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