

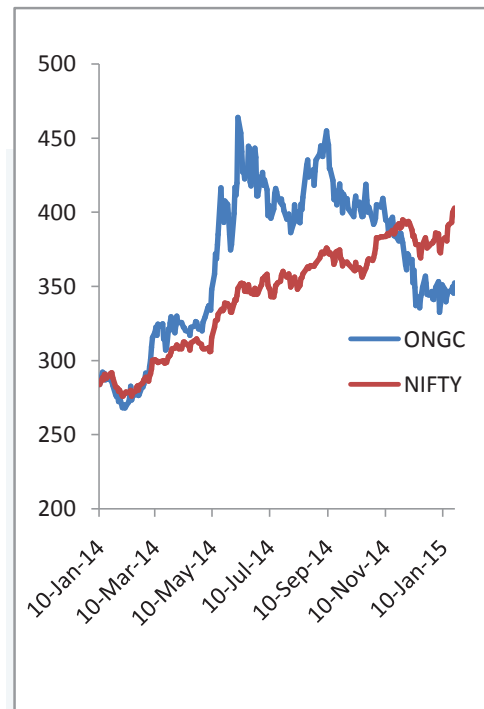
| Result update | BUY |
|-----------------------|-------|
| CMP | 352.4 |
| Target | |
| Previous Target Price | - |
| Upside % | |
| Change from Previous | - |

| Market Data | |
|-------------------------|-----------|
| BSE Code | 500312 |
| NSE Symbol | ONGC |
| 52wk Range H/L | 472/264 |
| Mkt Capital (Rs Crores) | 301495.47 |
| Average Daily Volume | 320381 |
| Nifty | 8813.45 |

| Stock Performance | 1M | 1yr | YTD |
|-------------------|------|-------|-------|
| Absolute | -1.0 | 22.0 | 24.0 |
| Rel. to Nifty | -7.0 | -17.0 | -18.0 |

| Share Holding Pattern-% | Current | 2QFY15 | 1QFY15 |
|-------------------------|---------|--------|--------|
| Promoters | 69 | 69 | 69 |
| FII | 7 | 7 | 7 |
| DII | 10 | 10 | 11 |
| Others | 14 | 14 | 14 |

ONGC Vs Nifty



Company Profile

Oil and Natural Gas Corporation Ltd, a Fortune 500 company, is an eminent exploration and production (E&P) company in India. The company has organized into the geographical and business segments. The geographical segment includes operations in two categories: In India, which include onshore and offshore, and outside India. The business segment includes exploration & production and refining activities. It currently accounts for 68% of Indian's domestic oil and gas production. Through its 100% subsidiary ONGC Videsh Limited (OVL), it has equity investments in E&P blocks in 16 countries. Downstream presence is marked through its subsidiary (71.6% stake), MRPL.

Result Analysis.

Quarterly results Highlights-Q2FY15

Decent 2Q: ONGC reported Net Sales at Rs 20361Cr. (declined by 6.4% on sequential basis and 8.7% on YoY basis) on the back of 10% fall in the net crude realization along with lower production. Gross realization stood at USD 102.13/bbl for 2QFY15 versus USD 109.48 in Q1FY15. The Net realization stood at USD 41.35/bbl for 2QFY15 against USD 47.15/bbl in Q1FY15. Net realization in Rupee terms decreased by 10.07% yearly to Rs. 2505 per barrel in 2QFY15.

EBITDA of Rs 9029Cr (increased by 2% on sequential basis however decreased by 10% on YoY basis) due to higher employee cost and statutory levies. The OPM for the quarter came at 44.34% The profits for the quarter came at Rs 5445Cr with increase of 13.9% on sequential basis due to lower dry well write off and higher other income. The NPM came at 26.74% for the quarter down by 44bps.

Operational Front

Crude production remained flattish at 6.4mmt sequentially. Natural Gas Production was 5.7bcm decreased by 6.1% sequentially. ONGC 's total natural gas sales volume declined to 4.3bcm in 2QFY15 from 4.7bcm in 1QFY15 led by temporary shutdown in production from some fields in western offshore.

Key Highlights of Management Interview

Oil production -27.14 MMT (23.5MMT from standalone+3.6mmt from JV)

Gas production - 25.34 BCM (24bcm+1.3bcm)

→Developing 11 projects (Capex of 36300Cr) (5 commissioned in FY15, 6 in FY16, and 1 in FY17)

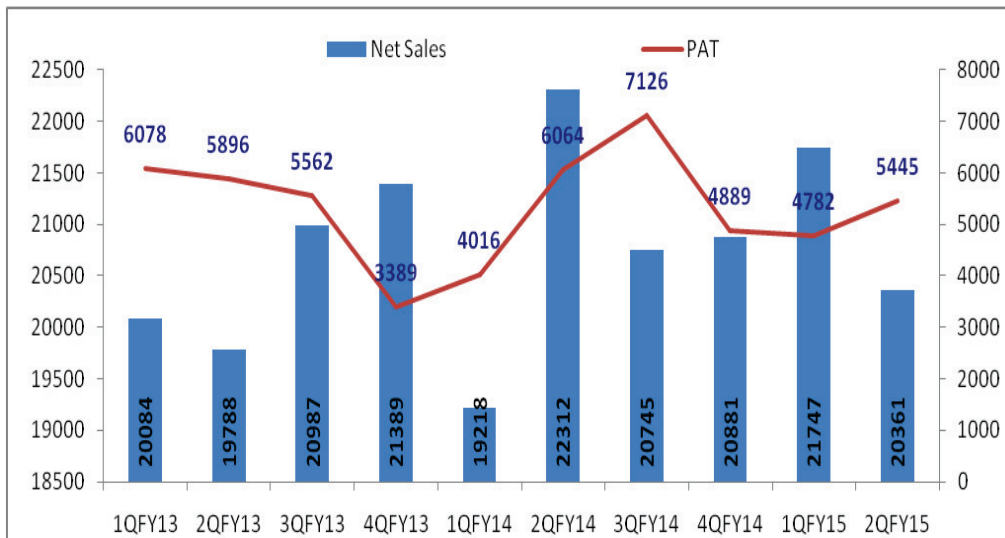
View And Valuation

We Believe That the recent reforms undertaken by the Indian government in pricing of petroleum products (partial diesel regulation and increase in natural gas prices) are expected to be significantly value-accretive for ONGC. The stock has under-performed Nifty in last 3-4 months. We advise using this softness in price as buying opportunity. We do not have specific price target on the stock due to current volatility in crude price and regulatory mechanism

Financials

| | 1QFY15 | 2QFY15 | (QoQ)-% | 2QFY14 | (YoY)-% |
|-------------|--------|--------|---------|--------|---------|
| Revenue | 21747 | 20361 | 7 | 22312 | -2.5 |
| EBIT | 6302 | 6575 | -4.2 | 7606 | (17.1) |
| PAT | 4782 | 5445 | -12.2 | 6064 | -21.1 |
| EBIT Margin | 29.0% | 32.3% | 60bps | 34.1% | 170bps |
| PAT Margin | 22.0% | 26.7% | 40bps | 27.2% | 150bps |

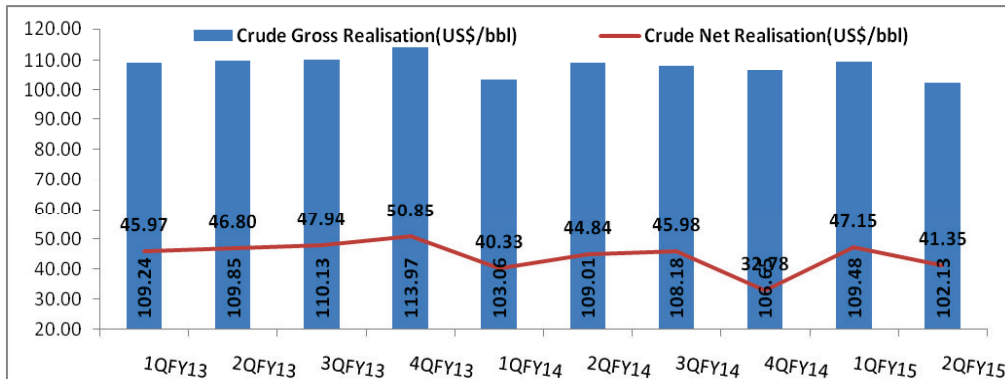
Sales and PAT



Net Sales of RS20361Cr, decline to 6.4% due to lower crude realisation

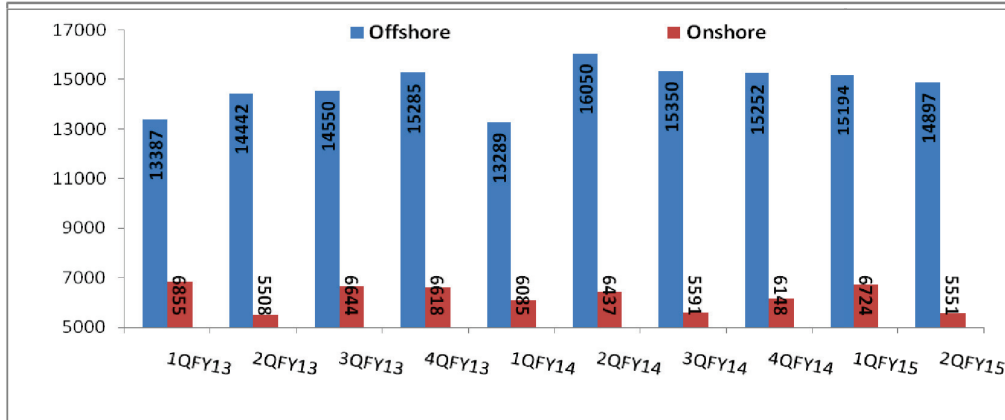
PAT Aided due to lower dry wellwrite off, higher other income

Crude Gross And Net Realisation



Net Crude Realisation falls to 8% at USD\$41.4/bbl

Onshore And Offshore Revenue



Decline in Geographical Segment (Offshore And Onshore) of ONGC due to natural decline of some of the fields