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Trade View Report-



Published Date	February 27th, 2026
Rating	BUY
Trade Type	Medium Term
Stock Name	ONGC
Entry Price	281
Target	316
Stop Loss Price	265
Target%	12%
SL%	5%

Rationale-

ONGC (Oil & Natural Gas Corporation Ltd) is India’s largest upstream E&P PSU with a large, cash-generating asset base and attractive valuation versus peers, but it remains highly cyclical due to crude-price swings.

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1. Business model in brief

ONGC is focused on exploration and production of crude oil and natural gas in India and overseas (via ONGC Videsh).

It supplies almost entirely to Indian refiners/marketing companies (HPCL, etc.), and has a small but growing portfolio in renewables and gas-based projects, with a stated net-zero-by-2038 goal.

2. Key financials (FY25 / TTM)

Market cap: ~₹3.5 lakh crore (large-cap PSU anchor).

Revenue (FY25): ~₹6.59 lakh crore (very large-scale vs OIL).

Net profit (FY25): ~₹44,972 crore, with strong OPM (~48–50% range) and net margin in the mid-teens.

Returns:

ROCE ~12–13%, **ROE** ~10–11% (decent capital efficiency for a low-P/E, low-P/B PSU).

Valuation (as of early-2026):

P/E low- to mid-single digits, P/B well below 2x, and EV/EBITDA ~4.6x – cheaper than many private integrated oils (e.g., Reliance ~12x).

3. Growth and production drivers

Domestic production:

Improving domestic volume outlook and debottlenecking of existing fields, which can partially offset natural decline.

Capex and exploration:

ONGC plans to spend ~₹1 lakh crore+ over several years on exploration and field-development to sustain / modestly lift production.

Global footprint:

ONGC Videsh has overseas E&P projects (~30+ projects in 15+ countries), adding diversification and some hedge against domestic supply shocks.

4. Cash flow, leverage and policy support**Cash generation:**

Very strong operating cash flow; free cash flow can be cyclical but generally supports dividends and moderate capex after a multi-year heavy-spend phase.

Leverage and liquidity:

Ratings agencies highlight low gearing, strong liquidity, and government backing, which keep funding costs benign for a large-cap E&P.

Policy angle:

As the country's largest domestic producer, ONGC gets strong policy support for energy security, pricing discussions, and gas-regime design.

5. Risks and quality concerns**Commodity-price risk:**

Earnings are still highly sensitive to crude and gas realisations; weak oil prices can compress margins and temporarily hurt EPS.

Production-mix and execution:

Some analyst notes flag execution risk in new projects and dependence on gas-realisation stability, especially from new-well gas (NWG).

Capex intensity:

Large multi-year capex (₹1 lakh crore+ plans) can pressure near-term returns if projects underperform or regulations change.

6. Growth and production drivers

Domestic E&P:

ONGC accounts for the bulk of India's domestic crude; even modest production growth or debottlenecking in existing fields is leveraged into large absolute-volume gains.

Analysts highlight KG-basin, Assam-operations, and onshore gas projects as key growth levers over 3–5 years.

Overseas (ONGC Videsh):

OVL added ~4.5 million tonnes of incremental crude-equivalent production in FY24–FY25, and is targeting ~20–25 mtpa by FY30.

Capex and targets:

Block-level guidance points to ~₹1 lakh crore+ capex over multiple years to sustain and lift production, with a focus on high-yield brown-field debottlenecking plus new-field exploration.

7. Policy, energy security, and shareholder returns

Policy anchor:

As a Maharatna PSU and core-domestic producer, ONGC is central to India's energy-security narrative and gas-infrastructure push.

Gas pricing and demand:

Rising domestic gas demand and focus on cleaner fuels support medium-term realisations, although gas-price volatility remains a key risk.

Dividends and buybacks:

ONGC has historically paid high dividends and has also run buyback programs, making it attractive to income-plus-growth investors at current low multiples.

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Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Trading in Futures & Options (F&O) carries high risk as it depends on market momentum. "Registration granted by SEBI & Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to Investors." Past performance is no guarantee of future results.

Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

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