

Oil & Natural Gas Corporation Ltd.

Result Update Q1 FY25



CMP: 324

Result Update Q1 FY25

In Q1FY25, ONGC reported a net profit of INR 9,936 Cr, a decrease of 32.1% YoY/1.7% QoQ compared to the INR 14,644 Cr/INR 10,107 Cr. This decline is primarily attributed to lower sales revenue, driven by decreased natural gas realizations and higher exploration write offs. Despite an increase in sales revenue from crude oil and value-added products, the net profit was impacted by statutory levies and increased operating expenditures. Reporting the EBITDA of INR 21,794 Cr, a decrease of 29% YoY/6.2% QoQ from INR 30,795 Cr/INR 23,225 Cr, where the EBITDA margin fell by 570 bps to 13.1 compared to Q1FY24. The company's revenue from crude oil sales increased due to higher international prices, with the billing rate for crude oil rising from \$76.36 to \$83.05 per barrel.

ONGC is actively pursuing several new projects to bolster its production capacity. Significant among these is the Daman Upside Development. The KG Basin project is already underway with completion expected this year. Other major projects include the redevelopment of Mumbai High North, Lynch, Sudharsan, and Kalol fields, with estimated completion timelines ranging from two to three years.

ONGC's projects span various geographical locations, including offshore and onshore sites. Key offshore projects include those in the KG Basin, Mumbai High, and the Deji Field. Onshore projects are concentrated in the Western region, particularly in the Santal and Sobhan complexes, as well as the Kalol redevelopment project.

Crude oil sales have been a significant contributor to revenue, with an increase in the sales price and volume. However, natural gas production has faced challenges, leading to lower realizations. The value-added products segment has also seen increased revenue, contributing positively to the overall financial performance.

Drivers ONGC has faced setbacks due to increased statutory levies and unsuccessful exploration efforts, particularly in the Western offshore and KG Basin. The company has also experienced delays in international projects, such as the Mozambique venture, which has been postponed due to local political conditions.

Key Consolidated Financial Data (INR Cr, unless specified)

Particulars	Q1FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	1,63,823.6	1,66,770.6	1,66,576.8	(0.1)	1.7	6,32,326.0	6,43,037.0	1.7
EBITDA	30,795.0	23,225.2	21,794.3	(6.2)	(29.2)	57,088.4	1,02,299.5	79.2
EBITDA Margin (%)	18.8	13.9	13.1			9.0	15.9	
Net Profit	14,644.4	10,107.4	9,936.5	(1.7)	(32.1)	35,440.5	48,842.3	37.8
Net Margin (%)	8.9	6.1	6.0			5.6	7.6	

Source: Ventura Research & Company update

Industry Oil Drilling

Scrip Details

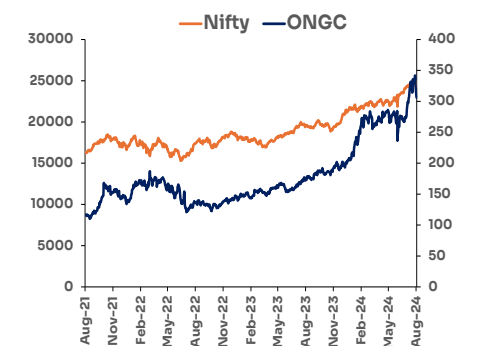
Face Value (INR)	5.0
Market Cap (INRCr)	4,07,035
Price (INR)	324
No of Sh O/S (Cr)	1,258
3M Avg Vol (000)	102,148
52W H/L (INR)	345/173
Div. Yield (%)	3.45%

Shareholding (%)

Promoters	58.89
FII's	8.57
DII's	18.75
Public	3.50
Government	10.30

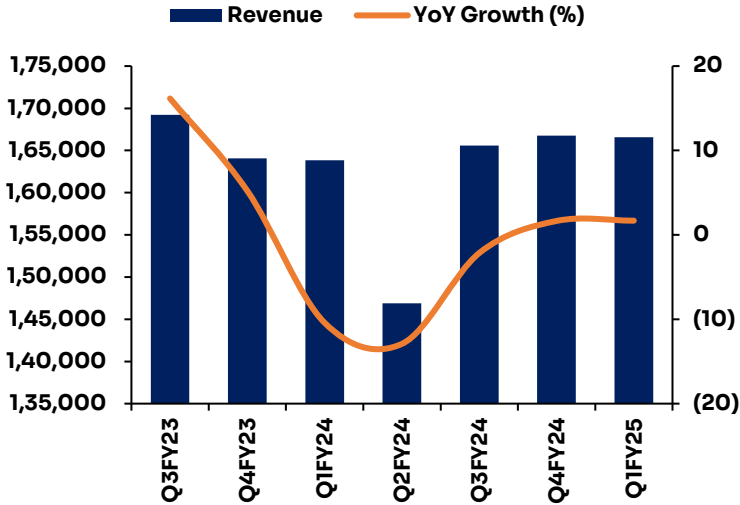
TOTAL 100.0

Price chart

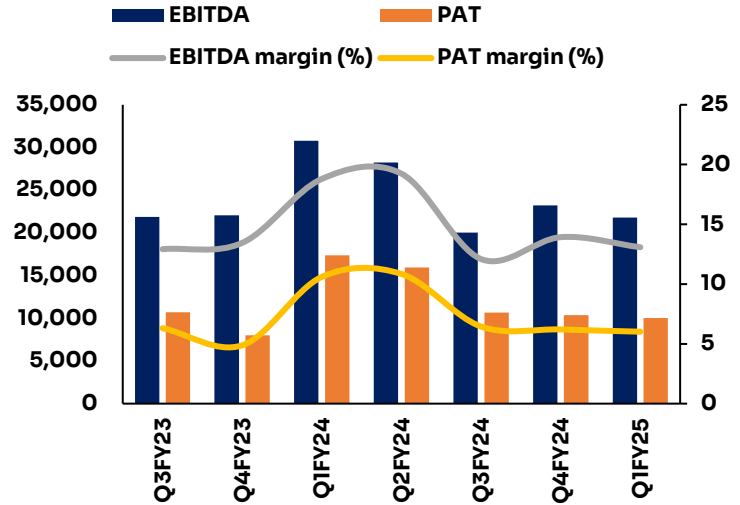


Financial Summary in Charts

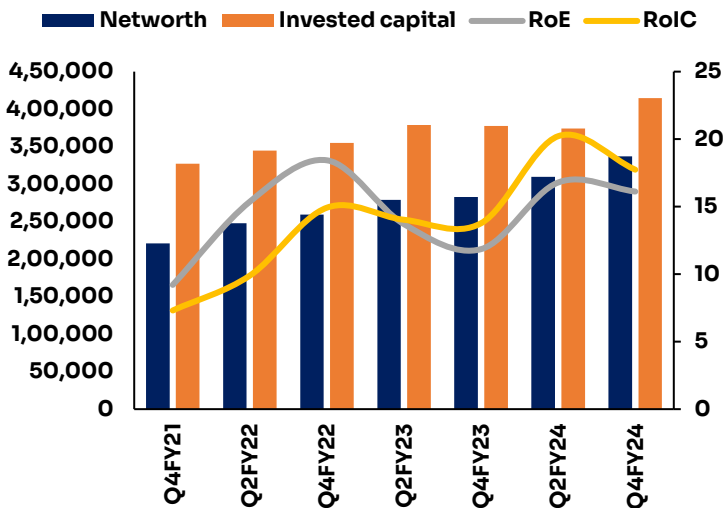
REVENUE



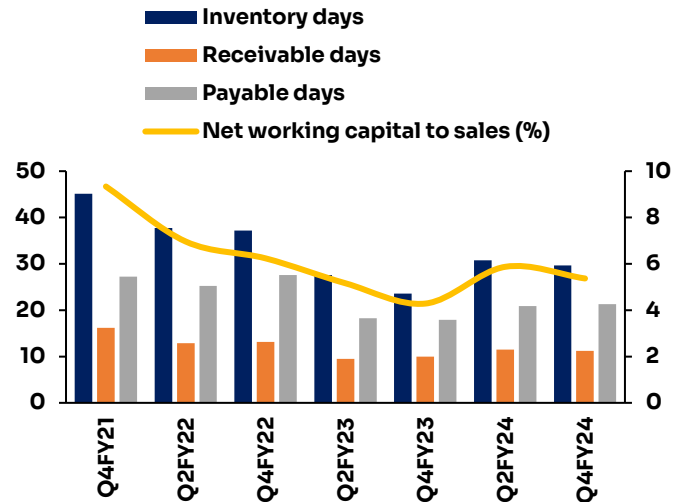
PROFITABILITY MARGINS



RETURN RATIOS



WORKING CAPITAL CYCLE



Source: Ventura Research & Company updates

Key Takeaways from the Conference Call:

- **New Projects:** ONGC is advancing major projects such as the Daman Upside Development Project and redevelopment of Mumbai High North, with expected completions between 2024 and 2026.
- **Geographical Reach:** The company's projects are located in both offshore areas like the KG Basin and Mumbai High, and onshore fields including the Santal and Sobhan complexes.
- **Segment Performance:** ONGC's revenue growth is driven by increased crude oil sales, despite lower realizations in the natural gas segment. Value-added products have also positively impacted overall performance.
- **Growth Drivers:** ONGC is focusing on green energy initiatives with plans to achieve 10 GW of green energy by 2030, investing in solar, wind, and green hydrogen projects.
- **Setbacks:** The company faces challenges such as increased statutory levies, exploration write-offs, and delays in international projects, particularly in Mozambique due to local political conditions.
- **Exploration and Development:** ONGC is intensifying its exploration activities with significant investments in high-potential areas, including deepwater and ultra-deepwater blocks. Advanced technologies are being deployed to enhance oil recovery and optimize production from mature fields.
- **Corporate Initiatives:** The company is committed to enhancing operational efficiency through digital transformation initiatives, including the implementation of advanced data analytics and IoT solutions to optimize field operations and reduce costs.
- **Environmental Commitment:** ONGC is also investing in reducing its carbon footprint through various sustainability initiatives, including waste-to-energy projects and improved water management practices in its operational areas.

Financial Summary for Oil & Natural Gas Corporation Ltd.

Fig in INR Cr (unless specified)	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25
Revenue from operations	4,91,300.5	1,82,893.8	1,68,656.1	1,69,212.6	1,64,066.7	6,32,326.0	1,63,823.6	1,46,873.7	1,65,569.1	1,66,770.6	6,43,037.0	1,66,576.8
YoY Growth (%)	61.7	69.2	38.2	16.2	5.2	28.7	(10.4)	(12.9)	(2.2)	1.6	1.7	1.7
Raw Material Cost	3,31,890.3	1,27,646.1	1,14,545.1	1,11,465.8	1,02,656.5	4,56,313.5	1,00,463.9	82,683.0	1,09,667.8	1,06,558.9	3,99,373.5	1,09,255.9
RM Cost to Sales (%)	67.6	69.8	67.9	65.9	62.6	72.2	61.3	56.3	66.2	63.9	62.1	65.6
Employee Cost	15,235.7	1,672.5	1,569.2	1,649.7	1,915.6	14,898.8	1,813.3	1,737.0	1,806.8	1,956.3	7,313.4	1,739.2
Employee Cost to Sales (%)	3.1	0.9	0.9	1.0	1.2	2.4	1.1	1.2	1.1	1.2	1.1	1.0
Other Expenses	78,590.7	34,722.4	38,735.2	34,230.1	37,432.1	1,04,025.4	30,751.5	34,198.5	34,070.4	35,030.2	1,34,050.6	33,787.4
Other Expenses to Sales (%)	16.0	19.0	23.0	20.2	22.8	16.5	18.8	23.3	20.6	21.0	20.8	20.3
EBITDA	65,583.7	18,852.8	13,806.7	21,867.1	22,062.5	57,088.4	30,795.0	28,255.3	20,024.0	23,225.2	1,02,299.5	21,794.3
EBITDA Margin (%)	13.3	10.3	8.2	12.9	13.4	9.0	18.8	19.2	12.1	13.9	15.9	13.1
Net Profit	45,522.1	11,936.6	8,299.4	11,489.0	4,492.3	35,440.5	14,644.4	13,734.1	10,356.4	10,107.4	48,842.3	9,936.5
Net Margin (%)	9.3	6.5	4.9	6.8	2.7	5.6	8.9	9.4	6.3	6.1	7.6	6.0
Adjusted EPS	36.2	9.5	6.6	9.1	3.6	28.2	11.6	10.9	8.2	8.0	38.8	7.9
P/E (X)	8.5					10.9					7.9	
Adjusted BVPS	206.3					223.1					267.9	
P/BV (X)	1.5					1.4					1.1	
Enterprise Value	4,80,771.5					4,80,084.5					4,62,893.7	
EV/EBITDA (X)	7.3					8.4					4.5	
Net Worth	2,59,502.9					2,80,647.3					3,37,070.2	
Return on Equity (%)	17.5					12.6					14.5	
Capital Employed	3,67,278.7					4,09,832.9					4,56,825.6	
Return on Capital Employed (%)	9.6					6.0					11.9	
Invested Capital	3,55,066.3					3,75,523.6					4,14,755.8	
Return on Invested Capital (%)	10.9					8.7					17.7	
Cash Flow from Operations	78,248.2					84,211.3					99,262.7	
Cash Flow from Investing	(41,329.6)					(73,209.0)					(57,266.8)	
Cash Flow from Financing	(35,790.0)					(12,916.3)					(45,650.3)	
Net Cash Flow	1,128.6					(1,914.0)					(3,654.4)	
Free Cash Flow	51,514.0					55,092.1					69,144.7	
FCF to Revenue (%)	10.5					8.7					10.8	
FCF to EBITDA (%)	78.5					96.5					67.6	
FCF to Net Profit (%)	113.2					155.4					141.6	
FCF to Net Worth (%)	19.9					19.6					20.5	
Total Debt	1,07,775.8					1,29,185.6					1,19,755.4	
Net Debt	95,563.3					94,876.3					77,685.6	
Net Debt to Equity (X)	0.4					0.3					0.2	
Net Debt to EBITDA (X)	1.5					1.7					0.8	
Interest Coverage Ratio (X)	5.5					3.4					7.2	

Source: Ventura Research & Company updates

Financial Analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24	Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24
Income Statement					Per share data & Yields				
Revenue	3,03,892.2	4,91,300.5	6,32,326.0	6,43,037.0	Adjusted EPS (INR)	13.0	36.2	28.2	40.1
<i>YoY Growth (%)</i>	<i>(23.4)</i>	<i>61.7</i>	<i>28.7</i>	<i>1.7</i>	Adjusted Cash EPS (INR)	33.3	57.6	47.7	63.0
Raw Material Cost	1,91,264.8	3,31,890.3	4,56,313.5	3,99,373.5	Adjusted BVPS (INR)	192.8	225.2	239.5	290.2
<i>RM Cost to Sales (%)</i>	<i>62.9</i>	<i>67.6</i>	<i>72.2</i>	<i>62.1</i>	Adjusted CFO per share (INR)	37.5	62.2	66.9	78.9
Employee Cost	14,135.1	15,235.7	14,898.8	7,313.4	CFO Yield (%)	12.2	20.3	21.9	25.8
<i>Employee Cost to Sales (%)</i>	<i>4.7</i>	<i>3.1</i>	<i>2.4</i>	<i>1.1</i>	Adjusted FCF per share (INR)	15.5	40.9	43.8	55.0
Other Expenses	61,128.3	78,590.7	1,04,025.4	1,34,050.6	FCF Yield (%)	5.1	13.4	14.3	17.9
<i>Other Exp to Sales (%)</i>	<i>20.1</i>	<i>16.0</i>	<i>16.5</i>	<i>20.8</i>	Solvency Ratio (X)				
EBITDA	37,363.9	65,583.7	57,088.4	1,02,299.5	Total Debt to Equity	0.5	0.4	0.4	0.3
<i>Margin (%)</i>	<i>12.3</i>	<i>13.3</i>	<i>9.0</i>	<i>15.9</i>	Net Debt to Equity	0.4	0.3	0.3	0.2
<i>YoY Growth (%)</i>	<i>(0.9)</i>	<i>75.5</i>	<i>(13.0)</i>	<i>79.2</i>	Net Debt to EBITDA	2.8	1.5	1.7	0.8
Depreciation & Amortization	25,538.5	26,883.2	24,557.1	28,733.2	Return Ratios (%)				
EBIT	11,825.5	38,700.6	32,531.3	73,566.4	Return on Equity	7.4	17.5	12.6	14.5
<i>Margin (%)</i>	<i>3.9</i>	<i>7.9</i>	<i>5.1</i>	<i>11.4</i>	Return on Capital Employed	2.4	9.6	6.0	11.9
<i>YoY Growth (%)</i>	<i>6.7</i>	<i>227.3</i>	<i>(15.9)</i>	<i>126.1</i>	Return on Invested Capital	3.6	10.9	8.7	17.7
Other Income	22,538.9	23,025.2	28,258.9	12,221.9	Working Capital Ratios				
Bill discounting & other charges	6,176.0	6,993.7	9,635.5	10,194.2	Payable Days (Nos)	32.3	29.9	19.4	21.3
Fin Charges Coverage (X)	1.9	5.5	3.4	7.2	Inventory Days (Nos)	53.5	40.2	25.5	29.7
Exceptional Item	918.8	(2,104.9)	(8,137.9)	0.0	Receivable Days (Nos)	19.2	14.3	10.8	11.2
PBT	29,107.1	52,627.2	43,016.7	75,594.1	Net Working Capital Days (Nos)	40.4	24.6	16.9	19.6
<i>Margin (%)</i>	<i>9.6</i>	<i>10.7</i>	<i>6.8</i>	<i>11.8</i>	Net Working Capital to Sales (%)	11.1	6.8	4.6	5.4
<i>YoY Growth (%)</i>	<i>61.4</i>	<i>80.8</i>	<i>(18.3)</i>	<i>75.7</i>	Valuation (X)				
Tax Expense	8,766.2	4,797.0	10,273.1	19,631.9	P/E	23.6	8.5	10.9	7.6
<i>Tax Rate (%)</i>	<i>30.1</i>	<i>9.1</i>	<i>23.9</i>	<i>26.0</i>	P/BV	1.6	1.4	1.3	1.1
PAT	20,340.9	47,830.1	32,743.6	55,962.2	EV/EBITDA	13.2	7.3	8.4	4.5
<i>Margin (%)</i>	<i>6.7</i>	<i>9.7</i>	<i>5.2</i>	<i>8.7</i>	EV/Sales	1.6	1.0	0.8	0.7
<i>YoY Growth (%)</i>	<i>93.3</i>	<i>135.1</i>	<i>(31.5)</i>	<i>70.9</i>	Cash Flow Statement				
Min Int/Sh of Assoc	(4,036.5)	(2,308.0)	2,696.9	(5,483.4)	PBT	29,107.1	52,627.2	43,016.7	75,594.1
Net Profit	16,304.4	45,522.1	35,440.5	50,478.8	Adjustments	41,244.9	29,918.4	47,650.5	48,476.6
<i>Margin (%)</i>	<i>5.4</i>	<i>9.3</i>	<i>5.6</i>	<i>7.9</i>	Change in Working Capital	(14,400.6)	499.8	3,817.3	(5,176.1)
<i>YoY Growth (%)</i>	<i>50.9</i>	<i>179.2</i>	<i>(22.1)</i>	<i>42.4</i>	Less: Tax Paid	(8,766.2)	(4,797.0)	(10,273.1)	(19,631.9)
Balance Sheet					Cash Flow from Operations	47,185.2	78,248.2	84,211.3	99,262.7
Share Capital	6,290.1	6,290.1	6,290.1	6,290.1	Net Capital Expenditure	(32,038.2)	(33,090.4)	(36,453.6)	(37,664.7)
Total Reserves	2,36,306.6	2,77,037.7	2,94,964.9	3,58,800.4	Change in Investments	(7,053.7)	(8,239.2)	(36,755.4)	(19,602.1)
Shareholders Fund	2,42,596.8	2,83,327.8	3,01,255.0	3,65,090.5	Cash Flow from Investing	(39,091.9)	(41,329.6)	(73,209.0)	(57,266.8)
Long Term Borrowings	79,162.1	88,042.7	98,359.5	77,952.0	Change in Borrowings	1,032.8	(15,872.5)	14,328.1	(22,561.2)
Deferred Tax Assets / Liabilities	42,706.8	34,934.4	29,721.2	36,767.3	Less: Finance Cost	(6,176.0)	(6,993.7)	(9,635.5)	(10,194.2)
Other Long Term Liabilities	16,726.1	12,009.2	10,085.1	27,087.1	Proceeds from Equity	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	36,126.9	36,383.0	40,423.1	50,686.0	Dividend Paid	(3,096.3)	(12,923.8)	(17,609.0)	(12,894.9)
Total Liabilities	4,17,318.6	4,54,697.1	4,79,844.0	5,57,582.9	Cash flow from Financing	(8,239.5)	(35,790.0)	(12,916.3)	(45,650.3)
Net Block	2,50,511.1	2,60,212.4	2,57,202.7	2,88,242.6	Net Cash Flow	(146.2)	1,128.6	(1,914.0)	(3,654.4)
Capital Work in Progress	62,898.2	71,484.6	73,975.2	92,029.1	Forex Effect	(49.2)	132.5	410.0	0.0
Intangible assets under developmen	37,410.6	35,234.7	39,969.4	0.0	Opening Balance of Cash	1,663.7	1,468.2	2,729.3	1,225.3
Non Current Investments	54,902.8	61,270.6	73,703.7	96,834.9	Closing Balance of Cash	1,468.2	2,729.3	1,225.3	(2,429.1)
Long Term Loans & Advances	21,518.8	24,285.6	27,656.9	3,442.6					
Other Non Current Assets	26,987.2	29,395.0	31,839.0	94,957.5					
Net Current Assets	(36,910.1)	(27,185.8)	(24,502.9)	(17,923.7)					
Total Assets	4,17,318.6	4,54,697.1	4,79,844.0	5,57,582.9					

Source: Ventura Research & Company updates

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