Oil & Natural Gas Corpn Ltd — Jun 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Standalone Inline / Consolidated Beat **One-line:** The thesis remains a high-conviction "production turnaround" play, as record consolidated profits (□57,101 Cr) provide the balance sheet buffer for a massive □1,00,000 Cr green pivot and a 15% volume growth target by FY27.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Standalone production (39.45 MMToE) met the lower-end of revised targets; PAT stable at □40,526 Cr.	□
Earnings Quality	High (Core driven)	Consolidated PAT nearly doubled YoY (□57,101 Cr vs □34,046 Cr) driven by downstream subsidiary turnaround (HPCL/MRPL).	□
Guidance Confidence	Neutral	15% production growth guide to 46.5 MMToE by FY27 is ambitious given the 2% YoY decline in FY24.	□
Management Credibility	Neutral	Successfully delivered First Oil in KG-98/2; however, legacy field declines continue to offset new gains.	□
Business Quality Signal	Improving	Transition to a "Truly Integrated Energy Company" with OGL (ONGC Green Ltd) and downstream integration.	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Execution Ramp-up	Can ONGC hit the FY27 production target while funding a □1L Cr Net Zero roadmap?	□
Capital Cycle Stage	Investment	Entering a heavy capex phase (□35,000 Cr+ annual standalone) for offshore development and renewables.	□
Margin / Return Ratio Trajectory	Improving	Consolidated Debt/Equity improved to 0.33x (from 0.43x) and Debt/EBITDA to 1.0x (from 1.5x).	□
Pricing Power	Stable	Beneficiary of the $6.50/mmbtu gas floor and 20% premium for new gas discoveries.	□
FCF Conversion & Quality	Weak	Heavy capex (□37,493 Cr) and OPaL's negative EBITDA (□-479 Cr) consume significant cash.	□
Competitive Moat Signals	Stable	Unmatched 2P reserve base (1,198 MMToE) and infrastructure in deepwater basins.	□
Balance Sheet Strength	Strong	Consolidated Debt/Total Capital reduced to 24.7%; "AAA" domestic credit rating retained.	□
Working Capital Efficiency	Improving	MRPL debt reduction of □5,058 Cr; OVL production recovery (up to 10.52 MMToE).	□
Mgmt Guidance Track Record	Mixed	Historically optimistic on KG basin timelines; current production growth targets require flawless execution.	□
Key Vulnerability / Red Flag	OPaL Drag	OPaL reported an EBITDA loss of □479 Cr, remaining a persistent drain on the integrated value chain.	□
Management Tone	Cautiously Optimistic	Focus shifted from "arresting decline" to "production growth" and "Net Zero 2038."	□

Sentiment: □**Neutral**

Key Takeaways (Positives & Negatives): * **Positives:** The consolidated entity is at peak financial strength, with PAT up 67% YoY, allowing for a debt-to-equity reduction to 0.33x. The 20% gas price premium for new wells and the $6.5 floor provide a structural margin expansion for the E&P business. Subsidiaries HPCL and MRPL have turned around significantly, contributing record refinery throughput (38.92 MMT). * **Negatives:** Standalone production volumes *declined* slightly in FY24 (39.45 vs 40.21 MMToE), making the FY27 target of 46.5 MMToE a steep climb. OPaL remains a "black hole" for capital, losing ₹479 Cr at the EBITDA level. * **Forward-looking Watchpoint:** The market will fixate on the KG-DWN-98/2 Cluster-II gas ramp-up in H1 FY25; any delay here puts the 15% production growth narrative at risk.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent. Metrics reflect FY24 Annualized (Current) vs FY23 Annualized (Prior) as per PPT presentation.

Metric	Current Yr (FY24)	YoY Change	Trend	Mgmt Commentary
Production Volume (MMToE Standalone)	39.45	-1.9%	↓	Comprised of 19.47 MMT Oil and 19.97 BCM Gas.
Production Volume (Total Group)	52.00	+2.0%	↑	Includes ONGC, OVL, and JV shares.
Realization (VAP - MMT)	2.52	-3.1%	↓	Value Added Products production declined from 2.60 MMT.
Consolidated Revenue (₹Cr)	6,55,259	-5.4%	↓	Lower crude/gas realizations compared to FY23 peak.
Standalone Revenue (₹Cr)	1,38,402	-11.0%	↓	Driven by price volatility and marginal volume decline.
Consolidated EBITDA (₹Cr)	1,17,453	+37.6%	↑	Massive boost from downstream (HPCL/MRPL) margins.
Standalone PAT (₹Cr)	40,526	+1.1%	→	Flat YoY; protected by gas pricing reforms.
Consolidated PAT (₹Cr)	57,101	+67.7%	↑	Recovery of OMCs is the primary driver of the beat.
EPS Standalone (₹)	32.21	+1.1%	→	Calculated on standalone PAT.
Dividend Per Share (₹)	12.25	+8.9%	↑	Increased from ₹11.25 in FY23.
Core Capex (₹Cr)	37,493	+24.1%	↓	Significant ramp-up from ₹30,208 Cr in FY23.
Consolidated Total Debt (₹Cr)	1,19,755	-7.3%	↑	De-leveraging occurring at MRPL and OVL levels.
Debt / Equity (x)	0.33	-23.3%	↑	Down from 0.43x in FY23.
2P Reserves (MMToE Group)	1,198	-3.7%	↓	Down from 1,244 MMToE in FY22 (PRMS basis).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	PAT / EBITDA	Trend	vs Co Avg	Key Development
Standalone E&P	1,38,402	-11.0%	□40,526 (PAT)	□	Lead	2 new discoveries in Mahanadi basin; KG oil started.
OVL (Intl)	Not in Doc	N/A	□1,660 (PAT)	□	Below	32 projects in 15 countries; OVL Overseas IFSC set up.
HPCL	4,61,638	-1.0%	□14,694 (PAT)	□	Below	Highest ever throughput 22.33 MMT; 22,000+ outlets.
MRPL	1,05,223	-15.6%	□3,596 (PAT)	□	Below	Debt reduced by □5,058 Cr; GRM at $10.36/bbl.
OPaL	14,307	-2.0%	□479 (EBITDA)	□	Poor	Operating at 92% capacity but remains loss-making.
OTPC	1,547	N/A	□70 (PAT)	□	Poor	70.8% PLF; Paid interim dividend of □0.20/share.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Production	46.52 MMToE (Standalone+JV) by FY27	Needs ~3.6% CAGR from current 41.79 MMToE.	Historically declined	Moderate
Guidance	Capex	FY25 Planned: □35,850 Cr (Standalone)	Consistent with FY24 run-rate of □37,493 Cr.	Reliable	Low
Guidance	Renewables	10 GW by FY2030	Current: 193 MW; Needs ~1.4 GW addition annually.	Massive gap	High
Strategy	Net Zero	Achieve Scope 1 & 2 by 2038	□1,00,000 Cr capex allocated to green energy roadmap.	New initiative	Moderate
Strategy	OPaL	"Feedstock integration project"	No clear timeline for EBITDA turnaround in PPT.	Poor	High
Macro	Gas Pricing	20% premium for new gas discoveries	Fixed via Govt policy; realization upside of $9-10/mmbtu.	Reliable	Low
Strategy	Exploration	Focus on Cat-II Basins and No-Go areas	2 new discoveries already made in Mahanadi.	Improving	Moderate

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Comparison based on Q3 FY23 Prior Context.

What Changed	Prior Quarter	This Quarter	Direction
Consolidated Profitability	Recovering (9M PAT up 65%)	Peak (Full Year PAT up 67.7% to □57,101 Cr)	□
Balance Sheet Leverage	Debt/Equity 0.43x	Debt/Equity 0.33x (Significant de-leveraging)	□
Green Energy Roadmap	Conceptual	Concrete (OGL formed; 10GW target; □1L Cr capex)	□
KG-98/2 Progress	First Oil expected	First Oil achieved; now in production implementation	□
OPaL Performance	Infusion planned (□19k Cr)	Remains a drag with negative EBITDA (□-479 Cr)	□
Dividend Yield	□4/share interim	□12.25/share total (FY24 payout)	□
OVL Production	10.17 MMToE	10.52 MMToE (Reversal of decline)	□
Capex Intensity	Rising (□33k-35k Cr)	Actual FY24 spent □37,493 Cr (Higher than guided)	□

Investor Note: The thesis has fundamentally moved from a "Distressed Value" play (due to OMC losses and production declines) to an "Integrated Cash Compounder." While standalone volumes are still struggling to show YoY growth, the massive cash flows from HPCL/MRPL and the stable gas price floor ($6.5) have de-risked the balance sheet. The key risk is no longer financial survival, but the efficient allocation of the □1,00,000 Cr green energy capex and the potential for OPaL to continue diluting group ROE. The FY27 production target is the remaining "credibility test" for management.

STOP HERE.