

**ONGC Ltd
Techno Funda
Stock Outlook**



Indbank
Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

STOCK DETAILS	
NSE Scrip code	ONGC
BSE Scrip code	500312
Market cap (in Cr)	2,54,939
52-week High/Low (in Rs)	212 / 139
Current Price	213
Price Target (in Rs)	250 (17%)

COMPANY OVERVIEW

ONGC is the largest crude oil and natural gas Company in India, contributing around 71 per cent to Indian domestic production. The crude oil is the raw material used by downstream companies like IOC, BPCL, HPCL and MRPL (Last two are subsidiaries of ONGC) to produce petroleum products like petrol, diesel, kerosene, naphtha, and cooking gas LPG.

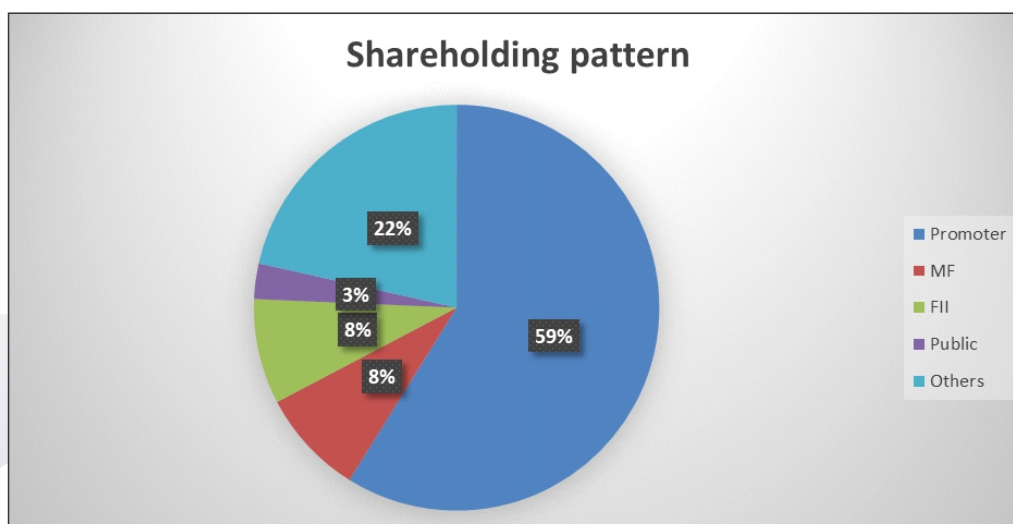
INDIA'S EXPLORATION AND PRODUCTION INDUSTRY

The oil and gas sector plays a crucial role in affecting the decision making for all the other important sections of the economy as it is among the eight core industries in India.

There are 26 sedimentary basins in India, covering a total area of 3.4 Mn square km. The area is spread across the land, shallow water up to 400-meter water depth, and deepwater further up to Exclusive Economic Zone .

The cumulative crude oil production during April-November 2023 was 19.6 mmt. Natural gas production for the same period was 24.08 BCM.

SHAREHOLDING



FINANCIAL YEAR 2022-23

- On a consolidated basis, the company registered an increase of 28.7% in revenue yoy
- During FY'23, the company attained its highest-ever standalone Profit before Tax (PBT) of ₹50,395 crore against ₹41,040 crore (FY'22)
- ONGC notified 8 new hydrocarbon discoveries during the year

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023

ANNUAL (in Rs Cr.)

	Mar-22	Mar-23	Y-O-Y
Sales	491,246.24	632,291.18	28.7%
Expenses	411,372.65	556,764.19	35.3%
Operating Profit	79,873.59	75,526.99	-5.4%
Other Income	6,796.72	-29.82	-100.4%
Depreciation	26,883.16	24,557.06	-8.7%
Interest	5,696.04	7,889.36	38.5%
Profit before tax	54,091.11	43,050.75	-20.4%
Tax	4,797.04	10,273.15	114.2%
Net profit	45,522.11	35,440.48	-22.1%
EPS	36.19	28.17	-22.1%
OPM	16%	12%	

QUARTERLY HIGHLIGHTS

- The company's net profit on a year on year basis reduced by 20% mainly due to lower crude oil and VAP price realization
- Thus, realization for crude in rupee terms stood at INR 7,013 per barrel in Q2 FY'24 vis-à-vis INR 7,622 per barrel in Q2 FY'23 that is decrease of INR 609 per barrel that is 8% in INR terms.

FINANCIAL RATIOS

RATIOS	FY22	FY23
ROE %	0.18	0.16
ROCE %	29	38.79
EV Per EBITDA	3.8	3.6
EV/net sales	0.7	0.5
D/E	0.03	0.03
Current ratio	0.98	1.29
Inventory Turnover ratio	13.51	19.22

OUTLOOK

- The nation's exploration is expected to increase in acreage by 0.5 Mn sq km till 2025 and by 1.0 Mn sq km till 2030. (<https://www.investindia.gov.in/sector/oil-gas>)
- Petrochemicals demand is expected to remain strong and will continue to be a key driver of oil and gas demand in the future.
- In its core Exploration & Production (E&P) business, the company have significantly increased their efforts in the exploration and development of Indian sedimentary basins. The country's basins are underexplored and offer significant opportunities
- For ONGC, as on 31 March 2023, 24 major projects of over `100 crore were under implementation with a total cost of around `61,352 crore and envisaged lifecycle gain of ~94 MMTOE.
- ONGC is likely to see an upbeat accretion of both oil and gas production from the KG-Basin, which has total reserves of around 65.69 million metric tonnes of oil.
- On capex front company expects to increase on its capital expenditures by 10% in the current and next fiscal year

INVESTMENT RATIONALE



- The crude price has started recovering after a three-month downtrend. It is currently trading above the 20-day moving average
- Recently, the company won seven areas for exploration of oil and gas
- The company is expected to benefit from allowed 100 per cent Foreign Direct Investment allowed by the Government (FDI) in many segments of the sector, including natural gas, petroleum products, and refineries, among others.
- ONGC Stock is trading at 0.84 times its book value
- ONGC is the market leader in crude exploration and production
- The stock is trading at a PE of 5.57, which is lowest in the industry
- The company's net profit has grown at a CAGR of 42% over the last three years

CHALLENGE

The recent increase in windfall tax on crude is likely to impose a hurdle for the company

ESG

In FY'23, the company has reduced its emissions by 2.66% to 8.89 MMTCO₂e and set goals to achieve net zero emissions by 2038. As a leading energy explorer, ONGC has contributed remarkably to environmental welfare by reducing emissions by 17% in last five years

STOCK PRICE ESTIMATE



The stock has been in an uptrend since October 2023 and has broken out of long term resistance. Stock trades at an 8 year high. This bullish breakout can take the stock to level of 235-250 in next 6-8 months.

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