OIL AND NATURAL GAS CORPORATION LIMITED

COMPANY SECRETARIAT

ONGC/CS/SE/2024-25 **08.11.2024**

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza
Bandra-Kurla Complex
Bandra (E)
Mumbai – 400 051

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001

Symbol - **ONGC**; Series – **EQ**

BSE Security Code No – **500312, 959844, 959881**

Sub: Intimation regarding reduction in size of Non-Convertible Debenture - Credit Rating

Madam/Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that India Ratings and Research Private Limited vide its Press Release issued on 08.11.2024 has withdrawn the long term rating of IND AAA/Stable assigned to Rs. 2,640 Crore Non–Convertible Debentures (NCD) programme of the Company, as no amount is outstanding against the rated instrument.

The rating is withdrawn in accordance with India Ratings and Research Private Limited's policy on withdrawal of Credit rating as there is no amount outstanding against the rated instrument.

It is further informed that India Ratings and Research Private Limited has affirmed the long term rating of IND AAA/Stable assigned to the balance NCD programme of Rs. 2,360 Crore.

Details of Credit rating and Press Release are enclosed for reference and records.

The intimation may also be accessed at https://ongcindia.com/web/eng/investors/credit-rating

Thanking you,
Yours Sincerely,
for Oil and Natural Gas Corporation Ltd

Rajni
Kant

Digitally signed by Rajni Kant
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2.5.4.20=677f08bec962d4f850597faf5e185eededb18c5a4cbfa213bd12823b3cb4e33e,
postalCode=110035, st=Delhi,
serialNumber=1D6CF60A7BB339688DCD266ACA1449E01D48E3EE8544F0E5A6019D8ED6667848,
cn=Rajni Kant
Date: 2024.11.08 18:37:28 +05'30'

(Rajni Kant)
Company Secretary & Compliance Officer

Details of Credit Rating

Instruments	***Rating Agency***	***Rating***	***Outlook***
International Bonds (Senior unsecured notes) issued by company and subsidiaries which are guaranteed by the Company	Moody's Investors Service	Foreign Currency Rating: Baa3 Local Currency Rating: Baa3	Stable
International Bonds (Senior unsecured notes) issued by company and subsidiaries which are guaranteed by the Company	S&P Global Ratings	Long Term Issue Rating: BBB-	Positive
International Bonds (Senior unsecured notes) issued by company and subsidiaries which are guaranteed by the Company	Fitch Ratings	Long Term Foreign Currency Issuer Default Rating: BBB-	Stable
Commercial Paper up-to Rs. 10,000 Crore outstanding at any point of time	CARE Ratings Limited	CARE A1+	-
Commercial Paper up to Rs. 10,000 Crore outstanding at any point of time	India Ratings and Research Private Limited	IND A1+	-
Non-Convertible Debentures for Rs. 9,860 Crore	ICRA Limited	[ICRA] AAA	Stable
Non-Convertible Debentures for Rs. 2,360 Crore	India Ratings and Research Private Limited	IND AAA	Stable
Non-Convertible Debentures for Rs. 7,500 Crore	CARE Ratings Limited	CARE AAA	Stable

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Oil and Natural Gas Corporation’s NCDs and Debt Instruments at ‘IND AAA’/Stable; CP at ‘IND A1+’; Rates Additional Limits

Nov 08, 2024 | Oil Exploration & Production

India Ratings and Research (Ind-Ra) has taken the following rating actions on Oil and Natural Gas Corporation Limited’s (ONGC) debt instruments:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	**Size of Issue (billion)**	Rating Assigned along with Outlook/ Watch	Rating Action
Proposed fund-based/non-fund-based working capital limit	-	-	-	INR4.4(reduced from INR44.4)	IND AAA/Stable/IND A1+	Affirmed
Non-convertible debenture*	-	-	-	INR23.6 (reduced from INR50 billion)	IND AAA/Stable	Affirmed
Non-fund-based working capital limit	-	-	-	INR100.6	IND AAA/Stable/IND A1+	Affirmed
Proposed commercial paper	-	-	-	INR100	IND A1+	Affirmed
Fund-based working capital limit	-	-	-	INR105	IND AAA/Stable/IND A1+	Affirmed
Non-fund-based working capital limit	-	-	-	INR40	IND AAA/Stable/IND A1+	Assigned

* Details in Annexure

Analytical Approach

Ind-Ra continues to consider ONGC’s strong legal, operational and strategic linkages with the government of India (GoI), which held a 58.89% (FYE23: 58.89%) stake in the company as of March 2024, while arriving at the ratings. Furthermore, the agency, as per its Parent Subsidiary Linkage Criteria, continues to consolidate the financials of ONGC’s direct subsidiaries - ONGC Videsh Limited (OVL; debt rated at ‘IND AAA’/Stable; 100% shareholding) and Mangalore Refining and Petrochemicals Limited (MRPL (consolidated); debt rated at ‘IND AAA’/Stable; 71.63%), to which ONGC has extended support in the form of loans and advances, corporate guarantees apart from equity infusions. Additionally, earlier Ind-Ra used to consolidate just the debt of ONGC Petro additions Limited (OPaL; ‘IND AA’/Stable; 49.36%), to which it has extended a letter of comfort, and has subscribed to its share warrants and compulsorily convertible debentures (CCDs) but now we have done full consolidation given that ONGC have redeemed all the CCDs and infused additional equity which resulted in increasing their shareholding to around 94.57% and making it a direct subsidiary of ONGC. Furthermore, Ind-Ra continues to factor in the dividend income received from Hindustan Petroleum Corporation Limited (HPCL; ‘IND AAA’/Stable) and other subsidiaries, joint ventures (JVs) and associates while assessing ONGC.

Detailed Rationale of the Rating Action

The ratings continue to consider its majority ownership and strategic importance to the GoI, as it plays a key role in energy security for the country. The rating also considers the dominant market position of ONGC in the domestic crude oil and natural gas production business with large proven reserves, a globally competitive cost structure, stable performance of its subsidiaries and its healthy financial position. The credit profile of the ONGC Group, at a consolidated level, remains robust. Furthermore, the company's strong financial flexibility arising from its moderate gearing, large liquid investments and high cash balance provides additional comfort. Ind-Ra also factors in commitment of sizeable fund infusion in OPaL, which has now become its subsidiary, and may lead to a temporary moderation in the liquidity position in the short term from its high level in FY24.

However, the ratings remain susceptible to the inherent risk related to the exploration and production (E&P) business, regulatory risks, geopolitical risk for overseas operations, large capital expenditure (capex) requirements to replace reserves, and high contingent liabilities.

List of Key Rating Drivers

Strengths

- Strong linkages with GoI
- Strong operating metrics
- Healthy credit metrics

Weaknesses

- High capex to continue
- Profitability dependent on crude and natural gas prices
- High contingent liabilities

Detailed Description of Key Rating Drivers

Strong Linkages with GoI: ONGC is India's largest domestic crude oil and natural gas producer, with proven reserves of 779.9 million metric tonnes of oil equivalent (mmtoe) as of March 2024 (ONGC: 514.83mmtoe, OVL: 253.81mmtoe; JVs: 11.26mmtoe). ONGC and OVL aid the GoI's objective of ensuring energy security. OVL acts as India's upstream producer in international markets and helps in maintaining diplomatic and strategic ties with different countries. Also, OVL's capex and investment decisions benefit from its diplomatic ties with the GoI and are guided and approved by the latter.

ONGC operates blocks allocated to it on a nomination basis by the GoI along with the blocks awarded through New Exploration Licensing Policy and Hydrocarbon Exploration and Licensing Policy; the latter two were introduced in FY98 and FY16, respectively, to attract private participation in upstream production. Ind-Ra believes ONGC, by the virtue of it being the largest domestic oil producer, will continue to be strategically important for the GoI. Furthermore, Ind-Ra does not expect the GoI's shareholding in ONGC to reduce below 51%, given that the overseas bonds raised by ONGC stipulate for the GoI's minimum holding of 51%. ONGC also has one GoI-nominated director and six independent directors on its board.

Strong Operating Metrics: At a consolidated level, the oil and gas production declined to 52.3mmtoe (oil – 28.3 mmtoe, gas – 23.99 mmtoe) in FY24 (FY23: 53mmtoe (oil – 27.83 mmtoe, gas – 25.18 mmtoe)), largely due to a decline in the domestic oil and gas production to 39.4mmtoe (40.12mmtoe) following cyclone Tauktae and Panna Mukta pipeline issue. OVL saw a slight increase in production to 10.517 mmtoe in FY24 (FY23: 10.18 mmtoe), largely led by an increase in its Sakhalin production.

At the standalone level, ONGC has consistently reported a healthy reserve replacement ratio of above 1x over the past 17 years, with an average reserve life of over 15 years, indicating the sustainability of the producing reserves. ONGC's oil and gas production, at a standalone level (including JVs), declined marginally to 39.4 mmtoe in FY24 (FY23: 40.12mmtoe; FY22: 43.4mmtoe; FY21: 45.35mmtoe). ONGC highly depends on offshore assets, with Mumbai High Field and Bassein Gas Field assets contributing a bulk to the oil and gas production. However, the company is likely to see a healthy accretion in oil and gas production from the KG-basin, which has total reserves of around 65.69mmtoe and is expected to be commissioned by FYE25. The block has started production at low levels in 1HFY25, though a ramp-up would happen after its commissioning.

Healthy Credit Metrics: Ind-Ra expects ONGC's credit metrics to remain strong despite marginal deterioration in FY25, led by the lower profitability in MRPL and OPaL, part utilisation of available liquidity for redeeming the CCDs in OPaL, an infusion of additional equity in OPaL for paring down the debt and for the planned capex on KG Basin and other assets. MRPL's profitability was impacted by the lower gross refining margins (GRMs) in 1HFY25 and a continued loss in OPaL following depressed petrochemical spreads and higher cost natural gas being used for production. The agency expects the GRMs and petchem spreads to remain subdued in FY25, due to the global demand supply mismatch; however, OPaL would benefit marginally from the availability of better priced gas following a change in the gas allocation from intervention wells (priced at 20% premium to a slope of 10% of ICB) from October 2025.

The gross debt consolidated by Ind-Ra increased to INR1,249 billion at FYE24 (FYE23: INR1,061 billion), while the unencumbered cash and liquid balances stood at INR357 billion (INR280 billion). The increase in the gross debt was on account of the utilisation of working capital facilities. The debt comprised INR383 billion (INR382 billion) in OVL, INR124 billion (INR167 billion) in MRPL and INR389 billion (INR351 billion) in OPaL, apart from the standalone debt at ONGC. On a consolidated basis, Ind-Ra expects the net leverage to deteriorate in FY25 because of lower profitability in MRPL and Opal. The net leverage remained at 1.1x in FY24 (FY23: 0.9x).

ONGC's standalone gross debt decreased to INR71.2 billion in FY24 (FYE23: INR72.1 billion), comprising INR25 billion (INR24.6 billion) of long-term foreign currency bonds; INR15 billion (INR41.4 billion) of NCDs, and short-term debt of INR21.2billion (nil). There has been an increase in the right of use assets to INR198 billion, leading to an increase in the lease liabilities to INR290 billion. However, the company remained net debt (excluding lease) negative on a standalone level at end-March 2024.

High Capex to Continue: In the past two years, ONGC's average standalone capex per annum stood at INR300 billion-350 billion. In FY24, the company incurred capex of about INR375 billion, with about INR111 billion on development drilling, about INR62 billion on exploration drilling, about INR150 billion on capital projects, and balance on surveys, research and development, integration, and JVs. Ind-Ra expects this trend to continue in the coming years as the company looks to increase its petchem capacity, refinery and renewable energy portfolio along with the domestic upstream capex. Any significant spend on expansion activities shall remain a key rating monitorable.

Profitability Dependent on Crude and Natural Gas Prices: ONGC derives around 67% of its gross revenues from the sale of crude oil (FY24: INR918 billion; FY23: INR1,030 billion) and natural gas (INR334 billion; INR374 billion), which are dependent on the movement of international crude prices and domestic gas prices (as fixed by the Petroleum Planning & Analysis Cell, Ministry of Petroleum and Natural Gas), respectively. Due to the oversupply of crude oil, the prices decreased to an average USD80.8/bbl in FY24 (FY23: USD91.9/bbl; FY22: USD77/bbl). However, Ind-Ra expects the price received would be rangebound in FY25 at USD70-USD80/bbl, given the levy of special additional excise duty since July 2022, currently nil additional duty is being levied because of low crude prices. Ind-Ra estimates ONGC's breakeven production cost to be USD40-45/bbl in FY24. Therefore, ONGC's profitability remains dependent on the market price of crude and policy level changes.

Similarly, in the gas segment, Ind-Ra estimates the break-even cost to be over USD3/metric million British thermal unit (mmBtu) in FY25, while the domestic price posts the change in price regulations, has been capped at USD6.5/mmBtu for nominated fields and at USD10.16/mmBtu for high pressure, high temperature fields for 2HFY25.

High Contingent Liabilities: At FYE24, ONGC's total contingent liabilities at a standalone level stood at INR651.3 billion (FYE23: INR607.7 billion), of which INR361.6 billion (INR358.3 billion) was for the company and the balance INR289.7 billion (INR249.3 billion) for the joint operations. The bulk of the contingent liabilities in the joint operations is attributed to the unresolved issues related to the cost recovery and profit sharing for the RJ-ON-90/1 block (FY24: INR19.46 billion; FY23: INR16.752 billion). The demand raised by the Directorate General of Hydrocarbon for Panna

Mukta Tapti fields stood at INR135 billion in FY24 (FY23: INR133 billion). Any crystallisation of any of these major contingent liabilities could result in lower-than-Ind-Ra-expected cash flows and higher-than-Ind-Ra-expected leverage.

Liquidity

Superior: ONGC's standalone liquidity is supported by the sanctioned fund-based working capital limits of INR90 billion; the average utilisation of the same was low at around 15% over the 12 months ended June 2024. ONGC, at a standalone level, also had investments as its shareholding in other public sector undertakings (Indian Oil Corporation Limited ('IND AAA'/Stable) and GAIL (India) Limited ('IND AAA'/Stable)) stood at INR395 billion at FYE24 (FYE23: INR190 billion; FYE22: INR192 billion), while the cash balances (including other bank balances) stood at INR300 billion (INR216 billion; INR2.4 billion). Additionally, the company has a CP limit of INR100 billion and a strong capability to raise funds at attractive interest rates from the domestic market.

The company's operating cash flow generation remained healthy at INR772 billion at FYE24 (FYE23: INR936 billion; FYE22: INR590.8 billion), resulting from the healthy revenue generation of INR1,384 billion (INR1,555.1 billion; INR1,103.4 billion) and the EBITDA of INR668 billion (INR732 billion; INR544 billion). Moreover, ONGC received a dividend income of INR34.3 billion in FY24 (FY23: INR25 billion; FY22: INR42.5 billion), while its dividend outgo was INR128.9 billion (INR176 billion; INR114.5 billion).

ONGC plans capex of around INR358 billion for FY25 for the exploration, development and purchase of capital assets. The capex plans at other entities include INR55 billion for OVL and INR13 billion for MRPL for FY25. Furthermore, ONGC has committed to investing INR183.6 billion in OPaL, out of this, the company invested INR1.346 billion as of October 2024 and will invest the remainder by end-FY25. Ind-Ra believes the debt requirements and the overall consolidated leverage would increase if OVL pursues any sizeable investment opportunity. ONGC, on a standalone basis, has a long-term repayment obligations of INR21 billion in FY25 and INR5 billion in FY26. Ind-Ra believes the debt maturities, on a consolidated basis, can be managed by the company, given its strong cash flows and ability to raise funds easily from domestic and international capital and banking markets.

Rating Sensitivities

Positive: Not applicable

Negative: A weakening of the linkages with the GoI could result in a negative rating action.

ESG Issues

Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on ONGC, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

ONGC is India's largest domestic oil and gas producer. It was set up in the form of oil and gas division, under the Geological Survey of India, in 1955 which was later converted into an Oil and Natural Gas Directorate. The directorate was converted into commission and later to a corporation in 1994. ONGC had a proven reserve of 806.9mmtoe as of March 2023.

Key Financial Indicators

STANDALONE

Particulars	FY24	FY23
Revenue (INR billion)	1,384.02	1,555.1

EBITDA (INR billion)	668.1	732.1
Gross interest coverage (x)	16.37	27.1
Net adjusted leverage (x)	0.1	0.1
Source: ONGC Standalone, Ind-Ra		

CONSOLIDATED

Particulars	FY24	FY23
Revenue (INR billion) *	2,505.9	2,854.6
EBITDA (INR billion) *	802.03	842.4
Debt (INR billion) *	959.5	972.8
Gross interest coverage (x)	7.5	9.7
Net adjusted leverage (x)	0.8	0.8
Source: ONGC, OVL, MRPL, OPaL, Ind-Ra Note: Consolidation as per Ind-Ra's calculations as below: * Consolidation of ONGC, OVL, MRPL and OPaL		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings/Outlook	Historical Rating/Outlook			
				9 November 2023	22 September 2023	23 February 2023	24 February 2022
Issuer rating	-	-	-	-	WD	INDAAA/Stable	INDAAA/Stable
Non-convertible debentures	Long term	INR23.6	IND AAA/Stable	IND AAA/Stable	-	IND AAA/Stable	IND AAA/Stable
Fund-based working capital limit	Long term/Short term	INR105	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	-	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Non-fund based working capital limit	Long term/Short term	INR140.6	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	-	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Proposed Fund/non-fund based working capital limit	Long term/Short term	INR4.4	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	-	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Proposed commercial papers	Short term	INR100	IND A1+	IND A1+	-	-	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Level
Non-convertible debentures	Low
Fund-based working capital limits	Low
Non-fund based working capital limits	Low

Proposed fund-based/non-fund-based working capital limit	Low
Commercial papers	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE213A08016	31 July 2020	5.25	11 April 2025	INR5	IND AAA/Stable
NCDs	INE213A08024	11 August 2020	6.40	11 April 2031	INR10	IND AAA/Stable
NCDs*	INE213A08032	21 October 2020	4.64	21 November 2023	INR11.4	WD (paid in full)
NCDs*	INE213A08040	11 January 2021	4.50	9 February 2024	INR15	WD (paid in full)
NCDs (unutilised)	-	-	-	-	INR8.6	IND AAA/Stable
Total					INR23.6	
Source: NSDL						

*Withdrawn the rating assigned to ONGC's INR26.4 billion NCD programme as no amount is outstanding against the rated instrument. This is in line with Ind-Ra's policy on the withdrawal of credit ratings.

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Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process