

# Stock Update

## Oil & Natural Gas Corporation Ltd. (ONGC)

Sept 24, 2021





# Oil & Natural Gas Corporation Ltd. (ONGC)

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Exploration & Production	Rs 137.75	Buy at LTP and add more on dips to Rs 121.5-123.5 band	Rs 149	Rs 163	2 quarters

HDFC Scrip Code	OILNATEQNR
BSE Code	500312
NSE Code	ONGC
Bloomberg	ONGC IN
CMP Sept 23, 2021	137.75
Equity Capital (Rs cr)	6290.1
Face Value (Rs)	5.0
Equity Share O/S (cr)	1258.0
Market Cap (Rs cr)	173,419.2
Book Value (Rs)	175.7
Avg. 52 Wk Volumes	1095217
52 Week High	138.4
52 Week Low	64.2
<b>Share holding Pattern % (June, 2021)</b>	
Promoters	60.4
Institutions	25.7
Non Institutions	13.9
Total	100.0

## Retail Research Risk Rating:



\* Refer at the end for explanation on Risk Ratings

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## Our Take:

ONGC is the country's largest oil and gas producer with a share of nearly 73% in India's total production of crude oil and natural gas (including share of JVs). It is also a significant producer of value-added products such as liquefied petroleum gas (LPG), superior kerosene oil (SKO), naphtha and C2/C3. The company has developed significant onshore and offshore production facilities, subsea and land pipelines, gas processing, drilling and work-over rigs, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India. ONGC drilled 100 exploratory wells in FY21 as compared to 500 drilled in FY20. It produced 1.17mmboepd of O&G in FY21, had proved reserves of around 7.0 billion barrels of oil equivalent ((boe) including 4.5 billion boe in India) and reserve life of around 15 years.

The government has proposed a detailed action plan to boost the dwindling oil and gas production of ONGC that includes hiving off non-core businesses into separate companies, monetizing existing infrastructure, decentralization of decision-making on operational matters and partnerships with private energy majors. ONGC could bring in technically sound private partners for about 66 major fields that contribute over 95% of the domestic production. ONGC may explore creating separate entities for drilling, well services, logging, work-over services and data processing entities. In line with the Atmanirbhar Bharat policy, the government has decided to reduce India's over-reliance on imported oil. It has set production targets of 40 million metric tons (MMT) of crude oil, and 50 billion cubic meters (BCM) of gas by 2023-24 where ONGC is tasked to contribute 70%. Thus, restructuring proposals could help to boost ONGC's output.

ONGC has completed various aggressive investment plans in the past and made E&P expenditure of about Rs 1,50,000cr in last 5 years. ONGC is planning for capex of Rs 29,800 crore in FY22 to boost oil and gas output. Capex in FY22 is expected to be funded partially from debt and internal accruals. The company expects to maintain its production dominance, contributing >65% of India's projected output in next three years. ONGC is given a target to achieve 28 MMT of oil and 35 BCM of gas production by March 31, 2024.

Oil prices have climbed on hopes of demand recovery as vaccine roll-outs pick up pace. Crude Oil (WTI) climbed sharply by 83.5% YoY and 11.6% MoM to US\$ 73.3/bbl. Higher crude oil prices lead to higher realization for ONGC and help shore up its profitability. Apart from this, Natural gas has rallied sharply in the last few weeks and momentum could be continue in the near to medium term. Natural Gas price is at US\$ 5.02 /mbtu, which is up by 145% YoY and 30.2% MoM. The annual demand is expected to hit pre-pandemic levels in 2022, according to the International Energy Agency (IEA). This is spurred by the return of vehicular traffic in most of the major countries in the world as well as the improving overall economic outlook. Also the CNG and piped cooking gas prices in cities such as Delhi and Mumbai may be hiked by 10-11% next month which is a positive trigger for ONGC. The government, using rates prevalent in gas-surplus nations, fixes the price of natural



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gas produced by ONGC from fields given to them on nomination basis, every six months. The next review is due on October 1 and a big hike in APM gas prices is expected in Oct 2021 and in April 2022 which could benefit ONGC in a big way.

On 06 Oct, 2020, we had [initiated coverage report](#) on ONGC Ltd and recommend to buy on dips to Rs.64-66 band and add more on dips to Rs.59.5-61.5 band for base case target of Rs 82 and bull case target of Rs 89. The stock has achieved its targets before expiry of the call. Given the healthy growth outlook and strong set of numbers in Q1FY22, we have now revised earnings and increased target price for the stock.

## Valuation & Recommendation:

ONGC enjoys a dominant market position in the domestic crude oil and natural gas production business with large proven reserves, globally competitive cost structure, and stable performance of its subsidiary ONGC Videsh Ltd. (OVL). Any value unlocking from subsidiaries and other investments & lower holding company discount on investments can be positive for the stock. The company also has excellent financial flexibility arising from its moderate gearing, large liquid investments, its significant sovereign ownership and strategic importance. However, subdued oil prices, low domestic gas prices and high dividend payout could impact its cash accruals going forward. Oil prices have recovered, trading at five year high levels and Gas prices are trading at 15 year high. ONGC is among the cheapest global upstream companies offering attractive dividend yield. Every \$1/barrel increase in crude oil prices could add Rs.4.5-5 per shares to the fair value and every \$0.5/mmbtu of gas increase could add to Rs.8.5-9 per share.

**Investors could buy at CMP and add more on dips in Rs. 121.5-123.5. Base case fair value of the stock is Rs 149 (6.5x FY23E EPS plus current value of listed investments after 30% haircut) and the bull case fair value of the stock is Rs 163 (7x FY23E EPS plus current value of listed investments after 30% haircut) over the next 2 quarters. At the CMP of Rs 137.75 the stock trades at 5.85x FY23E EPS plus current value of listed investments after 30% haircut.**

## Financial Summary

Particulars (Rs Cr)	Q1FY22	Q1FY21	YoY-%	Q4FY21	QoQ-%	FY20*	FY21*	FY22E*	FY23E*
Total Operating Income	23022	13011	76.9	21189	8.6	4,24,961	3,60,572	4,22,396	4,46,492
EBITDA	12153	5908	105.7	10124	20.0	61,128	56,602	75,583	82,717
Depreciation	5317	4949	7.4	6373	-16.6	35,658	32,674	28,315	29,315
Other Income	534	556	-3.9	5746	-90.7	49	10,242	10,037	9,836
Interest Cost	620	610	1.6	569	9.0	7,489	5,079	5,448	4,824
Tax	2415	408	492.7	2194	10.1	7,506	8,766	15,627	17,603
APAT	4335	497	-399.9	6931	-73.2	10,523	20,324	36,231	40,811
Diluted EPS (Rs)	3.4	0.4	772.9	5.2	-33.7	14.3	16.5	29.7	33.3
RoE-%						8.5	9.7	16.0	16.3
P/E (x)						9.6	8.4	4.6	4.1
EV/EBITDA						4.6	5.2	3.0	2.7

(\* = Consolidated)

(Source: Company, HDFC sec)



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## Q1FY22 Result Review

- ONGC's gross revenue rose 77% to Rs 23,022cr and net profit grew by nearly 800% in Q1FY22 at Rs 4,335cr after more than doubling of oil prices compensated for a fall in production. On a sequential basis, revenues and EBITDA rose by 8.6% and 20% while PAT declined by 35% on account of an exceptional gain of Rs. 2613.2cr in Q4FY21. Net oil realisations increased 13% QoQ to US\$65.6/bbl.
- The company produced nearly 5% less crude oil at 5.4 million tons in the quarter while natural gas output was 4.3% lower at 5.3 billion cubic metres.
- In oil production, ONGC produced 4.6 million tons from fields it operates and another 0.55 million tons from those in joint ventures with other partners. Own production was down 4.2% and joint venture output fell 2.8 per cent.
- ONGC's own gas production was down 5.3% at 5.1 billion cubic metres while that of joint venture fields was up by a third to 0.2 billion cubic metres. Overall the gas output was down 4.3% at 5.3 billion cubic metres.

## Key Updates

### **Dominant market position in domestic crude oil and natural gas production business with large reserves**

ONGC is India's largest oil and gas exploration and production (E&P) company, and has maintained its dominant position, accounted for ~73% of the country's crude oil production and ~79% of its natural gas production in FY21. The company has explored 19 of the 26 sedimentary basins of the country for their hydrocarbon potential via seismic survey and/or drilling having established eight producing basins till date. These basins include Mumbai offshore, Cambay, Rajasthan, Cauvery, Krishna-Godavari, Assam-Arakan, Upper Assam and Asoknagar-1.

The company has continued to maintain its position even after the introduction of New Exploration and Licensing Policy (NELP) and thereafter Hydrocarbon Exploration and Licensing Policy (HELP), which increased private participation in the oil and gas sector in India. The company has the largest proven reserves in India discovered over the past six decades since its inception. The large reserves base provides the company an abundant and stable long-term source of hydrocarbons for crude oil and natural gas production. It has declared total 10 discoveries (3 in onland, 7 in offshore) in FY21 in its operated acreages. Out of these, 6 are prospects (1 in onland, 5 in offshore) and 4 are pools (2 in onland, 2 in offshore). As a result, in FY21, the company has added 51.17 Million Metric Tonne Oil Equivalent (MMTOE) reserves (2P) on standalone basis and 60.94 MMTOE on group basis. Thus, the company was able to maintain the Reserve Replacement Ratio (RRR) of 1.19 in FY21 (PY: 1.19) which has remained above unity for the 15th consecutive year thereby reflecting ONGC's strong exploratory capability and healthy long-term revenue visibility.

### **Strong operating performance in FY21 despite the challenges amid COVID Pandemic**

- ONGC domestic oil and gas production (including JV's production) stood at 45.35 MMTOE versus 48.25 MMTOE in the preceding fiscal. The company remains positive of a turnaround in output in FY22.
- ONGC 15 major projects are under implementation with a total projected cost of around Rs 60,501.5cr with envisaged gain of more than 110 MMTOE.



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- ONGC Videsh, its overseas arm, made a significant oil strike in its onshore block CPO-5 in Colombia in FY21. Oil and Gas production from ONGC Videsh was 13.04 MMTOE in FY21 despite the output cuts in the projects in UAE, Russia and Azerbaijan as part of the OPEC+ Group. Turnover and Net Profit of ONGC Videsh in FY21 was Rs 11,955.8cr and Rs 1,891cr, respectively.
- HPCL registered a throughput of 16.42 MMT with a capacity utilization of more than 100%, despite of overall demand contraction. The company also added 2,158 new retail outlets which is highest ever in any particular year, total retail outlets to 18,634. HPCL also commissioned 112 new LPG distributorship in the FY21 taking number of total distributorship to 6,192 as of 31st March 2021. HPCL achieved its highest ever net profit of Rs 10,663.9cr in FY21 on the back of improved refinery margins helped by inventory gains and robust operational performance.
- MRPL, also reported well despite the year-long turmoil in its global export markets due to the pandemic. Its throughput for the year was 11.50 MMT, and its standalone turnover was Rs 51.019cr. MRPL is focused on setting up and expediting own retail outlets. It has also partnered with the OMCs to increase sale of products in India
- In the petchem vertical, OPaL is performing very well with around 90% capacity utilisation in FY21. Revenue from the operations stood at Rs 11,486cr.
- OTPC, its power venture in the country's North east region, is meeting about 35% of total power requirements of the North-eastern states and has recorded total income of Rs 1,646cr while netting a PAT of Rs 221cr in FY21
- ONGC added another 6 MW of solar capacity taking total installed capacity in excess of 30 MW. A study for pilot project in Offshore Wind has already been commissioned for assessing the opportunities in this niche segment.

## **Aggressive domestic as well as overseas expansion plans**

ONGC incurs significant capex every year on exploration, development, and purchase of capital assets and its average Capex (standalone) per annum has been in the range of Rs 27,000 to Rs 30,000 crore with about 23-25 % expenditure on development drilling, 23-25% expenditure on exploration drilling, 38-40% expenditure on capital projects and balance 10- 12% on surveys, R&D, integration and JVs. The same trend is expected to continue in the ensuing years. On standalone basis, the company continues to maintain stable capex program. Capex for FY21 was Rs 26,859cr while planned outlay for FY22 stands at Rs 29,800cr.

ONGC's consolidated capex could be high, at around Rs 50,000-55,000cr annually in FY22-FY23. We expect ONGC to incur domestic upstream capex of Rs 32,500cr in FY22 and FY23 per year, driven by a faster pace of development and exploratory drilling, and completion of the KG-DWN-98/2 project on India's eastern coast. OVL's capex of around Rs 5000cr annually over the next few years, mainly for a Mozambique liquefied natural gas project and OVL has large Capex plans to fulfil its mission of 60 MMTOE by 2030. HPCL's expansion plans account for the rest.

Besides, total installed capacity in renewables space has exceeded 325 MW and the company has a long distance to cover, as the company is targeting 10 GW of installed renewable capacity by 2040.





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ONGC will be aggressive in exploration, betting outside conventional basins by making alliances with international majors. For ONGC renewables makes business sense and it will look at inorganic growth, but fossil fuels will also grow. It plans to have a consultant do an ESG study and have an upgraded plan soon.

## **Awarded blocks in recent past could strengthen its E&P activities**

ONGC, under OALP-V bidding round concluded in FY21 and it has been awarded seven blocks; one ultra-deep water block in Cauvery, two shallow water blocks (Mumbai and Saurashtra) and four onland blocks (two in Cambay and one each in Bengal-Purnea and Kutch onland). This has added about 12,766.09 2 Km of exploration acreage area in ONGC's exploration portfolio. ONGC is holding 24 blocks having 46,313.36 Km<sup>2</sup> acreage area under OALP bidding rounds I to V.

All the awarded OALP blocks are currently in exploratory phase. As on 01 Apr, 2021, in OALP blocks, ONGC has cumulatively acquired 1,543 LKM (1,233 LKM acquired in FY21) of 2D data and 6,699.49 SKM (5,179.12 SKM acquired during FY 2020-21) of 3D seismic data.

## **Monetization of Discoveries**

ONGC monetised a total of 12 discoveries in FY21. Out of ten new discoveries made in FY21, two on-land discoveries viz. Sundalbari-16 and KU-13 have already been monetized. Besides, ten (10) other discoveries of previous years i.e. Tichna, Bhubander, Bhubander-6, Ashokenagar-1, R-13, R-9, Sundalbari-15, GS-15 E, Gojalia-1 and B-45 have also been monetized.

Monetization of Ashoknagar-1 discovery makes the Bengal basin as the eighth commercially producing basin of the country. This has resulted in up-gradation of Bengal basin to Category-I basin as per the new three tier category of sedimentary basins of India

## **Sound financial profile**

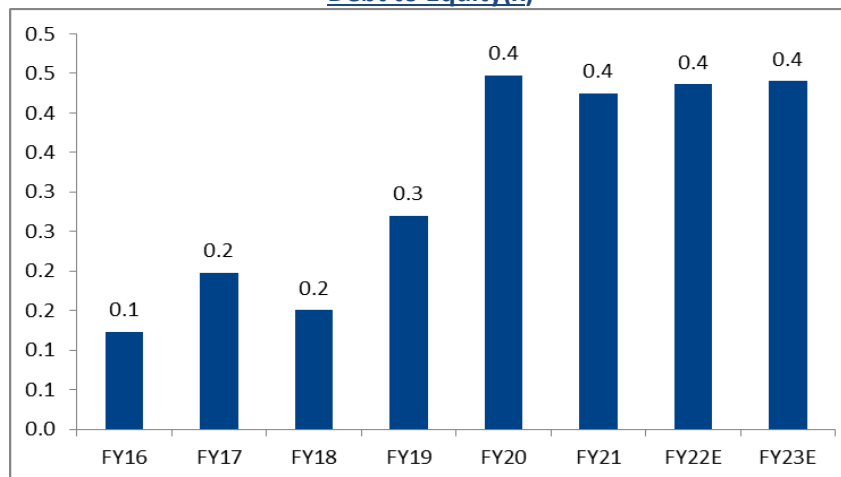
- ONGC's financial profile remained comfortable in FY21 and the company enjoys high financial flexibility that allows it to raise debt and access capital markets at competitive rates to fund its capex and working capital requirements.
- On a consolidated basis, the total income from operation was down by 15.2% to Rs 360,572cr in FY21 on account of both lower crude oil & natural gas production impacted by COVID pandemic and reduction in realisations. EBITDA and PAT margin increased from 14.5% in FY20 to 15.7% in FY21 and 4.2% in FY20 to 5.7% in FY21 respectively.
- Interest coverage ratio also increased from 3.4x in FY20 to 4.7x in FY21, owing to decrease in interest expenses and higher EBITDA.
- ONGC's liquidity profile is expected to remain strong, aided by healthy cash flow generation and sizeable cash and cash equivalents (Rs 12,610 crore as on March 31, 2021). Company has made strong dividend payout of 25.6% in FY21, with dividend yield at 3.1%.
- Crude prices had declined sharply owing to the Covid-19 pandemic. Even post lifting of lockdowns the prices are expected to be weighed down by high inventory levels and a prolonged global economic recovery. Nevertheless over the long term prices are expected to recover owing to an increasingly active role by OPEC+ in managing prices as well as demand recovery.



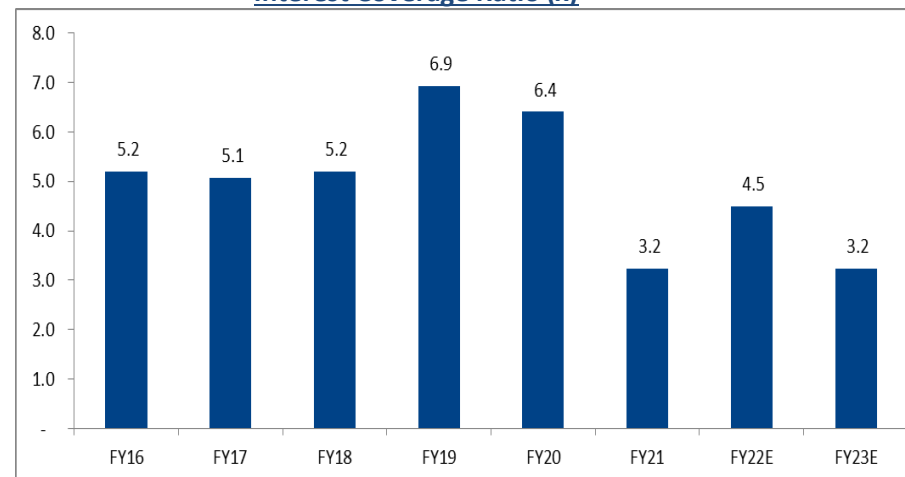
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- On a consolidated basis, overall gearing unchanged as on March 31, 2021 to 0.4x owing to higher borrowings viz. term loans, and finance lease.

Debt to Equity(x)

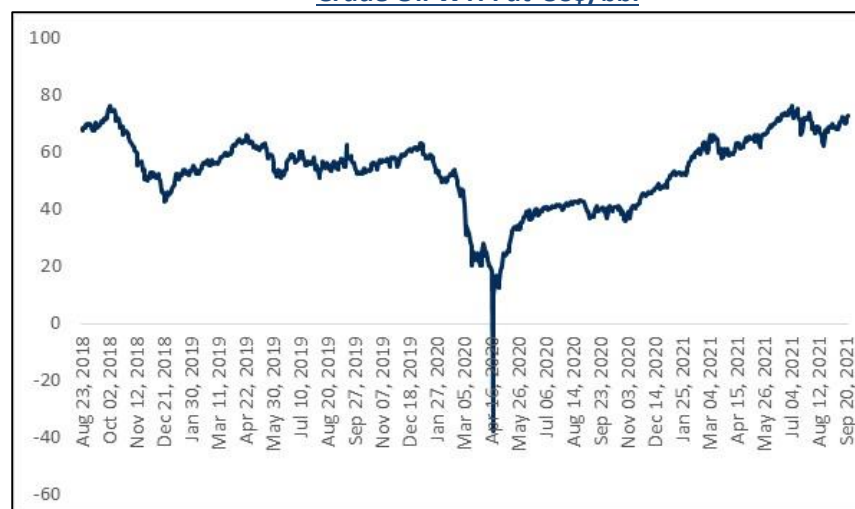


Interest Coverage Ratio (x)



## Oil & Gas Price Outlook:

Crude Oil WTI Fut-US\$/bbl



Natural Gas Price-US\$/mbtu



(Source: Investing.com, HDFC sec)



# Oil & Natural Gas Corporation Ltd. (ONGC)

## What could go wrong?

- Economic slowdown, volatility in oil and gas prices and regulatory changes in Oil and Gas industry could impact its growth story in the future. The changing macro-economic scenario can have an impact on the growth plan of the company.
- E&P business is highly capital intensive activity and has long gestation period with high uncertainty with respect to estimation of reserves. The success of E&P activities depends on quality of the available data engineering, geographies, geologies and geopolitical interpretation. Adverse outcome or failure on E&P project could bring cost burden and impact its profitability.
- India's domestic crude oil production is constantly on a decline. It is mainly because ONGC, which contributes about 70% of the domestic output, is unable to ramp up production from existing fields and could not add new fields under production.
- ONGC has been experiencing decline in production in its mature fields over the past. Company has launched improved oil recovery (IOR) and enhanced oil recovery (EOR) programs to increase the production as well as the recovery factor. Going forward, replacing reserves and growing production while maintaining a favorable cost structure could remain a key challenge for ONGC.
- ONGC's revenue is derived from the sale of crude oil and ONGC face crude price volatility related risk. Prices of crude oil depends on various factors including policies by OPEC, global as well as regional demand variations, geopolitical situations and market sentiments. The crude price (Brent) has fallen sharply since March 2020 touching USD 19/bbl in April 2020, however, crude prices have recovered to the level of around \$73.3/bbl now. Any decrease in the price of the crude oil could impact the profitability of the company. For ONGC, every \$1 a barrel change in prices of crude oil, natural gas, and other products has an impact of close to Rs 6,000 crore on its revenue.
- Gas contribution is likely to grow, as domestic gas production is increasing, while crude production continues to decline. Thus, a reduction in gas prices hurts ONGC the most.
- The Govt's decisions with respect policies such as natural gas pricing (APM Mechanism), subsidy sharing, and dividend payments have a significant bearing on ONGC's profitability and cash flows.
- The lower gas prices act as a deterrent for investments in and monetization of gas fields, as gas production costs from newer blocks is estimated to be over USD5/mmbtu compared to the average breakeven cost of public sector upstream companies, given they also have nominated blocks under their purview.
- ONGC overseas subsidiary OVL's investments suffer from geopolitical risks as some of the invested countries have a history of unstable regimes, resource nationalization, changes in fiscal laws, etc. OVL also faces hurdles in acquisitions after factoring in the geo-political uncertainty in the host country. However, its status as a Govt company helps it obtain feedback from the Govt's diplomatic network.
- ONGC incurs significant capex every year on exploration, development, and purchase of capital assets. Delay in project could Impact its earning visibility. Additionally, in FY18 the company acquired GSPC's KG basin asset as well as Govt's stake in HPCL, which has depleted its cash reserves.
- Lower production growth over last 5 years has been an overhang on the operational performance of the company.
- OVL's investment in its Mozambique assets may require sharp write down.





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- Dilution of Govt.'s stake in ONGC could be an overhang on the stock. However recent indications from the Government of India suggest that it is unlikely to divest its stake in PSUs like ONGC, as divestment via ETFs has hurt ONGC's stock performance.
- Over the medium term the demand for renewable fuels will rise while that of fossil fuels could fall. This could be a key risk for ONGC although it has plans to venture into renewables in a big way. Globally, investors are moving toward ESG investing with focus on clean energy and reduced emissions. ONGC may face investor activism in this regard going forward.
- Currency movement can impact realization as it is dollar denominated.

## Production Volume

Particulars	Units	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Crude Oil	MT	25.9	25.9	25.5	25.4	24.2	23.4	22.5
Crude - nominated	MT	22.3	22.4	22.2	22.3	21.0	20.6	20.2
Crude - JV	MT	3.7	3.6	3.3	3.2	3.2	2.7	2.4
Natural Gas	BCM	23.5	22.5	23.3	24.6	25.8	24.9	22.8
Gas - nominated	BCM	22.0	21.2	22.1	23.4	24.7	23.7	21.9
Gas - JV	BCM	1.5	1.4	1.2	1.2	1.1	1.1	0.9

## Sales Volume

Particulars	Units	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Crude Oil	MT	24.1	24.1	23.9	23.7	22.5	21.3	20.7
Crude - nominated	MT	19.5	19.8	19.8	19.7	18.5	18.0	17.7
Crude - JV	MT	4.6	4.3	4.0	3.9	4.0	3.4	3.0
Natural Gas	BCM	18.0	17.1	17.9	19.5	20.5	19.4	17.7
Gas - nominated	BCM	16.8	16.1	17.0	18.6	19.6	18.5	17.0
Gas - JV	BCM	1.2	1.0	0.9	0.9	0.9	0.9	0.7
Value added product	MT	2.6	2.8	3.2	3.3	3.6	3.6	3.0
LPG	0000, Ton	1090	1191	1352	1186	1109	1011	1011
Naphtha/ARN	0000, Ton	1124	1065	1087	1180	1154	1177	915
Ethane-Propane (C2-C3)/Ethane/Propane / Butane	0000, Ton	337	401	673	914	1192	1225	1005
Superior Kerosene Oil	0000, Ton	74	66	43	34	71	55	32

## Realisation (Nominated Block)

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Gross oil realisation (US\$/bbl)	85.3	48.3	50.3	55.2	68.2	58.6	42.8
Subsidy sharing (US\$/bbl)	40.4	1.1	0.0	0.0	0.0	0.0	0.0
Net oil realisation (US\$/bbl)	44.9	47.1	50.3	55.2	68.2	58.6	42.8
<b>Net oil realisation (Rs/bbl)</b>	2714.6	2882.6	3372.6	3557.0	4765.8	4154.3	3174.3



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## Sales (Rs in Cr)

Rs in cr	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Crude Oil(Including Condensate)	53326.9	52573.4	53663.8	51131.6	54803.6	60389.9	77572.9	64836.3	47933.8
Natural Gas (incl. Gas Marketing Margin)	16540	18329.1	18738.1	18223.9	13939.8	13737.2	18838.9	19355.6	11421.6
Liquified Petroleum Gas (LPG)- Domestic Market	3148.4	3014.5	3438	3495.1	3727.6	4035.2	4349	3603.8	3197.3
Ethane-Propane (C2-C3)/Ethane/ Propane / Butane	1344	1483.7	1006.4	944.1	1726.4	2422.6	3259	3255.1	2396.2
Naphtha	7680.4	7574.3	5083.5	3060.9	3045.5	3808.4	4686.1	3986.3	2608.1
Kerosene (SKO)	368.6	277.9	277.1	211.8	132.1	117.8	335.5	246.5	83.7
HSD	17	52.2	31.2	40.6	42.1	0	115.5	239	153.1
LSHS (Low sulphur heavy stock)/ RCO (Residual Crude oil)	106.3	129.5	70.5	41.2	56.2	48.2	69.4	74.7	53.8
Aviation Turbine Fuel	31.8	22	28.6	0	0	0	51.9	88.9	33.6
Others	8.1	13.1	11.6	16.0	16.2	20.9	21.7	15.2	9.7
Sub- Total	82567.2	83465.3	82342.8	77156.8	77486.4	84580.2	109299.9	95701.4	67890.9
Other Operating Income	737.5	733.1	744.7	576.5	418.3	423.9	354.7	512.2	250.2
Revenue from Operation	83309	84202.8	83093.5	77741.7	77907.8	85004.1	109654.6	96213.6	68141.1

## ONGC Valuation

ONGC Valuation			EPS (Rs/sh)	Base Case		Bull Case		Basis
				Target P/E	Value (Rs/sh)	Target P/E	Value (Rs/sh)	
ONGC standalone EPS (Rs/sh)			15.6	6.5	102	7.25	113	x Mar 23E EPS
OVL EPS (Rs/sh)			3.0	6.3	19	7	21	x Mar 23E EPS
Total			112.1		121		135	
Traded investments	Shares (Mn)	CMP	Value (Rs mn)					
MRPL	1,254.4	51.0	47,982		3.1		3.1	30% Discount to CMP
IOCL	1,337.2	111.0	1,11,322		8.8		8.8	30% Discount to CMP
GAIL	217.8	153.0	24,994		1.9		1.9	30% Discount to CMP
Petronet	187.5	226.0	31,781		2.4		2.4	30% Discount to CMP
HPCL	778.8	298.0	1,74,072		12.1		12.1	30% Discount to CMP
Value of investments			3,90,151		28.3		28.3	
Core value					149.0		163.0	

## Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)			EV/EBITDA(x)		
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
OIL India	23163	22,500	25,800	27,200	5,700	8,300	9,100	4,100	5,900	6,400	17.7	22.1	19.6	5.6	3.9	3.6	7.4	7.1	7.1
ONGC	173419	360,572	422,396	446,492	56,602	75,583	82,717	20,711	37,301	41,935	9.7	16.0	16.3	8.4	4.6	4.1	5.2	3.0	2.7



# Oil & Natural Gas Corporation Ltd. (ONGC)

## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>453683</b>	<b>424961</b>	<b>360572</b>	<b>422396</b>	<b>446492</b>
Growth (%)	25.2	-6.3	-15.2	17.1	5.7
Operating Expenses	369643	363833	303971	346813	363775
<b>EBITDA</b>	<b>84040</b>	<b>61128</b>	<b>56602</b>	<b>75583</b>	<b>82717</b>
<b>Growth (%)</b>	<b>30.6</b>	<b>-27.3</b>	<b>-7.4</b>	<b>33.5</b>	<b>9.4</b>
<b>EBITDA Margin (%)</b>	<b>18.5</b>	<b>14.4</b>	<b>15.7</b>	<b>17.9</b>	<b>18.5</b>
Depreciation	32924	35658	32674	28315	29315
<b>EBIT</b>	<b>51115.3</b>	<b>25470.1</b>	<b>23927.5</b>	<b>47268.7</b>	<b>53402.0</b>
Other Income	6139	49	10242	10037	9836
Interest expenses	5837	7489	5079	5448	4824
<b>PBT</b>	<b>51417.4</b>	<b>18029.3</b>	<b>29090.3</b>	<b>51858.0</b>	<b>58413.8</b>
Tax	20908	7506	8766	15627	17603
<b>RPAT</b>	<b>30510</b>	<b>10523</b>	<b>20324</b>	<b>36231</b>	<b>40811</b>
<b>APAT</b>	<b>34901</b>	<b>17980</b>	<b>20711</b>	<b>37301</b>	<b>41935</b>
<b>Growth (%)</b>	<b>34.7</b>	<b>-48.5</b>	<b>15.2</b>	<b>80.1</b>	<b>12.4</b>
<b>EPS</b>	<b>27.7</b>	<b>14.3</b>	<b>16.5</b>	<b>29.7</b>	<b>33.3</b>

### Balance Sheet

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	6290	6290	6290	6290	6290
Reserves	209215	198814	214691	237556	263021
<b>Shareholders' Funds</b>	<b>215505</b>	<b>205105</b>	<b>220981</b>	<b>243846</b>	<b>269311</b>
Long Term Debt	52168	72932	79162	60603	57482
Net Deferred Taxes	46722	46042	45400	80933	91165
Long Term Provisions & Others	31826	42461	52841	55483	58257
<b>Minority Interest</b>	<b>18273</b>	<b>18406</b>	<b>21616</b>	<b>22697</b>	<b>23831</b>
<b>Total Source of Funds</b>	<b>364495</b>	<b>384945</b>	<b>420000</b>	<b>463561</b>	<b>500046</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	255511	267652	267618	271710	286663
CWIP	29848	45836	62921	62881	72067
Other Non-Current Assets	124882	113446	116978	119742	120645
<b>Total Non Current Assets</b>	<b>410241</b>	<b>426934</b>	<b>447517</b>	<b>454333</b>	<b>479375</b>
Current Investments	0	0	0	0	0
Inventories	35134	33051	44573	52216	55195
Trade Receivables	17454	11548	18579	21764	23006
Cash & Equivalents	9903	14985	12610	45340	64957
Other Current Assets	26762	23500	19985	13196	15203
<b>Total Current Assets</b>	<b>89253</b>	<b>83084</b>	<b>95747</b>	<b>132516</b>	<b>158360</b>
Short-Term Borrowings	49332	31506	30658	18807	30691
Trade Payables	30557	22961	27449	32156	33990
Other Current Liab & Provisions	55109	70606	65158	72326	73009
<b>Total Current Liabilities</b>	<b>134999</b>	<b>125073</b>	<b>123265</b>	<b>123288</b>	<b>137689</b>
Net Current Assets	-45746	-41989	-27518	9228	20671
<b>Total Application of Funds</b>	<b>364495</b>	<b>384945</b>	<b>420000</b>	<b>463561</b>	<b>500046</b>



# Oil & Natural Gas Corporation Ltd. (ONGC)

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	51,417	18,029	29,090	51,858	58,414
Non-operating & EO items	-1,747	7,408	-9,855	-8,967	-8,712
Interest Expenses	5,837	7,489	5,079	5,448	4,824
Depreciation	32,924	35,658	32,674	28,315	29,315
Working Capital Change	-1,470	19,151	-15,999	7,836	-3,711
Tax Paid	-15,692	-8,186	-9,408	19,906	-7,371
<b>OPERATING CASH FLOW ( a )</b>	<b>71,270</b>	<b>79,550</b>	<b>31,582</b>	<b>1,04,396</b>	<b>72,759</b>
Capex	-44,916	-63,787	-49,726	-32,366	-53,453
Free Cash Flow	26,354	15,763	-18,144	72,030	19,305
Investments	-4,068	16,650	-3,194	-1,092	-1,114
Non-operating income	-844	-5,165	9,905	8,365	10,047
<b>INVESTING CASH FLOW ( b )</b>	<b>-49,828</b>	<b>-52,303</b>	<b>-43,016</b>	<b>-25,093</b>	<b>-44,520</b>
Debt Issuance / (Repaid)	254	2,937	5,382	-30,411	8,764
Interest Expenses	-5,837	-7,489	-5,079	-5,448	-4,824
FCFE	20,772	11,211	-17,841	36,172	23,244
Share Capital Issuance	-126	0	0	0	0
Dividend	-5,299	-7,359	-5,299	-13,366	-15,346
Others	-10,609	-10,254	14,054	2,652	2,785
<b>FINANCING CASH FLOW ( c )</b>	<b>-21,616</b>	<b>-22,166</b>	<b>9,059</b>	<b>-46,572</b>	<b>-8,622</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-174</b>	<b>5,082</b>	<b>-2,375</b>	<b>32,731</b>	<b>19,617</b>
<b>Cash &amp; Equivalents</b>	<b>10,078</b>	<b>10,187</b>	<b>11,049</b>	<b>7,202</b>	<b>22,782</b>

## Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin (%)	18.5	14.4	15.7	17.9	18.5
EBIT Margin (%)	11.3	6.0	6.6	11.2	12.0
APAT Margin (%)	7.7	4.2	5.7	8.8	9.4
RoE (%)	16.6	8.5	9.7	16.0	16.3
RoCE (%)	12.6	7.5	7.7	12.7	13.4
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	1.1	1.5	1.7	0.5	0.3
Net D/E	0.4	0.4	0.4	0.1	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	27.7	14.3	16.5	29.7	33.3
CEPS	53.9	42.6	42.4	52.2	56.6
Dividend	4.2	5.9	4.2	10.6	12.2
BVPS	171.3	163.0	175.7	193.8	214.1
<b>Turnover Ratios (days)</b>					
Debtor days	14.0	9.9	18.8	18.8	18.8
Inventory days	28.3	28.4	45.1	45.1	45.1
Creditors days	24.6	19.7	27.8	27.8	27.8
<b>VALUATION (x)</b>					
P/E	5.0	9.6	8.4	4.6	4.1
P/BV	0.8	0.8	0.8	0.7	0.6
EV/EBITDA	3.4	4.6	5.2	3.0	2.7
EV / Revenues	0.6	0.7	0.8	0.5	0.5
Dividend Yield (%)	3.1	4.2	3.1	7.7	8.9
Dividend Payout (%)	15.2	40.9	25.6	35.8	36.6



# Oil & Natural Gas Corporation Ltd. (ONGC)

## One Year Stock Price



## HDFC Sec Retail Research Rating description

### Green Rating stocks

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This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

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This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.





# Oil & Natural Gas Corporation Ltd. (ONGC)

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