



ONGC

research report

2024

MARKET CAP- 3.45L Cr.
CMP- 274.35

MADE BY
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ABOUT THE COMPANY

The Oil and Natural Gas Corporation Limited (ONGC) is an Indian central public sector undertaking under the ownership of Ministry of Petroleum and Natural Gas, Government of India. The company is headquartered in Delhi. In a survey by the Government of India for fiscal year 2019–20, it was ranked as the largest profit making Central Public Sector Undertaking (PSU) in India. It is ranked 5th among the Top 250 Global Energy Companies by Platts. ONGC is involved in exploring for and exploiting hydrocarbons in 26 sedimentary basins of India, owns and operates over 11,000 kilometers of pipelines in the country and operates a total of 210 drilling and workover rigs. Its international subsidiary ONGC Videsh currently has projects in 15 countries. ONGC has discovered 7 out of the 8 producing Indian Basins, adding over 7.15 billion tonnes of In-place Oil & Gas volume of hydrocarbons in Indian basins. Against a global decline of production from matured fields, ONGC has maintained production from its brownfields like Mumbai High, with the help of aggressive investments in various IOR (Improved Oil Recovery) and EOR (Enhanced Oil Recovery) schemes. ONGC has many matured fields with a current recovery factor of 25–33%. Its Reserve Replacement Ratio for between 2005 and 2013, has been more than one.

HISTORY

Before the independence of India in 1947, the Assam Oil Company in the north-eastern and Attock Oil Company in the north-western part of the undivided India were the only oil-producing companies, with minimal exploration input. After independence, the Central Government of India realized the importance of oil and gas for rapid industrial development and its strategic role in defence. Consequently, while framing the Industrial Policy Statement of 1948, the development of the petroleum industry in the country was considered to be of utmost necessity. In October 1959, the commission was converted into a statutory body by an act of the Indian Parliament, which enhanced powers of the commission further. The main functions of the Oil and Natural Gas Commission subject to the provisions of the Act were "to plan, promote, organize and implement programs for development of Petroleum Resources and the production and sale of petroleum and petroleum products produced by it, and to perform such other functions as the Central Government may, from time to time, assign to it ". The act further outlined the activities and steps to be taken by ONGC in fulfilling its mandate. ONGC became a public listed company in February 1994, with 20% of its equity were sold to the public and eighty per cent retained by the Indian government.

BOARD OF DIRECTORS



Arun Kumar Singh
Chairman & CEO

The Chairman and CEO of Energy Maharatna Oil and Natural Gas Corporation Limited (ONGC), Arun Kumar Singh commands a distinguished career spanning over 37 years in the Oil & Gas industry. Prior to this, he was the CMD of Bharat Petroleum Corporation Limited (BPCL), an esteemed 'Maharatna' enterprise and Fortune Global 500 Company. Additionally, he chaired Indraprastha Gas Ltd.



Pankaj Kumar
Director (Production)

As Director (Production), Pankaj Kumar provides strategic stewardship to the entire spectrum of oil and natural gas production across ONGC's production fields, both in Offshore and Onshore. His extensive 35-year journey in the oil & gas sector encompasses multifaceted expertise in Operations Management, Well Engineering, Joint Venture Management, Corporate Strategy, and Asset Management.



Om Prakash Singh
Director (T&FS)

At the forefront of the Technology & Field Services domain, Om Prakash Singh is the current Director driving the Drilling & Well Services divisions of the Energy Maharatna. A Mechanical Engineering graduate, Mr. Singh is an ardent advocate of the latest technology and digitization to improve efficiency and productivity. His extensive 35-year career encompasses diverse national and international experience in Exploration & Production (E&P) operations.



Sushma Rawat
Director (Exploration)

Serving as Director (Exploration) at the Energy Maharatna ONGC, Sushma Rawat brings forth 33 years of illustrious experience in Exploration. She holds positions on the boards of OTPCL and ONGC Petro Additions Lt. A Post-Graduate degree in Geology, she has done an 'International Certificate Program in Business Management' at ASCI, Hyderabad and at the Faculty of Economics, University of Ljubljana (FELU), Slovenia.

MAJOR SUBSIDIARIES

some of its key subsidiaries include:

- 1.ONGC Videsh Limited (OVL): OVL is the international arm of ONGC, engaged in exploration and production activities overseas.
- 2.Mangalore Refinery and Petrochemicals Limited (MRPL): MRPL is a subsidiary of ONGC involved in refining crude oil and producing petroleum products.
- 3.ONGC Petro additions Limited (OPaL): OPaL is a joint venture company promoted by ONGC, which operates a petrochemical complex in Gujarat, India.
- 4.ONGC Tripura Power Company (OTPC): OTPC is a joint venture company of ONGC, which owns and operates a gas-based power plant in Tripura.
- 5.ONGC Mangalore Petrochemicals Limited (OMPL): OMPL is a subsidiary of ONGC that operates a petrochemical complex in Mangalore, Karnataka.
- 6.Neelam Heera Joint Venture (NHJV): NHJV is a joint venture between ONGC and private companies involved in offshore oil and gas exploration and production.
- 7.ONGC Nile Ganga BV: This subsidiary is involved in exploration activities in the Netherlands.

INDUSTRY OVERVIEW

One of India's eight core businesses is the oil and gas industry, which has a significant impact on all other major economic sectors. Rapid economic growth is leading to greater outputs, which in turn is increasing the demand of oil for production and transportation. According to the IEA (India Energy Outlook 2021), primary energy demand is expected to nearly double to 1,123 million tonnes of oil equivalent, as the country's gross domestic product (GDP) is expected to increase to US\$ 8.6 trillion by 2040.

India retained its spot as the third-largest consumer of oil in the world, as of 2023. India's consumption of petrol products stood at 222.3 MMT in FY23, while crude oil production stood at 29.16 MMT in FY23. Assam, Gujarat, and Rajasthan account for more than 96% of oil production in India. As of March 1, 2024, India had 10,941 kms of crude pipeline network, with a capacity of 153.1 MMTPA. India has 23 refineries - 18 are in the public sector, two in the joint sector and three in the private sector. India's state refineries have upgraded their facilities to comply with a new government requirement to produce oil products with the equivalent of Euro VI emission standards. India's total installed provisional refinery capacity stands at 253.91 MMT as of April 2023, making it the second-largest refiner in Asia. Private companies own about 35% of the total refining capacity.

India is one of the largest exporters of refinery products due to the presence of various refineries. In terms of trade, exports of petroleum products from India reached 51.4 MMT in FY24 (until January 2024). In FY23, crude oil imports stood at 4.67 MBPD. In FY24 (until January 2024), the crude oil production in India stood at 22.71 MMT.

The natural gas and petroleum sector, which is inclusive of refining, transportation, and marketing of these products, contributes about 15% to India's GDP

It is the largest government-owned-oil and gas explorer and producer in the country and produces around 70 percent of India's domestic production of crude oil and around 84 percent of natural gas.

MAJOR CLIENTS

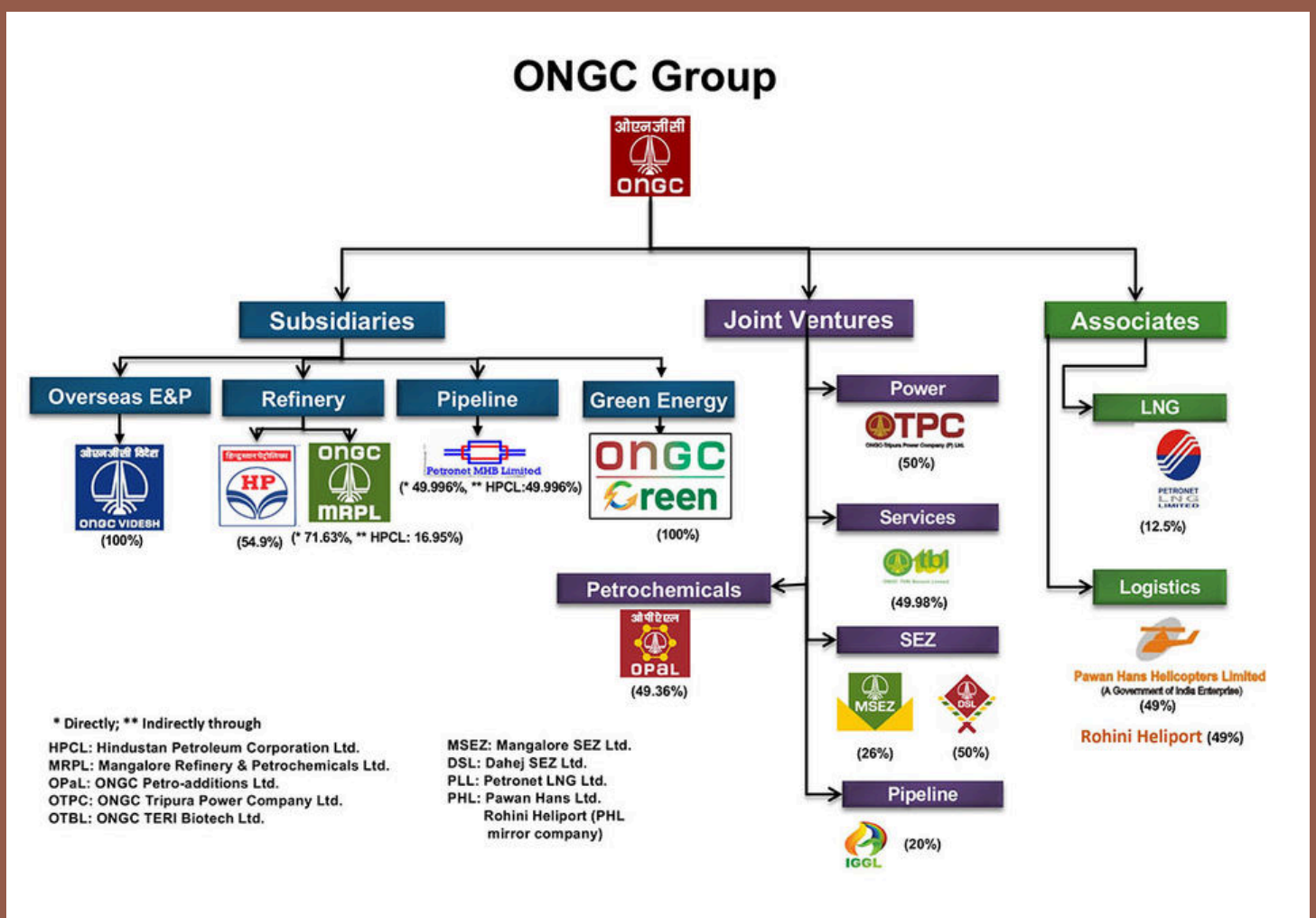
ONGC, as a major oil and gas exploration and production company in India, has several significant clients and stakeholders across various sectors. The main clients and stakeholders of ONGC include:

1. **Government of India:** ONGC is a state-owned enterprise, and the Government of India is its largest shareholder and primary stakeholder.
2. **Refineries and Petrochemical Companies:** ONGC supplies crude oil and natural gas to various refineries and petrochemical companies in India and abroad. Some major refineries in India that may be clients of ONGC include Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), and private refineries like Reliance Industries Limited.
3. **Power Generation Companies:** ONGC supplies natural gas to power generation companies for producing electricity. This includes both state-owned and private power generation firms across India.
4. **Fertilizer Companies:** ONGC supplies natural gas to fertilizer companies for the production of fertilizers.

5. ONGC Videsh Limited (OVL): OVL, the international arm of ONGC, collaborates with various international companies and governments for exploration and production projects abroad.

6. Joint Venture Partners: ONGC collaborates with various domestic and international companies through joint ventures for exploration, production, and other projects.

7. Supporting Industries and Service Providers: ONGC engages with a range of service providers, contractors, and suppliers for various operational needs including drilling services, logistics, engineering services, and technology providers.



OPERATIONS

.It is involved in various operations across the entire hydrocarbon value chain, including:

1.Exploration and Production (E&P):

- ONGC explores for and produces oil and natural gas from its domestic and international assets. This involves identifying potential hydrocarbon reserves, drilling exploratory wells, and managing production operations.

2.Refining:

- While ONGC primarily focuses on upstream operations (exploration and production), it has some downstream interests through its subsidiary MRPL (Mangalore Refinery and Petrochemicals Limited). MRPL operates a refinery in Mangalore, India.

3.Petrochemicals:

- ONGC Petro Additions Limited (OPaL), a subsidiary of ONGC, operates a petrochemical complex in Dahej, Gujarat. This complex produces various petrochemical products like polymers and chemicals.

4.Marketing and Distribution:

- ONGC also has interests in marketing petroleum products. Although its primary function is upstream, it participates in the distribution network through its subsidiaries and joint ventures.

5. International Operations:

- ONGC Videsh Limited (OVL) is the international arm of ONGC, responsible for its overseas E&P activities. OVL has interests in various oil and gas assets in countries like Russia, Vietnam, Sudan, Myanmar, and others.

6. Research and Development:

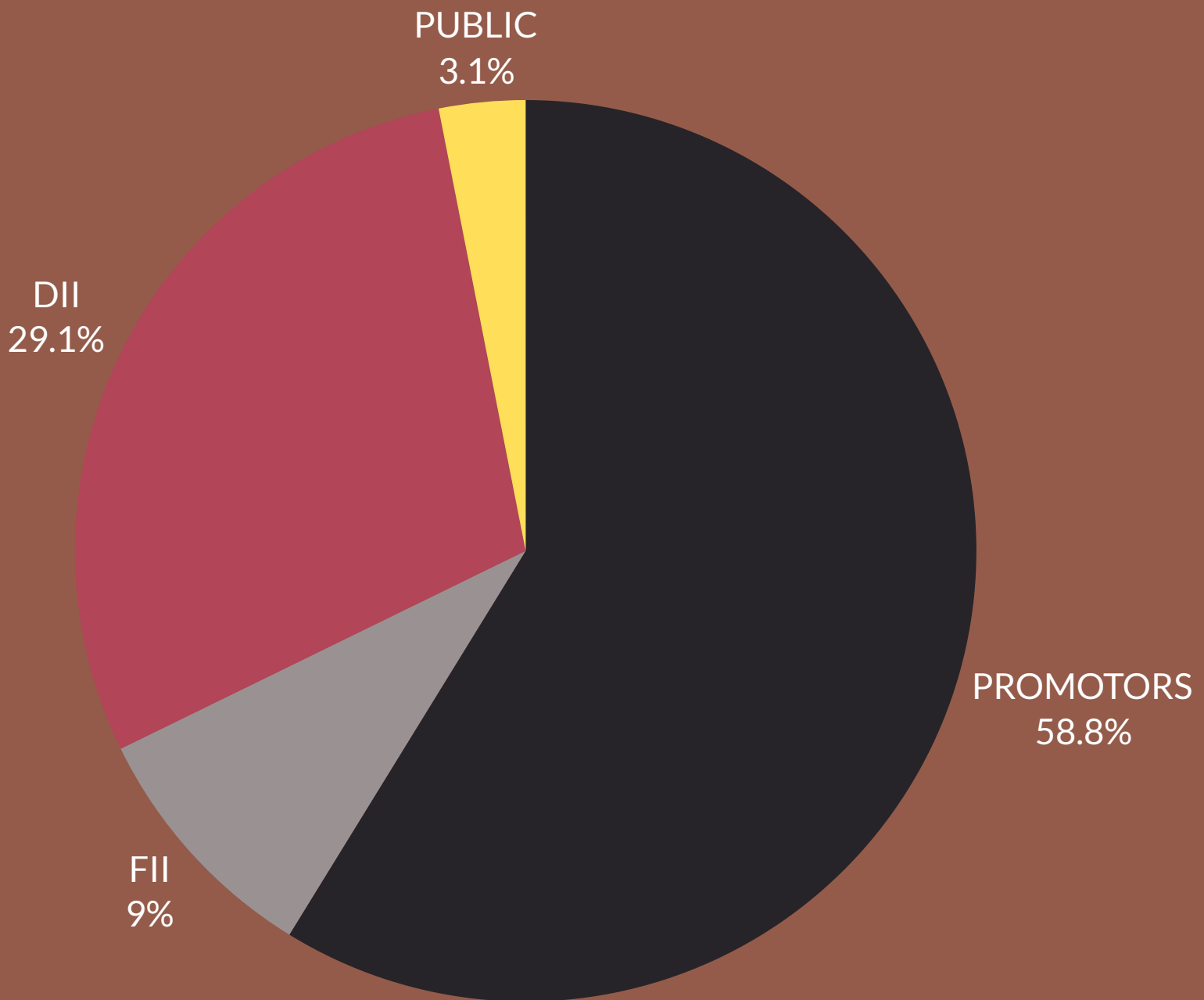
- ONGC invests in research and development to enhance exploration and production efficiency, develop new technologies, and improve environmental sustainability in its operations.

7. Corporate Social Responsibility (CSR):

- Like many large corporations, ONGC has a significant CSR program focusing on community development, education, healthcare, environmental sustainability, and infrastructure development in areas near its operations.



EQUITY SPLIT



Promoters have 58.8% shareholding in the company, foreign institutional investors have 9%, domestic institutional investors have 29.1% and public has 3.1% shareholding in the company.

SWOT ANALYSIS

Strengths of ONGC

1. **Strong Corporation:** The ONGC corporation has a strong brand name, high-profit margins and revenues and employees more than 30,000 people.
2. **Market Share:** ONGC supplies over 30% of India's crude oil needs. Contributes more than 70% of India's crude oil output and more than 80% of India's natural gas production.
3. **Robust Marketing & Business Model:** It also features a robust business model and a market-leading concept. ONGC is always ahead with its marketing campaigns to save the planet by using natural resources. This in turn has increased the brand reputation in the public's eye.
4. **Successful in its Market:** It is the most successful corporation in the natural gas market and it is one of the top companies in India in the natural gas sector. The firm has strong advertising and branding, as well as recognition from various awards.
5. **Organic Expansion:** Through a broad network of trunk pipelines, ONGC has proven organic expansion in gas transportation.
6. **Strong Backing:** ONGC, which is owned by the Government of India, has substantial financial backing. To commemorate the 50th anniversary of ONGC, a commemorative coin set was created.

Weaknesses of ONGC

1. **Slow Decisions**: As ONGC is a government-owned firm, slow bureaucratic decisions by them can decrease efficiency in a firm.
2. **Decreasing Market Share**: Due to intense rivalry, ONGC's market share growth is constrained. ONGC's profitability ratio and net contribution percent are lower than the industry average.
3. **R&D**: Investment in R&D is lower than that of the industry's fastest rising firms. Outside of the primary business, there has been limited success.
4. **Financial & Technological Resources**: The company's fundamental issue is a lack of financial and technological resources, which has contributed to India's economic slump.

Opportunities for ONGC

1. **Rising Oil Market**: Rising fuel/oil prices suggest larger profit margins for ONGC. More oil well discoveries can help ONGC grow its company.
2. **Global Expansion**: Expand global export markets and establish international alliances. Expansion of the natural gas market.

3. **Lower Inflation Rate:** A low inflation rate increases market stability and allows ONGC consumers obtain credit at a lower interest rate.

4. **Technological Advancement:** The new technology allows ONGC to pursue a unique pricing approach in the new market. It will help the organisation to retain existing clients by delivering outstanding service while also attracting new customers through various value-added offers.

5. **Dilution of Rivals' Advantage:** The market development will result in a dilution of rivals' advantages, allowing ONGC to strengthen its competitiveness in comparison to its competitors. The fundamental capabilities of an organisation might lead to success in the field of related other items.

Threats to ONGC

1. **Increasing Crude Oil Prices:** Changing crude oil prices might have an impact on the business.

2. Local Distributors: Growing local distributor strengths pose a challenge in some areas since competition pays larger margins to local distributors.

3. Risk of Production: Drilling natural gas wells involve many risks, including the risk that the company may not encounter natural gas reservoirs with commercial production capacity.

4. Fierce Competition: The company faces fierce competition in the different market segments it serves, which is a threat for the company. Because of fierce competition from both domestic and international competitors, the company may lose its identity as a powerful brand name.



BALANCE SHEET

Consolidated Figures in ₹. Crores / View Standalone

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Equity Capital	4,278	4,278	4,278	4,278	6,417	6,417	6,290	6,290	6,290	6,290	6,290	6,290
Reserves	148,250	167,874	176,177	193,536	187,969	197,602	210,644	198,814	214,691	253,213	274,357	330,780
Borrowings +	20,686	49,113	53,944	45,500	80,029	106,550	107,742	129,473	133,187	121,986	142,255	153,181
Other Liabilities +	80,211	103,711	103,448	98,459	170,111	148,664	167,667	173,787	187,580	201,771	190,212	219,942
Total Liabilities	253,424	324,976	337,847	341,772	444,525	459,232	492,343	508,364	541,748	583,260	613,115	710,193
Fixed Assets +	49,104	64,655	88,928	46,385	81,510	82,970	86,011	103,848	104,466	111,050	119,836	322,447
CWIP	53,385	72,034	63,393	57,668	59,042	61,512	69,056	83,832	100,309	106,719	113,945	92,029
Investments	2,128	4,746	4,749	33,387	70,746	67,335	66,909	56,755	60,320	66,642	78,873	102,207
Other Assets +	148,807	183,541	180,776	204,332	233,227	247,416	270,367	263,929	276,653	298,848	300,461	193,510
Total Assets	253,424	324,976	337,847	341,772	444,525	459,232	492,343	508,364	541,748	583,260	613,115	710,193

PROFIT & LOSS

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Sales +	161,984	174,121	160,923	124,036	282,506	322,706	421,624	396,728	303,849	491,246	632,291	643,037
Expenses +	118,482	124,991	118,610	84,901	229,702	265,817	346,805	344,623	254,375	411,373	556,764	540,202
Operating Profit	43,501	49,130	42,312	39,135	52,804	56,889	74,819	52,105	49,473	79,874	75,527	102,835
OPM %	27%	28%	26%	32%	19%	18%	18%	13%	16%	16%	12%	16%
Other Income +	5,488	7,170	5,955	1,067	12,724	10,429	9,567	982	11,271	6,797	-30	12,982
Interest	484	624	2,864	3,766	3,591	4,999	5,837	7,489	5,079	5,696	7,889	10,194
Depreciation	11,763	16,262	18,033	16,384	20,219	23,112	23,704	26,635	25,538	26,883	24,557	28,763
Profit before tax	36,742	39,413	27,370	20,052	41,718	39,208	54,846	18,962	30,126	54,091	43,051	76,860
Tax %	35%	32%	35%	35%	30%	34%	38%	40%	29%	9%	24%	26%
Net Profit +	23,994	26,665	17,703	13,102	29,169	26,068	33,938	11,456	21,360	49,294	32,778	57,101
EPS in Rs	18.87	20.65	14.29	10.03	19.03	17.23	24.28	8.59	12.96	36.19	28.17	39.13
Dividend Payout %	34%	31%	44%	56%	40%	38%	29%	58%	28%	29%	40%	31%

KEY RATIOS

Market Cap	₹ 3,43,504 Cr.	Current Price	₹ 273	High / Low	₹ 293 / 160
Stock P/E	6.83	Book Value	₹ 268	Dividend Yield	4.12 %
ROCE	18.4 %	ROE	16.3 %	Face Value	₹ 5.00

PEER COMPARISON

Sector: Crude Oil & Natural Gas Industry: Oil Drilling / Field Services										
S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	ONGC	272.95	6.83	343504.00	4.12	11526.53	28.88	166770.63	1.65	18.44
2.	Oil India	713.85	9.87	77442.40	1.87	2332.94	22.46	9147.01	16.50	17.73
3.	Hind.Oil Explor.	197.48	13.29	2611.54	0.00	70.61	-59.33	289.61	65.41	18.54
4.	Deep Industries	288.85	15.06	1849.28	0.84	36.68	11.72	119.66	15.66	10.26
5.	Asian Energy	323.95	48.89	1325.75	0.00	14.67	341.70	118.73	313.84	12.51
6.	Selan Expl. Tech	727.05	33.81	1106.93	0.00	12.25	128.97	54.72	105.64	12.28
7.	Deep Energy	167.48	394.07	535.94	0.00	0.56	409.09	0.00	-100.00	0.39
Median: 9 Co.		272.95	15.06	1325.75	0.0	14.67	22.46	119.66	65.41	12.39

Detailed Comparison with:

Competition

Standalone

Consolidated

Name	Last Price	Market Cap. (Rs. cr.)	Sales Turnover	Net Profit	Total Assets
Reliance	3,120.30	2,111,201.32	534,534.00	42,042.00	726,886.00
ONGC	272.95	343,378.72	138,402.13	40,525.96	312,085.76
Oil India	713.85	77,410.26	20,724.58	5,551.85	55,463.43
Petronet LNG	333.80	50,070.00	52,728.43	3,536.20	16,962.80
Dolphin Offshor	695.15	2,780.92	6.47	5.74	149.27
HOEC	197.48	2,611.54	464.00	84.01	1,087.35
Deep Ind	288.85	1,848.64	381.91	104.25	1,396.20
Jindal Drilling	635.80	1,842.62	617.01	114.10	1,471.13
Asian Energy	323.95	1,325.75	305.06	28.70	297.74
Selan Explore	727.05	1,105.12	117.94	30.85	393.77
Deep Energy Res	167.48	535.94	--	1.36	385.79
Aban Offshore	66.10	385.79	90.20	-282.98	-486.22
Nagarjuna Oil	0.20	8.56	--	-1.75	-20.00
ROML-RE	3.45	5.17	--	--	-

FINANCIALS

- There was no significant change in the revenue since last year. In 2023, sales was 6,32,291Cr and in 2024 it was 6,43,037 Cr.
- debt to equity ratio is 0.45, which is good.
- Net profit in year 2024 has increased from 32,778 Cr to 57,101 Cr.
- Return on capital employed is 18%, which is slightly low.
- Return on equity is 16.5%, which is good for an oil industry.
- Earnings per share has increased by Rs. 10. In 2024 the EPS is Rs. 39.
- Other income of the company has increased by a large number from -30Cr. to 12,982Cr. which is mainly the interest income.
- Investments of the company has increased this year from 78,873Cr. to 1,02,207 Cr. which depicts that the company is investing vastly.
- In peer comparison, there are two analysis. In one, it tops the chart among its peers and in the second it is 2nd on the list, Reliance being first.
- Reliance has a higher turnover than ONGC, reliance is at 5,34,534Cr. and ONGC is at 1,38,402Cr.
- Dividend yield of the company is 4%, which is higher than its peers.

CONCLUSION

In my opinion one should **NOT BUY** this share because it is not progressing in the correct direction. The company has not generated any revenue, but has income which is mainly generated the interest income.

Reliance is a better option in this sector, it has higher profits and sales than ONGC.

