March 20, 2025

Oil and Natural Gas Corporation Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	9,860.00	9,860.00	[ICRA]AAA (Stable); reaffirmed
Long-term cash credit limits	4,500.00	4,500.00	[ICRA]AAA (Stable); reaffirmed
Short-term Fund Based/ Non Fund Based limits	4,000.00	4,000.00	[ICRA]A1+; reaffirmed
Short-term non-fund based limits	14,060.00	14,060.00	[ICRA]A1+; reaffirmed
Long-term/ Short-term - Unallocated limits	2,440.00	2,440.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Total	**34,860.00**	**34,860.00**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the ratings, ICRA has considered the consolidated financials of Oil and Natural Gas Corporation Limited (ONGC), along with ONGC Videsh Limited (OVL), Mangalore Refinery and Petrochemicals Limited (MRPL), Hindustan Petroleum Corporation Limited (HPCL), along with some SPVs, JVs and associate companies.

The ratings consider 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, a stable performance of its subsidiaries and its healthy financial position. Despite the range-bound nature of crude and gas prices, the profitability of ONGC is likely to remain healthy, going forward, with the capex plans remaining intact.

The ratings also take into account the company's excellent financial flexibility arising from its moderate gearing, large liquid investments, sovereign ownership and strategic importance. Crude production has been declining in the mature fields in the past; however, the both oil and gas volumes are estimated to increase, going forward, with new fields expected to ramp up production. The growth is likely to come from offshore projects; KG-DWN-98/2, Cluster –II, and MHN Redevelopment are expected to be commissioned in Q4 FY2025 itself, and the Daman Upside project is likely to be commissioned in February 2026. Production from DSF II shall also come up in April 2027.

However, ONGC is facing increasing challenges to replace the reserves and grow production, and is exposed to geological, technological and execution risks inherent in exploration and production (E&P) activities. In addition, it is exposed to commodity price risk and significant geopolitical risks because of OVL's presence in countries facing political instability.

The company's large capital expenditure (capex) plan would entail implementation risks associated with new projects even though reliance on external debt is expected to be limited and is a comfort from a credit perspective. The credit profile of the ONGC Group, at a consolidated level, remains robust. Additionally, any further large debt-funded acquisition impacting its capital structure and coverage metrics could adversely put pressure on its credit profile.

The Stable outlook on the rating reflects ICRA's opinion of ONGC's dominant position in the domestic exploration market, and expectations that the Maharatna PSU will continue to maintain a healthy financial risk profile owing to its status as the largest oil producer in the country.

Key rating drivers and their description

Credit strengths

Dominant market position of ONGC in domestic crude oil and natural gas production business with large proven reserves – Maharatna ONGC is the largest crude oil and natural gas company in India, contributing around 71 per cent to domestic production. With its track record of several decades, ONGC has built significant proven reserves in both the offshore and onshore regions which stood at ~526 MMTOE as on March 31, 2024.

Access to significant E&P infrastructure; competitive cost structure as reflected in low finding and development (F&D) costs – ONGC owns significant drilling infrastructure, making its operating cost competitive vis-à-vis its global peers. However, in the offshore areas, the company's reliance on third-party agencies has been high. ONGC also has other infrastructure such as work over rigs, offshore logistics vessels, cementing units, logging services units and well stimulation units. With its significant infrastructure and low manpower costs, it has been able to maintain competitive F&D costs.

Strong financial position – ONGC's financial position remains strong owing to its robust profitability (operating profit margin of 15.93% in FY2024) and comfortable debt protection metrics with interest coverage of 10 times for FY2024. The company enjoys significant financial flexibility, given its large liquid investments, ability to raise both debt and equity capital from the capital markets at finer rates and the large value of its investments in IOC and GAIL.

Stable performance of overseas subsidiary, ONGC Videsh Ltd (OVL) – Over the years, OVL has been acquiring participating interests in overseas oil and gas assets and participates either directly or through wholly-owned subsidiaries/joint venture companies in 32 projects in 15 countries. However, the top three investments (Mozambique, Russia and Brazil) drive the bulk of its investments. OVL's total O+OEG production stood at 10.52 MMTOE in FY2024 against 10.17 MMTOE in FY2023. Further, the Russian assets were impacted amid the ongoing geopolitical issues. Though normal operations have resumed, a major issue is that they can't repatriate it back.

Significant sovereign ownership and strategic importance – ONGC enjoys significant sovereign ownership with a 58.89% GoI stake as on date and a dominant and strategically important position in the Indian energy sector as the largest domestic producer of crude oil and natural gas. It plays a significant role in fulfilling the socio-political objectives of the GoI in controlling domestic energy prices.

Credit challenges

Increasing challenge to replace reserves and grow production, given high dependence on Mumbai High for bulk of existing production and moderate track record in new discoveries and reserve replacement – A large share of ONGC's production comes from the offshore region for both crude oil and natural gas. While Mumbai High is a key asset for crude oil, the Bassein asset in the western offshore region is crucial for natural gas. Of the producing fields, the top 15 fields account for about 80% of the production. Production has been declining in the mature fields. To arrest this decline and improve the recovery, the company has launched improved oil recovery (IOR) and enhanced oil recovery (EOR) programmes. Going forward, replacing the reserves and increasing the production while maintaining a favourable cost structure would remain a key challenge for ONGC.
OVL is also facing increasing challenges of adding reserves at competitive costs and growing its production and is exposed to geological, technological and execution risks inherent in E&P activities. Moreover, it is exposed to significant geopolitical risks because of its presence in some countries with a history of political instability and commodity price risk.

Geological, technological and execution risks inherent in E&P activities, in addition to commodity risks – As an upstream company, ONGC is exposed to geological, technological and execution risks inherent in E&P activities, especially considering the vastly different geographies and geologies that the ONGC Group is exposed to. ONGC remains exposed to commodity price risk as a bulk of the revenues at a standalone level is derived from the sale of crude oil.

Large capital expenditure plans – ONGC incurs significant capex every year on the exploration, development and purchase of capital assets, resulting in project implementation risks.

Environmental and social risks

Environmental considerations - ONGC is exposed to the risks of tightening regulations on environment and safety. It also remains exposed to the longer term risk of the ongoing shift towards a future that is less dependent on fossil fuels. But this is a risk that will play out only over the distant future as India remains heavily dependent on oil and gas imports. However, ONGC is making efforts to increase its presence in renewable projects and has made some collaborations in this segment.

Social considerations - The worldwide societal trend towards a shift to less carbon-intensive sources of energy could structurally reduce the demand for oil and refined products and weigh on the prices. However, for emerging markets like India, such a change in consumer behaviour or any other driver of change is expected to be relatively slow paced. Therefore, while ONGC remains exposed to the aforementioned social risk, it does not materially affect its credit profile as of now.

Liquidity position: Strong

The liquidity position of the company has remained strong, reflected in its strong cash balance and investments in Government bonds and other reputed PSUs. Moreover, it had cash and cash equivalents of more than Rs. 30,000 crores as on September 30, 2024. While the company has an annual planned capex of more than Rs. 35,000 crore/annum over the medium term (standalone), the internal accruals are expected to remain adequate to meet the requirement. The company has been able to raise funds from banks and capital markets at significantly lower interest rates. Additionally, it enjoys strong support from the Government of India.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on ONGC's long-term rating could arise if there is a significant deterioration in the consolidated credit metrics of the ONGC Group or weakening of linkages with the GoI.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Oil Exploration & Production
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ONGC. The companies are enlisted in Annexure II. Further, ICRA has adjusted the financials to consider the consolidation of ONGC with some of its JVs as well

About the company

Maharatna ONGC is the largest crude oil and natural gas company in India, contributing around 71 per cent to Indian domestic production. It is also a significant producer of value-added products, such as liquefied petroleum gas (LPG), superior kerosene oil (SKO) and naphtha. The GoI is the majority shareholder in ONGC, with a 58.89% equity stake as on December 31, 2024. ONGC set up OVL in 1965 as its fully-owned overseas E&P arm. But given the focus on domestic E&P at that time, OVL remained more or less dormant for nearly three-and-a-half decades. However, this changed since the early 2000s when ensuring energy security assumed critical importance for the country. Today, OVL has equity stakes in 32 projects across 15 countries, of which 14 are producing properties. ONGC also has an 80.94% equity stake in Mangalore Refinery and Petrochemicals Limited (MRPL), a standalone refinery with an installed capacity of 15 million metric tonnes per annum (MMTPA), and a 54.90% stake in Hindustan Petroleum Corporation Limited (HPCL) which operates two refineries with a total capacity of 23.20 MMTPA. Besides, ONGC is a co-promoter of many companies.

Key financial indicators (audited)

ONGC Consolidated#	FY2023	FY2024	9M FY2025*
Operating income	684829	643037	492451
PAT	34046	57101	29076
OPBDIT/OI	11.23%	15.93%	13.56%
PAT/OI	4.97%	8.88%	5.90%
Total outside liabilities/Tangible net worth (times)	1.0	0.9	-
Total debt/OPBDIT (times)	1.8	1.5	0.0
Interest coverage (times)	9.8	10.0	6.1

*Source: Company, ICRA Research; # The numbers are as per company's reported consolidated financials and does not include ICRA's adjustment with regards to ONGC Petro Additions Limited, HPCL-Mittal Energy Limited, etc.; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Results*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years													
						FY2024				FY2023				FY2022					
Instrument	Type	Amount rated (Rs Crore)	Mar 20, 2025	Dae	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	-	-	-	-	-	-	Jul 20, 2023	[ICRA]A1+; withdrawn	Mar 24, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Dec 28, 2021	[ICRA]A1+	Sep 07, 2021	[ICRA]A1+	Jul 23, 2021	[ICRA]A1+
Non-convertible debentures	Long term	9,860.00	[ICRA]AA (Stable)	Aug 23, 2024	[ICRA]AA (Stable)	Mar 22, 2024	[ICRA]AA (Stable)	Jul 20, 2023	[ICRA]AA (Stable)	Mar 24, 2023	[ICRA]AA (Stable)	Dec 27, 2022	[ICRA]AA (Stable)	Dec 28, 2021	[ICRA]AA (Stable)	Sep 07, 2021	[ICRA]AA (Stable)	Jul 23, 2021	[ICRA]AA (Stable)
Non-convertible debentures	Long term	-	-	-	-	Mar 22, 2024	[ICRA]AA (Stable); withdrawn	Jul 20, 2023	[ICRA]AA (Stable)	Mar 24, 2023	[ICRA]AA (Stable)	Dec 27, 2022	[ICRA]AA (Stable)	Dec 28, 2021	[ICRA]AA (Stable)	Sep 07, 2021	[ICRA]AA (Stable)	Jul 23, 2021	[ICRA]AA (Stable)
Cash credit limits	Long term	4,500.00	[ICRA]AA (Stable)	Aug 23, 2024	[ICRA]AA (Stable)	Mar 22, 2024	[ICRA]AA (Stable)	Jul 20, 2023	[ICRA]AA (Stable)	Mar 24, 2023	[ICRA]AA (Stable)	Dec 27, 2022	[ICRA]AA (Stable)	Dec 28, 2021	[ICRA]AA (Stable)	Sep 07, 2021	[ICRA]AA (Stable)	-	-
Fund based/Non-fund bsased limits	Short term	4,000.00	[ICRA]A1+	Aug 23, 2024	[ICRA]A1+	Mar 22, 2024	[ICRA]A1+	Jul 20, 2023	[ICRA]A1+	Mar 24, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Dec 28, 2021	[ICRA]A1+	Sep 07, 2021	[ICRA]A1+	-	-

Non-fund based limits	Short term	14,060.00	[ICRA]A1+	Aug 23, 2024	[ICRA]A1+	Mar 22, 2024	[ICRA]A1+	Jul 20, 2023	[ICRA]A1+	Mar 24, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Dec 28, 2021	[ICRA]A1+	Sep 07, 2021	[ICRA]A1+	-	-
Unallocated limits	Long term/ Short term	2440.00	[ICRA]AA (Stable) / [ICRA]A1+	Aug 23, 2024	[ICRA]AA (Stable) / [ICRA]A1+	Mar 22, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Jul 20, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Mar 24, 2023	[ICRA]AA (Stable) / [ICRA]A1+	Dec 27, 2022	[ICRA]AA (Stable) / [ICRA]A1+	Dec 28, 2021	[ICRA]AA (Stable) / [ICRA]A1+	Sep 07, 2021	[ICRA]AA (Stable) / [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Very Simple
Long-term cash credit limits	Simple
Short-term fund-based/non-fund based limits	Simple
Short-term non-fund based limits	Very Simple
Unallocated limits – Short term and long term	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE213A08016	NCD	Jul 31, 2020	5.25%	Apr 11, 2025	500.00	[ICRA]AAA(Stable)
INE213A08024	NCD	Aug 11, 2020	6.40%	Apr 11, 2031	1,000.00	[ICRA]AAA(Stable)
NA*	NCD	NA	NA	NA	8,360.00	[ICRA]AAA(Stable)
NA	Cash credit	NA	NA	NA	4,500.00	[ICRA]AAA(Stable)
NA	Short term fund-based/non-fund based limits	NA	NA	NA	4,000.00	[ICRA]A1+
NA	Short-term non-fund based limits	NA	NA	NA	14,060.00	[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	2,440.00	[ICRA]AAA(Stable)/ [ICRA]A1+

*Source: Company; *-Unplaced*

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
ONGC Videsh Limited	100.00%	Full Consolidation
Mangalore Refinery & Petrochemicals Limited	80.94%	Full Consolidation
Hindustan Petroleum Corporation Limited	54.90%	Full Consolidation
ONGC Nile Ganga B.V.	100.00%	Full Consolidation
ONGC Campos Ltda.	100.00%	Full Consolidation
ONGC Nile Ganga (San Cristobal) B.V.	100.00%	Full Consolidation
ONGC Amazon Alaknanda Limited	100.00%	Full Consolidation
ONGC Narmada Limited	100.00%	Full Consolidation
ONGC (BTC) Limited	100.00%	Full Consolidation
Carabobo One AB	100.00%	Full Consolidation
Petro Carabobo Ganga B.V.	100.00%	Full Consolidation
Imperial Energy Limited	100.00%	Full Consolidation
Imperial Energy Tomsk Limited	100.00%	Full Consolidation
Imperial Energy (Cyprus) Limited	100.00%	Full Consolidation
Imperial Energy Nord Limited	100.00%	Full Consolidation
Biancus Holdings Limited	100.00%	Full Consolidation
Redcliffe Holdings Limited	100.00%	Full Consolidation
Imperial Frac Services (Cyprus) Limited	100.00%	Full Consolidation
San Agio Investments Limited	100.00%	Full Consolidation
LLC Allianceneftegaz	100.00%	Full Consolidation
LLC Nord Imperial	100.00%	Full Consolidation
LLC Rus Imperial Group	100.00%	Full Consolidation
LLC Imperial Frac Services	100.00%	Full Consolidation
Beas Rovuma Energy Mozambique Ltd.	60.00%	Full Consolidation

Company name	Ownership	Consolidation approach
ONGC Videsh Atlantic Inc.	100.00%	Full Consolidation
ONGC Videsh Singapore Pte. Ltd.	100.00%	Full Consolidation
ONGC Videsh Vankorneft Pte. Ltd.	100.00%	Full Consolidation
Indus East Mediterranean Exploration Ltd.	100.00%	Full Consolidation
ONGC Videsh Rovuma Ltd., India	100.00%	Full Consolidation
HPCL Biofuels Ltd.	100.00%	Full Consolidation
Prize Petroleum Company Ltd.#	100.00%	Full Consolidation
HPCL Middle East FZCO	100.00%	Full Consolidation
HPCL Rajasthan Refinery Ltd.*	74.00%	Full Consolidation
HPCL LNG Ltd. (erstwhile HPCL Shapoorji Energy Private Ltd.)	100.00%	Full Consolidation
Petronet MHB Ltd (PMHBL) **	77.44%	Full Consolidation
Mangalore SEZ Ltd (MSEZ)	26.78%	Equity Method
ONGC Petro additions Ltd. (OPaL)	49.36%	Full Consolidation
ONGC Tripura Power Company Ltd. (OTPC)	50.00%	Equity Method
ONGC Teri Biotech Ltd. (OTBL)	49.98%	Equity Method
Dahej SEZ Limited (DSEZ)	50.00%	Equity Method
Shell MRPL Aviation Fuels & Services Limited (SMASL)	50.00%	Equity Method
North East Transmission Company Ltd. (NETC) (through OTPC)	13.00%	Equity Method
Mangalore STP Limited (through MSEZ)	18.75%	Equity Method
MSEZ Power Ltd (through MSEZ)	26.78%	Equity Method
Adani Petronet Dahej Port Pvt Ltd (APPPL) (through PLL)	3.25%	Equity Method
India LNG Transport Co Pvt. Ltd(through PLL)	3.25%	Equity Method
HPCL Mittal Pipelines Ltd. (through HPCL)	48.99%	Equity Method
Dust-A-Side Hincol Limited	25.00%	Equity Method
ONGC Mittal Energy Limited	49.98%	Equity Method
Mansarovar Energy Colombia Limited	50.00%	Equity Method
Himalya Energy Syria BV	50.00%	Equity Method
SUDD Petroleum Operating Company	24.13%	Equity Method
Hindustan Colas Pvt. Ltd.	50.00%	Equity Method
HPCL-Mittal Energy Ltd.	48.99%	Full Consolidation
South Asia LPG Co. Pvt. Ltd.	50.00%	Equity Method
Bhagyanagar Gas Ltd.	48.73%	Equity Method
Petronet India Ltd.	16.00%	Equity Method
HPOIL Gas Pvt Ltd.	50.00%	Equity Method
Godavari Gas Pvt Ltd.	26.00%	Equity Method
Aavantika Gas Ltd.	49.99%	Equity Method
Mumbai Aviation Fuel Farm Facilities Pvt. Ltd.	25.00%	Equity Method
Ratnagiri Refinery & Petrochemical Ltd.	25.00%	Equity Method
IHB Pvt. Ltd.	25.00%	Equity Method
Indradhanush Gas Grid Ltd.	20.00%	Equity Method
Petronet LNG Limited (PLL)	12.50%	Equity Method
Pawan Hans Limited. (PHL)	49.00%	Equity Method
Rohini Heliport Limited	49.00%	Equity Method
Petro Carabobo S.A.	11.00%	Equity Method

Company name	Ownership	Consolidation approach
Carabobo Ingeniería Y Construcciones, S.A.	37.90%	Equity Method
Petrolera Indovenezolana S.A.	40.00%	Equity Method
South-East Asia Gas Pipeline Company Limited	8.35%	Equity Method
Tamba B.V.	27.00%	Equity Method
JSC Vankorneft	26.00%	Equity Method
Moz LNG1 Holding Company Ltd.	16.00%	Equity Method
Falcon Oil & Gas BV	40.00%	Equity Method
Bharat Energy Office LLC	20.00%	Equity Method
GSPL India Gasnet Ltd.	11.00%	Equity Method
GSPL India Transco Ltd.	11.00%	Equity Method

Source: Company data

 # Figures based on consolidated financial statements of the company

**HPCL Rajasthan Refinery Ltd. is considered as subsidiary, as per Sec 2(87) of Companies Act, 2013*

*** Petronet MHB Ltd. has been reclassified from a joint venture to a subsidiary during 2017-18 as the company holds 49.996% ownership interest and its subsidary HPCL holds 49.996% ownership interest*

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