

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	249
12 month price target (INR)	233
52 Week High/Low	274/205
Market cap (INR bn/USD bn)	3,138/35.5
Free float (%)	0.0
Avg. daily value traded (INR mn)	2,219.4

SHAREHOLDING PATTERN

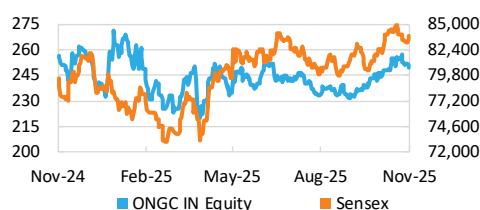
	Sep-25	Jun-25	Mar-25
Promoter	58.89%	58.89%	58.89%
FII	7.12%	7.53%	8.12%
DII	30.24%	29.71%	29.34%
Pledge	0%	0%	0%

FINANCIALS

(INR bn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	6,634	6,676	7,032	7,414
EBITDA	989	1,094	1,249	1,313
Adjusted profit	363,353	434,005	524,992	548,399
Diluted EPS (INR)	28.9	34.5	41.7	43.6
EPS growth (%)	(27.8)	19.4	21.0	4.5
RoAE (%)	10.5	12.8	14.1	13.6
P/E (x)	8.6	7.2	6.0	5.7
EV/EBITDA (x)	5.3	5.1	4.7	4.5
Dividend yield (%)	4.9	5.5	6.7	7.0

PRICE PERFORMANCE



In-line Q2; growth projects underway

Management has cut production guidance for FY26E (1%) on delay in KG-98/2 ramp-up. ONGC's various projects underway shall add 17% of FY26E production in two–three years (ex-7.5% p.a. natural decline).

Highlights: i) Q2FY26 EBITDAX is in line with our estimate (-2% versus consensus) on higher production (3%) and better crude realisation (2%), partially offset by higher opex (20%) and lower gas realisation (2%). ii) PAT missed our estimate by 8% (in line with consensus) on lower other income (-32%). iii) OVL posted a loss with MRPL back in the black on higher GRM. We are raising FY26E/27E EBITDAX by 4%/3% on improved showing by subsidiaries; retain 'REDUCE' on bearish outlook for oil and muted production growth with a TP of INR233.

Guidance cut on KG-98 ramp-up delay; growth projects underway

Management has cut production guidance for FY26E (1% each for oil and gas) as peak production of 45,000bopd oil/10mmcmd gas (28,000bopd/3mmcmd currently) at KG-98/2 has been delayed to FY27E due to an elongated monsoon preventing infra set-up. ONGC has major projects under execution, which are expected to contribute 0.9mt oil/5.8bcm gas, 4%/29% of FY26E crude/gas production in two–three years before factoring in a 7–7.5% p.a. natural decline in existing production.

Q2FY26 EBITDAX in-line as production, realisation offset higher opex

ONGC's Q2FY26 EBITDAX at INR177bn (-3% YoY) is in line with our estimate (-2% versus consensus) as higher-than-expected oil (+2%) and gas production (+5%), and crude realisation (+2%) were offset by higher opex (20%) and lower gas realisation (-2%). However, PAT at INR99bn (-18% YoY) came in 8% below our estimate affected by lower other income (-32%). The company declared an interim DPS of INR6.

OVL in the red; MRPL in green on GRM rebound; OPaL losses persist

OVL PAT came in at INR(3.5bn) (versus INR3.3bn YoY/INR(1.1bn) QoQ) on lower oil (6% YoY/2% QoQ) and gas (14% YoY/13% QoQ) production. **MRPL** reported PAT of INR6.4bn (versus INR(6.8bn) YoY/INR(1.1bn) QoQ) on higher GRM of USD8.6/bbl (versus USD0.6/bbl YoY/USD3.9/bbl QoQ). **OPaL** losses persist, INR4.6bn in Q2 (versus INR6.4bn YoY/INR6.2bn QoQ) on lower utilisation (78% versus 94% YoY/81% QoQ).

Caution on production guidance; maintain 'REDUCE'

We stay cautious on ONGC's production guidance given 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 five years ([Double-barrelled free fall imminent](#)). We are raising FY26E/27E EBITDAX by 4%/3% on subsidiaries' better showing; 'REDUCE'.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	330,306	338,809	(2.5)	320,029	3.2
EBITDA	176,975	182,364	(3.0)	186,571	(5.1)
Adjusted Profit	98,480	119,840	(17.8)	80,242	22.7
Diluted EPS (INR)	7.8	9.5	(17.8)	6.4	22.7

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	6,632,623	6,675,685	7,031,530	7,413,721
Gross profit	5,836,475	5,891,469	6,247,608	6,596,307
Employee costs	117,231	115,941	120,112	126,711
Other expenses	4,730,669	4,682,118	4,878,665	5,155,931
EBITDA	988,575	1,093,779	1,248,811	1,313,291
Depreciation	452,028	438,326	474,582	501,808
Less: Interest expense	145,350	144,266	146,928	147,830
Add: Other income	123,936	119,346	131,223	132,888
Profit before tax	513,623	630,532	758,524	796,541
Prov for tax	140,693	157,633	189,631	199,135
Less: Other adj	(1,511)	0	0	0
Reported profit	362,256	434,005	524,992	548,399
Less: Excp.item (net)	(1,097)	0	0	0
Adjusted profit	363,353	434,005	524,992	548,399
Diluted shares o/s	12,580	12,580	12,580	12,580
Adjusted diluted EPS	28.9	34.5	41.7	43.6
DPS (INR)	12.3	13.8	16.7	17.4
Tax rate (%)	27.4	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Crude prod (nom., mmt)	19.6	19.7	20.1	20.3
Crude prod (JV, mmt)	1.3	1.2	1.2	1.1
Crude prod (OVL mmt)	7.3	7.4	7.5	7.6
EBITDA margin (%)	14.9	16.4	17.8	17.7
Net profit margin (%)	5.5	6.5	7.5	7.4
Revenue growth (% YoY)	1.5	0.6	5.3	5.4
EBITDA growth (% YoY)	(8.6)	10.6	14.2	5.2
Adj. profit growth (%)	(27.8)	19.4	21.0	4.5

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.2	7.0	6.8	6.2
Repo rate (%)	6.0	5.0	4.5	4.5
USD/INR (average)	84.4	87.5	87.0	88.0
Total crude prod (mmt)	28.2	28.3	28.8	29.0
Gas prod (nom., bcm)	19.7	19.9	20.2	20.5
Crude price (\$/ bbl)	78.2	70.0	70.0	70.0
Gas prod (OVL, bcm)	3.0	2.9	2.8	2.7
Total gas prod (bcm)	23.2	23.3	23.6	23.6
Natural gas (\$/ mmbtu)	6.5	6.8	7.0	7.2

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	8.6	7.2	6.0	5.7
Price/BV (x)	0.9	0.9	0.8	0.7
EV/EBITDA (x)	5.3	5.1	4.7	4.5
Dividend yield (%)	4.9	5.5	6.7	7.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	62,901	62,901	62,901	62,901
Reserves	3,371,503	3,603,783	3,887,608	4,184,094
Shareholders funds	3,434,405	3,666,685	3,950,509	4,246,996
Minority interest	307,946	370,834	438,170	509,506
Borrowings	1,878,173	2,402,275	2,459,100	2,518,417
Trade payables	389,755	375,341	407,125	429,155
Other liabs & prov	1,008,539	973,776	892,632	928,966
Total liabilities	7,450,762	8,220,854	8,579,480	9,064,985
Net block	1,340,758	1,498,510	1,693,510	1,789,808
Intangible assets	1,995,300	1,873,484	1,803,840	1,709,016
Capital WIP	1,123,593	1,463,619	1,756,225	2,026,783
Total fixed assets	4,459,651	4,835,612	5,253,576	5,525,608
Non current inv	956,174	980,167	1,003,601	1,025,931
Cash/cash equivalent	45,544	378,034	168,481	243,770
Sundry debtors	236,070	255,643	276,498	290,173
Loans & advances	80,438	107,884	114,077	120,247
Other assets	1,672,885	1,663,513	1,763,247	1,859,256
Total assets	7,450,762	8,220,854	8,579,480	9,064,985

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	362,256	434,005	524,992	548,399
Add: Depreciation	452,028	438,326	474,582	501,808
Interest (net of tax)	105,535	108,200	110,196	110,872
Others	(63,635)	(20,392)	(27,155)	(24,594)
Less: Changes in WC	5,579	86,825	176,140	57,491
Operating cash flow	850,605	873,313	906,475	1,078,994
Less: Capex	(772,215)	(814,288)	(892,545)	(773,840)
Free cash flow	78,390	59,026	13,930	305,155

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	10.5	12.8	14.1	13.6
RoCE (%)	9.6	12.8	13.6	13.4
Inventory days	42	45	44	43
Receivable days	13	13	14	14
Payable days	29	29	29	29
Working cap (% sales)	13.7	14.6	16.4	16.3
Gross debt/equity (x)	0.5	0.6	0.6	0.5
Net debt/equity (x)	0.5	0.5	0.5	0.5
Interest coverage (x)	3.7	4.5	5.3	5.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(27.8)	19.4	21.0	4.5
RoE (%)	10.5	12.8	14.1	13.6
EBITDA growth (%)	(8.6)	10.6	14.2	5.2
Payout ratio (%)	42.4	40.0	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.

The company has never managed to meet its guided oil production volumes over the past seven years. It 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%
Natural Gas (bcm, SA)							
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%
Total (mmtoe)							
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) falls at 3.2% CAGR over FY20–25

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	5y CAGR (%)	FY26E	FY27E	FY28E
Crude production (nominated, mmt)	22.3	21.1	20.9	22.3	21.1	20.7	20.3	19.6	19.6	19.5	19.6	(1.1)	19.7	20.1	20.3
Crude production (JV, mmt)	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	0.7
Total crude production (mmt)	25.9	24.7	24.2	25.5	24.3	23.4	22.6	21.8	21.6	21.1	20.9	(2.3)	20.9	21.3	21.0
Gas production (nominated, bcm)	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	20.5
Gas production (JV, bcm)	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	0.1
Total gas production (bcm)	24.8	23.4	22.4	23.3	25.9	25.0	23.0	22.0	22.0	20.6	20.2	(4.2)	20.4	20.8	20.6
Nominated production	45.5	43.1	42.0	44.4	45.9	44.6	42.4	40.5	40.2	39.4	39.3	(2.5)	39.5	40.3	40.7
JV production	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	0.8
Total production (mmtoe)	50.7	48.0	46.5	48.8	50.2	48.4	45.7	43.8	43.6	41.8	41.1	(3.2)	41.3	42.1	41.5

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 13, 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)
Total (mtoe)	969	962	936	909	982	982	921	889	801	776	807	780	775	(2.7)

Source: Company, Nuvama Research

Q2FY26 management call takeaways

FY26E production guidance cut to 19.8mt for oil and 20bcm for gas

For FY26, management gave a production guidance of 19.8mt for oil production and 20bcm for gas production while they guided for 21mt oil production and 21.5bcm gas production in FY27. Acknowledging the slight downside from their earlier production guidance, management expects the deferred production to spill over to Q1FY27 due to infrastructure delays.

Subdued production at KG-98/2– key reason for production guidance cut

Oil production at KG-98/2 reduced from the earlier 30kbpd to the current 28kbpd. Gas production remained in the similar range of 3mmscmd. Management guided that the installation of living quarters at KG-98/2 by Q3-end would lead to production ramping up by Q4FY26. Management targets ~10mmcmd incremental gas for FY27E, with Daman upside contributing 5mmscmd.

Upcoming projects to boost production in two–three years

Going ahead, ONGC's growth hinges on a set of projects. Management expects the Daman Upside gas project to start by Q4FY25 and reach ~5mmscmd by FY27. KG-98/2's current 3mmscmd gas and 28kbpd oil production are also expected to scale once living quarters get installed with gas production ramping toward 10mmscmd from June next year, and oil production nearing 45kbpd. ONGC's tie-up with BP is expected to increase Mumbai High outputs with green shoots from Jan-26, targeting a 60% increase in output cumulatively over 10 years. Together, Daman and DSF-2 program are expected to provide a gas volume of 9mmscmd.

Exhibit 4: Incremental oil & gas production breakdown by project (excluding 7–7.5% p.a. natural decline on existing output)

Project	Incremental oil (mt)	Incremental gas (bcm)	Oil as a % of FY26E guidance	Gas as a % of FY26E guidance
KG 98/2	0.85	2.56	4.3%	12.8%
Daman upside		1.83		9.1%
DSF2		1.46		7.3%
Total	0.85	5.84	4.3%	29.2%

Source: Company, Nuvama Research

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

Management remains positive about its tie-up with BP as the Technical Services Provider (TSP) for its Mumbai High field in the Western Offshore basin. Over a period of 10 years, this collaboration is expected to increase output by 60% cumulatively with some positive outcome expected from Jan-26.

NWG to constitute 25% of gas production in FY27E, 30–35% in three–four years

For H1FY26, NWG's contribution to ONGC's revenue stood at INR33bn (21% of total revenue), INR6.5bn more than the APM equivalent as NWG is priced at a 20% premium to APM. Current share of NWG in production stands at 14% with ONGC actively working on boosting new well gas (NWG) volumes. Management reiterated its guidance for a revenue target share of 25% by FY27E. Over the next 3-4 years, NWG is expected to reach 30-35% of the total production.

OPaL: Slight reduction in capacity utilisation due to equipment breakdown

In Q2FY26, there was a slight reduction in capacity utilisation due to the breakdown of one of the equipment that lasted for a month. Going forward, management remained positive about the utilisation being 90%+ for the next two quarters.

Regarding funding, management expects no additional capex or equity infusion requirement for OPaL.

Targeting INR50bn in savings

Management is targeting to achieve savings of INR50bn by pulling several levers around cost cutting. This includes measures such as reducing costs on logistics once Pipavav port starts operations, optimizing diesel consumption for rig drilling, improving rig efficiency and reducing power cost by increasing green power usage from solar/wind power plants expected to come up in next 18 months to 2 years.

OVL: Mozambique 'force-majeure' expected to be completely lifted anytime now

Management expects the 'force majeure' to be lifted any day now. Regarding incremental cost, management stated that the total cost for the project stands at USD16.1bn for the whole consortium. OVL's share is at 16%, which will lead to incremental USD2.2bn contribution above the USD6.6bn already spent.

Net debt at ~INR252bn as of Sept-end

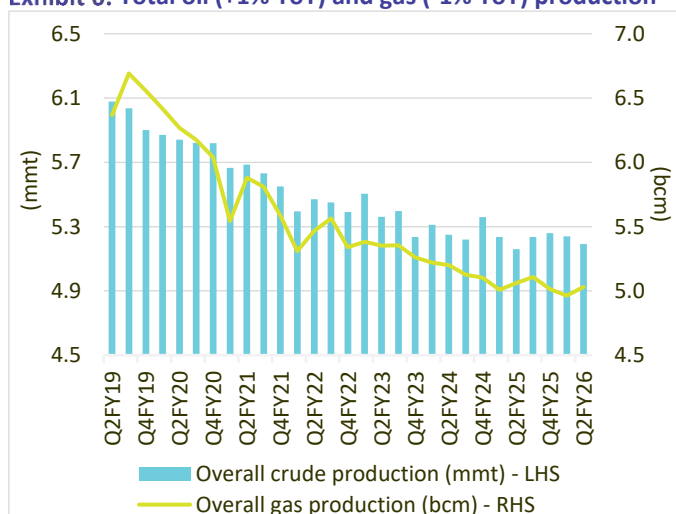
As of September-end, company's net debt stood at ~INR252bn with interest rates around 8.5%, which management expects to reduce by at least a percentage going forward.

Exhibit 5: EBITDAX came in-line as higher oil (2%), gas (5%) production & crude realisations (2%) were offset by high opex (20%)

ONGC	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Nuvama Est	Deviation (%)	Consensus	Deviation (%)
Net revenues (INR bn)	330.3	338.8	-2.5%	320.0	3.2%	312.8	5.6%	323.9	2.0%
EBITDAX (INR bn)	177.0	182.4	-3.0%	186.6	-5.1%	176.3	0.4%	180.9	-2.2%
PAT (INR bn)	98.5	119.8	-17.8%	80.2	22.7%	106.6	-7.6%	97.8	0.7%
ONGC oil production, mt	5.2	5.2	0.6%	5.2	-0.9%	5.1	1.7%		
ONGC gas production, bcm	5.0	5.1	-0.6%	5.0	1.4%	4.8	4.9%		
Crude oil realization, USD/bbl	67.3	78.3	-14.0%	66.1	1.8%	66.0	2.1%		
NG realization, USD/mmbtu	7.6	7.1	6.8%	7.6	-0.3%	7.8	-2.2%		

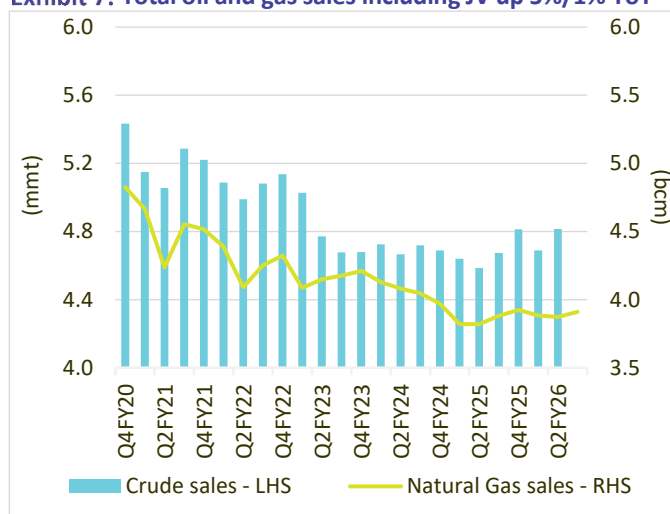
Source: Company, Nuvama Research

Exhibit 6: Total oil (+1% YoY) and gas (-1% YoY) production*



Source: Company, Nuvama Research *including JV

Exhibit 7: Total oil and gas sales including JV up 5%/1% YoY



Source: Company, Nuvama Research *in Q2FY26

Exhibit 8: Revenue breakdown (standalone)

Revenue (INR bn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Crude	243	238	236	240	225	215	228	200	212
Natural gas	85	85	81	80	84	88	90	91	94
VAP	31	31	32	34	32	37	37	30	28
Less Profit Petroleum	9	7	5	3	4	4	6	2	5
Total revenue	350	347	343	351	338	336	349	319	329

Source: Company, Nuvama Research

Exhibit 9: OVL oil production down 6% YoY, gas down 14% YoY

INR bn	Q2FY26	Q1FY26	Q2FY25	YoY%	QoQ%
Revenue from operations	21.6	21.2	33.7	(35.8)	2.0
Gross Revenue	26.0	24.5	38.7	(32.9)	6.1
PBT before exceptional item	1.4	(0.2)	6.0	(76.3)	(935.3)
Reported PAT	(3.5)	(1.1)	3.3	(206.4)	221.3
Revenue segmental mix					
Oil	18.9	17.1	30.2	(37.5)	10.8
Gas	2.9	4.1	3.8	(22.5)	(28.5)
Production					
Oil (mt)	1.7	1.8	1.8	(5.7)	(2.2)
Gas (bcm)	0.6	0.7	0.7	(13.8)	(12.8)
Sales					
Oil (mt)	1.3	1.2	1.2	2.8	8.5
Gas (bcm)	0.4	0.4	0.5	(24.1)	(6.0)

Source: Company, Nuvama Research

Exhibit 10: MRPL back in the black on higher GRM

INR bn	Q2FY26	Q1FY26	Q2FY25	YoY%	QoQ%
Throughput (mt)	4.43	3.52	4.58	(3.3)	25.9
Gross Revenue	260.3	210.3	288.5	(9.8)	23.8
PBT	9.8	(4.0)	(10.4)	(193.7)	(341.9)
PAT	6.4	(2.7)	(6.8)	(193.7)	(334.9)
GRMs (USD/bbl)	8.6	3.9	0.6	1,469.1	122.4

Source: Company, Nuvama Research

Exhibit 11: OPaL's production falls 18% YoY with net loss narrowing to INR4.6bn

INR bn	Q2FY26	Q1FY26	Q2FY25	YoY%	QoQ%
Capacity utilization (%)	78.0	81.0	94.0	-1600bps	-300bps
Production (mt)	378.5	390.0	459.0	(17.5)	(2.9)
Feed consumption (kt)	473.3	489.5	561.9	(15.8)	(3.3)
Gross Revenue	34.1	33.7	37.2	(8.3)	1.2
PBT	(6.8)	(9.0)	(9.1)	(25.8)	(24.2)
PAT	(4.6)	(6.2)	(6.4)	(27.2)	(24.7)

Source: Company, Nuvama Research

Exhibit 12: Oil realisation down 10% YoY on lower crude prices

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Brent	67.3	74.8	(9.9)	66.1	1.9
Net realisation (INR/bbl)	5,876.0	6,561.0	(10.4)	5,658.0	3.9
INR/USD	87.3	83.8	4.2	85.6	2.0

Source: Company, Nuvama Research

Exhibit 13: Consolidated quarterly financial snapshot

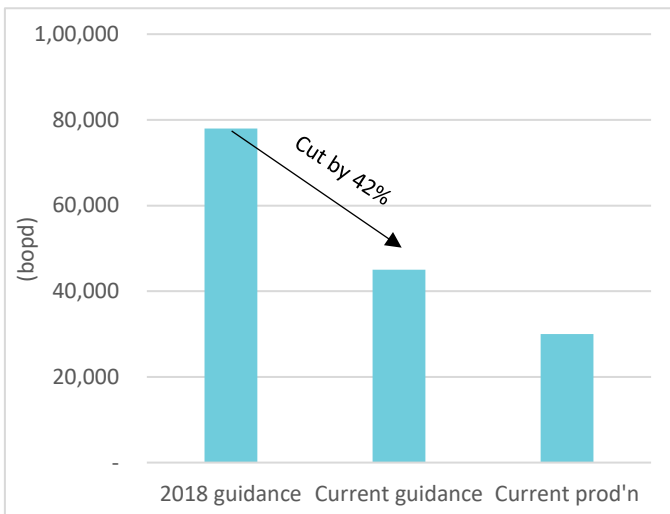
Year to March (INR bn)	Q2FY26	Q2FY25	YoY%	Q1FY26	QoQ%	FY25	FY26E	FY27E	FY28E
Net revenues	330.3	338.8	(2.5)	320.0	3.2	6,632.6	6,675.7	7,031.5	7,413.7
Statutory levies	64.7	78.3	(17.4)	60.7	6.5	796.1	784.2	783.9	817.4
Other expenditure	88.6	78.2	13.4	72.7	21.9	4,847.9	4,798.1	4,998.8	5,282.6
EBITDAX	177.0	182.4	(3.0)	186.6	(5.1)	988.6	1,093.8	1,248.8	1,313.3
Recouped Cost	74.7	68.1	9.7	80.0	(6.7)	452.0	438.3	474.6	501.8
EBIT	102.3	114.3	(10.5)	106.5	(4.0)	536.5	655.5	774.2	811.5
Less: Interest Expense	11.10	11.57	(4.1)	11.21	(1.0)	145.3	144.3	146.9	147.8
Add: Other income	34.2	47.7	(28.2)	12.1	182.8	123.9	119.3	123.5	128.0
Add: Prior period items	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0	0.0
Add: Exceptional items	0.0	0.0	NA	0.0	NA	-1.5	0.0	0.0	0.0
Profit Before Tax	125.4	150.4	(16.6)	107.4	16.8	513.6	630.5	750.8	791.6
Less: Provision for Tax	27.0	30.5	(11.6)	27.2	(0.9)	140.7	157.6	187.7	197.9
Less: Minority Interest	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0	0.0
Add: Share of profit from associates	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0	0.0
Reported Profit	98.5	119.8	(17.8)	80.2	22.7	362.3	434.0	519.2	544.7
Adjusted Profit	98.5	119.8	(17.8)	80.2	22.7	363.4	434.0	519.2	544.7
No. of Diluted shares outstanding (bn)	12.6	12.6	-	12.6	-	12.6	12.6	12.6	12.6
Adjusted Diluted EPS	7.8	9.5	(17.8)	6.4	22.7	28.9	34.5	41.3	43.3
as % of Net Revenues									
Statutory levies	19.6	23.1		19.0		12.0	11.7	11.1	11.0
Other expenses	26.8	23.1		22.7		73.1	71.9	71.1	71.3
EBIDTAX	53.6	53.8		58.3		14.9	16.4	17.8	17.7
Net profit	29.8	35.4		25.1		5.5	6.5	7.4	7.3
Tax rate	21.5	20.3		25.3		27.4	25.0	25.0	25.0

Source: Company, Nuvama Research

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

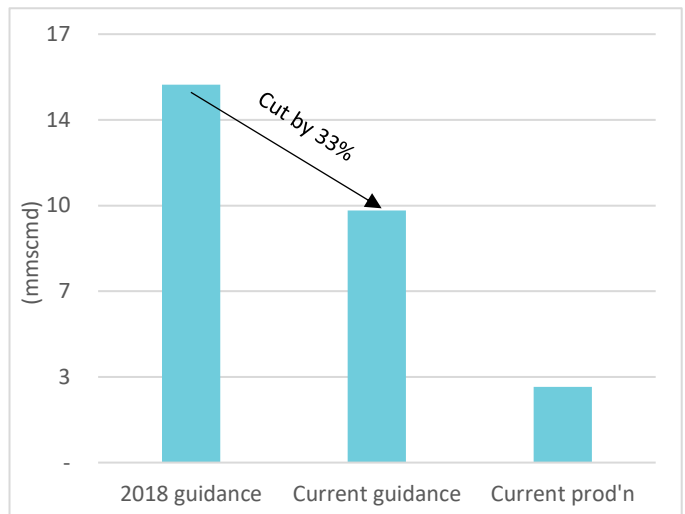
ONGC commenced oil/gas production from the KG-98/2 basin in Q4FY24; since then, it has substantially lowered the guidance—to be precise, peak oil production guidance has been cut by 42% to 45kbpd (from 78kbpd) and peak gas production guidance has been cut by 33% to 10mmscmd (from 15mmscmd). Current oil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

Exhibit 14: Oil production guidance cut by 42%...



Source: Company, Nuvama Research

Exhibit 15: ...while gas production guidance cut by 33%



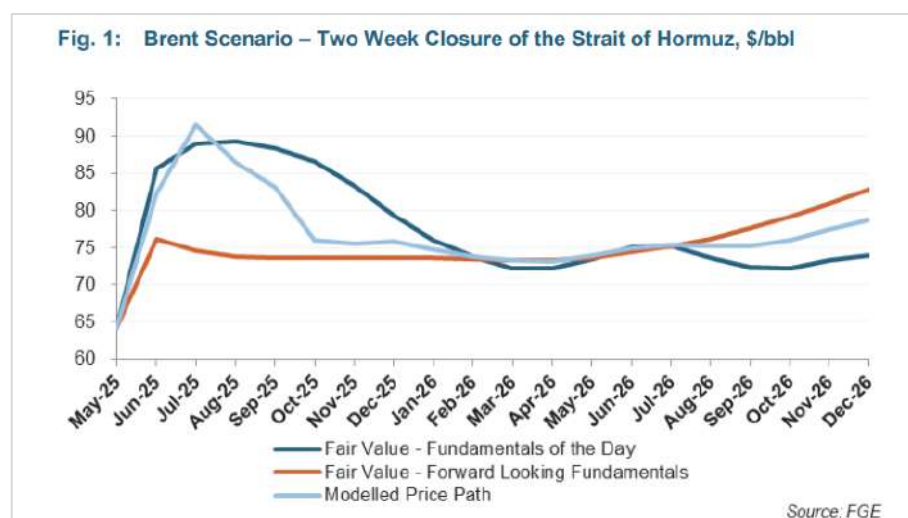
Source: Company, Nuvama Research

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.

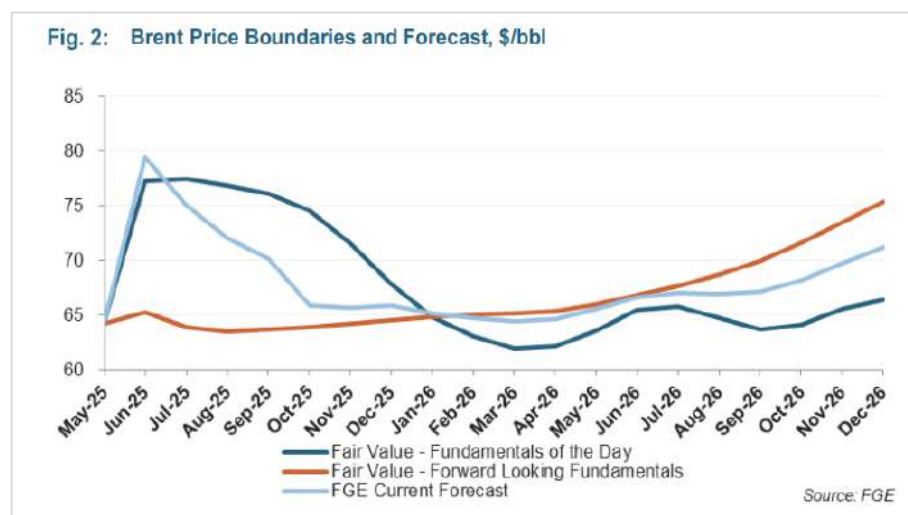
Exhibit 16: A two-week closure of the Strait could see prices averaging USD92/bbl



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

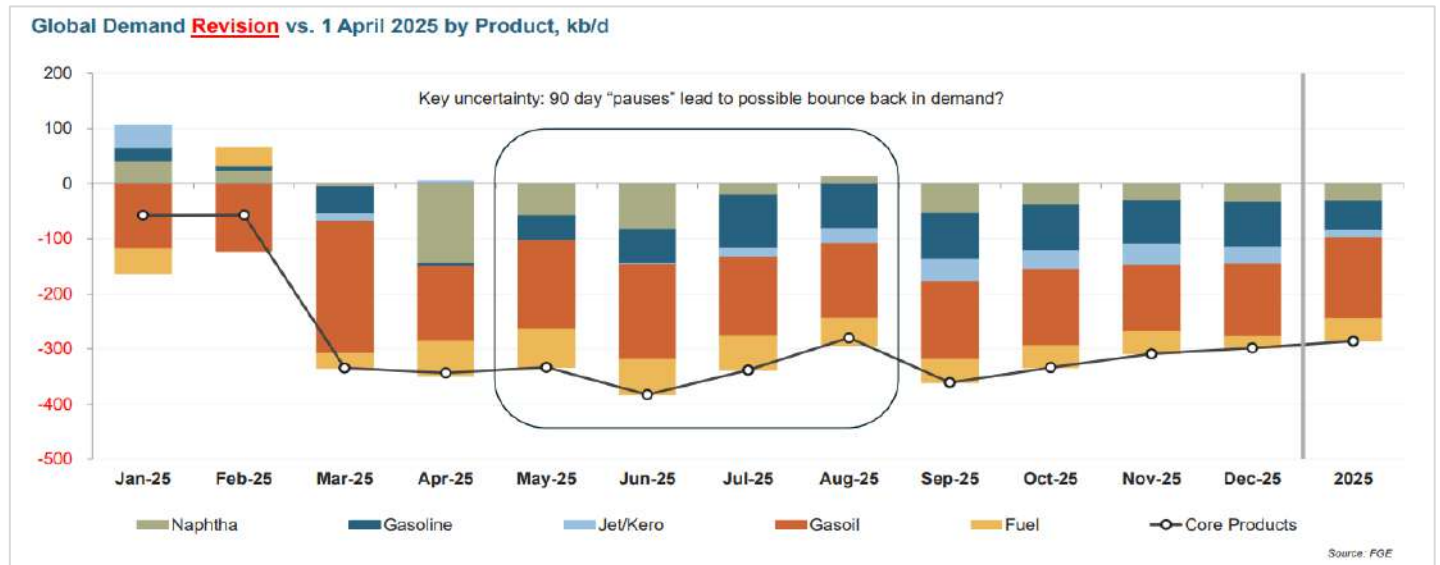


Source: FGE

Elevated OPEC+ spare capacity, tariff shocks suppressing oil prices

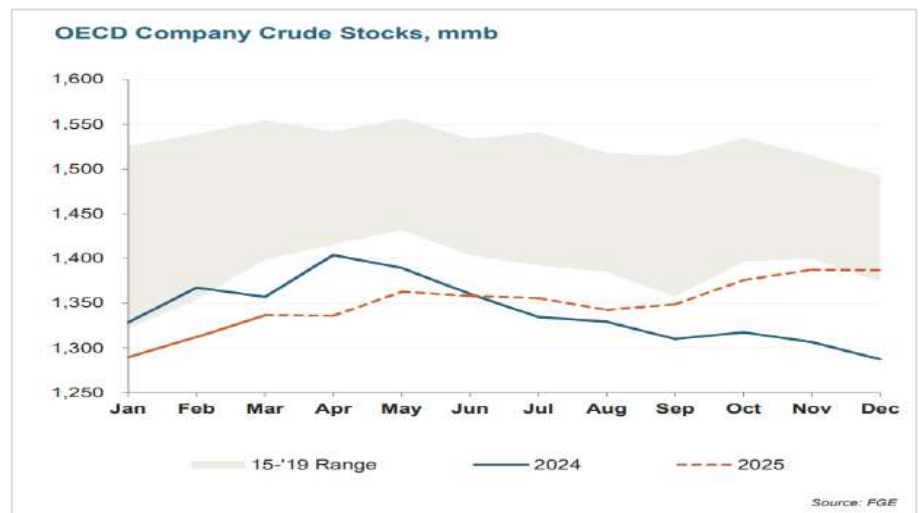
Crude oil prices have been subdued largely on elevated OPEC+ spare capacity and Liberation Day tariff shocks from the Trump administration sparking concerns over economic growth, which prompted cuts in oil demand forecast. However, tight crude inventories in OECD countries and geopolitical tensions have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

Exhibit 18: Oil demand revised lower following announcement of Liberation Day tariffs; growth seen at ~700kbpd in Q2–Q4CY25



Source: FGE

Exhibit 19: Tightness in crude inventory supports crude oil prices



Source: FGE

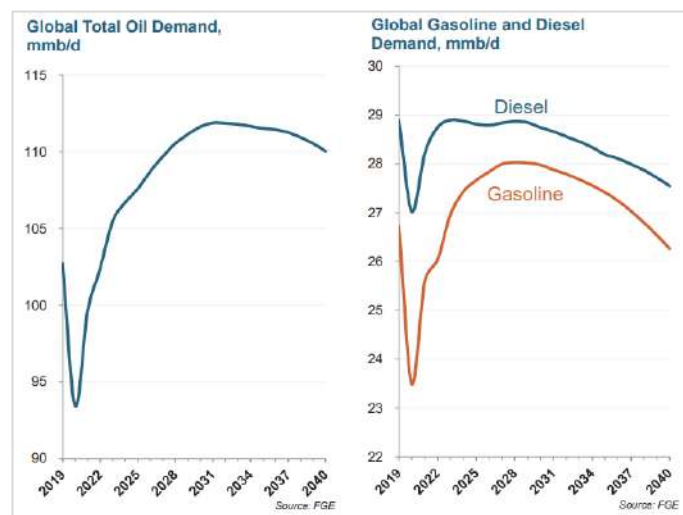
Oil demand to peak in 2030s; current cost of alternatives excessive

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.

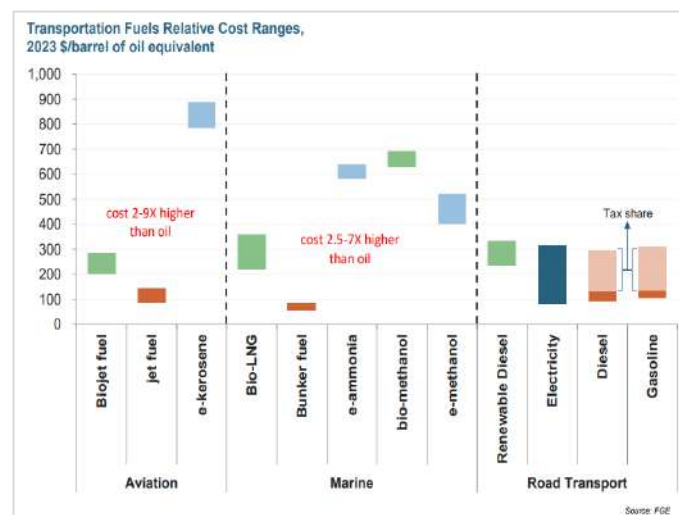
- Renewable diesel (RD) is expensive, but can compete with conventional diesel (CD), particularly if RD is subsidised and CD taxed.
- SAF is up to three times more expensive than conventional jet fuel.
- Bio-LNG is up to four times more expensive than conventional bunker fuel while hydrogen-based synthetic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

Exhibit 20: Oil demand peak in 2030s; ~4mbpd growth to unfold



Source: FGE

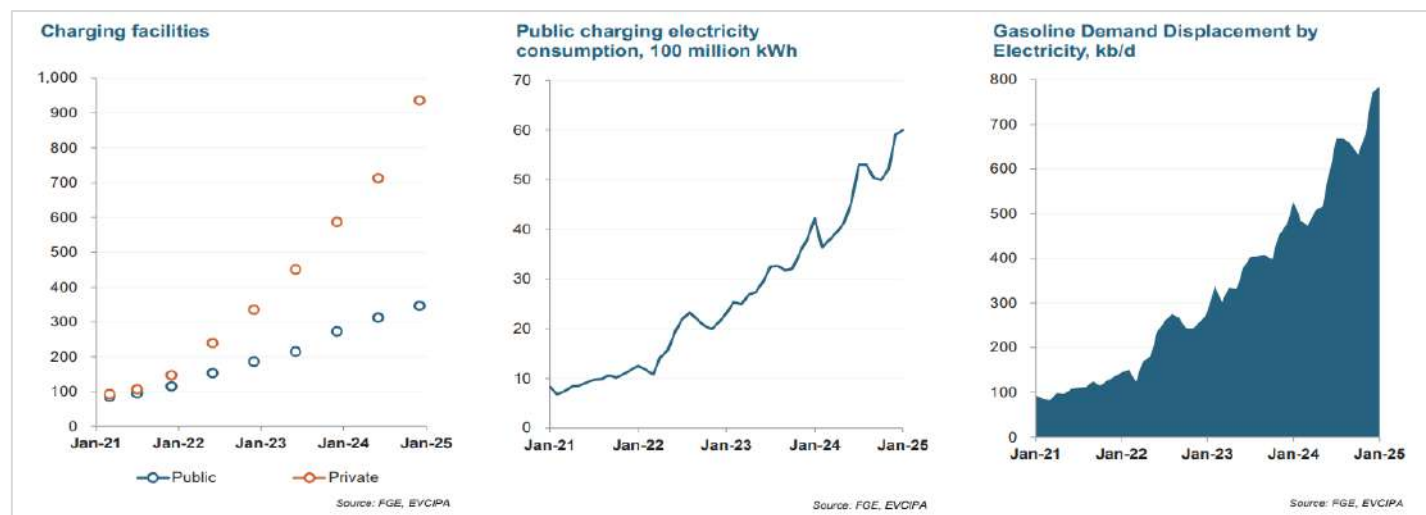
Exhibit 21: Cost of alternatives to oil too high, except for EVs



Source: FGE

*led by robust EV adoption

Exhibit 22: Chinese gasoline demand replacement owing to rapid EV adoption has been on the rise for years



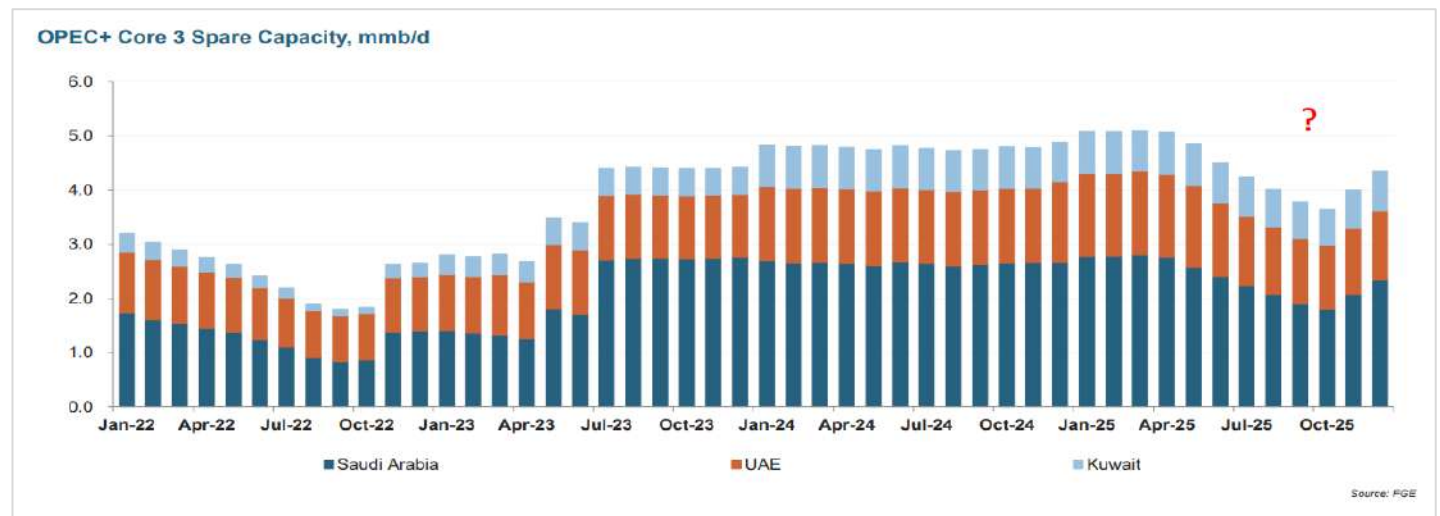
Source: FGE

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 23: OPEC's core spare capacity above 4mbpd



Source: FGE

Exhibit 24: OPEC strategy seems to be shifting as OECD inventories are allowed to build up



Source: FGE

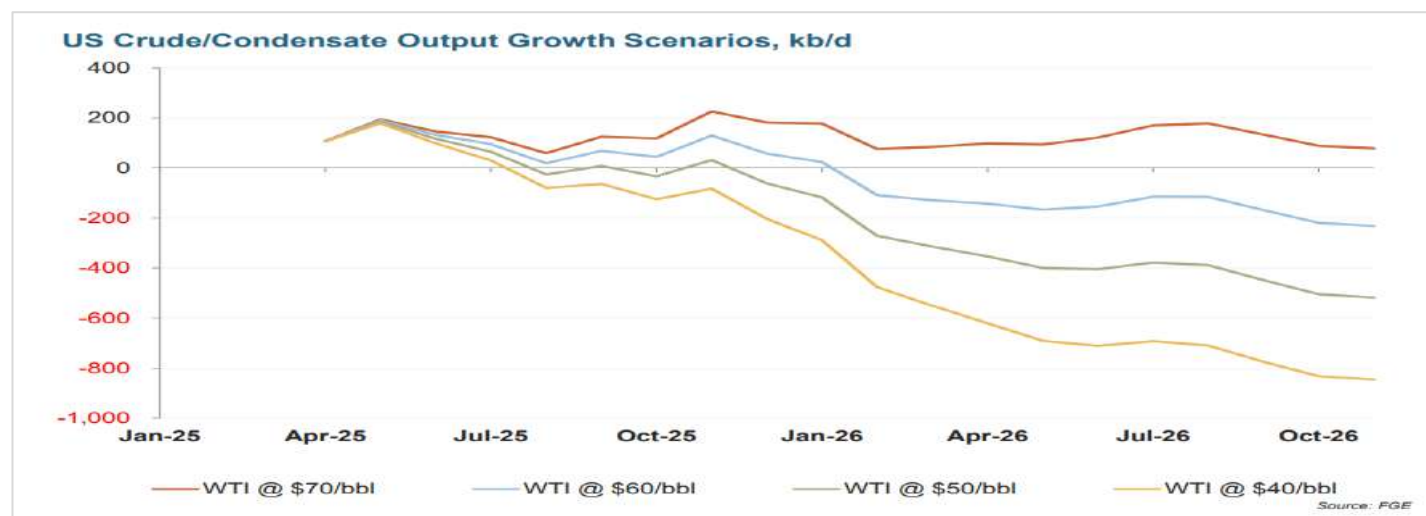
Price more important for US energy supplies than policy

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

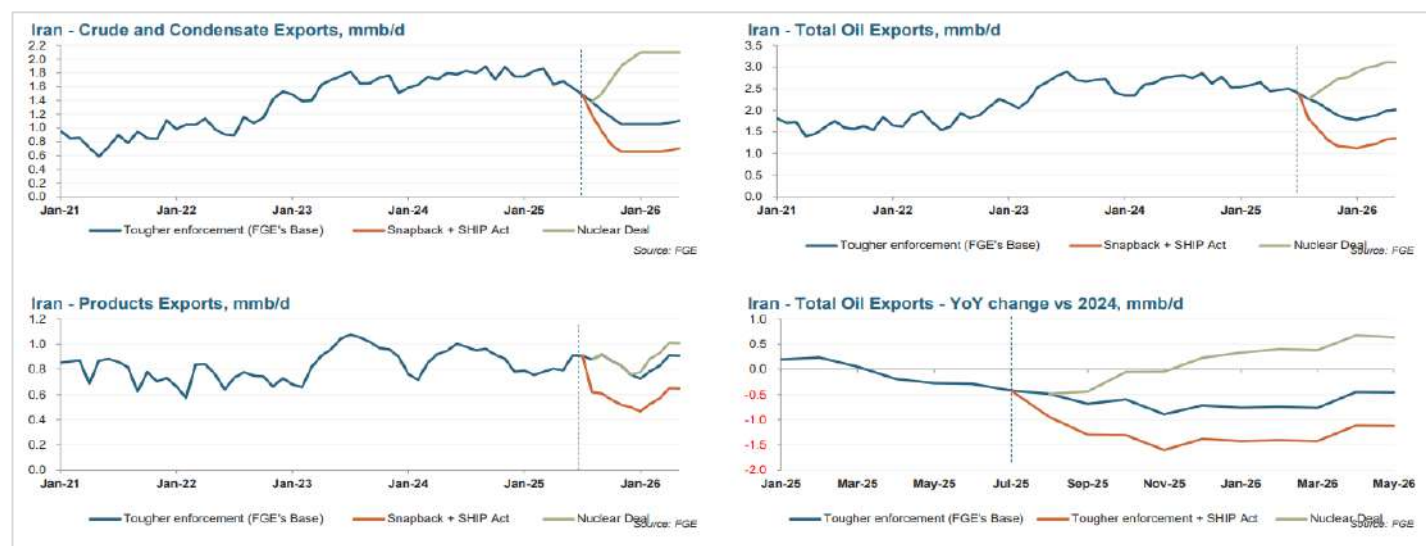


Source: FGE

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 26: Iran crude and product exports scenario analysis



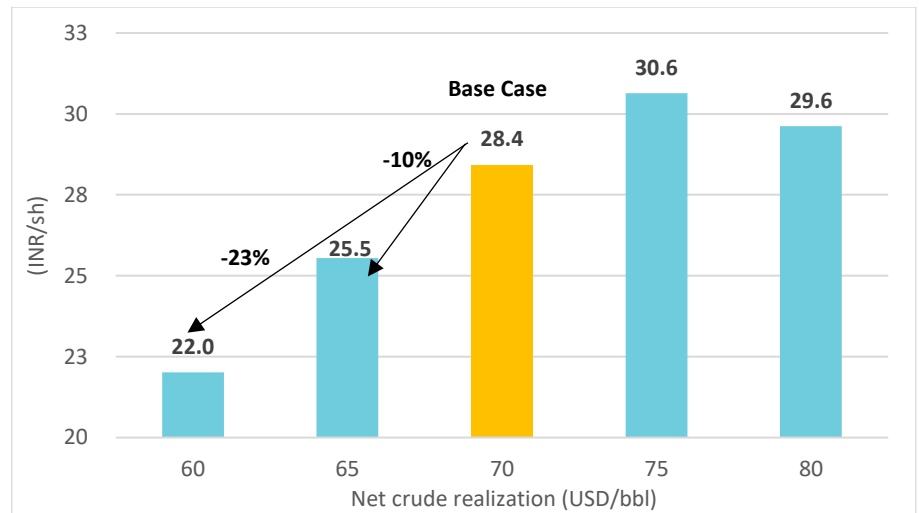
Source: FGE

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



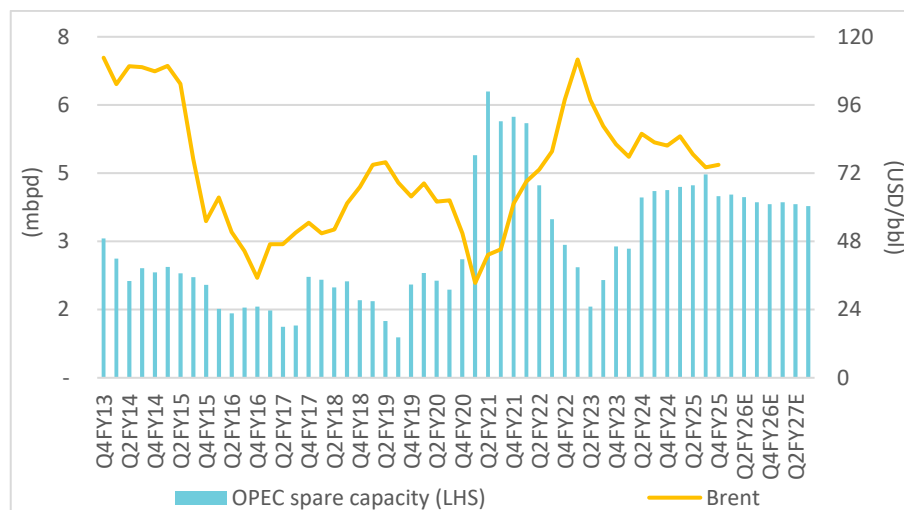
Source: Company, Nuvama Research

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 28: 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

Recent Company Research

Date	Title	Price	Reco
13-Aug-25	Beats Q1; guidance cut déjà vu; <i>Result Update</i>	238	Reduce
22-May-25	Q4 miss on write-off; guidance optimistic; <i>Result Update</i>	248	Reduce
03-Feb-25	Guidance cut; production ramp-up key; <i>Result Update</i>	249	Reduce

Holdings – Top 10*

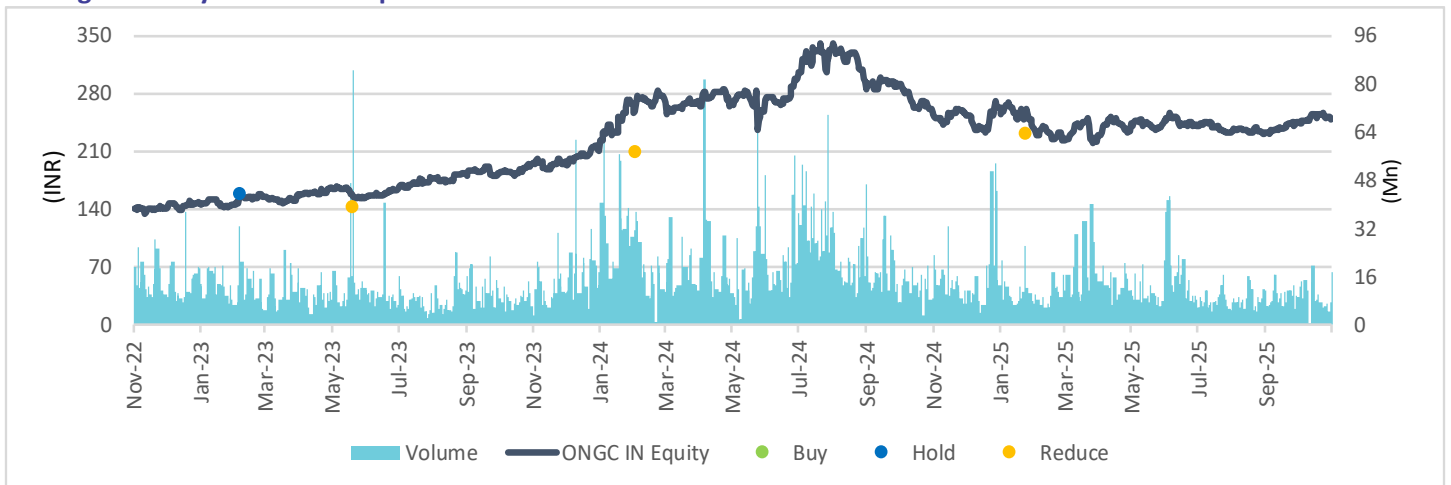
% Holding		% Holding	
Republic of Ind	58.89	Nippon Life Ind	2.03
Life Insurance	9.69	SBI Funds Manag	1.30
Indian Oil Corp	7.84	Vanguard Group	1.26
ICICI Prudentia	2.65	BlackRock Inc	0.88
GAIL India Ltd	2.45	FMR LLC	0.47

*Latest public data

Recent Sector Research

Date	Name of Co./Sector	Title
10-Nov-25	Petronet LNG	In-line Q2; growth projects on track; <i>Result Update</i>
03-Nov-25	BPCL	Strong quarter on GRM lift; capex elevat; <i>Result Update</i>
31-Oct-25	HPCL	Strong GRM lifts Q2 earnings; <i>Result 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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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