



**“ONGC Limited’s Q3 FY14 Earnings
Conference Call”**

13th February 2014



SPEAKERS:

Mr. A.K.Srinivasan, GGM-Chief Corporate Finance

Mr. Dinesh Satija, ED-CP

Mr. K. S. Pandey, GM-CP, OVL

Mr. Sanjiv Kumar, DGM-CP

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Moderator:

Good day, ladies and gentlemen. I am Sourodip Sarkar, your moderator for this call. Thank you for standing by and welcome to the ONGC Limited Q3 FY14 Earnings Conference Call. For the duration of presentation, all participants' line will be in listen-only mode. And post that we will have a Q&A session. So now without further delay, I would like to hand over the proceedings to our first speaker Mr. A. K. Srinivasan, 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, ONGC and on behalf of ONGC I welcome you all in this ONGC earnings call for Q3 FY14. Thank you all for joining us on the call. I am joined here by my colleagues Mr. Dinesh Satija, ED-CP, Mr Sanjeev Kumar, Mr. S. Ranganathan of Investor Relation Cell, and I also have my colleague from OVL Mr. K. S. Pandey.

The financial results for the third quarter and nine months ended December 2013 have been taken on record by ONGC's Board today, i.e. 13th February 2014. 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 a net profit, i.e. profit after tax of ₹ 7,126 Crore during the third quarter of FY'14 as against ₹ 5,563 Crore during third quarter of FY'13, an increase of ₹ 1,563 Crore (i.e. 28.1%). However, the profit after tax for the nine months of FY'14 is ₹ 17,206 Crore as against ₹ 17,537 Crore during the nine months of FY'13, a decrease of ₹ 331 Crore (i.e. 1.9%).

The increase in PAT in Q3 FY14 is mainly due to higher gas and VAP sales realization by ₹ 561 Crore and ₹ 254 Crore respectively, increase in other non-operating income by ₹ 1,349 Crore, decrease in exploration cost written off by ₹ 227 Crore, provisions & write off by ₹ 1,469 Crore and loss due to exchange variation by ₹ 153 Crore.

However, this increase was partly off-set by decrease in the crude realization (₹ 850 Crore), increase in the Government of India's share of profit petroleum (₹ 221 Crore), increase in operating expenditure (₹ 456 Crore), increase in DD&I



cost (₹ 214 Crore) mainly on account of depletion, increase in statutory levies (₹ 16 Crore) and increase in tax burden (₹ 807 Crore).

The decrease of PAT in 9M FY14 is mainly due to increase in Operating Expenditure (₹ 2,181 Crore), exploration cost written off (₹ 133 Crore), loss due to Exchange fluctuation (₹ 15 Crore), DD&I (₹ 1,327 Crore) and statutory levies (₹ 565 Crore). Further the decrease in PAT is attributable to increase in the Government of India's share of profit petroleum (₹ 520 Crore) and increase in tax burden (₹ 94 Crore).

However, this decrease of PAT in 9M FY14 is partly off-set by higher crude, Gas and VAP sales realization by ₹ 936 Crore, ₹ 812 Crore & ₹ 180 Crore respectively. Further, this decrease has been off-set by an increase in the other non-operating income by ₹ 1,086 Crore, provisions and write off (₹ 1,288 Crore) and reduction in interest payment (₹ 33 Crore).

Our share of subsidies towards under recoveries of oil marketing companies during Q3 FY14 stood at ₹ 13,764 Crore as against ₹ 12,433 Crore in Q3 FY13. The same for the nine months of the current fiscal stood at ₹ 40,182 Crore as against ₹ 37,108 Crore for the nine months of FY13.

The sales revenue for Q3 FY14 is lower by ₹ 256 Crore, a decrease of 1.2% at ₹ 20,833 Crore as against ₹ 21,089 Crore in the corresponding quarter of previous year mainly on account of revision of sales revenue of crude oil in Q3 FY14 towards provision carried out w.e.f. 1st April 2012 for deductions made by refineries for Octroi & VAT/CST on discounts allowed by ONGC on supplies of crude oil (for the period from April, 2012 to December, 2013 amounting to ₹ 3,018 Crore) impacting the sales revenue of nominated crude due to unfavourable price variance by ₹ 724 Crore, unfavourable quantity variance in respect of crude, Gas and VAP amounting to ₹ 126 Crore, ₹ 101 Crore and ₹ 102 Crore respectively, which is off-set by a favourable price variance of Gas (₹ 662 Crore), VAP (₹ 348 Crore) and finally due to increase in the profit petroleum surrendered by ₹ 221 Crore.



However, the sales revenue in 9M FY14 after revision of ₹ 3,018 for deductions made by refineries for Octroi & VAT/CST on discounts allowed by ONGC on supplies of crude oil as stated above is higher by ₹ 1,408 Crore, an increase of 2.3% at ₹ 62,498 Crore as against ₹ 61,090 Crore in the corresponding nine months of previous year mainly due to favourable price variance of Crude (₹ 1,213 Crore) , Gas (₹ 1,218 Crore) & VAP (₹ 489 Crore), which is offset by an unfavourable quantity variance in respect of crude, Gas and VAP amounting to ₹ 277 Crore, ₹ 406 Crore and ₹ 316 Crore respectively and finally due to increase in the profit petroleum surrendered by ₹ 519 Crore.

The gross billing for crude during the third quarter of the current fiscal was at USD 108.18/bbl as against USD 110.13/bbl in the same period of last year, that is a decrease of 1.8%. However, after allowing discounts by way of our contribution towards the under recoveries to downstream marketing companies, the net realization for crude oil in this quarter was USD 45.98/bbl as against USD 47.94/bbl in the same period of last year which amounted to a decrease of 4.1%. Similarly, the gross billing for the nine months of this year stood at USD 106.70/bbl as compared to USD 109.68/bbl for the nine months of last fiscal. The net realization after discount for the nine months of the current year was USD 43.75/bbl vis-à-vis USD 46.86/bbl in the nine months of last year. The decrease in net realization in USD is partly off-set by weakening of INR vis-à-vis USD by 14.6% during the third quarter of FY14. The exchange rate of rupee versus dollar stood at ₹ 62.03 vis-à-vis ₹ 54.14 in the third quarter of FY13. Thus the post discount realization for crude in rupee terms stood at ₹ 2,852/bbl in Q3 FY14 vis-à-vis ₹ 2,595/bbl in Q3 FY13 which amounted to an increase of 9.9% in INR despite decrease in the post discount realization by 4.1% in USD terms. Again during 9M FY14 the net realization in rupee term has gone up by ₹ 73/bbl i.e. from ₹ 2,556/bbl in 9M FY13 to ₹ 2,629/bbl in 9M FY14 being an increase of 2.9%.

Interest and dividend income has increased by ₹ 33 Crore in Q3 FY14 from ₹ 847 Crore in Q3 FY13 to ₹ 880 Crore in Q3 FY14. Again during 9M FY14, interest and dividend income has increased by ₹ 34 Crore i.e. from ₹ 2,809 Crore in 9M FY13 to ₹ 2,843 Crore in 9M FY14. The increase in interest income both in Q3 FY14 & 9M FY14 is mainly



attributable to release of additional interest bearing loan to MRPL during H1 FY14.

Non-Operating Income in Q3 FY14 has increased by ₹ 1,349 Crore as compared to Q3 FY13 i.e. from ₹ 434 Crore in Q3 FY13 to ₹ 1,783 Crore in Q3 FY14. Similarly during 9M FY14, non-operating income has increased by ₹ 1,086 Crore i.e. from ₹ 1,412 Crore in 9M FY13 to ₹ 2,498 Crore in 9M FY14. The increase both in Q3 FY14 and 9M FY14 are mainly attributable to Write Back of provision of ₹ 1,585 Crore which is no longer required due to revision of sales revenue of crude oil towards deduction of Octroi & VAT/CST by refineries on discounts allowed by ONGC on supplies of crude oil from 1st April 2012 to 31st March, 2013. However, this increase in write back of excess provision in 9M FY14 is partially off-set by ₹ 206 Crore towards settlement of disputed debtors GAIL in Panna Mukta & Tapti, ₹ 357 Crore towards write back of excess provision on finalization of COSA and ₹ 45 Crore on account acquisition of PI of 25% in Block CB-ONN-2004/3 during 9M FY13.

The operating expenditure of Q3 FY14 has increased by ₹ 456 Crore to ₹ 3,788 Crore from ₹ 3,332 Crore and during 9M FY14 the operating expenditure has increased by ₹ 2,181 Crore to ₹ 12,338 Crore from ₹ 10,157 Crore mainly on account of the increase in Manpower, Work-over Expenditure, Contractual Payments including hiring charges, Administrative Expenses, Un-allocable Rig Cost etc. The increase in nine months of FY14 is partly off-set by decrease in Water Injection expenditure.

DD&I cost for Q3 FY'14 stood at ₹ 2,555 Crore as against ₹ 2,341 Crore in Q3 FY'13 i.e. an increase of ₹ 214 Crore (9.1%). The increase is mainly on account of depletion by ₹ 199 Crore being the depletion at PMT (₹ 140 Crore) and RJ-ONN-90/1 Rajasthan Block (₹ 85 Crore) due to capitalization of facilities and abandonment liability in respect of producing property. Similarly there is an increase of DD&I cost by ₹ 1,327 Crore (22.2%) in 9M FY14 i.e. from ₹ 5,988 Crore to ₹ 7,315 Crore on account of additional depletion by ₹ 1,042 Crore mainly in Mumbai, non-operated RJ-ONN-90/1 (Rajasthan Block) and Panna Mukta & Tapti due to capitalization of facilities, wells and additional abandonment liabilities in respect of producing property. Further, the increase in DD&I cost both in Q3



FY14 and 9M FY14 is attributable to increase in depreciation by ₹ 16 Crore in Q3 FY14 and ₹ 232 Crore in 9M FY14 mainly due to capitalization of MNP Process Platform in Mumbai during Q3 FY13.

The exploration cost written off has decreased in Q3 FY'14 to ₹ 1,843 Crore as compared to ₹ 2,070 Crore in Q3 FY'13, a decrease of ₹ 227 Crore. The decrease is mainly on account of lower dry well expenditure charged off by ₹ 215 Crore in Q3 FY14 from ₹ 1,765 Crore in Q3 FY 13 to ₹ 1,550 Crore in Q3 FY14 and also because of lower survey activity resulting in lower survey expenditure charged off in Q3 FY14 by ₹ 12 Crore. However, the exploration cost written off has increased during 9M FY14 by ₹ 133 Crore i.e. from ₹ 5,349 Crore in 9M FY13 to ₹ 5,482 Crore in 9M FY14. The survey expenditure during 9M FY14 increased by ₹ 181 Crore is mainly due to higher survey activity in 9M FY14 which is partially off-set by a lesser unsuccessful well cost by ₹ 48 Crore in 9M FY14.

Provisions and write off has decreased by ₹ 1,469 Crore i.e. from ₹ 564 Crore in Q3 FY13 to negative ₹ (905) Crore in Q3 FY14. This decrease is mainly due to reversal of provision amounting to ₹ 919 Crore made during the first two quarters of FY 14 towards VAT/ Octroi/ CST deduction by refineries on discount on crude oil supplies from ONGC. Further the provisions and w/off during Q3 FY 13 includes an amount ₹ 389 Crore towards VAT/ Octroi/ CST deduction by refineries on discount on crude oil from ONGC during Q3 FY 13. Similarly provisions and write off has decreased by ₹ 1,288 Crore in 9M FY14 i.e. from ₹ 1,397 Crore in 9M FY13 to ₹ 109 Crore in 9M FY14. Again the amount of 9MFY13 includes ₹ 1,126 Crore towards provision made during 9M FY 13 towards VAT/ Octroi/ CST deduction by refineries on discount on crude oil from ONGC.

During Q3 FY14, the statutory levies stood at ₹ 5,829 Crore as compared to ₹ 5,813 Crore in Q3 FY13, that is a marginal increase of ₹ 16 Crore. Similarly during 9M FY14, the statutory levies also increased by ₹ 565 Crore (3.4%) from ₹ 16,795 Crore in 9M FY13 to ₹ 17,360 Crore in 9M FY14. One of the main reason for increase in statutory levies during 9M FY14 is on account of royalty on JV crude oil by ₹ 798 Crore which is mainly attributable to increase in average selling price of JV crude oil in Q3 FY14 coupled



with increase in royalty on natural gas (both nominated & JV) by ₹ 86 Crore on account of increase in price due to devaluation of rupee against US Dollars. However, this increase has been partially offset by reduction in royalty by ₹ 360 Crore on nominated crude oil on account of revision of sales revenue towards VAT/ Octroi/ CST deduction by refineries on discount on crude oil from ONGC.

Well friends, with this I will finish my briefing on the third quarter results of fiscal 2013-14 and we will be happy to take questions. Please try to confine your questions on the quarterly results only. Thanking you.

Moderator:

Thank you so much, Mr. Srinivasan. With this, we are going to start the Q&A interactive session. So I 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. Attendees, 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. We have the first question from Mr. Avadhoot Sabnis from CIMB. Your line is unmuted. You may go ahead and ask your questions.

Avadhoot Sabnis:

Yeah. Sir, two questions on the numbers. First, in terms of the operating expense. Okay? If I look at the presentation, the operating expense which is basically showing a figure of ₹ 28.52 billion in the current quarter compared to 44.91 in the second quarter. So could you just let us know why there is certain drop?

Management:

Basically, the operating expenses of ₹ 28.52 bn shown in the presentation include the provisions and write-off and exchange variation also. The decrease is mainly on account of reversal of provision made in the first two quarters of FY14 of ₹ 9.19 bn on account of deduction made by refineries for Octroi/VAT/CST on discount allowed by ONGC in Q3FY14 and Q2 FY14 having a provision of ₹ 4.83 bn for the same. The balance amount of ₹ 2.37 bn is decreased due to reduction in some of the operating expenditure like workover, water injection etc. including exchange variation which has resulted in a gain in Q3 FY14 as compared to a loss in Q2FY14.



- Avadhoot Sabnis:** There is a ₹1639 crore decline in operating expenses on a quarter-on-quarter basis – ₹ 1639 crore.
- Management:** This includes reversal provision of ₹ 919 crore.
- Avadhoot Sabnis:** 919 crore? Yes. That's...?
- Management:** Yes, as Mr Srinivasan has explained in the beginning that this is basically the initial provision made earlier in the first quarter and second quarter towards Octroi, VAT, and the reversal has taken place in the third quarter of ₹ 919 crore.
- Avadhoot Sabnis:** So could you explain the reason for the reversal?
- Management:** See, basically, the price revision on account of Octroi/VAT which we were expecting to realize did not materialise and hence and we had to reverse the account of this realisation and reduced our revenues to that extent. And the provisions were written back accordingly. We had earlier carried out the provisions against the revenue which was realizable from the OMCs. Against that, we have just made the reversals and we are not carrying any provisions further.
- Avadhoot Sabnis:** Okay. Sir, again, on the other income side. Okay? Sorry, again, you might have talked about this earlier, but the current quarter other income is in the order of ₹ 26.63 bn as opposed to 14.82 billion in the earlier quarter. So why was the big decrease there?
- Management:** That is again as was said earlier, we have written-back the provisions which we had made in the last year FY13 for the entire full year amounting to ₹ of 1584 crore. ₹ 1584 crore has been written back in this year, in this quarter.
- Avadhoot Sabnis:** Sorry. Could you just explain again what the write-back is all about?
- Management:** Mr. Avadhoot, the issue is last year also from 1st April 2012 till 31st of March 2013, we had carried provisions for ₹ 1585 crore towards the recoveries of VAT and Octroi, CST from the OMCs who were supposed to pay, which was not forthcoming. This year, we have just written back those provisions as other income because the provisions are written back in the current year, this quarter – third



quarter. So these are accounted under the other income. And ₹ 919 Crore is for the current period from 1st April 2013 to 30th of September 2013, so six months provisions which we made have been reversed in Q3FY 14.

- Avadhoot Sabnis:** Can you revise a production forecast?
- Management:** Sorry?
- Management:** Production forecast.
- Management:** Yeah. We will give you.
- Avadhoot Sabnis:** Basically, the earlier productions forecast looked a bit optimistic but for what's happened in first nine months. So are you looking to revise any of the numbers you had given us earlier?
- Management:** Our target actually has been 27.24 million tonnes for oil for the FY14 and the gas target has been 25.19 BCM. We expect a slight shortfall which may be there in the crude oil production and gas production, but not substantial.
- Avadhoot Sabnis:** Thank you, sir. I will come back for more questions.
- Moderator:** Thank you so much. We have the next question from Mr. Probal Sen from IDFC Securities. Your line is unmuted. You may go ahead and ask your questions.
- Probal Sen:** Thank you. Good evening. Just in terms of the CapEx that have been spent till date, I can get an idea of, you know, what the target was for FY14 how much we have managed to spend in the nine months and if we can get the guidance on FY15 CapEx both for ONGC and for OVL?
- Management:** ONGC this ₹ 35,049 Crore is the FY14 target. And nine months we have made almost ₹ 23,200 Crore.
- Probal Sen:** This is for ONGC standalone, sir?
- Management:** Yes.
- Probal Sen:** And, sir, OVL, can I get an idea?
- Management:** 36,117. I think that's including...



- Probal Sen:** Sorry, sir?
- Management:** It is ₹ 36,117 Crore which includes the Mozambique acquisition also. Otherwise, the organic CapEx is around 8000-9000 a year basis.
- Probal Sen:** Okay. This is for FY14, sir?
- Management:** Yeah.
- Probal Sen:** Correct?
- Management:** Yeah.
- Probal Sen:** And has the Mozambique pay-out already happened in full?
- Management:** Yeah. Mozambique first part, ie Videocon deal has been concluded on 7th of January. And Anadarko, I think, likely by the end of the February, most likely on 28th February 2014.
- Probal Sen:** Sir, may I know the exact amount if it's possible?
- Management:** Almost around \$ 4.1 bn for both Videocon and Anadarko.
- Probal Sen:** Yes, sir, I was just looking at the rupee amount that we finally paid out, sir.
- Management:** So far, it has not been paid for Anadarko, so I cannot reveal.
- Management:** Only \$ 1.5 billion payout made for videocon.
- Management:** Right. \$ 1.5 billion payout has happened for the Videocon stake of ONGC 6%.
- Probal Sen:** Just 1.5 billion?
- Management:** 1.5 billion.
- Probal Sen:** So 0.9 million is what we will be paying to...
- Management:** No. No. Actually, two deals which we have done which is aggregating to 16% and 6% payout was \$1.5 billion and other 10% it is around 2.6 billion.



- Probal Sen:** 2.6 billion. That's what is pending and will be paid in February?
- Management:** Yeah. By the end of February, that will be paid.
- Probal Sen:** Okay. So this ₹ 36,117 Crore is inclusive of both the accounts?
- Management:** Yeah. Mozambique.
- Probal Sen:** Right. Sir, any guidance on FY15 CapEx?
- Management:** For ONGC, it is ₹ 36,059. And for OVL, we have kept in the range of ₹ 11,000 Crore.
- Probal Sen:** ₹ 11,000? This would include whatever Mozambique normal CapEx now comes in?
- Management:** Yeah, it is right, which is required for developing the field.
- Probal Sen:** Thanks. That's all from my side. Thank you very much, sir.
- Moderator:** Thank you so much. We have the next question from Mr. Amit Rastogi from Antique Stock Brokings. Your line is unmuted. You may go ahead and ask your questions.
- Amit Rastogi:** Yeah. Sir, can you explain – there is one notes to your account 5 (a) which says that there is some changes in accounting policies due to implementation of Revised Guidance Notes in respect of exploratory properties. And consequent to that, we have reversed some ₹ 617 crore with corresponding increase and decrease in exploratory wells in progress.
- Management:** Yeah. As per our existing policy till last year i.e. 31.03.2013, we were charging off all the exploratory wells which are two years old based on the timeframe. But as per the new guidance note which has been issued on 1st April 2013 which ONGC has adopted, the exploratory wells can be carried further when there are prospects available in that. And based on which, we are not charging off even in the timeframe of two years. Because of this change in accounting policy we have carried ₹ 617 crore on a nine month basis without having to charge them off as per the earlier policy.



- Amit Rastogi:** Okay. This ₹ 617 crore, sir, where it is appearing in our P&L?
- Management:** It is carried in our EWIP, Exploratory Wells in Progress.
- Amit Rastogi:** It is in the exploration expenditure?
- Management:** Exploratory wells in progress..
- Amit Rastogi:** Okay. So where in the P&L, sir?
- Management:** P&L? No. No. It has not been charged off. So it will not appear in the P&L. It has been capitalized.
- Amit Rastogi:** Yeah. But since in the first six months, you have already charged it up to the P&L, so there will be some reversal on account of this, *nah?*
- Management:** No. No. We are not doing any reversal on this. No reversal. See, if a well which is drilled and it is just completed two years and beyond, prior to our policy change, we are charging off, as a P&L item under dry-well expenditure. But due to change from 1st April, 2013 the wells, even if they have completed two years and they have prospects, we are carrying those wells for the future and they are carried as EWIP, Exploratory Wells in Progress.
- Amit Rastogi:** Okay. So, basically, what we are seeing is that the profit is higher by ₹ 617 crore with corresponding increase in exploratory wells in progress – development wells in progress.
- Management:** Otherwise, these would have been charged off as a P&L item as per earlier policy. Yes
- Amit Rastogi:** Okay. Okay. So all these items are basically adding to each other – 174, (500) and 943 crore basically? And these will be recurring...
- Management:** We are just giving you a comparison with the last balance sheet, I mean, last nine months vis-à-vis these nine months.
- Amit Rastogi:** Okay. Okay. Okay. And, sir, can you give us a status update on our marginal fields because there is some uptake



in our gas production on a Q-o-Q basis. So what is the number for the current month, for example, January month? What is the output? Is there any growth further from there?

Management: Actually, if you are asking about the gas volumes, around 5 of the fields have come on stream.

Amit Rastogi: 5 out of?

Management: 5 out of 13 projects.

Amit Rastogi: Okay. So 5 marginal fields are put to production? Okay.

Management: We are actually handling 13 projects to monetize 37 marginal fields. Out of which, 5 fields have come on stream and these are contributing at present around 4.8 mmscmd of gas.

Amit Rastogi: Okay.

Management: And crude oil, actually is contributing from – three fields they are contributing around 29,000 barrels per day.

Amit Rastogi: 29,000 barrels per day?

Management: Yeah.

Amit Rastogi: Okay. Great. And, sir, what is the outlook on the remaining marginal fields because most of them are targeted to be completed either in this financial year?

Management: Yes.

Amit Rastogi: And can you give us the names like in our next two months any visibility on any of the big marginal field coming on two productions?

Management: The B193, it is already on its field.

Amit Rastogi: B193? Okay.

Management: Already on its field. At present, it is producing around 0.4 mmscmd of gas.



Amit Rastogi: Sir, how much? Can you repeat?

Management: 0.4.

Amit Rastogi: Okay.

Management: And next year FY15 it will increase to 0.9 mmscmd.

Amit Rastogi: 0.9 mmscmd? Okay.

Management: And the crude oil also that B193 it will increase to around 24,000 barrels per day.

Amit Rastogi: 24,000 barrel per day? Okay.

Management: Like, Cluster 7 in FY15 will be around 17,000 BOPD. And W016 series these are the major fields. And next year, actually, crude oil volume will be around 11,000 barrels per day.

Amit Rastogi: Okay. Great.

Management: And D1, we expect to be around 32,000 Barrels of Oil Per Day.

Amit Rastogi: Okay. 32,000 BOPD?

Management: Yeah.

Amit Rastogi: Okay. And, sir, what is the visibility on Daman Offshore development now?

Management: Daman Offshore, actually, we are going ahead with the land purchase because we require a processing complex when we produce. So we expect the production may commence from FY16 or so.

Amit Rastogi: FY?

Management: FY16.

Amit Rastogi: FY16 basically? Okay. Sir, somewhere can you specify, like, first half, second half?



- Management:** It will be mostly in the first half as the land fall facilities will be on stream, however, the field production may commence in the next year only.
- Amit Rastogi:** Okay. And what is the milestone for the reaching and what will be the production?
- Management:** Total peak production would be around 13 to 14 mmscmd. 7 mmscmd gas we will be bringing to our common processing complex. And we will be sending to Uran. So for that processing complex, actually, we are looking for the land. Already the government has allotted that, but some formalities are still to be completed.
- Amit Rastogi:** Okay. Then we will be, basically, developing that processing terminal on that, sir?
- Management:** Yes.
- Amit Rastogi:** So it will take at least two years for processing terminal to come up?
- Management:** Yes. Already the platforms are getting ready and they will come for the link and the production will start.
- Amit Rastogi:** Okay. Right, sir. Thanks a lot, sir.
- Management:** Okay.
- Moderator:** Thank you so much. We have the next question from Mr. Vidyadhar from Merrill Lynch. The line is unmuted. You may go ahead and ask your questions.
- Vidyadhar:** Yeah. Thank you. Good evening, everyone. Just two question. One, first on this Octroi thing which you have said that about ₹ 900 odd crore is provision write-back for the current year and almost close to ₹ 1600 crore for last year. Can you please explain what this exactly is? Are you confident that you don't have to pay this, now that you had reversed this? And, thirdly, what is the net incurred in profit?
- Management:** No. No. It is not actually the payment. Primarily, what has happened this was supposed to come back to us from OMCs for which we were carrying in our book as a receivables and that's why we had kept 1585 in the last



year accounts. And in the current year, it was 919 for the two quarters. The third quarter amount is automatically adjusted in the revenue. So this is not a receivable. We are not going to get anything and the question of payment does not arise.

Vidyadhar:

No. No. No. No. I am not saying that. What I am saying is that this accounting – Is this issue settled? You are confident that these reductions don't have to be made?

Management:

No. It is already because we were carrying in our books and now as per the price revision we have adjusted our revenue in the current quarter to the extent of ₹ 3018 crore. So there are no adjustments required in future.

Vidyadhar:

Okay. And what is the net impact on the profit?

Management:

Net impact on profit is around ₹ 530 Crore only on account of reversal of certain statutory levies but for which there's no impact because the provisions made for this has been reversed and written back. See, last year, we had provided ₹ 1584 crore. And, again, in the first two quarters we had provided for 919 which has been written back and reversed.

Vidyadhar:

Correct.

Management:

So those provisions have been written back and accordingly the revenue has been reduced. So there is no impact on profit except for certain reversal of statutory levies as explained earlier.

Vidyadhar:

Okay. Now, the second question is on the Gujarat sales tax. The Supreme Court what they have said today, I think, they have asked you to pay the sales tax from 1st February on the gross oil price realization. So how do you see that? Do you think that there is a risk on that– this would go against you?

Management:

See, as of now, the provision up to the period of January, has been stayed. we are not anticipating anything negative would happen on that in the next hearing to be held. But when the exact hearing happens, then we will know what will be the correct situation. But, as of now, we just can't say how the thing is likely to be. But for the time being, we believe it is positive for us.



Vidyadhar:

So but your request to the Supreme Court was to on both front, neither to pay the arrear nor to required to pay in future, isn't it or?

Management:

Yes, that was what we had believed. But based on the interim judgement the Hon'ble SC has decided that from 1st February we have to pay at the pre-discounted price. But they have already served notice to the concerned state government to come back on this issue and this will be heard again in April. So till such time, the total decision has been stayed for us for the total retrospective amount.

Vidyadhar:

And if the decision goes against you, the hit will be roughly 15% on the subsidy amount, the royalty discount amount, so let's say, on US\$ 63 around 15% for the Gujarat crude

Management:

No. The hit will be to the extent for the government dues which have been impacted up to December are around ₹ 9000 Crore

Vidyadhar:

No. I am not talking about the past. I am talking of future.

Management:

It is about ₹ 200 crore.

Vidyadhar:

₹ 200 crore for what kind of period?

Management:

I am saying per month it is a pre-discount impact.

Vidyadhar:

The hit is about ₹ 200 crore per month?

Management:

It will be this number.

Vidyadhar:

Okay. This is only on Gujarat?

Management:

Yeah. This is only a very rough number. You will have to wait and see what exactly is going to be the impact—At this particular point of time, it will be very difficult for us to answer.

Vidyadhar:

Yeah. Sure. Sure. Sure. Thanks.

Management:

Okay? So we will come back on that subsequently.

Vidyadhar:

Thanks. Yeah.



Moderator:

Thank you so much. We have the next question from Mr. Arya Sen from Jeffries. The line is unmuted. You may go ahead and ask your questions.

Arya Sen:

Yeah. Hi. Good evening, sir. First question is related to the point 4 which you have been talking which is at ₹ 2500 crore of adjustment to revenue, I just wanted, you know, if you could give a break up of how it has hit the various expenses what has been revised back?

Management:

See, it has been about ₹ 2503 crore – I mean, ₹ 3018 crore has been adjusted against the revenue in the current quarter. Out of this ₹ 1585 is for the previous year 2012-13 and the current year upto Sept, 2013 is ₹ 919 crore and the balance for the current quarter of Q3 FY14. The total amount stood at ₹ 3018 crore.

Arya Sen:

Correct. Sir, I wanted to understand on the expense side what has been the hit and which items have been hit

Management:

No. On the expense side, no hit on that. It's a provision written back as has been shown as other income.

Arya Sen:

Okay. So the entire amount has been shown as other income?

Management:

That is for the last year value – ₹ 1585 crore.

Arya Sen:

₹ 1585 ? And the remaining ₹ 919 crore?

Management:

It's been adjusted in the current year itself.

Arya Sen:

That's in the other expenditure, is it?

Management:

Yes. Yes. So it is a reversal of the provisions made in the first two quarters.

Arya Sen:

Yeah. But that is showing in other expenditure. Is that correct?

Management:

Yes. Yes, as other expenditure.

Arya Sen:

You have also mentioned corresponding revision have also been made in the statutory levies, so has there been any adjustment to the statutory levies on this account?



- Management:** Yeah, about ₹ 534 crore.
- Arya Sen:** Sorry, how much?
- Management:** ₹ 534 crore.
- Arya Sen:** ₹ 534 crore is the adjustment to statutory levies?
- Management:** Yeah.
- Arya Sen:** Okay. So, I mean, if I were to sort of understand, so, ₹ 1584 crore is on the other income side. And out of the remaining ₹ 919 crore, ₹ 534 crore in the statutory levies remaining in the other expenditure, is that what you are saying?
- Management:** No. ₹ 919 crore is the reversal of provisions made during the first two quarter FY 14 and ₹ 534 crore is the reduction in the statutory levies due to adjustment in sales revenue for the period from April 2012 to December 2013.
- Arya Sen:** Okay. Okay. And, sir, just wanted to understand ₹ 289 crore that you've mentioned for this quarter you've said that profit before tax for the quarter ended 31st December is higher by ₹ 289 crore. This is as compared to how you were accounting previous year. Is that a fair way to look at it?
- Management:** No. It is due to the change in accounting policies which we have just started off from 1st April 2013 as per the issuance of the new guidance note. So we are just carrying those exploratory well even if they are two years old and if the prospects are there in that particular well, due to which, there is an impact of ₹ 289 crore in the current quarter and for the nine months ended December 2013, it is ₹ 617 crore.
- Arya Sen:** Okay. Okay. And, sir, your other expenditure has declined quite a bit in this quarter, I mean, it's gone down from ₹ 3924 crore to ₹ 2210 crore. What is the reason for that, I mean, part of it is, of course, the reversal?
- Management:** That is the reversal provision. See, other expenditure includes the provisions also, provisions and write-off.
- Arya Sen:** But that is the ₹ 900 crore, I mean, it has declined by almost ₹ 1700 crore. Right? So that is why I am asking, again, slashed quarter.



- Management:** No. In the last quarter Q2 FY14, the provision for this amount was there for ₹ 483 crore.
- Arya Sen:** Okay. So ₹ 900 crore plus ₹ 483 crore?
- Management:** So, it is almost ₹ 1400 crore.
- Arya Sen:** Okay. Okay. And, sir, on the Supreme Court order today, I just wanted to understand if – So for the next two months will you be actually paying the Gujarat government the higher royalty till the next year?
- Management:** No. As per the court directives, it has to be paid now. But we are yet to receive the formal written order from the court. And whatever the directions are recorded there, accordingly, the compliance will be done by the company.
- Arya Sen:** And will you also be recognizing it or that is the decision you will take based on the next hearing?
- Management:** We have to go as per the court orders, whatever the directions are there. But definitely for the past, has been stayed by the court. We will be waiting for the decision from the court for the payments of royalty from February 2014 onwards and the moment we get the decision in our favour, the entire amount gets adjusted accordingly.
- Arya Sen:** Okay. And the impact you said was ₹ 200 crore per month. Is that the right number?
- Management:** That is – Yes. Basically, the exact number we cannot – Off hand give you. I will say it should be around ₹ 200 crore approximately.
- Arya Sen:** Okay. Okay. That's all from my side. Thanks a lot, sir.
- Moderator:** Thank you so much. We have the next question from Mr. Mayur Patel from DSP Blackrock. Your line is unmuted. You may go ahead and ask your questions.
- Mayur Patel:** Sure. First thing, just want to check. You gave the number ₹ 200 crore per month is the impact relating to this Gujarat royalty thing, right?
- Management:** Yeah. That's true.



- Mayur Patel:** Okay.
- Management:** It is based on the interim decision from the court.
- Mayur Patel:** Thank you.
- Management:** Okay. Fine. So we can go ahead with the next question.
- Moderator:** Sure, sir. The next question is from Mr. Suchit Mehra from B & K Securities. The line is unmuted. You may go ahead and ask your questions.
- Suchit Mehra:** Hello. Hi, sir.
- Management:** Yeah. Hello.
- Suchit Mehra:** Sir, my question is a continuation to the previous question. You have mentioned the impact of ₹ 200 crore per month, but what I am reading into the press release that your total onshore royalty paid in FY13 was about ₹ 1400 odd crore. I mean, these numbers are mismatched or am I getting it wrong because ₹ 200 crore per month or would be about ₹ 2400 crore per year?
- Management:** The exact calculation and the numbers are not worked out as of now as the court directions and hearing of the SLP happened today only. We just gave you the approximate figure. We don't know the exact number.
- Suchit Mehra:** I understand that, sir. But actually the number variation was a bit high, that's why I was asking the same.
- Management:** Okay. Just leave it for the time being. We will come back on it subsequently.
- Suchit Mehra:** No worry, sir. No worry, sir. Thanks. Thanks.
- Management:** So what we told about ₹ 200 crore approximately is almost going to be the right figure. Right? That is only for Gujarat. You are taking the total onshore figures. It means, it is having the other onshore production also.
- Suchit Mehra:** Sir, that's what I am saying. Sir, the onshore number is lower than your guided ₹ 2400 crore. The total royalty is lower than your guided numbers.



- Management:** One second. Yeah. Just wait. We are just checking it. One minute.
- Suchit Mehra:** Yes, sir. Yes, sir.
- Management:** So what has happened we had done some adjustments in the current quarter, due to which, the numbers are showing less. But if you don't do this adjustment of the revenue revision which we have done now, then these numbers would have been at a higher or it is almost adding upto that number what we have mentioned. We will give those details later on. Basically, we had done some adjustments on the revenue side and also on the royalty side.
- Suchit Mehra:** No problem, sir. Okay. Thanks. Thanks.
- Management:** Okay.
- Moderator:** Thank you so much. We have the next question from Mr. Rohit Ahuja from ICICI Securities. The line is unmuted. You may go ahead and ask your questions.
- Rohit Ahuja:** Hi. Good evening, everyone.
- Management:** Good evening.
- Rohit Ahuja:** Sir, I must have missed it before, you know, you mentioned about revenue adjustment, so your revenues are looking lower despite increase in production and similar naturalization. It's at ₹ 8,072 crore versus ₹ 10,300 crore in Q2. So I am seeing a broad difference of about ₹ 2200 crore in the quarter-on-quarter. So can you explain what are the adjustments?
- Management:** See, the ₹ 3018 crore which we have adjusted on account of VAT, CST and Octroi which we had carried in our revenues earlier. And we have just made a revision in the prices, accordingly, the revenues have been brought down by ₹ 3018 crore for the last year and three quarters for the current year.
- Rohit Ahuja:** ₹ 3018 crore is the difference precisely?
- Management:** Yeah.



- Rohit Ahuja:** And, similar adjustments you have taken in the expenses?
- Management:** Yeah, adjustments in the write back of provisions for the previous year showing as other income and reversal of provision made in the first two quarter of current year.
- Rohit Ahuja:** Sir, right, the combination of other expenses and the levies and other income?
- Management:** Yeah.
- Rohit Ahuja:** So that's the right way to construe it?
- Management:** Yes. Yes.
- Management:** Absolutely.
- Rohit Ahuja:** Right. Sir, secondly, on royalty thing, I think, you answered on the impact. But in terms of adjustments, let's say, you know, this continues from February, March and it takes time to settle. So is the government going to give you a similar relief on subsidies or this could be over and above extra amount that you have to keep contributing?
- Management:** It's very difficult to comment everything right now. But definitely whenever such issues come in, then we will have to fall back on to the government to give us a respite on those areas because a company cannot take for the adjustments which the government is asking as to carry out.
- Rohit Ahuja:** But there's no such assurance yet from the government on these adjustments to the subsidies in case this case was against you?
- Management:** No. No. See, no one will give any commitment right across because the courts had heard the issues today only. And the decision is yet to be put on record to us. Definitely the management will take it up with the government or giving us a relief on this area. But we can't say right now whether they will give a commitment to that or not.
- Rohit Ahuja:** Right. sir. Sir, lastly on the guidance of production for FY15...
- Management:** Yeah. My colleague will just tell you.



- Rohit Ahuja:** Yeah. Yeah, sir.
- Management:** FY15, our crude oil production target is 28.73 MMT and natural gas it is 26.5 BCM.
- Rohit Ahuja:** So has there been any change? It remains the same? And the JV production, sir?
- Management:** Which one?
- Rohit Ahuja:** This includes JV ?
- Management:** Yeah. It includes JV.
- Rohit Ahuja:** And can you give what is the standalone portion in this 28.73, sir?
- Management:** it is 24.92MMT.
- Rohit Ahuja:** And gas, sir?
- Management:** Gas is 25.10 BCM for standalone.
- Rohit Ahuja:** 25.10. Okay. Thanks a lot, sir.
- Management:** Okay.
- Moderator:** Thank you so much. Before we move on to further question, I would like to repeat. Attendees, if you wish to ask any more questions, you may press “0” and “1” on your telephone keypad. We have the next question from Mr. Rakesh from Morgan Stanley. Your line is unmuted. You may go ahead and ask your question, please.
- Rakesh:** Yeah. Thank you, sir. Two questions. First on these royalty issues. If my understanding is correct, right now, you are paying 20% royalty on net realization portion of the net realization of oil price and, post this decision, you will pay actually on the gross realization price? And, secondly, sir, how much Gujarat would contribute to your onshore production and, sir, your onshore production number is about 7 million ton of about roughly 20.5 million ton which you are producing?
- Management:** It is around 6.945 million ton for onshore during FY13.



- Rakesh:** How much, sir?
- Management:** Around 6.9 million ton.
- Rakesh:** Gujarat is 3.7?
- Management:** No Gujarat is around 5.2 MMT
- Rakesh:** And remaining is Assam?
- Management:** Assam is there and Rajahmundry in Andhra & Cauvery in Tamil Nadu are there.
- Rakesh:** Sir, are there any further cases pending from other states on the same issue or do you think it's a risk that, post this, this issue will be raised?
- Management:** It is pending with Assam primarily other than Gujarat and no other state.
- Rakesh:** Okay. Secondly, sir, if you could remind us your production targets for OVL for this year and next year that will also be great?
- Management:** Yeah. Yeah. My colleague from OVL will share.
- Management:** Very much I will share with you. We are expecting this year around 8.1 Mtoe.
- Rakesh:** Yeah.
- Management:** Yeah. And for the next year, we expect – estimate is around 8.152 Mtoe.
- Rakesh:** Sir, can you break down in terms of oil and gas roughly?
- Management:** Yes. Yes. This year 8.1. Oil will be 5.35 MMT and gas will be 2.75 BCM.
- Rakesh:** Does it include any production from Sudan or you are expecting no production from Sudan?
- Management:** This is inclusive of South Sudan. What I am talking is including South Sudan.



- Rakesh:** Okay. And, sir, for fiscal 2015?
- Management:** Next year is 8.152, in which, again, oil is around 5.35MMT; exactly, it is 5.349. And gas is 2.77.
- Rakesh:** Okay. Thank you very much, sir.
- Moderator:** Thank you so much. We have the next question from Mr. Alok Deshpande from HSBC. The line is unmuted. You may go ahead and ask your question.
- Alok Deshpande:** Can you hear me, sir?
- Management:** Yeah, Alok.
- Moderator:** Yes, we can hear you.
- Alok Deshpande:** Yeah. Sir, my question was on OVL. Any profit number or any revenue number that you can give us for Q3?
- Management:** No. No. It has not been so far declared basically. I think, we will not be able to give at this stage.
- Alok Deshpande:** Okay, sir. Okay. I will just get back in the queue for more questions, sir.
- Moderator:** Thank you so much. We have the next question from Mr. Harshad from Motilal Oswal. The line is unmuted. You may go ahead and ask your question.
- Harshad:** Hi, sir. Good evening.
- Management:** Yeah. Good evening.
- Harshad:** I have a question on Mozambique debt, you know, which we are going to take now or have taken partly. So the interest on this debt, will it be part of our reported P&L or it will be capitalized?
- Management:** It will be carried .
- Harshad:** It will be capitalized, you are saying?
- Management:** Yeah.
- Harshad:** Okay. That's all from my side. Thank you.



- Moderator:** Thank you so much. We have the next question from Mr. Avadhoot Sabnis once again from CIMB. The line is unmuted. You may go ahead and ask your questions.
- Avadhoot Sabnis:** Sir, could you provide an update on the KG Basin block 98/2, please?
- Management:** KG 98/2 block :we have completed all the appraisal wells. And we have already submitted our revised DOC to DGH. So based on that, we will be – Once the DOC is accepted, we will go for the field development programme; rather, it will be parallel.
- Avadhoot Sabnis:** Could you give some guideline on when would we expect FDP to be filed?
- Management:** See, once the DOC is approved, we are given one year's time to submit the field development programme. So we are actually in the process of engaging consultants, we think we will move parallelly. We will not wait till the approval of the DOC.
- Avadhoot Sabnis:** Okay. The most optimistic assessment would be by, let's say, December of this year in terms of filing FDPs?
- Management:** Yeah, maybe.
- Avadhoot Sabnis:** Okay. Then the government will basically have to approve the FDP, right?
- Management:** Field Development Programme, of course, the government will have to see and approve.
- Avadhoot Sabnis:** Okay. And, basically, post the approval, you start sort of work on the project. So the time the government approves the project, how long do you think it will take for you to start producing?
- Management:** Actually, as per our plan, we want to bring this particular field by FY17. So, accordingly, the other programmes have been impacted.
- Avadhoot Sabnis:** Right. I perfectly understand, sir. That's why I am trying to work it out backward. If you think you can start producing



in FY17, when do you think the FDP has to be approved for you to be able to start producing in FY17?

- Management:** It may be around two years.
- Avadhoot Sabnis:** So, basically, from approval of FDP, you can start producing in two years?
- Management:** No. Sorry. After the approval of FDP, three years.
- Avadhoot Sabnis:** Three years from – Okay, FDP approval. Okay. Thank you, sir. Thanks a lot.
- Moderator:** Thank you so much. We have the next question from Mr. Vikash Jain from CLSA. The line is unmuted. You may go ahead and ask your question.
- Vikash Jain:** Sir, now that you've clarified on the VAT and Octroi thing basically there's no impact on the PBT, are there any other one-offs other than those which would impact the PBT?
- Management:** No. No. Nothing is there.
- Vikash Jain:** There are no other one-offs? No write-backs nothing like that?
- Management:** No. Nothing.
- Vikash Jain:** Okay. Thank you.
- Management:** Okay.
- Moderator:** Thank you so much. We have one last question here in the queue so far. It's Amit Rastogi from Antique Stock Brokings. Your line is unmuted. You may go ahead and ask your question.
- Amit Rastogi:** Yeah. Sir, I think, you've explained this. Why the royalty is lower from the onshore side this quarter?
- Management:** No, we have done some adjustments of the earlier revenue revisions and that impact is about ₹ 500 odd crore, due to which, there is lower royalty.
- Amit Rastogi:** Okay. So ₹ 500 crore adjustment is there in the royalty side?



- Management:** ₹ 360.Crore
- Amit Rastogi:** ₹ 360 crore royalty adjustment is there for the previous quarters basically?
- Management:** Yeah. Yeah.
- Amit Rastogi:** And, sir, out of which, how much in, like, onshore and how much in offshore?
- Management:** ₹ 225 Crore is onshore and the rest offshore.
- Amit Rastogi:** Okay. Because onshore royalty is down only, you know, ₹ 130-140 crore on a Q-on-Q basis. So... Okay. Anyway. Sir, when I am looking at the other expenditure, I take your point that, you know, some ₹ 900 crore has been adjusted in other expenses. And, similarly, Q2 you had provided ₹ 500 crore. So total ₹ 1400 crore impact I can understand, but any other thing which you feel has gone down on a quarterly basis, Q-o-Q basis?
- Management:** No.
- Amit Rastogi:** From second quarter to third quarter? Like, second quarter, you had a number of ₹ 3924 crore. This quarter you have a reported number of ₹ 2210 crore. There is a decline of almost ₹ 1700 crore.
- Management:** We will just give you the number.
- Management:** The other expenditure what is being shown there is net of provisions.
- Amit Rastogi:** Right.
- Management:** Okay? And the provisions have been reversed to the extent of ₹ 919 crore. And for the third quarter of last year, the provisions had a figure of almost around ₹ 400 crore.
- Amit Rastogi:** Okay. Okay. Okay. Okay. So last year it was there in the provisions and the...
- Management:** Last year third quarter is of ₹ 389 Crore



Amit Rastogi:

Yes, ₹ 389 Crore. Yeah. Okay. This means that our revenue, if I just make the adjustment, if I add back ₹ 2500 crore which you have adjusted from crude oil sales, so my crude oil sales for the quarter will be ₹ 10,575 crore? You have reported ₹ 8072 crore from the crude oil sales excluding JV.

Management:

Actually, another ₹ 515 crore for this quarter, that is also there, you know, for which we not made any provision but reduced the revenues to that extent.

Amit Rastogi:

Hmm. Right. That you have not included in the revenue also, *nah*, 500...?

Management:

We have not included in the revenue. That is also being gone from the revenue, you know? We have removed that.

Amit Rastogi:

Yes.

Management:

Total adjustment on account of this is ₹ 3018 crore.

Amit Rastogi:

So ₹ 3000 crore adjustment can't be there because, you know, you have removed only ₹ 2500 crore from your numbers.

Management:

You just can't go with the numbers to work out the math directly. – as there is an upside because of the rupee depreciation which has benefitted our top line.

Amit Rastogi:

Right. My point is that what I am doing is ₹ 919 crore, I am adding to the other expenses. My other expenses are lower because of this factor of ₹ 919 crore. And my other income is higher by ₹ 1585 crore because of this. So there is a total adjustment of ₹ 2500 crore below the revenue line.

Management:

Yeah. Absolutely right.

Amit Rastogi:

Yeah? And, similarly, if I have to make adjustment in the revenue, so that will be ₹ 2500 crore I have to add back to the crude oil sales.

Management:

In the quarter three also, there is ₹ 515 crore. That also you have to take into consideration. So all together, it will be ₹ 3018 crore, the total adjustment in revenue.

Amit Rastogi:

So ₹ 515 crore you have recognized in the revenue?



- Management:** No. No. We have not. It would have been recognized had this adjustment has not been carried from the April 2012. Right?
- Amit Rastogi:** Okay.
- Management:** So for the six quarters plus this current quarter, so total is ₹ 3018 Crore. That is what we are trying to explain.
- Amit Rastogi:** Okay. You are right. Okay, sir. Thank you.
- Management:** Right.
- Amit Rastogi:** Yeah. Thanks a lot.
- Moderator:** Thank you so much. So we have couple of more questions. So we have the next question from Mr. Rohit Ahuja. Your line is unmuted. You may go ahead and ask your question.
- Rohit Ahuja:** Hi, sir. This is a follow up question on the 98/2 block. You mentioned that you will be filing the FDP optimistically by end of this year and the development in three years from then. Is that subject to the infra-sharing agreement with RIL for the D6 blocks?
- Management:** No. It has nothing to do with that particular thing.
- Rohit Ahuja:** So when do we expect to hear something concrete on that, sir?
- Management:** See, This block is divided into two parts, that is, one is Northern Development Area and Southern Development Area. What our focus will be on Northern Development Area where the water depth is up to 1500 metres. And few discoveries are in the water depth range of 400 to 600-700 metres also. So those discoveries will be monetized first and then subsequently we will go for the deeper ones.
- Rohit Ahuja:** Right. Right. Right. So when you do the agreement of infrastructure sharing, it will be for the, I guess, both the Northern and Southern area?
- Management:** Yes. we will be doing for both.
- Rohit Ahuja:** So your estimates don't take into account any advantage from there as of now?



- Management:** At present, actually, the feasibility is going on. But whatever, say, DOC we have submitted, it does not take into account any agreement.
- Rohit Ahuja:** Right. Okay. Thanks. Thanks, sir.
- Moderator:** Thank you so much. We have the next question from Mr. Abhishek Dutta from Standard Chartered. Your line is unmuted. You may go ahead and ask your question.
- Abhishek Dutta:** Yeah. Sir, just wanted to know, like, in the annual report you have mentioned total onshore production at 9.5 million tonnes. Of that, if I have missed that, you mentioned that Gujarat accounts for about 5.2 MMT.
- Management:** For nine months. Gujarat production is around 3.7 million tonnes. We have got three assets there – Ahmedabad, Mehsana and Ankleshwar. And one sub-asset is Cambay. So total production from these all four assets is around 5.2 million tonnes per annum.
- Abhishek Dutta:** And how do you account for others, like, Assam account for how much, sir?
- Management:** Assam, say, it accounts for around 1.2 million tonnes. Then we have got Rajahmundry asset. It is around 0.3 million tonnes. I am talking about crude oil only. And Cauvery, again, it is around 0.25 million tonnes.
- Abhishek Dutta:** So, but, annual report mentions 9.49 million tonnes onshore production.
- Management:** Onshore production, that, I think, you might have considered production including JVs onshore.
- Abhishek Dutta:** Come again.
- Management:** Including the joint ventures, Rajasthan probably.
- Abhishek Dutta:** Okay. That will be how much, sir?
- Management:** That will be almost 2.5- 2.6 MMT was there.
- Abhishek Dutta:** Okay.



- Management:** So onshore of our ONGC is almost around 7. Then you have another 2.5 from Rajasthan onshore block – joint ventures.
- Abhishek Dutta:** Okay, sir. Okay, sir. Thanks a lot. Thanks a lot. Yeah.
- Moderator:** Thank you so much. We have the next question from Mr. Nitin from HDFC Mutual Funds. The line is unmuted. You may go ahead and ask your question, please.
- Nitin:** Thank you, sir. Sir, to understand this whole issue, you were contesting or rather oil marketing companies were contesting the COSA that had been signed or now you are accounting for things as per the COSA. Is that the change that has happened which you are accounted for in the numbers?
- Management:** There was partially on account of COSA and there were certain decisions of the Government of India regarding the sharing of VAT, Octroi and CST. And these are the adjustments which we carried in our revenue account now.
- Nitin:** Okay. So even in the past period, you were going by whatever the ministry decision was, so there was no impact on the bottom line and you continued to do that. You were saying that earlier you used to account for revenue and make a corresponding provision and now neither account for revenue nor make a provision, is that how you look at it.
- Management:** Correct. Now, we have just removed the provision angle and directly accounting in the revenue itself.
- Nitin:** The revenue will be lower to that extent because there is no revenue.
- Management:** Absolutely.
- Nitin:** Okay, sir. Thanks. Thanks a lot.
- Moderator:** Thank you so much. And we have the next question from Mr. Vikash Jain from CLSA once again. The line is unmuted. You may go ahead and ask your question.
- Vikash Jain:** Sir, two questions. One is, when you used to previously include this in revenue, but when you report gross realization even in the last two quarters, you used to exclude the gross realization number that you separately show in almost per barrel that also had?



- Management:** No. We were showing this under the gross revenue in totality. But corresponding provision, we were not impacting a bottom line.
- Vikash Jain:** No. No. I understand that. What I am saying is that the gross realization numbers that you used to report US\$ 108 or 109, 110 per barrel for the last two quarters, was that adjusted for this or this was at the gross.
- Management:** On a gross basis.
- Vikash Jain:** Okay. Because, you know, somehow in the last couple of quarters the link with, I mean, you've been at the discount to which is relatively more than what you've been and historically, so that is why I was clarifying that. But you are saying that you used to include it.
- Management:** Yeah.
- Vikash Jain:** Okay. The other thing was on this issue of Gujarat. Essentially, once you have to account this for the fourth quarter, would you take the view of this being a Gujarat-specific issue, I mean, because you will have to probably – you might explain it and it might become a future receivable since you generally follow a more conservative form of accounting or would it be on all onshore production? What would be your view on this?
- Management:** No. It all depends on what the directives of the court. Today, hearing has been held. Now, we have to get the written verdict of that. And based on that only, we will be acting upon. So it is just too premature to comment anything right across because we are not received court order yet.
- Vikash Jain:** Okay. Sure. Thank you.
- Management:** Okay.
- Moderator:** Thank you so much. We have the question here from Mr. Vidyadhar from Merrill Lynch. The line is unmuted. You may go ahead and ask your question.
- Vidyadhar:** Yeah. Thank you. My question is on KG 98/2 block. Could you share any numbers with us after the appraisals have now been drilled on the in-placed gas and oil numbers or



even recoverable numbers now because, I think, what you have shared in the past is in-place of 4.85 tcf, I think, on gas and oil, I don't remember, so could you share some numbers with us?

Management: Actually, like, natural gas it is around 200 BCM. Crude oil it is around 100 million tonnes. That is around 300 Mtoe.

Vidyadhar: Sorry. I didn't get you. Can you please repeat?

Management: 200 BCM is in-place volume of gas and 100 million tonnes of crude oil.

Vidyadhar: It is in place oil? Okay. 100 million?

Management: Is crude oil – Sorry.

Vidyadhar: Crude oil is how much?

Management: Out of 300 Mtoe , 100 MMT is the crude oil.

Vidyadhar: Okay, sir. Out of three – I didn't get it.

Management: Total was 300 MTOE.

Vidyadhar: 300 BCM of gas?

Management: No. No. 200 BCM of gas and 100 MMT of oil. And total 300 MTOE.

Vidyadhar: Yeah. Okay. So, basically, 200 BCM of gas in-place and 100 million tonnes of oil? Okay. Any numbers on recoverable? So can we apply, let's say, what kind of recoverable rates for 50-60 for gas and, say, 25-30% for oil?

Management: Yes. Gas, it is in the order of 50% to 60%. And for oil, maybe, we will assume for the initial period as 20-25%.

Vidyadhar: 20-25% for the oil?

Management: Yes.

Vidyadhar: Okay. And are your production estimates which you have mentioned in the past, I think, peak of 22 or something mmscmd in gas. Any numbers on likely peak production on gas and oil?



- Management:** I think, we will be maintaining going with the same numbers as of now.
- Vidyadhar:** Okay. Okay. And there is more clarities when we file the FDP, I guess?
- Management:** When FDP is getting ready, then only the things will be clear more.
- Vidyadhar:** Yeah. Correct. Okay. Thanks a lot. Thank you very much.
- Management:** Sourodip, I think, there is nobody else on line, I believe.
- Moderator:** That's right, sir. There is no one else in the queue.
- Management:** So thanks all the people who are participated in our concall. Thank you very much.
- Moderator:** Thank you. Thank you, sir. Thank you very much. Thank you all participants for joining us. Hope you all have spent a useful time. With this, we conclude the conference for today. Wish you all a great evening ahead.
- Management:** Thank you, Sourodip.
- Management:** Thank you, Sourodip.
- Moderator:** Thank you, sir.