

23 May 2025

India | Equity Research | Results Update

Oil and Natural Gas Corporation

Oil & Gas

Q4FY25 – Operational performance should improve steadily

ONGC's Q4FY25 saw adj. EBITDA/PAT (standalone) of INR 181bn/INR 64.5bn (9%/-35% YoY) with 7% revenue growth YoY. However, this was offset by sharply higher exploration write-offs, denting net earnings. Consol. EBITDA/PAT stood at INR 263/INR 73bn (+10%/-35% YoY). FY25 EBITDA/PAT (standalone) of INR 724/INR 356bn, rose 4.6%/fell 10% YoY. Oil & gas output for Q4/FY25 slipped 1.8%/1.7% YoY to 10.3mt/41.1mt. Management guidance remains bullish for oil & gas output with ~15–18mmscmd gas production growth and ~20kb/d of oil production growth over FY26–28. Realisations trends, however, are bearish; our revised estimate is USD 67–70/bbl for FY26–27, driving EPS downgrades of 18.1%/15.5% for FY26E/FY27E (FY28E of INR 51.4/share introduced). TP revised to INR 350. Retain **BUY**.

ONGC's oil realisation strong, but downside trend emerges

Brent crude prices averaged USD 75.7/bbl in Q4 (vs. USD 74.9/bbl in Q3) with continuing demand concerns, specifically from China and western Europe, coupled with comfortable supply levels adding to pricing woes. ONGC's Q4FY25 crude realisation of USD 73.7/bbl dipped 9% YoY. Crude prices averaged USD 79/bbl in FY25, but has been on a sharp downward trend in Q1FY26E given increasing concerns on global demand amid the tariff wars initiated by US and comfortable supply. With ONGC's realisations now closely correlated to Brent, we see net realisations at USD 70–71/bbl average levels over FY26–28E, sharply lower than the USD 74–75/bbl estimated earlier.

Gas prices to remain above long-term average

FY25 gas price realisation of INR 20.7/scm was up 4.9% YoY driven by flat APM prices, stronger non-APM price for the quarter and increase in new well gas (NWG) mix (eligible for 20% higher price vs. APM prices). Given KG basin's gas' eligibility for premium pricing, the NWG production potentially attracting 20% premium on APM prices and with NWG replacing more of APM gas in the next few years, we see net gas realisation averaging INR 25.7/scm over FY26–28E – well above the INR 20.8/scm average seen in FY23–25. We note these prices compare even more favourably with FY19–24 average blended price of INR 12.9/scm.

Financial Summary

Y/E March (INR bn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	6,633	6,599	7,113	7,814
EBITDA	889	1,128	1,227	1,324
EBITDA %	13.4	17.1	17.2	16.9
Net Profit	363	544	595	646
EPS (INR)	28.9	43.2	47.3	51.4
EPS % Chg YoY	(28.0)	49.7	9.3	8.7
P/E (x)	8.4	5.6	5.1	4.7
EV/EBITDA (x)	4.8	3.2	2.6	2.0
RoCE (Pre-tax) (%)	10.6	13.3	13.7	13.6
RoE (%)	10.7	15.0	14.8	14.5

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Market Data

Market Cap (INR)	3,040bn
Market Cap (USD)	35,356mn
Bloomberg Code	ONGC IN
Reuters Code	ONGC.BO
52-week Range (INR)	345 /205
Free Float (%)	31.0
ADTV-3M (mn) (USD)	37.1

Price Performance (%)	3m	6m	12m
Absolute	0.7	(1.6)	(13.1)
Relative to Sensex	(6.8)	(3.9)	(22.1)

ESG Score	2023	2024	Change
ESG score	66.0	63.9	(2.1)
Environment	48.0	48.7	0.7
Social	71.7	75.5	3.8
Governance	74.8	70.1	(4.7)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(12.9)	(10.5)
EBITDA	(12.1)	(10.6)
EPS	(18.1)	(15.5)

Previous Reports

04-02-2025: [Q3FY25 results review](#)

13-11-2024: [Q2FY25 results review](#)

Production to see meaningful increase

Q4FY25 oil production stood at 5.26mt, down 1.9% YoY/up 0.4% QoQ and gas production stood at 5bcm, down 1.7% YoY/1.9% QoQ. ONGC's standalone production of oil & gas (including JV share) has steadily declined over the past five years. In this year, we have seen the decline being arrested to a large extent. With the start of production from the KG basin, and along with new assets (western offshore, Daman offshore etc.), we believe this anomaly shall get redressed over the next couple of years. We are, therefore, optimistic on production prospects, and factor in a CAGR of 3.2% in oil & gas output (standalone) over FY26–28E.

Also, ONGC recently signed BP Plc, UK as a technical services provider for its western offshore assets. **BP has committed up to 60% incremental production over base levels of ~40mmscmd of gas and ~0.25mb/d of oil over the 10-year contract period. Achievement of even part of the stated target can meaningfully transform ONGC's production profile over the next 5–7 years.**

Stock price down ~13% in past one year; maintain BUY

We have downgraded our EPS estimates by 18%/15.5% for FY26E/FY27E to factor in lower net realisations and minor changes to subsidiary earnings. These downgrades drive our TP lower to INR 350 (from INR 365). However, even at this price, we see a material 45% upside from CMP. Valuations of just 5x FY27E PER, 2.5x EV/EBITDA and 0.7x P/BV are attractive and underplay the 9% CAGR in consol. EPS over FY26–28E, dividend yield of 5–6% and RoE/ROCE of 14–15% in FY27E. Maintain **BUY**.

Key risks: 1) Sharp reversal in oil & gas price trends. 2) Slower-than-expected ramp-up of production from KG basin. 3) Any unexpected regulatory setbacks.

Q4FY25 ONGC Analyst meet takeaways

Quarterly and annual performance

- Increase in exploratory write-off during the quarter was majorly towards western offshore, Kaveri, and Assam wells/assets.
- ONGC made 9 discoveries and 8 were monetised in FY25.
- Replacement reserve ratio stood at 1.35 in FY25; it has remained >1 for 19 consecutive years.
- ONGC drilled 578 wells in FY25, which is its highest in 35 years. Out of these, 109 were exploratory and 469 were development wells.

Capex

- It has incurred capex of INR 620bn in FY25, of which INR 380bn was towards conventional segments and INR 180bn was invested in OPAL. Exploration capex was INR 103bn in FY25, up 25% from FY24 levels. Capex for FY26 stands at INR 320-350bn.
- *Force majeure* upliftment at Mozambique should happen anytime soon and it should take 3 years to complete the project. Production remains stable in Russia and is improving in Colombia and Azerbaijan. Sakhalin is currently producing 150–160 kbpd. Dividend stuck in Russia is expected to be repatriated soon.
- The company is planning to invest in the vessel business, as there is significant requirement of vessels across the globe. The company hires 50-70 vessels from vessel operators.
- The company has expanded in renewable energy in a big way – from 192MW in Jan'25 to 2.5GW, as on date. It plans to reach 10GW capacity by 2030.

Volume

- The decline in the oil and gas production trend has been arrested in FY25 as production increased from New Wells, which also has the benefit of better pricing realisations.
- KG 98/2 currently produces 33kb/d of oil and shall reach peak production of 45kb/d in the short-term. KG98/2 currently produces 2.75mmscmd of gas and should be able to increase this to 6-7mmscmd, once the processing platform is fully equipped and completed. Additionally, production via additional assets like Daman offshore should bring volume of 4.5mmscmd gradually from Q4FY26.
- The company currently on standalone basis sells 42mmscmd of gas, out of which New gas well (NGW) proportion is 20%. Every year NGW proportion should increase by 10-15%; and in next 5 years, entire APM will likely be replaced by NGW. In FY25, revenue from NGW was INR 7bn; as per management, in FY26, additional revenue from NGW should be INR 15-20bn.
- Management has guided for gas production of 21bcm/22bcm for FY26/FY27. ONGC targets FY26 crude oil production of 21.5mt
- The company has done an international collaboration with BP Exploration (Alpha) Ltd. as Technical Service Provider (TSP) for production enhancement in the MH field. This is the company's major offshore field and should help with better and faster extraction. It is also in the process of finding a technology partner in Cluster 3 – where there is a lot of gas but, the company is unable bring it to surface.

Others

- OPAL has now moved out of SEZ. OPAL was paying 9% excise duty for goods supply to India; thus, it would now save INR 7-8bn on yearly basis. Also, NGW is available as an input, which is priced at USD8/MMBtu (12% slope to crude price) – much lower than the spot and HPHT prices.
- Refining margins in May'25 so far have been strong and if it continues to hold at current levels, HPCL and MRPL should outperform.
- OPAL currently uses 60% naphtha and 40% ethane as a feed stock. Going forward, the proportion would remain same; but rich gas shall be replaced by US gas.
- Rig rate has reduced from USD 90,000/day to USD35,000/bbl. The company is using 30 rigs in western offshore and it has signed a 3-year contract. It has already achieved 50% of cost reduction benefits in FY25 and plans to achieve the balance in the next one – two years.

Exhibit 1: Standalone financial snapshot

(INR mn)	Q4FY25	Q4FY24	% ch YoY	Q3FY25	% ch QoQ	FY25	FY24	% Chg
Net sales	3,49,822	3,26,857	7.0	3,37,068	3.8	13,38,743	12,97,411	3.2
EBITDA	1,81,344	1,66,847	8.7	1,85,100	(2.0)	7,24,840	6,92,806	4.6
OPM (%)	51.8	51.0		54.9		54.1	53.4	1.4
Other inc.	20,747	36,800	(43.6)	18,110	14.6	1,07,122	1,07,782	(0.6)
Interest	11,901	10,349	15.0	10,750	10.7	46,040	40,813	12.8
Depreciation	1,02,516	64,694	58.5	82,458	24.3	3,18,324	2,41,498	31.8
PBT	87,674	1,28,604	(31.8)	1,10,003	(20.3)	4,67,598	5,18,277	(9.8)
Reported PAT	64,483	98,694	(34.7)	82,399	(21.7)	3,56,103	3,96,364	(10.2)
Recurring PAT	64,483	98,694	(34.7)	82,399	(21.7)	3,56,103	3,96,364	(10.2)
Recurring EPS (INR/sh)	5.1	7.8	(34.7)	6.5	(21.7)	28.3	31.5	(10.2)

Source: Company data, I-Sec research

Exhibit 2: Operational data

	Q4FY25	Q4FY24	% ch YoY	Q3FY25	% ch QoQ	FY25	FY24	% Chg
Oil sales (mt)	4.81	4.69	2.7	4.67	3.0	18.72	18.80	-0.4
Gas sales (bcm)	3.88	3.82	1.7	3.92	-1.0	15.51	15.92	-2.6
Oil production (mt)	5.26	5.36	-1.9	5.24	0.4	20.9	21.1	-1.2
Gas production (bcm)	5.01	5.10	-1.7	5.11	-1.9	20.2	20.6	-2.2
Total production (mtoe)	10.27	10.46	-1.8	10.35	-0.7	41.1	41.8	-1.7
Total Value added Product (TMT)	4.81	4.69	2.7	4.67	3.0	18.72	18.80	-0.4

Source: Company data, I-Sec research

Exhibit 3: Pricing data

Realisation highlights	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Oil Realisation USD/bbl	76.9	71.7	74.0	73.3	72.6	74.1	73.3	74.4	72.5	73.7
Brent USD/bbl	88.3	81.3	78.0	86.6	84.3	82.8	84.7	80.7	74.9	75.7
Gas Realisation USD/mmbtu	8.8	8.9	7.1	6.8	6.9	6.9	6.9	7.0	7.3	7.4
LPG realisation (USD/mt)	659	734	662	520	658	685	661	629	679	638
Naphtha realisation (USD/bbl)	72	75	66	71	73	73	74	75	75	66
C2-C3 realisation (USD/mt)	650	705	586	609	613	635	614	638	656	821

Source: Company data, I-Sec research

Exhibit 4: Consolidated financial snapshot

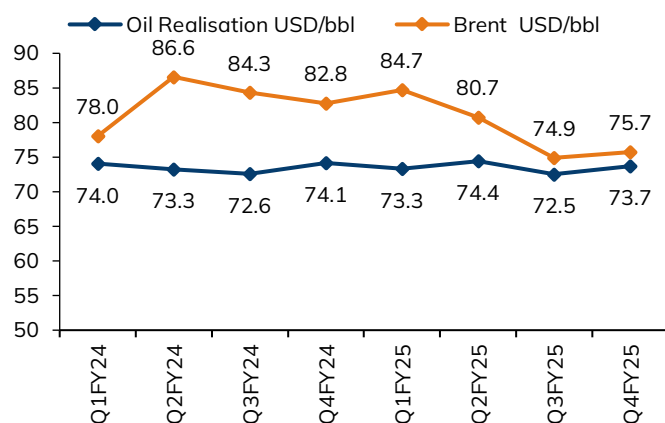
INR mn	Q4FY25	Q4FY24	% Chg YoY	Q3FY25	% Chg QoQ	FY25	FY24	% Chg
Net sales	17,08,117	16,67,706	2.4	16,60,967	2.8	66,18,143	64,30,370	2.9
EBITDA	2,63,428	2,40,534	9.5	2,61,104	0.9	9,66,339	10,54,790	-8.4
OPM (%)	15%	14%		16%		15%	16%	
Other inc.	29,769	31,046	-4.1	24,111	23.5	1,25,369	1,22,219	2.6
Interest	35,003	26,828	30.5	36,697	-4.6	1,38,574	1,01,942	35.9
Depreciation	1,33,016	86,910	53.0	1,09,649	21.3	4,24,304	3,25,948	30.2
PBT	1,25,178	1,57,842	-20.7	1,38,869	-9.9	5,28,829	7,49,119	-29.4
Share of profit of associates/JV	6,392	11,776		(3,647)		4,774	23,960	-80.1
Minority Interest	15,335	14,192	8.1	11,620		26,006	78,795	
Exceptional items	(1,511)	(17,334)		-		(1,511)	(16,364)	
Reported PAT	73,228	1,01,074	-27.5	86,216	-15.1	3,61,534	4,83,318	-25.2
Recurring PAT	74,359	1,14,044	-34.8	86,216	-13.8	3,62,664	4,95,564	-26.8
Recurring EPS (INR/sh)	5.9	9.1	(34.8)	6.9	-13.8	28.8	39.4	-26.8

Source: Company data, I-Sec research

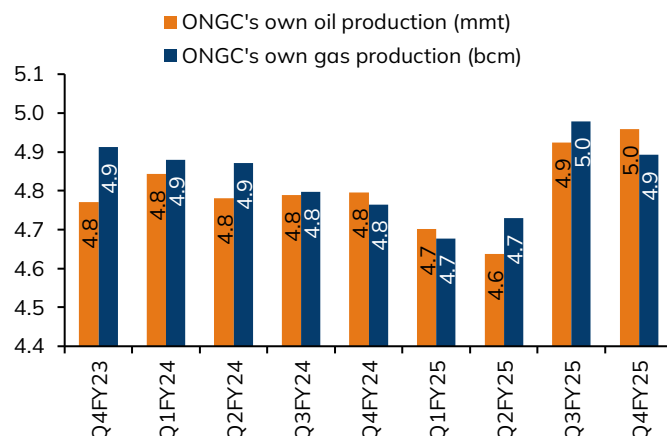
Exhibit 5: OVL volume snapshot

OVL Volumes	Q4FY25	Q4FY24	% Chg YoY	Q3FY25	% Chg QoQ	FY25	FY24	% Chg
OVL Prod Volumes								
Oil (MMT)	1.8	1.8	0.3	1.9	-4.3	7.3	7.2	1.2
Gas (Bcm)	0.8	0.8	(5.3)	0.8	1.3	3.0	3.3	-9.8
Total	2.6	2.6	(1.5)	2.7	-2.6	10.3	10.5	-2.3
OVL Sales Volumes								
Oil (MMT)	1.2	1.2	(0.5)	1.2	-4.1	4.8	4.9	-1.2
Gas (Bcm)	0.4	0.4	(11.7)	0.3	36.1	1.7	2.0	-17.1
Total	1.6	1.6	(3.6)	1.5	3.5	6.5	6.9	-5.9

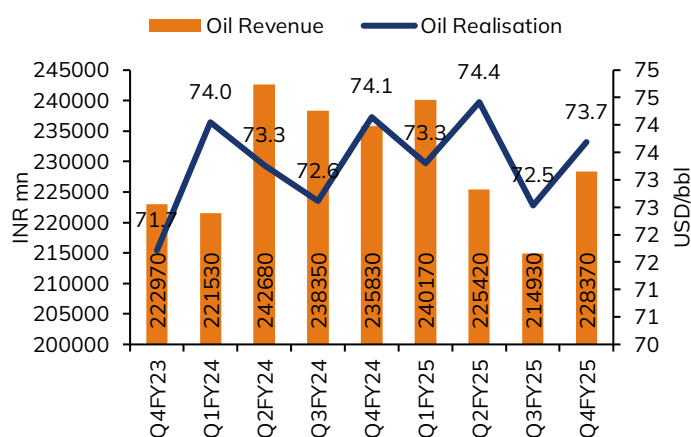
Source: Company data, I-Sec research

Exhibit 6: ONGC's net realisation improved QoQ

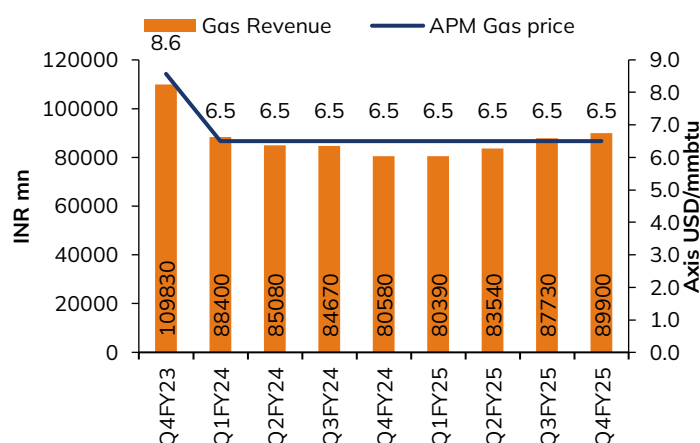
Source: Company data, I-Sec research

Exhibit 7: ONGC's standalone (excl. JV) production stayed flat

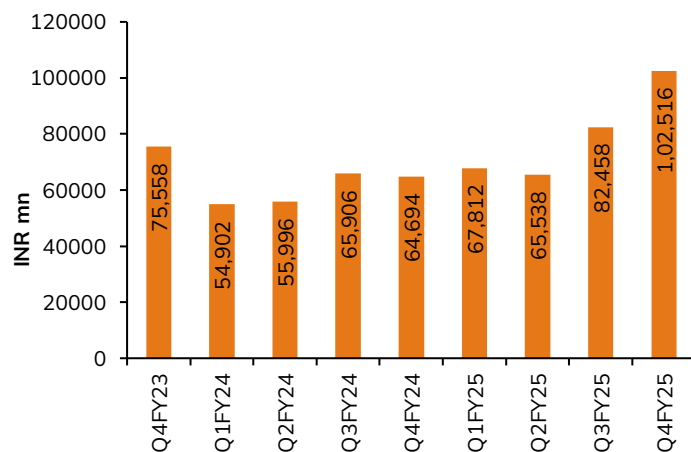
Source: Company data, I-Sec research

Exhibit 8: Oil revenue impacted by windfall tax

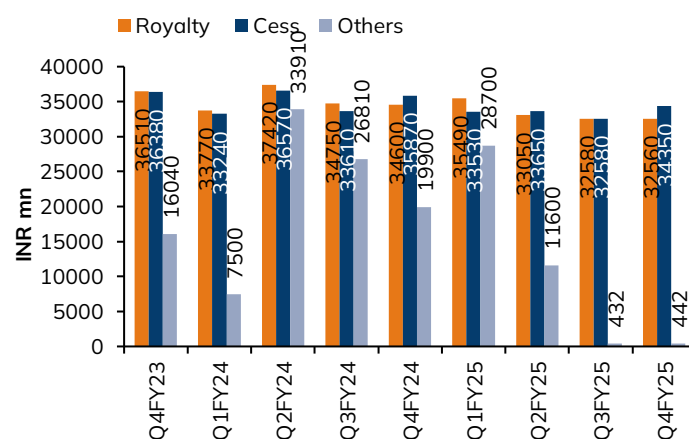
Source: Company data, I-Sec research

Exhibit 9: Gas revenue impacted in last 7 quarters due to new gas pricing policy

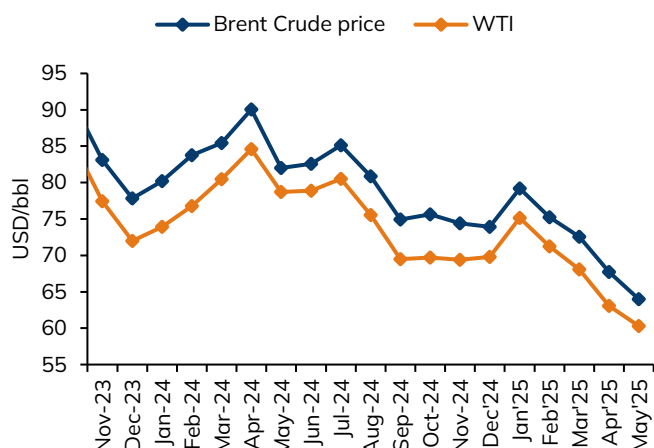
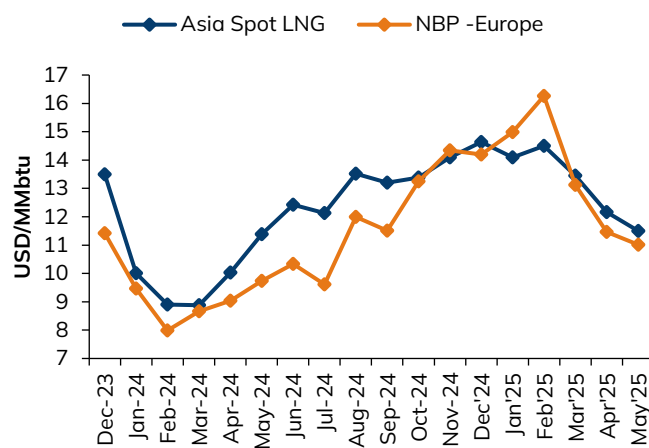
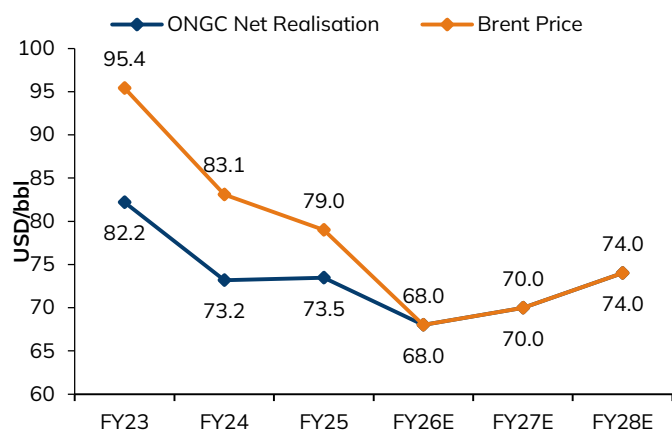
Source: Company data, I-Sec research

Exhibit 10: Depreciation increased very sharply in Q4

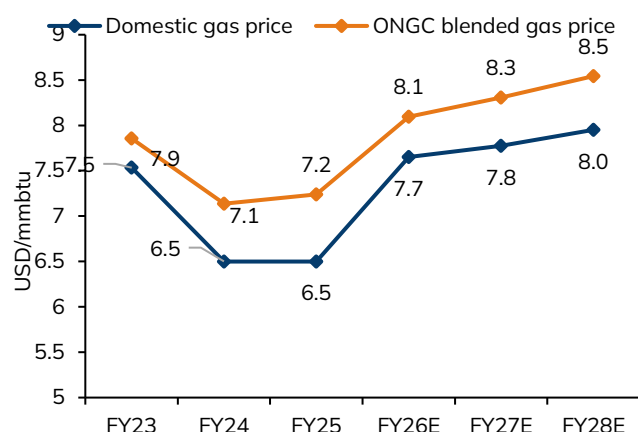
Source: Company data, I-Sec research

Exhibit 11: Other opex/costs include windfall tax

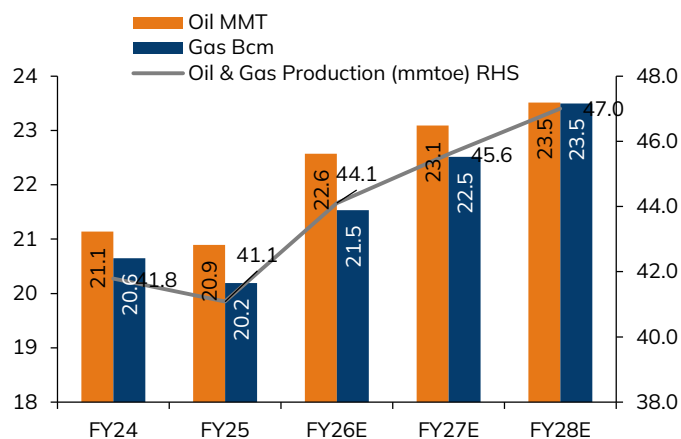
Source: Company data, I-Sec research

Exhibit 12: Crude prices have declined sharply in last 2 months...Source: Bloomberg, I-Sec research; Nov'23 prices are upto 11th Nov**Exhibit 13: ...so have global LNG prices**Source: Bloomberg, I-Sec research; Nov'23 prices are upto 11th Nov**Exhibit 14: Brent crude estimates and ONGC's net price for FY23–28E**

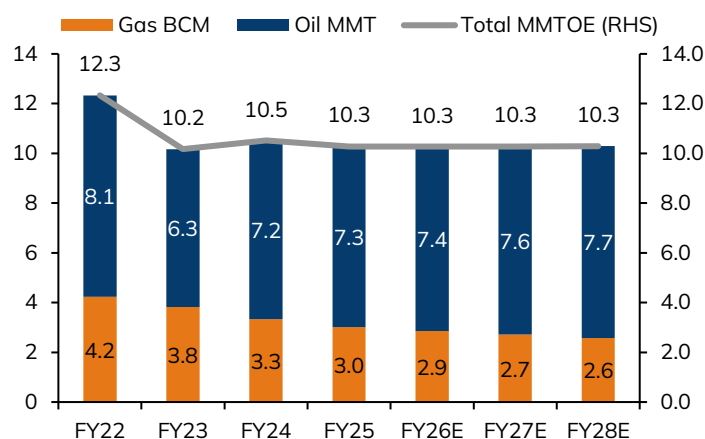
Source: Company data, I-Sec research

Exhibit 15: ONGC's blended gas realisation over FY23–28E

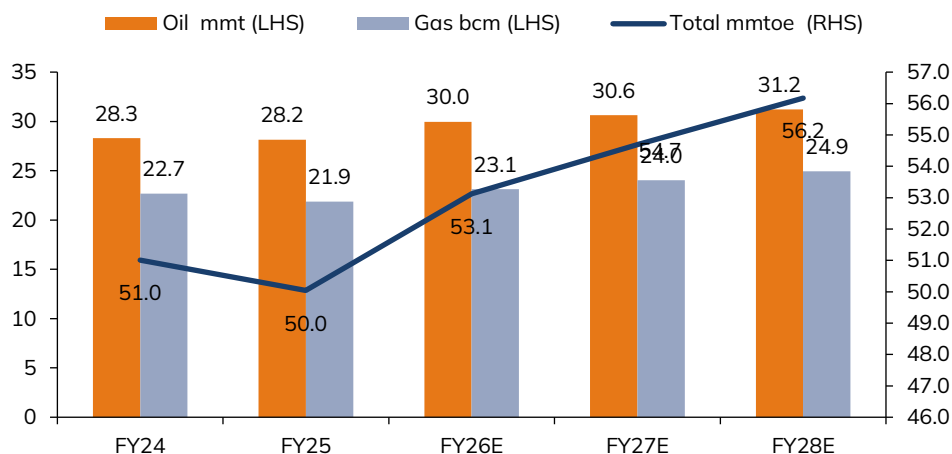
Source: Company data, I-Sec research

Exhibit 16: ONGC's standalone production CAGR likely at 3.2% over FY26–28E

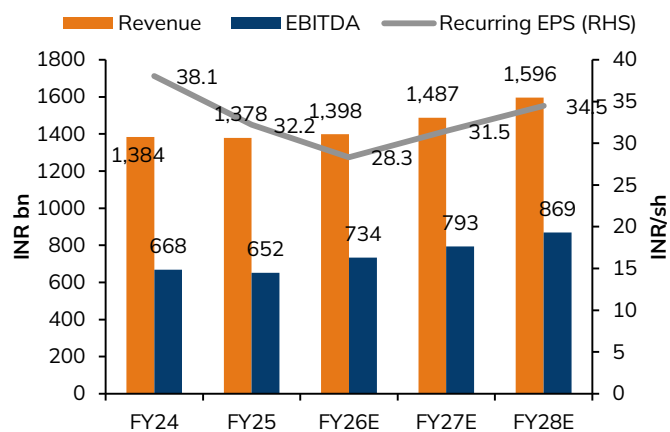
Source: Company data, I-Sec research

Exhibit 17: OVL production likely to remain muted over FY26–28E

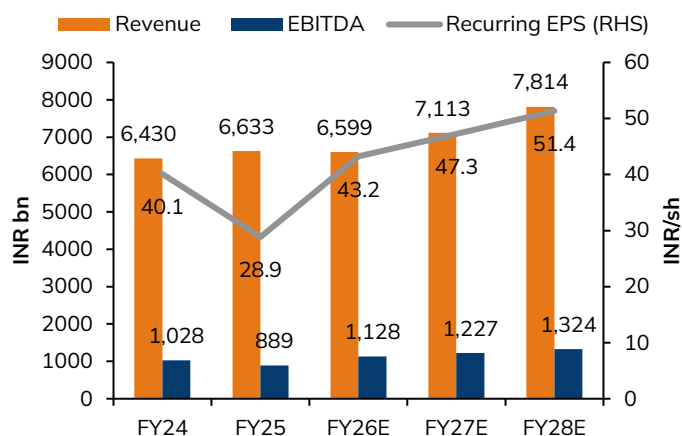
Source: Company data, I-Sec research

Exhibit 18: ONGC group's oil & gas production CAGR likely at 2.8% over FY26–28E

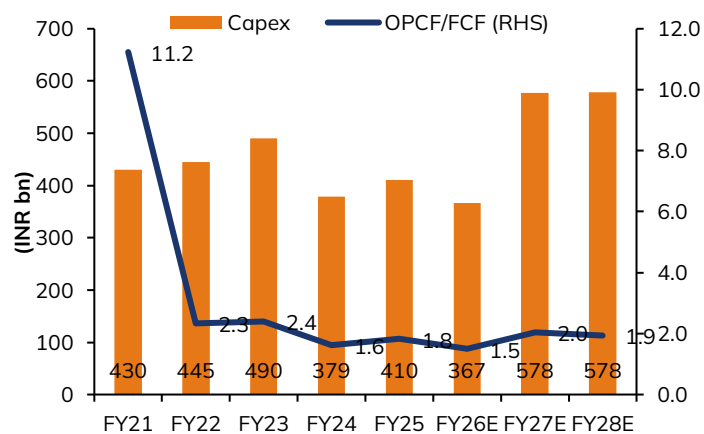
Source: Company data, I-Sec research

Exhibit 19: ONGC's standalone earnings to grow steadily over FY26–28E...

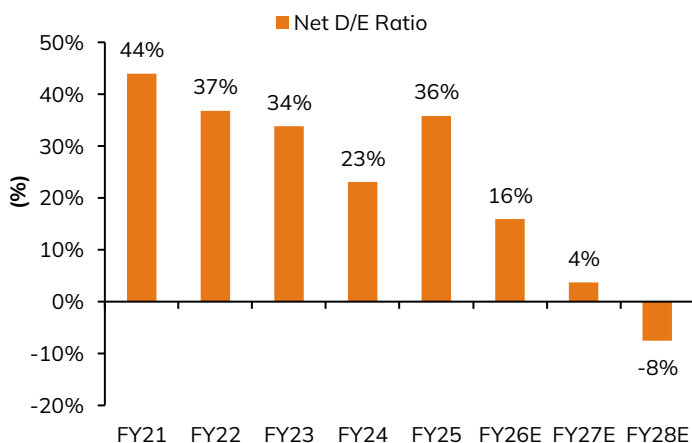
Source: Company data, I-Sec research

Exhibit 20: ...so would consol. earnings

Source: Company data, I-Sec research

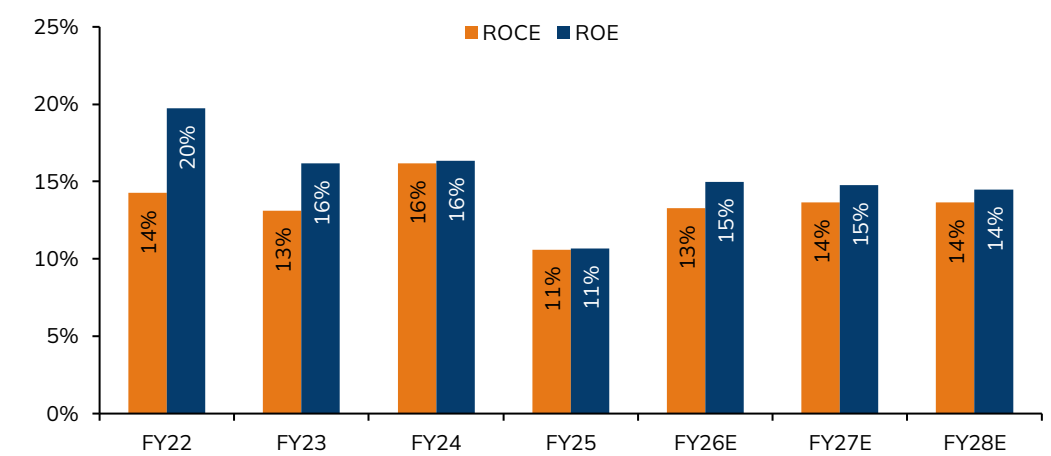
Exhibit 21: Higher capex supported by strong OPCF/FCF

Source: Company data, I-Sec research

Exhibit 22: Leverage to decline materially

Source: Company data, I-Sec research

Exhibit 23: Return ratios to remain healthy



Source: Company data, I-Sec research

Valuations unchallenging – our fair value implies 45% upside

We arrive at a DCF-based EV of INR 317/share for ONGC's standalone business and OVL, factoring in: 1) net realisation of USD 68-74/bbl (over FY26–28E) for crude (USD 73/bbl thereafter), and blended gas realisation of ~INR 25.7/scm average over FY26–28E. 2) ~3.2% CAGR (standalone including JV: 2.1% CAGR for oil and 4.5% CAGR for gas) in production over FY26–28E and a steady decline thereafter.

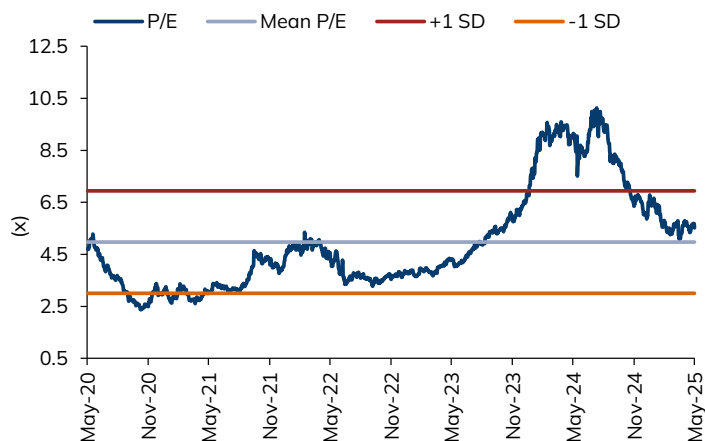
We value other listed investments/subsidiaries at ~20% discount to CMP and netting off for net debt, **we arrive at a fair value of INR 350/share for ONGC**. The stock should also benefit from the steadily rising dividend yield, which stood at ~5% based on FY24 pay-out and is forecast to stay at ~6% levels over FY26–28E.

Exhibit 24: Valuation summary

	Reserves	Fair value		
	mmboe	USD/boe	USD mn	INR/share
DCF value of 2P reserves	6.2	45,337	317	6.2
16% stake in Mozambique Area 1 gas discoveries at cost	3.0	1,548	11	3.0
Value of Russian assets	1.3	1,435	10	1.3
Valuation of E&P assets	5.4	48,321	338	5.4
Net debt			-6283	(44)
Market value of investments			8,037	56
Target price (INR/sh)			50,074	350
Upside				45%

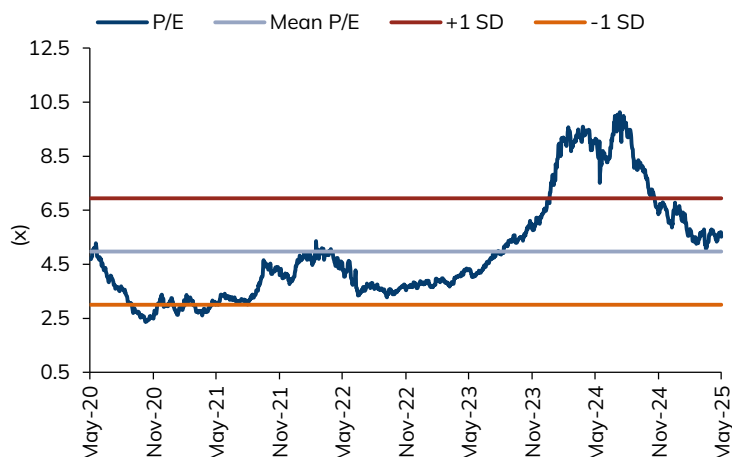
Source: Company data, I-Sec research

Exhibit 25: ONGC's P/E trading near 5-year average band



Source: Company data, I-Sec research

Exhibit 26: ONGC's P/B trading near 5-year average band



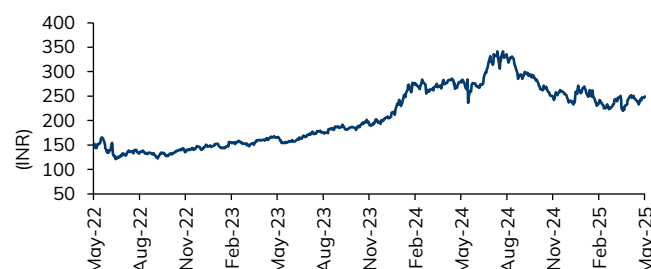
Source: Company data, I-Sec research

Exhibit 27: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	58.9	58.9	58.9
Institutional investors	26.7	26.9	27.0
MFs and others	7.9	8.4	8.9
FIs/Banks	0.1	0.4	0.3
Insurance	10.5	10.6	10.7
FIIIs	8.1	7.5	7.1
Others	14.4	14.2	14.6

Source: Bloomberg, I-Sec research

Exhibit 28: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 29: Profit & Loss

(INR bn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	6,633	6,599	7,113	7,814
EBITDA	889	1,128	1,227	1,324
EBITDA Margin (%)	13.4	17.1	17.2	16.9
Depreciation & Amortization	352	414	443	474
EBIT	537	715	784	850
Interest expenditure	145	78	72	71
Other Non-operating Income	124	134	148	162
PBT	515	771	860	942
Profit / (Loss) from Associates	10	12	14	16
Less: Taxes	141	182	204	225
PAT	373	589	655	717
Less: Minority Interest	21	57	75	87
Net Income (Reported)	362	544	595	646
Extraordinaries (Net)	(2)	-	-	-
Recurring Net Income	363	544	595	646

Source Company data, I-Sec research

Exhibit 30: Balance sheet

(INR bn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	1,315	1,652	2,102	2,637
of which cash & bank	272	677	1,107	1,596
Total Current Liabilities & Provisions	1,118	1,102	1,132	1,176
Net Current Assets	198	551	970	1,461
Other Non Current Assets	719	719	721	724
Net Fixed Assets	3,274	3,070	3,037	2,974
Other Fixed Assets	128	130	133	135
Capital Work in Progress	1,124	1,194	1,274	1,354
Non Investment	924	942	961	980
Current Investment	33	33	33	33
Deferred Tax assets	71	71	71	71
Total Assets	6,470	6,709	7,199	7,731
Liabilities				
Borrowings	1,536	1,317	1,295	1,273
Deferred Tax Liability	388	388	388	388
Lease Liability	244	249	254	259
Other Liabilities	560	571	582	593
Equity Share Capital	63	63	63	63
Reserves & Surplus*	3,372	3,757	4,178	4,629
Total Net Worth	3,434	3,820	4,241	4,692
Minority Interest	308	365	439	526
Total Liabilities	6,470	6,709	7,199	7,731

Source Company data, I-Sec research

Exhibit 31: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	353	339	337	350
% growth (YOY)	2%	-4%	0%	4%
EBITDA	179	180	185	181
Margin %	51%	53%	55%	52%
Other Income	21	48	18	21
Extraordinaries	0	0	0	0
Adjusted Net Profit	89	120	82	64

Source Company data, I-Sec research

Exhibit 32: Cashflow statement

(INR bn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash Flow from operation before working Capital	1,035	1,213	1,312	1,409
Working Capital Changes	14	68	25	12
Tax	(140)	(182)	(204)	(225)
Operating Cashflow	909	1,099	1,132	1,196
Capital Commitments	(407)	(367)	(578)	(578)
Free Cashflow	502	732	554	618
Others CFI	(23)	128	143	159
Cashflow from Investing Activities	(430)	(239)	(435)	(419)
Inc (Dec) in Borrowings	(74)	(218)	(22)	(22)
Interest Cost	(110)	(78)	(72)	(71)
Others	(295)	(159)	(174)	(195)
Cash flow from Financing Activities	(479)	(455)	(267)	(288)
Chg. in Cash & Bank balance	(1)	405	430	490
Closing cash & balance	272	677	1,107	1,596

Source Company data, I-Sec research

Exhibit 33: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	28.9	43.2	47.3	51.4
Diluted EPS	28.9	43.2	47.3	51.4
Recurring Cash EPS	56.9	76.1	82.5	89.0
Dividend per share (DPS)	11.4	12.6	13.8	15.5
Book Value per share (BV)	273.0	303.6	337.1	373.0
Dividend Payout (%)	39.5	29.1	29.2	30.2
Growth (%)				
Net Sales	3.1	(0.5)	7.8	9.9
EBITDA	(13.6)	27.0	8.7	7.9
EPS	(28.0)	49.7	9.3	8.7
Valuation Ratios (x)				
P/E	8.4	5.6	5.1	4.7
P/CEPS	4.2	3.2	2.9	2.7
P/BV	0.9	0.8	0.7	0.6
EV / EBITDA	4.8	3.2	2.6	2.0
EV / Operating Income	6.5	4.3	3.4	2.7
Dividend Yield (%)	4.7	5.2	5.7	6.4
Operating Ratios				
EBITDA Margins (%)	13.4	17.1	17.2	16.9
Effective Tax Rate (%)	27.4	23.6	23.8	23.8
Net Profit Margins (%)	5.5	8.2	8.4	8.3
NWC / Total Assets (%)	3.1	8.2	13.5	18.9
Fixed Asset Turnover (x)	1.2	1.1	1.1	1.1
Working Capital Days	24.9	24.1	25.3	25.6
Net Debt / Equity %	35.9	15.9	3.7	(7.6)
Profitability Ratios				
RoCE (%)	7.7	10.1	10.4	10.4
RoCE (Pre-tax) (%)	10.6	13.3	13.7	13.6
RoE (%)	10.7	15.0	14.8	14.5

Source Company data, I-Sec research

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