Oil and Natural Gas Corporation Limited

ONGC Q4 FY 23 Earnings Call
29-05-2023

- **Ms. Pomila Jaspal – CFO, ONGC Ltd:**
- .. of that you have. Amidst the challenging economic conditions and business environment, let me inform that ONGC has given another stellar performance with its highest ever standalone PBT of Rs. 50,395 crores, and PAT of Rs. 38,829 crores, one of the highest amongst CPSCs in India. This would have been even higher, but we reviewed the disputed Sales Tax and GST on royalty and made a provision of Rs. 12,107 crores during Q4 FY23, notwithstanding, that we continue to pursue our legal recourse for this disputed amounts, and we are confident about the merits of our stand on the issue. Inspite of this, we continue to remain on of the highest dividend paying companies of the country, with its highest ever divided of 225% i.e. Rs. 11.25 per share, and total amount to Rs. 14,153 crores for FY23. We are well poised to consolidate from here and grow on a sustainable path, meeting the increasing energy needs of the nation, and in the process, accreting value for all our stakeholders. The suggestions and ideas that we receive from you, always motivate us to strive for excellence, and we look forward to have a great interactive session.
- With these words, may I request our respected Chairman and CEO, ONGC Group - Shri. Arun Kumar Singh ji, to share with you his assessment of the last year's performance, and his perspective on some of the emerging issues of the industry. Thank you very much.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**
- Thank you Pomila ji. Good evening. This good evening is on behalf of ONGC Group of Companies, including ONGC. And also, our esteemed colleagues, ladies and gentlemen, all the analysts, all the finance fraternity people who really matter a lot to us. So, good evening to all of you.
- Before I start, the context is that, you know that we have had a result announcement, annual P&L announcement last Friday, and that's how we are here. This is also an opportunity to be… to explain you the prospects of the company, country, because without the country context, we can't come to the company context.
- First and foremost, as you know, the India story is kicking very greatly on demographics, digitalisation, now decarbonisation and then also partly deglobalisation. So, all four are giving strong tailwinds. So, it may be here and there some blips, but the long-term story of our country is great, highest than ever.
- In that context, as you know, the energy demand of our country, because our per capita energy demand is still far below the international average, so the energy demand of the country will keep growing massively, more than any sector, because more the growth, more the need for mobility. And, more the need for mobility and industry, more the need for energy. So now, unlike the rest of the world, our story is different, because atleast for 20-25 years our fossil fuel story is going to remain robust. But at the same time, it is also an opportunity to steamroll, everything that we need to do for taking our energy transition also seriously. So, it is both the worlds simultaneously running high, but after some time in 20-25 maybe others will start crossing the path, and somethings will take north bound and maybe fossil fuel… but in my calculation, it will not happen before '42-43.
- So, in this context, ONGC is here, and ONGC first and foremost will give you physical and then financial. ONGC typically produces… if you take it's share in the JV production in the country, around 43 million ton of oil, plus oil and gas. Normally it was 55, but last year, why 55? Because OVL gets around 12 average. But last year, Russia had a problem and therefore, OVL production went down.

But, fortunately, I'm glad to report to you that Russia is back with the same numbers of production. So, ONGC… if you add OVL production of 13 million tons, so say, normally, then it is 55 million tons. And, we believe that this, by and large, is the picture, barring plus/minus here and there. Last year, oil we held ground, atleast we arrested decline, gas we went down a little.

- So physical side, if you say, 45+15… I'm saying, ONGC I assume it will grow about 3-4 million tons more because you can see that immediate thing in our 6.20. And, atleast we expect OVL to be 15 million tons with Mozambique. So, it is 60 million tons. The country consumes roughly 280 million tons of oil plus 6.32 gas. So, basically it becomes 23-24% of the country, which is still far from satisfactory. And for that you may be aware, that the next most important thing for physical performance is what happens in the exploration side.

- Exploration side, as you're aware, the government last year released 1 million sq. km. of additional sedimentary basin area for category 2 and category 3 for further exploration, which was out of bounds. We believe very strongly that that offers good potential for our country. And, ONGC aims to do, atleast out of 1 million, 0.5 kms ONGC wants to do themselves. So, if that comes, then naturally our energy security and also Atma Nirbhar thing takes better shape. So in this context, you may be aware that the government has announced multiple OALP rounds. Now hopefully, these rounds every year will be something, atleast a lakh sq. km. ONGC intends to add.

- Now, coming back to last years' performance of exploration, we had 8 discoveries, and out of that, some have been already monetised, some are yet to be monetised. And, reserve replacement ratio is more than 1, just above 1, 17th year in a row. So, that means it is just making up for what is being produced. So, reserve is not growing as robust we'd expect it as a country to grow, for the simple reason that, our exploratory efforts, because of restriction, was not great. Now, that restriction has opened, and hopefully in 2-3 years we should scan the area, we should survey the area and we should be in place. Now, one more thing we wanted to share with you is, that around 10,000 crores per year we are spending on average. Last year we spent 10,000 crores on exploration. So, if we keep expending 10,000 crores, in the next 3 years we'd be spending around 30,000 crores in exploration.

– Now, coming back to the per capita consumption story, I told you, we have a very strong piece. Now, what is the good news for ONGC, I just wanted to share that with you. Unlike all previous years when gas prices… ONGC lived with a gas price of even $1.79 per mmBtu. And now atleast, assuming that oil price remains at 75, the government has capped… the policy has capped the ONGC nomination fields gas to 6.5. But, any gas which is produced from any new well, that will get 10% of crude prevailing price, plus 20%. So effectively, it becomes 12% of accrued price. So every year, ONGC roughly, 6-8% of production falls, and that production is replaced by new wells. So, 6-8%, if ONGC every year new production comes, that will fetch at current crude price $9 per mmBtu. So year on year from here, every year ONGC increases its revenue, if it maintains 8% of production from new wells. A fantastice price, $9, no where in the world people would get. So in a way, gas pricing over next 7-8 years would get completely reformed, and maybe calibrated permanently to 12% of the crude price. This story is the biggest story for ONGC in the years to come. This year it has started, now this year it will get 6.5%, next year it will get 8% if you add the weighted average you can calculate how much it would come to, and every year this increase will happen. And after that, Rs. 0.25 per mmBtu will get added after 2 years in 6.5. So that you leave aside, because that will also give a base effect. So what I'm trying to say is, ONGC's financial performance is almost assured, unless something… only thing in this world, whenever you say something is assured, you have to touchwood, unfortunately it is a rule. So, unless some disruption, because in our industry, uncertainty is very certain. So anything that you say, you have to always touch wood and say. But, this is a story that everybody should take, that unlike previous ONGC, now ONGC is almost getting gas price, in 4-5 years, equal to international… 12% of oil price. And, oil price, in any case, is deregulated. So, oil price in India you get basically the international price. So financial side wise, not much of an issue, because it almost looks assured if this policy regime continues, which I think it should.

- Now coming back to financial numbers last year, we must explain to you, because last year there is a dip in profit in last year over our performance, because last year we were 40,000 plus crores, this year around 38,800. So, there's a dip in PAT. But, this dip in PAT, in fact, is not because of ONGC. If you see last year's profit of 40,000 crores, 8,000 crores was the gain out of tax change, because 8,000 crores we gained out of… because tax regime for a minimum alternate MAT regime we came to the flat regime of 25%. And then whatever was lying in our books, that came here. So, actual profit last year barring tax addition was 32,000 crores. This year, contrary to that, if you knock out… this year we have provided for 12,000 crores… of course, PAT level 9,000 crores. 9,000 crores PAT got wiped out because we took a view that we should provide for the GST on royalty.

- All of you may be knowing that royalty is a tax which gets paid to state governments or central government, as the case may be. And, GST on royalty is tax on tax. Tax on tax is something that is a taboo in taxation world. But somehow, the demand has been persisting for 5-6 years and many people went to court. And now the matter is before a nine-judge bench of Supreme Court, whether tax on tax can be levied? The matter is becoming big, because last year, our this liability became 3,000 crores, because oil and gas prices were at all-time high. Then we started getting worried that it is too big an amount to take a hit if something untoward happens; as the matter is subjudice, it can go either way. So, we took a conservative view, as happens in the best governed organisation, that we'll provide for that. 12,000 on the pre PBT level, we took as provision. As a result, 9,000 crore PAT got wiped out because of this provisioning. It is not something that there is a fair degree of chance for this money to come back. But, we can't say that with certainty, and therefore, we provided this. Now, if you add 9,000 crores tax neutral, it becomes 47,000 crores. So, last year's 32 is this year's 47. So, it is basically 50% increase in profit. So, it has to be understood in the context of ONGC, that if you leave taxation… I'm not talking about SAED. SAED is a physical tax which is government levied, which is not accounted for here. So, our conservatism and last year the windfall coming out of the taxation regime change, if you knock out both sides, ONGC performance is 51% better than the previous year's performance. Of course, you can say that, ONGC performance is predicated on the best crude and gas price, but that is the business we are in – price loss or gain belongs to us. That doesn't go anywhere else. That happens in any industry, for that matter, cement, steel, anybody.

- So, this I wanted to tell you that, our consolidated level… somebody can argue that our consolidated level PAT is really down. Primary reason of that is, HPCL. HPCL, last year made 6,000-7,000 crores, this year HPCL lost 6,000-7,000 crores. The net difference between the two is 14,000 crores. 14,000 crores, if you understand, and 1,000-2,000 crores for small companies, it explains that why PAT at consolidated level went… But, don't forget, that this year HPCL will make more money, because of the way things are moving. So, this see-saw game continues, and therefore, atleast at a consolidated level, we have a grand future, atleast for 23-24, because one of the biggest subsidiaries, whose profit will get accounted under our header when we do consolidation of accounts. So, that is something that we should… I'm not saying what will happen, but 1st quarter of this year looks very robust for ONGC. So, that is the basis of me saying that.

- Now coming to net-zero, our country has announced net-zero by 2070. But here, this morning in the press conference I announced that ONGC will achieve a net-zero scope 1 and scope 2… I'm repeating as again there is chance of misquoting, so therefore I'm repeating. Net-zero scope 1 and scope 2 put together, not separately, by 2038. So, ONGC's plans, blueprints are ready. We are moving in that direction, and therefore the moment we got confidence that it looks like we can do it with great stretch, that's how today we announced that we are set on a path to become net-zero scope 1 and scope 2 by 2038, 15 years from now. But, majority of the things will get achieved in the next 7 years, and therefore, that is something that we thought we'd explain to you.

- Now, coming back to the efficiency. In fact, there are 3-4 things in net-zero which is very material to us is basically on three sides. Basically the energy production, then energy storage and then you have… so in energy storage we have battery and non-battery, both. Battery OEC is doing. And in parallel, we are trying for non-battery solution, primarily when I very capital intense. And anything that is capital intense, ONGC loves, because what is left is… because the company basically strives for a capital intense business.

- So now, coming to… this is what we wanted to share with you. Now, we'll be too happy to take some questions, if you have. But, on the green side, 2-3 more things we wanted to tell you about the future of the company. Oil and gas I told you, basically Mozambique for OVL, for ONGC 98/2 i.e. kg. Our best case scenario is August oil production, worst case scenario is October. It all depends on the way nature's monsoon works. And, in this oil production should commence and then gradually step up. Gas side, we are hopeful end of FY23. So, this is what the future is.

- Of course, we need around 30,000 crores capex per year. There are four major buckets of capex that ONGC spends on. First bucket, of course, this year also will be 98/2, because some of the major expenditure has happened already, but some of it will happen this year i.e. FY24. The second part is our western offshore, where we continue to pump money, capex, to retain the production, because as you are aware, it is an aging field, so capex intensity needs to be strong. So that is the second bucket. Third bucket, of course, we have some projects in pipeline in green solutions, and besides offshore, we also have onshore assets which produces around 6-6.5 tons of oil, primarily spread between Gujarat, North-east and Andhra Pradesh. So, these areas we need to have capex intensity to marginally improve production or retain production. So, this is what is the contour of ONGC. Then last part is renewable. This year renewable will be less, but next year renewal and petrochemical will be much bigger, because renewable thrust will take shape for consumption money only next year. So the efforts we take now, the results should start coming from next year.

- So, this is what it is in macro 5-6 piece. Many of you may be knowing that ONGC has a very strong group level, very strong petchem presence. Very few people know that MRPL, which is subsidiary of ONGC, produces good amount of petchem, and it has only cracker in southern India, atleast all the capacity to do petchem. If you add to OPAL, OPAL is also 1 to 1.5. So, 3 million tons of petchem is at our command. We have aspiration, because there are two reasons. One is, should transition become faster, then we need to take care of crude, and for that to plan, petchem helps us in containing scope 3, because petrochemical crude becomes converted into 22.07, so naturally, it doesn't go in the air. And, Indian petchem consumption per capital is very low, which is bound to increase year on year much faster than fossil fuel. So, if that be the case, petchem is one of the aspirations we have, and hopefully, we told this morning that we will expand petchem at MRPL because there is land acquired already for this purpose. And then, we are also looking at some opportunity to improve our oil to chemical footprint. But, as a matter of… again summarising the same, if you see ONGC, we have primarily 3-4 good stories, gas, gas, gas, second story is oil, third story is exploration of additional 1 million sq. km. area, this is the conventional E&P space, then a new space Green, and petchem. So, two themes that we want to pursue very strong for posterity to say that we were responsible. Thank you.

- **Moderator:**

- Thank you Chairman and CEO sir for providing us with a comprehensive overview insights into the ONGC group, and also clearing the concerns in the minds of investors, especially regarding GST on royalty. As mentioned earlier also, the U-field, a part of the KG-DWN-98/2 Cluster 2 project, stands as ONGC's deepest gas discovery. We are excited to begin oil production from the Bay of Bengal contributing to India's domestic oil and gas production. ONGC's recent discoveries in OLP blocks, such as the MB-OSHP 2018/2 block, further demonstrates our commitment to unlocking India's hydrocarbon resources, and supporting the nation's self-reliance mission. In light of this achievements, we would like to present an audio-visual showcasing ONGC's exploration and production efforts. May we proceed with it please.

- ***Audio visual plays from 24.37 to 29.30 minutes.***

- Thank you. I would like to extend an invitation to Mr. K.C. Ramesh – Executive Director, Chief Corporate Finance and Corporate Accounts, to present the performance of the ONGC Group. Please take note that the presentation and corporate brochure can be downloaded by scanning the QR code provided at the stand just at the dining area.

- **Mr. K.C. Ramesh – ED, Chief Corporate Finance & Corporate Accounts, ONGC Ltd:**

- Thank you, Prakash.

- After the introductory speech by Director Finance setting the tone for this meeting and the encapsulating and inviting speech by our Chairman, it is time for me to give a small presentation on the highlights financial as well physical, I mean standalone as well as the consolidated performance of the company. There is one disclaimer because the presentation is futuristic, so the normal standard disclaimer.

- The presentation would be in the following format, there are 5 parts to it – standalone performance, then consolidated performance, growth pursuits of the company – what we do as a responsible corporate, then we go to the subsidiaries and the joint venture performance.

- ONGC is setting new standards, ONGC is among the top CPSEs in terms of market cap with 2 lakh crores of market cap, among the top CPSEs in terms of PBT and PAT, PBT of 50,395 crores, PAT of 38,829 crores, 25% of the total net worth of all the Maharatna CPSEs.

- We have 3 women directors, most gender diversified Maharatna port with director finance, director exploration and one independent direction on the board.

- We are also a leader in average spend of about 500 crores per year in the last 5 years in CSR.

- ONGC has been a wealth creator during the last many years. The government of India promoted ONGC with an equity of 342 crores over 22 years but ONGC has been contributing handsomely to the government, to the exchequer with an amount of 12,03,572 crores to government till 31st March 2023, by way of disinvestment 48,000 crores, dividend payment 1,14,625 crores.

- Contribution to the exchequer to the state as well as the centre, to the centre 5,31,888 crores, to the state 1,98,949 crores, and by way of subsidy 3,10,116 crores.

- This contribution during 2022-23 was to the extent of 72,602 crores, centre – 54,907 crores, and state 17,695 crores.
- Coming to FY23 highlights - in exploration we notified 8 new discoveries, monetized 3 discoveries. Accelerated exploration by way of, we bagged 85% of the blocks in OLP around 6 and 7 with a square km of 43,494. We also drilled 461 wells in the year, 85 of which was exploratory and 376 development wells.
- On the production front, O+ONG production was 40.836 MMTOE, [34:40] production was 2.597 MMT.
- Projects – we had 5 major projects, completed 8600 crores with envisaged enough 8.7 MMTOE. 3 projects were approved during the year - 5880 crores. Going beyond E&P, exploring low carbon and green ammonia plant opportunities are there in the pipeline.
- This is the physical performance - on standalone oil and gas production basis, ONGC had production of O+OAG of 40.21, the JV part was 2.62, so totalling standalone for JV 42.84 during FY23 as compared to 43.39 during the last year. Value added products was 2.597 as against 3.089 in the last year.
- The physical performance in terms of 2P reserves was, 2P reserves we have 716 MMTOE as compared to 710 last year.
- Number of wells as I said earlier also we drilled 461 wells during the current year as compared to 434 last year.
- Coming to standalone financial performance, our gross revenue from operation was 1,55,517 crores in FY23 as compared to 1,10,345 crores in the last year. The PAT was 38,829 crores as compared to 40,306 crores last year.
- EPS of 30.86 in FY23 as compared to 32.04 in the last year.
- The dividend payment per share was 11.25 in FY23 as compared to 10.50 last year.
- Year-on-year normalized PAT, this is one aspect which our chairman sir also in his speech explained in detail. In fact, these are the numbers which reflect what he spoke during his address.
- FY22-23 though the PAT appears to be lesser than last year, it is in fact 1,477 crores less at 38,829 crores as compared to 40,306

crores last year. The reason being that there was an impact of provision on service tax and GST on royalty. The impact was 8,477 crores so the normalized PAT for '22-23 in fact would be 47,306 crores as against the normalized PAT of FY21-22 derived like this 40,306 was the PAT less deferred tax assessment because of the new tax regime we went into last year, there was a credit of 8,953 crores. So, the normalized PAT for the last yar would be 31,353 crores. So, increase in normalized PAT of 15,953 crores as against I mean which consists of 51% increase. So, to put things in perspective though the numbers look less in the current year actually there is increase of 51% in the last year compared to last year.

- Coming to the capex, core capex in the last 5 years to the tune of 1,44,000 crores. The capex for the last year [38:11] what we planned for the next year is 30,125 crores of which the exploratory efforts is 21% here plus 10% on services, so 31%. 39% is related to capital projects and 27% relating to the development drilling. So, we are more or less in the same level as far as the capex is concerned.

- Coming to the discoveries of ONGC, ONGC discovered 8 out of 9 basins of India, the last being Vindhyan Basin.

- The first part of my presentation on standalone is completed. Now I am coming to the second part, consolidated performance.

- ONGC grew as we all know it is an integrated energy company, totally integrated, expanding footprints in energy business. We are in upstream, we are in midstream refinery, petchem, valued added products, L&G, power, renewables, services and others.

- The consolidated turnover for the year was 6,84,829 crores.

- ONGC showed resilient performance in FY23 with 1221 MMT of 2P reserves, 53 MMT of oil and gas production, 36.23 MMT of refinery throughput. The financials in terms of revenue from operations 6,84,829 crores and profit after tax of 32,778 crores.

- The resilient consolidated performance again reflected in this table. The total income is 6,98,903 crores as compared to 5,39,230 crores last year. EBITDA is slightly lower at the consolidated level. PAT is also lower. The debt is slightly more compared to last year because of more borrowings by HPCL. Total equity of 3,01,255 crores is there against a capital of 4,30,440 crores which works out to 30.01% debt on total capital.

- Debt to EBITDA is 1.5x and debt equity of 0.43. The debt equity chart is shown here, current year is 0.43 as compared to 0.38 last year.
- Now, we have very strong credit ratings also - domestic as well as international. The long term domestic is from most of the agencies, all of the agencies in fact is AAA, short term is A1+ from all the agencies. International also we have very good ratings, they are all linked to these overhead ratings also.
- Coming to the third part of my presentation which is the growth pursuits for the company.
- Looking forward ONGC is planning to foray into oil to chemical. We are already a truly integrated oil and gas company with 1:1:1 in terms of crude production, refining and marketing. The financials are looking upward which the Chairman sir also covered in his speech about the position that we are in with respect to the gas price as a result of the Kirit Parikh Committee Recommendation and what we are going to get in the future. On the exploration front we are into Cat 2 basins, we are also going to No-Go areas. Production we have planned to reverse the crude oil production trend which will come in the next slides. Oil to chemical, crude to petchem diversification is also planned. And green energy net zero for Scope 1 and Scope 2 by 2038.
- This is the exploration growth which is planned from the current position to 2025-26. We are planning increase in acreage survey as well as the capex spent on exploratory growth. The targeted Y to Y is 1,500 MMTOE.
- The production chart is shown here. As you can see from 2022-23 we are planning to up our production by 11.6% from 40.220 to 44.884, and overall a target of 49.554 by 2025-26.
- We are also planning gain through your efforts 26 MMT by 2040 through low salinity waterflood, western offshore. We have some plans for JGD in Assam and polymer in Bhesaji Mehsana.

- Major projects, capex of 61,200 crores, lifecycle gain of 94.0 MMTOE.
- These are the projects under implementation, 23 major projects of 1 billion and above is planned which is under implementation. 14 development and 9 infrastructure projects - investment of 61,200 crores and with the end size lifecycle gain of 94 MMTOE. The projects which are planned which are also in pipeline they are shown on the right side.
- With respect to energy transition and green energy, where we are today is 189 megawatts. We have a goal by 2030 of 10 gigawatts, capex of 1 lakh crores. The plan is 5 megawatts in Rajasthan, MOU is already signed, 5 gigawatts being scouted. Apart from that offshore wind plus 1 MMTPA of green ammonia is also planned.
- Coming to the global outreach, we have strategic collaborations with international oil companies covering the below opportunities. 23 BTOE of prognosticated resources in Category 1 basin, deepwater exploration and production, Category 2 and 3 less explored basin awaiting unveiling. Joint UA submission and bidding under OLP. The collaborations are presently at various stages of execution.
- New areas of collaboration and partnership in E&P front, we have collaboration with ExonnMobil, Chevron, TotalEnergies, Shell, SH [45:41] and UT Austin. On the operations front with services we have Schlumberger, Halliburton, [45:49], GCA and [45:50]. Going beyond oil and gas, we have collaboration with Equinor, Shell and Greenco. And on the technology front we have for artificial intelligence and machine language we have [46:05] and BCOE.
- Coming to the 4th part of my presentation, as a responsible corporate relating to the ESG practices, on the environment front we have committed for conserving climate with regular greenhouse gas inventory accounting and disclosures on Scope 1 and Scope 2 emissions. We have already implemented 15 clean development mechanisms [CDM] projects, 2.2 million certified emission reductions with OTPC having emission reduction potential of 16 lakh ton, CO2E per annum. Freshwater conservation is also planned project on that. And other projects on renewable energy.

- ESG ongoing activities, renewable energy based power and other ESG projects such as solar, wind, solar power, EV value chain, green hydrogen, storage, etc. Global methane initiative, carbon capture, offshore wind project, dynamic gas planting, micro turbine for power generation, geothermal energy etc.

- ESG social - what we have we are committed to social welfare and inclusion. ONGC is one of the first companies to have separate CSR guidelines in 2009. CSR activities aligned with needs of communities in respective geographies. Activities in areas of healthcare education, environment, women empowerment, heritage preservation. The average CSR expenditure which I covered earlier also is 500 crores every year.

- On the governance front we are the first signatory in India in the Integrity Pact to focus on overall organized practices, awareness creation and monitoring, and also a strong whistle blower mechanism we have.

- Coming to the 5th part of my presentation relating to the subsidiaries and JVs of the company of the Group. ONGC Videsh has a global footprint, we have 32 projects in 15 countries of which 14 are producing. Discovered and developing are 4. Exploration 11 and pipeline projects are 3.

- The highlights of ONGC Videsh, CPO5, significant OVL operated exploration success we had contributing 19 KBD and on the way to 25 KBD. Mozambique - the situation is improving and we are on coast resumption. Sakhalin - we are reclaiming the rights and bounced back from 0 to [49:22].

- BM-Seal-4 transiting from exploration success to development. And we have extensions in Blocks 6.1 Vietnam, and Blocks B2 and EP3 in Myanmar, SA 04 and 09 Bangladesh. In South Sudan the floods in fact impacted the dip to 27 KBD. We have a focused approach and innovative solutions to regain 54 KBD. So, OVL in short is 4.5 MMT operating flowing barrels from 6 projects in 4 countries, total 32 projects in 15 countries.

- The performance of ONGC Videsh - 2P reserves is 485 MMTOE as compared to 495 last year. Because of the geopolitical situation the oil and gas production has come down this year 10.17 as compared to 12.32 last year.

- Turnover of 11,676 crores as compared to 17,322 crores last year. And the PAT has gone up to 1,700 crores as compared to 1,589 crores last year.
- The MRPL highlights – MRPL achieved highest ever throughput of 17.14 MMT in FY23, registered GRM of US$ 9.88 per barrel in FY23, achieved revenue of 1,24,736 crores during FY23, added 31 retail outlets making total retail outlets to 63.
- Continuing the MRPL performance the throughput was 17.14 in FY23 as compared to 15.05, as we can see there is an increase in trend in all these aspects including GRM, gross sales. The PAT has come down to 2638 in FY23 as compared to 2955 last year.
- HPCL is a company with 21,186 retail outlets, they are the number one lube marketer and number two in LPG market of India. HPCL achieved highest ever combined refined throughput of 19.09 million metric tons. HPCL achieved highest ever sales volume of 43 to 45 MMT and HPCL also commissioned 697 kms long Vijaywada-Dharmapuri pipeline, and also commissioned 1,161 new retail outlets across the milestone of 21,000 outlets during the year.
- HPCL had a throughput of 19.09 MMT as compared to 13.97 last year. The GRM improved to 12.09 from 7.19 last year. Revenue from operation was 4,66,192 crores as compared to 3,73,897 crores last year. HPCL as we all know because of the position they had in the first and second quarter the prices that they got was capped because of which they ended up with a loss of 8974 crores, as Chairman sir also said during his speech that they reversed from last year's profit to current year's loss which affected the consolidated performance of ONGC in total.
- Coming to OPaL, OPaL operated at average 82% capacity in FY22-23. OPaL also successfully completed its first major turnaround activity in the current financial year, we had a two month shut down. OPaL earned revenue from operations of 14,503 crores during the FY 23 against 16,048 crores during FY22. Reported EBITDA of 486 crores in FY23. OPaL as we all know is now the largest [53:43] in the world.
- Coming to OTPC, OTPC is a joint venture with government of Tripura. OTPC power generation increased to 4936 MU in FY23 as

compared to 4124 MU in FY22. OTPC earned revenue from operation of 1,631 crores and PAT of 201 crores. Highest production by any gas based power station in India during FY 23, and OTPC also paid interim divided of 0.07 per share and final dividend of 0.30 per share.

- Coming to the 4th subsidiary, Petronet MHB Limited, Petronet MHBL achieved throughput of 3.894 MMT during FY23, earned profit of 85 crores in FY23, earned total revenue of 168 crores, paid interim dividend of 1.47 per equity share.

- IGGL is a joint venture with shareholding ONGC 20%, IOCL 20%, GAIL 20, OIL 20 and NRL 20. IGGL was incorporated on 10th August 2018 implementing the North East gas grid of 1656 km long national gas pipeline. This gas grid will be connecting from Barauni to Guwahati national gas pipeline as part of Urja Ganga Scheme. It is a 3- phase implementation with expected completion by 2024. The actual physical progress is 70.01% upto 31st March 2023.

- ONGC Teri Biotech Limited is promoting and developing technology for use of microbes in bioremediation of soil affected by oil spill and promoting microbial based technology for enhanced oil recovery. The financials for FY23 for Teri is revenue from operations - 37 crores and net profit of 19.02 crores.

- We had the national and international recognition from SNP Global - 14 in top 250 global energy companies ranking 2022. Fortune 190th globally and 4th in India Fortune Global 500 list of 2022. 229 globally and 5th in Indian Forbes global list of 2022. Rank of 404 in Forbes World Best Employers list in 2021. Certified as a great place to work for the third year in 2022 certified India's Best Employer among nation builders in 2022.

- That's it from my side. Thank you all and thank you for patient listening.

- **Moderator:**

- Thank you, sir, for the detailed presentation on ONGC and Group of companies. With the permission of the chair we now open the floor for interaction. If any participant would like to ask a question, please introduce yourself and mention the organization you represent, kindly raise your hand and our team will assist in reaching you. So, you can go for the first question.

- **Mr. Vikas Jain – CLSI:**

- Thanks for the presentation, sir. So, I am Vikas Jain from CLSI. A few questions, firstly let me congratulate you on the net zero target, I mean that's a very ambitious target I have to say 2038. Just wanted to ask a few things, is there any target on Scope 3 reduction by 2038 as well, and by what percentage, that's one. Secondly are there any interim targets around the 2038 like what would the reduction be like for Scope 1 and Scope 2 by 2030 and then 2035 just to kind of keep track of that. That's the first one, I will take the other two after this, if that is okay.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- Thank you for asking a good question. First is Scope 3, so far we have been focusing on drawing plans for Scope 1 and 2. Scope 3 as you know our product itself is enemy of Scope 3, and we are sure that by 2030 will have more visibility of the way the world is going. So, the best time to take a pause and decide about Scope 3 - because we can announce some number, some have done it, you must have seen some companies have done it, 7%, 10%, 20%, 30%. But doing anything in minority and giving a date it is neither here nor there. So, let's wait till 2028-30, more visibility will emerge and hopefully we will have some number which is a comfortable number not miniscule number for Scope 3. Coming back to, there was some answer to your question number 2 in one of the slides here, where it said 10 gigawatts by 2030.

- All I can tell you is our current scope 1 and scope 2 emissions are around 8 million tons of carbon dioxide. So you can connect the two but we didn't want to exactly peg at what percent and all that because as you know, scope 1 and scope 2 is literally fungible. So that is the reason but you can be rest assured that 2030, we will have covered a good distance. If it goes, because the way good distance about scope 1 and scope 2 but exact number, sizeable number not a small number but exact number is a tough answer. So I like to, I'm not like to hazard a guess on that.

- **Mr. Vikas Jain – CLSI:**

- Thank you, sir. And this target is as a group that is including your downstream subsidiaries everything or this is just for your standalone upstream business.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So at group level, yes, our aspiration is group but as you know our group, our bigger issue is ONGC, Scope 1 and 2 for Mangalore refinery, HPCL already announced 2040, right. And MRPL, of course this goes with us. So and refinery it is, so you can take it that our major emission is group level if you see MRPL and HPCL. So and if you ask me, we already have an advantage of, I would have announced Scope 3 because we already have 3 million ton of petchem. So if any company which is in advantages position today to announce some number about the Scope 3 is ONGC as a group level. But still we said is still not working out to a number that we can talk about with great saying that will make a difference, but yes you are answering your question it is group level.

- **Mr. Vikas Jain – CLSI:**

- Thank you, sir. And on coming to the more mundane financial numbers this one-off provision that you have made, I mean it's in the nine judge bench you've said so it's pretty almost near finality, I would say it. So what do you think by what time, I know it's a court proceeding, we cannot predict but is it a fair understanding that we should have some kind of a result perhaps in the next 12-months or so about this. Why I ask is sir I know that you want to be conservative, but if this turns out to be true by any stretch of imagination, the impact is going to be far beyond your company and into any form of any company which uses any resource from the government that resource might be airwaves, that resource might be coal mine that resource can be anything. So essentially the impact of this could be really far reaching. So that is why I, conservative is great but should we take it as suddenly you are feeling a little less confident on this than what you were feeling before you reported this quarter results.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So to answer your question, this is also intelligent question, so basically the answer if you ask me as individual I will, I am very optimistic. At board level, we were very optimistic and that is the reason for not providing it for last four years. Okay, four years were hoping hoping, hoping, hoping that in any case it is a done thing. We were very sure that it will not come our way, but last year it became 3000 Crore and because earlier it was, Pramila ji, if you can remember. So now if the size becomes much and individually I can take a hit but if something goes wrong what happens to shareholders. So putting stone on our chest, we took the decision of providing for it in the interest of shareholders. If it comes in any case that money will flow to shareholder as dividend, if it doesn't come we have already provided for it. So no management will be as fair and fair to a shareholder as we have done. I know for sure many companies have not yet done it and will not dare to do it because the impact of it, but more you prolong and if the sub judice matter does not get decided, the more the size of the problem and more the size of the problem, less the ability to handle it if it goes against you. So it is a question of balancing and in management we call it the art of balancing the contradiction is called management. So we did manage that.

- **Mr. Vikas Jain – CLSI:**

- And the timeline you think about the court case, what is your best guess? I am not taking your word for it, but still.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- This I cannot answer. This I cannot answer because Babri Majid continued for, so, nobody can answer in this country how much time a case will take.

- **Mr. Vikas Jain - CLSI:**

- Sir, one suggestion and request since we are so confident about this thing. When this now becomes an annual entry in our books as a provision, this should be in my opinion shown as an exceptional item since that is something that we are so confident that it should not be.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- Yes, but only good news for you is that in ’23, ‘24 it is not the Rs. 3,000 Crore because the price of crude and gas both have fallen. So it will not be as high as Rs. 3, 000 Crore, but definitely it is exceptional item, it will always appear as exceptional item like the way it has appeared for Rs. 22 Crore. So that we know that it is something that we are providing for in the interest of shareholder, but we are still 100%, more than 90% at our level sure that it should come back to us.

- **Mr. Vikas Jain - CLSI:**

- Okay. Sir, one odd thing about this year's results was dividend payout. The payout ratio is about 36% or so which is far, far lower like I was just looking through.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- But still is 225% of the share.

- **Mr. Vikas Jain - CLSI:**

- So, most large investors and institutional investors look at payout ratio. They don't look at it as a percentage of face value or versus YOY. When you yourself are saying that on a real basis profits are up 50%. So, that is why I am not comparing it to the last year where you had a non-cash gain and the year before which was impacted by very low crude prices. But if I were to look at FY14 to FY20, your payout ratio is anywhere between I think 43% to 65%. So this number should I take it as maybe this year because you are thinking of this provision it's a one-off and possibly things will ramp up to a much higher payout ratio as it used to be the case or.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So, if the judgment goes in our favor that money will go back to shareholder. So, it is their money lying in somebody's pocket as simple as that.

- **Mr. Vikas Jain - CLSI:**

- So, basically this year because you are provided for it that is why but next year onwards one can --.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- No, I can't say because that board has to decide.

- **Mr. Vikas Jain - CLSI:**

- No, I am not talking about but one can expect because once you have provided for it it's there then it's just a normal Rs. 2,800 Crore, Rs. 3,000 Crore kind of.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So, it is shareholders money if it comes, if the judgment comes in their favor either it remains a reserve or goes as dividend there only two ways.
-
- **Mr. Vikas Jain – CLSI:**

- Okay, but no I am talking about annual profits.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So either if you don’t give dividend then you share, is to reflect in share price.

- **Mr. Vikas Jain – CLSI:**

- Okay. No, I am talking about annual profits and the --.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- We are not, see board decision I cannot take unless the board meeting happens. So, this is a board matter at that point in time we will take a call.

- **Mr. Vikas Jain – CLSI:**

- Sir, thanks for taking all of my questions just one last one any update on Mozambique.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- Mozambique, it was given work has started and now it will get ramped up hopefully, If nothing goes wrong we should have Mozambique gas by 2026-27.

- **Mr. Vikas Jain – CLSI:**

- Thank you, sir.

- **Mr. Probal Sen - ICICI Securities :**

- Hello, sir am I audible? Hi, Probal Sen from ICICI Securities. So, just following up on the Mozambique question, you said that the work has started. So, ’26, ‘27 if it starts up are there any impairment charges that we have booked which we expect to reverse if work sort of proceeds as planned.

- **Company Speaker - ONGC:**

- This year itself, we have as the sentiments have improved and the security situation has improved. We are in the final stages, work is already happening on the ground 2,700 people are on the ground. Force majeure should be reversed very shortly. The contractors have been sensitized to start work. Considering all that, we have reversed some of the impairments we took. As of now, we are looking very positively at the beginning of construction in full swing and getting the first gas in ‘27.

- **Mr. Probal Sen - ICICI Securities :**

- What is the extent of impairment we have taken till date? Is it possible to put a number?
- How much do we expect to reverse, if let’s say ‘27 is when the project starts up? There is a time value involved in terms of the investments we have done, right.

- **Company Speaker - ONGC:**

- We have reversed $317 million. That was the impairment we have provided in the last 4 -5 years that we have reversed this year.

- **Mr. Probal Sen - ICICI Securities :**

- That is the extent of the impairment we had taken. Is it?

- **Company Speaker - ONGC:**

- That we had taken earlier which has been reversed this year.

- **Company Speaker - ONGC:**

- There is another aspect. It was in force majeure all our maintenance cost was in expense out, charged off in PLL, whereas once the construction starts, it will be all capitalized. So there will be a gain there.

- **Mr. Probal Sen - ICICI Securities :**

- Okay, thanks. The second question was again with respect to OVL. Out of the 490 million tons or so of the reserves that we showed, how much is actually out of Russia as of now?

- **Company Speaker - ONGC:**

- 207 is Mozambique. Russia would be about 60% of the 491.

- **Mr. Probal Sen - ICICI Securities :**

- Okay. And you spoke about Sakhalin where we are in the process of regaining the rights. Or have we regained the rights? Just I am sorry if I was not making it clear.

- **Company Speaker - ONGC:**

- Sakhalin, let us be very clear. Sakhalin we are there for more than two decades now. In Sakhalin, ONGC Videsh has made a lot of returns. After 24th February of 2022, things changed. The operator which was Excom, declared force majeure. And for seven months, production came down to zero. On 7th October, there was a decree of the Russian Federation which stated that now the new operator would be an incorporated Russian company. It has taken over and we were given the chance to reclaim our 20% rights in the project as we had earlier. We applied for that and we were given those rights in November by the President of the Russian Federation. So we are back in Sakhalin 1. However, the approval came with some conditions which are obligations under the PSE. Once those obligations are transferred to the Russian entity, we would be getting full rights into the project including our shares.

- **Mr. Probal Sen - ICICI Securities :**

- Thank you, sir. One last question from my side. You spoke a lot about the oil to chemicals aspiration that we have. And MRPL's petrochemical expansion would be one of the levers in terms of doing it. Just wanted to get a sense is there any number of the kind of investment we need to make to sort of make that transition? Any numbers we have in terms of the exact petchem expansion we will be doing? Thanks.

- **Company Speaker - ONGC:**

- There are two parts to this question. One is the refinery itself has got some value streams which can be easily upgraded to petchem. So we are looking at the Rs. 7,000 to Rs. 8,000 Crore investment there. But that needs to be further detailed out and ascertained with respect to the viability. The other part is the major proof to petchem directly without getting into the referral of refining processing parameters. So that could be in the range of Rs. 30,000 to Rs. 40,000 Crore subject to detailing and valuation. So the job is on working purpose.

- **Mr. Amit Rastogi - UBS:**

- Hello, sir. Good evening this is Amit Rastogi from UBS. Sir, I have three questions. First is relating to MRPL that what is the timeline we are looking at for the merger of MRPL with HPCL. And is there is any taxation related issues in between and any timelines specific to that?

- **Company Speaker - ONGC:**

- Amit, I think this question is not from MRPL. So since we are the holder of both MRPL and HPCL. So as a company what I would like to tell you is that when OMPL and MRPL they had merged. So at that point of time the effective date is 1st of April '21. And there were certain inherent business losses as well as the unit acquisition losses. And at that point of time also we had taken that benefit which will accrue to MRPL on account of this OMPL merger. So that benefit as per income tax act that it goes up to five years. So that is between the two there should not be the second merger as per tax law, there should not be the second merger in order to get that benefit before five years. So I think we will like to avail that benefit for the group synergy as if own before going for the HPCL and MRPL merger.

- **Mr. Amit Rastogi - UBS:**

- Okay. So this means that till 2026 there cannot be any merger of MRPL and HPCL.

- **Company Speaker - ONGC:**

- Yes, otherwise also in case if some decision is taken before end that we will have to see at that relevant point of time. So then that the loss which we have taken the benefit that we have to be given back. So these are all the balancing factors that we will have to see at that point of time. But from that angle I think it will take some time.

- **Mr. Amit Rastogi - UBS:**

- Okay. And my next question is to the Chairman sir. Sir, you explained about the incremental gas price coming up, the production coming up from the new wells. But can you explain it from a consumer perspective like which set of consumers will be paying incremental because what we are seeing from the government perspective that they are incrementally giving all the allocation to the CGD's. In fact, some of the allocation is being cut from the transmission sector as well to give the benefit to the CGDs. Now, when 8% of your output will be a mark for a higher relation then which set of customer whether it is fertilizer, LPG or CGDs who will be paying the incremental gas price.

- **Mr. Arun Kumar Singh - Chairman, ONGC:**

- So the policy says that ONGC is guaranteed for price but the allocation has to be done by government. So government has to decide which sector will get this gas and which customer will get this gas. But the price what will realize that I spoke. So, in any case our role is limited to production and price. Who consumes it is immaterial for ONGC.

- **Mr. Amit Rastogi - UBS:**

- So basically you are saying that and it is on new wells output not really new fields.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- In any case new fields which are outside the nomination regime they are free to market, marketing and also both freedom they have. They have trading freedom as well as their pricing freedom. So all those areas are outside, this limitation is only on today limitation is only on 6.5 is only limited to ONGC and oil, nomination field. For nomination field also this dispensation has come to any new well will fetch higher price. It means today ONGC meets roughly 35% of national gas demand. National gas demand is 61 BCM, ONGC produces roughly 21, 22. So, basically this 35% is still CGD demand is far below this. CGD demand is still our country is far below this. So there is no, I do not see any problem for next 10 years. After 10 years CGD may again is there. But whatever additional number will come it is not the CGD sector which needs this. And somebody else will certainly pay for it because other choice he has is only imported LNG. And imported LNG will certainly cost more than this. So, therefore even there is a market security and also there is a price security to ONGC.

- **Mr. Amit Rastogi - UBS:**

- Sure. And sir my last question is relating to value unlocking. So one of our subsidiaries HPCL has announced in this board meeting that they want to unlock value from the lubricant separation. So do you see any more value unlocking opportunity in the group as a whole like we also hold OPaL which is unlisted and OPaL is definitely showing a lot of turnaround in terms of profitability. Then HPCL has further joint venture opportunities in the form of HMEL which you just explained. So there are further opportunities in the group or you think that there is one of the opportunities which has come and may be just done.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So, value unlocking if you see there is not one, there are plenty opportunity like that. But depends on whether timing is right and second, we need this to happen. That two question as of now I don't see any need to do it because let market move a little more and that time if we find that value is really tremendous we will do that. But we have list of all those opportunities that we can do that like what you rightly said, be it OPaL , be it HPCL, be it MRPL. So all those value unlocking opportunities will be in cashed at appropriate time with the board decision.

- **Mr. Amit Rastogi - UBS:**

- Sure, sir. Got it. Thank you, sir.

- **Company Speaker - ONGC:**

- Amit, what Chairman said the that 8% incremental gas will only build up further, it's year-on-year, it's not 8% flat.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So it is not 8% this year, every year, if you rate it means if you, 8% of current gas production price, it means we should expect 8% increase in revenue every year. And that is a year-on-year. So that's what I wanted to say practically gas market after some time is durability, it is basically you get 12% of the slope, 12% of LNG, 12% slope is what LNG is all about.

- **Mr. Amit Rastogi - UBS:**
- It's basically three years on the line, it will be 24% something like that.
- **Company Speaker - ONGC:**
- And the regular pie will reduce that pie will increase.
- **Mr. Amit Rastogi - UBS:**
- Sure, sir. Got you, thank you.
- **Unidentified Analyst:**
- Yes. Good evening, sir. So, I have two questions. The first one is on this 20% premium itself. So have you implemented it or you are waiting for the modalities to be finalized by DGH or any other agency?
- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**
- If it is in gazette order of government, it is mentioned.
- **Unidentified Analyst:**
- So you are already charging I mean –
- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**
- No, first of all, we have to produce new wells, new wells as a continuous process. So, it has to, it is applicable only to new wells, the new wells after drilling is complete production to start there is a drilling then there is a well completion then there is production. So, that will take some time some will certainly will come this year itself those who are under drilling.
- **Unidentified Analyst:**
- So the 450 wells that you drill ,any well from that inventory.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- Now that is a million dollar question that whether the 430 wells, 461 wells last year we did out of that and 80 odd is exploration ,rest is around 380 or so it was production. Now, the question is any wells drilled before the date of notification whether that production also will attract 8%? As you know, we have to fight it out.

- **Unidentified Analyst:**

- I mean in Q1 for example, you were drilling 100 wells.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- No, my answer Q1 is very small number, Q2, Q3 and all that some numbers should start trickling.

- **Unidentified Analyst:**

- So by Q3 we will see the realization which is –

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- Some, yes.

- **Unidentified Analyst:**

- Yes. Okay, second question is relating to this Q4 results only. So, if I adjust the GST part also, then also, I think that the expenditure of the company went sharply up during Q4, I think 60 billion of like other expenditures.

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- See, total increase is only Rs. 6,000 Crore other expenditure. In that, ONGC or for that matter, any company that depending on the method of accounting, it has, we write-off, we charge-off all our survey whether it's successful and successful, drilled, not drilled we charge them. That is around, Sushma ji, how much?

- **Company Speaker - ONGC:**

- It's around Rs. 3,000 Crore, little bit of expenditure went up because of the Olpad bridges that we had acquired, that required Seismic Data acquisition. So the surveys are increased. Then we also did 3 D, 3C for the Western offshore which gave us good results last year, and also in the category two basins of Mahanandi and land 1:23:42.4, Andaman, surveys have been conducted. So that's actually the survey even though it is carried out in one or two years time period, but it lasts almost for 30 years because the data keeps on getting used again and again. So might be that is the reason in terms of the exploration --

- **Mr. Arun Kumar Singh – Chairman and CEO, ONGC Ltd:**

- So what essentially she's saying that it is a CapEx in nature, if you payback over a longer period of time. But the survey, more survey you do more happy should be shareholder because it means future production will go up but this is a one time, survey is always a one time expenditure. Next year again new survey will get added but this year survey was highest 20 to 23 survey was one of the highest in the history of, backlog of pandemic and also our commitment to those surveys. Second remaining madam will answer your remaining Rs. 3,000 Crore.

- **Company Speaker - ONGC:**

- Now, yes, and in addition to this since we were talking about GST on royalty, so some part of that for the current year, so that also we have booked as expenditure, provision for the current year. So that is also figuring as a part of that. But then it is not hitting that particular P&L account because when we come at the bad stage where depletion is there so whatever we provided earlier, impairment we did for these wells so that we have already reversed over there. So one part is coming to that Rs. 6,000 Crore but the corresponding part of that is coming as a reversal to the impairment. So, that is one. Then in addition to this, so there have been certain few expenditures which are of routine nature, but of course, because after the Covid some major activity has started. So we have been spending more this year we have spent more on the water injection under various schemes which will add to the increment production and that amounts to something around Rs. 400 Crores. Then in addition to that there has been one of our work over activities are there, then some repair and maintenance expenditure. So there we have I think our Mr. Ramesh, he had already explained that certain 18 turbines. So, we had done the repair and maintenance of that. So that will give a value in the future. So that is there. Then another important thing is about, you might have heard about this Panna-Mukta and Tapti. So, that particular asset which was earlier belonging to the contractor and now it has come in the kitty of ONGC. So the decommissioning liability of that decommissioning is that site restoration activity. So that has to be provided for. So our estimates of that decommissioning liability was our estimates based on the third parties report. So that is around additional US $71 million. So that has added. So, if you do the plus and minus of that. S, that adds to Rs. 6,000 Crore, but main chunk is on account of that seismic activity. So which has gone into, which will give results in the future.

- **Unidentified Analyst:**

- Thank you so much and all the best.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Good evening. My name is S. Ramesh from Nirmal Bang Equities. Thank you for the very illuminating presentation and the thoughts on the company's future strategy. So, the first thought is now if you look at MRPL and HPCL and all the refiners. They have reported refining margins which have been much higher than we expected. We would like to understand that. So what is the share of Russian crude that you have used in MRPL and HPCL? I would suggest that we should possibly be a bit more transparent because this is a very key variable for the analyst. So, as one of the senior most analysts, I am requesting you to possibly share some thoughts on this because the fourth quarter refining margins have kind of surprised us on the upside. So, if we can have some thoughts on that. And the second thing is if you can give us some indication of what are the current spreads and expectations on refining then I will go to the questions on outsourcing.

- **Company Speaker - ONGC:**

- To be more politically correct, all efforts are on to maximize the cheap crudes. We have an opportunity to source and process cheaper crude and that is what every other refinery is doing. Every other refining company is doing. So I think it is better to leave it at that rather than getting to the exact numbers.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- No, I understand your compulsion, but the problem is you put the numbers, you are not able to add up. You take 20%, 25% share of Russian crude and look at the discount.

- **Company Speaker - ONGC:**

- So, I will answer it. Find out the national average. MRPL is more than that.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Okay. So can you give us some indication of what the current spreads are like and what is the expectation on the refining side for this year?

- **Company Speaker - ONGC:**

- Unfortunately, that current spread if we have current GRM, we can't share with you because I will be breach of because he is also listed company. So tomorrow SEBI will serve him notice if he says that what is this one GRM because we are supposed to disclose only after the result is out. So, but all you can infer is that today diesel crack is 10 plus, correct?
- And gasoline crack is 10, around 9 -10 and find out the national average of Russian crude. So, you will know that what refinery is making, but for that you'll have to do some homework, pen and paper and calculate that. But refineries are in healthy zone. All I can say is that they are in healthy zone, they are not in distress today. Partly attributed to the sourcing of cheap crude.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Fair enough. So if you look at HPCL, they skip dividend. So do we expect HPCL to come back to the dividend list next year in terms of payout? Because BPCL and IOC still paid out dividend.

- **Company Speaker - ONGC:**

- No, but that you should ask HPCL. They are also listed company. Because the problem is, if I say something, there will be a lot of, that their board has to decide how much dividend they want to give, when they want to give and all that. But one outlook I can give that this quarter, like last quarter, for ONGC is a healthy quarter. So last quarter numbers, you have seen this quarter number also should be healthy.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Fair enough. So if you look at HPCL's Rajasthan refinery and petrochemicals and your own group plans for oil to chemicals. How do you see that getting, dovetail into that? And when do you see HPCL's Rajasthan refinery starting up and what is the kind of timeline for that project to become a EBITDA positive or PAT positive? Whichever you can share with us as things stands today.

- **Company Speaker - ONGC:**

- So you should ask this question to HPCL.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Sir, you are the holding company and they don't hold an analysts meet or a call.

- **Company Speaker - ONGC:**

- No, but all we know is that it is, it takes some time. As of now it is probably '26 target is, official target, '24 then become '25. Hopefully, if all goes well, two years plus. But there are some and now coming to your next question of petchem, petchem market in our country is not a problem because as you know we import hell of a lot of petchem, including even some polypropylene, LTP, LDP, PVC, every all commodity petchem gets into that. In fact, if you ask me, it is a very oxymoron that we have refining surplus at petchem. Refining surplus country, today we consume roughly 220, while refining is 250, 260, but petchem wise it is not so? So petchem has a lot of appetite. That appetite, I don't think Barmer has a demand and more so because it’s close to Gujarat.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- So, just couple of thoughts. There was a question on the incremental upside in the gas pricing and the gas business. So if you are looking at the economics of drilling these additional wells and nomination blocks, at the $9 kind of price you’ve indicated. What is the kind of economics you see in terms of IRR or the billing cost and in terms of capital allocation, how would that move this going forward?

- **Company Speaker - ONGC:**

- So, our lifting cost is well within limits. If we see, it's much, much lower than that. Maybe somewhere around $2.5 to $3.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- But you still need to, in terms of CapEx, supposing you want to drill say 10 wells or 100 wells for the additional number of wells. How much will it cost?

- **Company Speaker - ONGC:**

- See, it depends, region to region. If we drill a well in Gujarat, the cost is much less with respect to if you drill in North East or if you drill in offshore. So because the technology being used, the material being used, the net profit is involved varies. But still, even at the costliest space, if I talk about the offshore and the gas project, we are getting very healthy IRR plus 20 years.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- So in terms of your CapEx plans, can you indicate what proportion we are going to these additional wells and the nomination?

Because that seems to be a very attractive opportunity. Is there any thought on that?

- **Company Speaker - ONGC:**

- So, one thing I can tell you, the most profitable business for ONGC is to drill well in nomination block. So, CapEx will never be a constraint. CapEx, whatever CapEx it can take, that will be provided. Because then, if they need to shed some CapEx, we'll shed somewhere else. But definitely they gave you numbers that our most profitable, finest return on investment is investment in long-term.

- **Mr. S Ramesh - Nirmal Bang Equities :**

- Thank you very much. And wish you all the best.

- **Company Speaker - ONGC:**

- I believe we can accommodate one final question for the evening.

- **Mr. Kiran Mehta - BOB Capital Markets:**

- This is Kiran Matta from BOB Capital Markets. One question on the exploration side, we are increasing the focus on the exploration. So could you talk us through some of the Wildcat explorations that we may be undertaking over the next 2-3 years?

- **Company Speaker - ONGC:**

- Yes, you inquired about Wildcat. Actually, Wildcat, we do in areas which has got very less data. So most of these wells are going to fall in category 3 basins. Of course, we have been going through the process of Seismic Data acquisition as you might have heard in NSPs. In addition to that, we have also done aerial gravity radiometric, AGG surveys in some of the areas in the Northeast. So Wildcat wells are going to come up in those areas or in Himalayan Foreland Basin. Other than that, category 3 basins we would be taking up, Kadapa is one basin, category 3, which will be coming up for drilling this particular year. And another acreage that we acquired for category 3 is in Narmada basin. So, in addition to that, we have submitted EOIs for different category 3 basins. So, most of the Wildcat wells are going to be there. In addition to that, we are in a process of acquiring data also.

- **Mr. Kiran Mehta - BOB Capital Markets:**

- So, does that mean that this will be at least 2-3 years away by the time we undertake this? Because at this point of time, we are still under the survey process.

- **Company Speaker - ONGC:**

- I didn't get your question.

- **Mr. Kiran Mehta - BOB Capital Markets:**

- I am just asking in terms of a timeline wise, would it be couple of years away as we are focusing on the survey.

- **Company Speaker - ONGC:**

- See the entire process of doing on API, what we call the Acquisition Processing and Interpretation of Data. It takes almost 2 to 3 years and there on we go into drilling. So, yes, four years from the time of the start of acquisition. Of course, when you go for build in new acreages because of the data which or the knowledge which ONGC has legacy knowledge, we have been doing exploration for six decades now. So we get a little bit of a head start, I would say there. So, but three years, yes, in a Wildcat area. Otherwise, we are in a year itself as you have seen OLAP 1 and 3 rounds, we have already drilled and discovered and they are in the process of being monetized.

- **Mr. Kiran Mehta - BOB Capital Markets:**

- Thank you, ma 'am.

- **Moderator:**

- Thank you. So, it's always a pleasure to engage with the investors and analysts. I extend my sincere gratitude for the lively interaction we have had. It is my privilege to propose a vote of thanks on the occasion. On behalf of ONGC, our entire team and the broader fraternity, I would like to express a heartfelt thank you to everyone present here, including the investor and research analysts representing various institutional investors and fund houses. For gracing, O &GC's Investors and Analysts meet tonight. I would like to convey a sincere appreciation to the Chairman and CEO for delivering an outstanding overview of ONGC's future endeavors and sharing the business performance for the year 2023.

- I also extend a heartfelt thanks to all the dignitaries present on and off the stage for generously sparing their valuable time engaging with the investors and sharing their insights this evening. Furthermore, I would like to express a gratitude to the entire team of corporate communication and the regional office in Mumbai, as well as our corporate planning team for the well-coordinated efforts in organizing this event. Your contributions are truly commendable. Once again, thank you all. I now kindly request all of you to join us for the dinner. Thank you.

- **End of transcript**