

ONGC (ONGC) - BUY

Company Update

Current Market Price (CMP) Rs.285	Fair Value (FV) Rs.375
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Rationale:

- We are raising our oil price assumptions to \$85/bbl for FY27, \$75/bbl for FY28 & LT (\$65/bbl for FY27/28E & \$70/bbl for Long Term (LT) earlier).
- Driven by higher crude price assumptions and NWG realization, we raise our FY27/28 standalone EBITDA estimates by 40%/21%
- With a constructive oil price & production outlook, we raise ONGC's P/E multiple to 7x from 6.5x.
- We upgrade ONGC to BUY with a Fair Value of Rs375.
- ONGC is our top pick.

👍 Positives:

- Higher oil prices led to increased oil realization, along with a rising share of new well gas (NWG).
- The share of NWG has already increased to ~18%. ONGC realizes a price of 12% of the oil price with no cap.
- With gas production ramp-up at KG-98/2 and rising output from Western offshore assets (Mumbai High & Daman), the outlook is particularly optimistic for gas.

👎 Negatives:

- ONGC's earnings are highly sensitive to oil and gas prices as well as exchange rate assumptions.
- Any windfall taxes, if imposed, are likely to be of short duration, in our view.

Bbl: Barrels. KG: Krishna Godavari. PE: Price To Earnings. EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization.



The content of this document has been derived from the KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months