18 August 2026

Update | Sector: Oil & Gas

# ONGC

| BSE SENSEX | S&P CNX |
|---|---|
| 77,235 | 24,155 |

**CMP: INR240 TP: INR290 (+21%) Buy**

## Value play with growth optionality

- We recently upgraded ONGC on inexpensive valuations, modest production growth (1% FY26-28E CAGR) and greater operational freedom amid multi-year government focus on energy security. In this note, we highlight three reasons the risk-reward stays attractive: 1) ONGC's 1Y-fwd. dividend yield of 6.9% is at 3-year high – a level breached only twice in the last decade, both times during crises (Covid-19, windfall tax), not structural payout shifts; 2) global agencies have turned more constructive on crude: US EIA raised its CY26/27 Brent forecast by 6% to USD87/USD69 per bbl, while IEA's CY26 deficit estimate has widened to 2.7mb/d. We believe crude prices could stay firm even if the Strait of Hormuz reopens, as global inventory levels remain low (-410mb since the war began); 3) OVL's turnaround over the last two quarters, coupled with multiple assets moving into development, could add ~INR15/sh to our TP if the run-rate sustains (valued at 8x P/E).
- **TP of INR290:** We model ~1% volume growth overall (Oil: -0.3%, Gas: +2.1%) and value the standalone business at 6.5x Dec'27E EPS, investments at a 25% discount to CMP, and OVL stake at 0.5x FY25 BVPS to arrive at a TP of INR290.

### 7%+ div. yield is rare: only Covid and windfall tax got ONGC here before

- ONGC's 1y-forward dividend yield now stands at an attractive **6.9%, a three-year high**, per Bloomberg consensus estimates. This assumes a ~40% dividend payout ratio, broadly in line with the average payout over the last four years. Notably, the yield has crossed the 7% mark only twice in the last decade – during the Covid-19 pandemic (Aug'19-Apr'20) and application of the windfall tax (Aug'22-Sep'23) – both periods marked by sharp de-rating in the stock rather than a structural improvement in payouts.
- We build in average crude oil prices at USD80/bbl over the remaining three quarters of FY27 and USD75/bbl in FY28, suggesting upside risks to our dividend estimates if prices hold up.

### Medium-term crude outlook stays constructive

- **3QCY26 deficit widens to 1.8mb/d as Hormuz closure keeps 8.3mb/d Gulf output offline:** The near-term oil balance has tightened sharply on renewed supply disruptions. As per International Energy Agency (IEA), the 3QCY26 deficit has more than doubled to ~1.8mb/d (vs. ~0.8mb/d estimated in July), as the prolonged Strait of Hormuz closure keeps ~8.3mb/d of Gulf output shut in and cuts regional exports by 2.1mb/d. Global inventories fell 69mb in Jul'26 (**-410mb since the war began**).
- **CY26 demand cut to -1.6mb/d still trails supply decline of 4.3mb/d:** IEA cut its CY26 demand forecast by 510kb/d to a decline of ~1.6mb/d, as Hormuz-driven fuel price spikes weigh on consumption, though it expects demand to grow 2.4mb/d in CY27. Supply is seen falling 4.3mb/d in CY26 before rebounding 8.3mb/d in CY27 as disruptions ease. IEA expects the market to swing back to a surplus by year-end, though it flags that depleting inventories could raise the urgency of Hormuz reopening.

**Stock Info**

| | |
|---|---|
| Bloomberg | ONGC IN |
| Equity Shares (m) | 12580 |
| M.Cap.(INRb)/(USDb) | 3016.4 / 31.5 |
| 52-Week Range (INR) | 308 / 228 |
| 1, 6, 12 Rel. Per (%) | -2/-3/3 |
| 12M Avg Val (INR M) | 4092 |
| Free float (%) | 41.1 |

**Financials Snapshot (INR b)**

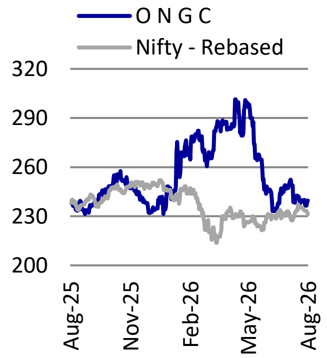
| Y/E March | FY26 | FY27E | FY28E |
|---|---|---|---|
| Sales | 6,622 | 6,933 | 6,619 |
| EBITDA | 1,133 | 1,122 | 1,201 |
| Adj. PAT | 501 | 523 | 530 |
| Adj. EPS (INR) | 39.8 | 41.6 | 42.1 |
| EPS Gr. (%) | 30.4 | 4.4 | 1.3 |
| BV/Sh.(INR) | 289.7 | 315.1 | 340.7 |
| **Ratios** | | | |
| Net D:E | 0.3 | 0.2 | 0.2 |
| RoE (%) | 14.0 | 13.5 | 12.6 |
| RoCE (%) | 15.4 | 15.0 | 15.7 |
| Payout (%) | 33.5 | 37.6 | 38.0 |
| **Valuations** | | | |
| P/E (x) | 5.9 | 5.7 | 5.6 |
| P/BV (x) | 0.8 | 0.7 | 0.7 |
| EV/EBITDA (x) | 3.6 | 3.4 | 3.0 |
| Div. Yield (%) | 5.6 | 6.6 | 6.8 |
| FCF Yield (%) | 20.0 | 20.7 | 19.3 |

**Shareholding pattern (%)**

| As On | Jun-26 | Mar-26 | Jun-25 |
|---|---|---|---|
| Promoter | 58.9 | 58.9 | 58.9 |
| DII | 29.6 | 29.6 | 30.1 |
| FII | 8.0 | 8.0 | 7.1 |
| Others | 3.5 | 3.5 | 3.9 |

FII includes depository receipts

**Stock performance (one-year)**

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- **EIA's 6% Brent upgrade (USD87/USD69 for CY26/27) reinforces constructive upstream stance:** US Energy Information Administration (EIA) raised its CY26/27 Brent forecast by 6% to USD87/ USD69 per bbl, factoring in larger Middle East crude shut-ins – supportive of our constructive stance on the upstream sector.

## OVL's improved run-rate could lift fair value to INR38/sh, INR15/sh above current SoTP

- OVL's performance has strengthened meaningfully over the last six months, with the subsidiary reporting cumulative EBITDA/PAT of INR47.2b/INR29.5b. Annualizing this run-rate into FY27 and valuing OVL at 8x P/E imply a fair value of INR38/sh – up from the INR23/sh currently baked into our SoTP.

## Modeling ~1% volume CAGR over FY26-28; ~6.5% FY27 dividend yield

- Our recent rating upgrade was premised upon a combination of inexpensive valuations, a modest pickup in volume growth, and greater operational freedom amid multi-year government focus 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 modest 1% volume CAGR for ONGC, aided by the start of DUDP, KG-98/2, and Samudra Manthan.
- We are building in ~38% dividend payout in FY27, which implies a ~6.5% 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.

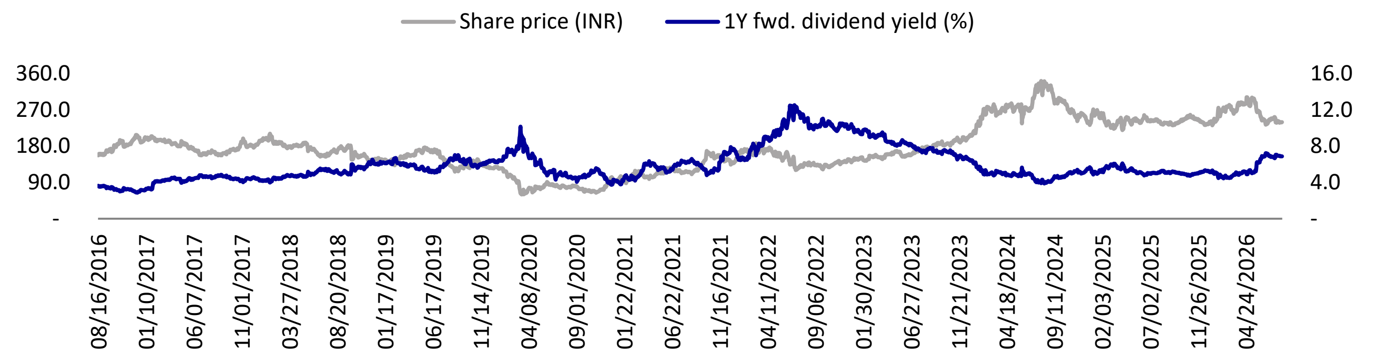
## Valuation and view

- ONGC currently trades at 5.7x FY28E consol. 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 INR290, underpinned by FY26-FY28 production CAGR of -0.3%/+2.1% in oil/gas. **Reiterate BUY.**

**Exhibit 1: Valuation of ONGC**

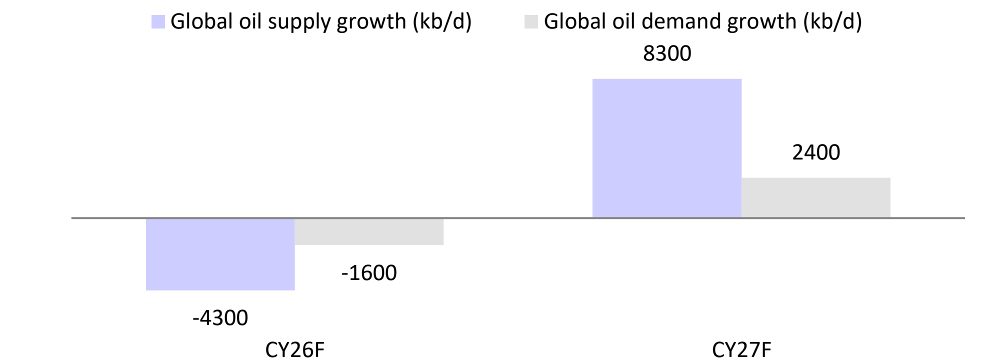
| | |
|---|---|
| Standalone adj EPS (INR) | 31.3 |
| PE (x) | 6.5 |
| Valuation of ONGC stand (INR/share) | 203 |
| **Listed investments** | |
| Indian Oil Corporation | 17 |
| Petronet LNG | 3 |
| GAIL | 3 |
| MRPL | 13 |
| HPCL | 28 |
| **Total valuation** | **267** |
| Book value of OVL (INR b) | 588 |
| Book value per share of ONGC (INR) | 47 |
| Valuation for ONGC at 0.5x BV (INR) | 23 |
| **Valuation of ONGC (INR/share)** | **290** |

**Exhibit 2: ONGC's 1y forward dividend yield now stands at an attractive 6.9%, a 3-year high**



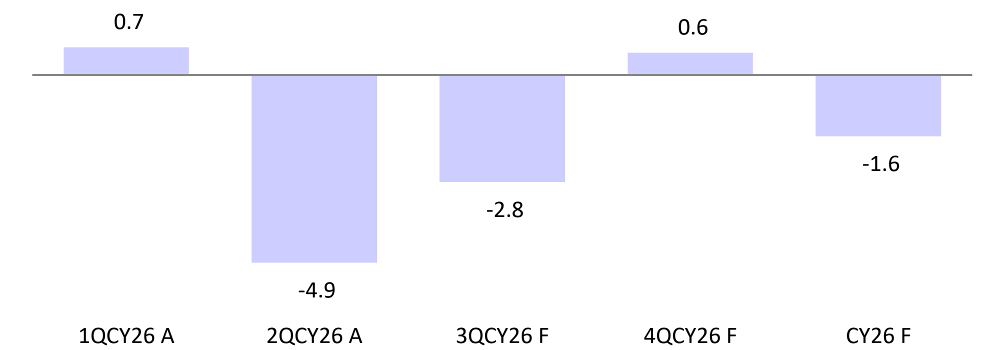

Source: Bloomberg, MOFSL

**Exhibit 3: Global oil supply to be under pressure in CY26 - IEA**




Source: IEA, MOFSL

**Exhibit 4: Global oil demand to pick up in 4QCY26 (in mb/d) - IEA**




Source: IEA, MOFSL

**Exhibit 5: US EIA increases its Brent crude oil price forecast by 6% for CY26/27**

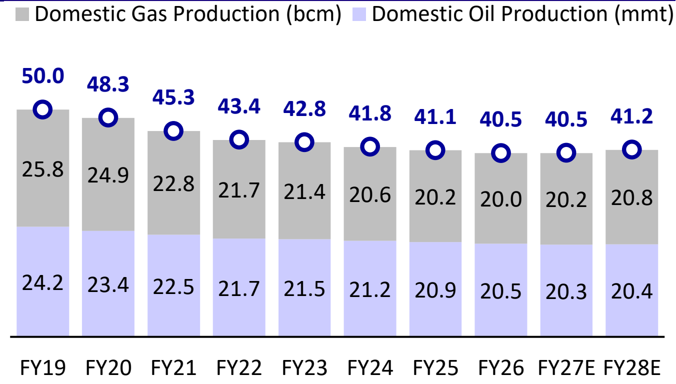
| Aug 26 forecasts | 2025 | 2026 | 2027 | 2026/25 | 2027/26 |
|---|---|---|---|---|---|
| Brent crude oil spot price (USD/bbl) | 69.00 | 87.00 | 69.00 | 26% | -21% |
| U.S. crude oil production (mb/d) | 13.60 | 13.80 | 14.20 | 1% | 3% |
| Natural gas price at Henry Hub (USD/mmbtu) | 3.53 | 3.44 | 3.31 | -3% | -4% |
| U.S. liquefied natural gas gross exports (bcf/d) | 15.00 | 17.00 | 19.00 | 13% | 12% |

*Source: U.S. EIA STEO, MOFSL*

| | Change vs previous forecast | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Brent crude oil spot price (USD/bbl) | 0% | 6% | 6% |
| U.S. crude oil production (mb/d) | 0% | 0% | 1% |
| Natural gas price at Henry Hub (USD/mmbtu) | 0% | -6% | -5% |
| U.S. liquefied natural gas gross exports (bcf/d) | 0% | 6% | 6% |

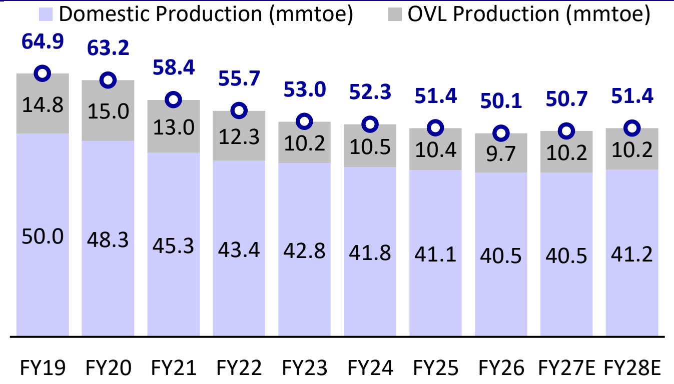
Source: US EIA, MOFSL

### Exhibit 6: Oil/Gas production to increase



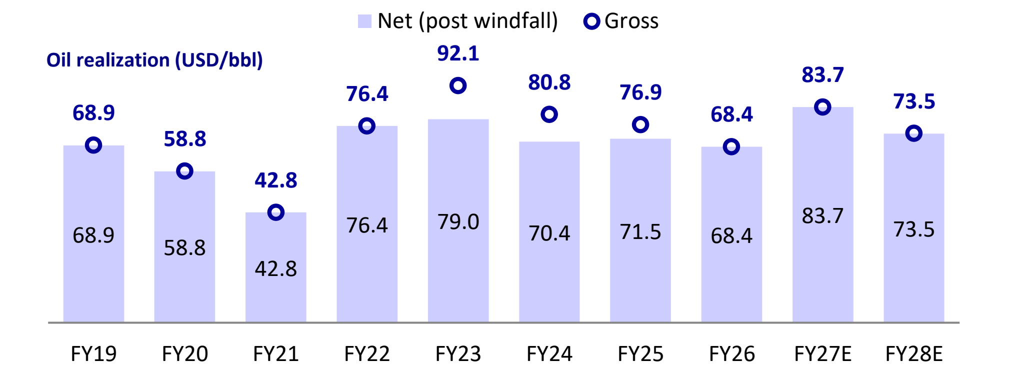

Source: Company, MOFSL

### Exhibit 7: OVL production to increase




Source: Company, MOFSL

### Exhibit 8: 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** | **6,933** | **6,619** |
| *Change (%)* | *-15.15%* | *47.48%* | *28.78%* | *-4.62%* | *1.55%* | *-0.15%* | *4.69%* | *-4.53%* |
| **EBITDAX** | **566** | **858** | **857** | **1,082** | **989** | **1,133** | **1,122** | **1,201** |
| *Margin (%)* | *15.70%* | *16.13%* | *12.52%* | *16.56%* | *14.90%* | *17.11%* | *16.18%* | *18.14%* |
| Depreciation & exploratory well write-offs | 327 | 328 | 330 | 363 | 452 | 476 | 476 | 497 |
| **EBIT** | **239** | **530** | **527** | **719** | **537** | **657** | **646** | **704** |
| Int. and Finance Charges | 51 | 57 | 79 | 130 | 145 | 130 | 110 | 103 |
| Other Income | 93 | 74 | 81 | 120 | 124 | 124 | 134 | 137 |
| **PBT bef. EO Exp.** | **282** | **547** | **528** | **709** | **515** | **651** | **670** | **737** |
| EO Items | 9 | -21 | -81 | -16 | -2 | -4 | 0 | 0 |
| **PBT after EO Exp.** | **291** | **526** | **447** | **693** | **514** | **646** | **670** | **737** |
| Total Tax | 88 | 48 | 107 | 184 | 141 | 178 | 177 | 184 |
| *Tax Rate (%)* | *30.1%* | *9.1%* | *23.9%* | *26.5%* | *27.4%* | *27.6%* | *26.5%* | *25.0%* |
| Share of associates/JVs/Minority int | -10 | -15 | 0 | -43 | -10 | -30 | -30 | 23 |
| **Reported PAT** | **213** | **493** | **340** | **553** | **383** | **498** | **523** | **530** |
| **Adjusted PAT** | **207** | **414** | **402** | **565** | **384** | **501** | **523** | **530** |
| *Change (%)* | *23.77%* | *99.78%* | *-2.71%* | *40.36%* | *-31.94%* | *30.36%* | *4.39%* | *1.34%* |
| *Margin (%)* | *5.74%* | *7.78%* | *5.88%* | *8.65%* | *5.80%* | *7.57%* | *7.54%* | *8.01%* |

| 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 | 3,981 | 4,310 |
| **Net Worth** | **2,210** | **2,595** | **2,845** | **3,391** | **3,434** | **3,718** | **4,044** | **4,373** |
| 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** | **5,962** | **6,163** |
| 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 | 4,370 | 4,866 |
| **Net Fixed Assets** | **2,293** | **2,422** | **2,613** | **3,068** | **3,260** | **3,307** | **3,560** | **3,625** |
| 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** | **2,229** | **2,245** |
| Others | 626 | 686 | 710 | 771 | 857 | 872 | 867 | 890 |
| Inventory | 446 | 542 | 460 | 538 | 590 | 649 | 638 | 624 |
| Account Receivables | 186 | 217 | 213 | 222 | 236 | 246 | 256 | 258 |
| Cash and Bank Balance | 72 | 68 | 291 | 418 | 272 | 322 | 346 | 353 |
| Cash | 40 | 54 | 26 | 41 | 46 | 16 | 40 | 47 |
| 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** | **1,945** | **1,794** |
| Account Payables | 1,045 | 1,131 | 1,009 | 1,288 | 1,308 | 1,380 | 1,330 | 1,179 |
| Provisions | 410 | 430 | 457 | 576 | 614 | 615 | 615 | 615 |
| **Net Current Assets** | **-90** | **-17** | **242** | **124** | **113** | **215** | **284** | **451** |
| **Appl. of Funds** | **3,951** | **4,260** | **4,903** | **5,492** | **5,595** | **5,849** | **5,962** | **6,163** |

# 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** | **41.6** | **42.1** |
| Cash EPS | 41.6 | 57.8 | 57.1 | 72.3 | 65.2 | 76.1 | 77.9 | 80.0 |
| BV/Share | 172.2 | 202.2 | 221.7 | 264.2 | 267.6 | 289.7 | 315.1 | 340.7 |
| DPS | 3.6 | 10.5 | 11.3 | 12.3 | 12.3 | 13.3 | 15.6 | 16.0 |
| Payout (%) | 21.2 | 26.8 | 41.6 | 27.9 | 40.2 | 33.5 | 37.6 | 38.0 |
| **Valuation (x)** | | | | | | | | |
| P/E | 14.3 | 7.2 | 7.4 | 5.3 | 7.7 | 5.9 | 5.7 | 5.6 |
| Cash P/E | 5.7 | 4.1 | 4.1 | 3.3 | 3.6 | 3.1 | 3.0 | 3.0 |
| P/BV | 1.4 | 1.2 | 1.1 | 0.9 | 0.9 | 0.8 | 0.7 | 0.7 |
| EV/Sales | 1.1 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| EV/EBITDA | 7.1 | 4.6 | 5.0 | 3.8 | 4.3 | 3.6 | 3.4 | 3.0 |
| Dividend Yield (%) | 1.5 | 4.4 | 4.8 | 5.2 | 5.2 | 5.6 | 6.6 | 6.8 |
| FCF per share | 12.0 | 35.7 | 37.9 | 48.5 | 39.9 | 47.3 | 48.8 | 45.5 |
| **Return Ratios (%)** | | | | | | | | |
| RoE | 9.7 | 17.2 | 14.8 | 18.1 | 11.3 | 14.0 | 13.5 | 12.6 |
| RoCE | 10.4 | 17.3 | 14.9 | 17.7 | 13.3 | 15.4 | 15.0 | 15.7 |
| RoIC | 9.1 | 19.5 | 18.5 | 23.8 | 16.2 | 18.5 | 17.2 | 17.6 |
| **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 | 1.3 |
| Interest Cover Ratio | 4.7 | 9.3 | 6.7 | 5.5 | 3.7 | 5.0 | 5.9 | 6.8 |
| 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 | 700 | 767 |
| Depreciation | 255 | 269 | 246 | 304 | 352 | 374 | 476 | 497 |
| Interest expense | 51 | 57 | 79 | 130 | 145 | 130 | 110 | 103 |
| (Inc)/Dec in WC | -39 | 37 | 87 | 2 | 14 | 75 | -45 | -160 |
| Others | -21 | 12 | 157 | -39 | 14 | 64 | 0 | 0 |
| **CF from Operating incl EO** | **472** | **780** | **861** | **988** | **909** | **1,127** | **1,064** | **1,023** |
| (Inc)/Dec in FA | -321 | -331 | -384 | -379 | -407 | -532 | -450 | -450 |
| **Free Cash Flow** | **151** | **449** | **477** | **610** | **502** | **595** | **614** | **573** |
| (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 | -197 | -201 |
| Others | -111 | -102 | -136 | -158 | -231 | -234 | -110 | -103 |
| **CF from Fin. Activity** | **-89** | **-361** | **-138** | **-399** | **-474** | **-563** | **-519** | **-486** |
| **Inc/Dec of Cash** | **-8** | **14** | **-28** | **15** | **4** | **-13** | **25** | **7** |
| Opening Balance | 48 | 40 | 54 | 26 | 41 | 28 | 16 | 40 |
| **Closing Balance** | **40** | **54** | **26** | **41** | **46** | **16** | **40** | **47** |

| 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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