

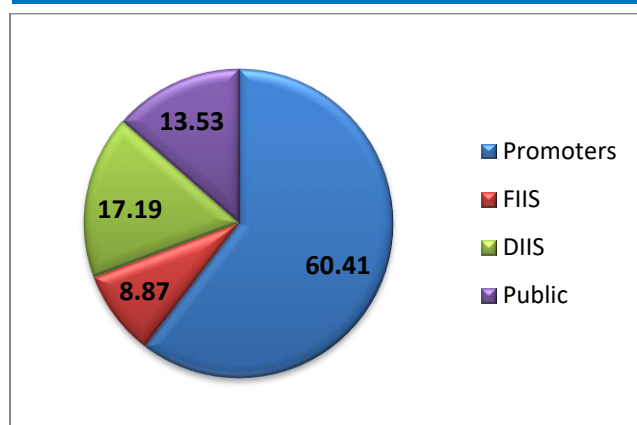
March 2022



### VALUE PARAMETERS

Face Value (Rs.)	5.00
EPS (TTM)	35.27
52-Week High/Low	97.45/195.5
M.Cap (Rs. in Cr.)	218,014
P/E Ratio (TTM)	4.91
Sector P/E	5.37
P/B Ratio (calc at CMP)	0.87
Dividend Yield (%)	3.02
Enterprise value (Rs in Cr.)	323,334

### SHAREHOLDING PATTERN



### FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. bn)	3606	4868	5002
EBITDA (Rs.bn)	566	910	1120
EBITDA margin	15.7	18.69	22.4
PAT (Rs. bn)	244	408	349
EPS (Rs)	19.4	32.5	28
ROE (%)	11.4	25.1	15.3
ROCE (%)	8.7	9.1	8.1
DPS (Rs)	2.7	8.3	6.3

**Our Recommendation:** As per the present scenario of oil price surge amid concerns over supply disruption due to Russia-Ukraine war, increase in crude price realization, improvement in domestic gas price realization, and investment worth Rs 36000 in KG basin, we estimate the company will outperform in coming quarters. Thus, we recommend BUY in price range Rs. 165-175 with target price 210 (Upside 22%).

#### Investment Rationale:

- **Oil & Natural Gas Corporation Ltd** is a Public Sector Company. ONGC deals in exploration, development and production of Crude Oil, Natural Gas, LPG and some other value-added petroleum products such as NGL, C2-C3, Aromatic Rich Naphtha and Kerosene. Company is going along with two of its folds, ONGC Videsh Limited and Manglore Refinery & Petrochemicals Limited and ten of Joint Ventures/Associates. The company is also in the business segment of Onshore, Offshore exploration and drilling.
- ONGC is the biggest crude oil and natural gas Company in India. Crude oil is the raw material used by subsidiary companies like IOC, BPCL, and HPCL to produce petroleum products like Petrol, Diesel, Kerosene, Naphtha, and Cooking Gas-LPG.
- ONGC has developed capability in all aspects of exploration and production business like Acquisition, Processing & Interpretation of Seismic data, drilling, work-over and well stimulation operations, engineering & construction, production, processing, refining, transportation, marketing, R&D and training, etc.
- With more than 50 years of Exploration, ONGC has discovered many producing basins of India. ONGC is the winner of the Best Employer award. This public sector undertaking has a dedicated team who work round the clock in challenging locations.
- In yet another solid quarterly performance, Net Sales at Rs 28,472.91 crore in December 2021 up 67.25% from Rs. 17,023.80 crore in December 2020. Quarterly Net Profit at Rs. 8,763.72 crore in December 2021 up 535.87% from Rs. 1,378.23 crore in December 2020. EBITDA stands at Rs. 16,342.83 crore in December 2021 up 111.53% from Rs. 7,726.00 crore in December 2020. ONGC EPS has increased to Rs. 6.97 in December 2021 from Rs. 1.10 in December 2020.
- The company announced a second interim dividend of Rs. 1.75 per share in addition to its first interim dividend of Rs 5.5 per share in 2QFY22.

#### Key Highlights:

- As per company management, gas output from the KG-98/2 was 0.6 mmscmd and 1.75 mmscmd gas is expected from March 2022 that will lead to increase in production.
- In FY24E, gas production is estimated to reach 10.4 mmscmd while oil production is estimated at 44000 bpd from KG basin.
- The company has planned investment worth Rs 34000 crore in the KG basin.

#### Risks:

- Continued higher oil prices.
- Increase in value of subsidiaries.
- Slower increase in production.

## Financials and Valuations

### Income Statement (consolidated)

Year ended in March (Rs in bn)	FY17	FY18	FY19	FY20	FY21
<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>
Change (%)	140.1	11.2	25.2	-6.3	-15.2
<b>EBITDA</b>	<b>580</b>	<b>644</b>	<b>840</b>	<b>611</b>	<b>566</b>
Margin (%)	17.8	17.8	18.5	14.4	15.7
Depreciation	254	306	329	357	327
<b>EBIT</b>	<b>326</b>	<b>338</b>	<b>511</b>	<b>255</b>	<b>239</b>
Int. and Finance Charges	36	50	58	75	51
Other Income	93	75	77	91	93
<b>PBT bef. EO Expense</b>	<b>383</b>	<b>362</b>	<b>530</b>	<b>271</b>	<b>282</b>
EO Items	6	2	-16	-90	9
<b>PBT after EO Expense</b>	<b>389</b>	<b>365</b>	<b>514</b>	<b>180</b>	<b>291</b>
Total Tax	125	131	209	75	88
Tax Rate (%)	32.3	36.0	40.7	41.6	30.1
Share of associates/JVs/Minority int	-28	-27	-34	-9	-10
<b>Reported PAT</b>	<b>292</b>	<b>261</b>	<b>339</b>	<b>115</b>	<b>213</b>
<b>Adjusted PAT</b>	<b>288</b>	<b>259</b>	<b>349</b>	<b>167</b>	<b>207</b>
Change (%)	64.9	-9.9	34.6	-52.1	23.8
Margin (%)	8.8	7.2	7.7	3.9	5.7

### Balance Sheet (consolidated)

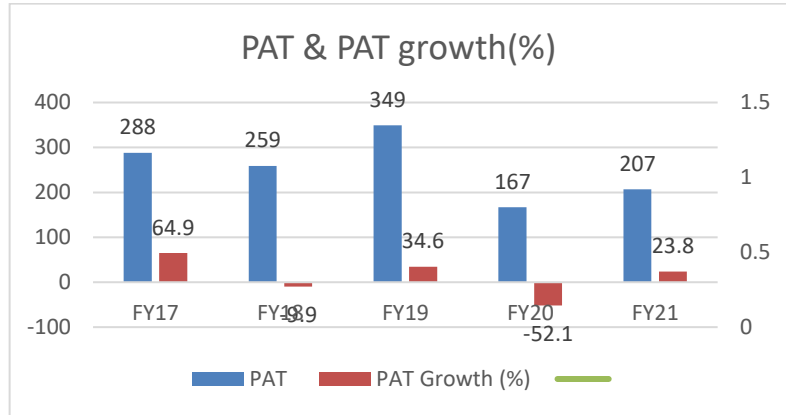
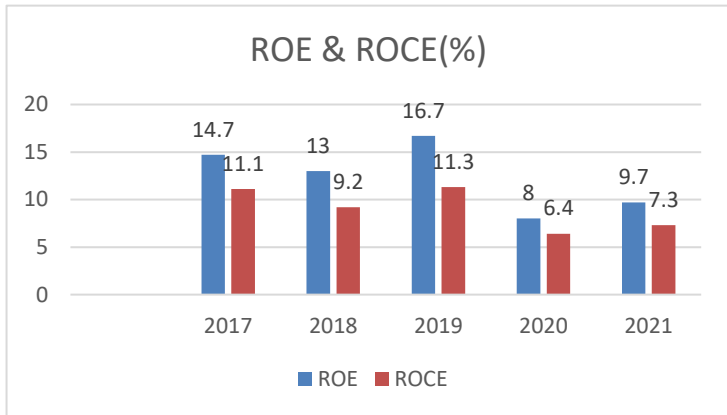
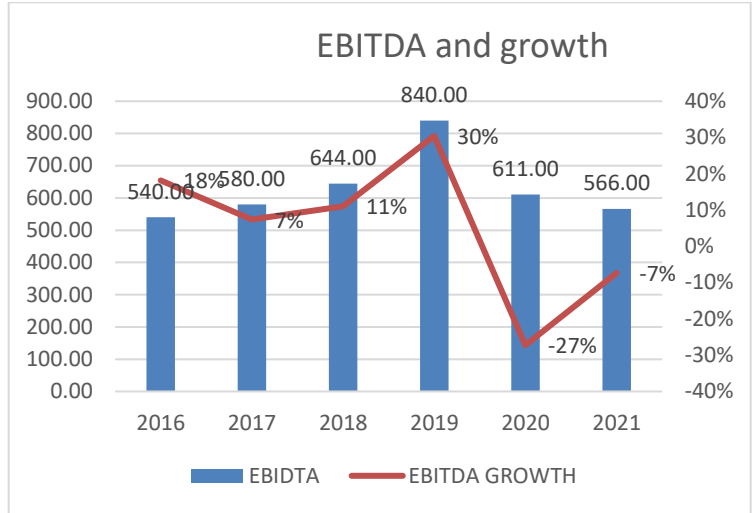
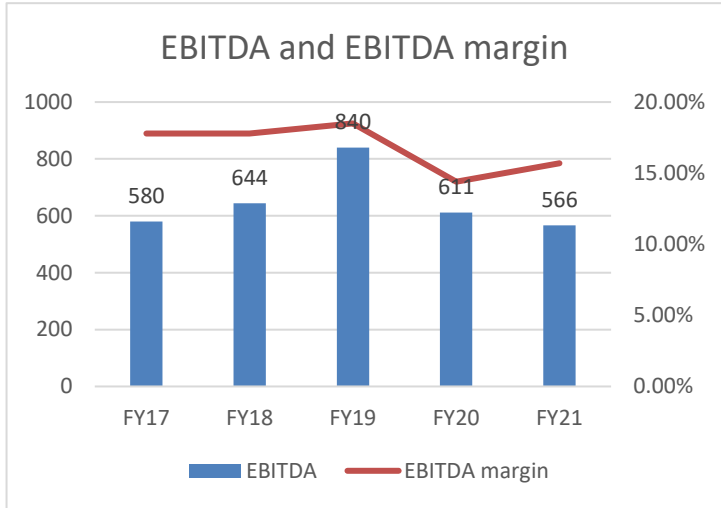
Year ended in March (Rs in bn)	FY17	FY18	FY19	FY20	FY21
Equity Share Capital	64	64	63	63	63
Total Reserves	1,880	1,963	2,092	1,988	2,147
<b>Net Worth</b>	<b>1,944</b>	<b>2,028</b>	<b>2,155</b>	<b>2,051</b>	<b>2,210</b>
Minority Interest	133	156	183	184	216
Total Loans	744	993	1,015	1,044	1,098
Deferred Tax Liabilities	352	391	450	434	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>
Gross Block	3,328	3,683	3,983	4,382	4,642
Less: Accum. Deprn.	1,358	1,590	1,827	2,093	2,348
<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>
Goodwill on Consolidation	142	142	141	142	135
Capital WIP	214	207	298	458	629
Exploratory wells under progress	377	401	392	380	374
<b>Total Investments</b>	<b>707</b>	<b>667</b>	<b>738</b>	<b>575</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>
Others	428	503	632	642	626
Inventory	299	305	351	331	446
Account Receivables	139	156	175	115	186
Cash and Bank Balance	132	51	48	96	72
Cash	18	25	38	48	40
Bank Balance	114	26	10	49	32
Loans and Advances	31	33	46	44	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>
Account Payables	985	694	853	987	1,045
<b>Net Current Assets</b>	<b>-236</b>	<b>58</b>	<b>77</b>	<b>-132</b>	<b>-90</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>

**Cash Flow Statement (consolidated)**

Year ended in March (Rs in bn)	FY17	FY18	FY19	FY20	FY21
OP/(Loss) before Tax	417	392	548	190	301
Depreciation	202	231	237	266	255
Interest expense	36	49	58	75	51
(Inc)/Dec in WC	-27	3	-98	127	-39
Others	-75	1	22	148	-21
<b>CF from Operating incl EO</b>	<b>458</b>	<b>568</b>	<b>615</b>	<b>706</b>	<b>472</b>
(Inc)/Dec in FA	-203	-277	-258	-419	-321
<b>Free Cash Flow</b>	<b>254</b>	<b>291</b>	<b>357</b>	<b>287</b>	<b>151</b>
(Pur)/Sale of Investments	-125	87	-9	-18	-12
Others	-111	-470	-102	-99	-59
<b>CF from Investments</b>	<b>-439</b>	<b>-660</b>	<b>-368</b>	<b>-535</b>	<b>-391</b>
Issue of Shares	25	0	-40	0	0
Inc/(Dec) in Debt	160	241	-31	24	53
Dividend Paid	-173	-112	-122	-99	-31
Others	-31	-30	-39	-86	-111
CF from Fin. Activity	-19	99	-233	-161	-89
<b>Inc/Dec of Cash</b>	<b>0</b>	<b>7</b>	<b>13</b>	<b>10</b>	<b>-8</b>
Opening Balance	18	18	25	38	48
<b>Closing Balance</b>	<b>18</b>	<b>25</b>	<b>38</b>	<b>48</b>	<b>40</b>

**Key Ratios**

	FY17	FY18	FY19	FY20	FY21
<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>
Cash EPS	42.2	44.0	52.8	40.8	41.6
BV/Share	151.5	158.0	167.9	159.8	172.2
DPS	6.9	6.6	6.9	5.0	3.6
Payout (%)	36.0	38.0	31.3	67.5	21.6
<b>Valuation (x)</b>					
P/E	7.4	8.2	6.1	12.7	10.3
Cash P/E	3.9	3.8	3.1	4.1	4.0
P/BV	1.1	1.0	1.0	1.0	1.0
EV/Sales	0.8	0.8	0.7	0.7	0.9
EV/EBITDA	4.7	4.8	3.7	5.0	5.6
Dividend Yield (%)	4.2	4.0	4.1	3.0	2.2
FCF per share	19.8	22.6	27.8	22.4	11.8
<b>Return Ratios (%)</b>					
RoE	14.7	13.0	16.7	8.0	9.7
RoCE	11.1	9.2	11.3	6.4	7.3
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	1.0	1.0	1.1	1.0	0.8
Asset Turnover (x)	1.0	1.0	1.2	1.1	0.9
Inventory (Days)	33	31	28	28	45
Debtor (Days)	16	16	14	10	19
Creditor (Days)	110	70	69	85	106
<b>Leverage Ratio (x)</b>					
Current Ratio	0.8	1.1	1.1	0.9	0.9
Interest Cover Ratio	9.1	6.8	8.8	3.4	4.7
Net Debt/Equity	0.3	0.5	0.4	0.5	0.5



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