

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	ONGC IN
Equity Shares (m)	12,833
M.Cap.(INRb)/(USD\$)	1460.6 / 19.7
52-Week Range (INR)	128 / 64
1, 6, 12 Rel. Per (%)	-9/12/3
12M Avg Val (INR M)	2868

#### Financials & Valuations (conso) (INR b)

Y/E March	2021	2022E	2023E
Sales	3,606	4,665	4,623
EBITDA	566	749	808
Adj. PAT	207	298	328
Adj. EPS (INR)	16.1	23.2	25.6
EPS Gr. (%)	23.8	44.1	10.0
BV/Sh.(INR)	172.2	188.0	205.9

#### Ratios

Net D:E	0.5	0.3	0.2
RoE (%)	9.7	12.9	13.0
RoCE (%)	7.3	9.9	10.7
Payout (%)	21.6	31.8	30.1

#### Valuations

P/E (x)	7.2	5.0	4.5
P/BV (x)	0.7	0.6	0.6
EV/EBITDA (x)	4.4	3.0	2.4
Div. Yield (%)	3.1	6.4	6.6
FCF Yield (%)	10.2	28.5	27.2

#### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	60.4	60.4	60.4
DII	17.6	17.5	17.4
FII	8.1	8.1	8.1
Others	13.9	14.0	14.1

FII Includes depository receipts

**CMP: INR116**
**TP: INR150 (+29%)**
**Buy**

### Concerns over delay in gas production continue

- ONGC reported in-line numbers and crude oil sales; lower gas sales were offset by higher-than-estimated VAP sales. Gas offtake was lower due to lower offtake from GAIL, led by shutdowns at the customer end.
- Gas production continues to decline on a sequential basis. The management has guided for gas production potentially at 24.7bcm for FY22, while gas production would be lower than earlier guided at 27bcm for FY23.
- Delays in production at the KG-DWN-98/2 field continue amid restrictions on international movement due to COVID. The guidance is that gas production from the field may be ramped up to 3mmscmd by Dec'21, with a further ramp-up expected by Jun'22. The peak production is expected at 14.5mmscmd/45kbopd for gas/oil respectively.
- In line with the aforementioned delays, we shift our production estimates of 24mmt/27.8bcm to FY24E and lower our FY23E estimates to 23.2mmt/25.8bcm.
- ONGC expects 2HFY22 APM price to rise above USD2.8/mmbtu (from USD1.79 currently), with APM price significantly expected to increase in 1HFY23 as well.
- Brent prices have started cooling off from the peak of USD75/bbl in Jul'21 to ~USD70/bbl. We expect prices to return to normal levels of USD60–65/bbl as OPEC+ gradually increases its oil production (by 0.4mnbopd per month from Aug'21). We forecast Brent price of USD63/USD60 per bbl for FY22E/FY23E, considering the easing of the current 5.8mnbopd production cuts.
- Despite the continued delay, ONGC's gas production is likely to clock a CAGR of 7% over FY21–24E, with efforts to arrest the decline in oil production.

### Result in line with estimates

- Crude oil sales were in-line at 5.1mmt (-1% YoY and -3% QoQ). Although, gas sales were lower at 4.1bcm (-8% est.; -3% YoY and -7% QoQ). On the other hand, VAP sales were better than expected at 784tmt (+13% est.; +15% YoY and +8% QoQ).
- Net realization was in line with estimates at USD65.6/bbl (+128% YoY and +13% QoQ). Thus, revenue was in-line at INR230b (+77% YoY and +9% QoQ).
- EBITDA stood at INR121.5b (+106% YoY and +20% QoQ). Higher interest cost was offset by higher other income, while depreciation was lower.
- Reported PAT stood at INR43.3b (v/s INR5b/INR67b in 1Q/4QFY21).
- OVL PAT stood at INR9.2b (v/s loss of INR3.3b in 1QFY21 and gains of INR10.2b in 4QFY21).

### Valuation and view – maintain Buy

- Capex guidance for FY22 stands at INR295b (v/s INR280b spent in FY21).
- OPAL reported profits for the second consecutive quarter, with utilization at 87% in 1QFY22. EBITDA stood at INR9.7b in 1QFY22 (v/s INR11b in 4QFY21), with PAT at INR0.65b (v/s INR0.27b in 4QFY21). ONGC is further improving process efficiencies to maintain profitability.

- ONGC is trading at 2.4x FY23 EV/EBITDA and 4.5x FY23 PE. We value the company at 10x Sep'23E adj EPS of INR11.6 and add the value of investments to arrive at TP of INR150. Reiterate Buy.

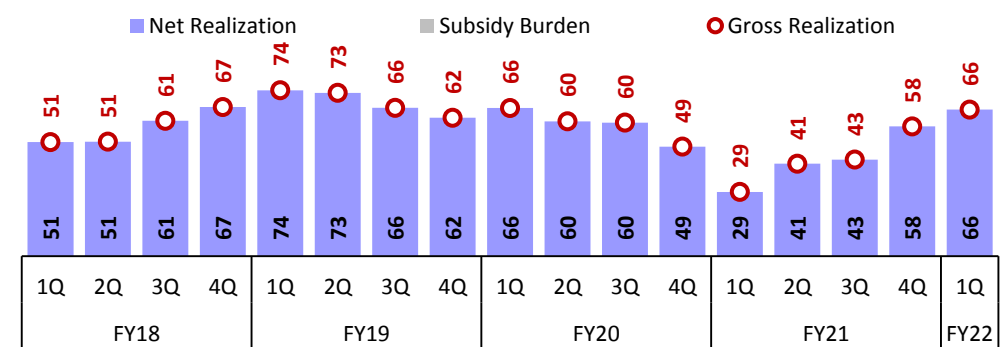
## Standalone - Quarterly Earnings Model

Y/E March	FY21				FY22				FY21	FY22E	FY22	(INR b)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var vs est (%)
<b>Net Sales</b>	<b>130.1</b>	<b>169.2</b>	<b>170.2</b>	<b>211.9</b>	<b>230.2</b>	<b>221.6</b>	<b>232.4</b>	<b>233.9</b>	<b>681.4</b>	<b>918.1</b>	<b>230.8</b>	<b>0%</b>
YoY Change (%)	-51.0	-30.9	-28.2	-1.2	76.9	31.0	36.5	10.4	-29.2	34.7	77.4	
<b>EBITDA</b>	<b>59.1</b>	<b>84.4</b>	<b>83.5</b>	<b>101.2</b>	<b>121.5</b>	<b>109.6</b>	<b>117.9</b>	<b>117.1</b>	<b>328.1</b>	<b>466.1</b>	<b>116.7</b>	<b>4%</b>
Margins (%)	45.4	49.9	49.0	47.8	52.8	49.5	50.7	50.1	48.2	50.8	50.5	
Depreciation	49.5	51.3	62.7	63.7	53.2	55.8	59.8	60.8	227.1	229.6	63.0	-16%
Interest	4.9	3.2	6.0	5.7	6.2	5.4	5.4	4.7	22.1	21.7	5.2	19%
Other Income	4.4	22.4	12.2	31.3	5.3	23.5	12.8	30.8	71.4	72.4	4.6	16%
<b>PBT before EO expense</b>	<b>9.0</b>	<b>52.3</b>	<b>27.0</b>	<b>63.1</b>	<b>67.5</b>	<b>71.8</b>	<b>65.5</b>	<b>82.4</b>	<b>150.3</b>	<b>287.2</b>	<b>53.0</b>	<b>27%</b>
Extra-Ord expense	0.0	12.4	0.0	-26.1	0.0	0.0	0.0	0.0	-13.8	0.0	0.0	
<b>PBT</b>	<b>9.0</b>	<b>39.9</b>	<b>27.0</b>	<b>89.3</b>	<b>67.5</b>	<b>71.8</b>	<b>65.5</b>	<b>82.4</b>	<b>164.0</b>	<b>287.2</b>	<b>53.0</b>	<b>27%</b>
Rate (%)	45.1	27.9	53.4	24.6	35.8	33.3	33.3	33.3	31.4	33.9	33.3	
<b>Reported PAT</b>	<b>5.0</b>	<b>28.8</b>	<b>12.6</b>	<b>67.3</b>	<b>43.3</b>	<b>47.9</b>	<b>43.7</b>	<b>54.9</b>	<b>112.5</b>	<b>189.9</b>	<b>35.4</b>	<b>23%</b>
<b>Adj PAT</b>	<b>5.0</b>	<b>37.7</b>	<b>12.6</b>	<b>47.6</b>	<b>43.3</b>	<b>47.9</b>	<b>43.7</b>	<b>54.9</b>	<b>103.0</b>	<b>189.9</b>	<b>35.4</b>	<b>23%</b>
YoY Change (%)	-91.6	-39.8	-70.2	566.6	774.0	27.1	247.3	15.4	-38.3	84.3	613.0	
Margins (%)	3.8	22.3	7.4	22.5	18.8	21.6	18.8	23.5	15.1	20.7	15.3	
<b>Key Assumptions (USD/bbl)</b>												
Fx rate (INR/USD)	75.9	74.4	73.8	72.9	73.6	73.5	74.0	74.5	74.3	73.9	73.6	0%
Net Oil Realization	28.7	41.4	43.2	58.1	65.6	65.0	60.0	60.0	52.7	56.2	68.5	-4%
Crude oil sold (mmt)	5.2	5.1	5.3	5.2	5.1	4.8	4.9	4.9	20.7	19.8	4.9	3%
Gas sold (bcm)	4.2	4.6	4.5	4.4	4.1	4.5	4.9	4.9	17.7	18.4	4.4	-8%
VAP sold (tmt)	680	836	784	726	784	789	858	858	3,026	3,289	693	13%

E: MOFSL Estimates

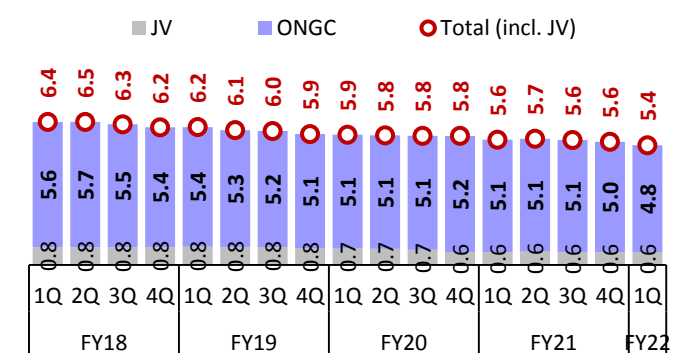
## Key charts from the quarter

Exhibit 1: Oil price realization (USD/bbl)



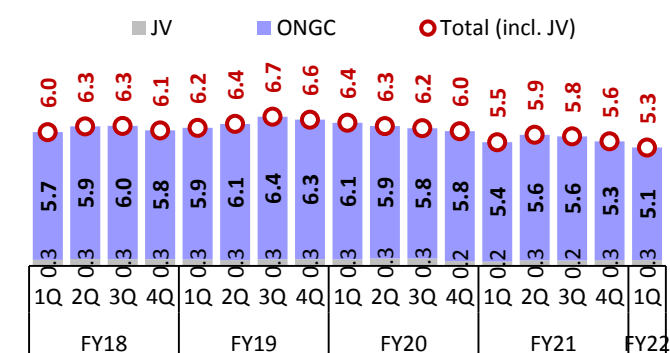
Source: Company, MOFSL

Exhibit 2: Oil production (mmt)



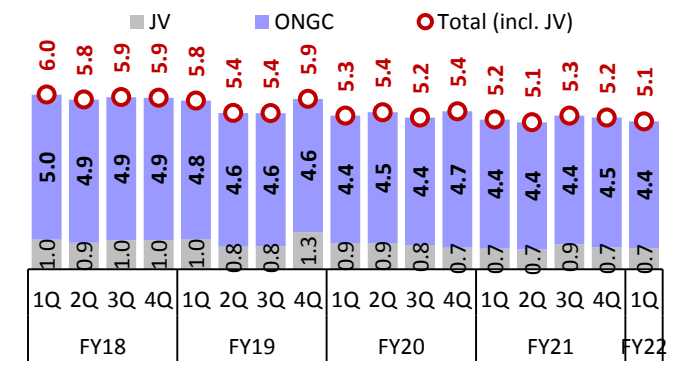
Source: Company, MOFSL

Exhibit 3: Gas production (bcm)



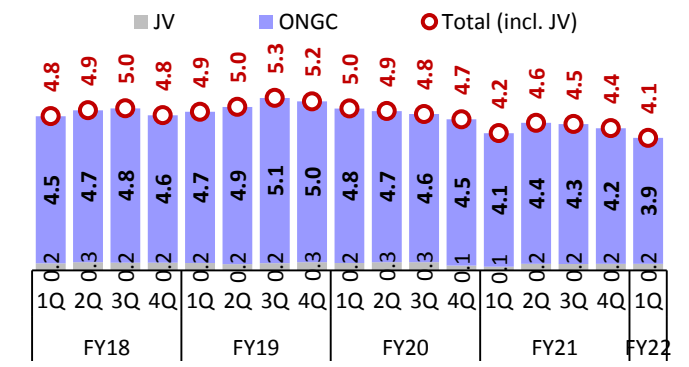
Source: Company, MOFSL

Exhibit 4: Oil sales (mmt)



Source: Company, MOFSL

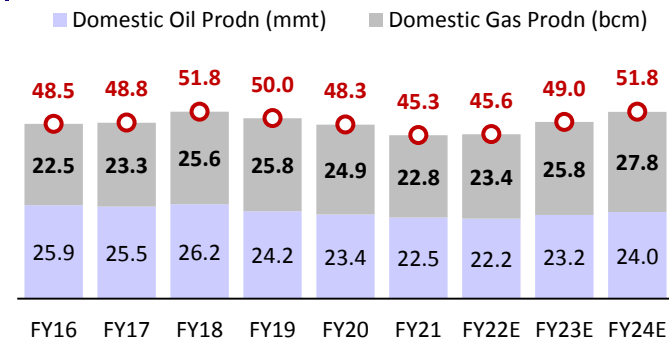
Exhibit 5: Gas sales (bcm)



Source: Company, MOFSL

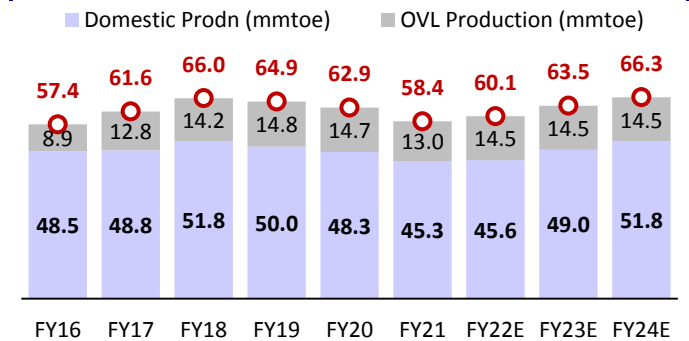
## Story in charts

Exhibit 6: Oil/Gas production to increase (mmt)



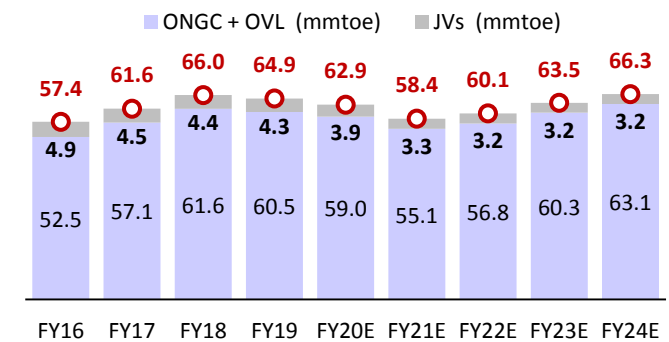
Source: Company, MOFSL

Exhibit 7: OVL production to remain stable



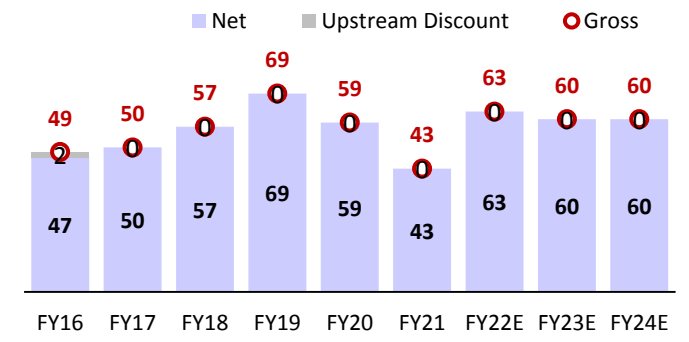
Source: Company, MOFSL

Exhibit 8: JV contribution to stabilize



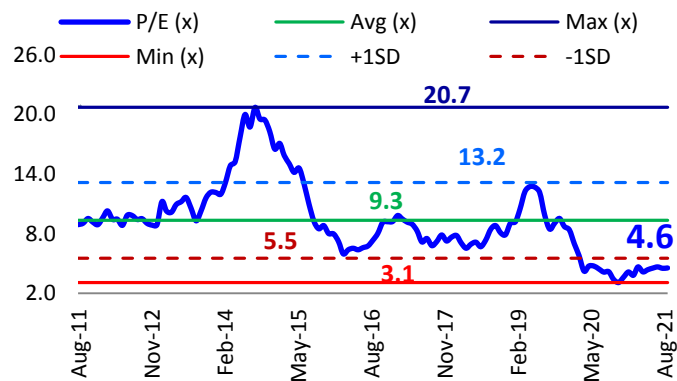
Source: Company, MOFSL

Exhibit 9: Realization for ONGC (USD/bbl)



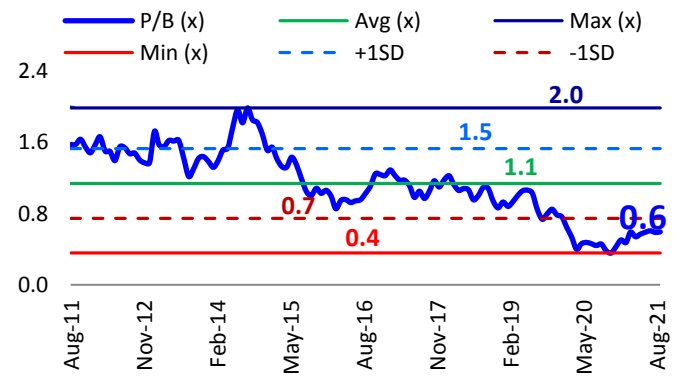
Source: Company, MOFSL

Exhibit 10: ONGC: 1 yr fwd PE



Source: MOFSL

Exhibit 11: ONGC: 1 yr fwd PB



Source: MOFSL

## Financials and valuations (conso)

### Consolidated - Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Income from Operations</b>	<b>3,257</b>	<b>3,622</b>	<b>4,537</b>	<b>4,250</b>	<b>3,606</b>	<b>4,665</b>	<b>4,623</b>	<b>4,642</b>
Change (%)	140.1	11.2	25.2	-6.3	-15.2	29.4	-0.9	0.4
<b>EBITDA</b>	<b>580</b>	<b>644</b>	<b>840</b>	<b>611</b>	<b>566</b>	<b>749</b>	<b>808</b>	<b>828</b>
Margin (%)	17.8	17.8	18.5	14.4	15.7	16.1	17.5	17.8
Depreciation	254	306	329	357	327	309	341	356
<b>EBIT</b>	<b>326</b>	<b>338</b>	<b>511</b>	<b>255</b>	<b>239</b>	<b>440</b>	<b>466</b>	<b>471</b>
Int. and Finance Charges	36	50	58	75	51	53	47	35
Other Income	93	75	77	91	93	44	55	59
<b>PBT bef. EO Exp.</b>	<b>383</b>	<b>362</b>	<b>530</b>	<b>271</b>	<b>282</b>	<b>431</b>	<b>475</b>	<b>495</b>
EO Items	6	2	-16	-90	9	0	0	0
<b>PBT after EO Exp.</b>	<b>389</b>	<b>365</b>	<b>514</b>	<b>180</b>	<b>291</b>	<b>431</b>	<b>475</b>	<b>495</b>
Total Tax	125	131	209	75	88	144	158	165
Tax Rate (%)	32.3	36.0	40.7	41.6	30.1	33.3	33.3	33.3
Share of associates/JVs/Minority int	-28	-27	-34	-9	-10	-11	-11	-12
<b>Reported PAT</b>	<b>292</b>	<b>261</b>	<b>339</b>	<b>115</b>	<b>213</b>	<b>298</b>	<b>328</b>	<b>342</b>
<b>Adjusted PAT</b>	<b>288</b>	<b>259</b>	<b>349</b>	<b>167</b>	<b>207</b>	<b>298</b>	<b>328</b>	<b>342</b>
Change (%)	64.9	-9.9	34.6	-52.1	23.8	44.1	10.0	4.3
Margin (%)	8.8	7.2	7.7	3.9	5.7	6.4	7.1	7.4

### Consolidated - Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	64	64	63	63	63	63	63	63
Total Reserves	1,880	1,963	2,092	1,988	2,147	2,350	2,579	2,822
<b>Net Worth</b>	<b>1,944</b>	<b>2,028</b>	<b>2,155</b>	<b>2,051</b>	<b>2,210</b>	<b>2,413</b>	<b>2,642</b>	<b>2,885</b>
Minority Interest	133	156	183	184	216	216	216	216
Total Loans	744	993	1,015	1,044	1,098	824	618	463
Deferred Tax Liabilities	352	391	450	434	427	427	427	427
<b>Capital Employed</b>	<b>3,173</b>	<b>3,568</b>	<b>3,803</b>	<b>3,713</b>	<b>3,951</b>	<b>3,880</b>	<b>3,903</b>	<b>3,991</b>
Gross Block	3,328	3,683	3,983	4,382	4,642	4,736	4,828	4,920
Less: Accum. Deprn.	1,358	1,590	1,827	2,093	2,348	2,661	2,980	3,305
<b>Net Fixed Assets</b>	<b>1,969</b>	<b>2,093</b>	<b>2,156</b>	<b>2,289</b>	<b>2,293</b>	<b>2,075</b>	<b>1,849</b>	<b>1,615</b>
Goodwill on Consolidation	142	142	141	142	135	135	135	135
Capital WIP	214	207	298	458	629	839	1,024	1,201
Exploratory wells under progress	377	401	392	380	374	374	374	374
<b>Total Investments</b>	<b>707</b>	<b>667</b>	<b>738</b>	<b>575</b>	<b>609</b>	<b>609</b>	<b>609</b>	<b>609</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,029</b>	<b>1,048</b>	<b>1,252</b>	<b>1,229</b>	<b>1,365</b>	<b>1,268</b>	<b>1,323</b>	<b>1,472</b>
Others	428	503	632	642	626	638	650	662
Inventory	299	305	351	331	446	361	352	352
Account Receivables	139	156	175	115	186	159	158	158
Cash and Bank Balance	132	51	48	96	72	74	128	263
Cash	18	25	38	48	40	42	96	232
Bank Balance	114	26	10	49	32	32	32	32
Loans and Advances	31	33	46	44	36	36	36	36
<b>Curr. Liability &amp; Prov.</b>	<b>1,266</b>	<b>990</b>	<b>1,175</b>	<b>1,360</b>	<b>1,454</b>	<b>1,420</b>	<b>1,411</b>	<b>1,415</b>
Account Payables	985	694	853	987	1,045	1,010	1,001	1,005
<b>Net Current Assets</b>	<b>-236</b>	<b>58</b>	<b>77</b>	<b>-132</b>	<b>-90</b>	<b>-152</b>	<b>-88</b>	<b>57</b>
<b>Appl. of Funds</b>	<b>3,173</b>	<b>3,568</b>	<b>3,803</b>	<b>3,713</b>	<b>3,951</b>	<b>3,880</b>	<b>3,903</b>	<b>3,991</b>

E: MOFSL Estimates

## Financials and valuations

Ratio								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>22.4</b>	<b>20.2</b>	<b>27.2</b>	<b>13.0</b>	<b>16.1</b>	<b>23.2</b>	<b>25.6</b>	<b>26.7</b>
Cash EPS	42.2	44.0	52.8	40.8	41.6	47.3	52.2	54.4
BV/Share	151.5	158.0	167.9	159.8	172.2	188.0	205.9	224.8
DPS	6.9	6.6	6.9	5.0	3.6	7.4	7.7	7.8
Payout (%)	36.0	38.0	31.3	67.5	21.6	31.8	30.1	29.1
<b>Valuation (x)</b>								
P/E	5.2	5.7	4.3	8.9	7.2	5.0	4.5	4.4
Cash P/E	2.7	2.6	2.2	2.8	2.8	2.5	2.2	2.1
P/BV	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.5
EV/Sales	0.6	0.7	0.5	0.6	0.7	0.5	0.4	0.4
EV/EBITDA	3.6	3.8	2.9	4.0	4.4	3.0	2.4	2.0
Dividend Yield (%)	6.0	5.7	5.9	4.3	3.1	6.4	6.6	6.7
FCF per share	19.8	22.6	27.8	22.4	11.8	33.1	31.6	33.1
<b>Return Ratios (%)</b>								
RoE	14.7	13.0	16.7	8.0	9.7	12.9	13.0	12.4
RoCE	11.1	9.2	11.3	6.4	7.3	9.9	10.7	10.7
RoIC	10.6	9.1	11.3	5.6	6.4	11.8	13.8	15.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.0	1.0	1.1	1.0	0.8	1.0	1.0	0.9
Asset Turnover (x)	1.0	1.0	1.2	1.1	0.9	1.2	1.2	1.2
Inventory (Days)	33	31	28	28	45	28	28	28
Debtor (Days)	16	16	14	10	19	12	12	12
Creditor (Days)	110	70	69	85	106	79	79	79
<b>Leverage Ratio (x)</b>								
Current Ratio	0.8	1.1	1.1	0.9	0.9	0.9	0.9	1.0
Interest Cover Ratio	9.1	6.8	8.8	3.4	4.7	8.3	10.0	13.4
Net Debt/Equity	0.3	0.5	0.4	0.5	0.5	0.3	0.2	0.1

### Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	417	392	548	190	301	431	475	495
Depreciation	202	231	237	266	255	309	341	356
Interest expense	36	49	58	75	51	53	47	35
(Inc)/Dec in WC	-27	3	-98	127	-39	64	-11	-9
<b>CF from Operating incl EO</b>	<b>458</b>	<b>568</b>	<b>615</b>	<b>706</b>	<b>472</b>	<b>724</b>	<b>706</b>	<b>725</b>
(Inc)/Dec in FA	-203	-277	-258	-419	-321	-300	-300	-300
<b>Free Cash Flow</b>	<b>254</b>	<b>291</b>	<b>357</b>	<b>287</b>	<b>151</b>	<b>424</b>	<b>406</b>	<b>425</b>
(Pur)/Sale of Investments	-125	87	-9	-18	-12	0	0	0
Others	-111	-470	-102	-99	-59	0	0	0
<b>CF from Investments</b>	<b>-439</b>	<b>-660</b>	<b>-368</b>	<b>-535</b>	<b>-391</b>	<b>-300</b>	<b>-300</b>	<b>-300</b>
Inc/(Dec) in Debt	160	241	-31	24	53	-275	-206	-154
Dividend Paid	-173	-112	-122	-99	-31	-95	-99	-100
Others	-31	-30	-39	-86	-111	-53	-47	-35
CF from Fin. Activity	-19	99	-233	-161	-89	-422	-352	-289
<b>Inc/Dec of Cash</b>	<b>0</b>	<b>7</b>	<b>13</b>	<b>10</b>	<b>-8</b>	<b>2</b>	<b>54</b>	<b>136</b>
Opening Balance	18	18	25	38	48	40	42	96
<b>Closing Balance</b>	<b>18</b>	<b>25</b>	<b>38</b>	<b>48</b>	<b>40</b>	<b>42</b>	<b>96</b>	<b>232</b>

E: MOFSL Estimates

## NOTES



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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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