# Oil & Natural Gas Corpn Ltd — Apr 2023 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline on Production / Miss on Consolidated Profitability **One-line:** The thesis remains anchored on a massive "2.0" transition—shifting from legacy field depletion to a □1,40,000 Cr capex cycle across deepwater exploration and green energy, though downstream volatility (HPCL) remains a drag on consolidated earnings.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | Inline / First Entry | Standalone production (40.22 MMToE) stable vs FY22 (40.45 MMToE). | □ |
| Earnings Quality | Low (Downstream Distorted) | Massive losses at HPCL (-□12,200 Cr 9M FY23) mask upstream cash flows. | □ |
| Guidance Confidence | Neutral | Ambitious 2030 targets (10GW Green Energy) lack near-term milestones. | □ |
| Management Credibility | Neutral | Solid execution on exploration acreage (2.10L SKM) but OVL production continues to slide. | □ |
| Business Quality Signal | Stable | Core E&P assets are mature; quality depends on new deepwater/unconventional success. | □ |
| Key Q&A Exchange | N/A — no concall | Not applicable | □ |
| The Street's Primary Anxiety | Production Declines & Capex Efficiency | Focus on reversing the multi-year marginal slide in standalone gas production. | □ |
| Capital Cycle Stage | Investment | Massive expansion in exploration (□40,000 Cr) and Green Energy (□1,00,000 Cr). | □ |
| Margin / Return Ratio Trajectory | Deteriorating | Consolidated margins hit by OVL production drop and HPCL marketing losses. | □ |
| Pricing Power | Stable | Regulated gas pricing and Brent-linked oil provide predictable but capped realization. | □ |
| FCF Conversion & Quality | Weak | High capex intensity (~□30,000 Cr/year) and downstream losses pressure FCF. | □ |
| Competitive Moat Signals | Stable | Dominant acreage holder; category-I basin monopoly remains intact. | □ |
| Balance Sheet Strength | Strong | Maharatna status and low standalone leverage support massive capex plans. | □ |
| Working Capital Efficiency | Stable | Receivables from OMCs remain the primary monitoring point. | □ |
| Mgmt Guidance Track Record | Mixed | Historical production targets often see downward revisions due to technical delays. | □ |
| Key Vulnerability / Red Flag | OVL Production Slump | OVL production fell from 13.04 MMToE (FY21) to 10.18 MMToE (FY23). | □ |
| Management Tone | Not applicable | Concall not available | □ |

Sentiment: □Neutral

**Key Takeaways (Positives & Negatives):** * **Positives:** Management is aggressively expanding the exploration funnel, targeting a 2.5x increase in acreage (to 5 lakh SKM) which is critical for long-term reserves replacement. The "Responsible Corporate" pivot is now quantified with a □1,00,000 Cr commitment to Green Energy (10 GW by 2030), providing a terminal value hedge. * **Negatives:** Consolidated performance is severely impaired by HPCL, which reported a 9M FY23 loss of □12,200 Cr, highlighting the vulnerability of the integrated model to retail price freezes. ONGC Videsh (OVL) is struggling with a significant production decline (down ~22% in 2 years), raising questions about international asset management. * **Forward-looking Watchpoint:** Monitor the "First Oil" from the ACG project (Azerbaijan) expected by March 2024 and the execution of the 5 GW solar project in Rajasthan to validate the new growth pillars.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

| Metric (Standalone/ Group) | Current Qtr / FY23 Prov | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Production Volume (MMToE) | 40.220 | -0.6% (vs FY22) | First entry | → | Volume driven by standalone stabilization; Gas still marginally declining (-1.3%). |
| Oil Production (MMT) | 19.584 | +0.2% | First entry | → | Slight arrest in long-term oil decline vs FY22 levels. |
| Gas Production (BCM) | 20.636 | -1.3% | First entry | ↓ | Gas production continues downward trajectory from 22.09 BCM in FY21. |
| OVL Production (MMToE) | 10.18 | -17.4% (vs FY22) | First entry | ↓ | Significant drop from 12.32 MMToE in FY22; primary drag on group volumes. |
| HPCL PAT (□Cr) | -12,200 (9M FY23) | -291% (vs FY22) | First entry | ↓ | Massive marketing losses at downstream subsidiary (HPCL). |
| MRPL PAT (□Cr) | 730 (9M FY23) | -75% (vs FY22) | First entry | ↓ | Refining margins normalizing; significant drop vs FY22 full-year PAT of □2,958 Cr. |
| Standalone Capex (□ Cr) | ~8,000 (Current) | N/A | First entry | → | Progressing toward □40,000 Cr exploration capex goal (□400B). |
| Green Energy Capacity (MW) | 204 | 0% | First entry | → | Significant gap to 10,000 MW (10 GW) goal by 2030. |
| OVL 2P Reserves (MMToE) | 302.05 | +0.7% | First entry | → | Reserves replacement at OVL remains stable despite production drops. |

### 2B. SEGMENT BREAKDOWN

| Segment | Revenue (□ Cr) | YoY Growth | Margin (PAT) | Trend | vs Company Avg | Key Development |
|---|---|---|---|---|---|---|
| **OVL (Intl E&P)** | 14,940 (9M) | N/A | 1.4% | ↓ | Below Avg | CPO-5 Block (Colombia) production touched 25,000 bpd. |
| **HPCL (Refining/Mkt)** | 3,51,700 (9M) | N/A | -3.5% | ↓ | Below Avg | Commissioned 1,391 new retail outlets; GRM at $11.40/bbl. |
| **MRPL (Refining)** | 95,334 (9M) | N/A | 0.8% | ↓ | Below Avg | 14 new retail outlets commissioned; CCR-1 Revamp in progress. |
| **OPaL (Petrochem)** | 16,048 (FY22) | N/A | 16% (EBITDA) | → | In-line | 95% capacity utilization; integrates ONGC feedstock. |
| **OTPC (Power)** | 1,263 (FY22) | N/A | 8.5% | → | Above Avg | Plant Availability Factor at 65% due to 104-day planned shutdown. |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Exploration | Acreage: 5 Lakh SKM (2.5x increase) | Needs to add 2.9 Lakh SKM from current 2.1 Lakh. | First entry | Moderate - Dependent on OALP bidding. |
| Guidance | Exploration | Capex: □40,000 Cr (□400B) | Currently at ~□8,000 Cr; needs □32,000 Cr in next 2 cycles. | First entry | Low - Capital availability is high. |
| Guidance | Production | 136 MMToE Life Cycle Gain from Dev Projects | Long-term target (26 MMT by 2040 for EOR). | First entry | High - EOR/IOR technical risks. |
| Guidance | Green Energy | 10 GW by 2030 | Current 0.2 GW. Needs ~1.2 GW addition annually. | First entry | High - Massive jump from current base. |
| Guidance | Green Energy | Capex: □1,00,000 Cr (□1000B) | Massive funding required (~□14,000 Cr/year till 2030). | First entry | High - Potential ROE dilution. |
| Strategy | OVL | ACG Azerbaijan "First Oil" by March 2024 | Project is 85% complete; timeline appears feasible. | First entry | Low - Near completion. |
| Strategy | Collaboration | 15 International Oil Cos invited for collaboration | Outcome of EOI submissions pending. | First entry | Moderate - Execution uncertainty. |

## 4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

## 5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

| What Changed | Prior Quarter | This Quarter | Direction |
|---|---|---|---|
| N/A | N/A | N/A | N/A |