit TP	-	54.9%	50,703	15	34
- ONGC Videsh	P/BV	1.0	100.0%	15,000	-	12
- IOCL	Geojit TP	-	14.2%	29,677	20	19
- GAIL	Geojit TP	-	5.0%	6,824	30	3
- OPaL	P/S	1.0	95.7%	14,136	-	11
- MRPL	Market Price	-	71.6%	14,198	10	10
- Petronet LNG	Geojit TP	-	12.5%	7,369	20	5
Target price						261

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	146,044	153,116	139,565	141,199	144,057	-4.4	-7.8
EBITDA	80,227	84,518	68,341	70,656	73,352	-14.8	-16.4
Margins (%)	54.9	55.2	49.0	50.0	50.9	-590bps	-520bps
Adj. PAT	43,109	45,473	38,846	40,164	41,982	-9.9	-11.7
EPS	34.3	36.1	30.9	31.9	33.4	-9.9	-11.7



Standalone Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	155,517	138,402	139,565	141,199	144,057
% change	40.9	-11.0	0.8	1.2	2.0
EBITDA	73,217	66,815	68,341	70,656	73,352
% change	34.5	-8.7	2.3	3.4	3.8
Depreciation	16,820	20,496	22,912	23,948	24,812
EBIT	56,397	46,319	45,428	46,708	48,539
Interest	2,700	4,081	4,582	4,612	4,642
Other Income	-1,609	10,778	9,770	10,237	10,804
PBT	52,089	53,016	50,616	52,333	54,702
% change	26.9	1.8	-4.5	3.4	4.5
Tax	11,992	12,490	11,770	12,169	12,720
Tax Rate (%)	23.0	23.6	23.3	23.3	23.3
Reported PAT	40,097	40,526	38,846	40,164	41,982
PAT att. to common shareholders	40,097	40,526	38,846	40,164	41,982
Adj.*	9,235	-	-	-	-
Adj. PAT	49,332	40,526	38,846	40,164	41,982
% change	22.4	-17.8	-4.1	3.4	4.5
No. of shares (cr)	1258.0	1258.0	1258.0	1258.0	1258.0
Adj EPS (Rs.)	39.2	32.2	30.9	31.9	33.4
% change	22.4	-17.8	-4.1	3.4	4.5
DPS (Rs.)	11.3	12.3	11.7	12.1	12.7

Cashflow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	56,876	60,981	61,706	64,057	66,737
Non-cash adj.	19,947	4,029	-7,579	-11,251	-12,315
Other adjustments	-	-	-	-	-
Changes in W.C	4,016	325	-309	-852	-243
C.F. Operation	80,838	65,336	53,818	51,954	54,179
Capital exp.	-38,523	-37,667	-33,217	-32,532	-33,191
Change in inv.	-21,400	-10,329	-2,152	-450	-1,060
Other invest.CF	2,558	5,303	8,641	8,754	8,867
C.F - Investment	-57,365	-42,694	-26,728	-24,229	-25,383
Issue of equity	-	-	-	-	-
Issue/repay debt	629	-1,148	40	40	41
Dividends paid	-17,609	-12,895	-14,034	-14,510	-15,166
Other finance.CF	-6,465	-8,642	-13,002	-13,172	-13,590
C.F - Finance	-23,445	-22,685	-26,996	-27,642	-28,716
Chg. in cash	27	-43	95	84	80
Closing Cash	77	35	129	213	293

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	77	35	129	213	293
Accts. Receivable	10,250	11,410	11,598	11,831	12,101
Inventories	8,321	10,712	10,886	11,423	11,669
Other Cur. Assets	34,431	43,586	47,622	54,235	63,414
Investments	84,986	105,371	107,721	108,171	109,231
Gross Fixed Assets	283,201	320,868	354,085	386,617	419,808
Net Fixed Assets	141,728	178,877	185,720	190,569	194,916
CWIP	29,734	30,219	31,730	33,317	34,983
Intangible Assets	16,203	20,029	22,031	24,235	26,658
Def. Tax -Net	-	-	-	-	-
Other Assets	44,149	45,784	46,682	47,457	48,274
Total Assets	369,878	446,021	464,120	481,451	501,538
Current Liabilities	37,881	39,448	39,903	39,114	40,293
Provisions	37,474	48,170	49,134	49,871	50,619
Debt Funds	7,219	6,109	6,149	6,189	6,230
Other Liabilities	27,332	46,317	38,144	29,833	21,137
Equity Capital	6,290	6,290	6,290	6,290	6,290
Res. & Surplus	253,682	299,686	324,499	350,154	376,969
Shareholder Funds	259,972	305,977	330,789	356,444	383,260
Minority Interest	-	-	-	-	-
Total Liabilities	369,878	446,021	464,120	481,451	501,538
BVPS	207	243	263	283	305

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	47.1	48.3	49.0	50.0	50.9
EBIT margin (%)	36.3	33.5	32.5	33.1	33.7
Net profit mgn.(%)	25.8	29.3	27.8	28.4	29.1
ROE (%)	15.4	13.2	11.7	11.3	11.0
ROCE (%)	21.1	14.8	13.5	12.9	12.5
W.C & Liquidity					
Receivables (days)	24.1	30.1	30.3	30.6	30.7
Inventory (days)	19.5	28.2	28.5	29.5	29.6
Payables (days)	14.7	16.8	16.8	16.4	16.8
Current ratio (x)	1.3	1.6	1.7	1.9	2.1
Quick ratio (x)	0.3	0.3	0.3	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	0.6	0.5	0.4	0.4	0.4
Total asset T.O (x)	0.4	0.3	0.3	0.3	0.3
Int. covge. ratio (x)	20.9	11.3	9.9	10.1	10.5
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	1.3	2.5	2.1	2.1	2.1
EV/EBITDA (x)	2.7	5.1	4.4	4.2	4.1
P/E (x)	3.9	8.3	7.5	7.3	7.0
P/BV (x)	0.7	1.1	0.9	0.8	0.8



Recommendation Summary - (last 3 years)



Dates	Rating	Target
29-Jun-21	BUY	145
16-Nov-21	BUY	187
29-Jun-22	BUY	189
22-Aug-22	HOLD	146
16-Jun-23	BUY	177
20-Nov-23	HOLD	198
13-Jun-24	BUY	327
07-Mar-25	BUY	261

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

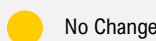
Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

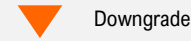
Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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