

**BUY**

TP: Rs 104 | ▲ 43%

**ONGC**

Oil & Gas

17 November 2020

## Worst appears priced in

**ONGC's Q2FY21 EBITDA at Rs 84bn (-36% YoY) outperformed estimates on account of lower operating costs. Q2 highlights: (a) oil/gas production continued to decline (-2.7%/-6.2% YoY), (b) operating costs were in line at US\$ 6.2/bbl, and (c) oil price realisation reduced to US\$ 41.4/bbl (-31% YoY). We raise FY21/FY22/FY23 earnings by 85%/27%/20% to build in lower operating costs and better operating profits for OVL. Our Sep'21 TP changes to Rs 104 (vs. Rs 96). Probable improvement in gas pricing could lead to further rerating.**

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

**Production remains a drag:** Oil and gas production continued to decline as fields remained impacted by delays in workover operations and as domestic gas demand reduced (mostly from the CGD segment). Production could return to normal in H2FY21 once demand revives. Concerns over incremental gas production from new fields such as KG-98/2 remain as the pandemic has disrupted development plans. Management will provide revised guidance on production ramp-up over the next few weeks.

|                  |               |
|------------------|---------------|
| Ticker/Price     | ONGC IN/Rs 73 |
| Market cap       | US\$ 12.3bn   |
| Shares o/s       | 12,580mn      |
| 3M ADV           | US\$ 19.8mn   |
| 52wk high/low    | Rs 139/Rs 50  |
| Promoter/FPI/DII | 60%/8%/32%    |

Source: NSE

**Management striving for higher gas price:** ONGC's management continues to pursue a higher price for APM gas in an effort to staunch the profit bleed (operating costs at >US\$ 3/mmbtu for APM gas). The recent price revision to US\$ 1.8/mmbtu (at a deep discount to ~US\$ 5/mmbtu for RasGas LNG) makes it unviable to pursue incremental investments for production ramp-up.

## STOCK PERFORMANCE



Source: NSE

**Worst seems priced in:** The stock's underperformance despite the recent rise in oil prices provides valuation comfort, especially with the decline in operating costs. With oil prices remaining robust, we find risk-reward favourable and upgrade earnings estimates. As cash flows improve coupled with a decline in leverage, we see a strong probability of either higher dividend payout or buybacks.

## KEY FINANCIALS

| Y/E 31 Mar              | FY19A     | FY20A     | FY21E     | FY22E     | FY23E     |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Total revenue (Rs mn)   | 4,534,606 | 4,250,014 | 2,913,433 | 3,634,289 | 4,579,124 |
| EBITDA (Rs mn)          | 838,648   | 611,687   | 441,878   | 527,455   | 654,196   |
| Adj. net profit (Rs mn) | 348,309   | 168,256   | 109,668   | 161,321   | 222,463   |
| Adj. EPS (Rs)           | 27.7      | 13.4      | 8.7       | 12.8      | 17.7      |
| Adj. EPS growth (%)     | 51.6      | (51.7)    | (34.8)    | 47.1      | 37.9      |
| Adj. ROAE (%)           | 16.4      | 7.9       | 5.2       | 7.2       | 9.4       |
| Adj. P/E (x)            | 2.6       | 5.4       | 8.3       | 5.7       | 4.1       |
| EV/EBITDA (x)           | 2.0       | 3.1       | 4.4       | 3.6       | 2.9       |

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



**FIG 1 – QUARTERLY PERFORMANCE**

| (Rs mn)                             | Q2FY21         | Q2FY20         | YoY (%)       | Q1FY21         | QoQ (%)      | H1FY21         | H1FY20         | YoY (%)       |
|-------------------------------------|----------------|----------------|---------------|----------------|--------------|----------------|----------------|---------------|
| <b>Net revenues</b>                 | <b>169,171</b> | <b>244,926</b> | <b>(30.9)</b> | <b>130,113</b> | <b>30.0</b>  | <b>299,284</b> | <b>510,474</b> | <b>(41.4)</b> |
| Employee costs                      | 6,161          | 6,332          | (2.7)         | 4,985          | 23.6         | 11,146         | 12,414         | (10.2)        |
| % of sales                          | 3.6            | 2.6            | -             | 3.8            | -            | 3.7            | 2.4            | -             |
| Other expenditure                   | 78,657         | 105,692        | (25.6)        | 66,051         | 19.1         | 144,708        | 214,037        | (32.4)        |
| % of sales                          | 46.5           | 43.2           | -             | 50.8           | -            | 48.4           | 41.9           | -             |
| <b>EBITDA</b>                       | <b>84,353</b>  | <b>132,903</b> | <b>(36.5)</b> | <b>59,077</b>  | <b>42.8</b>  | <b>143,431</b> | <b>284,023</b> | <b>(49.5)</b> |
| <b>EBITDA margin (%)</b>            | <b>49.9</b>    | <b>54.3</b>    | <b>-</b>      | <b>45.4</b>    | <b>-</b>     | <b>47.9</b>    | <b>55.6</b>    | <b>-</b>      |
| DD&A                                | 51,254         | 61,762         | (17.0)        | 49,492         | 3.6          | 100,746        | 123,324        | (18.3)        |
| Interest                            | 3,172          | 6,818          | (53.5)        | 4,918.40       | (35.5)       | 8,091          | 13,278         | (39.1)        |
| Other income                        | 22,355         | 26,602         | (16.0)        | 4,368          | 411.8        | 26,723         | 34,077         | (21.6)        |
| Exceptional Item                    | (12,382)       | -              | -             | -              | -            | (12,382)       | -              | -             |
| <b>PBT</b>                          | <b>39,900</b>  | <b>90,925</b>  | <b>(56.1)</b> | <b>9,035</b>   | <b>341.6</b> | <b>48,935</b>  | <b>181,497</b> | <b>(73.0)</b> |
| Provision for tax                   | 11,122         | 27,563         | (59.6)        | 4,075          | 172.9        | 15,197         | 59,092         | (74.3)        |
| effective tax rate                  | 27.87          | 30.31          | -             | 45.11          | -            | 31.06          | 32.56          | -             |
| <b>PAT (reported)</b>               | <b>28,778</b>  | <b>63,362</b>  | <b>(54.6)</b> | <b>4,960</b>   | <b>480.2</b> | <b>33,738</b>  | <b>122,405</b> | <b>(72.4)</b> |
| <b>PAT (adjusted)</b>               | <b>41,160</b>  | <b>63,362</b>  | <b>(35.0)</b> | <b>4,960</b>   | <b>729.9</b> | <b>46,120</b>  | <b>122,405</b> | <b>(62.3)</b> |
| <b>EPS (adjusted) (Rs/share)</b>    | <b>3.3</b>     | <b>5.0</b>     | <b>(35.0)</b> | <b>0.4</b>     | <b>729.9</b> | <b>3.7</b>     | <b>9.7</b>     | <b>(62.3)</b> |
| <b>Net realisation (US\$/bbl)</b>   | <b>41.4</b>    | <b>60.3</b>    | <b>(31.4)</b> | <b>28.7</b>    | <b>44.1</b>  | <b>35.1</b>    | <b>63.3</b>    | <b>(44.6)</b> |
| <b>Gas realisation (US\$/mmbtu)</b> | <b>2.7</b>     | <b>4.2</b>     | <b>(35.2)</b> | <b>2.66</b>    | <b>2.1</b>   | <b>2.7</b>     | <b>3.3</b>     | <b>(19.6)</b> |

Source: Company, BOBCAPS Research

**FIG 2 – QUARTERLY PRODUCTION**

|                      | Q2FY21      | Q2FY20      | YoY (%)      | Q1FY21      | QoQ (%)    | H1FY21      | H1FY20      | YoY (%)      |
|----------------------|-------------|-------------|--------------|-------------|------------|-------------|-------------|--------------|
| <b>Production</b>    |             |             |              |             |            |             |             |              |
| Oil (mmt)            | 5.7         | 5.8         | (2.7)        | 5.7         | 0.4        | 11.4        | 11.7        | (3.1)        |
| Gas (bcm)            | 5.9         | 6.3         | (6.2)        | 5.5         | 6.0        | 11.4        | 12.7        | (9.9)        |
| <b>Total (mmtoe)</b> | <b>11.6</b> | <b>12.1</b> | <b>(4.5)</b> | <b>11.2</b> | <b>3.2</b> | <b>22.8</b> | <b>24.4</b> | <b>(6.6)</b> |
| <b>Sales</b>         |             |             |              |             |            |             |             |              |
| Oil (mmt)            | 5.1         | 5.4         | (6.4)        | 5.2         | (1.8)      | 10.2        | 10.7        | (4.5)        |
| Gas (bcm)            | 4.6         | 4.9         | (7.4)        | 4.2         | 7.5        | 8.8         | 9.9         | (11.3)       |
| <b>Total (mmtoe)</b> | <b>9.6</b>  | <b>10.3</b> | <b>(6.9)</b> | <b>9.4</b>  | <b>2.4</b> | <b>19.0</b> | <b>20.6</b> | <b>(7.8)</b> |

Source: Company, BOBCAPS Research

## Earnings call highlights

- Interest costs have reduced substantially due to a decrease in short-term loans and commercial papers.
- Depletion cost has decreased due to the upgrade of reserves at Mumbai offshore.
- The pandemic has thrown the production schedule from KG-98/2 out of gear. Capital cost for the development was less than anticipated but management did not give exact details of this cost reduction.
- Management is confident of achieving breakeven on marketing of incremental gas production due to the announcement of market pricing freedom. It also indicated that RasGas pricing levels would be more relevant for the revised APM gas pricing (as the government takes up the matter).
- Capex guidance was reduced from Rs 325bn to Rs 260bn at the onset of the pandemic. As the economy has begun to recover, guidance has been revised to Rs 300bn-320bn.

## Valuation methodology

The stock's underperformance despite the recent rise in oil prices provides valuation comfort, especially with the decline in operating costs. With oil prices remaining robust, we find risk-reward favourable and upgrade earnings estimates. As cash flows improve coupled with a decline in leverage, we see a strong probability of either higher dividend payout or buybacks.

We raise FY21/FY22/FY23 earnings by 85%/27%/20% to build in lower operating costs and better operating profits for OVL. Our Sep'21 target price changes to Rs 104 (vs. Rs 96). Probable improvement in gas pricing could lead to further rerating. Maintain BUY.

**FIG 3 – REVISED ESTIMATES**

| (Rs bn)           | FY21E |       |         | FY22E |       |         | FY23E |       |         |
|-------------------|-------|-------|---------|-------|-------|---------|-------|-------|---------|
|                   | Old   | New   | Var (%) | Old   | New   | Var (%) | New   | New   | Var (%) |
| Revenue           | 2,863 | 2,913 | 1.8     | 3,603 | 3,634 | 0.9     | 4,515 | 4,579 | 1.4     |
| EBITDA            | 381   | 442   | 15.8    | 479   | 527   | 10.2    | 602   | 654   | 8.7     |
| EBITDA margin (%) | 13.3  | 15.2  | -       | 13.3  | 14.5  | -       | 13.3  | 14.3  | -       |
| PAT               | 59.1  | 110   | 85.7    | 126.9 | 161   | 27.1    | 185   | 222   | 20.3    |
| PAT margin (%)    | 2.1   | 3.8   | -       | 3.5   | 4.4   | -       | 4.1   | 4.9   | -       |
| EPS (Rs)          | 4.7   | 8.7   | 85.7    | 10.1  | 12.8  | 27.1    | 14.7  | 17.7  | 20.3    |

Source: BOBCAPS Research

Our SOTP valuation includes the following:

- core business valued at an unchanged 3x Sep'22E consolidated cash earnings,
- value of holdings in HPCL (based on our SOTP value for HPCL net of cost of acquisition) and MRPL (unchanged at 6x Sep'22E EV/EBITDA), and
- investment value of holdings in other listed entities (GAIL, IOCL, etc.) at 20% discount to CMP.

**FIG 4 – VALUATION SUMMARY**

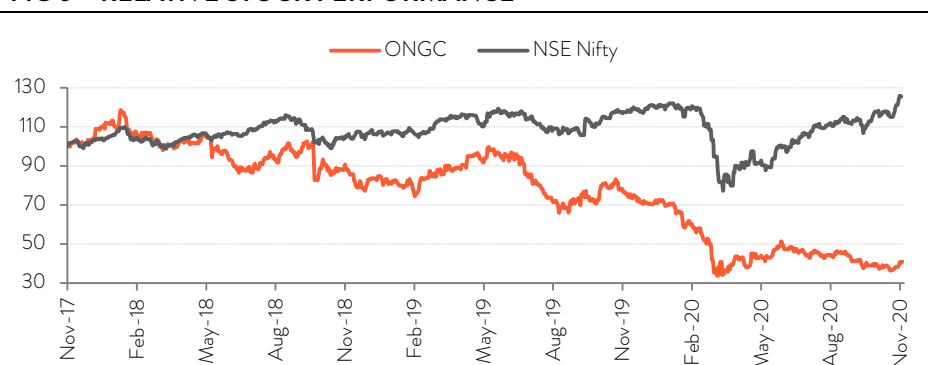
| Particulars                                 | Value (Rs bn) | Comments  |
|---|---------------|---|
| ONGC/OVL value                              | 1,251         | 3x Sep'22E consolidated cash earnings (excluding HPCL and MRPL)                 |
| HPCL and MRPL business value (net of costs) | (32)          | As per our SOTP valuation for HPCL (net of costs); MRPL at 6x Sep'22E EV/EBITDA |
| <b>Core equity value</b>                    | <b>1,219</b>  |   |
| <b>Core value (Rs/share)</b>                | <b>97</b>     | <b>7.6x FY22E EPS</b>   |
| Value of holdings (Rs/share)                | 7             | Listed companies @ 20% discount to their CMP (other than MRPL, HPCL)            |
| <b>Value (Rs/share)</b>                     | <b>104</b>    |   |

Source: BOBCAPS Research

**FIG 5 – KEY ASSUMPTIONS**

|                                   | FY21E     | FY22E     | FY23E     |
|-----------------------------------|-----------|-----------|-----------|
| <b>Brent oil price (US\$/bbl)</b> | <b>40</b> | <b>45</b> | <b>50</b> |
| <b>USDINR</b>                     | <b>76</b> | <b>78</b> | <b>80</b> |
| <b>ONGC &amp; JV</b>              |           |           |           |
| Crude production (mmt)            | 22.6      | 22.6      | 22.6      |
| Gas production (bcm)              | 24.34     | 25.8      | 25.8      |
| APM Gas price (US\$/mmbtu)        | 2.8       | 2.9       | 3.3       |
| <b>OVL</b>                        |           |           |           |
| Crude production (mmt)            | 10.1      | 10.1      | 10.1      |
| Gas production (bcm)              | 5.0       | 5.3       | 5.3       |
| <b>MRPL</b>                       |           |           |           |
| Refining throughput (mmtpa)       | 16.5      | 16.5      | 16.5      |
| GRM (US\$/bbl)                    | 5.0       | 6.0       | 6.0       |

Source: BOBCAPS Research

**FIG 6 – RELATIVE STOCK PERFORMANCE**

Source: NSE

## Key risks

Key risks to our estimates are:

- lower-than-expected oil and gas prices,
- delay or abandonment of Mozambique development (ONGC has invested >US\$ 6bn in Mozambique Area 1 fields for a 16% stake),
- revival of any upstream oil subsidy mechanism by the government, and
- forced M&A with any other public sector company.

## FINANCIALS

### Income Statement

| Y/E 31 Mar (Rs mn)             | FY19A            | FY20A            | FY21E            | FY22E            | FY23E            |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total revenue</b>           | <b>4,534,606</b> | <b>4,250,014</b> | <b>2,913,433</b> | <b>3,634,289</b> | <b>4,579,124</b> |
| EBITDA                         | 838,648          | 611,687          | 441,878          | 527,455          | 654,196          |
| Depreciation                   | (332,469)        | (356,583)        | (334,715)        | (359,036)        | (381,094)        |
| EBIT                           | 506,179          | 255,104          | 107,163          | 168,419          | 273,103          |
| Net interest income/(expenses) | (58,367)         | (69,998)         | (60,863)         | (65,535)         | (77,269)         |
| Other income/(expenses)        | 81,488           | 85,316           | 93,190           | 107,446          | 104,070          |
| Exceptional items              | (15,910)         | (90,285)         | 0                | 0                | 0                |
| EBT                            | 529,299          | 270,422          | 139,490          | 210,329          | 299,903          |
| Income taxes                   | (208,802)        | (75,080)         | (40,366)         | (59,553)         | (87,984)         |
| Min. int./Inc. from associates | 34,283           | 10,544           | 10,544           | 10,544           | 10,544           |
| <b>Reported net profit</b>     | <b>338,870</b>   | <b>115,601</b>   | <b>109,668</b>   | <b>161,321</b>   | <b>222,463</b>   |
| <b>Adjusted net profit</b>     | <b>348,309</b>   | <b>168,256</b>   | <b>109,668</b>   | <b>161,321</b>   | <b>222,463</b>   |

### Balance Sheet

| Y/E 31 Mar (Rs mn)                    | FY19A            | FY20A            | FY21E            | FY22E            | FY23E            |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Accounts payables                     | 305,575          | 229,679          | 149,481          | 220,589          | 306,040          |
| Other current liabilities             | 452,175          | 589,312          | 558,035          | 585,623          | 621,224          |
| Provisions                            | 322,323          | 372,878          | 375,832          | 376,544          | 377,246          |
| Debt funds                            | 1,026,716        | 1,137,925        | 1,223,550        | 1,481,071        | 1,747,189        |
| Other liabilities                     | 456,357          | 434,725          | 441,405          | 456,091          | 472,939          |
| Equity capital                        | 62,901           | 62,901           | 62,901           | 62,901           | 62,901           |
| Reserves & surplus                    | 2,142,314        | 2,006,634        | 2,101,823        | 2,227,024        | 2,391,406        |
| Shareholders' fund                    | 2,205,216        | 2,069,536        | 2,164,724        | 2,289,925        | 2,454,308        |
| <b>Total liabilities and equities</b> | <b>4,949,424</b> | <b>5,012,183</b> | <b>5,091,154</b> | <b>5,587,971</b> | <b>6,157,074</b> |
| Cash and cash eq.                     | 41,059           | 57,041           | 316,878          | 367,046          | 486,433          |
| Accounts receivables                  | 174,533          | 115,475          | 93,032           | 115,233          | 144,050          |
| Inventories                           | 351,807          | 330,512          | 313,868          | 389,412          | 487,920          |
| Other current assets                  | 358,820          | 395,072          | 226,849          | 303,770          | 374,402          |
| Investments                           | 669,112          | 506,403          | 546,592          | 591,845          | 637,139          |
| Net fixed assets                      | 2,522,648        | 2,626,989        | 2,693,830        | 2,877,871        | 3,055,963        |
| CWIP                                  | 690,563          | 838,324          | 757,738          | 800,427          | 828,800          |
| Intangible assets                     | 140,884          | 142,367          | 142,367          | 142,367          | 142,367          |
| <b>Total assets</b>                   | <b>4,949,424</b> | <b>5,012,183</b> | <b>5,091,154</b> | <b>5,587,970</b> | <b>6,157,074</b> |

Source: Company, BOBCAPS Research

### Cash Flows

| Y/E 31 Mar (Rs mn)                  | FY19A            | FY20A            | FY21E            | FY22E            | FY23E            |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Net income + Depreciation           | 703,032          | 435,921          | 509,157          | 578,661          | 645,322          |
| Changes in working capital          | 218,857          | 155,896          | 98,788           | (75,257)         | (76,201)         |
| Other operating cash flows          | (24,280)         | (16,663)         | (86,510)         | (92,760)         | (87,222)         |
| <b>Cash flow from operations</b>    | <b>897,609</b>   | <b>575,154</b>   | <b>521,435</b>   | <b>410,644</b>   | <b>481,900</b>   |
| Capital expenditures                | (843,703)        | (572,421)        | (385,744)        | (644,071)        | (629,324)        |
| Change in investments               | 4,234            | 162,709          | (40,189)         | (45,252)         | (45,295)         |
| Other investing cash flows          | 81,488           | 85,316           | 93,190           | 107,446          | 104,070          |
| <b>Cash flow from investing</b>     | <b>(757,981)</b> | <b>(324,397)</b> | <b>(332,744)</b> | <b>(581,878)</b> | <b>(570,549)</b> |
| Debt raised/repaid                  | 14,256           | 111,209          | 85,625           | 257,521          | 266,118          |
| Dividends paid                      | (103,033)        | (93,954)         | (14,480)         | (36,120)         | (58,081)         |
| Other financing cash flows          | (60,576)         | (252,029)        | 0                | 0                | 0                |
| <b>Cash flow from financing</b>     | <b>(149,353)</b> | <b>(234,775)</b> | <b>71,146</b>    | <b>221,402</b>   | <b>208,037</b>   |
| <b>Changes in cash and cash eq.</b> | <b>(9,725)</b>   | <b>15,983</b>    | <b>259,837</b>   | <b>50,168</b>    | <b>119,388</b>   |
| <b>Closing cash and cash eq.</b>    | <b>41,059</b>    | <b>57,041</b>    | <b>316,878</b>   | <b>367,046</b>   | <b>486,433</b>   |

### Per Share

| Y/E 31 Mar (Rs)      | FY19A | FY20A | FY21E | FY22E | FY23E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS         | 26.9  | 9.2   | 8.7   | 12.8  | 17.7  |
| Adjusted EPS         | 27.7  | 13.4  | 8.7   | 12.8  | 17.7  |
| Dividend per share   | 7.0   | 6.4   | 1.0   | 2.5   | 3.9   |
| Book value per share | 175.3 | 164.5 | 172.1 | 182.0 | 195.1 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY19A | FY20A | FY21E | FY22E | FY23E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales       | 0.4   | 0.4   | 0.7   | 0.5   | 0.4   |
| EV/EBITDA      | 2.0   | 3.1   | 4.4   | 3.6   | 2.9   |
| Adjusted P/E   | 2.6   | 5.4   | 8.3   | 5.7   | 4.1   |
| P/BV           | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   |

### DuPont Analysis

| Y/E 31 Mar (%)                  | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT)     | 67.8  | 93.4  | 78.6  | 76.7  | 74.2  |
| Interest burden (PBT/EBIT)      | 101.4 | 70.6  | 130.2 | 124.9 | 109.8 |
| EBIT margin (EBIT/Revenue)      | 11.2  | 6.0   | 3.7   | 4.6   | 6.0   |
| Asset turnover (Revenue/Avg TA) | 94.9  | 85.3  | 57.7  | 68.1  | 78.0  |
| Leverage (Avg TA/Avg Equity)    | 2.2   | 2.3   | 2.4   | 2.4   | 2.5   |
| Adjusted ROAE                   | 16.4  | 7.9   | 5.2   | 7.2   | 9.4   |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

### Ratio Analysis

| Y/E 31 Mar                                   | FY19A | FY20A  | FY21E  | FY22E | FY23E |
|--|-------|--------|--------|-------|-------|
| <b>YoY growth (%)</b>                        |       |        |        |       |       |
| Revenue                                      | 25.2  | (6.3)  | (31.4) | 24.7  | 26.0  |
| EBITDA                                       | 27.4  | (27.1) | (27.8) | 19.4  | 24.0  |
| Adjusted EPS                                 | 51.6  | (51.7) | (34.8) | 47.1  | 37.9  |
| <b>Profitability &amp; Return ratios (%)</b> |       |        |        |       |       |
| EBITDA margin                                | 18.5  | 14.4   | 15.2   | 14.5  | 14.3  |
| EBIT margin                                  | 11.2  | 6.0    | 3.7    | 4.6   | 6.0   |
| Adjusted profit margin                       | 7.7   | 4.0    | 3.8    | 4.4   | 4.9   |
| Adjusted ROAE                                | 16.4  | 7.9    | 5.2    | 7.2   | 9.4   |
| ROCE   | 9.1   | 4.4    | 2.2    | 3.2   | 4.6   |
| <b>Working capital days (days)</b>           |       |        |        |       |       |
| Receivables                                  | 13    | 12     | 13     | 10    | 10    |
| Inventory                                    | 45    | 47     | 66     | 55    | 52    |
| Payables                                     | 28    | 27     | 28     | 22    | 24    |
| <b>Ratios (x)</b>                            |       |        |        |       |       |
| Gross asset turnover                         | 0.9   | 0.8    | 0.5    | 0.6   | 0.7   |
| Current ratio                                | 0.6   | 0.6    | 0.6    | 0.6   | 0.7   |
| Net interest coverage ratio                  | 8.7   | 3.6    | 1.8    | 2.6   | 3.5   |
| Adjusted debt/equity                         | 0.4   | 0.5    | 0.4    | 0.5   | 0.5   |

Source: Company, BOBCAPS Research



## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

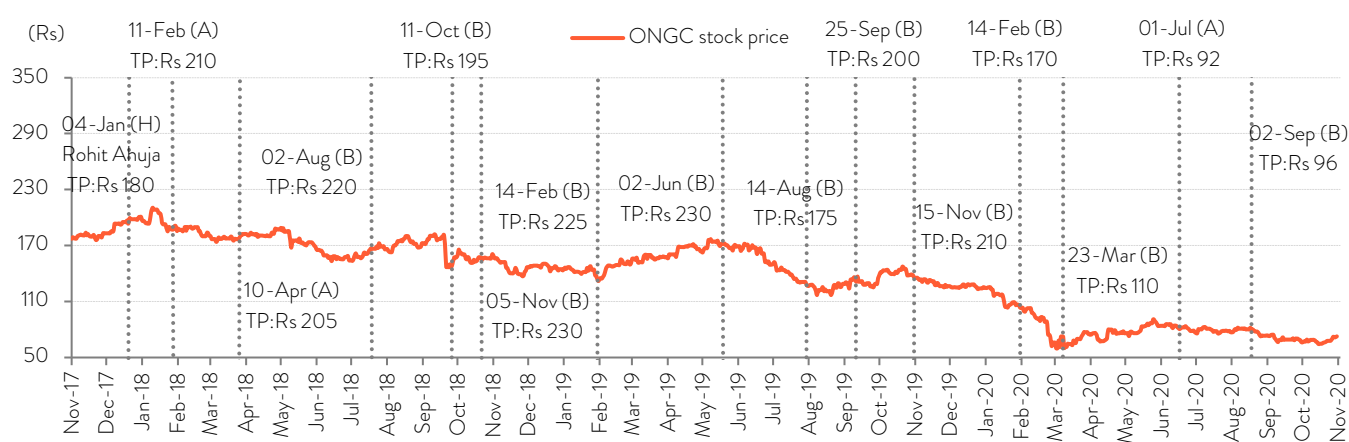
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### RATINGS AND TARGET PRICE (3-YEAR HISTORY): ONGC (ONGC IN)



B – Buy, A – Add, R – Reduce, S – Sell, H – Hold

### Rating distribution

As of 31 October 2020, out of 88 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 42 have BUY ratings, 14 have ADD ratings, 10 are rated REDUCE and 22 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.