

## RESULT UPDATE

## KEY DATA

<b>Rating</b>	<b>REDUCE</b>
Sector relative	Underperformer
Price (INR)	239
12 month price target (INR)	225
52 Week High/Low	345/205
Market cap (INR bn/USD bn)	3,000/34.3
Free float (%)	31.0
Avg. daily value traded (INR mn)	2,892.4

## SHAREHOLDING PATTERN

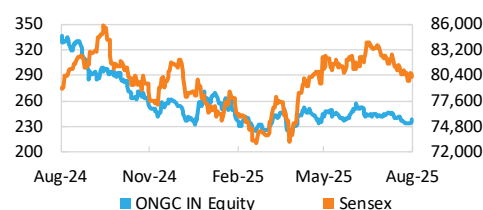
	Jun-25	Mar-25	Dec-24
Promoter	58.89%	58.89%	58.89%
FII	7.12%	7.53%	8.12%
DII	30.24%	29.71%	29.34%
Pledge	0%	0%	0%

## FINANCIALS

(INR bn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	6,532	6,633	6,612	6,921
EBITDA	1,082	989	1,050	1,211
Adjusted profit	503	363	408	498
Diluted EPS (INR)	40.0	28.9	32.4	39.6
EPS growth (%)	20.9	(27.8)	12.3	22.0
RoAE (%)	17.1	10.5	12.0	13.3
P/E (x)	6.0	8.3	7.4	6.0
EV/EBITDA (x)	4.7	5.2	5.9	5.3
Dividend yield (%)	5.2	5.1	5.4	6.6

## PRICE PERFORMANCE



## Beats Q1; guidance cut déjà vu

ONGC management has cut the production guidance for FY26E (4–7%) and FY27E (2–4%) as KG-98/2 peak production stands delayed to FY27E. Gas realisation is set to improve as the share of higher-priced (+20% to APM) New Well Gas (NWG) increases.

Highlights: i) ONGC beat our/consensus Q1FY26E EBITDAX by 15%/3% on higher production (5%) and better realisation (1–4%), partially offset by higher opex (+3%). ii) PAT missed consensus by 2% on lower other income (-41% YoY). iii) OVL and MRPL post losses after tax while OPaL continues to bleed. We are raising FY26E/27E EBITDAX by 2%/1% on improved showing by subsidiaries; retain ‘REDUCE’ on bearish outlook for crude oil and muted production growth with TP of INR225.

## Guidance cut on KG-98 ramp-up delay; share of NWG to rise

Management has cut the production guidance for FY26E (7% oil, 4% gas) and FY27E (-4% oil, 2% gas) again as production growth continues to be elusive. Peak production of 45,000bopd oil and 10mmscmd gas (30,000bopd and 3mmscmd currently) at KG-98/2 has been delayed to FY27 due to an early monsoon preventing infrastructure set-up. ONGC expects the share of NWG to rise to 24–25% in FY27E (14–15% currently) on increased output and bi-annual re-classification of APM gas.

## Q1FY26 EBITDAX beat on higher production, realisation; PAT miss

ONGC's Q1FY26 EBITDAX at INR187bn (flat YoY) beat our/consensus estimate by 15%/ 3%. The beat was largely driven by higher oil and gas production (5% each) as well as gas (4%) and oil (1%) realizations partially offset by higher opex (3%). PAT at INR80bn (-10% YoY) though is 2% below consensus on lower other income (-41% YoY).

## OVL, MRPL report a loss after tax in Q1FY26; OPaL continues to bleed

**OVL** reported a loss of INR1.1bn (profit of INR4.3bn YoY/INR770mn QoQ) on lower oil (2% YoY/5% QoQ), gas (4% YoY/14% QoQ) production and realisations (Brent -22% YoY/-11% QoQ). **MRPL** also reported a loss of INR2.7bn (profit of INR660mn YoY/INR3.6bn QoQ) on lower GRM of USD3.9/bbl (-17% YoY/-38% QoQ) and 3.5mt throughput (-19% YoY/-24% QoQ). **OPaL** losses persist, at INR6.2bn in Q1 (versus INR9.8bn YoY/INR13.3bn QoQ) on lower utilisation (81% versus 89% YoY/95% QoQ).

## Caution on production guidance; maintain ‘REDUCE’

We stay cautious on ONGC's production guidance given the misses every year for the last seven years while its past production has consistently fallen at a 3.2% CAGR and 1P reserves at 2.7% CAGR for last 5 years ([Double-barrelled free fall imminent](#)). We are raising FY26E/27E EBITDAX by 2%/1% on subsidiaries' better showing; ‘REDUCE’.

## Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	320,029	352,664	(9.3)	349,822	(8.5)
EBITDA	186,571	186,174	0.2	190,082	(1.8)
Adjusted Profit	80,242	89,381	(10.2)	64,486	24.4
Diluted EPS (INR)	6.4	7.1	(10.2)	5.1	24.4

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	6,531,708	6,632,623	6,612,034	6,921,088
Gross profit	5,711,610	5,836,475	5,830,061	6,137,451
Employee costs	113,196	117,231	115,525	118,602
Other expenses	4,516,478	4,730,669	4,658,846	4,801,848
EBITDA	1,081,936	988,575	1,050,128	1,211,055
Depreciation	362,507	452,028	435,615	472,950
Less: Interest expense	130,257	145,350	146,868	149,564
Add: Other income	120,307	123,936	119,360	123,833
Profit before tax	693,115	513,623	587,005	712,374
Prov for tax	183,561	140,693	146,751	178,093
Less: Other adj	(16,364)	(1,511)	0	0
Reported profit	491,439	362,256	407,943	497,873
Less: Excp.item (net)	(12,030)	(1,097)	0	0
Adjusted profit	503,470	363,353	407,943	497,873
Diluted shares o/s	12,580	12,580	12,580	12,580
Adjusted diluted EPS	40.0	28.9	32.4	39.6
DPS (INR)	12.5	12.3	13.0	15.8
Tax rate (%)	26.5	27.4	25.0	25.0

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Crude prod (nom., mmt)	19.5	19.6	19.8	20.2
Crude prod (JV, mmt)	1.7	1.3	1.2	1.2
Crude prod (OVL mmt)	7.2	7.3	7.4	7.5
EBITDA margin (%)	16.6	14.9	15.9	17.5
Net profit margin (%)	7.7	5.5	6.2	7.2
Revenue growth (% YoY)	(4.6)	1.5	(0.3)	4.7
EBITDA growth (% YoY)	26.2	(8.6)	6.2	15.3
Adj. profit growth (%)	20.9	(27.8)	12.3	22.0

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	7.2	7.0	6.8
Repo rate (%)	6.5	6.0	5.0	4.5
USD/INR (average)	82.8	84.4	86.5	85.0
Total crude prod (mmt)	28.3	28.2	28.4	28.9
Gas prod (nom., bcm)	20.0	19.7	19.9	20.2
Crude price (\$/ bbl)	82.1	78.2	70.0	70.0
Gas prod (OVL, bcm)	3.3	3.0	2.9	2.8
Total gas prod (bcm)	24.0	23.2	23.3	23.6
Natural gas (\$/ mmbtu)	6.5	6.5	6.8	7.0

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	6.0	8.3	7.4	6.0
Price/BV (x)	0.9	0.9	0.8	0.8
EV/EBITDA (x)	4.7	5.2	5.9	5.3
Dividend yield (%)	5.2	5.1	5.4	6.6

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	62,901	62,901	62,901	62,901
Reserves	3,327,787	3,371,503	3,592,668	3,865,411
Shareholders funds	3,390,689	3,434,405	3,655,570	3,928,313
Minority interest	205,554	307,946	364,250	424,092
Borrowings	1,911,952	1,878,173	2,499,083	2,588,920
Trade payables	381,473	389,755	374,980	407,237
Other liabs & prov	814,891	1,008,539	818,274	890,821
Total liabilities	7,136,502	7,450,762	8,144,101	8,671,327
Net block	1,057,939	1,340,758	1,498,644	1,693,812
Intangible assets	1,925,043	1,995,300	1,875,203	1,807,495
Capital WIP	1,156,482	1,123,593	1,873,098	2,165,705
Total fixed assets	4,139,464	4,459,651	5,246,945	5,667,012
Non current inv	1,008,616	956,174	980,167	1,003,601
Cash/cash equivalent	41,416	45,544	(340,294)	(383,054)
Sundry debtors	222,396	236,070	255,193	276,638
Loans & advances	38,627	80,438	120,662	126,092
Other assets	1,685,984	1,672,885	1,881,428	1,981,037
Total assets	7,136,502	7,450,762	8,144,101	8,671,327

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	491,439	362,256	407,943	497,873
Add: Depreciation	362,507	452,028	435,615	472,950
Interest (net of tax)	95,760	105,535	110,151	112,173
Others	(242,760)	(63,635)	(26,339)	(26,600)
Less: Changes in WC	(126,709)	5,579	472,929	21,680
Operating cash flow	833,655	850,605	454,440	1,034,716
Less: Capex	(854,330)	(772,215)	(1,222,909)	(893,017)
Free cash flow	(20,675)	78,390	(768,469)	141,699

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	17.1	10.5	12.0	13.3
RoCE (%)	14.5	9.6	12.1	12.8
Inventory days	38	42	45	45
Receivable days	12	13	14	14
Payable days	28	29	29	29
Working cap (% sales)	16.4	13.7	20.6	20.0
Gross debt/equity (x)	0.5	0.5	0.6	0.6
Net debt/equity (x)	0.5	0.5	0.7	0.7
Interest coverage (x)	5.5	3.7	4.2	4.9

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	20.9	(27.8)	12.3	22.0
RoE (%)	17.1	10.5	12.0	13.3
EBITDA growth (%)	26.2	(8.6)	6.2	15.3
Payout ratio (%)	31.2	42.4	40.0	40.0

## Missed past production guidance targets

We note ONGC has consistently missed O+OEG production guidance targets for the past seven years.

ONGC has never managed to meet its guided oil production volumes over the past seven years. The company had guided for standalone oil production of 22.8mmt in FY19; however, it reported oil production of 21.1mmt, a miss of 7%. Notably, the company has not been able to meet its guided oil production volume of FY19 even by FY25.

That said, ONGC managed to achieve its gas production targets in two of the past seven years. However, similar to its oil production target, the gas production target set in FY19 also remains far-off from its gas production reported in FY25.

**Exhibit 1: ONGC's overall production has missed guidance over last seven years**

Crude oil (mt, SA)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Company guidance	22.75	22.70	21.25	23.90	19.88	21.26	20.59
Actual	21.11	20.63	20.27	19.55	19.58	19.47	19.60
Variance	-7%	-9%	-5%	-18%	-1%	-8%	-5%
<b>Natural Gas (bcm, SA)</b>							
Company guidance	24.40	27.36	25.20	20.41	21.10	23.62	20.95
Actual	24.75	23.75	22.10	20.91	20.64	19.97	19.65
Variance	1%	-13%	-12%	2%	-2%	-15%	-6%
<b>Total (mmtoe)</b>							
Company guidance	47.15	50.06	46.45	44.31	40.98	44.88	41.54
Actual	45.86	44.38	42.37	40.46	40.22	39.44	39.25
Variance	-3%	-11%	-9%	-9%	-2%	-12%	-6%

Source: Company, Nuvama Research

The company's crude oil production (including JV) has seen a consistent decline over the past decade. Oil production has decreased at a 2.3% CAGR over the last five years (FY20–25). While gas production (including JV) improved somewhat over FY17–19, it fell at a 4.2% CAGR over FY20–25.

**Exhibit 2: ONGC's total production (O+OEG) fell at 3.2% CAGR over FY20–25**

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	5y CAGR (%)	FY26E	FY27E
Crude production (nominated, mmt)	22.6	22.3	22.3	21.1	20.9	22.3	21.1	20.7	20.3	19.6	19.6	19.5	19.6	(1.1)	19.8	20.2
Crude production (JV, mmt)	3.6	3.7	3.7	3.6	3.3	3.2	3.2	2.7	2.4	2.3	2.0	1.7	1.3	(13.8)	1.2	1.2
<b>Total crude production (mmt)</b>	<b>26.1</b>	<b>26.0</b>	<b>25.9</b>	<b>24.7</b>	<b>24.2</b>	<b>25.5</b>	<b>24.3</b>	<b>23.4</b>	<b>22.6</b>	<b>21.8</b>	<b>21.6</b>	<b>21.1</b>	<b>20.9</b>	<b>(2.3)</b>	<b>21.0</b>	<b>21.4</b>
Gas production (nominated, bcm)	23.3	23.5	23.3	22.0	21.2	22.1	24.8	23.9	22.1	20.9	20.6	20.0	19.7	(3.8)	19.9	20.2
Gas production (JV, bcm)	1.8	1.6	1.5	1.4	1.2	1.2	1.1	1.2	0.9	1.1	1.4	0.7	0.5	(14.2)	0.5	0.5
<b>Total gas production (bcm)</b>	<b>25.1</b>	<b>25.1</b>	<b>24.8</b>	<b>23.4</b>	<b>22.4</b>	<b>23.3</b>	<b>25.9</b>	<b>25.0</b>	<b>23.0</b>	<b>22.0</b>	<b>22.0</b>	<b>20.6</b>	<b>20.2</b>	<b>(4.2)</b>	<b>20.4</b>	<b>20.8</b>
Nominated production	45.9	45.8	45.5	43.1	42.0	44.4	45.9	44.6	42.4	40.5	40.2	39.4	39.3	(2.5)	39.6	40.4
JV production	5.4	5.3	5.2	4.9	4.5	4.4	4.3	3.9	3.3	3.3	3.4	2.3	1.8	(13.9)	1.8	1.7
<b>Total production (mmtoe)</b>	<b>51.2</b>	<b>51.1</b>	<b>50.7</b>	<b>48.0</b>	<b>46.5</b>	<b>48.8</b>	<b>50.2</b>	<b>48.4</b>	<b>45.7</b>	<b>43.8</b>	<b>43.6</b>	<b>41.8</b>	<b>41.1</b>	<b>(3.2)</b>	<b>41.4</b>	<b>42.2</b>

Source: Company, Nuvama Research

### A 2.7% CAGR decline in 1P reserves suggests future production fall as well

We believe future production is likely to fall as ONGC's 1P reserves are also seeing a declining trend. ONGC's 1P reserves have slid in ten years out of past thirteen, with the last five years' decline reported at a 2.7% CAGR over FY20–25.

#### Exhibit 3: ONGC's proved reserves (1P) have been consistently falling for many years, affecting production growth

Proved reserves	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	5y CAGR (%)
ONGC nominated (mtoe)	741	724	711	691	693	676	626	603	581	557	531	515	515	(3.1)
ONGC JV (mtoe)	31	31	23	19	18	19	20	18	16	14	12	11	11	(9.6)
OVL (mtoe)	196	207	203	199	271	287	275	268	204	204	264	254	250	(1.4)
<b>Total (mtoe)</b>	<b>969</b>	<b>962</b>	<b>936</b>	<b>909</b>	<b>982</b>	<b>982</b>	<b>921</b>	<b>889</b>	<b>801</b>	<b>776</b>	<b>807</b>	<b>780</b>	<b>775</b>	<b>(2.7)</b>

Source: Company, Nuvama Research

## Q1FY26 management call takeaways

### Guidance cut again; KG-98/2 peak production not before FY27E

- *Production guidance cut for FY26E (7% oil, 4% gas) and FY27E (4% oil, 2% gas)*
- *Peak production of 45,000bopd oil and 10mmscmd gas (30,000bopd and 3mmscmd currently) at KG-98/2 delayed to FY27E*
- *Share of NWG expected to rise to 24–25% in FY27E (13–14% currently) on increased output and bi-annual re-classification of APM gas.*

### KG-98/2 peak gas production delayed; ramp-up slow

Oil production at KG-98/2 stood at ~30,000bopd and is expected to increase to 40,000bopd by Q4FY26E. Oil production has not ramped up as previously guided on account of unavailability of vessels and an early onset of monsoon in Q1FY26. Management has guided for a peak production of 45,000bopd, which is expected to be achieved in FY27. Current gas production stands at ~3mmscmd and is expected to reach 6–7mmscmd by Q4FY26 once the main platform is ready, and thereafter progressively ramp up to peak gas production of 10mmscmd.

### Two discoveries made during Q1FY26

In Q1FY26, ONGC declared two discoveries (both offshore) in its operated acreages. Out of these, one is a prospect and one is a pool discovery—Vajramani and MBS202HAA-1, respectively.

### Capex guidance of INR300bn-plus reiterated

ONGC has reiterated its earlier guided capex of INR300bn-plus for FY26E. This capex includes INR80–100bn for exploration activities, ~INR150bn for infrastructure development and ~INR100bn for drilling activities.

### Tie-up with BP, production ramp-up at KG-98/2 triggers for oil production growth

Undertook multiple well interventions and new well drillings to arrest natural decline and maintain production. Management remains positive about its tie-up with BP as the Technical Services Provider (TSP). The tie-up remains on track and shall see results soon at the Mumbai High fields by Q4FY26E.

### NWG to constitute 24–25% of gas production in FY27E

ONGC is actively working on boosting new well gas (NWG) volumes. New well gas (NWG) production is expected to hit ~2.6bcm in FY26E, translating to 14–15% of total expected FY26E gas production. It is expected to ramp up to over 4.8bcm in FY27E, constituting 24–25% of expected FY27E gas production volumes. Average realisation of NWG stands at ~USD8.26/mmbtu (20% premium vs APM gas). As a result, incremental revenue on sale of NWG stood at INR3.3bn.

### SA production guidance: Oil: 19.928/21mt; Gas: 20.11/21.487bcm for FY26E/FY27E

Management guided for standalone oil and gas production of 19.928MMT and 20.11bcm, respectively, for FY26E. Subsequently, the production guidance for FY27E stands at 21mt oil and 21.487bcm gas.

### OVL: Mozambique ‘force-majeure’ expected to be lifted in this quarter

Mozambique LNG plant remains in a ‘force majeure’ situation. Management stated that Total Energies, the project operator, is in constant touch with the government and is optimistic that the force-majeure situation shall be lifted in this quarter.

## OPaL: Turns EBITDA-positive; gross debt stands at INR248bn

Though OpaL posted a net loss of INR6bn in Q1FY26, it posted positive EBITDA during the period and is expected to exit FY26 too with positive EBITDA. Management remains optimistic of superior performance over coming quarters on account of favourable petchem margin environment and higher plant utilisation rates (>90%). OPaL's gross debt stands at INR248bn. ONGC does not envisage any capital infusion into OPaL in the near term to enable it to meet its debt obligations. It remains confident of OPaL being able to generate sufficient cash flows to service its own debt.

## Ethane usage to begin in 2028E; demand at 600ktpa

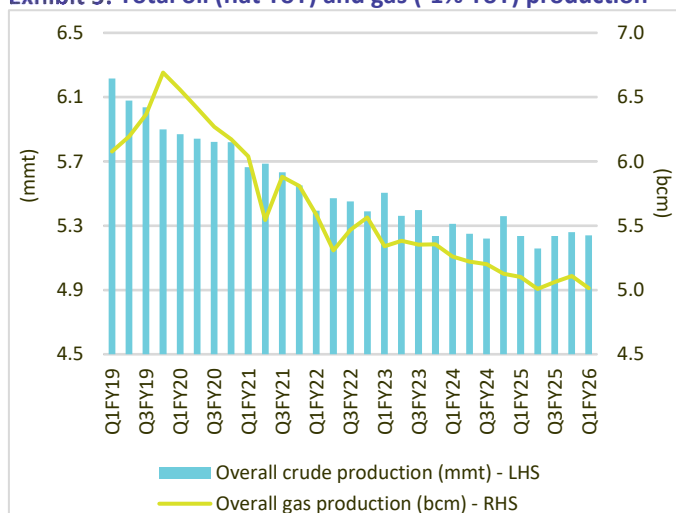
OPaL currently utilises LNG to extract C2-C3 currently. It plans to replace LNG with ethane, beginning 2028E. ONGC envisages importing the entirety of its ethane requirements, using its own ships. Estimated ethane requirement stands at 600ktpa.

**Exhibit 4: 15% EBITDAX beat on higher-than-expected oil and gas production (+5% each), and gas (+4%) and crude (+1%) realisations**

ONGC	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Nuvama Est	Deviation (%)	Consensus	Deviation (%)
Net revenues (INR bn)	320.0	352.7	-9.3%	349.8	-8.5%	291.6	9.8%	321.6	-0.5%
EBITDAX (INR bn)	186.6	186.2	0.2%	190.1	-1.8%	162.0	15.2%	181.9	2.6%
PAT (INR bn)	80.2	89.4	-10.2%	64.5	24.4%	70.5	13.8%	81.9	-2.0%
ONGC oil production, mt	5.2	5.2	0.1%	5.3	-0.4%	5.0	5.1%		
ONGC gas production, bcm	5.0	5.0	-0.9%	5.0	-1.0%	4.7	5.0%		
Crude oil realization, USD/bbl	66.1	83.1	-20.4%	73.7	-10.3%	65.2	1.4%		
NG realization, USD/mmbtu	7.6	7.0	9.0%	7.4	3.0%	7.4	4.0%		

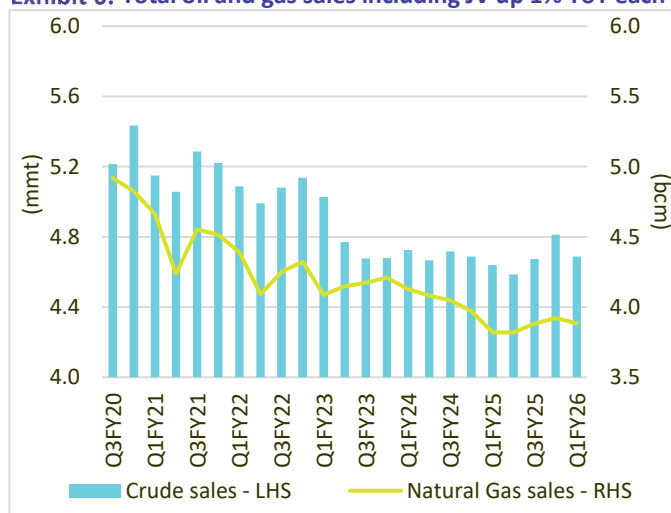
Source: Company, Nuvama Research

**Exhibit 5: Total oil (flat YoY) and gas (-1% YoY) production\***



Source: Company, Nuvama Research \*including JV

**Exhibit 6: Total oil and gas sales including JV up 1% YoY each\***



Source: Company, Nuvama Research \*in Q1FY26

**Exhibit 7: Revenue breakdown (standalone); top line dips 9% YoY in Q1FY26**

Revenue (INR bn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Crude	222	243	238	236	240	225	215	228	200
Natural gas	88	85	85	81	80	84	88	90	91
VAP	30	31	31	32	34	32	37	37	30
Less Profit Petroleum	3	9	7	5	3	4	4	6	2
<b>Total revenue</b>	<b>337</b>	<b>350</b>	<b>347</b>	<b>343</b>	<b>351</b>	<b>338</b>	<b>336</b>	<b>349</b>	<b>319</b>

Source: Company, Nuvama Research

**Exhibit 8: OVL oil production down 2% YoY, gas production down 4% YoY**

INR bn	Q1FY26	Q4FY25	Q1FY25	YoY%	QoQ%
Revenue from operations	21.2	60.9	34.1	(37.8)	(65.2)
Gross Revenue	24.5	68.9	40.1	(38.9)	(64.4)
PBT before exceptional item	(0.2)	6.7	7.6	(102.2)	(102.6)
Reported PAT	(1.1)	0.8	4.3	(125.1)	(240.3)
<b>Revenue segmental mix</b>					
Oil	16.1	56.8	28.5	(43.7)	(71.7)
Gas	4.1	2.9	4.6	(10.9)	39.7
<b>Production</b>					
Oil (mt)	1.8	1.9	1.8	(2.2)	(5.4)
Gas (bcm)	0.7	0.8	0.7	(3.5)	(14.3)
<b>Sales</b>					
Oil (mt)	1.2	1.2	1.2	(1.0)	(0.8)
Gas (bcm)	0.4	0.4	0.5	(11.3)	9.7

Source: Company, Nuvama Research

**Exhibit 9: MRPL posts loss on 19% YoY fall in throughput and 17% YoY dip in GRM**

INR bn	Q1FY26	Q4FY25	Q1FY25	YoY%	QoQ%
Throughput (mt)	3.52	4.64	4.35	(19.1)	(24.1)
Gross Revenue	210.3	276.4	273.3	(23.1)	(23.9)
PBT	(4.0)	5.8	1.0	(499.0)	(169.0)
PAT	(2.7)	3.6	0.7	(512.1)	(174.9)
GRMs (USD/bbl)	3.9	6.2	4.7	(17.4)	(37.7)

Source: Company, Nuvama Research

**Exhibit 10: OPaL's production falls 9% YoY but net loss narrows to INR6bn**

INR bn	Q1FY26	Q4FY25	Q1FY25	YoY%	QoQ%
Capacity utilization (%)	81.0	95.0	89.0	-800bps	-1400bps
Production (mt)	388.4	451.8	427.7	(9.2)	(14.0)
Feed consumption (kt)	489.5	546.9	531.5	(7.9)	(10.5)
Gross Revenue	33.7	37.4	37.7	(10.7)	(9.8)
PBT	(9.0)	(10.7)	(12.4)	(27.7)	(16.2)
PAT	(6.2)	(13.3)	(9.8)	(37.3)	(53.8)

Source: Company, Nuvama Research

**Exhibit 11: Oil realisation (in INR) falls 18% YoY on lower crude prices, weak INR**

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net realisation (USD/bbl)	66.1	74.2	(10.9)	73.7	(10.3)
Net realisation (INR/bbl)	5,658.0	6,928.0	(18.3)	6,385.0	(11.4)
INR/USD	85.6	83.4	2.6	86.6	(1.2)

Source: Company, Nuvama Research

**Exhibit 12: Consolidated quarterly financial snapshot**

Year to March (INR bn)	Q1FY26	Q1FY25	YoY%	Q4FY25	QoQ%	FY24	FY25	FY26E	FY27E
<b>Net revenues</b>	<b>1,631.1</b>	<b>1,680.2</b>	<b>(2.9)</b>	<b>1,708.1</b>	<b>(4.5)</b>	<b>6,531.7</b>	<b>6,632.6</b>	<b>6,612.0</b>	<b>6,921.1</b>
Statutory levies	194.3	212.3	(8.5)	189.4	2.6	820.1	796.1	782.0	783.6
Other expenditure	1,159.9	1,234.8	(6.1)	1,246.6	(7.0)	4,629.7	4,847.9	4,774.4	4,920.5
<b>EBITDAX</b>	<b>276.9</b>	<b>233.1</b>	<b>18.8</b>	<b>272.1</b>	<b>1.8</b>	<b>1,081.9</b>	<b>988.6</b>	<b>1,050.1</b>	<b>1,211.1</b>
Recouped Cost	111.7	101.4	10.2	141.7	(21.2)	362.5	452.0	435.6	473.0
<b>EBIT</b>	<b>165.2</b>	<b>131.7</b>	<b>25.5</b>	<b>130.4</b>	<b>26.7</b>	<b>719.4</b>	<b>536.5</b>	<b>614.5</b>	<b>738.1</b>
Less: Interest Expense	33.4	36.2	(7.6)	35.0	(4.5)	130.3	145.3	146.9	149.6
Add: Other income	25.7	28.4	(9.5)	29.8	(13.6)	120.3	123.9	119.4	123.8
Add: Exceptional items	0.2	0.0	NA	1.5	NA	-16.4	-1.5	0.0	0.0
<b>Profit Before Tax</b>	<b>157.4</b>	<b>124.0</b>	<b>26.9</b>	<b>123.7</b>	<b>27.2</b>	<b>693.1</b>	<b>513.6</b>	<b>587.0</b>	<b>712.4</b>
Less: Provision for Tax	39.5	33.6	17.7	41.5	(4.7)	183.6	140.7	146.8	178.1
Add: Profit from associates	-2.3	7.7	NA	6.4	NA	43.2	10.4	24.0	23.4
<b>Reported Profit</b>	<b>115.5</b>	<b>98.1</b>	<b>17.8</b>	<b>88.6</b>	<b>30.5</b>	<b>552.7</b>	<b>383.3</b>	<b>464.2</b>	<b>557.7</b>
Less: Minority Interest	17.5	-2.0	NA	15.3	14.1	61.3	21.0	56.3	59.8
Profit attributable to parent	98.0	100.1	(2.0)	73.2	33.9	354.4	491.4	362.3	407.9
Less: Exceptional Items (Net of Tax)	-0.2	0.0	NA	-1.5	NA	-61.9	-12.0	-12.0	-1.1
<b>Adjusted Profit</b>	<b>98.2</b>	<b>100.1</b>	<b>(1.9)</b>	<b>74.7</b>	<b>31.4</b>	<b>416.3</b>	<b>503.5</b>	<b>374.3</b>	<b>409.0</b>
No. of Diluted shares outstanding (bn)	12.6	12.6		12.6	-	12.6	12.6	12.6	12.6
<b>Adjusted Diluted EPS</b>	<b>7.8</b>	<b>8.0</b>	<b>(2.0)</b>	<b>5.8</b>	<b>33.9</b>	<b>40.0</b>	<b>28.9</b>	<b>32.4</b>	<b>39.6</b>
<b>As % of Net Revenues</b>									
Statutory levies	11.9	12.6		11.1		12.6	12.0	11.8	11.3
Other expenses	71.1	73.5		73.0		70.9	73.1	72.2	71.1
EBIDTAX	17.0	13.9		15.9		16.6	14.9	15.9	17.5
Net profit	6.0	6.0		4.4		6.4	7.6	5.7	5.9
Tax rate	25.1	27.1		33.6		26.5	27.4	25.0	25.0

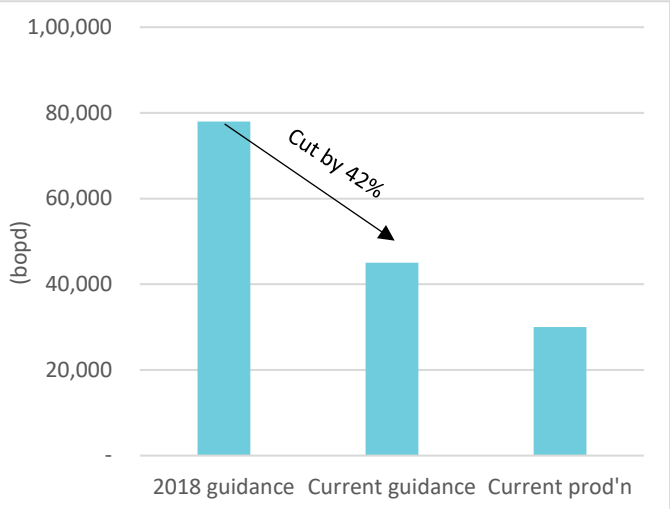
Source: Company, Nuvama Research



## Earlier sharp cut in KG-98/2 oil/gas production guidance

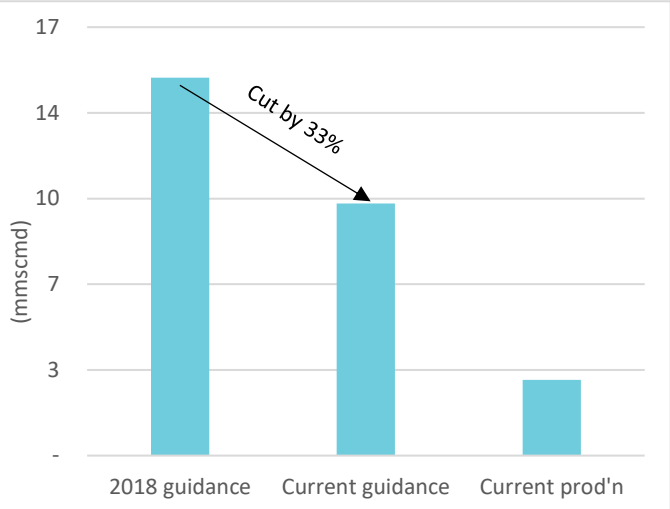
ONGC commenced oil/gas production from the KG-98/2 basin in Q4FY24; since then, it has substantially lowered the guidance—to be precise, peak oil production guidance has been cut by 42% to 45kbpd (from 78kbpd) and peak gas production guidance has been cut by 33% to 10mmscmd (from 15mmscmd). Current oil and gas production stands at 30,000bopd and 3mmscmd, respectively.

Exhibit 13: Oil production guidance cut by 42%...



Source: Company, Nuvama Research

Exhibit 14: ...while gas production guidance cut by 33%



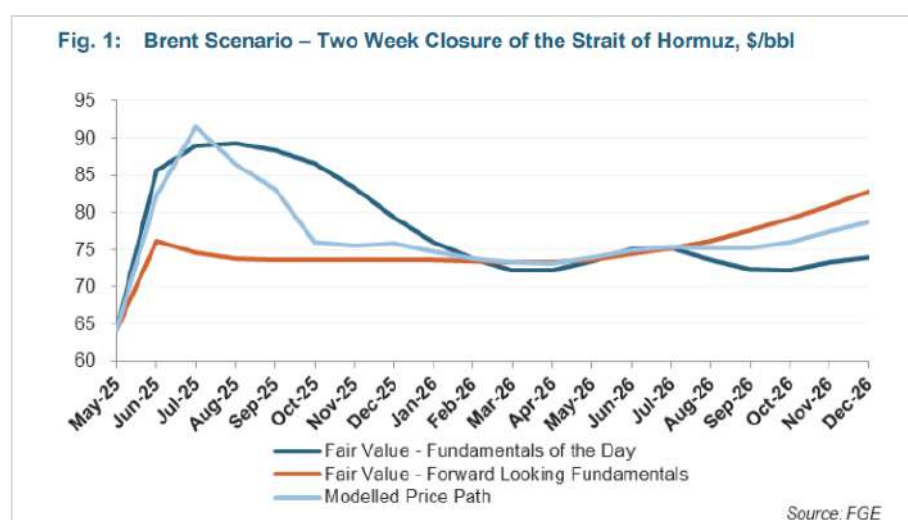
Source: Company, Nuvama Research

## Oil: Geopolitics driving near-term strength

### War premium pushing up near-term oil prices

Oil prices veered towards USD80/bbl before retracing as a upshot of Israel's attack on Iran, factoring in a war premium and a risk of closure of 20mbpd of supply in the near term on potential closure of the Strait of Hormuz. In the unlikely event of a temporary closure, oil prices could spike to USD100/bbl. However, mitigating measures such as accelerated unwinding of OPEC+ production cuts and use of strategic reserves could cushion the impact to USD92/bbl on a monthly average basis. Even if the market sees only a 30% risk of closure, that can still be enough to fuel prices towards USD85/bbl for the rest of June.

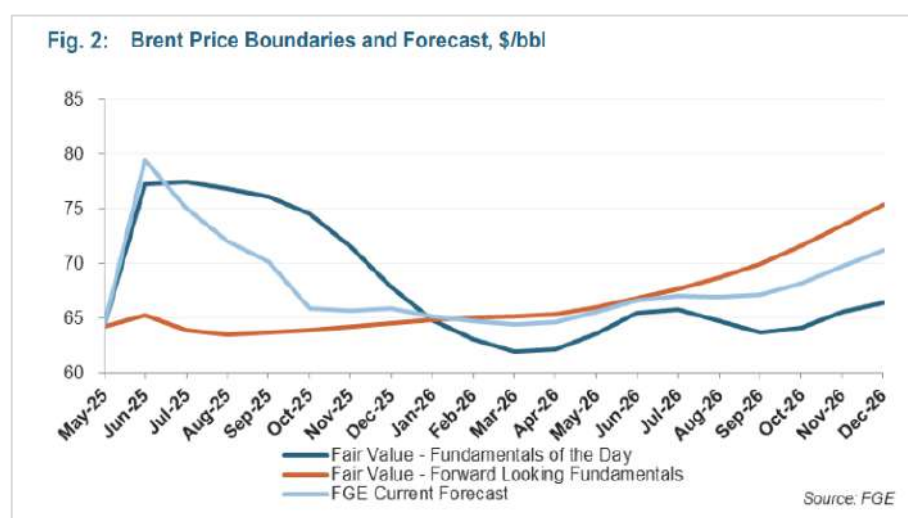
### Exhibit 15: A two-week closure of the Strait could see prices averaging USD92/bbl



Source: FGE

FGE has increased its floor price for the rest of 2025 by USD10/bbl to USD65–70/bbl on discounting of war premium, risk of closure of the Strait of Hormuz and greater potential for loss of Iranian supply due to a potential snapback of sanctions on Iran.

### Exhibit 16: Floor price increased by USD10/bbl to USD65–70/bbl for rest of 2025

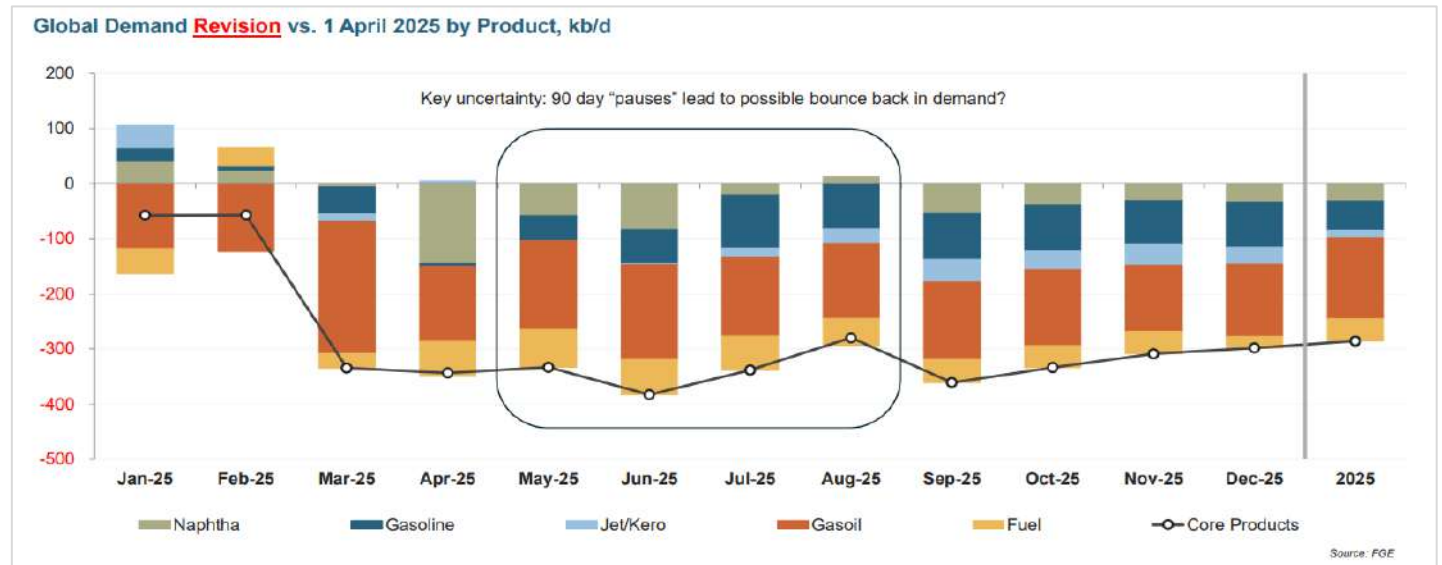


Source: FGE

## Elevated OPEC+ spare capacity, tariff shocks suppressing oil prices

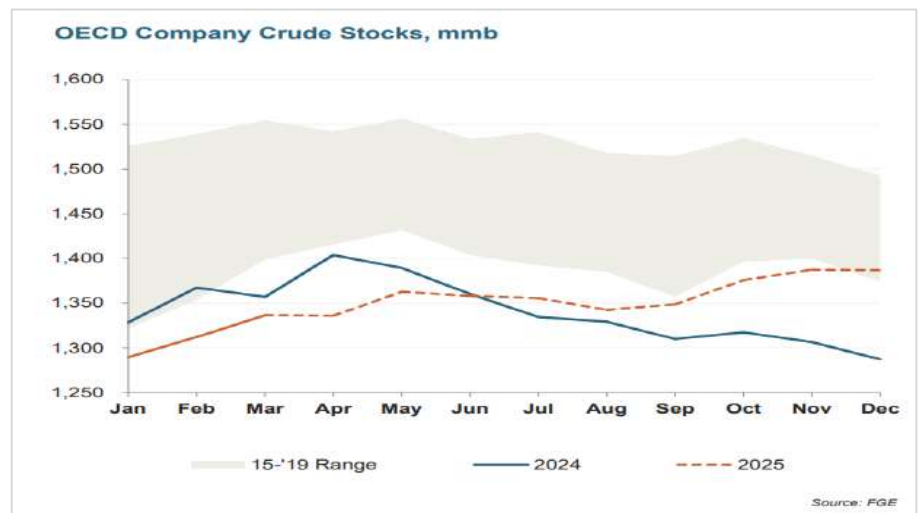
Crude oil prices have been subdued largely on elevated OPEC+ spare capacity and Liberation Day tariff shocks from the Trump administration sparking concerns over economic growth, which prompted cuts in oil demand forecast. However, tight crude inventories in OECD countries and geopolitical tensions have supported oil prices.

**Exhibit 17: Oil demand revised lower following announcement of Liberation Day tariffs; growth seen at ~700kbpd in Q2–Q4CY25**



Source: FGE

**Exhibit 18: Tightness in crude inventory supports crude oil prices**



Source: FGE

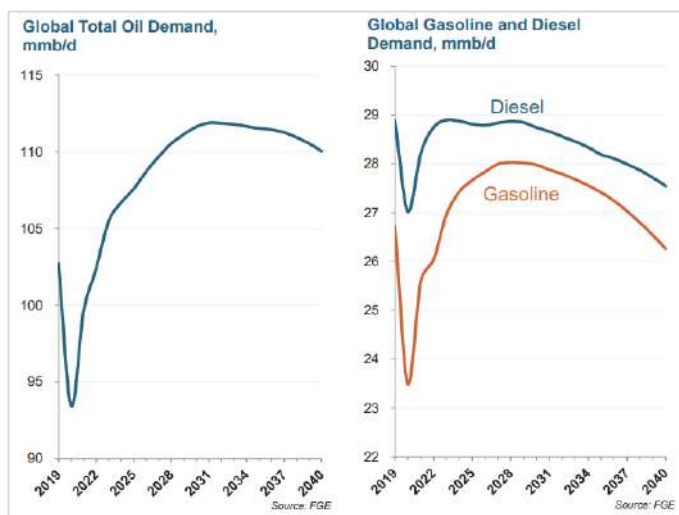
## Oil demand to peak in 2030s; current cost of alternatives excessive

FGE expects oil demand to peak in the 2030s with about 4mbpd of growth yet to crystallise before growth plateaus and then reduces after reaching 110mbpd in 2040. Chinese oil demand is expected to peak in 2028/29E, primarily due to rapid adoption of EVs, and pan-Asia oil demand is set to peak in the 2040s.

Importantly, the current cost of alternatives is excessive and unfeasible for rapid adoption without sustained major government support. Only electricity use in road transport can compete with conventional gasoline and diesel after considering taxes on oil products.

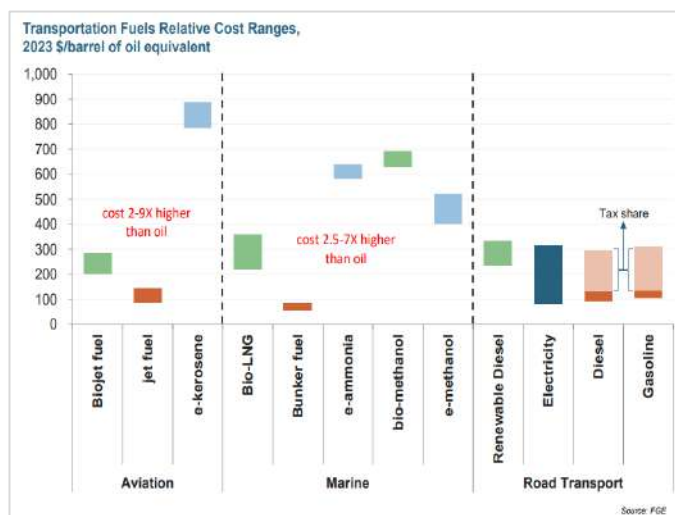
- Renewable diesel (RD) is expensive, but can compete with conventional diesel (CD), particularly if RD is subsidised and CD taxed.
- SAF is up to three times more expensive than conventional jet fuel.
- Bio-LNG is up to four times more expensive than conventional bunker fuel while hydrogen-based synthetic fuels are generally prohibitively expensive.

**Exhibit 19: Oil demand peak in 2030s; ~4mbpd growth to unfold**



Source: FGE

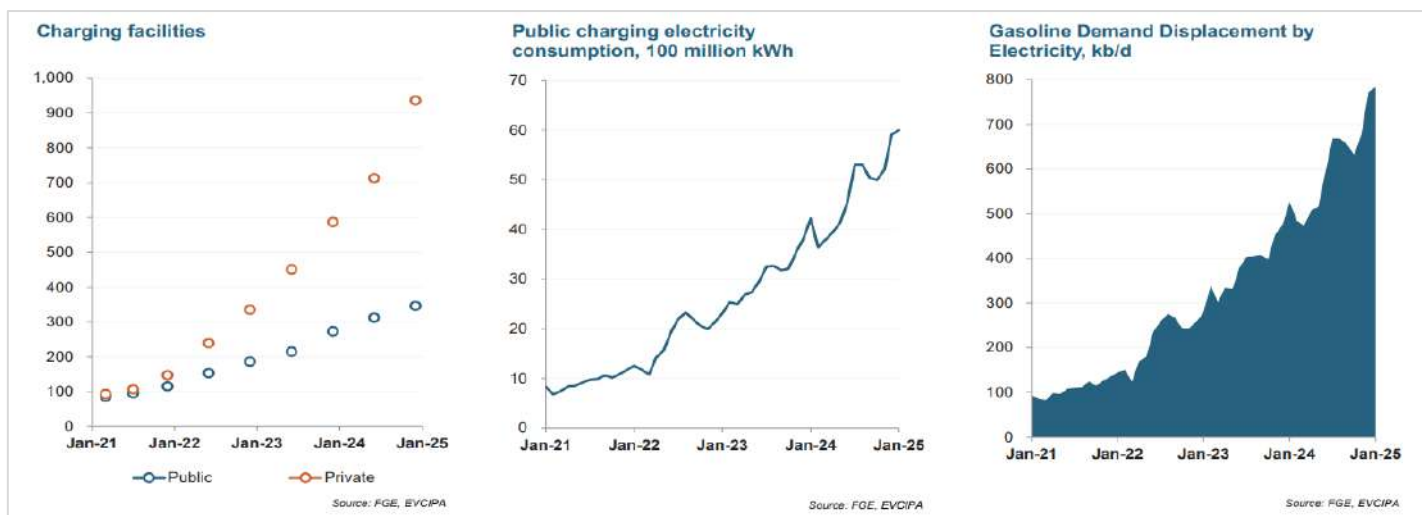
**Exhibit 20: Cost of alternatives to oil too high, except for EVs**



Source: FGE

\*led by robust EV adoption

**Exhibit 21: Chinese gasoline demand replacement owing to rapid EV adoption has been on the rise for years**



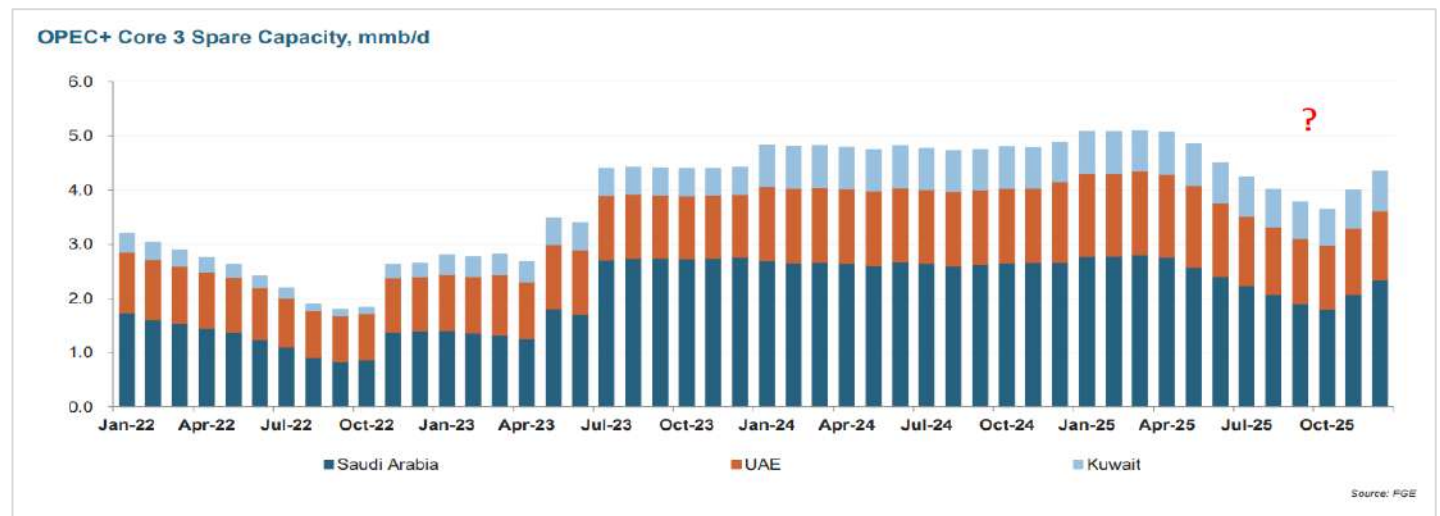
Source: FGE

## Managing its spare capacity a continuing challenge for OPEC+

OPEC+'s spare capacities remain high. It has been cutting production since 2022 to keep the market in balance, which has increased OPEC+'s core spare capacity to as high as ~5mbpd. At high oil prices, the spare capacity has declined to as low as ~2mbpd. However, in the current scenario, despite all the ongoing geopolitical concerns, there is cushion from high spare capacity, which has restricted any material spike in crude oil prices.

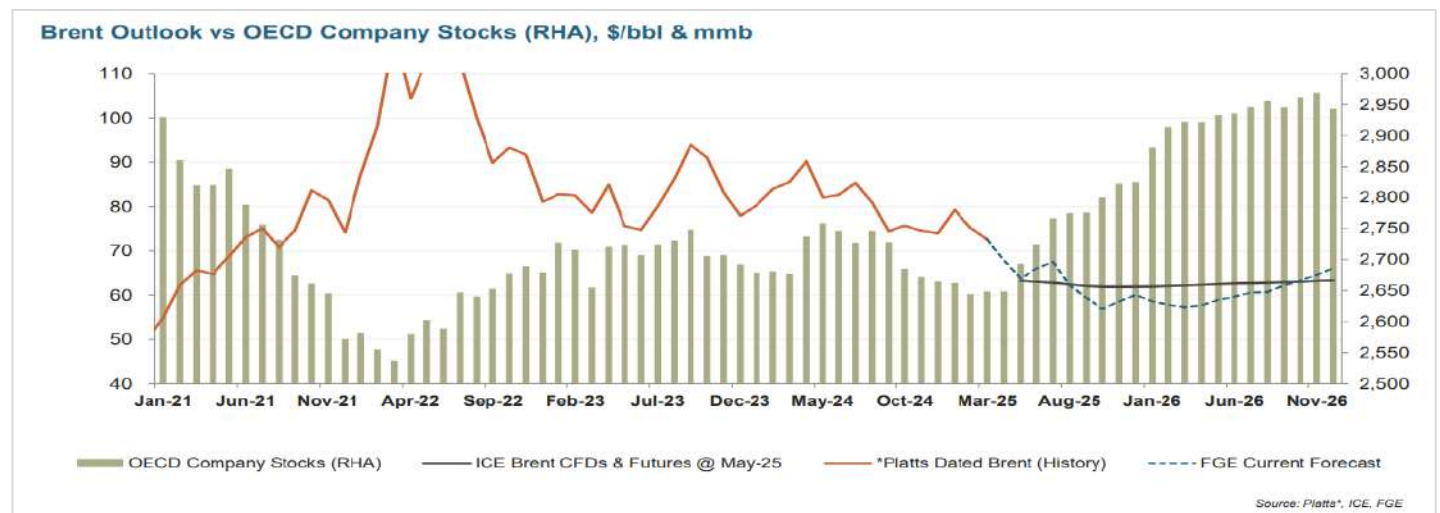
FGE believes crude oil prices could drop down to USD60/bbl levels as the impact of production hikes is felt a few months from now once seasonal demand from the North America driving season tails off.

**Exhibit 22: OPEC's core spare capacity above 4mbpd**



Source: FGE

**Exhibit 23: OPEC strategy seems to be shifting as OECD inventories are allowed to build up**



Source: FGE

## Price more important for US energy supplies than policy

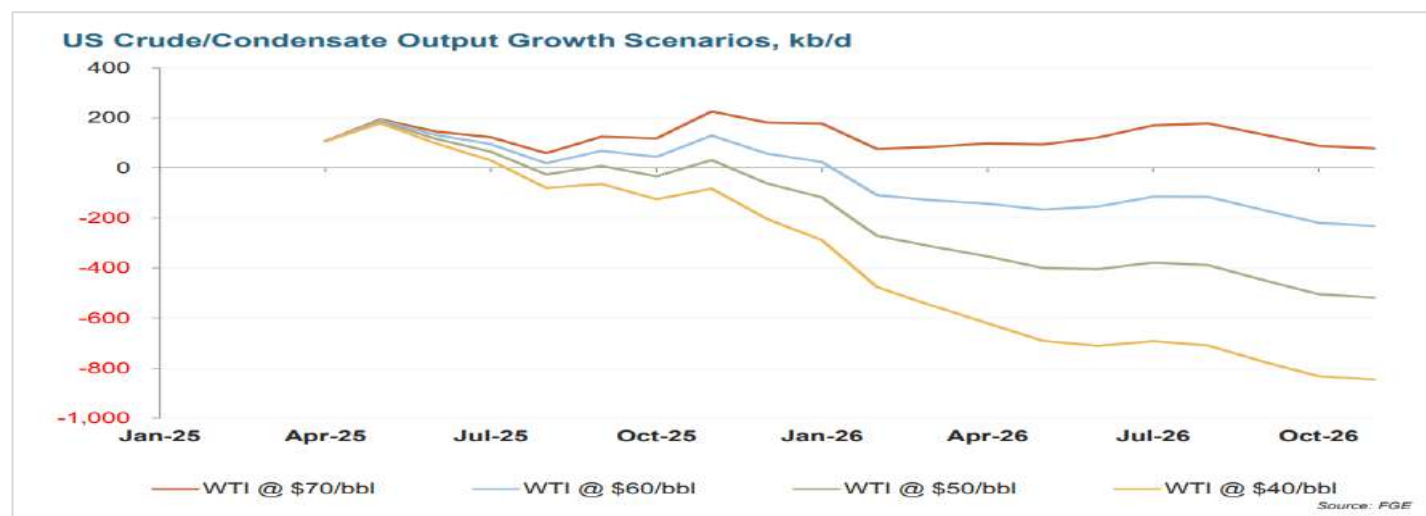
Trump 2.0 aims to alleviate inflationary pressures in energy prices by increasing US output and reducing prices. The administration has planned to:

1. open new areas to drilling—but most shale areas are not on federal land;
2. reduce regulatory burdens in areas such as methane emissions, which seems to be a mixed blessing as it can damage the US oil/LNG “brand”; and
3. speed up regulatory process for new pipelines and infrastructure, but benefits are expected over the medium to long term.

However, history shows that price is the most important driver of growth in US energy production. WTI above USD70/bbl sees growth, whereas oil below USD60/bbl results in flattening/declines. Large producers can maintain output and even grow marginally at USD50–60/bbl, while hedging can limit production losses in the short term.



**Exhibit 24: Price is more important for US energy producers with growth in supply seen only when WTI is beyond USD70/bbl**

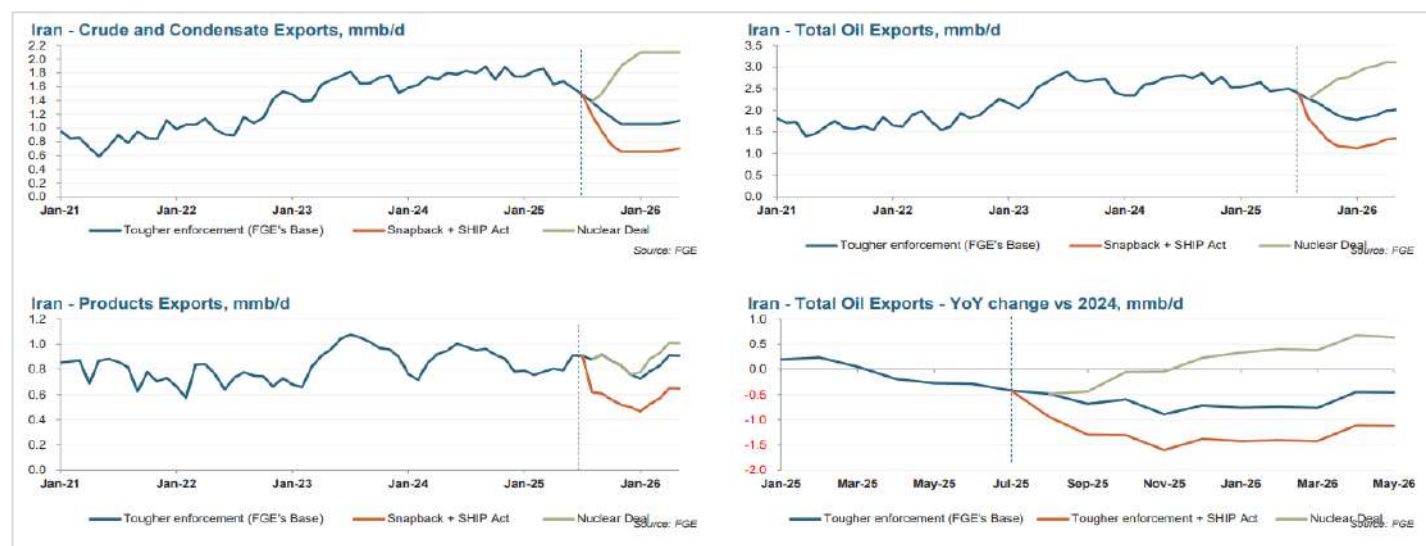


Source: FGE

## Iranian crude supply under threat of disruption

Iran's oil production has hit a 40-year high of late led by elevated Chinese buying. The Trump administration might target (shipping) ports by imposing sanctions pertaining to trading in Iranian oil, thereby creating widespread friction and a potential spike in oil prices. Furthermore, the likelihood of a snapback of full sanctions is increasing due to the ongoing geopolitical tensions, reducing FGE's Iranian supply estimates by 300kbpd for Q4CY25 and 2026.

**Exhibit 25: Iran crude and product exports scenario analysis**



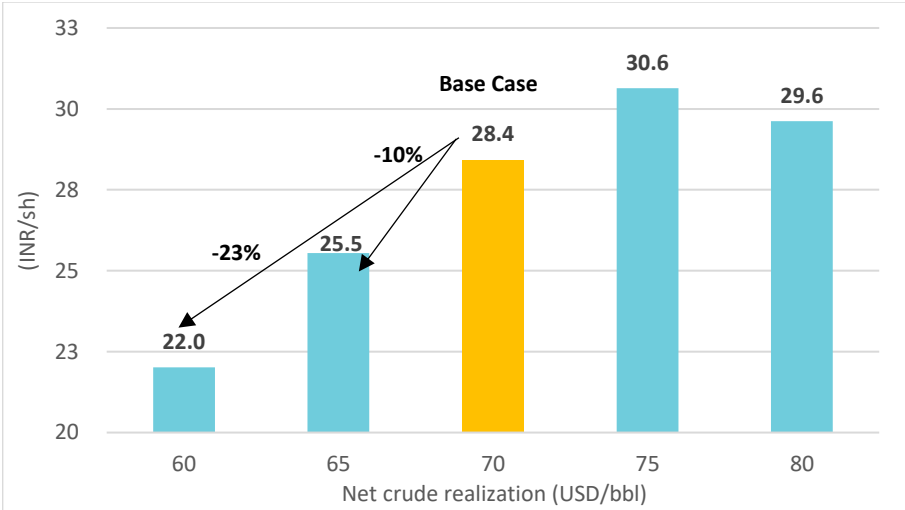
Source: FGE

## Earnings impact: 23% on USD10/bbl cut

Our sensitivity analysis suggests earnings impact of 10–23% if crude prices falls by USD5–10/bbl below our base case crude oil price assumption of USD70/bbl for FY26.

However, with crude oil prices hovering around USD76/bbl, the crude oil threshold of USD67.5/bbl remains within sight and could affect the upward revision of gas price from USD6.5/mmbtu currently to USD6.75/mmbtu from FY26.

Exhibit 26: Earnings impact of 10–23% on USD5–10/bbl crude price



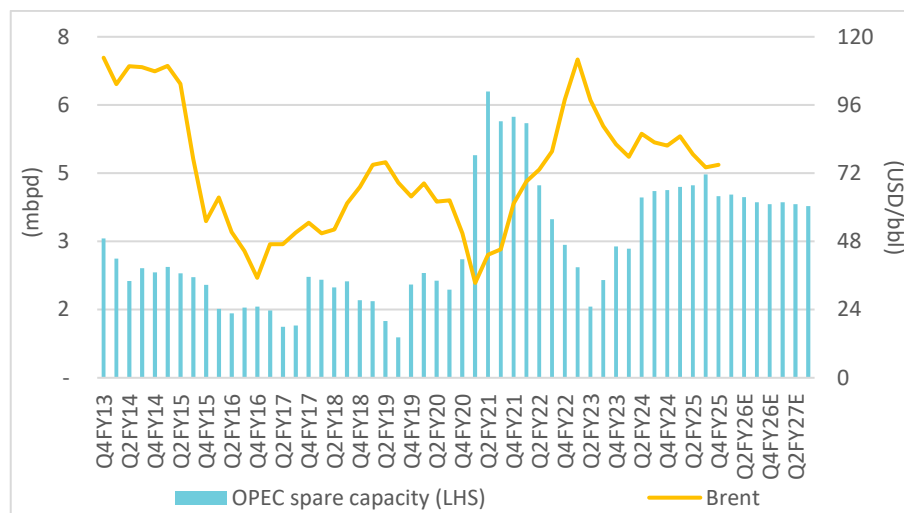
Source: Company, Nuvama Research

## OPEC spare capacity 4mbpd; watch out

OPEC+ spare capacity currently stands at ~4.3mbpd, providing little cushion for further voluntary cuts. OPEC's spare capacity increased from average 2.4mbpd seen in FY23 to ~4mbpd in FY24.

As per EIA, OPEC's spare capacity is estimated to remain upwards of 4mbpd, which will provide very little cushion for OPEC to maintain a balance between oil demand and supply in the near term.

**Exhibit 27: OPEC+ spare capacity and Brent prices**



Source: EIA, Nuvama Research



## ONGC's KG deep-water gas pricing

### Factor of landed price of alternate fuel

ONGC's KG-DWN deep-water gas (difficult gas) is produced from discoveries in deep-water, ultra-deep-water and high pressure-high temperature areas. The producers will be allowed marketing freedom, including pricing freedom subject to a ceiling price on the basis of landed price of alternate fuels.

The formula for determining the domestic natural gas price is:

***Ceiling price Formula (in USD/ mmbtu) = Lowest of ( i) landed price of imported fuel oil; ii) weighted average import landed price of substitute fuels and; iii) landed price of imported LNG))***

*landed price of imported fuel oil = 12-month average of daily prices quoted by Platts for Arab Gulf fuel oil 180 CST plus a 5% markup for freight.*

*Weighted average import landed price of substitute fuels= 0.3 \* landed price of imported coal + 0.4 \* landed price of imported fuel oil + 0.3 \* landed price of imported naphtha*

*Landed price of imported LNG = 12-month average of daily prices quoted by Platts in 'LNG daily for West India DES price*

**The landed price-based ceiling is calculated once in six months and applied prospectively for the next six months. The price data used for calculation of ceiling price shall be the trailing four quarters' data with a one-quarter lag.**

- The periodicity of price determination/notification shall be half yearly.

The price and volume data used for calculation of natural gas price under these guidelines shall be one-year data after taking a one-quarter data lag.

## Company Description

ONGC dominates India's oil & gas production with more than two-third share of the country's production of oil and oil equivalent gas. It contributes ~2/3rd and ~1/2 to total oil and gas production, respectively, in India.

## Investment Theme

With realizations effectively capped at USD75/bbl on account of levy of windfall cess, the only avenue for growth is via increased production. However, the company's production performance has been disappointing over the years with production continuously declining on account of natural decline in its mature assets and an inability to improve its reserves position.

Net realizations (ex-windfall tax) marginally reduce with an increase in oil prices beyond USD75/bbl on account of royalty levied on gross crude realizations with the company having no support for oil prices below USD75/bbl.

The company's flagship KG-98/2 project with a planned investment of USD5bn has seen production guidance nearly halving from the company's original guidance with timelines for commencement of production and peak production pushed back multiple times on account of various execution challenges.

While near-term production is set to increase on account of contribution from KG-98/2, Daman Upside, Mumbai High North Redevelopment Phase-IV, Development of CBM fields and implementation of enhanced and improved recovery and evacuation techniques, we do not expect material upside to production in the longer term.

## Key Risks

Lower-than-expected crude prices will impact the company's crude realisations and earnings. Additionally, the company's net realizations also subject to levy of windfall cess. Domestic gas prices are also linked to crude with a 10% slope with lower crude prices set to reduce gas realizations.

Higher-than-expected decline rates in its existing matured assets could impact its production going forward.

ONGC has assets in countries like Sudan and Syria, which face geo-political risks. Therefore, any unfavourable incident could impact production.

## Additional Data

### Management

Chairman and CEO	Arun Kumar Singh
Director (Finance)	Vivek Chandrakant Tongaonkar
Director (Production)	Pankaj Kumar
Director (Human Resource)	Manish Patil
Auditor	M/s Talati & Talati LLP, M/s V Sankar Aiyar & Co., M/s Laxmi Tripti & Associates, M/s Manubhai & Shah LLP, M/s J Gupta & Co. LLP

### Holdings – Top 10\*

% Holding		% Holding	
Republic of Ind	58.89	Nippon Life Ind	2.03
Life Insurance	9.69	SBI Funds Manag	1.30
Indian Oil Corp	7.84	Vanguard Group	1.26
ICICI Prudentia	2.65	BlackRock Inc	0.88
GAIL India Ltd	2.45	FMR LLC	0.47

\*Latest public data

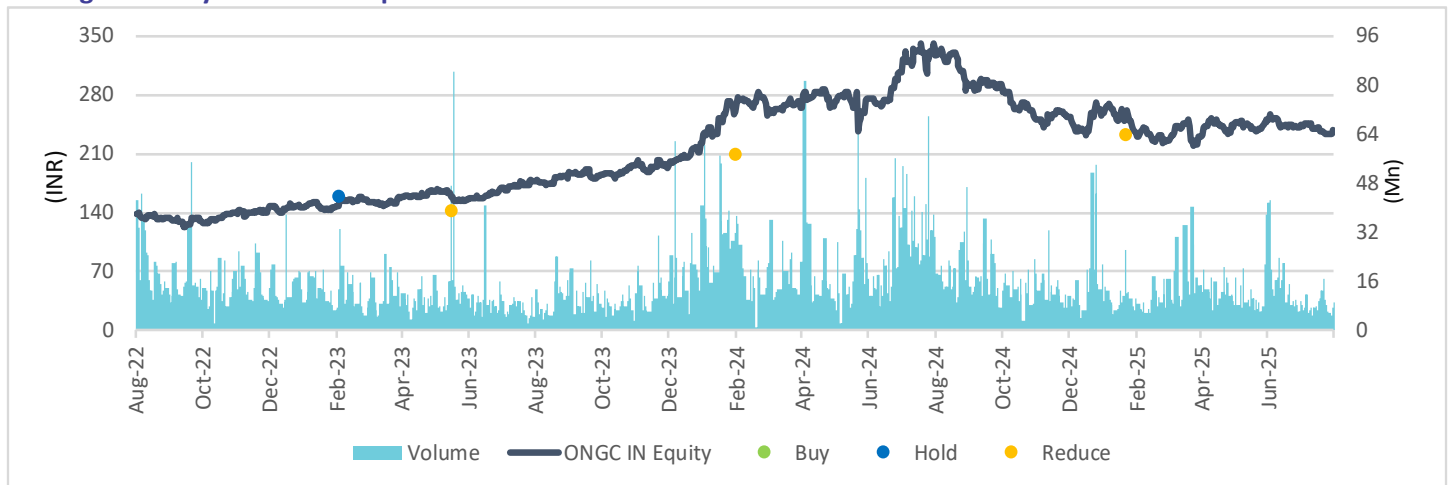
### Recent Company Research

Date	Title	Price	Reco
22-May-25	Q4 miss on write-off; guidance optimisti; <i>Result Update</i>	249	Reduce
03-Feb-25	Guidance cut; production ramp-up key; <i>Result Update</i>	249	Reduce
12-Nov-24	Upstream or downstream play?; <i>Result Update</i>	256	Reduce

### Recent Sector Research

Date	Name of Co./Sector	Title
12-Aug-25	GSPL	Margin-driven beat; volumes suffer; <i>Result Update</i>
08-Aug-25	HPCL	Marketing margins aid earnings; <i>Result Update</i>
07-Aug-25	Reliance Inds.	AGM 2025 – Anticipation galore; <i>Company Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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