



**“Third Quarter Financial Year 2013 Earnings  
Conference Call of ONGC Limited”**

**11<sup>th</sup> February 2013**



**SPEAKERS:**

**Mr. A. K. Srinivasan, GM-Chief Corporate Finance**

**Mr. Alok Saha, GM-Head CA**

**Mr. Sanjeev Kumar, DGM Corporate Planning,**

**Mr. I.B.Choudhuri, DGM Corporate Planning,**

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

**Mr. Prasad Bhattacharya, DGM-OVL**

**Mr. S.Ranganathan, CM(F&A), Investor Relations Cell**

**Mr. Basant Pasari, M(F&A)-OVL**



**Moderator:**

Good evening, ladies and gentlemen. Thank you for standing by and welcome to the conference call of Third Quarter Financial year 2013 Earnings. For the duration of presentation, all participants' lines will be in listen-only mode. We will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. A.K. Srinivasan. Over to you, Mr. Srinivasan.

**A.K.Srinivasan:**

Good Evening Ladies and Gentlemen, I am A K Srinivasan, GM-Chief Corporate Finance and on behalf of ONGC I welcome you all in this ONGC earning call for Q3 FY'12-13. Thank you all for joining us on the call. I am joined here by my colleague Mr Sanjeev Kumar, Mr. S Ranganathan of Investor Relation Cell and I also have my colleagues from OVL.

The financial results for the third quarter and nine months ended 31st December'12 have been taken on record by ONGC's Board today, i.e. 11th February 2013. The results have been released through a press note and sent to the stock exchanges. This has also been sent to the analysts who are there on our mailing list. Let me give a synopsis of the results.

The company has earned a net profit, i.e. profit after tax of ₹ 5,563 Crore in the third quarter of FY'13 as against ₹ 6,741 Crore during third quarter of FY'12, a decrease of ₹ 1,178 Crore (i.e. 17.5%). The profit after tax for the 9M FY'13 is ₹ 17,537 Crore as against ₹ 19,479 Crore during the 9M FY'12, a decrease of ₹ 1,942 Crore (i.e. 10%).

The decrease in PAT is mainly attributable to an exceptional income of ₹ 3,142 Crore received in Q3 FY'12 from M/s Cairn India Ltd. towards royalty paid in respect of RJ-ON-90/1 block for the period from August 2009 to Sept. 2011 pursuant to finalization of agreement between ONGC, Cairn Energy Plc & Vedanta Resources Plc treating royalty paid as contract cost eligible for cost recovery. Further the decrease in PAT is due to increase in statutory levies (₹ 1,868 Crore), DD&A cost (₹ 139 Crore) mainly due to depletion, Provision & write off (₹ 504 Crore), Government of India share of profit petroleum (₹ 257 Crore), Operating Expenses (₹ 23 Crore), Survey Expenditure charged off (₹ 26



Crore) and decrease in the interest & dividend income (₹ 99 Crore).

However, this decrease was partly off-set by increase in Crude, Gas & VAP sales realization by ₹ 2,000 Crore, ₹ 400 Crore and ₹ 747 Crore respectively. Further this decrease in PAT was off-set by an increase in non-operating income (₹ 127 Crore), decrease in tax burden (₹ 1,228 Crore), Dry wells cost written off (₹ 286 Crore), Loss due to Exchange fluctuation (₹ 135 Crore).

Similarly, the decrease of PAT in 9M FY 13 is mainly due to the receipt of the exceptional income of ₹ 3,142 Crore as read out earlier. Further the decrease in PAT is also attributable to increase in statutory levies (₹ 4,326 Crore), DD&A cost (₹ 168 Crore) mainly due to depletion again, Provisions & write off (₹ 1,080 Crore), Government of India share of profit petroleum (₹ 537 Crore), Operating Expenses (₹ 289 Crore).

However, this decrease of PAT in 9M FY13 was also partly off-set by increase in Crude, Gas & VAP sales realization by ₹ 848 Crore, ₹ 2,133 Crore and ₹ 1,492 Crore respectively. Further, this decrease in PAT was off-set by an increase in non-operating income (₹ 743 Crore), interest and dividend income (₹ 26 Crore) and other operating income (₹ 25 Crore), decrease in tax burden (₹ 1,372 Crore), loss due to Exchange fluctuation (₹ 373 Crore), dry well cost written off (₹ 718 Crore) and Survey expenditure charged off (₹ 46 Crore).

Our share of subsidies towards under recoveries of oil marketing companies during Q3 FY13 stood at ₹ 12,433 Crore as against ₹ 12,536 Crore in Q3 FY12. The same for the Nine months of the current fiscal stood at ₹ 37,108 Crore as against ₹ 30,296 Crore for the Nine months of FY12.

The gross sales revenue for Q3 of FY13 is higher by ₹ 2,890 Crore, an increase of 15.9% at ₹ 21,089 Crore as against ₹ 18,199 Crore in the corresponding quarter of previous year mainly due to positive price and quantity variance of Crude amounting to ₹ 2,000 Crore, positive price variance of both Gas (₹ 425 Crore) and Value Added Product (₹ 826 Crore), negative quantity variance of Gas (₹ 25 Crore) & Value Added Product (₹ 79 Crore) and impacted by an increase in



the Govt. of India share of profit petroleum surrendered by ₹ 257 Crore.

Again the gross sales revenue for 9M FY'13 is higher by ₹ 3,936 Crore, an increase of 6.9% at ₹ 61,090 Crore as against ₹ 57,154 Crore in the corresponding nine months of previous year mainly due to positive quantity variance of crude (₹ 3,435 Crore), positive price & quantity variance of Gas (₹ 2,133 Crore) & positive price variance of VAP (₹ 1,521 Crore) off-set by a negative price variance of Crude (₹ 2,587 Crore) and negative quantity variance of VAP amounting to ₹ 29 Crore finally impacted by the increase in the Govt. of India share of Profit Petroleum by ₹ 537 Crore.

The gross billing for crude during the third quarter of the current fiscal was at USD 110.16/bbl as against USD 111.48/bbl in the same period of last year, that is a decrease of 1.2%. However, after allowing discounts by way of our contribution towards the under recoveries to downstream marketing companies, the net realization for crude oil in this quarter was USD 47.97/bbl as against USD 44.71/bbl in the same period of last year which amounted to an increase of 7.3%. Similarly, the gross billing for the nine months of this year stood at USD 109.72/bbl as compared to USD 116.01/bbl for the nine month of last fiscal. The net realization after discount for the nine month of the current year was USD 46.90/bbl vis-à-vis USD 58.38/bbl in the nine month of last year.

The post discount realization in terms of INR has increased from ₹ 2,280/bbl in Q3 FY'12 to ₹ 2,597/bbl in Q3 FY'13 i.e. ₹ 317/bbl (13.9%). This increase is mainly due to depreciation in INR vis-à-vis USD by 6.1% during the third quarter of FY13. The exchange rate of rupee versus dollar stood at ₹ 54.14 in Q3 FY 13 vis-à-vis ₹ 51.01 in the third quarter of FY12 which has resulted in a favourable impact on the sales revenue by ₹ 1,254 Crore as the Benchmark prices of the products are denominated in USD and linked to international prices. Further the weakening of rupee by ₹ 7.39/USD during nine months FY'13 resulted in a favourable impact on the sales revenue by ₹ 9,808 Crore during 9M FY'13 despite a decrease in rupee post realization rate from ₹ 2,753/bbl in 9M FY12 to ₹ 2,558 in 9M FY13.



Non-Operating Income in Q3 FY'13 has increased by ₹ 127 Crore as compared to Q3 FY'12 i.e. from ₹ 307 Crore in Q3 FY'12 to ₹ 434 Crore in Q3 FY'13. The increase is mainly attributable to Write Back of Excess Provision of ₹ 206 Crore in Q3 FY'13 on account of settlement of disputed debtor-GAIL in PMT. This increase was off-set by decrease in Misc. receipt due to accounting of an income of ₹ 95 Crore in Q3 FY'12 towards an arbitration award in favour of ONGC in the case between SCI and ONGC. Similarly during 9M FY'13 non-operating income has increased by ₹ 743 Crore i.e. from ₹ 669 Crore in 9M FY'12 to ₹ 1,412 Crore in 9M FY'13. The increase is mainly due to Write Back of Excess Provision of ₹ 638 Crore in 9M FY'13 on account of the reason stated above and increase in write back of excess liabilities on account of royalty on closing stock at western region (₹ 200 Crore), partially off-set by decrease in respect of reversal of excess liability pertaining to rig hire charges amounting to ₹ 60 Crore.

Interest and dividend income has decreased by ₹ 99 Crore i.e. from ₹ 946 Crore in Q3 FY'12 to ₹ 847 Crore Q3 FY'13. The decrease is mainly due to marginal decrease in average rate of interest on investable funds from 9.94% p.a. in Q3 FY'12 to 9.19% p.a. in Q3 FY'13 and also due to marginal reduction in investible surplus funds. However during 9M FY'13, interest and dividend income has increased by ₹ 26 Crore i.e. from ₹ 2,783 Crore in 9M FY'12 to ₹ 2,809 Crore in 9M FY'13.

The operating expenditure of Q3 FY'13 has increased marginally by ₹ 23 Crore to ₹ 3,332 Crore from ₹ 3,309 Crore and during 9M FY'13 the operating expenditure has increased by ₹ 289 Crore to ₹ 10,157 Crore from ₹ 9,868 Crore mainly on account of the increase in Manpower, Pollution Control, Repair & Maintenance, Contractual payment including hire charges, Administrative Expenses, Transportation of oil and gas, Un-allocable Rig Cost and R&D expenditure. This increase both in third Quarter FY'13 and 9M FY'13 is partly offset by decrease in work-over operations expenses, water injection, purchase of condensate, Transport expenses, other production expenditure etc.

DD&A cost for Q3 FY'13 stood at ₹ 2,341 Crore as against ₹ 2,202 Crore in Q3 FY'12 i.e. an increase of ₹ 139 Crore (6.3%). The increase is mainly on account of depletion at



Western Offshore due to capitalization of MHN Project and increase in depreciation due capitalization of asset relating to Transportation of Oil and Gas in MNP Process platform during Q3 FY'13. Similarly there is an increase of ₹ 168 Crore on account of DD&A cost in 9M FY13 i.e. from ₹ 5,820 Crore in 9M FY12 to ₹ 5,988 Crore. The increase is mainly on account of higher depletion at western offshore due to capitalization of facilities and depletion of new field B 22 and North Tapti. This is partially offset by decrease in depletion and depreciation due to increased Proved Reserves & charging of 100% depreciation on flow-lines capitalized during 9MFY12 respectively in Rajasthan Block RJ-ON-90/1.

The exploration cost written off has decreased in Q3 FY'13 to ₹ 2,070 Crore as compared to ₹ 2,330 Crore in Q3 FY'12, a decrease of ₹ 260 Crore mainly on account of lower dry wells cost written off by ₹ 286 Crore from ₹ 2,051 Crore to ₹ 1,765 Crore in Q3FY'13. However, the survey expenses has increased by ₹ 26 Crore in Q3 FY'13 from ₹ 279 Crore to ₹ 305 Crore mainly due to higher 3D survey activity offset by a lower 2D survey activity in Q3 FY'13. The exploration cost written off has also decreased during 9M FY13 by ₹ 764 Crore i.e. from ₹ 6,113 Crore to ₹ 5,349 Crore mainly due to lower dry well cost written off by ₹ 718 Crore and decrease in survey expenditure due to lower 3D and 2D survey activities in 9M FY'13.

Provisions and write off has increased by ₹ 504 Crore i.e. from ₹ 60 Crore in Q3 FY'12 to ₹ 564 Crore in Q3 FY'13. The provision includes an amount of ₹ 389 Crore towards VAT/Octroi/CST deduction by refineries on discount on crude oil from ONGC. In addition, it also includes the write off amount receivable from GAIL as bad debt amounting to ₹ 110 Crore on account of settlement of disputed debtors. Similarly provisions and write off has increased by ₹ 1,080 Crore in 9M FY'13 i.e. from ₹ 317 Crore in 9M FY'12 to ₹ 1,397 Crore in 9M FY'13. The provision again includes an amount of ₹ 1,127 Crore towards VAT/Octroi/CST deduction by refineries on discount on crude oil from ONGC and write off amount receivable from GAIL which is partially offset by adjustment of provision of ₹ 175 Crore made in 9M FY'12 towards short payment made by IOC based on the draft Crude Oil Sale Agreement (COSA).



During Q3 FY'13, the statutory levies stood at ₹ 5,813 Crore as compared to ₹ 3,945 Crore in Q3 FY'12 that is an increase of ₹ 1,868 Crore (47.4%). Similarly during 9M FY'13, the statutory levies has increased by ₹ 4,326 Crore (34.7%) from ₹ 12,469 Crore in 9M FY'12 to ₹ 16,795 Crore in 9M FY'13. One of the main reasons for increase in statutory levies is Cess which has increased by ₹ 1,169 Crore in Q3 FY'13 and ₹ 3,291 Crore in 9M FY'13 mainly due to revision of rate of Cess from ₹ 2,500 per MT to ₹ 4,500 per MT effective from 17<sup>th</sup> March, 2012. The increase in statutory levies on account of royalty by ₹ 618 Crore in Q3 FY'13 and ₹ 931 Crore in 9M FY'13 is attributable to non-operated RJ-ON-90/1 block, where the company is paying royalty at 100% against 30% PI, increased royalty obligation in the block due to increased production by 0.51 MMT in 9M FY'13 besides an increase of average sales realization in nominated blocks.

Well, friends, with this I will finish my briefing on the third quarter results of Financial Year 2012-13 and we will be happy to take questions from you. Please try to confine your questions on the quarterly results only. I and my team members would try to answer your questions.

Thank you,

**Moderator:**

Thank you, Mr. Srinivasan. Any participant who wish to ask any question can press "0" "1" on their telephone keypad and wait for their name to be announced. I repeat, participants who wish to ask any question can press "0" and "1" on their telephone keypad and wait for their name to be announced. The first question of the day is from Mr. Amit Rustogi of Antique. Mr. Rustogi, your line is unmuted now. You can go ahead and ask.

**Amit Rustogi:**

Sir, can you guide us with respect to the additional production of gas which is going to come from non-APM fields? We have been talking of 6-7 MMSCMD production, but I am not sure when it's going to be added and whether it has already come into the numbers or not.

**A.K.Srinivasan:**

Yeah, gas production, actually, will come only from the 37 fields which are being monetized presently through 13 projects. All these projects are in the West Coast except G1 and GS 15, which are in the East Coast. Out of that GS 15



is already on production since August 2012. And G1 will be on stream by June '13. Rest of the fields are in the West Coast as told earlier, and they are being developed through cluster system. These fields will start off from this year and by 2014-15, most of them will be on stream. These fields will add to the production. In addition, actually, you might have heard that OTPC, that is, ONGC Tripura Power Corporation Limited, the first unit of which is on production and is generating electricity. And due to this, about one MMSCMD of gas production has increased from Tripura. So when both the units are synchronised and are commissioned, then we see an upside of around 3 MMSCMD gas from Tripura.

And for future, actually, our one major project, that is, Daman which has been put on fast track, and that project may be coming somewhere around 2015-16 and it has got an upside of around 13 to 14 MMSCMD of Gas. And besides that, in subsequent years the contribution will come from KG 98/2 and Mahanadi.

**Amit Rustogi:** Sir, can you give more colour on this Daman projects that which field is this, how much is the Capex and when you say 15-16, it is like FY16 we are referring to?

**Management:** Yeah, actually, the fields are C-Series along with B12 and C-24 which was the original Daman project. And initially, we have production of around 3.5 MMSCMD, and integrating all these, that is, Daman and C-series, the production is going to shoot up from 3 to 13 MMSCMD of Gas. And most likely, it will be on stream from 2014-15 onwards.

**Amit Rustogi:** Sir, '14-'15 onwards. Sir, it is like 2014 calendar year or 2015 calendar year?

**Management:** No, 2015 calendar year only because they have some issues with the evacuation of gas from Daman and once it is settled it will be on stream.

**Amit Rustogi:** Okay, so basically Daman and the C-Series will come together?

**Management:** Yeah.





**Amit Rustogi:**

Sir, when we say this 6-7 MMSCMD growth, so 3 MMSCMD is coming from Tripura, right? And the rest 3 MMSCMD, we are talking across the fields?

**Management:**

No, actually, Tripura we are looking up at a figure of 5 MMSCMD. Once 726 megawatt from both the units of OTPC are synchronised, the total should go up to 5 MMSCMD from Tripura alone.

**Amit Rustogi:**

Sir, but, when we look at our FY'14 target in terms of MoU, we have given a target of 24.61 BCM, right? Is that correct number?

**Management:**

Yeah.

**Amit Rustogi:**

24.61 versus 23.75. Sir, this is just a 2.7 MMSCMD increase in production?

**Management:**

Yeah.

**Amit Rustogi:**

So, sir, how we can be so conservative in terms of targets?

**Management:**

No, when we are saying that the production from Tripura is going to go up to 5 MMSCMD, it is not in the next year or so, it will take two or three years more to synchronise, I mean to come up.

**Amit Rustogi:**

So even if I keep aside Tripura, does 6-7 MMSCMD, we are talking from rest of the fields, like G1, GS 15 and West Coast field. But in our MoU target, we are just 2.7 MMSCMD?

**Management:**

Yeah, from that even C-series and Daman is not going to come in 2013-14. They will be only coming up beyond 2015. Only G1 is supposed to come in 2013-14 and GS-15 is already on early production.

**Amit Rustogi:**

Sir, but we are hearing a lot of noise with respect to your 6-7 MMSCMD gas production from non-APM fields where even the power companies are demanding that it should be allocated to them. So I don't know how the 6-7 MMSCMD number is coming the next one-year or two years.

**Management:**

Initially, we had plan for C-series and Bandra Formation gases. That was last year where we said, you know, three MMSCMD earlier is going to come from Bandra Formation



and C-series. But then now we are planning to integrate C-series with Daman. And we have a problem of off-take for C-Series Gas also from the private consumers. So we have not gone beyond one MMSCMD from C-Series. Right now, we are producing one MMSCMD from C-Series.

**Amit Rustogi:** Okay, that's all from my side. Thanks a lot, sir.

**Moderator:** Thank you, Mr. Rustogi. The next question of the day is from Mr. Harshad Borawake of Motilal Oswal. Mr. Borawake, your line is unmuted now.

**Harshad Borawake:** Hi, sir. I have one question on this gas price, likely gas price rates of APM. In case if we had to go \$ 8 per MMBtu, have you done any internal assessment in terms of reserve increase at this price and also, you know, how much production could increase because of this?

**Management:** Actually our gas production or development plan or exploration plan does not depend on the price. I mean, we have taken up conservative -- we normally take conservative estimate, like for oil we take \$ 55 to \$ 60 and for gas as current price what we are getting. But it's sure that a price of \$ 8 MMBtu if agreed, then most of our project like accelerated gas field will be more economical and become more viable because many of them are lying idle because of lack of consumers.

**Harshad Borawake:** Any ballpark numbers in terms of production increase, if it were at about \$ 8?

**Management:** Right now, we cannot comment because even if you have increased price of \$ 8, we need to create facilities. How much it will come and when it will come, we can't be sure on that count.

**Harshad Borawake:** Okay, fine. And the other question, was on what was the nine-month total Capex and also the dry well expenditure you said that's ₹ 1765 crore in this quarter. So what are the key fields, you know, key wells which this can be attributed to?

**Management:** In nine months dry well, these are mainly attributed to all regions, it is NELP plus some in Western Offshore, KG Offshore. So it's across the company, it's not a very specific thing.



**Harshad Borawake:** But particularly NELP

**Management:** Yes, majority are in NELP.

**Harshad Borawake:** And also is it a majority of deep-water block?

**Management:** No, no it is more on shallow.

**Harshad Borawake:** Shallow-water?

**Management:** Deep-water was taken care in the last year itself. Only three, four wells are there in this quarter.

**Harshad Borawake:** Okay, okay. And, sir what is the nine months' Capex number?

**Management:** Nine months' Capex utilization was – Now, up to the current month, that is January, we are about ₹ 23,000 crores.

**Harshad Borawake:** ₹ 23,000 okay.

**Management:** That is up to the end of January.

**Harshad Borawake:** Okay, end of January?

**Management:** Yes.

**Harshad Borawake:** Okay. And sir, lastly can you give update on this Azerbaijan and Kashagan acquisition?

**Management:** Yes, my colleague from OVL will take on that.

**Management:** What is the exact question about Azerbaijan? What do you want to know.

**Harshad Borawake:** Just wanted the status of Azerbaijan as well as Kashagan because in terms of Kashagan we are hearing different news from media.

**Management:** So, this maybe the media expectation. Right now, we are mainly focussing on Azerbaijan, and it's been in the process and by the mid-March it will be finished.



**Harshad Borawake:** Okay. So, last time you mentioned that the date is likely January 2012 and this production will be accounted in this year itself, so is it still possible?

**Management:** Yes, once it is finished before March, then it will be counted. And if it is not finished in this fiscal, then it will be not counted at all.

**Harshad Borawake:** Okay, but you expected by mid-March it could finish, right?

**Management:** Yes, we are expecting.

**Harshad Borawake:** Okay. Okay, fine. Thank you.

**Moderator:** Thank you Mr. Borawake. The next question of the day is from Mayur Patel of Spark Capital. Mr. Mayur, your line is unmuted now. You can go ahead and ask.

**Mayur Patel:** Thank you sir for taking my question. First of all what is your guidance on production for FY'14 and FY'15?

**Management:** FY14 is just 25.78 MMT for ONGC. And then joint ventures will be 3.31 MMT. This is oil and for gas it is 24.61 BCM and JV will be 1.84 BCM.

**Mayur Patel:** And for FY '15?

**Management:** FY '15 is actually when we had made the documents for 12th plan. That time we had projected some figures.

No. for FY'15 we have not firmed up yet. So up to FY'14 we can give, but we hope that beyond FY'15 we are going to go up, I mean, we may remain above 25 million tons of oil production.

**Mayur Patel:** Above 25?

**Management:** Yeah, we've said that we will be above that.

**Mayur Patel:** And sir, this FY'14 growth would come up from which specific field, like we have all these marginal fields under development.

**Management:** Yeah, most of the incremental gains will come from these fields which are being developed in the West Coast and the



East Coast. East Coast of course is only gas contribution. Yeah, but the marginal fields of Western Offshore, they are going to contribute towards the incremental crude oil production.

**Mayur Patel:** Okay. And how is the D1 development going on? Is it on --

**Management:** D1 development is on fast track. Recently the well which produced, i.e. which was drilled that was on work over and after that they are going to commence some more drilling. And required infrastructure is already in place because as we are already producing from D1 fields. And it will be able to handle liquids of the volume of around 50,000 barrels per day. So we hope by January 14, some production will come from the D1 field.

**Mayur Patel:** How much additional production you expect by January 14?

**Management:** Actually that assessment is still going on but the volume currently we can't say exactly. But we have a plan right now, we have a rig which can store up to 60,000 bopd. But in case the production goes beyond 60,000 we are looking up for a FPSO which is also shortly coming near that D1 for storage and production.

**Management:** But this field has the potential of around one million tons.

**Mayur Patel:** One million. Sir, last question, what is the position in Sudan? When is the production likely to start, OVLs?

**Management:** It may take two-and-half months more, means in the next fiscal year.

**Mayur Patel:** Two and half months. Fine, thanks a lot. I'll come back.

**Moderator:** Thank you, sir. The next question of the day is from Niraj Mansinghka from Edelweiss. Mr. Mansinghka, your line is unmuted now. You can go ahead and ask your question.

**Niraj Mansinghka:** Few questions from the production perspective. What was the production from Rajasthan that you have booked?

**Management:** We have booked around one lakh twenty thousand barrels only.



**Niraj Mansinghka:** In million tons it would be how much?

**Management:** We'll give you the number. It's around 1.9 MMT.

**Management:** 1.9 MMT for ONGCs share.

**Niraj Mansinghka:** And the royalty that you might have -- revenues due to royalty and Rajasthan revenues. I would just want those numbers as well.

**Management:** For the three quarters, it is around ₹ 3,708 crores.

**Niraj Mansinghka:** ₹ 3,708?

**Management:** Yeah.

**Niraj Mansinghka:** And this is the -- and you've also booked revenues because of this number as well, right?

**Management:** Yeah, exactly. And based on the EI, revenues come into around 2.64 MMT for the nine months.

**Niraj Mansinghka:** I'm sorry?

**Management:** 2.64 MMT for the nine months.

**Niraj Mansinghka:** 2.6 MMT for nine months?

**Management:** Yeah.

**Niraj Mansinghka:** And the revenues for the Rajasthan site that you've booked based on EI?

**Management:** Actual production is 1.9, and based on the EI it is 2.6.

**Niraj Mansinghka:** No, no I'm just talking of the revenues.

**Management:** Yeah, you want the revenues, it is around ₹ 10,101 crore.

**Niraj Mansinghka:** ₹ 10,101 crores?

**Management:** Yeah.

**Niraj Mansinghka:** And sir, any colour on the Syrian series in terms of the production, any colour that you've got?



**Management:** You're talking of Syria?

**Niraj Mansinghka:** Yeah.

**Management:** As such, with Syria, we do not have any communication and operator at the location has left -- since occupied by the rebel group. So we are not able to say anything.

**Niraj Mansinghka:** Okay. And any colour on the imperial energy schemes that you have --

**Management:** Currently we are producing at the rate of 9,500 bopd. And still we are scouting for the right technology for the tight reservoir. So this is the current scenario.

**Niraj Mansinghka:** But there were some news articles that you had some contractors to do the drilling for the tight reservoir. So any more colour on that? Like how much time will it take after you decide on the tendering mechanism and who'll be the particular contract? How much time do you see the results will be known?

**Management:** Yeah, as per this tendering and after finalization of the contract, this is going to take place in the fiscal year '14, I mean 2013-14. So by mid '13-'14 we are expecting.

**Niraj Mansinghka:** Mid '13-'14, we'll get some clarity on the how the things will pick up, am I right?

**Management:** Yes.

**Niraj Mansinghka:** Okay. Thank you very much. Bye.

**Moderator:** Thank you, Mr. Mansinghka. The next question of the day is from Mr. Amit Shah from BNP Paribas. Mr. Shah, your line is unmuted now; you can go ahead and ask your question.

**Amit Shah:** Thank you. Hi, good evening sir. Just one question on what's your understanding of, you know, an expectation from Cairn from Rajasthan? Because we understand that you know, production there is either getting delayed or we have also seen Mangla, probably seeing a slightly earlier decline?



**Management:**

No, presently as far as ONGC is concerned here, we have no idea about it. Because no proposals have come for augmenting or any delays. So presently we are just going with 1 lakh 75 thousand barrels philosophy, and that thing which is known to us. And if anything is happening, then Cairn has to put up to the OC and then subsequently take it up for the MC approval. As of now, it stands at 1 lakh 75 thousand barrels.

**Amit Shah:**

Okay sir. Thank you very much. That's it.

**Moderator:**

Thank you, Mr. Shah. The next question is again from Mr. Mayur Patel, Spark Capitals. Mr. Mayur Patel, your line is unmuted now.

**Mayur Patel:**

Yeah, sir what was the depletion rate in this quarter? And has it increased q-o-q?

**Management:**

No, I couldn't get your point, please?

**Mayur Patel:**

What was the depletion rate in this quarter?

**Management:**

No, it is the same UOP mechanism. Only what happens some reserves were upgraded for half yearly basis, and accordingly the depletion has been worked out on UOP basis.

**Mayur Patel:**

Okay. And sir, you know, just want to understand for gas price hike, you must be pushing ministry and presenting some kind of rationale or you can say arguments, you know, can you just upon apart from the isolated fields on.

**Management:**

No, actually this all came out in the media through the Rangarajan Committee's report. And as far as the price increase of Gas for ONGC is concerned, because this price primarily doesn't fall due as per their order revising the earlier price. We are not sure whether how the government is going to take up for this increase in price of \$ 8. So definitely we are sure that the price for RIL is due to happen somewhere in April 14, I mean, FY-14. So based on that, either something may happen, but as of now, we don't have any clarity on that.

**Mayur Patel:**

Yeah. But sir, just want to understand on the cost front, is it you are ok on the cost at \$ 4.2, or you know, there is -





**Management:**

No, our cost is around \$ 3.7 per mmbtu. We are just breaking even on that. So we are not having any losses on that price.

**Management:**

Of course but for place like ultra deep discoveries which has been made in KG-98/2 and some marginal fields, this would be I mean sort of very good incentive for us to go ahead with production.

**Mayur Patel:**

But on the existing APM sales, you know, you can continue at 4.4 or there also there are some you know --

**Management:**

No, it's like a law of diminishing returns. It hasn't started enacting on it because for each incremental oil and gas we have to pay more. Unlike previously when it was rather cheap, now it's not the case. For each incremental oil and gas, we have to invest more. So more this price, better it is.

**Mayur Patel:**

Okay. Sir, last question. On -- I just missed the exceptional cost and exceptional income in this quarter.

**Management:**

No, no it was nothing in this quarter we have just compared our results primarily based on Q-3 of FY-12 where in we had an exceptional income of ₹ 3142 crore on account of Cairn India. That was the only exceptional income. If you remove that adjustment, then probably have increased over the previous year.

**Mayur Patel:**

No, with related to OMC there was no exceptional items?

**Management:**

Nothing.

**Mayur Patel:**

₹ 380 crore related to VAT/Octroi or something you were saying --

**Management:**

We have made our provision because what has happened after the post discount some adjustments were carried on VAT/Octroi/CST. Against that we have provided ₹ 380 crore. We've just made provision against that. The issue has been taken up with ministry/government. And if that comes through, then they will be written back.

**Mayur Patel:**

So, but otherwise next quarter also you'll make similar provisions?



**Management:**

No, by then some clarity should emerge by then, by the end of March.

**Mayur Patel:**

Okay. And okay, fair enough. Thanks.

**Moderator:**

Thank you sir. The next question is from Mr. Amit Rustogi of Antique. Mr. Rustogi, your line is unmuted now. You can go ahead and ask.

**Amit Rustogi:**

Sir, if you look at the discount given by us during this quarter, it has fallen to roughly \$62, or our net realisation have gone up -- other way to say that, our net realisation have gone up. Despite our production is flat, government is still charging us \$56 per barrel. So what is the reason for this?

**Management:**

See the problem is, the entire discount is worked out on the volumes of oil plus the condensate. So due to which the discount works out to \$ 62. If you take only the volumes of all crude oil, and exclude the production of the condensate, then \$56 will hold on. But we have a volume of condensate also built into that. If you add up all to that, then the discount goes up to \$ 62 plus.

**Amit Rustogi:**

Sir, anyway for reporting purposes, we have started showing a different number in terms of oil production and condensate production now.

**Management:**

Absolutely.

**Amit Rustogi:**

Yeah. So, government is still charging us on --

**Management:**

Yeah, they are charging on both these put together. That's why the problem is coming.

**Amit Rustogi:**

Okay. But sir, still it should have been similar to last quarter. Because if you see we have been giving ₹ 12,350 crore as a discount, roughly in last two quarters. And so my net realisation this time, it is coming at \$ 47.9 per barrel.

**Management:**

No, last year my average net realisation was \$ 46.7 per barrel.

**Amit Rustogi:**

Yeah, 46.7 and this time it is 47.9. So formula is same, \$56 on condensate including production.



- Management:** Yeah, actually there was a gain towards exchange variation.
- Amit Rustogi:** Sir, that is Rupee depreciation. Okay, that is \$56 per barrel, right?
- Management:** See, dollar price -- the gross price has also gone up. No? It was 109.84.
- Amit Rustogi:** Yeah.
- Management:** And now 3rd quarter it is 110.16.
- Amit Rustogi:** It is hardly --
- Management:** So that is the only difference, no?
- Amit Rustogi:** And sir, the change in our net relation is \$1.2.
- Management:** Yeah, I think Mr. Amit, we'll come back on this?
- Amit Rustogi:** Okay sir, yeah.
- Management:** Right, we'll come back on this.
- Amit Rustogi:** Yeah, thank you, sir.
- Moderator:** Thank you, Mr. Rustogi. The next question is from Niraj Mansinghka of Edelweiss. Mr. Mansinghka your line is unmuted. You can go ahead and speak.
- Niraj Mansinghka:** Yes. Sir, I just wanted to know the sequential production increase has been 4.71 million tons last quarter going to 4.91 million tons in the quarter ending December. Wanted to check with you which particular field have caused this increase and how sustainable do we see.
- Management:** No, no actually what has happened, this increase in the present quarter is primarily on the reconciliation factor getting improved. And due to which there is more sale in the current quarter.
- Niraj Mansinghka:** Okay. You are saying that sales number is slightly higher, right?



**Management:** Yes. That's what I am saying, the production is remaining flat, but our reconciliation factor has contributed in getting more of product sales.

**Niraj Mansinghka:** So do we see this delta movement also continue.

**Management:** Yes, it will be there.

**Niraj Mansinghka:** Okay. Second thing, sir that right now we are seeing the ONGC production is remaining now flat range of – last three quarters 5.64, 5.62 and 5.68 million tons. So when do you see that growth starting getting reflected from the new field which are coming on production? From which quarter onwards will you see that happen?

**Management:** As explained by my colleagues, for the new fields the facilities have been put in place, the drilling is on. The production is likely to happen only from the next financial year onwards, and that has been reflected thorough our target as has already been spelt out earlier.

**Niraj Mansinghka:** Oh, sir, I was trying to get more specific in which month or which quarter you expect upside in the production to happen.

**Management:** Which month the specific increase can be in the next year?

**Management:** Exact month cannot be defined because it is associated with some decline in the existing field.

**Management:** Actually what happens as the drilling is progressing, the well which are getting completed they get connected, so it is very difficult to attribute which well -- whether which particular thing is adding into the production. So when all the wells are completed on a particular platform, then the measurement can be possible to tell.

**Niraj Mansinghka:** Yeah, that... yeah.

**Managemen:** So it is a process, continuous process of drilling completion and then getting connected.

**Niraj Mansinghka:** Right, got it. That's all, thank you.

**Moderator:** Thank you Mr. Mansinghka. Any other participant, if you wish to ask any question can press "0" and "1" on your



telephone keypad and wait for your name to be announced. I repeat, any other participant who wish ask to any questions can press "0" and "1" on their telephone keypads and wait for their name to be announced.

So there is a question from Mr. Vidyadhar Ginde from DSP Merrill Lynch. Mr. Ginde, your line is unmuted now, you can go ahead and ask.

**Vidyadhar Ginde:** Yeah, thank you. Good evening, everyone. I have a few questions. One is, how confident are you about this volume in nomination production next year. And a related question to that is, I think the number which you have quoted in a call today 25.78 MMT, it's is the same number I think which you had said last quarter. And it looks like you're probably not going meet your FY13 of 23.64 which you had told earlier. So for next year, even if you are confident of increase, is it roughly 2 million tonnes increase.

**Management:** Actually, next year, may be around 25 MMT -- the target is 25.79 and we may go ahead with that target.

**Vidyadhar Ginde:** Because where I am coming from is that current year is going to be more like somewhere between 20 to 21 million tons. So, if I take 25.79, then it actually means over a 5 million tonnes increase. So should I look more of that or is it -- if you look at your guidance for FY13 and 14, the delta is around 2 million tons, so is that the kind of production increase I should assume?

**Management:** We stand by the numbers what we are quoting at present and we think that the fields when they start coming on production, then the numbers we can match.

**Vidyadhar Ginde:** So you think you can add 5 million tons production -- because this year is going to end at somewhere between 20 to 21 million tons.

**Management:** 23 million tons.

**Management:** Yeah, of course, but --

**Vidyadhar Ginde:** No, I am looking at nomination production because you had done 15.38 million tons in the nine months. If you are assuming another 5.2, so you get to somewhere between 20.6 million tons this year.



- Management:** No, you are correct, but why we are confident is because D1 additional production we are expecting to come and then there are many marginal fields like Cluster-7, B-Series, WO-16.
- Management:** -- and on East Coast also, many of them like G1 supposed to come, GS-15 has already come. So considering all these, we are hopeful that we will be able to meet that target.
- Vidyadhar Ginde:** But my question is that a 2 million tone increase year-on-year is likely or 5? Because 2 is the difference between what you had guided last year -- for current year and next year -- whereas -- little over 2 million tons, whereas if I just stick to your actual number of -- it's some 5 million which is a very, very big increase.
- Management:** No, the thing is our marginal fields will come on production from '13-'14 onwards or late '13-'14 onwards. So we are hopeful that -- we will be able to match our production what we have said.
- Vidyadhar Ginde:** So, can these marginal fields add about 100,000 barrels per day next year?
- Management:** D1 field also.
- Vidyadhar Ginde:** Sir, that's fine, but can it add -- because of 5 million tons would be about 100,000 barrels per day. Can so much increase happen next year?
- Management:** No, no, they're expecting something of 9 to 10 million tons from marginal fields in the next 4 to 5 years, and additional D1 that will add-up.
- Vidyadhar Ginde:** Okay. And none of these fields have started as yet?
- Management:** No.
- Management:** GS-15 had come up. G1 is supposed to come later.
- Vidyadhar Ginde:** But most of it has not come-up?
- Management:** No, marginal fields are yet under drilling now. They will take some time, next year they will be available for production.



**Vidyadhar Ginde:** So, when all these fields are developed, you think 9 to 10 million ton will get added?

**Management:** Absolutely, next five years, it will be so.

**Vidyadhar Ginde:** Okay and is this rise of 9 to 10 million tons evenly spread over the next few years or is it concentrated in some specifically?

**Management:** Peak is there particularly after two year, then there will be decline, natural decline.

**Vidyadhar Ginde:** No, no, what I am asking is that is this several field is getting developed over next 4-5 year, 9 to 10 million tons over 4-5 years, are the start of this production sort of concentrated in say FY-15 or is it about 1/1.5-2 million tons every year or next 4-5 years?

**Management:** So, number would be high in the first two years.

**Vidyadhar Ginde:** All these fields are producing in the next years?

**Management:** Yes.

**Management:** It will start in the end of 2013. I mean --

**Management:** They got delayed and all that.

**Management:** Slightly delayed one.

**Vidyadhar Ginde:** And the peak is roughly how much years after start?

**Management:** After 1 to 2 years.

**Management:** 2 years.

**Vidyadhar Ginde:** Okay, so roughly FY15-16 could probably be peak of a lot of these fields?

**Management:** Yes, '15 could be peak.

**Vidyadhar Ginde:** Okay, thanks. The second question I had was related to the JV production and sales. I think in whole of this nine-month period this year as well as in each of the quarters, the sales volume for JV is higher than the production



volume. Is it related to this Rajasthan entry relating to royalty or what exactly?

**Management:** Yeah, it's -- Between the EI and PI.

**Vidyadhar Ginde:** So that's basically -- That's the reason for the difference, so the production is accounted on the different basis and sales volume on EI.

**Management:** Different basis, exactly.

**Vidyadhar Ginde:** Okay. Thanks a lot.

**Management:** Okay.

**Moderator:** Thank you, Mr. Ginde. The next question is from Neil Gupte from J. P. Morgan. Mr. Gupte, your line is unmuted now.

**Neil Gupte:** Thanks of taking my questions. I missed earlier in the call, could you just repeat what your production target for crude is for FY-14?

**Management:** It's 25.78 MMT for nominated blocks.

**Neil Gupte:** Okay.

**Management:** And 3.31 MMT for the JV blocks.

**Neil Gupte:** Okay, thank you.

**Moderator:** Thank you, Mr. Gupte. The next question is from Mr. Rohit Nagraj from Centrum Broking. Mr. Nagraj, your line is unmuted now, you can go ahead and ask.

**Rohit Nagraj:** Sir can you provide some update on the Carabobo project, what is the current status?

**Management:** Yeah, Carabobo-1, from first well on 27th December, 2012, we started producing, and we are producing at the rate of 350 bopd. And second well is almost ready, it just required to be hooked up. So very shortly we are going to get the production from second well also.

**Rohit Nagraj:** Okay. And any understanding in terms of FY-14, what it would add to oil production?





- Management:** We have kept the target of 0.08 MMT. Yeah, 12,000 bopd for FY-14 we have kept.
- Rohit Nagraj:** Okay, thank you.
- Moderator:** Thank you, Mr. Nagraj. The next question is from Miten Lathia of HDFC Mutual Fund. Mr. Lathia, your line is unmuted now.
- Miten Lathia:** Sir, just to clarify this 9 to 10 million tons incremental production from marginal fields is oil plus gas, is it? Or it is only oil?
- Management:** Oil plus gas.
- Miten Lathia:** Okay, can provide rough split of how much of how oil and how much gas are we talking here?
- Management:** We will come back again because we are not having it right here.
- Management:** We are not having the details.
- Management:** Yeah.
- Miten Lathia:** Okay.
- Moderator:** Thank you Mr. Lathia. The next question is from Mr. Niraj Mansinghka of Edelweiss. Mr. Mansinghka, your line is unmuted now.
- Niraj Mansinghka:** Sir, just to clarify, the production target that you said of 25.78, the corresponding number for the last December 2012 quarter, was it 5.16 or 5.68? I am telling you like-to-like comparison of the 25.78 that you referred to the targets of production for the crude oil.
- Management:** It's 5.68
- Niraj Mansinghka:** 5.68 so actually last call we had -- I think Vidya asked this question and was referring to 15.39 million tons accumulative produced, which is for only the production of crude not adding the condensate. So effectively the increment production that will be required from this year would be close to 3 million tons or 5 million tons. Is it the correct statement?



**Management:** Yeah...

**Niraj Mansinghka:** Okay, thank you very much, bye.

**Moderator:** Thank you Mr. Mansinghka. Any other participant if you wish to ask any questions, please press “0” and “1” on your telephone keypad and wait for your name to be announced. The next question is from Mr. Vidyadhar Ginde of the DSP Merrill Lynch. Mr. Ginde, your line has been unmuted.

**Vidyadhar Ginde:** Yeah, thank you. Just to clarify, the guidance which you have for next year of 25.79 is crude oil plus condensate, is it?

**Management:** Yes.

**Vidyadhar Ginde:** It's a crude oil plus condensate number.

**Management:** Yes.

**Vidyadhar Ginde:** Okay, okay thanks. And one more question, what about OVL, when is OVL's 3Q results likely to be announced?

**Management:** On 15<sup>th</sup> or 16<sup>th</sup> Feb -- I think.

**Vidyadhar Ginde:** For 15<sup>th</sup>, okay, thanks.

**Moderator:** Thank you Mr. Ginde. The next question is from Mr. Puneet Gulati of HSBC. Mr. Gulati your line is unmuted now. You can go ahead and ask.

**Puneet Gulati:** Yeah, thank you. Just wanted to understand this one thing, the Cess number has gone up from ₹ 2463 crore in the previous quarter to ₹ 2844 crore, you know, without similar increase in production. What's happening on that side? What are we missing?

**Management:** Actually that rate of Cess has been increased from ₹ 2500 per metric ton to ₹ 4500 per metric ton.

**Puneet Gulati:** Correct but compared to the previous quarter.

**Management:** Previous quarter.



- Puneet Gulati:** Previous quarter, yeah, Q2 FY-13, the rate would have been similar.
- Management:** Almost the same, ₹ 2552 and ₹ 2452.
- Puneet Gulati:** Yeah, but your total production has gone up by 1%.
- Management:** Based on acknowledged quantity, the Cess is being paid and not production quantity.
- Puneet Gulati:** Okay, okay thanks.
- Moderator:** Thank you, Mr. Gulati. Any other participant, if you wish to ask any question can press “0” “1” on your telephone keypad and wait for your name to be announced.
- Management:** I think Mr. Tanmay, we will be able to take another last one or two questions.
- Moderator:** Sure, sir. Thank you. We have Mr. Vidyadhar Ginde, who wants to ask another question from DSP Merrill Lynch. Mr. Ginde, your line is unmuted now.
- Vidyadhar Ginde:** Yeah, thank you. Just wanted, on condensate, what’s your realisation like?
- Management:** Condensate?
- Vidyadhar Ginde:** Yeah.
- Management:** Condensate actually it is being fractionated to VAP.
- Vidyadhar Ginde:** Pardon me?
- Management:** It is fractionated to different value added products and sold like LPG etc.
- Vidyadhar Ginde:** So, basically it gets sold as VAP.
- Management:** Yes.
- Vidyadhar Ginde:** It doesn’t get sold per se?
- Management:** Yes



**Vidyadhar Ginde:** Okay, okay, so it's effectively the realisation is the realisation of the value added products?

**Management:** Yes, absolutely.

**Vidyadhar Ginde:** Okay, thanks.

**Moderator:** Thank you Mr. Ginde. And the last question of the day is from Prayesh Jain of IIFL. Mr. Jain, your line is unmuted now.

**Prayesh Jain:** We have been talking about a lot of marginal fields, the gas production coming on scene in the next couple of years.

**Management:** Yeah?

**Prayesh Jain:** Is it possible to give an exit rate for FY-14?

**Management:** Sorry?

**Prayesh Jain:** Is it possible to give an exit rate for FY-14 in terms of gas production?

**Management:** FY-14 gas production?

**Prayesh Jain:** Exit rate, not the average products, just guidance tip on for gas products to --

**Management:** Hello? It is 24.61 BCM from domestic fields and 1.836 BCM from the joint venture.

**Prayesh Jain:** Yeah, that would be the production for the year, total production for the year. Is it possible to give an exit rate for the year?

**Management:** Could you be a little louder?

**Management:** We are not able to hear you. Can you speak a little louder?

**Prayesh Jain:** Hello?

**Management:** Yeah.

**Prayesh Jain:** Yeah, now it's better?

**Management:** Yeah, it's better.



- Prayesh Jain:** I was talking about the exit rate. Is it possible to give the exit rate for the FY-14?
- Management:** No, no what exactly you mean the exit rate?
- Prayesh Jain:** Towards the end of the year possibly, you know, like we might have some more fields commencing production, so, in terms of MMSCMD, we can get an exit rate for FY-14.
- Management:** Maybe somewhere around 78 MMSCMD.
- Prayesh Jain:** How much, 70?
- Management:** 78 MMSCMD. That exactly we have not worked out.
- Prayesh Jain:** All right. And sir, in terms of gas prices you are saying that you are not clear as to how government would implement it for ONGC, I didn't get that point, is that the current gas price that we are talking about is for a particular duration?
- Management:** Actually, yeah, primarily the gas price which has been implemented for ONGC from July 10, there is no time frame set for that. They have just increased the price to \$ 4.2 per BTU whereas in the case of Reliance it was implemented in 2009 and they had the timeframe upto March 2014. So for ONGC, there is no clarity as to when the revision will come up.
- Prayesh Jain:** Okay, all right sir, thank you.
- Moderator:** Thank you Mr. Jain. With this I hand over the floor back to Mr. Srinivasan, over to you, sir.
- A. K. Srinivasan:** We thank all people who have participated in the con-call and wish you all a good day.
- Moderator:** Thank you, Mr. Srinivasan. With this, we conclude the conference call for this evening. You may disconnect your lines now. Have a very pleasant evening ahead. Thank you.
- Management:** Thank you.