

Oil and Natural Gas Corporation Limited

September 28, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	500	CARE AAA; Stable [Triple A; Outlook:Stable]	Reaffirmed
Long term/Short term Non-fund based Bank Facilities	6,500	CARE AAA; Stable / CARE A1+ [Triple A; Outlook: Stable/ A One Plus]	Reaffirmed
Long term/Short term Fund Based Bank Facilities	3000	CARE AAA; Stable / CARE A1+ [Triple A; Outlook: Stable/ A One Plus]	Reaffirmed
Short term facilities- Term Loan	25,000	CARE A1+ [A One Plus]	Reaffirmed
Total Facilities	35,000 (Rupees Thirty five Thousand crore)		
Commercial Paper	10,000	CARE A1+ [A One Plus]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities and commercial paper issue of Oil and Natural Gas Corporation Limited (ONGC) continues to take into consideration the majority ownership by the Government of India (GoI) and its strategic importance to the government, experienced and professional management along with long track record of operation in the Exploration & Production (E&P) industry and dominant position in the domestic industry. The rating continues to derive strength from the strong financial risk profile, marked by sound profitability margins and comfortable gearing levels, robust infrastructure and proven technical capabilities and presence across the hydrocarbon value chain.

The rating, however, remain exposed to regulatory risk and inherent risks in the E&P business.

The ability of the company to maintain its production levels and replace diminishing reserves, timely completion of envisaged projects, along with the future movement of global crude prices shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership with GoI

ONGC, a Maharatna PSU, was set up by the Government of India (GoI) to plan, promote, organize and implement programmes for the development of Petroleum resources and the production and sale of petroleum and petroleum products. The GoI held a 67.45% stake in the company as on June 30, 2018. It continues to be of strategic importance for GoI, as it is the largest Oil & Gas Company of India and has a crucial role in implementation of policies of the GoI in India's oil & gas sector. The company's importance to GoI is further strengthened on account of large dividend and taxes paid by it.

Experienced management

ONGC is managed by experienced team of management. Mr Shashi Shanker, Petroleum Engineer from Indian School of Mines (ISM), Dhanbad and an MBA in Finance, is the Chairman and Managing Director of the company has diverse and rich experience of more than three decades in oil and gas industry. He is also the Director (In-charge) for ONGC Tripura Power Company (OTPC) and North East Transmission Company Ltd (NETC) besides being Chairman on the Board of ONGC Videsh limited. He is also the Director (In-charge) and Member of the High Powered Steering Committee for Government's flagship initiative 'Make-in-India'. Furthermore, the senior management of the company has vast experience in the oil and gas industry.

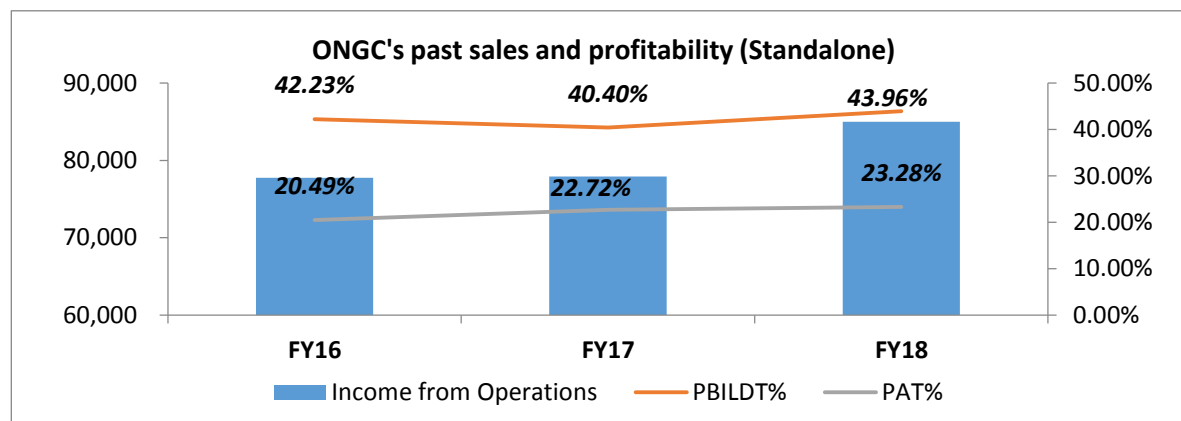
Strong financial risk profile

In FY18, the operating income increased to Rs 85,680 crore (PY: Rs 78, 784 crore) on account of the increase in the crude oil prices in H2FY18. The revenue from onshore operations stood around 31.30% (PY: 29.8%) while from offshore operations stood around 67.9% (PY: 69%) of the total operating income. The PBILDT margin and overall PAT margin stood

² Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

at 43.96% (PY: 40.40%) and 23.28% (PY: 22.72%) respectively. The company's financial risk profile remains strong marked by large net worth to debt levels.

Furthermore, the company's liquid investments in Indian Oil Corporation Limited and GAIL India Limited and the ability to raise funds at competitive interest rates ensures stronger financial position.



Risk related to E&P business

In addition to a highly capital intensive activity, E&P business has long gestation period. The exploration activity involves high uncertainty with respect to estimation of reserves as it is a function of the quality of the available data engineering and geological interpretation. In FY18, Exploratory Drilling Success Ratio of the company stood 1: 2.13.

Furthermore, the company is also exposed to commodity price risk since the bulk of the revenue comes from the sale of crude oil. Any decrease in the price of the crude oil may hamper the profitability of the company. In a scenario of elevated prices of crude, the government to share the fiscal burden via sharing of profits with government or providing discounts to OMCs cannot be ruled out.

Analytical approach: Standalone with notching based on linkages with the Government

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for service companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

ONGC (CIN No L74899DL1993GOI054155) is a Maharatna PSU, with the GoI holdings of 67.45% stake in the company as on June 30, 2018. ONGC is India's largest E&P player and is present across the hydrocarbon value chain. The company undertakes exploration and production activities in 20 countries through its wholly-owned subsidiary ONGC Videsh Limited (OVL). As on March 31, 2018, ONGC has 694.88 Million Metric tonne Oil Equivalent (MMTOE) of Proved Reserves accretion. (PY: 710.93 MMTOE).

Also, it has integrated downstream activities in India with two subsidiaries viz. Mangalore Refinery & Petrochemicals Ltd and Hindustan Petroleum Corporation Limited (HPCL) with combined capacity of over 31 million tonnes per annum (MMTPA) refinery and extensive network of over 15,000 retail outlets.

During FY18 (Audited; refers to the period April 1 to March 31), ONGC earned PAT of Rs 19945 crore (PY: Rs.17, 900 crore) on operating income of Rs.85, 680 crore (PY: Rs. 78,784 crore).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	78,784	85,680
PBILDT	31,827	37663
PAT	17,900	19945
Overall gearing (times)	-	0.13
Interest coverage (times)	26.05	24.97

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Manek Narang

Tel: 011-45333233

Cell: + 91 9810596225

Email: manek.narang@careratings.com

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	500.00	CARE AAA; Stable
Non-fund-based-LT/ST	-	-	-	6500.00	CARE AAA; Stable / CARE A1+
Fund-based - ST-Term loan	-	-	-	25000.00	CARE A1+
Fund-based-LT/ST	-	-	-	3000.00	CARE AAA; Stable / CARE A1+
Commercial Paper- Commercial Paper (Carved out)	-	-	-	10000.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Mar-18) 2)CARE AAA; Stable (06-Dec-17)	1)CARE AAA (18-Oct-16)	1)CARE AAA (28-Oct-15)
2.	Non-fund-based-LT/ST	LT/ST	6500.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (06-Mar-18) 2)CARE AAA; Stable / CARE A1+ (06-Dec-17)	1)CARE AAA / CARE A1+ (18-Oct-16)	1)CARE AAA / CARE A1+ (28-Oct-15)
3.	Fund-based - ST-Term loan	ST	25000.00	CARE A1+	-	1)CARE A1+ (06-Mar-18)	-	-
4.	Commercial Paper- Commercial Paper (Carved out)	ST	10000.00	CARE A1+	1)CARE A1+ (25-Jun-18)	-	-	-
5.	Fund-based-LT/ST	LT/ST	3000.00	CARE AAA; Stable / CARE A1+		-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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