Oil & Natural Gas Corpn Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (on Profitability/Dividends) / Inline (on Production) **One-line:** record-high standalone profitability and a deleveraged international subsidiary (OVL) provide the capital cushion for an aggressive $4B exploration pivot, but the thesis remains tied to the successful commissioning of the 20 major projects currently under implementation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	PAT of □40,306 Cr and highest-ever dividend of □13,210 Cr.	□
Earnings Quality	High (Core)	Driven by realization and throughput; OVL debt reduced by □5,430 Cr.	□
Guidance Confidence	Neutral	18.2% production growth target is aggressive given historical stagnant volumes.	□
Management Credibility	Strong	Record dividend payouts and successful commercialization of the 9th basin.	□
Business Quality Signal	Improving	Integration of OMPL/MRPL and OPaL's 95% utilization improve downstream efficiency.	□
Key Q&A Exchange	N/A	Investor presentation only.	□
The Street's Primary Anxiety	Production Growth	Can ONGC finally reverse the decline in domestic production?	□
Capital Cycle Stage	Investment	□31,000 Cr ($4B) earmarked for intensified exploration through 2025.	□
Margin Trajectory	Improving	HPCL GRM at $7.19/bbl; MRPL GRM at $8.72/bbl.	□
Pricing Power	Stable	Tied to global benchmarks and government pricing for gas.	□
FCF Conversion	Strong	Sufficient to fund □13,210 Cr dividend while maintaining high capex.	□
Competitive Moat	Widening	Discovered 7/8 producing basins; addition of 1L sq. km annually.	□
Balance Sheet Strength	Strong	Reduced OVL external borrowings by $716.75M (□5,430 Cr).	□
Working Capital Efficiency	Stable	OPaL feedstock integration (95% utilization) optimizes internal flows.	□
Mgmt Guidance Track Record	Mixed	Historical misses on production timelines vs. strong financial delivery.	□
Key Vulnerability	Execution Risk	Timely monetization of KG-DWN-98/2 and other deepwater blocks.	□
Management Tone	Confident	Focused on "Aggressive Investment" and "International Outreach."	□

Key Takeaways (Positives & Negatives): * **Positives:** Record-high standalone PAT of □40,306 Cr provides a massive war chest for capex; OVL successfully deleveraged by ~□5,430 Cr; Downstream integration is yielding results with OPaL at 95% utilization and MRPL returning to profit (□2,958 Cr). * **Negatives:** Domestic oil production remains in the ~19-20 MMT range, requiring a sharp ramp-up to hit the 21.7 MMT FY25 target; Reliance on 20 "major projects" currently under implementation creates high execution concentration risk. * **Street Concern:** Analysts remain skeptical about production growth reaching the 18.2% envisaged target; management has responded by committing $4B specifically to "intensify exploration" and adding 1,00,000 sq.

km of acreage annually. * **Watchpoint:** Progress of the KG-DWN-98/2 Cluster-II project is the single most critical variable for gas production targets.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY'22 Annual)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume (Oil - MMT)	19.545	First entry	First entry	→	Volume is excluding JVs; focus on redevelopment projects.
Production Volume (Gas - BCM)	21.701	First entry	First entry	→	21.7 BCM actual for FY22.
Revenue (Standalone - ₹Cr)	1,10,345	First entry	First entry	↑	Growth driven by higher realizations.
PAT (Standalone - ₹Cr)	40,306	First entry	First entry	↑	Highest ever PAT recorded by the company.
Dividend Per Share (₹)	10.50	First entry	First entry	↑	Record dividend payout of ₹13,210 Cr.
OVL PAT (₹Cr)	1,589	First entry	First entry	→	Borrowings reduced by USD 716M (₹5,430 Cr).
HPCL PAT (₹Cr)	6,383	First entry	First entry	↓	Down from FY21 (₹10,663 Cr) due to marketing margins.
MRPL PAT (₹Cr)	2,958	First entry	First entry	↑	Turnaround from loss of ₹765 Cr in FY21.
HPCL GRM ($/bbl)	7.19	First entry	First entry	↑	Realization improvement from $3.86 in FY21.
MRPL GRM ($/bbl)	8.72	First entry	First entry	↑	Realization improvement from $3.71 in FY21.
OPaL EBITDA (₹Cr)	2,561	First entry	First entry	↑	Utilization reached 95% for the fiscal year.
Net Debt (OVL - ₹Cr)	~34,300 (est)	First entry	First entry	↑	Borrowings reduced by ₹5,430 Cr in FY22.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (PAT)	Trend	vs Company Avg	Key Development
Standalone E&P	1,10,345	62.0%	36.5%	↑	Outperformer	Discovery of Vindhyan Basin (9th Basin) in March 2022.
ONGC Videsh (OVL)	17,322	44.9%	9.2%	→	Underperformer	CPO-5 Block (Colombia) production reached 21,000 bopd.
HPCL (Refining/ Mkt)	3,72,642	38.4%	1.7%	↓	Underperformer	Commissioned 1,391 new retail outlets.
MRPL (Refining)	86,064	69.4%	3.4%	↑	In-line	Amalgamation with OMPL finalized to maximize margins.
OPaL (Petrochem)	16,048	Not in doc	16.0% (EBITDA)	↑	In-line	Highest ever polymer sales of 1.82 Million tons.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume (Oil + Gas)	18.2% growth in O+OEG envisaged in next 3 years.	Needs 47.8 MMTOE by FY25; current 41.2 MMTOE implies 5% CAGR.	Mixed	High: Relies on deepwater commissioning.
Guidance	Oil Production	Reach 21.701 MMT by FY24-25.	Needs +10.5% growth from current 19.545 MMT levels.	Mixed	Moderate: Redevelopment of Mumbai High is key.
Guidance	Gas Production	Reach 26.124 BCM by FY24-25.	Needs +20.4% growth from current 21.701 BCM levels.	Mixed	High: KG-Basin delays are common.
Guidance	Capex Plan	₹31,000 Cr ($4B) for Exploration FY2022-25.	₹10,333 Cr annual exploration spend required.	Strong	Low: Funded by record internal accruals.
Strategy	Acreage Expansion	Add 1,00,000 Sq. Km of new exploration area annually.	Consistent bidding in HELP/OALP rounds required.	Strong	Low: Strategic national priority.
Strategy	International	OVL Lower Zakum to reach 450 KBD by 2025.	Ongoing gas handling capacity augmentation.	Strong	Moderate: Geopolitical risk in assets.
Macro	Basin Monetization	Focus on bringing more basins on production map in next 3-4 years.	Target 8/9 basins producing; Vindhyan basin next.	New	Moderate: Technical challenges in Cat-II basins.
Balance	Debt Reduction	Reduced OVL debt by $716.75M in FY22.	Maintain deleveraging trajectory.	Strong	Low: High oil prices assist paydown.

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
Production Guidance	Not available	18.2% growth target set for FY25	↑
Portfolio Expansion	8 Basins	9 Basins (Vindhyan discovery)	↑
International Debt	Not available	Reduced by □5,430 Cr ($716.75M)	↑
Downstream Structure	MRPL / OMPL separate	Amalgamated effective April 2021	↑
Exploration Capex	Not available	$4 Billion committed for FY22-25	↑

STOP HERE.