



**Q1 FY14 Conference Call of ONGC
12th August 2013**



SPEAKERS:

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Mr. Sanjeev Kumar, DGM Corporate Planning,
Mr. K S Pandey, GM-OVL
Mr. S.Ranganathan, CM(F&A), Investor Relations Cell**



Moderator:

Good day, ladies and gentlemen. I am Sourodip Sarkar, your moderator of this call. Thank you for standing by and welcome to the First Quarter Financial Year 2014 Earnings Conference Call. For the duration of presentation, all participants' lines will be in listen-only mode and we will have a Q&A session after the presentation. So now, without further delay, I would like to hand over the conference to Mr. A. K. Srinivasan, he's Chief Corporate Finance. Thank you and over to you, sir.

A.K. Srinivasan:

Yeah. Good evening, ladies and gentlemen. I am A. K. Srinivasan, Chief Corporate Finance from ONGC. And on behalf of ONGC I welcome you all in this ONGC earnings call for Q1FY'14. Thank you all for joining us on the call. I am also joined here by my colleagues, Mr. Sanjeev Kumar, Mr. K. S. Pandey from OVL, and Mr. Ranganathan from IRC.

The financial results of the Q1 FY'14 have been taken on record by the ONGC Board of Directors today i.e., August 12, 2013, just a couple of hours before. The results have been released through a press note and sent to the stock exchanges. This has also been sent to the analysts who are there on our mailing list. Let me give a synopsis of the results.

The company has earned PAT of ₹ 4,016 Crore during this quarter as against ₹ 6,078 Crore during the corresponding quarter of the fiscal 2013, a decrease of ₹ 2,062 Crore, which amounts to a decrease of 33.9%.

1) Decrease in PAT was mainly due to lower Crude sales realization (₹ 740 Crore) and VAPs (₹ 186 Crore), increase in statutory levies (₹ 300 Crore) mainly due to Royalty, increase in operating expenditure (₹ 1,701 Crore) mainly due to provision made towards Post Retirement Benefit Scheme for employees, increase in exploration cost written off mainly due to higher survey expenditure (₹ 308 Crore) and higher dry wells written off (₹ 60 Crore), increase in DD&I cost (₹ 335 Crore) mainly due to increased depletion and depreciation and increase in provisions & write off by (₹ 26 Crore).



2) Decrease in PAT was partly offset by increase in higher sales realization of Gas (₹ 39 Crore), increase in non-operating income (₹ 25 Crore), increase in interest and dividend income (₹ 133 Crore), decrease in Govt. share of Profit petroleum (₹ 23 Crore), decrease in exchange variation loss (₹ 96 Crore), decrease in interest payments (₹ 28 Crore) and finally by a decrease in income tax provision (₹ 1,096 Crore).

3) Our share of subsidies towards under recoveries of oil marketing companies during Q1 FY'14 stood at ₹ 12,622 Crore as against ₹ 12,346 Crore in Q1 FY'13. This has adversely impacted our PAT by ₹ 7,131 Crore. But for the under recoveries adjustment, the PAT for the Q1 FY'14 would have been ₹ 11,147 Crore as against ₹ 13,227 Crore in the corresponding quarter previous year.

4) The sales revenue for Q1 FY'14 was lower by ₹ 866 Crore (4.3%) at ₹ 19,283 Crore as against ₹ 20,149 Crore in the corresponding quarter of previous year mainly due to negative price variance of Crude (₹ 792 Crore) and VAP (₹ 221 Crore) and negative quantity variance of Gas (₹ 151 Crore) being offset by a favorable price variance of Gas (₹ 190 Crore) and favorable quantity variance in r/o of Crude (₹ 52 Crore) and VAPs (₹ 35 Crore) and further offset by a decreased amount of profit petroleum shared with Government of India as per PSC in respect of JVs for Q1 FY'14 by ₹ 23 Crore.

5) Gross billing for crude during Q1 FY14 was at US\$ 102.90/bbl as against US\$ 109.18/bbl in the same period last year, a decrease of 5.75%. The post discount realization for crude oil in this quarter was US\$ 40.17/bbl as against \$ 45.91/bbl in the same period of last year, a decrease of 12.5%. The average exchange rate of INR v/s USD stood at ₹ 55.95 vis-à-vis ₹ 54.22 in the first quarter of 2012-13. Though the net realization in terms of USD has dropped by 12.5%, the post discount realization for crude in terms of INR stood at ₹ 2,247/bbl in Q1FY'14 v/s ₹ 2,489/bbl in Q1FY'13 a decrease of 9.72% only because of weakening of rupee by ₹ 1.73 per USD (3.2%) during the current quarter.



6) Interest and Dividend income has increased by ₹ 134 Crore from ₹ 822 Crore in Q1FY'13 to ₹ 956 Crore in Q1FY'14. The increase is mainly due to receipt of interest on IT refund (₹ 240 Crore) on completion of assessment for AY 1994-95 & 95-96 based on favorable Supreme Court judgments. This increase was offset by a decrease in interest on Bank/PSU deposits (₹ 139 Crore) due to decrease in weighted average investible surplus funds & also decrease in average rate of interest on deposits from 10.21% in Q1FY'13 to 9.03% in Q1FY'14. There is a marginal increase in interest on SRF deposit by ₹ 16 Crore mainly due to fresh investment of ₹ 100 Crore made during FY-13 in the SRF deposit.

7) Non-Operating Income in Q1FY'14 has increased by ₹ 25 Crore as compared to Q1 FY'13 i.e. from ₹ 216 Crore to ₹ 241 Crore mainly due to write back of certain excess liability in the current quarter.

8) The operating expenses in Q1FY'14 have increased by ₹ 1,701 Crore to ₹ 4,628 Crore from ₹ 2,927 Crore. The increase is mainly in manpower expenditure (₹ 260 Crore), Work-over expenditure (₹ 146 Crore), Pollution control expenses (₹ 57 Crore), repair and maintenance expenses (₹ 99 Crore), Contractual payments (₹ 178 Crore), R&D expenditure (₹ 88 Crore), Administrative expenses (₹ 874 Crore) etc. The increase in these expenditure is mainly attributable to allocated portion of provision amounting to ₹ 1,611 Crore made towards one time grant to Post Retirement Benefit Scheme for converting the Defined Benefit Scheme to Defined Contribution Scheme and ₹ 106 Crore towards employers contribution to PRBS in Q1FY14 in terms of the guidelines issued by the Deptt. of Public Enterprises. These provisions have significantly increased the cost of various activities where manpower cost is allocated like Drilling, Production, Work-over, Water injection, TOG, R&D, Pollution Control and administrative expenses/overheads.

9) DD&I cost for Q1 FY'14 stood at ₹ 2,333 Crore as against ₹ 1,998 Crore in Q1 FY'13. i.e an increase of



₹ 335 Crore (16.7%). The increase is mainly on account of depletion expenses by ₹ 177 Crore due to additional capitalization of facilities and also because of additional depletion during Q1FY14 as a result of implementation of revised Guidance Note on Oil & Gas Producing Properties. The increase is also attributable to increase in depreciation by ₹ 120 Crore due to capitalization of MNP process platform in Q3 FY13.

10) The exploration cost written off has increased in Q1FY'14 to ₹ 1,568 Crore as compared to ₹ 1,201 Crore in Q1FY'13, an increase of ₹ 367 Crore which is mainly on account of increase in survey expenditure due to increased 3D survey activity (₹ 307 Crore) and also due to increase in expenditure on unsuccessful wells by ₹ 60 Crore from ₹ 933 Crore to ₹ 993 Crore in Q1 FY14.

11) During Q1 FY'14, the statutory levies stood at ₹ 5,632 Crore as against ₹ 5,332 Crore in Q1FY13, an increase of ₹ 300 Crore. The increase is mainly attributable to royalty on crude oil by ₹ 255 Crore due to reversal of liability of royalty on closing stock during Q1 FY13 on account of heavy subsidy on crude oil during that quarter.

12) Provisions and write off has increased by ₹ 26 Crore during Q1FY'14 from ₹ 438 Crore to ₹ 464 Crore in Q1FY'13. This is mainly due to increase in provision towards Octroi/VAT/CST deduction by refineries on discount on crude oil from ONGC (provision made in Q1FY13 & Q1FY14 is ₹ 340 Crore and ₹ 436 Crore respectively).

13) In terms of physical performance, there is a marginal reduction of 0.79 % in Oil production at 6.491 MMT in the first quarter of this fiscal as against 6.543 MMT in the same quarter last year. Gas production was also lower by 3.69% at 6.180 BCM in this quarter v/s 6.417 BCM in corresponding quarter of the previous year.

14) With this I finish my briefing of the first quarter results for Financial Year 2013-14. We will be very



happy to take questions from you. I and my team members would try to answer your questions.

Thank you,

Moderator:

Thank you so much, sir. With this, we are going to start the Q&A interactive session. So would request all the attendees and the participants, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. I repeat, participants, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. It’s “0” “1” on your telephone keypad to ask questions. And the first question is from Mr. Niraj Mansingka from Edelweiss Capital. The line has been unmuted, you may go ahead and ask your questions, please.

Niraj Mansingka:

Yes, sir. Hi, good evening.

Management:

Good evening.

Niraj Mansingka:

Two/three questions, one is on the Rajasthan production and the revenues. How much revenue was built in because of royalty and how much was because of your entitlement interest.

Management:

Yeah, we’ll just give the number.

Niraj Mansingka:

And same thing with the production number as well for Rajasthan.

Management:

Yeah, we’ll give you. There has been a slight increase in our production. It is 0.91 MMT for the Rajasthan JV.

Niraj Mansingka:

Based on the EI right?

Management:

Yeah, it’s on the EI.

Niraj Mansingka:

EI would be how much?

Management:

EI is 41.63% and 0.655 MMT for the Rajasthan JV based on PI.

Niraj Mansingka:

And how much has been booked for the royalty in terms of Rupees crores.



- Management:** The royalty amount is ₹ 1305 Crore which is 100%
- Management:** Yeah, basically the entire royalty (100%) ONGC bears initially is reimbursed (70%) through the revenue based entitlement interest.
- Niraj Mansingka:** Right.
- Niraj Mansingka:** Okay. As there is a fall in the value added products, the production of those, any specific reasons for that... because the gas production has not fallen as much as the VAP production has fallen.
- Management:** No, basically this VAP is a part of our condensate, and my volumes of condensate has slightly decreased, and that has impacted my value added product.
- Management:** This quarter the total VAP production has been at 738.5 thousand tons in Q1 FY'14, and 784.21 thousand tons in Q4 FY'13.
- Niraj Mansingka:** Yeah, yeah. I got it, I got it. And anything, any specific thought process here on the discount versus Nigerian Bonny Light, because what we see from our numbers that the discount on the Nigerian Bonny Light has slightly gone up. So any specific third set you had on this, or is there some quality change...
- Management:** Yeah, as explained to you, the subsidy was at the same methodology what it was done in the Q1 FY'13, but there has been a slight decrease of about 1% decrease in the volume of production, and the appreciation of the Rupee... I mean the depreciation of the Rupee has contributed about 3.2%. So the net impact of 2.2% over the previous production numbers, it remains at the same level.
- Niraj Mansingka:** Okay. Thank you.
- Moderator:** Thank you so much. Moving on to the next question, we have Mr. Amit Shah from BNP Paribas. The line has been unmuted. You may go ahead and ask your question, please.



Amit Shah:

Hi, sir. Can you just talk a little bit more on a couple of things, first one is this exploration write off because we have seen these write-offs on a quarterly basis and they are fairly volatile. So how should we look at it? And second, if you can just give me an update on the G1 & GS-15 fields.

Management:

Okay. Actually this exploration cost written off which includes survey & dry wells was earlier at ₹ 1201 Crore in the first quarter of FY13 that has gone up to ₹ 1568 Crore. Primarily the increase has been because the survey activities have been augmented in the first quarter of FY14 and has gone up by about ₹ 307 Crore, and about dry well charge has increased from Q1 FY13 by ₹ 60 Crore. So it adds up to ₹ 367 crores. Survey is normally charged off in the period of incurrence. So it is a normal practice of accounting which is being continued but survey expenditure as such increased as we had planned for increased 3D survey activity. So that is the reason behind it.

Amit Shah:

Okay, sir. And also the thing is, give me an update on a few of the fields like on the production front, are you seeing any development on the G1 & GS 15 fields or can you just give us the timeline?

Management:

No, actually, the guidance for FY14, takes into account the production from the marginal fields which are on implementation, primarily the D1, B193, B22, WO-16, Cluster 7; and all these are likely to come up on the second quarter onwards. Basically now in the monsoon period, these projects are not getting completed. The drilling activities are on. And once they start connected, the production will ramp up. So we expect the production numbers to increase in the coming quarters.

Amit Shah:

Okay, latest by third quarter we should see all these fields come up and running?

Management:

Third quarter, fourth quarter you will get some increases. My colleague from the planning will supplement further.

Management:

As far as G1 and GS 15 are concerned, actually we had to complete four wells. And we have completed all those four wells, but the production at present is around



0.324 MMSCMD. But it is expected to increase to 1.3 to 1.4 MMSCMD in another six or seven months when our new terminals comes up. and G1 field which was to be put on production, it will be put on production from September this year.

Amit Shah: Okay. And what about the B22 cluster? That still be for December 2015?

Management: No, B22 or B12?

Amit Shah: B22 cluster.

Management: B22 is already producing gas, and there were some geological surprises where we anticipated to get some oil, but could not be taken and the wells are getting relocated.

Amit Shah: What is the current level of production, if you don't mind? B22.

Management: We'll just give you, one minute. At present it is around 1.2 MMSCMD.

Amit Shah: And that will ramp up, right, over the...

Management: Basically it's a cluster project to be commissioned along with the B 193, then the volumes are likely to increase.

Amit Shah: Got it. And just last question from my side, sir. On the OVLs front, when do we expect any development on Syria or is it still shut down, right?

Management: It is still under shut down. And so far, as you all know, there is a disturbance and we are not having any information, there is no communication at present.

Amit Shah: Okay. Thank you so much, sir.

Moderator: Thank you so much. The next question is from Mr. Sanjay from Credit Suisse, the line has been unmuted, you may go ahead and ask your question, please.

Sanjay: Good evening, sir. Thank you for taking my questions. I have a couple of questions. First, what was the incentive of taking this employee charge? Is this voluntary on



behalf of ONGC or the general accounting change, please?

Management:

No. it is voluntary on the part of the company, there is a post-retirement benefit scheme which was defined benefit scheme and in order to convert the total scheme into defined contribution scheme, there was some corpus to be built in where ONGC has taken a bold decision for revamping about ₹ 1624 Crore into the corpus and which was approved in the month of May which has been accounted for.

Sanjay:

Can we expect further employee-related charges,

Management:

No. as per the DPE guidelines, the pay revisions were affected from 1/1/2007, and as per that there was about 15% to be deposited for the superannuation benefit for all the employees. That is 30% out of which 12% is contributed through the provident fund, 3% is towards the medical and leave encashment and 15% is to the defined contribution scheme. So that adds total requirement as per the DP guidelines which were met, and the amount booked in the last quarter of FY13 towards this was ₹ 1850 Crore. Against that our recurring expenditure in the first quarter is ₹ 106 Crore.

Sanjay:

So only ₹ 106 Crore to recur but...

Management:

About ₹ 400 Crore will be our annual expenditure on this account.

Sanjay:

Okay. Thank you. Secondly the production guidelines for FY15 domestic oil and gas, could you please share with us?

Management:

Yeah, my colleague will share on that.

Management:

Crude oil production from ONGC operated fields it is expected to be around 24.95 MMT in FY15. And our JV share may be around 3.78 MMT. That works out to total of 28.73 MMT. As far as gas is concerned, ONGC operated fields, it may be around 25.10 BCM and from our JV share, it will be 1.4 BCM making it total of 26.50 BCM for the FY15.



- Sanjay:** Right sir, thank you. And all the projects that comprise this growth or that growth is based on.... Are they on track or do you see any risk of slippage?
- Management:** Actually we are implementing 13 projects; out of that five projects are already producing. But some wells remain to be drilled under those schemes. Seven projects will be brought to stream this financial year itself. Balance will be in the following year.
- Sanjay:** Okay. And in terms of the overseas production, sir, similarly could you give us the guidance again?
- Management:** Yeah my colleague from OVL will give you.
- Management:** Yeah you go ahead, you raise the question, what do you want?
- Sanjay:** The OVL production guidance for FY15, sir.
- Management:** FY15? we are in the process of acquisitions, it depends on any new acquisitions. It is very difficult to say but roughly I can say it will be above 8 MMT.
- Sanjay:** 8 MMT of oil equivalent
- Management:** Yes.
- Sanjay:** Okay. Thank you very much.
- Moderator:** Thank you so much. The next question is from Mr. Amit Rastogi from Antique Stock Broking. The line has been unmuted, you may go ahead and ask your questions, please.
- Amit Rastogi:** Yes good evening sir. Sir, now we have acquired this Mozambique stake, could you give us a Capex apart from the ₹ 2.47 billion which we have paid, so if you can give us a yearly Capex number from here till 2018-19.
- Management:** 18-19?
- Amit Rastogi:** Yes, because you would have done some studies based on setting Capex that what is the Capex requirement in this field...



- Management:** Still work is in progress...
- Amit Rastogi:** Any expectations.
- Management:** Yes, I understood your question. This work basically is still in progress. So at this juncture it is very difficult to convey.
- Amit Rastogi:** Okay. But sir we would have done some studies, like we would have anticipated certain Capex over the life of the field before we have taken this decision. So if we can get that broader number, not annually but what is broadly the Capex number which you are looking at for the field?
- Management:** Actually it will be very difficult to come out with a concrete field development programme in a short span of time, may be one year. Subsequent to that field development plan is linked with our facility like LNG terminals and other things. So for these, we need to work out exact what the Capex will be, and it will be decided once the partners are confident of FDP (field development program) of the area being completed.
- Amit Rastogi:** Okay. And, sir, what about our Carabobo project? I understand that we are running much behind the schedule on that project because I think by this year we should have substantial production from that.
- Management:** Yes, presently we are having four wells which are flowing, from that we are producing around 2300 bopd. By the year end we are expecting to reach 8000 to 10000, and at least six rigs are in place in two clusters. So this production totally depends on the outcome of the wells basically. So there is a slow progress, no doubt, on the drilling part but we are expecting 8000 to 10000 bopd production by the year end.
- Amit Rastogi:** Sir I think the numbers which were there was 45000 barrels per day, right?
- Management:** That is a plateau production. It may reach in the year of 2017-18. That is the peak production once the field is fully developed, and initially now with the temporary arrangement we have started the early production.



- Amit Rastogi:** Sir, can you give us expected production ramp up from here that from like 2013 calendar, 2014 calendar what will be the expected average production?
- Management:** That's what I told. In this year we are going to reach 8000 to 10000 bopd. Then again it depends on the number of wells, how much we are going to drill further. So it is like 20000. And then once our facility will come, then we'll concentrate only for drilling the development wells basically.
- Amit Rastogi:** For next year what will be the number which we can expect, next two years?
- Management:** 20000 BOPD.
- Amit Rastogi:** 20000 BOPD. Okay. That is the full field, so our share is 11% in that?
- Management:** Yes.
- Amit Rastogi:** Right, sir. Thanks a lot sir. Thanks so much, sir.
- Moderator:** Thank you. Moving on to the next question from Mr. Avadhoot Sabnis from CIMB. The line has been unmuted, you may go ahead and ask your question.
- Avadhoot Sabnis:** I just wanted to clarify. This ₹ 1611 Crore that has been provided for post-retirement benefit scheme, you said you have allocated different activities. Can you clarify as to how much has exactly hit the P&L out of this ₹ 1611 Crore?
- Management:** It is about ₹ 1200 Crore.
- Avadhoot Sabnis:** ₹ 1200 Crore, okay. And did I get the numbers right? You had given the forecast for crude production from your own fields of 24.95 MMT for current year and 25.1 BCM for Gas for FY15. Have I got it right?
- Management:** Yes
- Avadhoot Sabnis:** What is it for the current year?
- Management:** Current year is 24.08 MMT.



- Avadhoot Sabnis:** 24.08?
- Management:** Yes, that is for FY14 and FY15 is 24.95.
- Avadhoot Sabnis:** Okay. Sir, this 25.1 was also similar number from gas, is it?
- Management:** 25.19 BCM is including JV for gas for FY14.
- Avadhoot Sabnis:** And just wanted to understand, the big jump in gas production that we have been expecting coming from the KG block, what is the current time line for that big jump in production?
- Management:** KG block actually as you may be knowing that we requested for government approval to drill eight more appraisal wells, six in the northern development area and two in the southern development area. Out of that, five wells, rather six wells we have already drilled and we expect to complete the appraisal programme by December 2013. At that point of time we will actually revisiting the DOC and going ahead for this Field development program as well. So NDA of 98/2 block is expected to start contributing from year 2016-17.
- Avadhoot Sabnis:** Okay. Now when you are assuming that we'll start production from 2016-17, what is the assumption of when the field development plan for this will be cleared by the government?
- Management:** See, once we submit our DOC, say, by January 2014 or so, may be around three to four months, because this will be a revised DOC. So the DGH or the government should not take much time in clearing that. After the approval of the DOC, we are given one year's time to prepare the field development programme. But we want to squeeze that period of one year. Parallely we are planning to go for this engagement of consultant for the preparation of field development plan.
- Avadhoot Sabnis:** Okay. So by when do you expect... when you are saying that you expect production to start in FY17, what is implicit in terms of when the FDP will be cleared by the government?



- Management:** By 2015 March, FDP may be ready. So after that it depends on government how much time they take.
- Avadhoot Sabnis:** Okay. So basically from the time FDP is cleared, you'll need less than two years to put it on stream?
- Management:** Yes, but not... actually two of the fields may come on stream in two years but other fields, they may take three to five year' time.
- Avadhoot Sabnis:** Okay. Thank you, sir. Thank you. I'll come back with more questions.
- Moderator:** Thank you so much. The next question is from Mr. Mayur Patel from Spark Capital. The line has been unmuted, Mr. Patel, you may go ahead and ask your questions.
- Mayur Patel:** Sir I have couple of questions. First on the revenue front. Sir, if I take your net realisations reported in the presentation and apply it in the sales volumes, we are getting around ₹ 8000 Crore as compared to the ONGC revenues of ₹ 8800 Crore. Can you explain where from this additional ₹ 800 Crore, is there any other miscellaneous or any other adjustment item in the revenues?
- Management:** For the FY14, for the first quarter?
- Mayur Patel:** First quarter nominated blocks crude oil revenues is 8850 crores reported by you. But if I take the net realisations reported by you, which is around 100 on this slide 100... *nahin*, 40.17. If I apply this on the sales volume of ONGC, it comes to around 8000 crores revenues. So I just want to understand what is this item of 800 crores adding to the revenue of ONGC?
- Management:** JV.
- Mayur Patel:** No, I'm not talking about JV, purely ONGC revenues, reported is 8800 crores whereas if I apply the net realisations given by you on sales volumes, I'm getting only 8000 crores. So where is this differential 850 crores coming from, I just wanted to understand.



- Management:** Oh, you just applied it on the production volumes, but as some inventories are also there, we have closing stock which we are selling in the current quarter. So my 800...
- Mayur Patel:** I am taking on the sales volumes reported by you.
- Management:** Sales volumes come with some inventory also, that is forward inventory.
- Mayur Patel:** Fine, sir, I'll take this off line.
- Management:** Yeah, we will get back to you.
- Mayur Patel:** I have one more question. Sir, we are getting about, say, 24.95 million ton in FY15 from ONGC nominated fields, which is... if I look at the current run rate which is around 2.5 to 3 million tons incremental production on annualised basis, which is pretty big; can you give us some idea? We know there are cluster fields, but, say, 2.5 to 3 million ton, where from it will come? Or next six months at least it should start contributing to have this kind of number in FY15. So at least bigger ones if you can just tell me the status of say B22 cluster.
- Management:** B22, B193, Cluster 7, WO-16, all are under drilling activity now, and they will be getting connected in the third quarter and fourth quarter of this year. So these will all add up to the extra volume which we have projected for FY15. Apart from that, there's a D-1 field which is also going to be giving us extra yield. That will also contribute to the production. The present exit rate for the current FY for D1 is 35000 bopd and by next year we are expecting it to touch around 40000 to 50000 barrels per day. All will add up to about one MMT of oil in D1 itself.
- Mayur Patel:** Sir just want to confirm, apart from D1, 193...
- Management:** B-193 will have two production volumes of oil.
- Mayur Patel:** Is it fair to assume something around 30000 barrels can come from...
- Management:** My colleagues will share the numbers of other fields.



- Management:** Other fields are like Cluster 7 and D1, C-series, B-series, WO series B46 and the B193 plus B22 and SB14, all these will actually be contributing around 4 to 5 MMT of crude oil in FY15 and around 12-13 MMSCMD of gas. So we have factored these. And with that actually we have also factored the natural decline in our existing field. So summing it, the total number comes to 28.73 MMT including JVs and from nominated blocks it will be 24.95 MMT in FY15.
- Mayur Patel:** Okay. So you think these fields around track...
- Management:** Yeah, already production is going on in some of these fields now.
- Mayur Patel:** Okay. Sir, last thing on OVL, sir, just it would be nice if you can comment on the ramp up in Sudan and what we should expect going forward.
- Management:** Yeah, yeah. In the South Sudan already we are producing around 27000 to 28000 BOPD, and we are expecting if everything goes normal, because it depends on the government to government, and both government are talking on certain issues. So we are expecting 30000 BOPD from GPOC and 5000 from SPOC, that is, the five year plan in South Sudan.
- Mayur Patel:** Sir, 5000 from SPOC?
- Management:** Yeah.
- Mayur Patel:** Okay. This is purely South Sudan?
- Management:** Yes. GPOC and SPOC, purely South Sudan; and in North Sudan there is normal production, almost we have reached to the 60000 BOPD.
- Mayur Patel:** This is GNPOC includes...
- Management:** Yes. GNPOC is producing 60000 bopd which is in Sudan, you can say North Sudan. In South Sudan there is the GPOC and SPOC, and slowly...
- Mayur Patel:** Sir, ramp up from 27 to 35?
- Management:** Yes, 30000 right now I can say, 30000.



- Mayur Patel:** And sir, SPOC how much it is producing currently?
- Management:** Currently it is in between 4000 to 4500 because there is a restriction. 5% only is allowed for export volume and the limit is up to 11%. So considering that, we'll be able to produce 5000 BOPD.
- Mayur Patel:** Okay. And GNPOC, is there any further upside beyond the 60000 level?
- Management:** It depends on the new wells and the delivery of the new wells basically. So I can say it is... we are not going to ramp up much, it is 60000 on average.
- Mayur Patel:** Fine, sir. Thanks a lot for taking my questions.
- Moderator:** Thank you so much. The next question is from Mr. Probal Sen from IDFC Securities. The line has been unmuted, you may go ahead and ask your question.
- Probal Sen:** Yes. Just one clarification, you already mentioned this. To confirm that out of the 1600 odd crores for the change in retirement scheme, 1200 is factored in P&L, and the impact going forward will be 400 crores on a yearly basis now. That's the recurring impact which we will see in the other Opex.
- Management:** Because actually what happens, out of the 1611 there are many direct costs which goes into the activities like Drilling, work over, well services, and all the manpower related cost are loaded into these activities, and when they get accounted into the respective activities, thus they do not appear as manpower cost in P&L A/c rather depicted as part of the activity cost..
- Probal Sain:** Yes, I got that, so just...
- Management:** And on the account of defined contribution of 15%, which we have done on the Q4 of last year, that is having a recurring cost on an annualised basis of 400 crores.
- Probal Sain:** Yes, sir. So that's what I was asking that the 1600 crores does have a retrospective element to it. It is a onetime adjustment. Correct?



- Management:** It is one a time...
- Probal Sain:** The 15% will be the...
- Management:** Rs. 400 crore per year will continue on that.
- Probal Sain:** And that will reflect in the employee cost or in the other operating expenditures?
- Management:** No, no. It will go to the employee cost. Some portion will go into the direct activity cost, some will go into the P&L cost.
- Probal Sain:** Okay. Fair enough. Thank you. That's all from my side. Thank you very much.
- Moderator:** Thank you so much. The next question is from Mr. Harshad Borawake from Motilal Oswal Securities. The line has been un-muted, you may go ahead and ask your questions, please.
- Harshad Borawake:** Thank you. Thanks for the opportunity. I have two questions. One is on the... what is the planned exit rate of production for FY14 following this is standalone?
- Management:** FY14 actually, ONGC standalone crude oil production our target is 24.08 MMT and for Gas production it is 23.44 BCM.
- Harsahd Borawake:** And what will be the exit rate in the last quarter?
- Management:** These guys will give you fourth quarter.
- Management:** Fourth quarter actually ONGC standalone crude oil production was 51...
- Harsahd Borawake:** No for the Fy14 fourth quarter I am saying.
- Management:** Yeah, yeah. We'll come back to you.
- Management :** We'll come back to you. Basically the numbers are not readily available with us.



- Harsahd Borawake:** Thanks. Second question is on the planned deep water exploration wells, what is the number in FY14 and what it was in FY13?
- Management:** Yes, in FY13 we had 15 wells and in 14 deep water we have 17 as planned, out of which three have been completed in Q1.
- Harsahd Borawake:** Okay. Thank you. Thanks a lot.
- Moderator:** Thank you so much. The next question is from Mr. Vidyadhar Ghinde from DSP Merrill Lynch. The line has been un-muted you may go ahead and ask your question.
- Vidyadhar Ghinde:** Good evening. Just wanted to confirm, that the post retirement benefit scheme that's 1200 crores which has hit the P&L is a priority number.
- Management:** We have taken in the current year.
- Vidyadhar Ghinde:** No, that's right. But it effectively relates to the past.
- Management:** No it is a onetime infusion of funds into the PRBS account only to make this scheme viable which was already in existence. This amount was required to make the scheme continuing. See, we have two schemes running, the PRBS scheme which was already in existence, and as per the DPE guidelines, we have a superannuation benefits to the employees to be implemented from one 1/1/2007. Now the entire scheme which is in existence is getting converted into a defined scheme, into a defined contribution scheme with effect from 1/1/2007. And this amount which has been pumped in is against the PRBS being one time payment into the account to make the scheme workable.
- Vidyadhar Ghinde:** So basically if this is what thing which you are moving to now if it was the contributory scheme, it had been from 2007 to now? You had made up the shortfall by putting the 1600 crores.
- Management:** We have already...
- Vidyadhar Ghinde:** So that is what you have accounted in 1Q, the recurring impact relating to the current period, as you said 100



crores per... so that is Yeah, so the 1600 crores includes 100 crores which relates to this year?

Management: No. that 1611 plus 100.

Vidyadhar Ghinde: Okay. So 1611 is to make up for a shortfall for the past?

Management: Absolutely.

Vidyadhar Ghinde: And the 100 crores which is going to... is it a hit to the P&L or that P&L it will be slightly lower?

Management: Some portions, this 106 is a hit to the P&L, it's the total, and some portion of it, say, about 60% will hit to the P&L and 40% will come through the activity route.

Vidyadhar Ghinde: Okay. Two other questions. One is OVL, when are you likely to announce the first-quarter profits?

Management: The board meeting is scheduled on 21st. So exactly I do not know, the agenda is there but most likely 21st August.

Vidyadhar Ghinde: Okay, thanks. Second one is on... you seem to have changed your accounting of the gross in price because even the number for last year 1QFY13 has been stated downwards.

Management: I couldn't get your question.

Vidyadhar Ghinde: See, last year when you sent us the details the number for 1QFY13 was 109.89 whereas the number which you have given today for 1Q last year I think is 109.2. I think there's been some change in Octroi accounting or something.

Management: Realisation, yeah, gross realisation.

Vidyadhar Ghinde: How much gross price?

Management: Gross price is 109.18.

Vidyadhar Ghinde: Yes correct. You knocked off 69-70 cents compared to from the last years quarter, so this year after making that Octroi or whatever related change, you have come to 102.9. So if you had accounted like you were



accounting last year, what would this gross oil price number be, it wouldn't have been higher or so?

Management: This would be 105.07 USD per barrel.

Vidyadhar Ghinde: Hundred and?

Management: 105.07.

Vidyadhar Ghinde: That big a difference, is it?

Management: Yeah, it's almost \$2.2.

Vidyadhar Ghinde: 105.07 would have been this year's numbers.

Management: Yeah.

Vidyadhar Ghinde: Okay. Thanks a lot. Last question. I didn't catch what was mentioned in the new oil and gas fields which will come through, they will... I think it was mentioned they will add some 12, 13 MMSCMD of gas production. And how much is the oil production rise that these new fields will contribute, can you give that number please, again?

Management: It will 13... and FY14 it will be around 24.08 MMT and FY15 around of 24.95 MMT from the nominated blocks.

Vidyadhar Ghinde: Okay. Thanks a lot. That's it from me.

Management: Thank you.

Moderator: Thank you so much. The next question is from Mr. Rohit Ahuja from ICICI Securities. The line has been unmuted, you may go ahead and ask your question.

Rohit Ahuja: Hi, sir. Good evening, sir. Sir. can you clarify something on the gas pricing formula, finally has there been any formal letter from the government or you received any formal intimation on that?

Management: As of now there is nothing except the cabinet approval which has been talked about. There is no formal papers given to the company.



- Rohit Ahuja:** Yeah, when do you expect that to be issued?
- Management:** No, we don't know exactly. As you are reading through the media, there are a lot of controversies coming in, so what exactly the government plan, we are not aware of it.
- Rohit Ahuja:** Sir, this should... If you increase the cost of gas assumptions, should it lead to any change in your reserve estimates next year or any change in your 3P number or 2P numbers?
- Management:** No. Basically as far as ONGC is concerned, we will be going ahead with the development of these fields for which results are available. It is not related what the price are we're going to get from the government. Because as a government PSUs, our focus is to produce as much as oil and gas. So it is nothing to do with the price revision.
- Rohit Ahuja:** Right, right. Okay. Thanks a lot, sir.
- Moderator:** Thank you so much. The next question is from Mr. Alok Deshpande from HSBC Security. The line has been unmuted.
- Alok Deshpande:** Thanks you, sir. Thanks for taking my question. My question is about Capex. What is the Capex guidance for this year, sir?
- Management:** it is Rs.35049 crore.
- Alok Deshpande:** Okay. And, sir, how much of that would be dollar denominated?
- Management:** You can put... see, all my capital schemes are more or less dollar denominated and they are in the range about Rs.14000 crore. And out of other balance activities, about 60% is dollar denominated on account of the hiring of utilities.
- Alok Deshpande:** Right. So broadly speaking, is it fair to assume that more than 60-70% is dollar denominated, sir?
- Management:** Absolutely.



- Alok Deshpande:** Okay, sir. Sir, and this number of 35000 crores is the number you had given in our Q4 analyst meet also. Now since then, if you see the Rupees has weakened from 55 to 60; so would it be fair to assume that this overall number would also go up by 10%/
- Management:** Basically what happens, we'll have to relook at our total planning process in the current year. But we'll be in and around 35000 only taking care some slippage or some projects may happen due to the external impact on a depreciation of Rupee. We will maintain around 35000.
- Alok Deshpande:** Okay. Right, right. And just... if you could just broadly classify this capital expenditure into how much you're spending on the current producing projects and how much on the new fields or new exploration.
- Management:** On survey it's going to be around 1200 crores and drilling will be around 9300 crores.
- Management:** Development drilling will be around 8000 crores.
- Management:** And capital is 14000.
- Alok Deshpande:** Right. And so just one last question. I missed the gas production guidance you had given for FY15, if you could just...
- Management:** That is 23.44 for FY 14 and FY15 25.10 BCM.
- Alok Deshpande:** 25.10 you said.
- Management:** Yeah, from ONGC nominated blocks...
- Alok Deshpande:** Yeah, yeah. Okay, thank you so much.
- Moderator:** Thank you. Before we move on to the next question, I would like to repeat, participants if you wish to ask anymore question you may press "0" and "1" on your telephone keypad and wait for your name to be announced. It's "0" and "1" on your telephone keypad if you wish to ask any question. And we have Mr. Paresh Jain [ph] from IFL. The line has been unmuted, you may go ahead and ask your question.



- Paresh Jain:** Good evening. So just wanted to check on the subsidy sharing mechanism for the rest of FY14, is it going to be 56 USD per barrel or because of Rupee depreciation the numbers would change, or how does this go about?
- Management:** Presently in the first quarter whatever the quarter numbers are based on \$56 per barrel on our production of crude oil as well as condensate. So we presume that \$56 will continue, and the multiplier of the exchange rate of that quarter will have the impact around.
- Paresh Jain:** Okay. All right. Thank you.
- Moderator:** Thank you so much. The next question is from Mr. Ashutosh Bhardwaj. The line has been unmuted, you may go ahead and ask your question.
- Ashutosh Bhardwaj:** Can you help me as with to find out how you arrived to this \$62 for the discount, as like what quantum of the condensate do you take to arrive this \$62 of the subsidy?
- Management:** Actually the subsidy number which is worked out is \$56, they consider my volume of condensate in calculating the subsidy, but the sales realisation is actually on my production of crude oil. So I apply the entire subsidy element onto the sale volume, and based on which I get this 62.
- Ashutosh Bhardwaj:** Sir, which I think that sales volume plus your condensate production is...
- Management:** Subsidy calculation by the government, but whereas I don't get the condensate as of crude oil value; so that goes into the value added product.
- Ashutosh Bhardwaj:** When we calculate the reverse, I couldn't get the 62 figure actually because whether we need to take this 0.48...
- Management:** No, actually it's okay. There is a slight correction which we carry out when we actually calculate the subsidy, we take it to the value added product of LPG and SKO, but when we are depicting the figures, we are totally depicting on the crude oil, the entire volume. If we



really distribute it into the LPG and the SKO, my subsidy will be \$ 60 not 62.

Ashutosh Bhardwaj: Okay. Secondly, sir, could you please update on this FY14 crude oil as well as gas numbers of the targeted numbers?

Management: Yeah. Our ONGC operated would be target 24.08 MMT for FY14 for the crude oil.

Ashutosh Bhardwaj: And for JV?

Management: For JV it is 3.16 MMT.

Ashutosh Bhardwaj: And for gas nominated would be 23.44 BCM.

Management: Yeah, 23.44.

Ashutosh Bhardwaj: And for JV?

Management: It is 1.75 BCM.

Ashutosh Bhardwaj: 1.75. Sir, just last conference call I believe that you have given nominated field could be 25.78, some kind of a revision that had been happening on a downward side?

Management: Yes, because the scheme which we are talking about for the development of the field, so some of the actual fields under development was delayed.

Ashutosh Bhardwaj: Okay. Which are...

Management: That's why we have revised the profile for FY14 and FY15.

Ashutosh Bhardwaj: Okay.

Management: Some delays in implementation of the scheme.

Ashutosh Bhardwaj: Okay, sir. Thanks a lot from my side.

Management: Thank you.



- Moderator:** Thank you so much. We have Mr. Rajesh from MetLife Insurance. The line has been unmuted, you may go ahead and ask your question.
- Rajesh:** Hello. Sir, my question is regarding our cost elements. Now we are almost 10000 crore odd cost per quarter which we spent on statutory levies and your further expenses operating in nature. So how much of these costs, what percentage of these costs element is actually link to dollar and how much is the Rupee cost?
- Management:** See, my entire operating expenditure is more on denominated on the Rupee price except our 30% to 40% will be on foreign exchange impact.
- Rajesh:** That is other expansion.
- Management:** This is direct operating cost, and the planned expenditures is primarily, predominantly with the dollar currency.
- Rajesh:** Okay. So out on this 10000 odd, you're saying almost 70% will be Rupee denominated and 30% odd it should be dollars.
- Management:** Yeah. Basically entire manpower cost and the consumables more or less are Indigenous purchases are there. We don't have more impact of exchange on operating expenditure.
- Rajesh:** And the levies, they are also more in Rupees per ton basis?
- Management:** Levies are totally... as per the current prices,
- Rajesh:** Okay, it is a percentage, basically dollar linked.
- Management:** Yeah. It is dollar linked.
- Rajesh:** Okay, okay, sure. Thanks a lot, sir. Bye.
- Moderator:** Thank you so much. The next question is from Mr. Mithen Lathia from HDFC Mutual Fund. The line has been unmuted, you may go ahead and ask your question.



- Mithen Lathia:** Sir, if we look at your other expenditure on a year-on-year basis, from 3178 to 4580, would that difference largely be on account of this employee provision that you have made which is flowing through various items of cost or is it something else?
- Management:** It is on account of the manpower expenditure. That PRBS is a onetime expenditure which we have done.
- Mithen Lathia:** That is flowing through other expenditure you are saying, the 1200 crores that you mentioned is... the P&L...
- Management:** One second. I'll just clarify. For the numbers which was sharing, from where, which table you are referring to?
- Mithen Lathia:** Sir, your results released that you give to the stock exchanges, the last other expenditure number is 3178 which has gone up to 4580 this time around and the release that you send out does not have a break up of what the component of expenditure are, so I'm asking what would be the major constituents of that increase?
- Management:** That is total operating expenditure. It includes manpower expenditure, water injection, pollution control etc.
- Mithen Lathia:** Are there any large items, sir, within that?
- Management:** Large items, you mean...
- Mithen Lathia:** Contributing to the increase on a year-on-year basis.
- Management:** So again, what happens is whatever this manpower which we have provided for has been allocated to various activities.
- Management:** See these are presently, these work over expenditure which are a regular activity of our business which we incur year-on-year basis. Basically what happen when we give the results, we cannot segregate or elaborate our column, so that's why we don't give .
- Management:** Other expenditure. We cannot change that.



- Mithen Lathia:** Okay. Sir, if you could share any large increases that you've seen in any of the components of that other expenditure.
- Management:** No, that's the only expenditure which is increased by 146 crores for this quarter, and PRBS is the major expenditure which has occurred.
- Mithen Lathia:** So between that other expenditure, how much is the PRBS...
- Management:** There is one more expenditure on account of this, expenditure on contractual basis of about 105 crores which has just been incurred in this quarter, and which will be a recurring cost in every quarter, for the production facility at D-1.
- Mithen Lathia:** So you mentioned the PRBS, what would be the year-on-year increase because of the PRBS ...
- Management:** It's a onetime expenditure which has been of Q1 and recurring cost of the defined benefit contribution which is only 106 crores per quarter.
- Mithen Lathia:** Sir, within the 4580 only 106 crores are included, or what is the number that is included in this 4580 is the question.
- Management:** That is 1200 plus 100, that is 1300 crores had been booked in that.
- Mithen Lathia:** Okay, sir. Thank you, that answer my question. Thank you very much.
- Moderator:** Thank you so much. So we have the last question in the queue. It's from Mr. Niraj Mansingka from Edelweiss Capital. The line has been unmuted you may go ahead and ask your question.
- Niraj Mansingka:** Can you repeat about that Octroi where you actually had... your realisation 105 dollars plus; and can you share more details on that and how...
- Management:** After the adjustment of the Octroi and the VAP, it has come down to 102.9.



- Niraj Mansingka:** So is it right to assume that almost \$2.5 per barrel would be the net deduction in realisation of ONGC on a perpetual scale because of this Octroi?
- Management:** Yes, that is what has been taken for this quarter; maybe going forward, yes, it will be the figure that would come out.
- Niraj Mansingka:** And ONGC seems to be pursuing that Octroi...
- Management:** We ourselves are assuming that the Government of India, the Ministry of Petroleum that concession which they have levied they should withdraw. We had taken up, and definitely what that is going to be recurring effect of \$2.5...
- Niraj Mansingka:** Okay. And similar, related question, when you have calculated \$40 a barrel of net realisation, is the calculation different from what you have been giving us earlier? Because if you see against your revenues, there is quite difference. I think one of the earlier speaker also questioned the same thing. So is it because of that Octroi adjustment that you had given a net realisation number quite lower than what the reported revenues show?
- Management:** What I told you, the calculation what we gave, it is a similar practice which we have doing. The subsidy on value added product like LPG and SKO are loaded in the value of crude oil and depicted. So the entire impact of the subsidy shown against crude oil.
- Niraj Mansingka:** No, sir, that's not my question. My question is your reported revenues in nominated blocks is Rs. 88.51 billion and you have a 4.8 million tonne of sales of crude, if you just adjust that, the revenues come at the... the realisation come at almost \$43, \$44. But the net realisation that's reported by the companies, \$40. So it's almost 7-8% different. So I just wanted to clarify on that one because this percentage difference...
- Management:** No, no, I'm just telling you that \$2 is the difference which you are getting is primarily on account of the subsidy which has been loaded on account of SKO and LPG, is also booked against the crude oil.



- Niraj Mansingka:** Sir, but the net revenue of 88.5 billion is net of all the subsidy, am I right, sir.
- Management:** Yes.
- Niraj Mansingka:** And your net realisation that you're talking is based on 4.8 million tonnes of crude that you said.
- Management:** Agreed. You are multiplying that 40 into the volume of my nominated field.
- Niraj Mansingka:** Right.
- Management:** You are trying to arrive at a figure of 88 vis-a-vis that. But actually if you take out the impact of the subsidy on account... if you multiply that number with 42, you will come back to the 88 number.
- Niraj Mansingka:** Okay. And this 42 is what, sir?
- Management:** See, now my realisation has been affected against 102 minus 62, it gives 40. But it is actually effectively it is 42 because the impact of LPG and SKO is also being booked against the crude oil price realisation. If I take out the subsidy component of LPG and SKO and then reverse, my realisation will come to 42.
- Niraj Mansingka:** Okay, okay. I got it.
- Management:** You understood now?
- Niraj Mansingka:** Thank you, sir.
- Moderator:** Thank you so much. So at this time there are no more questions from the participants, so I would like to hand it over back to the management for any final or closing comments.
- Management:** Anyway it was a nice evening clarifying all the issues of the investors fraternity, and we thank you all for this.
- Moderator:** Thank you so much, sir. Thank you all the panellists and thank you ladies and gentlemen for joining the conference call for Q1FY14. Wish you all a great



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evening ahead, you may all disconnect your lines, thank you so much.

Management:

Thank you.