

**Price:** 241

**Recommendation:** Buy

**Industry:** Oil Exploration

**Sector:** Energy

**Report Date:** 16-Apr-2025

ONGC is advancing its business with a focus on green energy and production enhancement. It aims for 10 GW of renewable capacity by 2030, investing in solar, wind, biogas, and green hydrogen. A partnership with NTPC boosts its renewable capabilities. ONGC plans to expand exploration acreage to 4 lakh sq km by 2027, with major projects underway. Committed to net-zero emissions by 2038, ONGC seeks to balance traditional and new energy ventures for sustained growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	137501 Cr	Operating Profit(Year)	66933 Cr	Operating Profit Margin	48.7 %
Previous Year	144513 Cr	Operating Profit(Quarter)	17043 Cr	EBITDA Margin	56.41 %
Current Quarter	33717 Cr	PAT (Year)	40501 Cr	Net Profit Margin	31.2 %
Previous Quarter	33881 Cr	PAT (Quarter)	8240 Cr	EPS	31.0
Revenue (QYoY)	34788 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	7.74	Sales Growth	-1.83 %	Sales Growth	-0.48 %
PEG Ratio	0.90	PAT Growth	-13.28 %	Sales Growth QYoY	-3.08 %
EV/EBITDA	3.88	EPS Growth	-3.73 %	PAT Growth	-31.24 %
P/B	0.90	Dividend Yield	5.10	PAT Growth QYoY	-16.7 %
Capital Allocation		Holdings		Leverage	
RoE	14.3 %	Promoter	58.9 %	Debt/Equity	0.11
RoA	9.91 %	FII	7.53 %	Debt	35011 Cr
RoCE	18.5 %	DII	19.4 %	Market Cap	303436 Cr
RoIC	20.4 %	Public	3.88 %	Enterprise value	307431 Cr
		No of Shares	1258 Cr	Cash Equivalents	31016 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent meeting, ONGC outlined several new initiatives and strategies aimed at enhancing its business operations and diversifying its portfolio. The company is committed to expanding its green energy footprint, with a target of achieving 10 gigawatts of renewable energy capacity by 2030. This will be accomplished through both organic and inorganic growth, focusing on solar and onshore wind projects. Additionally, ONGC plans to establish 25 compressed biogas plants and 2 gigawatts of pumped storage power, alongside a significant investment in green hydrogen production. The company has earmarked a capital expenditure of INR 1 lakh crore by 2030 to support these initiatives. A notable strategic move is the partnership with NTPC, leveraging their expertise in power distribution and tariff management to strengthen ONGC's renewable energy capabilities.

The company is also focusing on enhancing its exploration and production capabilities. ONGC plans to increase its exploration acreage significantly, aiming for 4 lakh square kilometers by 2027. This expansion is expected to bolster the company's production growth, with 25 major projects currently underway, including the KG 98/2 and Daman projects. The collaboration with BP as a Technical Service Provider is a key initiative to enhance production from the Mumbai High field, with an anticipated 60% increase in oil and gas production over a decade. This partnership underscores ONGC's strategy to leverage global expertise to optimize its operations and improve recovery rates from mature fields.

Looking ahead, ONGC is poised for substantial growth, driven by its strategic focus on green energy and enhanced production capabilities. The company's commitment to achieving net-zero emissions for Scope 1 and Scope 2 by 2038 further highlights its dedication to sustainable development. The removal of the Special Additional Excise Duty (SAED) and a 20% premium for gas from new wells are expected to enhance ONGC's financial performance, providing a robust platform for future growth. The company's efforts to streamline operations and improve financial reporting have been recognized with accolades, reflecting its commitment to transparency and excellence.

While ONGC's initiatives present a positive outlook, there are areas for improvement. The company acknowledges its late entry into the renewable energy sector and is now accelerating efforts through ONGC Green Limited. The focus on integrating cutting-edge technologies and best practices is crucial for maintaining competitive advantage. However, the company must ensure timely execution of its projects to capitalize on emerging opportunities in the energy sector. Additionally, maintaining a balance between traditional oil and gas operations and new energy ventures will be key to sustaining long-term growth and shareholder value.

ONGC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Selan Expl. Tech	860.08	12.23	8.70%	-7.17%	46.84%	-13.39%	206.80%
Oil India	61558.90	8.39	18.01%	15.04%	-13.29%	-33.60%	-42.98%
Guj.Nat.Resour.	512.07		-3.49%	-23.09%	-29.57%	-157.50%	84.72%
Deep Industries	3132.80	20.25	8.73%	18.53%	47.89%	13.54%	60.51%
<b>O N G C</b>	303436.35	7.74	14.31%	-0.48%	-3.08%	-31.24%	-16.70%

Aspect	Commentary
<b>Revenue</b>	The company's revenue shows a slight decline, with current year sales at 137,501 Cr compared to the previous year's 144,513 Cr. This indicates a need for strategic initiatives to boost sales and capture market share. The quarterly comparison also reflects a minor decrease, suggesting potential seasonal or market-driven factors affecting revenue.
<b>Profit &amp; Loss</b>	Operating profit remains strong at 66,933 Cr annually, but the PAT shows a decline, indicating increased costs or reduced margins. The quarterly PAT also reflects a decrease, suggesting challenges in maintaining profitability. Strategic cost management and revenue enhancement are crucial to improve net earnings.
<b>Profitability Matrix</b>	The company maintains a robust operating profit margin of 48.7% and an EBITDA margin of 56.41%, indicating efficient cost management. However, the net profit margin at 31.2% suggests room for improvement in net earnings. EPS at 31.0 reflects stable earnings per share, supporting investor confidence.
<b>Valuation Matrix</b>	The trailing P/E ratio of 7.74 and PEG ratio of 0.90 suggest the company is undervalued relative to its growth potential. An EV/EBITDA of 3.88 indicates a favorable valuation compared to peers. The P/B ratio of 0.90 further supports the company's attractive valuation, appealing to value investors.
<b>Growth (YoY)</b>	Year-over-year growth metrics show a decline, with sales growth at -1.83% and PAT growth at -13.28%. EPS growth also decreased by 3.73%, indicating challenges in sustaining growth. The dividend yield of 5.10% provides some compensation to investors amidst declining growth figures.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a slight sales decline of -0.48%, with a more significant PAT drop of -31.24%. The QYoY sales and PAT growth also reflect negative trends, suggesting operational or market challenges. Addressing these issues is vital for reversing the downward growth trajectory.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 14.3%, RoA at 9.91%, and RoCE at 18.5%. RoIC at 20.4% indicates strong returns on invested capital, highlighting effective use of resources. These metrics suggest a well-managed capital structure, supporting long-term value creation.
<b>Holdings</b>	Promoter holding is strong at 58.9%, indicating confidence in the company's prospects. FII and DII holdings at 7.53% and 19.4% respectively, reflect institutional interest. Public holding is minimal at 3.88%, suggesting limited retail investor participation. The total number of shares stands at 1,258 Cr.
<b>Leverage</b>	The company's leverage is low with a debt/equity ratio of 0.11, indicating prudent financial management. Total debt is 35,011 Cr, with substantial cash equivalents of 31,016 Cr, providing liquidity. The market cap of 303,436 Cr and enterprise value of 307,431 Cr reflect a strong financial position.

**Analyst viewpoint:** ONGC's strategic initiatives position it strongly in both the traditional and renewable energy sectors, underpinning our bullish stance. The company has outlined a comprehensive plan to achieve 10 GW of renewable energy capacity by 2030, with significant investments in solar, wind, and green hydrogen. This commitment, coupled with plans to expand exploration acreage and enhance production through major projects like KG 98/2 and Daman, is expected to bolster growth. Financially, ONGC benefits from a favorable valuation, with a trailing P/E of 7.74 and a PEG ratio of 0.90 suggesting it is undervalued compared to peers. The company's robust capital allocation strategy is evident with a RoCE of 18.5% and RoIC of 20.4%, indicating effective resource utilization which enhances long-term value creation.

Despite these positive aspects, the company has faced challenges with recent declines in both quarterly and year-over-year profitability metrics, including a notable drop in PAT. This reflects an area for improvement, addressing which could further optimize profitability and shareholder value. Additionally, while its efforts in renewable energy are commendable, the slight delay in entering this market could require accelerated execution to urgently meet growing energy demands and maintain a competitive edge.

Please read detailed disclosure on next page.

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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

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