



# OIL AND NATURAL GAS CORPORATION LIMITED

## COMPANY SECRETARIAT

ONGC/CS/SE/2023-24

09 November, 2023

### 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, 960147, 960406**

### Sub.: Intimation of Credit Ratings

Madam/Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that India Ratings & Research Private Ltd. has assigned IND A1+ credit rating for proposed Commercial Paper (CP) for Rs.10,000 Crore.

Please note that appropriate intimations will be provided to the Stock Exchanges as and when the Company issues CP.

Detail of credit rating is enclosed for reference and records.

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

Thanking You,  
Yours faithfully  
For Oil and Natural Gas Corporation Ltd.

(Rajni Kant)  
Company Secretary & Compliance Officer



# OIL AND NATURAL GAS CORPORATION LIMITED

## COMPANY SECRETARIAT

### Details of Credit Rating

<i>Instruments</i>	<i>Rating Agency</i>	<i>Rating</i>	<i>Outlook</i>
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-	Stable
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. 12,500 Crore	ICRA Limited	[ICRA] AAA	Stable
Non-Convertible Debentures for Rs. 5,000 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 Assigns Oil and Natural Gas Corp's CP 'IND A1+'; Affirms Existing Ratings

Nov 09, 2023 | Oil Exploration &amp; Production

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

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Proposed commercial paper (CP)	-	-	-	INR100	IND A1+	Assigned
Fund-based working capital limits	-	-	-	INR45	IND AAA/Stable/IND A1+	Assigned
Fund-based working capital limits	-	-	-	INR 60)	IND AAA/Stable/IND A1+	Affirmed
Non-fund based working capital limits	-	-	-	INR15	IND AAA/Stable/IND A1+	Assigned
Non-fund based working capital limits	-	-	-	INR85.6	IND AAA/Stable/IND A1+	Affirmed
Proposed fund-based/non-fund-based working capital limit	-	-	-	INR44.4 (reduced from INR104.4)	IND AAA/Stable/IND A1+	Affirmed
Non-convertible debenture (NCD) programme*	-	-	-	INR50	IND AAA/Stable	Affirmed

\* 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% (FYE22: 58.91%; FYE21: 60.4%) stake in the company at end-September 2023, 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; 'IND AAA'/Stable; 100% shareholding) and Mangalore Refining and Petrochemicals Limited (MRPL (consolidated); '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, Ind-Ra continues to consolidate the debt of ONGC's joint venture (JV) - 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) apart from its share of equity contribution. ONGC has also announced its intent to convert the CCDs in OPaL to equity and increase their shareholding to around 95%. Furthermore, Ind-Ra continues to factor in the dividend income received from Hindustan Petroleum Corporation Limited (HPCL; 'IND AAA'/Stable) and other subsidiaries, JVs and associates while assessing ONGC.

## Key Rating Drivers

**Strong Linkages with Gol:** ONGC is India's largest domestic crude oil and natural gas producer, with proven reserves of 806.9 million metric tonnes of oil equivalent (mmtoe) as of March 2023 (ONGC: 530.71mmtoe, OVL: 264.09mmtoe; JVs: 12.10mmtoe). ONGC and OVL aid the Gol'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 Gol and are guided and approved by the latter.

At a standalone level, ONGC accounted for 48.2% of the Gol's revenue in FY23 (FY22: 44.9%, FY21: 38.4%), in various forms, including royalty, oil industry development cess, dividends, taxes and other central and state duties. ONGC operates blocks allocated to it on a nomination basis by the Gol 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 Gol. Furthermore, Ind-Ra does not expect the Gol's shareholding in ONGC to reduce below 51%, given that the overseas bonds raised by ONGC stipulate for the Gol's minimum holding of 51%. ONGC also has one Gol-nominated director and six independent directors on its board.

**Strong Operating Metrics:** At a consolidated level, the oil and gas production declined to 53mmtoe in FY23 (FY22: 55.7mmtoe), largely because of a decline in OVL's production to 10.18mmtoe (12.33mmtoe). This is because bulk of OVL's production comes from Organization of the Petroleum Exporting Countries (OPEC)+ countries, with Russia accounting for around 33.5% of the same in FY23. Ind-Ra expects the production to remain contingent on the geo-political scenario and the reaction of OPEC+ to market conditions.

At the standalone level, ONGC has consistently reported a healthy reserve replacement ratio of over 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 10.532 mmtoe in 1QFY24 (1QFY23: 10.878mmtoe, FY23: 42.84mmtoe, FY22: 43.4mmtoe, FY21: 45.35mmtoe). ONGC is highly dependent on offshore assets, with Mumbai High Field and Bassein Gas Field assets contributing a bulk to the oil and gas production, respectively. Furthermore, the company is likely to see a healthy accretion of both oil and gas production from the KG-Basin, which has total reserves of around 65.69mmtoe.

**Strong Credit Metrics:** On a consolidated basis, as per Ind-Ra's calculations, the net leverage improved to 0.6x at FYE23 (FYE22: 1.1x, FYE21: 2.6x), on account an improvement in the profitability of ONGC and MRPL. The profitability of ONGC improved on the back of higher crude and gas prices, while that of MRPL improved owing to higher gross refining margins. In addition, the consolidated debt decreased marginally to INR794 billion at FY23 (FY22: INR800.7 billion), which included INR382 billion (INR353.1 billion) in OVL, INR167 billion (INR210.8 billion) in MRPL and ONGC-committed debt, including backstopping support for CCDs and a letter of comfort of INR172.8 billion (INR172.8 billion) in OPaL, apart from the standalone debt at ONGC.

ONGC's standalone gross debt increased to INR72.1 billion in FY23 (FYE22: INR64 billion), of which, INR24.5 billion (INR22.57; billion; INR21.9 billion) was long-term foreign currency bonds; INR41.4 billion (INR41.4 billion, INR41.4 billion) were NCDs, and the balance was a short-term debt of INR6.2 billion (nil). The increase in the debt was on account of the utilisation of working capital facilities. However, the company turned net debt negative on a standalone level at end-March 2023.

**Liquidity Indicator - Superior:** ONGC's standalone liquidity is supported by the sanctioned fund-based working capital limits of INR85 billion; the average utilisation of the same was low at around 4% over the six months ended September 2023. ONGC, at a standalone level, also had investments as shareholding in other public sector undertakings (Indian Oil Corporation Limited ('IND AAA'/Stable) and GAIL (India) Limited ('IND AAA'/Stable)) amounting to INR190 billion at end-FYE23 (FYE22: INR192 billion; FYE21: INR152.3 billion), while the cash balances (including other bank balances) stood at INR216 billion (INR2.4 billion; INR3 billion). Additionally, the company has a CP limit of INR100 billion and a strong capability to raise funds at attractive interest rates in domestic markets.

The company's operating cash flow generation remained healthy at INR919.7 billion at end-FY23 (FY22: INR590.8 billion; FYE21: INR305 billion), resulting from the growth in the revenue to INR1,555.1 billion (INR1,103.4 billion; INR681.4 billion) and the EBITDA to INR714.9 billion (INR544 billion; INR294.9 billion). Moreover, ONGC received a dividend income of INR25 billion in FY23 (FY22: INR42.5 billion; INR30.6 billion), while its dividend outgo was INR176 billion (INR114.5 billion; INR22 billion).

ONGC has planned a capex of around INR300 billion for FY24 for the exploration, development and purchase of capital assets. ONGC has also bid out for a stake purchase of PTC Energy Limited at a value of INR9.25 billion to expand their renewable presence, final approvals on which are pending. The capex plans at other entities include INR32 billion at OVL and INR3 billion at MRPL for FY24. Ind-Ra believes the debt requirements and the overall consolidated leverage could increase if OVL were to pursue any sizeable investment opportunity. ONGC, on a standalone basis, has a long-term repayment of INR32.7 billion in FY24 and nil in FY25. If crude and gas prices continue to be strong, Ind-Ra believes ONGC will be able to de-leverage faster than the scheduled pay-outs over the short term. Ind-Ra believes the debt maturities, on a consolidated basis, can be managed by the company, given the strong cash flows.

**Profitability Dependent on Crude and Natural Gas Prices:** ONGC derives around 67% of its gross revenues from the sale of crude oil (FY23: INR1,030 billion; FY22: INR837 billion) and natural gas (INR374 billion; INR124 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 ongoing geo-political tensions, crude oil prices increased to an average USD82.4/bbl for 1HFY24 (FY23: USD94/bbl; FY22: USD77/bbl). However, Ind-Ra expects the price received would be rangebound in FY24 at USD70-USD80/bbl, given the levy of Special Additional Excise Duty since July 2022. Ind-Ra estimates ONGC's breakeven production cost to be USD35/bbl-40/bbl in FY24. Therefore, ONGC's profitability remains dependent on the market price of crude and policy level changes.

Similarly, on the gas front, Ind-Ra estimates the break-even cost to be over USD3/mmbtu in FY24, while the domestic price posts the change in price regulations, has been capped at USD6.5/mmbtu for nominated fields and at USD9.96/mmbtu for HPHT fields for 2HFY24.

**High Contingent Liabilities:** At FYE23, ONGC's total contingent liabilities at standalone level stood at INR607.7 billion (FYE22: INR655.5 billion), of which INR358.4 billion (INR430.3 billion) was for the company and the balance INR249.4 billion (INR225.2 billion) for the joint operations. The bulk of the contingent liabilities in joint operations is attributed to the unresolved issues with respect to the cost recovery and profit sharing for the RJ-ON-90/1 block (FY23: INR16.752 billion; FY22: INR12.6 billion; FYE21: INR10 billion). The demand raised by the Directorate General of Hydrocarbon for Panna Mukta Tapti fields amounts to INR133 billion in FY23 (FY22: INR123

billion, FY21: INR119 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.

## Rating Sensitivities

**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](#).

## Company Profile

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.

### FINANCIAL SUMMARY - STANDALONE

Particulars	FY23	FY22
Revenue (INR billion)	1,555.1	1,103.4
EBITDA (INR billion)	714.9	544.3
Other income (INR billion)*	53.3	54.3
Gross interest coverage (x)	26.5	23.1
Net adjusted leverage (x)	0.1	0.1
Source: ONGC Standalone, Ind-Ra * Interest and dividend income		

### FINANCIAL SUMMARY - CONSOLIDATED

Particulars	FY23	FY22
Revenue (INR billion) *	2,760.54	1,974.3
EBITDA (INR billion) *	826.1	699.3
Debt (INR billion) #	794.4	800.8
Gross interest coverage (x)	9.6	10.5
Net adjusted leverage (x)	0.6	1.1

Source: ONGC, OVL, MRPL, OPaL, Ind-Ra

Note: Consolidation as per Ind-Ra's calculations as below:

\* Consolidation of ONGC, OVL and MRPL (including OMPL)

#Consolidation of ONGC, OVL, MRPL (including OMPL) and guaranteed/letter of comfort backed/backstopped debt of OPaL

## Non-Cooperation with previous rating agency

Not applicable

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook			
				22 September 2023	23 February 2023	24 February 2022	25 February 2021
Issuer Rating	-	-	-	WD	INDAAA/Stable	INDAAA/Stable	INDAAA/Stable
NCDs	Long term	INR50	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	INR100.6	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	INR44.4	IND AAA/Stable/IND A1+	-	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Proposed CP	Short term	INR100	IND A1+	-	-	-	-

## 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	IND AAA/Stable
NCDs	INE213A08040	11 January 2021	4.50	9 February 2024	INR15	IND AAA/Stable
Total*					INR41.4	

\*Balance INR8.6 billion yet to be issued

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of Instruments

Instrument Type	Complexity Level
NCD programme	Low
Fund-based working capital limits	Low
Non-fund based working capital limits	Low
Proposed fund-based/non-fund-based working capital limit	Low
CP	Low

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

## Contact

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## APPLICABLE CRITERIA

### Parent and Subsidiary Rating Linkage

### Evaluating Corporate Governance

### Short-Term Ratings Criteria for Non-Financial Corporates



## Corporate Rating Methodology

### The Rating Process

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