



**Oil and Natural Gas Corporation Limited**  
**Q4 FY'24 Earnings Conference Call**

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### **Q&A PARTICIPANTS:**

- |                                     |                         |
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| 2. <b>Mayank Maheshwari</b>         | : Morgan Stanley        |
| 3. <b>Nitin Tiwari</b>              | : Philip Capital        |
| 4. <b>Sabri Hazarika</b>            | : Emkay Global          |
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## **Moderator**

Good afternoon, ladies, and gentlemen. I am Pelsia, Moderator for the conference call. Welcome to ONGC's Q4 FY'24 Earnings Conference Call. We have with us today, Mr. Manish Patil, Director HR, Mr. K. C. Ramesh, ED, CCF and CFO and team who will interact with investors and analysts to discuss Q4 earnings. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Manish Patil, for his opening remarks. Thank you, and over to you, sir.

## **Manish Patil**

Good afternoon, ladies, and gentlemen. Just to introduce, I am Manish Patil, Director HR, ONGC. I welcome you all in this ONGC earnings call for Q4 and FY'24. Thank you all for joining us on the call. I am joined here by my colleagues from ONGC Mr. K. C. Ramesh, ED, Chief Corporate Finance and CFO; Mr. Pavan Agarwal, Chief Corporate Planning; Mr. Ashok Kumar, Group General Manager, Business Development; Mr. Devendra Kumar, Chief Commercial; Mr. B. R. Subudhi, Head Corporate Accounts; Mr. Prakash Joshi, Head Corporate Budget and Investor Relations; and Mr. Lakshman Gora from Corporate Finance; Mr. Vinod Hallan, Head Finance; and Mr. Mukul Bhatnagar, Head Planning and Strategy have joined from ONGC Videsh Limited.

Let me share with all of you that in FY 2023-24, we have posted highest ever standalone net profit of INR 40,526 crore. Highest ever consolidated net profit of INR 57,101 crore and highest ever total dividend of INR 15,411 crore. We have made total 11 discoveries during the year and our reserve replacement ratio 2P was 1.15 more than 1 for the 18th consecutive year. ONGC drilled 541 wells the highest recorded in past 34 years comprising of 103 exploratory and 438 development wells. ONGC invested around INR 37,000 crore CapEx in FY'24 thus achieving highest ever utilization excluding acquisitions in the financial year for strengthening the growth prospects of the company. To counter the decline in production from some of the matured and marginal fees, ONGCs is taking proactive steps by implementing well interventions and advancing new well drilling activities.

The result of these efforts it's becoming evident and it is heartening to share that crude oil production on a standalone basis were up by 4.3% in Q4 of FY 2023-24 as compared to Q4 of last year. Crude oil production including JV share was also up by 2.4% in the Q4 of this year. Although there were decline in gas production by 3% during Q4, the decline in production from matured fields will be further compensated in the upcoming quarters with commencement of additional production from upcoming

projects which are under various stages of development. Crude oil production has already commenced from KG-98/2 and hopefully we would better placed with the coming up of additional oil and gas in the subsequent quarters.

The Board has recommended final dividend of 50% i.e. INR 2.50 on each equity share of INR 5 with payout of INR 3,145 crore. This is in addition to two interim dividends of INR 9.75, 195%, with payout of INR 12,266 crore. The total dividend for FY 2023-24 would be INR 12.25 per share to 245% with a total payout of INR 15,411 crore, the highest ever dividend. Our consolidated financials are also robust with the highest ever net profit of INR 57,101 crore with the increment coming from the subsidiary HPCL and MRPL. Now, for giving you all a brief synopsis of the results, I hand it over to our Chief Corporate Finance and CFO, Mr. K. C. Ramesh. Thank you.

### **K. C. Ramesh**

Thank you, sir. Good afternoon, ladies, and gentlemen. Just to introduce, I am K. C. Ramesh, ED, CCF and CFO, ONGC. I welcome you all in this ONGC earning call Q4 FY'24, Q4 and FY'24. As our Director HR has already explained the major highlights, now I'll take you through the numbers in some more detail. ONGC has compiled its financial results for the fourth quarter and the year ended 31st March 2024 which have been reviewed by the statutory auditors. The financial results have already been released on 20th of May 2024 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. Here is a brief of the synopsis of the results.

The company has earned a net profit i.e. profit after tax of INR 9,869 crore during the fourth quarter of FY'24 as against restated profit of INR 528 crore during fourth quarter FY'23, that's an increase of INR 9,341 crore. The profit after tax for FY'24 has increased by INR 429 crores from the restated profit after tax of INR 40,097 crore in FY'23 to INR 40,526 crores in FY'24. The increase in net profit during the Q4 FY'24 and FY'23-24 is on account of the increase in the other income, i.e. interest, dividend, and exception item which was there in the last year but not in the current year. As you all know that last year we had taken a hit of around INR 12,000 crores-odd on account of booking GST on royalty of which the exceptional item was around INR 9,285 crores.

The sale revenue for Q4 FY'24, and FY'24 has decreased by INR 1,571 crore i.e. 4.4% and by INR 16,980 crores i.e. 11% as against the corresponding quarter and the previous year mainly due to the lower crude and gas prices. These revenues are of course before the SAED adjustment. The billing net of VAT and CST for crude bills during the fourth quarter of the current fiscal was \$80.81 per barrel as against \$7.12 per barrel in the same period of the last year, i.e. an increase of \$3.69 per barrel. The exchange rate of rupees versus dollars stood at INR 83.03 vis-à-vis INR 82.26 in the last year. Thus, the realization for crude in

rupee terms stood at INR 6,709 per barrel in Q4 FY'24 vis-à-vis INR 6,344 per barrel in Q4 FY'23, i.e. an increase of INR 365 per barrel, 5.8% in INR terms.

Similarly, the gross billing for crude during the current year was at \$80.77 per barrel as against \$91.90 per barrel in the same period of the last year, i.e. a decrease of \$11.13 per barrel. The exchange rate of rupee versus dollars stood at INR 82.79 vis-à-vis INR 80.39. Thus, realization for crude in rupee terms stood at INR 6,687 a barrel in FY'24 vis-à-vis INR 7,388 a barrel in FY'23, which amounted to a decrease of INR 701 per barrel i.e. 9.5% in INR terms. The expenditure on statutory levies, i.e. royalty, sales and excise duty have decreased in FY'24 by INR 8,486 crore i.e. 18.7% in comparison with similar period of the previous year.

This decrease in statutory levies is attributable mainly to the decrease in sale price of crude oil and natural gas and levy of special additional excise duty by the Government of India on production of petroleum crude at a rate revised every fortnight based on international crude price. This SAED on crude have been levied with effect from the 1 July 2022 which amounted to INR 11,004 crore in FY'23 and INR 8,661 crore during FY'24. The operating expenditure has increased by INR 280 crores i.e. 3.5% from INR 7,986 crores in Q4 FY'23 to INR 8,266 crores in Q4 FY'24. Similarly, the operating expenditure in FY'24 has increased by INR 1,803 crores i.e. 7.2% from INR 24,922 crores in FY'23 to INR 26,725 crore in FY'24.

The increase is mainly on account of the increase in other expenses i.e. by INR 901 crore mainly at western offshore by INR 615 crores towards VAT amnesty, INR 160 crores interest payment towards Vivad Se Vishwas INR 393 crore and increase in repair of various platforms post cyclone, repair and maintenance of INR 483 crores, and also water injection cost by INR 271 crores mainly at western offshore due to increase in activity and CSR amounting to INR 198 crores.

Depreciation, depletion and impairment costs for Q4 FY'24 and FY'24 stood at INR 5,676 crores and INR 20,495 crores respectively as against INR 4,860 crores and INR 16,819 crore during the corresponding previous year. The depreciation for FY'24 has increased mainly the eastern offshore asset 98/2 project by INR 1,292 crores, due to the depreciation on ROU asset of FPSO. The depletion for FY'24 has increased by INR 1,584 crore mainly at western offshore by INR 1,446 crore due to increase of facilities and abandonment cost of various fields, change in reserve production mix of various fields.

The company at a consolidated level has earned a net profit i.e. profit after tax of INR 11,527 crores during Q4 FY'24 as against INR 6,478 crore during Q4 FY'23, i.e. an increase of INR 5,049 crores amounting to 77.94%.

Similarly, the company at a consolidated level has earned a net profit i.e. profit after tax of INR 57,101 crore during FY'24 as against INR 34,046 crores during FY'23. I.e. an increase of INR 23,055 crores 67.7%. This increase in profit can be mainly attributed to our subsidiary HPCL and MRPL.

Well friends, with this I finished my briefing of the fourth quarter results for the financial year 2023-24. We will be very happy to take questions from you. We would request you to restrict your queries on financial results only. Thank you. Thank you very much.

## **Q&A**

### **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing \* and 1 again. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad.

First question comes from Probal Sen from ICICI Securities. Please go ahead.

### **Probal Sen**

Thank you for the opportunity. I had a couple of questions am I audible?

### **Manish Patil**

Yes.

### **Probal Sen**

I just had a couple of queries. Firstly, on this quarter result, just wanted to understand why have the other operating expenses gone up so sharply? When I say other operating expenses, I mean other than employee expenses and selling and administrative expenses. The other expenses line has also shown a huge increase on Q o Q level.

### **K. C. Ramesh**

Yeah. I think Probal you are talking about the other expenditure of INR 901 crore. If I understood correctly. This actually the expenses increased by INR 901 crore from INR 393 crores in FY'23 to INR 1,294 crore in

FY'24. This is mainly at western offshore by INR 381 crore towards payment of VAT Amnesty which we had done in Q3 2023-2024, INR 160 crores. Interest payment towards settlement of Vivad se Vishwas is about INR 170 crores and increase in repairs of various platforms post cyclone Tauktae by INR 62 crores, and some repair expenditure at Assam asset by INR 191 crores and interest paid for Vivad se Vishwas, two scheme of Megha at our Assam asset. And at CBM asset there is an expenditure of INR 21 crores of repair and maintenance.

**Probal Sen**

Okay. The second question was in, the opening remarks, I think sir mentioned that, the gas decline will be compensated with the startup of new assets. So primarily we are talking about basically the KG basin asset at least from the context of FY25 or are there any other assets also that we can look forward to from a gas production perspective for next year?

**Pavan Agarwal**

Okay. I am Pavan Agarwal, Chief Corporate Planning. With respect to the managing the decline in the gas production. So, in the current financial year of FY'2024 -25 we envisaged the increase in gas primarily from KG-98/2. However, we are also working on the monetization of the stranded gas with the completion of the Urja Ganga pipeline and Indradhanush gas pipeline. So, we are hoping to increase our 0.3 bcm of the gas we envisage to monetize during the current financial year. From the standard gas fields in Silchar, CBM Bokaro, Chhinewala, Jorhat, and Hatta in Vindhyan basin.

**Probal Sen**

Sorry sir. Could you run the names again? I couldn't get that. Bokaro..?

**Pavan Agarwal**

1 bcm gas from 98/2. and 0.3 bcm of the gas from the standard gas fields in the different geographies of the country i.e in Silchar, CBM Bokaro, Jorhat, Hatta in the Vindhyan basin and Chhinewala tiba.

**Probal Sen**

Understood. Last question, if I may. The reason for the CapEx increase so substantially to INR 37,000 crore which we have done. Have there been any major capitalization of certain spend that has happened? And what can we look at in terms of run rate for the next year? Rather FY25.

**K. C. Ramesh**

Yeah. You might have seen that the CapEx expenditure is almost around INR 37,000 crores during this year, FY'24. And the main reason for i.e., the 98/2 project which we have in the east-coast. We had some issues with respect to change order and settlement with the contractors. As a result of change in contractors. So, large amount was spent there. And then thereafter we had certain expenditure on pipeline replacement project PRP-7 in the western offshore. In addition to that, we also had settled a lot of cases through Vivad se Vishwas, that also leads to the tune of around INR 2000 crores in total, which we have capitalized, because they were...

**Probal Sen**

INR 3000 crores?

**K. C. Ramesh**

INR 2000 crores. There were the cases of the projects which we had executed earlier through engineering services in Mumbai and there were disputes, we had settled the dispute. So, we had capitalized those to the respective projects.

**Prakash Joshi**

Then we had created some infrastructure in Goa basically, which was say around tune of INR 250 crores which which we created -- yeah, so it was around INR 250 crore.

**Probal Sen**

So, sir, FY25 should be building this kind of run rate or should it again normalize back to the INR 32,000 to INR 34,000 crore guidance that we have been giving, and we have been seeing earlier.

**Prakash Joshi**

In this there were a number of one offs as sir was saying Vivad se Vishwas, and some expenditure came up from KG 98/2 CapEx, but you see the range would be somewhere between INR 33,000-35,000 crore.



**Probal Sen**

INR 33,000-35,000 crore. Got it, sir. I have more questions, but I'll come back in the queue. Thank you so much.

**Prakash Joshi**

Thank you.

**Moderator**

Thank you. Next question comes from Mayank Maheshwari from Morgan Stanley. Please go ahead.

**Mayank Maheshwari**

Thank you for doing the call, sir. A couple of questions from my end. The first one, if you can just give us a bit more details around the gas production and what you were talking about in terms of opportunity to grow that production. The last two years, you obviously have kind of done a bit of work around other fields as well, but net production has still come a kind of decline. So, is there something that you can kind of talk about which will help us get more confidence on the growth? And also, the timelines that you are looking at on the KG-98/2 in terms of ramp up from in fiscal '25, fiscal '26, if you can give us some details around that?

And the second question really was on OPaL. If you can just give us an update of how the asset is doing? I read that you are running at 92% utilization now, but in terms of the restructuring, where are we and how you should think about that going forward?

**Pavan Agarwal**

Okay, I think you have questioned in two parts. One is with respect to the gas production, more view on the gas production and second is on the OPaL. So, first thing first. With respect to the gas field, we saw a decline by 2% during the current financial year i.r.o last financial year. As you know that we are already small mature fields where the decline is in the range of 7-8%. So, we have been able to control the decline to a total of around 2%.

We were envisaging an increase to be on a higher side of the gas production during the last fiscal. However, because of slight delays in the 98/2 project, we could not achieve those envisaged increased

gain. However, moving forward, all our infrastructure has been in the Indian water. We have installed the CPP already, and the LQUP, Living Quarter and Utilities Platform, is in the process of installation.

So, we hope that we will be ramping our production somewhere in the Q3 because of certain weather, bad weather has already started. So, envisaging these conditions, we hope that we should be ramping up the production in the KG from Q3 of this year, and we should be getting the full potential of our production during the Q4 Fy'24. So, coming from this, we hope that we will be getting incremental gas production of around 1 bcm from 98/2 during this financial year. I hope that answers your question.

**K. C. Ramesh**

Yeah, your second question, to answer your second question -- please go ahead.

**Mayank Maheshwari**

Sir, just I was asking in terms of the oil side as well, if you can give us an update of what's going on the oil production there as well?

**Pavan Agarwal**

Similarly, both the oil and the gas well from the 98/2, we will be ramping our production from current 12,000 barrels. So, we hope to get an average of around 20,000 in Q3 and 45,000 barrels and 10 million cubic meter per day gas production in Q4.

**Mayank Maheshwari**

Yes sir.

**K. C. Ramesh**

Yeah. Good afternoon, Mayank, this is K. C. Ramesh. To answer your questions on OPaL. You know that ONGC had already announced an investment of around INR 18,000 odd crores for OPaL including the backstopping support which we have already done for CCD's and the warrant that some balance for the warrant is there and in addition to that we have already invested INR 994 crores around in terms of equity contribution around 49-odd-percentage.

Now of course the management had the plans to go for this investment with being Maharatna company, we need to have the approval of CCA. So, we had applied to the government for the same, and we are expecting the approvals to come anytime soon. So, once the approval comes, the transactions would be completed. So that's where it stands as of now, we are waiting for the approvals.

**Mayank Maheshwari**

And sir, operationally how is OPaL done at the EBITDA level or at the overall operational utilization rates level? How has been that going on? If you can just give us some idea around that.

**K. C. Ramesh**

If you have seen the PAT numbers, we had a loss of INR 4,155 crores during FY'23. Now that has got reduced to INR 3,456 crores. So, a gain of around INR 700 crores at PAT level. And if you see the PBT level. PBT level number are INR 3,874 crores, the loss at PBT is slightly higher at INR 4,336 crores in the current year. But that apart like once we address the major issues of OPaL in terms of the feedstock, in terms of getting out of the SEZ.

So, with these we expect that like we can be in a much comfortable position. The CCDs are also having much higher rate of interest as you know. So, once we convert that into equity as to the plan that we have, we can definitely have good saving on account of interest. So, with these three issues being handled we expect that the company can come out of the present position maybe in a year or two.

**Mayank Maheshwari**

But EBITDA was positive sir. Or that -- is that the way to think about, and it's more about the restructuring below the EBITDA line i.e. leading to the losses?

**Prakash Joshi**

No, currently this year the EBITDA was negative. It was INR 479 crore negative.

**Mayank Maheshwari**

Okay. Okay, got it. Thank you.

**K. C. Ramesh**

Thank you.

**Moderator**

Thank you. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Nitin Tiwari from Phillip Capital. Please go ahead.

**Nitin Tiwari**

Hi, sir. Thank you for the opportunity. My question is related to the 11 discoveries that you mentioned at the beginning of the call in your opening statement. So if you can talk a little bit more about those discoveries, what is the prospect size we are talking about and like, you know, tentative timelines of basically monetization of those discoveries. And with respect to KG-98/2, a little bit of more clarification is what I needed in terms of what is the current production and also what is your current HPHT production of natural gas in the entire production that we have. So that will be my first question. Then I'll take the next later.

**Pavan Agarwal**

Current production if I start with, current production of the KG-98/2 is around 12,000 barrel oil per day. And currently it is around 2.4 million cubic meter of gas, of this around 1.6 million cubic meter of gas is coming from 98/2, and 0.8 million gas is coming from the other fields like HPHT G-1 and VADA S-1 Vashishta.

**Nitin Tiwari**

Sorry sir, 0.8 from S-1 and Vashishta you mentioned, right?

**Pavan Agarwal**

HPHT, G-1 and VADA i.e. S-1 Vashishta.

**Nitin Tiwari**

Okay, sir. So, current total HPST production that we have is 0.8 mmscmd, is it?

**Pavan Agarwal**

You can say so.

**Nitin Tiwari**

Understood sir. And so on, the monetization of discoveries and prospect size, et cetera. The 11 discoveries that you mentioned. And like you know, additionally I know if you, just a bookkeeping one, if you can give us the guidance for FY25 and FY26 for crude and natural gas production in terms of the breakup that you have given in the past in terms of what is your production going to be in terms of MOU and also what the JV production would be for both crude and natural gas.

**Pavan Agarwal**

During this last financial year, we made around 11 discoveries. We had monetized around 7. Of the 7 discoveries which has been monetized 3 discoveries were monetized which were made during this year and 4 discoveries were monetized which were made in the past. And during the current financial year, we envisaged to monetize our pending around 8 to 10 discoveries we plan to monetize during this current financial year which are pending -- which are carried forward.

**Nitin Tiwari**

So sir, what are these discoveries? These are onshore or offshore discoveries. Any idea about the prospect size? Are they going to materially add to our production? If we can provide more color in that aspect?

**Pavan Agarwal**

I think most of the discoveries which has been monetized are primarily from the onshore fields with a small prospects and 2 major discoveries which has been monetized are out of the 98/2, of the first oil. And during the later part of the year when we will be ramping our production from the 98/2 there after we will be monetizing few more discoveries, 3 to 4 discoveries, will be monetized from 98/2. The other discoveries will be monetized from the onshore what we plan to do during this year.

**Nitin Tiwari**

Understood, sir. And lastly, sir, the bookkeeping question which I asked. If you can just elaborate on the guidance for production of crude oil and natural gas in terms of your production and JV production for FY25 and FY26.

**Pavan Agarwal**

Like for the forecast of the moving forward, we envisaged to increase our production from current 39.45 MMtoe to something around 47 MMtoe, that's increased by 20% over the next 3 years. Around 12% increase will be contributed from oil, and 27% increase will be coming from gas.

**Nitin Tiwari**

47 MMtoe is in next 3 years sir you mentioned.

**Pavan Agarwal**

By FY27.

**Nitin Tiwari**

Okay. No specific targets with respect to crude and natural gas separately, sir?

**Pavan Agarwal**

For oil that it is 19.5, we may be going up to 22, which is exactly 21.87 MMT what we have envisage in FY27.

**Nitin Tiwari**

This is in FY27. Okay. And gas, sir?

**Pavan Agarwal**

Gas from 20 BCM. It may be going up to something about 25.5 BCM.

**Nitin Tiwari**

25.5 BCM, okay. Thank you, sir. That is all from my end. I'll get back in the queue.

**Moderator**

Thank you. Next question comes from Sabri Hazarika from Emkay Global. Please go ahead.

**Sabri Hazarika**

Yeah. Good afternoon. So, I have a few questions. Firstly, I mean, if I look into your overall expenditure trend. So, year-after-year, the OpEx will definitely keep increasing only so if, versus that if I consider your net realization because of the windfall, I think it is capped at \$75 per barrel. So, is there a possibility that this \$75 gets increased to take care of the increase in OpEx and are you taking it up with the Ministry to consider such a change in the overall windfall tax formula?

**Prakash Joshi**

Yeah, just a second Sabri.

**Sabri Hazarika**

Yes, sure.

**K. C. Ramesh**

Yeah. As far as your question with respect to realization is concerned. See, even at this level of say \$75, you might have seen that we are in a comfortable cash flow position. So, the increase in OpEx is, I mean, currently we might have seen is around INR 18,003 crores, which is about 7.2% over the last year on YoY basis. Which is not something which is very alarming. If you see the exchange rate variation which is happening in terms of rupees, you know that we have substantial exposure in terms of forex for payments.

So that's a natural increase which is 7.2% is not something which is alarming. But at the same time, the efforts are on from our side to take up this issue of the windfall types SAED with the government which at our level we have been trying, but this being a government policy, we won't be able to comment anything specific on that at this point in time.

**Sabri Hazarika**

Got it. And on this new, I mean this new wells and premium gas pricing so DGH, after the February communication, has there been any update in terms of implementation of the same or anything of that sort?

**Devendra Kumar**

I am Devendra Kumar, Chief Commercial. Government has interested DGH to look into this. And DGH has constituted a multi company core group committee. So, they are looking into it regarding the modalities of computing well intervention pricing.

**Sabri Hazarika**

Okay. So sir, they have told like around 7.5% would be the decline rate. So, nothing further beyond that communication, right?

**Pavan Agarwal**

No, that's right what you are saying considering the 7.5% decline rate, thereafter, whatever the gas is produced that will be considered for the 20% premium price.

**Sabri Hazarika**

Right sir. But no further. I mean, it's like still under study. I mean it's not finalized or anything. No further updates beyond that. Right?

**Pavan Agarwal**

Yeah. There is no further update.

**K. C. Ramesh**

Yeah, currently the development, there was already a development in terms of the order which was issued and the 7.5% decline. So, the nitty-gritties, we are working out on that with DGH as Devendra Ji was saying. So based on that we are expecting a positive outcome in terms of quantifying the incremental production.



**Sabri Hazarika**

And just one last bookkeeping question. I mean you mentioned in your notes to account regarding this seismic survey adjustment due to which I think profitability and the balance sheet also had some changes. So, was there any bearing on the CapEx from that? Was there some sort of like capitalization which happened because of that, due to which the CapEx went up to INR 37,000 crore?

**K. C. Ramesh**

Yeah. As you could see from the note we had -- see basically, let me explain this. The 3D Ocean Bottom node seismic surveys, basically we are doing in the western offshore mainly from the point of view of increasing the production, and these are the -- this expenditure is mainly incurred in the area where we already have discovery and where we are currently producing with the sole objective of increasing the production or accelerating the production.

And this expenditure obviously since we have decided to capitalize as against what we're doing is charging it off earlier. This has added to the capacity in the current year. We have current years expenditure which we have capitalized out of this is around INR 1,700 crore which is included INR 37,000 crore-odd which we have shown as CapEx expenditure.

**Sabri Hazarika**

Okay. So, INR 2,000 crore that you mentioned plus this INR 1,700 crore. So, we have almost like INR 4000 crore both taxation as well as this combined which is basically why the CapEx is inflated. Is that right?

**K. C. Ramesh**

Come again INR 2000 crore is with respect to what?

**Sabri Hazarika**

You mentioned this Vivad se Vishwas settlement.

**K. C. Ramesh**

Okay, the other adjustment. Yeah, yeah that's correct.

**Sabri Hazarika**

Okay. Thank you so much and all the best again.

**Moderator**

Thank you. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Varatharajan Sivasankaran from Antique Stock Broking. Please go ahead.

**Varatharajan Sivasankaran**

Thank you for the opportunity. So, on this windfall tax applicability on KG basin now we are absolutely sure it is not applicable, since you have already moved some parcels away as well?

**Devendra Kumar**

Yes, we are quite sure we have a legal opinion on that, and we will continue to review that in future also in connection with the government.

**Varatharajan Sivasankaran**

Sure. On the 20% premium in terms of application of quantum of this thing according to you have last time given some proportion of production by FY'26 what proportion of gas production potentially get that number. If you can just look in the reflection and give us that number again.

**Prakash Joshi**

You mean to see what would be this 20% gas of the total nomination? That what your question is?

**Varatharajan Sivasankaran**

Yeah. So, what percentage of production this will be applicable on for example in FY'26.

**Pavan Agarwal**

Okay. I think as per the latest guidelines and the modalities which are under discussion with the DGH we envisage that something around 24-25% of our new gas shall be eligible for the premium gas pricing.

**Varatharajan Sivasankaran**

So, this will be for off FY26 production or FY25 sir?

**Pavan Agarwal**

It will be 25% will be coming in FY26 and thereafter.

**Varatharajan Sivasankaram**

Fair enough. Thanks a lot.

**Pavan Agarwal**

Thank you.

**Moderator**

Thank you. Next question comes from Abhishek Nigam from MOSL. Please go ahead.

**Abhishek Nigam**

Hi. Thank you for the opportunity. Sir, first question is that there is a INR 900 crore change in stock in the standalone earnings in this quarter. So, if you can just give us some more color on that like is it because of crude oil changes or price changes or something else?

**K. C. Ramesh**

Yeah. This year, as you know, we started producing from our east-coast 98/2. So, for the first time we have had some closing stock there in the FPSO which is added to the stock numbers.

**Abhishek Nigam**

So, basically you have not been able to sell that parcel and this is why there is a small inventory change?

**K. C. Ramesh**

Yeah. Not selling in the sense that, yes, it was the stock which was there in the vessel at the end of the financial year. So, the normal course of processing and selling takes its own time. So, incidentally it was there as a stock. It's not that we were not able to sell or anything.

**Abhishek Nigam**

Yeah, I get your point. Okay, fair enough. And sir second question is, is it possible to let us know how many offshore rigs jack-up rigs does ONGC have? And is there a shortage right now in India for jack-up rigs?

**Pavan Agarwal**

I think we have got around 37 offshore jack-up rigs currently in operation, and we do not envisage any shortfall of the rigs as of now.

**K. C. Ramesh**

Of the 37, 6 are owned and the rest is hired.

**Abhishek Nigam**

Okay. 6 are owned and rest are hired.

**K. C. Ramesh**

Yeah. We also have 2 floaters in addition to that.

**Abhishek Nigam**

Okay. I assume these 2 will be semi submersibles.

**K. C. Ramesh**

We couldn't get you. Can you repeat?

**Abhishek Nigam**

Sure. So, I assume the 2 floaters will be semi subs.

**Pavan Agarwal**

No, 2 floaters are in operation. What are your question was pertaining to the jack-up rigs, so I restricted myself to jack-up. So, we have got 37 jack-up rigs plus 2 floaters.

**Abhishek Nigam**

Okay. 37, right?

**K. C. Ramesh**

Yeah, 37 plus 2.

**Abhishek Nigam**

Okay, perfect. That's it from me. Thank you so much.

**K. C. Ramesh**

Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. Next question comes from Kirtan Mehta from BOB Capital Markets. Please go ahead.

**Kirtan Mehta**

Thank you for the opportunity. Could you guide us on how do we think about the production growth at OVL and how does its profitability could grow over next 2 to 3 years?

**Prakash Joshi**

I think your question is pertaining to ONGC Videsh.?

**Kirtan Mehta**

Correct, sir.

**Vinod Hallan**

Good afternoon. This is Vinod Hallan. Production this year, we achieved 10.518 MMtoe, which is against the 10.17 which we achieved in the last year. And the outlook for the next year is, it will go up to 11 in FY'24-25, and then FY25-26 we expect it to go to 11.22. So, the outlook for profitability is good in the next year, as we expect to actually ramp our production for CPO-5 and then continue with good production in South Sudan projects where we are already achieving a number of 64,000 barrels. And then we also expect a favorable close of the Sakhalin.

**Kirtan Mehta**

Right, sir. Thank you.

**Moderator**

Thank you. Next question comes from Vikash Jain from CLSA India. Please go ahead.

**Vikash Jain**

Hi, sir. Thanks for taking my question. This is mainly on depletion. So, depletion seems to have jumped up in the fourth quarter. Is it something linked to reserve adjustments? And what would be the next going ahead for FY'25? What is likely to be, if we assume similar levels of production? What is likely to be in the depletion number that we look at in FY'25?

**K. C. Ramesh**

Yes. I think you are talking about the increase in depletion on annual level of INR 1,745 crores.

**Vikash Jain**

I am talking about the fourth quarter which might have adjusted the full year. I am talking about the fourth quarter which is about INR 5000 crores.

**K. C. Ramesh**

Yeah. Okay. Actually, to talk about depletion on a quarterly basis may not be the right thing to do, because what happens is normally we update our reserve numbers twice a year. Once in the first half and again annually. So whatever additions that which comes, during the year gets depleted on the basis of the annual reserve numbers. But having said that the depletion numbers generally increase on account of the new capitalization. So current year we had capitalized around INR 16,000 crores additionally in the assets. And that had resulted into increase in depletion by INR 1,250 crores.

And also, there is a change in the reserve to production ratio which contributed around INR 370 crores. And also, I think you talked only about depletion, you are not into depreciation so I won't talk about depreciation. The increase in depletion in the QoQ the main increase in western offshore by INR 1,009 crore due to additions of wells and facilities, and then change in depletion rate around INR 115 crore and change in carrying value of the assets by INR 141 crores.

One of the factors which is also contributed to this is that as you know that we have capitalized the OBN survey cost this year. So, on account of that about INR 46 crores has got added. And in 98/2 block depletion around INR 620 crores due to increase in the oil and gas asset capitalized. So, these are the major reasons for increase in quarter to quarter depletion.

**Vikash Jain**

And on annual basis say were at about 14,200 in FY'23 that's up to 15,800 now. FY'25 after this 4Q change number, how is that likely looking like? I mean what is it that we should look at? Because I mean  $5000 \times 4$ , is that what we are looking at or i.e. because that 5000 crore has an adjustment for earlier quarters also it is not that high a number. What should be the depletion that we look at assuming similar production levels for FY'25?

**K. C. Ramesh**

Yeah. It won't be  $5000 \times 12$ , for sure. It is 15,861 is the number that we have for the current year. So, you can probably add further depletion because of the pool production which comes from 98/2. So, there

could be some addition coming in from there. But other than that, we expect the depletion to be at the same level as far as the other areas are concerned. So, the current level, plus some addition coming from 98/2.

**Vikash Jain**

Okay. That's where the production that comes in. Yes. And on -- so I m a bit confused on this Vivad to Vishwas thing. You said that OpEx, which is other expenditure in income statement is higher because of some one offs linked to Vivad se Vishwas. So, should I say that there is some of it is in OpEx, some of it in CapEx both?

**K. C. Ramesh**

Absolutely. Yeah.

**Vikash Jain**

So how much of the OpEx jump that we see in fourth quarter can be because of some of these one-off numbers? Can you just remind us again, please?

**K. C. Ramesh**

Only on account of Vivad se Vishwas, you mean?

**Vikash Jain**

Or any other which you believe are largely one off in nature.

**K. C. Ramesh**

See, on account of Vivad se Vishwas mainly because of the interest that we had to pay. On two cases we had to pay interest of almost around maybe INR 350 odd crores, INR 350-400 crores. I.e. one reason, which is it has gone to P&L. And in total, Vivad se Vishwas would be in the range of around -- no, what has gone into the OpEx is..?

**Vikash Jain**

In fourth quarter, sir.



**K. C. Ramesh**

Yeah, 700 to 800. The entire Vivad se Vishwas impact has been settled in fourth quarter only. And it is around INR 700-800 crores is the hit that has gone to the P&L in Q4.

**Vikash Jain**

Okay. And any other element which is, which you can say is more one off in nature or not really?

**K. C. Ramesh**

Just hold on for a second. Yeah. In addition to the Vivad se Vishwas, we also had a VAT Amnesty scheme. i.e. also added by about INR 160 crores-odd to the OpEx. So mainly Vivad se Vishwas and VAT Amnesty this is the one-off cases.

**Vikash Jain**

So, 750 for Vivad se Vishwas and 160 for the other one. Right?

**K. C. Ramesh**

Yeah. So, annual, YoY it's increases around INR 1800 crores, right. So, of which these are the two cases which are one-off cases.

**Vikash Jain**

Okay. And lastly on this -- firstly on KG-98/2, you said 3Q is when you see the oil picking up from 12 to 30. And then in 4Q going to that 45 mark. And for gas, you said similarly 3Q and 4Q is when you see the pickup. Right?

**Pavan Agarwal**

Right here. 12 to 20 in Q3.

**Vikash Jain**

12 to 20 and then 20 to 45.

**Pavan Agarwal**

Right.

**Vikash Jain**

Right. And gas, similarly, 3Q and 4Q.

**Pavan Agarwal**

That's right.

**Vikash Jain**

Okay. And last thing that I wanted to ask was on this 7.5% depletion rate that you said is under discussion, which means that if say in FY'25, and the starting year will be FY'24, right? So, whatever is -- if 100 is your gas production, in FY25 if it remains at 100. So, 7.5 will be getting a higher gas price and remaining 92.5 will get the ceiling of 6.5 or so. Is that how I should think about it?

**Pavan Agarwal**

I think your understanding is correct.

**Vikash Jain**

And when you say the higher gas price in your understanding there is no ceiling applicable over there, right?

**Pavan Agarwal**

20% premium on the Indian crude basket price.

**Vikash Jain**

Which is 12% slope, instead of 10%, 12% slope without any ceiling, right?

**Pavan Agarwal**

Correct.

**Vikash Jain**

Okay, so and this windfall tax thing not being applicable for KG-98/2 is not, I mean, irrespective of the fact that your production is lower than FY22 level, which is how it was decided, on all of KG-98/2 oil production there in your understanding there will be no windfall tax that's the legal opinion that you have taken, right?

**Prakash Joshi**

That's right.

**Vikash Jain**

Okay. Thank you so much sir.

**K. C. Ramesh**

Thank you.

**Viaksh Jain**

And all the best.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. Next question comes from Somaya V from Avendus Spark. Please go ahead.

**Somaya V**

Thanks for the opportunity, sir. First question on the gas production outlook. I just want to understand, you said FY20 going to FY25 is a 3 year timeframe. If you could just help us next, I mean FY25-26, how this ramp up would be? That should be it.

**Pavan Agarwal**

Yeah. We said we will be producing around 10 million cubic meter gas per day from 98/2. That gives me 3.65 BCM of which out of this 10,000 we are currently producing only 2.4, that means 75% increment of the gas will be coming from 98/2. That 3.65 plus 75% is around 2.8. And then we expect around 1.5 bcm of gas from Daman Upside project. So i.e. our major contributor. In addition to that, what I told about the stranded gas which will be adding another 0.3 to 0.5 million. 0.3 with this Urja Ganga pipeline and this Indradhanush and the other areas where we are working upon. So, this is a broad breakup of the major contributors.

**Somaya V**

So, if I understand right, so of the 5 bcm incremental expectation roughly 1.3, 1.4 will come from new projects apart from KG basin, 0.3 from stranded gas and the rest all from KG-98/2?

**Pavan Agarwal**

Daman Upside, 98/2 and the stranded gas, that sums up to around 5 bcm.

**Somaya V**

Got it, sir. And this ramp up between 20 to 25 BCM. This will be, most of this will be seen in FY26 or how should we look at it?

**Pavan Agarwal**

Partly it will be ramping up will be something around 5% ramping up in FY25, 10% in FY26 and 10% in FY27. So overall ramping up will be around 27%.

**Somaya V**

Got it. There are also this CapEx number that we are looking at which is INR 30,000 to INR 35,000 crores. This does not include any equity infusion. Just trying to understand the quantum that we need to infuse into OPaL and whether that number is included in this. And also what is the timeframe that we are looking at for that equity?

**K. C. Ramesh**

The actual numbers OPaL is not included, definitely.

**Prakash Joshi**

Even the INR 33,000 crore to INR 35,000 crore which range I had given you, OPaL is not included in it.

**Somaya V**

Yes. So just want to understand how much we need to infuse and what is the timeframe within which would be infusing it?

**K. C. Ramesh**

As we said earlier, we already have some CCDs in place and some warrants in place. So, in addition to that, I think what we are looking at is around INR 10,500 crores in addition to the CCDs and the warrants. I mean CCD, we already had backstop so we will have to go take that as well. So, total INR 18,300 crore.

**Somaya V**

And this will be done over a couple of years. Is this the right way to think?

**Prakash Joshi**

So that modalities are to be worked. Because we are awaiting the clearance from the ministry.

**Somaya V**

Okay, got it. Thank you.

**Moderator**

Thank you. Next question comes from Nitesh Dutt from Burman Capital. Please go ahead.

**Nitesh Dutt**

I have a couple of questions on the natural gas front. First one is the decline in the current year FY'24. Was all of it because of the natural decline or were there any production stoppages, etc, in our existing fields which will get taken care of later on?

**Pavan Agarwal**

I think it's a natural decline only.

**Nitesh Dutt**

Got it. And so second, this increase from 20 to 25 over the next three years. Can you just give an idea on the pricing as well? Will most of it be priced at \$6.5 per MMBtu pricing slab or some of it is HPST pricing slab? I think you had mentioned, but I missed it.

**Pavan Agarwal**

This premium price, what we are talking about is only through the well intervention or the new gas from the nomination field. So, any field coming under the OLAP, NELP are not covered or even the HPHT, it's not covered for the premium gas price. They are already getting the higher price.

**Nitesh Dutt**

So, sir, you're saying it's not within the ambit of HPHT?

**Pavan Agarwal**

It does not include the HPHT.

**Nitesh Dutt**

Got it. So, it will be priced as per the 10% crude slope. Is it?

**Pavan Agarwal**

HPHT gas? No. HPHT gas is eligible 9.87, i.e. currently eligible for \$9.87 per MMBtu.

**Nitesh Dutt**

Okay. Understood. Thank you, sir.

**Moderator**

Thank you. Next question comes from Yuvan Aiya from Nuvama Wealth. Please go ahead.

**Yuvan Aiya**

Hello, sir. Hello, ma'am. Thank you for taking my question. So my question is regarding the formation of the new subsidiary that was announced in January. So this proportion now that ONGC is going to have a ONGC Green Energy Limited, if I m not wrong, as a subsidiary, ONGC Green Limited, and we are planning to have the businesses of green hydrogen and renewable energy in that subsidiary. So, out of the INR 33,000-35,000 crore CapEx i.e. expected in the next year, are we proposing to have an equity infusion or CapEx into that business in the next year, or is it going to be after 2 to 3 years from now?

**Manish Patil**

Just a second. Hold on for a second.

**Yuvan Aiya**

Yeah, yeah.

**Manish Patil**

See, this OGL, which we have formed recently, is a company which directionally will be going towards working in the renewable and green. And it's just a beginning. And we would be infusing the capital based on what sort of a projects which we are going to undertake, mostly in the field of solar or wind or to some extent, PSP also. So, since it's just a beginning, the current CapEx of whatever is the figure which we talked about would not be including that, because right now we are finding out the opportunities, and based on the fit with the business, we would be taking a call at that stage.

**Yuvan Aiya**

I understand, sir. So, sir, India's target of 5 metric ton and per annum of green hydrogen by 2030. I understand that we as a business won't be forming a large part of that, but I had read that ONGC is targeting 0.18 metric ton per annum of green hydrogen by 2030. So, could you just give an idea as to when are we going to at least start with that capacity, sir?

**Manish Patil**

The first focus is right now on the solar and wind and others, and definitely hydrogen is on our radar. We definitely would be working in that. As I said, right now we are looking at the right opportunity. So we will be looking into that also.

**Yuvan Aiya**

Noted, sir. Thanks.

**Moderator**

Thank you. The last question for the day comes from Vipulkumar Shah from Sumangal Investment. Please go ahead.

**Vipulkumar Shah**

Hi, sir. So, what is the OVL production this year? And you, could you repeat the figure where we see it going in next two years?

**Vinod Hallan**

Hello. Yeah, the current year OVL production is 10.518 MMtoe, and the outlook for next year FY'24-25 is 11, FY25-26 is 11.22 MMtoe.

**Vipulkumar Shah**

Okay, sir. Thank you.



**Moderator**

Thank you. Now I hand over the floor to Mr. K. C. Ramesh, CFO, for closing comments.

**K. C. Ramesh**

Yeah. Thank you all for being part of this earnings call this year. Normally we do have a call at Mumbai. But this year we decided to have a call from Delhi. And it was very nice interacting with all of you. Hope we could answer all your queries to your satisfaction. We look forward to seeing you and having more interactions in future. And once again, thank you all. Thank you very much.

**Manish Patil**

Thank you.

**Moderator**

Thank you. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

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- Note:**
1. This document has been edited to improve readability
  2. Blanks in this transcript represent inaudible or incomprehensible words.