Oil & Natural Gas Corpn Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Standalone Inline | Consolidated Beat (driven by Subsidiaries) **One-line:** The thesis remains firmly on track as the multi-year production decline has officially reversed (Oil +1.2%), while the lifting of force majeure in Mozambique and the transition of OPaL to EBITDA-positive status de-risk the non-core portfolio.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Standalone production (Oil +1.2% YoY) met expectations; FY26 volume guidance slightly adjusted downward due to logistical delays.	□
Earnings Quality	Moderate	Standalone PAT hit by □1,045 Cr FX loss and lower interest/dividend income (□1,462 Cr); core E&P realization down on Brent.	□
Guidance Confidence	Neutral	Mgmt pushed "peak" targets into early FY27 (June-July 2026) citing living quarter delays in KG basin.	□
Management Credibility	Strong	Successfully turned OPaL EBITDA positive (□225 Cr) and is on the verge of lifting Mozambique Force Majeure.	□
Business Quality Signal	Improving	Reversal of secular decline in oil and arresting of gas decline is now systemic, not a one-off.	□
Key Q&A Exchange	Q# 1 & 16 - Timelines	Management admitted H2 FY26 production shifts into Q1 FY27 due to KG-98/2 living quarter delays.	□
The Street's Primary Anxiety	Project Timelines	Analysts pressed on the "deferred" production; mgmt responded by highlighting the Daman Upside (5 mmscmd) as a Q4 FY26 bridge.	□
Capital Cycle Stage	Investment	E&P Capex maintained at □30,000-35,000 Cr; Renewables (10 GW by 2030) moving to organic asset building.	□
Margin / Return Ratio Trajectory	Improving	New Well Gas (NWG) now 21% of gas revenue, fetching a 20% premium over APM price ($6.75).	□
Pricing Power	Stable	Gas realization benefited from ceiling price hike ($6.5 to $6.75) and rising NWG mix.	□
FCF Conversion & Quality	Weak	High capex and deferred production timelines keep FCF under pressure, offset by □6/share dividend payout.	□
Competitive Moat Signals	Widening	Exclusive BP tie-up for Mumbai High already showing "green shoots"; unique positioning in India's deepwater exploration.	□
Balance Sheet Strength	Adequate	OPaL debt (□25,188 Cr) addressed via lower interest rates; Mozambique funding to shift to project finance.	□
Working Capital Efficiency	Stable	Inventory costs (LNG at Dahej) spiked but managed within consolidated subsidiary performance.	□
Mgmt Guidance Track Record	Mixed	Accurate on OPaL/Subsidiary turnaround; struggling with precise offshore logistical timelines (KG Basin).	□
Key Vulnerability / Red Flag	Offshore Logistics	Thesis-critical peak production (10 mmscmd Gas, 45k bpd Oil) is sensitive to 2-3 month weather/installation windows.	□
Management Tone	Assertive	Shifted from defensive "decline arrest" to offensive "growth and cost optimization" (□5,000 Cr target).	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The fundamental turnaround in production is real—standalone oil production grew 1.2% in H1, confirming the reversal of years of decline. New Well Gas (NWG) is a powerful margin lever, now contributing 21% of gas revenue (share of volume at 13.4% and rising). OPaL has finally crossed into EBITDA-positive territory (□225 Cr) without further equity infusion, removing a long-term consolidated overhang. Internationally, the lifting of Force Majeure in Mozambique (imminent) restores a massive "stranded" asset to the valuation model. * **Negatives:** Logistical bottlenecks (Living Quarters installation) in the KG-98/2 project have pushed peak production targets by approximately one quarter into FY27. Standalone profits are currently sensitive to non-operating items (FX losses and lower treasury income). * **The Street's Concern:** Skepticism regarding whether the FY26 volume targets are at risk. Management de-risked this by clarifying that while KG-98/2 might see deferment, the **Daman Upside (DUDP)** project is ahead of schedule (Q4 FY26 start) and will bridge the gap at premium NWG pricing. * **Watchpoint:** Confirmation of the Mozambique Force Majeure lifting in the coming days and the commissioning of the Living Quarters in KG basin by January 2026.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Production Volume - Oil (MMT)	4.630	↑ 1.2%	↑	□	Growth driven by arresting decline in legacy fields and KG Basin contributions.
Production Volume - Gas (BCM)	~5.08	→ (0.04% decline)	↑	□	Effectively arrested secular decline; growth expected from NWG wells.
Realization - Crude (Standalone)	$67.34/bbl	↓ 14.0%	↓	□	Realization dropped from $78.33/bbl in Q2FY25 due to global benchmarks.
Opex/unit (Crude - standal.)	□44,043/MT	↓ 10.4%	↓	□	Lower statutory levies (SAED abolition) reduced per-unit costs.
Net Debt (OPaL)	□25,188 Cr	↓	↓	□	Targeting 1% interest rate reduction; no further equity required.
Revenue (Standalone)	~□34,000 Cr	↓	↓	□	Crude revenue down □1,340 Cr; Gas revenue up □1,006 Cr (offset).
PAT (Standalone)	□9,848 Cr	↓ 17.8%	↓	□	Impacted by realization, FX loss (□1,045 Cr), and lower treasury income.
PAT (Consolidated)	□12,615 Cr	↑ 28.2%	↑	□	Growth entirely attributed to HPCL and MRPL performance.
Capex (Annual Plan)	□30,000-35,000	→	→	→	Core E&P Capex remains stable; Renewables may be additional.
New Well Gas Revenue	□3,352 Cr (H1)	↑	↑	□	Now 21% of nomination field gas revenue; share increasing.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	H1 Perf	Margin	Trend	vs Avg	Key Development
Western Offshore	Not in doc	High	High	↑	Above	WO-16 field and MH redevelopment (BP tie-up) driving growth.
Eastern Offshore	Not in doc	28k bpd oil	Medium	→	In-line	KG-98/2 at 3 mmscmd gas; Living Quarter install in Dec/Jan is key.
Onshore	Not in doc	Mature	Lower	↓	Below	Mature fields (60+ yrs) more expensive to operate; margins under pressure.
OPaL (Petchem)	Not in doc	EBITDA +ve	Improving	↑	Below	Crossed EBITDA threshold; ₹225 Cr positive this quarter.
OVL (Internat.)	Not in doc	4.8 MMTOE (H1)	Mixed	→	Below	Sakhalin stable; Vietnam exit (Block 06.1) due to economics.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Oil Prod (FY26)	~19.8 - 20.0 MMT	Requires ramp-up from TSP (BP) and KG basin in H2; current H1 is 9.3 MMT.	Improved	Medium
Guidance	Oil Prod (FY27)	21.0 MMT	High dependency on KG-98/2 reaching 45k bopd peak.	On-track	Medium
Guidance	Gas Prod (FY26)	~20.0 BCM	Daman Upside (5 mmscmd) in Q4 is critical to bridge KG delay.	On-track	Medium
Guidance	Gas Prod (FY27)	21.5 BCM	Requires successful ramp-up to 10 mmscmd in KG basin by Q1/Q2 FY27.	On-track	Medium
Strategy	Cost Optimization	₹5,000 Cr OpEx cut	Actions taken in logistics (Pipavav/Surat) and dual-fuel rigs; long-term wind/solar.	New	Low
Strategy	OPaL Recovery	Continuous EBITDA +ve	Needs 90%+ utilization and current petchem spreads.	Improved	Medium
Macro	Gas Pricing	Premium Migration	Targeting 14% of volume from New Well Gas (NWG) shortly.	Reliable	Low
Strategy	OVL / Mozambique	Commissioning '27-28	Depends on FM lifting "in a couple of days."	Improved	Medium

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
1	5.0	Probal Sen, ICICI Sec	Guidance	Financials	"H1 run rate suggests downside risk to the 21 MMT oil and 21.5 BCM gas guidance. Is that fair?"	Management admitted a shift of some production into next year, revising FY26 oil expectations to ~19.8-20 MMT. This indicates a minor delay in harvesting new reserves but maintains the long-term volume trajectory.	None	4.0	Specific guidance revision
2	4.5	Probal Sen, ICICI Sec	KG Basin	Business Overview	"What is the run rate of KG right now and the exit rate for gas and oil?"	Current oil is 28,000 bpd and gas is 3 mmscmd, with living quarters to be installed in Dec-Jan for a Q4 ramp-up. This delay in the compressor/ living module pushes peak gas revenue into early FY27.	None	4.5	Specific timelines
3	4.0	Probal Sen, ICICI Sec	OPaL	Financials	"How should we look at the OPaL run rate for the next two quarters? Can we expect similar EBITDA?"	Management expects 90%+ capacity utilization and positive EBITDA to continue given current petchem pricing. This signals the end of OPaL as a cash-drain for the consolidated balance sheet.	None	4.0	Clear and quantified
4	3.5			Financials			None	5.0	

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		Probal Sen, ICICI Sec	New Well Gas		"Can we get the volume share of new well gas (NWG) right now?"	NWG currently stands at 13.4% of total gas volume and is expected to ramp to 14% shortly. Every 1% shift to NWG pricing adds significant premium revenue above the APM cap.			Specific data point
5	4.0	Sabri Hazarika, Emkay	Cost Cut	Strategy	"How will the 15% cost reduction translate to the P&L? Does it mean ₹8,000-9,000 Cr?"	Management is targeting a specific ₹5,000 Cr reduction in OpEx through logistics optimization (Pipavav port) and fuel switching on rigs. This provides a structural buffer against any potential softening in crude prices.	None	4.5	Clear and quantified
7	4.5	Varatharajan, Antique	FY27 Guidance	Business Overview	"What is the production guidance for FY27 and the contributors?"	Standalone guidance for FY27 was set at 21 MMT Oil and 21.5 BCM Gas, driven by Mumbai High (BP tie-up) and Daman Upside. This reinforces the multi-year production growth story.	None	4.0	Specific targets
8	5.0	Varatharajan, Antique	Mozambique	Strategy	"What is the official	All partners have decided	Specific ballot date	4.0	Directional evidence

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
					version of the Mozambique Force Majeure (FM) status?"	to lift FM, with a formal ballot expected in a couple of days. Lifting FM allows the project to move to project financing, reducing equity strain on OVL.			
11	3.5	Mayank Maheswari, MS	OPaL	Business Overview	"Utilization came down; at what price level does it become profitable?"	Utilization fell due to a one-month equipment breakdown (now resolved), but the plant remained EBITDA positive. This suggests high operating leverage once 90% utilization is sustained.	Pricing thresholds	3.0	Vague but consistent
13	3.0	Mayank Maheswari, MS	OVL - Vietnam	Business Overview	"Any update on the Vietnam extension?"	Production ceased at Block 06.1 on July 1, 2025, as it became uneconomical. This removes a low-margin legacy asset from the portfolio.	None	5.0	Specific status
14	4.5	Gagan Dixit, Elara	BP Tie-up	Strategy	"What are the milestones for Mumbai High (BP tie-up) and when does the performance fee start?"	The technical plan will be finalized by Dec 2025, with green shoots visible from Jan 2026; performance incentives begin Jan	Specific well counts	4.0	Specific timeline

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						2027. This confirms the legacy portfolio is being managed with tier-1 global expertise.			
18	4.0	Ramesh S	NWG Growth	Business Overview	"What is the production profile of new well gas to peak over 10-15 years?"	Daman and DSF-II projects will add 9 mmscmd of NWG in the short term, taking the NWG share of total production to 35% in 3-4 years. This confirms a structural migration of the gas portfolio to higher-realization pricing.	15-year profile	3.5	Directional evidence
24	4.0	Somaiah V, Spark	OPaL Finance	Financials	"Any further equity infusion required for OPaL and what is the debt level?"	Debt stands at □25,188 Cr with no further equity required; mgmt is refinancing to cut interest by >1%. This de-risks the consolidated balance sheet.	None	4.5	Specific data point
29	3.5	Somaiah V, Spark	Renewables	Strategy	"What is the CapEx for renewables over the next couple of years?"	□5,000 Cr is being invested in acquisitions and another □5,000 Cr in organic asset building toward a 10 GW 2030 target. This	None	4.0	Specific spend

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
						indicates a shift in capital allocation toward greener energy.			
31	4.5	Somaiah V, Spark	KG Peak	Business Overview	"When do we expect peak production of 10 mmscmd gas and 45k bpd oil in KG?"	Gas ramp-up to 10 mmscmd starts June-July 2026 (FY27); oil peak timing is "work in progress" based on current well interventions. This signals a slower-than-hoped ramp in oil vs gas.	Oil peak date	2.5	Vague/ Hedged

PATTERN FLAGS & SENTIMENT * **Production Deferment vs. Real Growth:** Analysts were hyper-focused on the slight downward revision of FY26 targets. Management's posture was confident, framing the shift as a "logistical deferment" (living quarters) rather than a reservoir failure, and highlighted the Daman Upside project as a strategic counterbalance. * **The Subsidiary Turnaround:** There is a palpable shift in sentiment regarding OPaL and Mozambique. Analysts were skeptical about further "black hole" equity infusions; management's firm "no further equity" stance for OPaL and the shift to project finance for Mozambique significantly improved their credibility. * **Analyst Sentiment Verdict:** Analysts were **guardedly optimistic**. While pleased with the standalone production turnaround (+1.2% Oil) and the petchem/subsidiary recovery, they remain wary of offshore execution delays in the KG basin. The single unresolved issue is the **precise peak for KG Basin oil**, which management avoided quantifying.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY26 Oil Volume | 21 MMT (implied earlier) | ~19.8 - 20.0 MMT | Revised down by ~1 MMT due to offshore logistical delays. | Minor H2 FY26 earnings impact. | | KG Gas Peak | End of FY26 | Q1/Q2 FY27 (June-July) | Peak 10 mmscmd pushed by 3-6 months due to module installation. | Delayed revenue from deepwater gas. | | KG Oil Peak | 45k bpd | "Work in progress" | Management is no longer sticking to a firm timeline for the 45k bpd oil peak. | Slower than expected oil volume recovery. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (FY25 Full Year)	This Quarter (Q2 FY26)	Direction
Oil Production Growth	Arrested decline (0.9% growth)	Accelerated to 1.2% growth in H1	↑
New Well Gas Revenue	~20% of gas revenue	Increased to 21% of revenue	↑
OPaL Profitability	Restructured	EBITDA Positive (□225 Cr)	↑
Mozambique Status	Stalled (Force Majeure)	Lifting FM "in a couple of days"	□
FY26 Volume Target	~21 MMT Oil	Trimmed to ~19.8-20 MMT	↓
KG Gas Timeline	Q4 FY26 Peak	June-July 2026 (Q1 FY27) Peak	↓
Cost Strategy	General efficiency focus	Specific □5,000 Cr OpEx target	↑
Management Tone	Cautiously Optimistic	Assertive on Project Timelines & Costs	↑

STOP HERE.