



## Oil and Natural Gas Corporation Limited

### Q2 FY'24 Results Conference Call

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## Q&A PARTICIPANTS:

1. Sabri Hazarika	: Emkay Global
2. Abhishek Nigam	: MOSL
3. Kirtan Mehta	: BOB Capital Markets
4. S Ramesh	: Nirmal Bang Equities
5. Vishnu Kumar	: Avendus Spark
6. Hardik Solanki	: Nuvama
7. Sumeet Rohra	: Helios Capital
8. Iqbal Khan	: Nuvama
9. Ashwin Balasubramanian	: HSBC Mutual Funds
10. Varatharajan Sivasankaran	: Antique Stock Broking Ltd
11. Roshni Devi	: Argus Group

### Moderator

Good morning, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to ONGC's Q2 FY'24 Earnings Conference Call. We have with us today Mrs. Pomila Jaspal, Director Finance, and her team who will interact with investors and analysts to discuss Q2 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 opening remarks. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Madam Pomila Jaspal. Thank you and over to you ma'am.

## Pomila Jaspal

Thank you. Good morning, ladies and gentlemen. Just to introduce, I am Pomila Jaspal, Director Finance, ONGC. I welcome you all in this ONGC Earnings Call for Q2 and Six months FY 2023-24. Thank you all for joining us on the call. I am joined here by my colleague, Mr. K.C. Ramesh, Chief Corporate Finance and Accounts; Mr. Anil Kumar, Chief Commercial; Mr. D. Adhikari, Chief BD and JV, Mr. Paban Agarwal, Chief Corporate Planning; Mr. B. R. Subudhy, Head Corporate Accounts; Mr. Vinod Hallan, Head Finance, ONGC Videsh Limited; Mr. Mukul Bhatnagar, Head Planning and Strategy, ONGC Videsh Limited; Mr. Prakash Joshi from Investor Relations and Head Corporate Budget section; and Mr. Chandrasekhar Frank from ONGC Videsh Limited, Heading the Corporate Accounts.

ONGC has compiled its financial results for the quarter and six months ended 30<sup>th</sup> September 2023, which have been reviewed by the statutory auditors. The financial results were released on 10<sup>th</sup> November 2023, 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 synopsis of the results.

The company has earned a net profit, that is profit after tax of INR 10,216 crore during the Q2 of FY'24 as against INR 12,826 crore during the Q2 of FY'23, a decrease of INR 2,610 crore that is 20.3%. The profit after tax for H1 FY'24 has decreased by INR 7,801 crore that is 27.8% from profit after tax of INR 28,032 crore in H1 FY'23 to INR 20,231 crore in H1 FY'24.

The decrease in net profit during Q2 FY'24 and H1 FY'24 is on account of lower sales revenue, mainly due to lower crude oil and VAP price realization, then provision of GST on royalty and lower dividend income. The sales revenue for Q2 FY'24 and H1 FY'24 has decreased by INR 3,198 crores, that is 8.4%, by INR 11,688 crore that is 14.6% as against the corresponding quarter and H1 of previous year.

The billing i.e. net of Value Added Tax/CST for crude during the Q2 of the current fiscal was at \$84.84 per barrel as against the \$95.50 per barrel in the same period of last year, i.e. decrease of \$10.66 per barrel. The exchange rate of rupee versus dollar stood at INR 82.66 vis-à-vis INR 79.81 per dollar. Thus, realization for crude in rupee terms stood at INR 7,013 per barrel in Q2 FY'24 vis-à-vis INR 7,622 per barrel in Q2 FY'23 that is decrease of INR 609 per barrel that is 8% in INR terms.

Similarly, gross billing for crude during the first six months of the current fiscal was at \$80.56 per barrel as against \$101.99 per barrel in the same period of last year, that is decrease of \$21.43 per barrel. The exchange rate of rupee versus dollar stood at INR 82.44 vis-à-vis INR 78.55. Thus, realization for crude in rupee terms stood at INR 6,641 per barrel in H1 2024 vis-à-vis INR 8,011 per barrel in H1 FY'23 which amounted to an increase of INR 1,370 per barrel in INR terms.

The expenditure on statutory levies, i.e. royalty and excise duty, have decreased during Q2 FY'24 by INR 3,841 crore in H1 FY'24 by INR 7,004 crores that is 27.7% in comparison with the corresponding similar period of previous year. This decrease in statutory levies is attributable, mainly to decrease in sales price of crude oil and levy on special additional excise duties by Government of India on production of petroleum crude at a rate revised on every fortnight based on International crude price. This SAED, in short form, on crude which have been levied with effect from 1st July 2022, which amounted to INR 6,472 crores in Q2 FY'23 and INR 3,352 crores during Q2 FY24.

There is decrease of INR 1,478 crore in exploration costs written off in Q2 FY'24 and INR 971 crore in H1 FY'24 vis-à-vis corresponding quarter and half year period of the previous year. This decrease is mainly due to company charging of exploratory wells amounting to INR 2,140 crore lying in the fields, falling under the contract areas offered under discovered small fields bid rounds that is DSF-III by DGH and awarded to the winning bidders during the last year.

The operating expenditure has increased by INR 845 crores, that is 16% from INR 5,267 crores in Q2 FY'23 to INR 6,112 crores in Q2 FY'24. The increase is mainly on account of increase in consumption of materials, i.e. INR 308 crores, mostly at Dahej C2-C3 plant, on account of increase in purchase quantity of LNG. Workover operations, INR 54 crores mainly at KG 98/2 block, repairs and maintenance that is INR 44 crores, power and fuel by INR 62 crores, mainly at western onshore assets, water injection at INR 89 crores and transport expenses by INR 46 crores mainly at Mumbai offshore due to increase in activity and rates.

Similarly, the operating expenditure in H1 FY'24 has also increased by INR 1,419 crores, that is 13.3%, from INR 10,661 crores in H1 FY'23 to INR 12,080 crores in H1 FY'24. The increase is mainly on account of increase in consumption of materials that is by INR 569 crores, mostly at Dahej C2-C3 plant on account of increase in purchase quantity of LNG, then contract payment by INR 185 crores, mainly at KG 98/2 block, repairs and maintenance by INR 222 crores, power and fuel by INR 78 crores, mainly at western onshore assets, water injection by INR 129 crores and transport expense by INR 34 crores mainly at Mumbai offshore due to increase in activity and the rates.

Depreciation, Depletion and Impairment costs that is DD&I costs for Q2 FY'24 and H1 FY'24 stood at INR 4,715 crores and INR 9,706 crores as against INR 2,595 crores in Q2 FY'23 and INR 7,105 crore during the corresponding period of the previous year. This increase is due to reversal of impairment last year on certain discovered small fields of the company falling under 10 contract areas, which were awarded by DGH to the winning bidders.

The company at a consolidated level has earned a net profit, that is profit after tax, of INR 16,553 crore during the Q2 of FY'24, as against INR 6,830 crores during the Q2 of FY'23, that is an increase of INR 9,723 crores, that is 142.36%.

Similarly, the company at a consolidated level has earned a net profit, that is profit after tax, of INR 33,936 crores during H1 FY'24, as against INR 15,411 crores during H1 FY'23, that is increase of INR 18,525 crores, that is 120% by 21%.

This increase in profit can be mainly attributed to our subsidiary that is HPCL, MRPL and OVL. You will be happy to note that Board has approved interim dividend of 115%, that is INR 5.75 on each equity share of INR 5. The total payout on this account will be INR 7,234 crores.

Well, friends, with this I finish my briefing of the Q2 results for the FY'23-24. We will be very happy to take questions from you. We will request you to restrict your queries on financial results only. Thank you.

### **Moderator**

Thank you, ma'am. 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 Sabri Hazarika from Emkay Global. Please go ahead.

### **Q&A**

#### **Sabri Hazarika**

Yes. Good morning, ma'am. I have two questions. The first one is relating to KG 98/2. So, I think there was a news just couple of days before where Director Production has stated that the asset is almost ready and first oil should be expected soon. So, just wanted to know any particular date or date when we are expecting the production of oil to commence, and whether the target for gas ramp up to 8- 9 mmscmd by May-June 2024 it's like, that is also final?

#### **Pomila Jaspal**

I think Mr. Pavan Agarwal, he is our Chief Corporate Planning. So, he will answer this query. Mr. Pawan?

#### **Pavan Agarwal**

Good morning, all. With this KG 98/2, you are very right that the oil production, first oil from the 98/2 is expected very shortly. The pre-commissioning activities are already ongoing in full swing, and we expect the first well to be there in this month itself. Further, with respect to the ramping up of the gas production, still we have got the plan for the installation of the process platforms in April, and so that we should be able to increase our gas production from the field by May-June 2024.

**Sabri Hazarika**

Okay, sir. And just a follow-up, this oil production from KG 98/2[Inaudible 00:15:28]

**Prakash Joshi**

Sabri, I think you should mute other devices. There is some sound, we can't hear, some echo sound.

**Sabri Hazarika**

Right. Yes, is it clear now?

**Prakash Joshi**

Yeah, it's clear now. Carry on.

**Sabri Hazarika**

Yes. And secondly, I just wanted to know if the windfall tax will be applicable in this 98/2 or being NELP it is out of the windfall tax regime.

**Anil Kumar**

In the NELP block, there is no windfall tax.

**Sabri Hazarika**

Okay. So, you will get the current market price in this block, whatever is prevailing without any SAED in this, right?

**Anil Kumar/Prakash Joshi**

I'll revert back. Just we'll confirm and come back to you, Sabri, for this.

**Sabri Hazarika**

Okay, sir. And second question is regarding this premium gas pricing for new wells. So, is there any update on the same with respect to the modalities being finalized by the DGH committee?

**Pavan Agarwal**

I think that 20% premium is applicable on the new gas on the gas from the new wells and well intervention in the nominated fields.

**Sabri Hazarika**

Right, right. I'm talking about that only. So, there was some, I mean, it was supposed to happen in six months from the date it was announced. So, by now, I think, is there any update on the same?

**Pomila Jaspal**

I think the policies, some communication will be coming soon, and some policy will be made in this regard, but DGH has already submitted its report to the Ministry. So, they will be coming up now with this final guidelines on this. But as already stated by Mr. Pavan, the 20% increment is there on the gas on the nominated fields, and that 20% is applicable for the domestic price on Indian basket price.

**Sabri Hazarika**

Got it. So, you are saying right now the DGH has already submitted a report, and it is with the Ministry for consideration. Is that right?

**Pomila Jaspal**

Yes. That's what is our understanding.

**Sabri Hazarika**

Okay, ma'am. Thank you so much and all the best.

**Moderator**

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

**Abhishek Nigam**

Yes, hi. Thank you so much for the opportunity. Ma'am, first, if you can just reiterate the production targets for 2024 and 2025 for oil and gas for ONGC and OVL, that will be very helpful.

**Pavan Agarwal**

I think with respect to the ONGC production, the ONGC standalone production in the last financial year of 2022-23 was 40.21 MMT0E. And during this current financial year, we expect to maintain that somewhat or slightly increase the numbers by around 1%.

**Abhishek Nigam**

Yes.

**Pavan Agarwal**

Moving forward to the next year, we hope to increase our production by 4-5% over this number of 2023-24.

**Abhishek Nigam**

Okay. 25% over FY'23?

**Pavan Agarwal**

No 5% over FY'24.

**Abhishek Nigam**

Okay. And OVL, if you can just briefly describe.

**Vinod Hallan**

ONGC Videsh for FY'24, our projected target is 10.68, which is 5% up as compared to 2022-23. And for 2024-25 our target is 11 MMTOE, and the next year is 11.22 OIL+OEG.

**Abhishek Nigam**

Okay, sir. Thank you so much. And second question, if you can just give us the CapEx guidance for 2024 and 2025?

**Prakash Joshi**

So, you see, actually it stays in the range of 30,000 or so. But in the current year, we expect to increase it by 10% for the current year and the next year.

**Abhishek Nigam**

Okay. Thank you so much. I'll come back in the queue.

**Prakash Joshi**

Thank you.



**Moderator**

Thank you. Next question comes from Kirtan Mehta from BOB Capital Markets. Please go ahead.

**Kirtan Mehta**

Thank you, sir, for giving this opportunity. Couple of follow-up questions. In terms of the KG 98/2, would you be able to share our production targets for oil and gas separately for FY25?

**Pomila Jaspal**

Mr. Pavan is answering your query.

**Pavan Agarwal**

For the FY'25, we will be starting the financial year, when we start the first well, we will be starting with 10,000 barrels, which will be gradually ramping up to 45,000 barrels sometime in 2024-25. And we will be also increasing our gas production to around 10 million cubic meters per day in the next financial year. So, in terms of the oil and gas, we hope to increase and achieve our production numbers of around 1.5 MMT for oil and around 2 million cubic meter for gas.

**Kirtan Mehta**

This is for FY25, correct?

**Pavan Agarwal**

That's correct.

**Kirtan Mehta**

Thank you. Just one more follow-up on the 20% premium for the gas field. So, how is the mechanism envisage? Would it be on the any incremental production that we do out of nominated fields? Or would it allow for sort of adjustment of the decline rate, and then sort of look at the incremental production.

**Pomila Jaspal**

Let's wait for the policy.

**Pavan Agarwal**

Let's wait. But I think what you mentioned is right. It will be, the incremental production for the new well intervention only. For the new wells, it will be whatever the gas production is there, that will be accounted for. And for the well intervention, it will be the incremental over after accounting for the decline rate, which shall be that way I think. But let's see how the policy comes through.

**Kirtan Mehta**

Right sir. And just one more question on the exploration targets for the second half of the year, which are the key wells that we are targeting during the second half?

**Pavan Agarwal**

We have got our exploration ongoing in the Mahanadi basin. We have got our focus areas in the Western Offshore, and we have also got our focus on this Assam Arakan basin. And few of the exploratory wells are also planned in the Bengal and Vindhyan basins, where these new basins have been added.

**Kirtan Mehta**

Sure, sir. Thank you.

**Moderator**

Thank you. Next question comes from--

**Anil Kumar/Prakash Joshi**

Yes. Before, madam, you go for a question, we just wanted to clarify. The SAED is applicable on NELP block also. Hello, carry on, ma'am.

**Moderator**

Okay, sir. Thank you. Next question comes from S. Ramesh from Nirmal Bang Equities. Please go ahead.

**S. Ramesh**

Good morning and thank you very much. Can you hear me?

**Prakash Joshi**

Yes, you are audible.

**S. Ramesh**

Yes. So, if I may just dwell on the KG gas and this incremental gas price. What is the current CapEx incurred as on date and what will be the final CapEx on KG gas? And when do you expect KG gas operation to generate positive EBITDA, will it be from FY'25 itself or will it take one or two years?

**Pomila Jaspal**

Mr. Ramesh from Corporate Finance

**K C Ramesh**

We have already, as you know, spent substantial part of the KG investment that we have or whatever that we have committed, we have already done. So, around INR 26,000 crores is what we have already spent on this. So, the balance amount actually, various project finalizations are under focus now. So, once it is done, as you know, it is around 5 billion is what the total project cost is. So, the balance part is yet to be finalized, but maybe another.

**Prakash Joshi**

By next year, basically the entire amount.

**KC Ramesh**

We will get the exact number, yes.

**Prakash Joshi**

Yes. This is milestone-based payment and in the current year for the rest part of the year and in next year the entire payment will be made as per the milestone.

**Pomila Jaspal**

This will be completed by 2024-25.

**S. Ramesh**

Okay. So, in terms of the contribution from KG to your P&L, when do you expect to see that happen?

**Prakash Joshi**

Okay. So, as sir told, is the peak oil and peak gas is expected in 2025.

**KC Ramesh**

But oil production is already planned to be started like by end of this month as Mr. Pavan was saying. So, the production numbers will start from November and the revenue stream will start in the beginning and then it will peak in the next year.

**S. Ramesh**

Okay. The next couple of thoughts is, when you talk about the 20% premium on gas prices from the nomination blocks. Do you expect some benefit from that in the second half or say in FY25 based on your current production plan, in terms of the well intervention or additional wells being drilled, what is the thought process there?

**Pavan Agarwal**

I think we are just waiting for the policy to come in. Since the launch of this new gas pricing policy on 6th April, 2023, we have already accumulated the gas from the new well and other interventions. And by the end of this financial year, we shall be having around 2 million cubic meter per day on gas from this category. So, we are just waiting for the policy to come.

**S. Ramesh**

Okay. So, on OPaL, there are two things. One is, what is the first half result in terms of revenue and profit? And there were some news that ONGC is going to increase its equity stake from 49% to 95%. What is the status of that? And how do you see the OPaL operations progress in the coming quarters?

**Pomila Jaspal**

So, I think Mr. Adhikari, he is our Chief BD JV, so he will be answering this query. Mr. Adhikari?

#### **D. Adhikari**

Hi, thank you for your queries. OPaL is having some distorted capital structure, so ONGC is trying to correct it. So, in that regard, Ministry had advised expert committee to be constituted. As per the advice of that expert committee, which is headed by a former secretary of Government of India, our Board has submitted some recommendation, which is there in the media or in the stock exchange they have submitted. About INR 18,365 crore additional investment has to be done to correct its capital structure. We are also approaching the government for allowing us to use our new gas, that is the gas from the new wells, and from the well interventions, for the use of this replenishment gas.

So, that amount as Mr. Agarwal has already said that will be about 2 mmscmd by the end of this year. So, we are requesting MOPNG to consider our plea, that if they allow us to inject this, reflect this new gas for our OPaL plant, as an exception, because this plant is strategically very important for the state of Gujarat as well as the country, because it has already generated employment in that area or more than about 2 lakhs of workers, and it has attracted investment in the Gujarat PCPIR region, Dahej PCPIR region about INR 1 lakh crore.

So strategically, it is ONGC trying to infuse some capital so that it becomes sustainable. So, in this current year, one is not expected to make any profit, its EBITDA, its PAT will be definitely negative. Well, EBITDA will also be negative, expected to be negative. But however, once this approval comes from government that is cabinet, because this talks about that inclusion of more than INR 5,000 crore of marginal power. So, OPaL will be turned around, and it will be made profitable by FY25.

#### **S. Ramesh**

So, when you talk about turning it around, is it based on the current spreads in the petrochemical industry? Are you expecting any improvement in the petrochemical spreads?

#### **D. Adhikari**

For the last 6 months, the price has been extremely depressed, and this trend is expected to continue for another 6 months or so. We have factored in that price. And even we have factored in a little bit of up cycle from 2025 onwards. So, till that time, till I think mid of 2025, this depressed petrochemical product cycle is expected to continue, so that has been factored into this financial model.

#### **S. Ramesh**

Thank you very much and wish you all the best. Happy Diwali to all of you, and I'll come back in the queue.

**Pomila Jaspal**

Just one thing I would like to add is that although our share will be increasing to 96%, but we are proposing this that in the period of once it gets turned over, and we will like to have our strategic partner in this. Again we will come back.

**D. Adhikari**

Again we will have JV characteristics of OPaL very soon.

**S. Ramesh**

Okay. Thanks a lot. Appreciate that.

**Moderator**

Thank you. Next question comes from Vishnu Kumar from Avendus Spark. Please go ahead.

**Vishnu Kumar**

Thanks for your time. Sir, just wanted to understand the production you mentioned for 2025, incremental will be 1.5 million ton of oil and 2 bcm from gas, for 2025?

**Pavan Agarwal**

Yes, that's right.

**Pomila Jaspal**

Additional.

**Vishnu Kumar**

And this incremental mostly it is, I'm assuming it's only KG with some reduction in the base field. So how should this appear, let's say, in 2026? When you also mentioned that the KG only FY26.

**Pavan Agarwal**

Yes. In FY26 also we envisage to maintain the same numbers. It's the total **[Inaudible 00:31:22]**

**Vishnu Kumar**

So, the decline curve from KG is not very steep, it's going to be pretty very normal only. Or rather how much should we expected decline curve for this new KG even once it's starts producing? And since you mentioned only.

**Pavan Agarwal**

I think that let the well start producing because whatever you do earlier it's only a model. But let the well start producing, let us see its performance, then we can work out on its decline curve analysis and future production.

**Vishnu Kumar**

But it's not very fast decline like a 30%, 40% dip year 2 or year 3, it is just going to be very nominal.

**Pavan Agarwal**

No, 30% 40% decline rate is not we are concerned. We do not hope those numbers. It's maybe a conventional numbers what we are hoping, and which has been modeled. But let us wait and watch once our wells are put on production.

**Vishnu Kumar**

Understood. And secondly, just to understand the netback of the new project. One, you mentioned the realization will be capped at 75. It's also part of this SAED, and hence your realization will be around capped at 75, is that right?

**Prakash Joshi**

You see, that is the actually because if you see the recent trend, every 15 days government has come out with this SAED and we have seen a realization something around \$75 to \$77 applicable.

**Pavan Agarwal**

And this is applicable for NELP Block also.

**Vishnu Kumar**

Okay, got it. And how should we look at the netback on a per barrel basis or rather if you could just help us understand the statutory levies that will be coming for this production? Is it very different from the old? Or how should we look at it in terms of fresh, in terms of the royalty rates? Or just to explain the statutory levies on this.

**Anil Kumar**

See, for NELP block as far as crude oil is concerned, royalty rate is, if you take offshore, then it is 10%. For onshore, it is 12.5%, but this block, I think 98/2 we are talking about 98/2 **[Inaudible 00:33:31]** But if depth is more than 400 meters of water depth, then it is 5%, half, i.e. 50% for first 7 years.

**Pomila Jaspal**

For first 7 years, it will be half i.e. 5% and then it will be restored to 10%.

**Anil Kumar**

Yes. And there is no CESS in NELP block.

**Vishnu Kumar**

Understood. So, basically your royalty rate is only be 5% for the first 7 years?

**Anil Kumar**

Yes.

**Vishnu Kumar**

And for gas also it will be the same or it will be different?

**Anil Kumar**

Royalty rate is 10% for gas also.

**Pomila Jaspal**

And same half.



**Anil Kumar**

Same 50% for first 7 years.

**Vishnu Kumar**

So, technically, for both the oil and gas production, realization, you'll only pay 5%. That's the only statutory levy that we have to pay. And on a per barrel OpEx, is it going to be materially higher versus your current existing production?

**KC Ramesh**

This being offshore, obviously, the cost of production would be much higher being deep water as compared to onshore or the shallow water in Western Offshore. So, obviously this going to be little more. Yes, obviously, the per unit cost would also depend upon the volume. So, it'll be depending upon what volume that we get from there, this would be further down.

**Vishnu Kumar**

So, steady state, once we reach our desired numbers, what will be the per barrel costing, for OpEx?

**Prakash Joshi**

So, you see the majority of the cost would be for this FPSO.

**KC Ramesh**

That's about the \$7,00,000 per day, is the operating cost, \$7-lakhs-plus, that is 6,09,000 plus GST of 18%. So that would be the substantial part of the OpEx as far as the 98/2 is concerned.

**Vishnu Kumar**

Okay. Got it. Secondly, on the projects that I mean, in the past, I think 6 months ago, there were a lot of news article stating that you would be tying up with some international companies for further exploration and developmental activities. Just to understand, like after many years, we brought KG D6. Do we have a pipeline of many such projects so that we can at some point, I mean, we are probably going to reverse our production next year decline. So, do we have a series of projects that can keep coming over the next couple of years where we might see the production decline probably be leading to a growth over the next 3, 4 years, steadily over the next meaningful time frame?

**Pavan Agarwal**

I think there are a number of projects, which are in pipeline, and I think 8 to 10 projects worth around INR 25,000 crores are under the tendering process and which will be awarded shortly within this financial year, and they will be under construction during the next financial year, and we will be taking a few wells for further drilling under the development plan. Like I can just mention that Mumbai High redevelopment phase-5 it's under tendering. Daman upside development project is under tendering, additional development of North Tapti, development of Cluster 9, the redevelopment of Lynch field in Mehsana, polymer EOR project at Becharji, Mehsana, the development of WO 16 cluster that is already going to be completed during this financial year.

So, there are the number of projects are there which are already in that tendering, many are under the conceptualization and will be coming under for the tendering during this by end of this financial year. So that's the hope that we have got from these projects, which will be not only able to arrest, but also reverse the declining trend of the production.

**Vishnu Kumar**

I'll put the question differently, sir. So, we are doing all 21.5 MMT of, I mean, production of crude, and let's say, if we add another 1.5 which you're mentioning 2025 will be hit 2023. If we go back probably 2017, 2018, 2019, we were doing 25 million ton of oil. So, if we take up all these projects gradually over the next 2, 3, 4 years, can we go back to 25 million ton of production or that will be too ambitious?

**Pavan Agarwal**

What you are saying is, ye dill mange more. So that obviously is our aspiration to achieve those numbers of around 25 MMT of oil, which currently we are producing something around 20 and with the 98/2 we'll be touching something around 22, the next financial year. And let's hope how that well behave and because we have got a stress on the exploratory activities, and we hope some new good discoveries comes on the way. And after this release of the no area by the Government of India, around 1 million square kilometer has been released, of which around 0.2 million square kilometer may be coming under the OALP bid round 9. So, where we are bidding aggressively. And we also have a great hope from those area. So, let's see how this comes through, how the exploratory activities goes on, and if we get some good success, we should be able to touch 25 MMT in the near future.

**Vishnu Kumar**

Got it. And just finally on the CapEx, you mentioned that against the INR 30,000, INR 35,000 crore range, we'll have a 10% increase from the current numbers. Is that right?

**Prakash Joshi**

No, no, current numbers are INR 30,000 crores. It could be something between INR 33,000 crores to INR 35,000 crores.

**Pomila Jaspal**

INR 33,000 crores to INR 35,000 crores.

**Vishnu Kumar**

INR 35,000 crores. We were talking about possibility of \$1 billion plus in terms of renewable investments. At present, that is unlikely to happen, is that right? At least foreseeably, in next FY'25 also, we will not include that in the CapEx.

**Prakash Joshi**

I think recently in news, there was one PTC Energy, I think it's also **[Inaudible 00:39:48]**.

**KC Ramesh**

Renewables, actually we are targeting INR 1 lakh crores by 2030, Mr. Adhikari can supplement this investment to this into renewables.

**D. Adhikari**

Yes. In renewables and new energy front, we are working very seriously, keeping our vision of achieving carbon neutral in scope 1 and scope 2 by 2038, and also to create a significant or good amount of renewable energy portfolio by 2030. Our target is to create a portfolio of about 10 GW by 2030. Recently, we have attempted to acquire one company that is PTC Energy Limited, that we have been selected at the H1. Now the process is still on, and it is not finalized as of yet. We are also trying to-- we are also exploring few other merger and acquisition prospects or projects. So, keeping this target of achieving 10 GW by 2030. So far our PTC Energy Limited, which is having a portfolio of 288 MW is expected to be added in our kit by end of this year.

**Vishnu Kumar**

What will be the investment, sir, on this?

**D. Adhikari**

Here, we have, its investment will be to the tune of INR 900 crores plus.

**Vishnu Kumar**

Okay. Got it, sir. Thank you.

**D. Adhikari**

Thank you. Thank you, Vishnu.

**Moderator**

Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Hardik Solanki from Nuvama. Please go ahead.

**Hardik Solanki**

Yah. So just want to understand the OVL production for the half year, if you look at the productions are much higher. And if you look at the sales, the sales are down. So, what will be the reason for that?

**Vinod Hallan**

In the case of OVL, as far as the production is concerned, it's targeted 5% higher as compared to 2022-23. 2022-23 actuals were 10.17 MMTOE, and this year our target is 10.68 MMTOE. Yes, you are correct that the sales volume is down. That is mainly because of the Sakhalin which we are waiting to get on board, the project. The Sakhalin seen this not being done.

**Prakash Joshi**

Just hold on.

**Vinod Hallan**

So, that is explained. Actually, Sakhalin volumes are not included in that sales quantity.

**Hardik Solanki**

Okay. And just want to understand on the windfall tax. During the quarter, the windfall tax was much higher. So just want to understand, is there any adjustment towards the inventory or some other reason to it?

**KC Ramesh**

Yes, there is, in the evaluation of the inventory also, we do make the adjustment with respect to the windfall tax. So, that is the reason. Otherwise, if you see compared to last year Q2, the windfall tax is much lower. Last year was much higher when we started with almost around \$38 per barrel, that was INR 23,250/- odd to begin with. Now it is much less, but because of the higher inventory and evaluation there it is more.

**Hardik Solanki**

Sure. It's helpful. Thanks sir.

**Moderator**

Thank you. Next question comes from Sumeet Rohra from Helios Capital. Please go ahead.

**Sumeet Rohra**

Hi, sir. Very good morning to you. A very good afternoon. Firstly, I would like to wish you and your team a very, very Happy Diwali. Thank you, madam. Thank you so much. So, ma'am, I will not touch upon a few things, because I've-- but just if I can understand correctly, the production decline, which we were basically facing over the last couple of years has now ended and now basically we are on a growth path on the production of oil and gas on a combined basis. Is my understanding correct now, ma'am?

**Pomila Jaspal**

Yes. Perfectly correct.

**Sumeet Rohra**

Okay. Ma'am, now to basically just touch upon this point. As an investor, you guys have done a wonderful job. So, many congratulations on that. But ma'am, just one thing I would like to bring to your and your team's attention is that ma'am, today, there is a complete disconnect between valuations because today

ONGC is the cheapest company globally in the E&P space. Okay. And today, I mean, if you look at it broadly, without getting into exact numbers, our market cap is about INR 2.5 lakh crores, right? And you have done a profit of about INR 30,000-32,000 crores on a 6 month basis. So, I mean, in terms of numbers, there is clearly a gross undervaluation in market cap of ONGC, because our book value also is about INR 250 a share.

So, ma'am, why don't the board now consider, going in for aggressive buyback, where the Government of India does not participate and effectively increases its stake, because, I mean, we are trading even in this environment at a 3, 4p valuation, and we are 20% below book value. So, we can actually build, invest the wealth and ultimately it benefits the Government of India only, right? Because, I mean, today, if you go to our group company HPCL as well. We bought into it at INR 480 a share. And today, their performance also has been exemplary, wherein their performance has also doubled in terms of P2P performance and financials. So, as a group, today, we have so much of value on the table which we can build. So, ma'am, I really would humbly request if you can consider a buyback not only for you, but also for the entire group, right? Because there is clear value on the table for the investors, you know, ma'am?

#### **Pomila Jaspal**

See, our subsidiaries, so they are investing and that is making an impact on our financials also, and you might have seen that the consolidated profit also. You will be happy to note that there has been quite a jump in the consolidated profits. So, as regards the buyback is concerned, because this is not the stage we-- there are so many other options are there, and the government is considering certain few other options also. So, it is not necessary that buyback is the only option. So, it is not ruled out also, so we will have to wait and watch. And as regards our pricing is concerned, so you will also understand the price is picking up. It is not the cheapest company. Today, the price has crossed the INR 200, and there is an increase of almost 40% if you consider the time this price was in November last year.

#### **Sumeet Rohra**

No. That, madam, I mean, we clearly appreciate. But I'm just saying purely on valuation metrics. You are scaling at sub 4 PE. So, I mean, in terms of-- because ultimately, a company is always valued on its earnings potential, right? So, your earnings is growing. So, I'm just highlighting that, I mean, you have done wonderful job. You are doing a wonderful job, but you know the market should also realize that and you should get your due credit. Right? So, that's the only point I'm trying to say, ma'am.

#### **KC Ramesh**

Yes. See, that we have been a very good dividend paying company, and we have been paying extremely good dividend for past many years. Now, in the given circumstances, as ma'am was saying that we need

to take a considered call considering all aspects whether to go for buyback or whether, the investment that we are going to make further in subsidiaries or other than the core business. So, we need to take a call based on the cash flow that we have currently having, and it's a call we have to take how much we need to borrow and what kind of situation we want to be in later. So, it's not that currently buyback will be the only option.

**Sumeet Rohra**

Sure, understand that. Thank you so much and wish you all the best for a wonderful future, sir.

**Prakash Joshi**

Thank you, Sumeet ji. Thank you.

**Moderator**

Thank you. We have a follow-up question from Abhishek Nigam from Motilal Oswal. Please go ahead.

**Abhishek Nigam**

Thank you so much for the opportunity again. So, my question is regarding the Russian assets. So, they've been in transition, and you are currently not reporting production and profits from those assets in your financials. Is there any visibility on when this situation will get resolved, and those assets formally again get transferred to you?

**Vinod Hallan**

In case of Russia, we have three assets, and we are reporting productions for all the assets Imperial, Vankorneft and Sakhalin and as far as Sakhalin is concerned, we are very aggressively actually going ahead and hope to very soon get share allotted in our name. Last week only, we have made an application to the Russian Federation, to consider receiving the abandonment fund in the ruble currency. So, we hope to get a decision very soon on that. We have also concurrently approached the CIBL, to approach the Central Bank Russia to accept, to tell us that there are no constraints in actually borrowing in rubles, because the abandonment funds which we actually secured back from the JP Morgan, those are in USD and are not available actually to be sent for meeting the abandonment fund obligations. So, we hope to very soon, we are very aggressive with this now, and we expect to be this to be closed very soon.

**Abhishek Nigam**

Okay. So, that's very useful. And second question is, my understanding is with the operating profit from these assets, you are just putting into a fund and it is not part of your regular OVL financials. So, is it possible to let us know how much accumulated EBIT is there in that fund?

**Vinod Hallan**

I think you are talking about the Vankorneft dividends which we have received. Due to the unfriendly jurisdiction of Singapore with Russia, we have not been able to repatriate the dividend which we received in Russia, and they are lying there. So, the dividend is around RUB16 billion which are locked up in Russia. But we are trying to now actually use this money to meet the abandonment obligations in case of the other project, to Sakhalin.

**Abhishek Nigam**

Okay. That's it for me. Thank you so much.

**Moderator**

Thank you. Next question comes from Iqbal Khan from Nuvama. Please go ahead.

**Iqbal Khan**

Hi. Sir, I just wanted to question on the windfall tax. Please correct me if I heard it right or wrong. You mentioned the windfall tax in this quarter was INR 6,472 crores.

**Prakash Joshi**

So, your question was what was the windfall tax amount?

**Iqbal Khan**

Yes, the windfall tax in this quarter.

**K C Ramesh**

It was INR 3,352 crores in Q2 2024.



**Iqbal Khan**

So, was there any inventory adjustment in this? And if, yes, then how does it, I mean, to what extent what the adjustment done, if you can consider it in USD per barrel?

**KC Ramesh**

Yes, what we do is normally when we value our crude inventory, we also consider the CESS part. So, this the windfall part is also under the exercise, so we do add this into the inventory. So current quarter, there is an increase in inventory, so we have added this. In terms of the provisions for inventory it is INR 930 crores. So, what exactly you want to know further?

**Iqbal Khan**

Yes. I mean, just wanted to know in USD per barrel, how would you translate this realization.

**Prakash Joshi**

So, you see around INR 3,000 crore was the outflow what has been shown, okay, out of the INR 930 crore if you just subtract, so INR 2,144 crore. And if you divide, it comes to around \$8.23 per barrels.

**Iqbal Khan**

Okay, understood. Thank you. Thank you so much.

**Prakash Joshi**

So, that was the rate what was prevailing, if you see.

**Anil Kumar**

You see the windfall tax comes under Excise. So, the SAED, Special Additional Excise Duty, is payable only at time of removal. So, suppose in the month of September, some crude is produced and suppose the price is, say, \$16 per barrel windfall tax, but the crude is removed in month of October, wherein windfall tax rate is \$10 per barrel. So, already payment will be made at \$10 per barrel, not at \$16. So, this is only accounting entry, but actual payment will be based on the rates prevailing at time of removal. So, these are the only accounting statements.

## **Iqbal Khan**

Understood sir. Thank you, sir. Thank you for this.

## **Moderator**

Thank you. Next question comes from Ashwin Balasubramanian from HSBC Mutual Funds. Please go ahead.

## **Ashwin Balasubramanian**

Yes. Hi. Thanks. My question relates to OPAL, your subsidiary. So, I had a couple of queries with regard to that. So first is, you mentioned that right now the stake would go to 96%, but later you may bring in a strategic partner, but is there also the possibility that you are evaluating to maybe make it wholly owned subsidiary or sort of merge it with ONGC itself. I mean, like in the past, we've seen for OMPL, for example, it's amalgamated with MRPL. Similarly, MRPL also is although it's publicly listed, it's majority owned by ONGC.

So, I mean is the thought process there to keep the majority ownership of ONGC? Or, I mean, what's the thought process then? In terms of strategic partner, if you're bringing like what kind of strategic partner, who'd you be looking at? So, that was one question. The other question was in terms of the CapEx plan. So, there were some news reports that in terms of the pet-chem business, ONGC through its subsidiaries is planning to invest quite sizeable amount in the next few years. So, what's the plan in terms of OPAL, in terms of CapEx sort of going forward? If you can give some color on that? And also, this approval for the equity inclusion, when do you expect that to happen?

## **D. Adhikari**

Okay. This is D. Adhikari. Three questions you have raised. One is the OPAL strategic partner, second is CapEx plan for in next few years in pet-chem and downstream business, third is approval process for OPAL. Right? So, first question that is our strategic plan for OPAL for infusing new partners, is like this, because this pet-chem industry is basically the agility or flexibility is most important thing, which is that is addressed better when it is a JV instead of a public sector subsidiary. So, for its revival or to make it sustainable, ONGC have to step in because the other two promoters, GAIL and GSPC, did not contribute much in the past.

So, now considering the little bit distressed financial conditions, ONGC is proposing to infuse an equity of about INR 18,000 crores, INR 18,355 crores precisely. So, that will make ONGC's shareholding to about 96% plus. So, this will become a subsidiary for the time being, but our objective is not to convert OPAL a

subsidiary neither to merge with ONGC. At least in the next three years, by three years, we will try to infuse our equity investor once it is turn around. We are expecting that by 2025 FY25, this will be turned around after infusion of this capital and ensuring a sustainable feed gaseous feedstock for OPaL. After that, by 2027, FY27, we'll try to infuse a new equity partner. So that exercise will start after it is turned around, say by after FY25. So, this is the plan, and we would like to bring down ONGC's equity holding to 50%, so that it remains a joint venture of ONGC only, not a subsidiary. This is one.

Second question is CapEx plan in the downstream and petrochemicals, yes, considering the waning demand on the motor spirit or fuel, we are focusing on increasing interest in oil to chemical kind of business or even refinery company type of business. In that regard, we are exploring two large projects, one in two different states of the country. It would not be prudent to disclose this immediately, but yes, we have a plan of investing about INR 1 lakh crore project, more than INR 1 lakh crores in 2 projects by 2028 or 2030. So, this is the plan. And our petrochemical production as of today is through OPaL and MRPL. So, OPaL is definitely a flagship petrochemical project for ONGC. And we are trying to take our current petrochemical portfolio of, say about 3 million to at least about 8.59 million ton per annum by 2030. This is our vision in petrochemical and downstream front.

#### **Pomila Jaspal**

It will be on collaborative mode.

#### **D. Adhikari**

Yes. And as far as approval for infusing the equity in OPaL is concerned, yes, our Board has given the approval. Based on that approval, we are approaching the Ministry of Petroleum so that they can take up this request or Board approval to the appropriate authority like Cabinet, Committee of Economic Affairs for expeditious approval of this process. Approval for infusing additional equity to make OPaL a subsidiary temporarily, and also requesting cabinet to allow ONGC to use its new gas that is the gas from new wells or the well interventions for the petrochemical business, only limited to the amount of the feedstock of OPaL. Is it okay?

#### **Ashwin Balasubramanian**

Yes. Thanks a lot for those responses. Just one follow-up. In terms of the CapEx, which you mentioned in the pet-chem. So would a large part be done through OPaL or is it?

#### **D. Adhikari**

No, they are separate projects. Two separate petrochemical projects we are exploring. It's not through OPaL.

**Ashwin Balasubramanian**

Okay. Thank you. Thank you so much.

**Pomila Jaspal**

And it will be on collaborative mode. It will be kind of a joint venture or that kind of arrangement could be there. So, we will be funding our share.

**Ashwin Balasubramanian**

Okay. Thank you. Thank you so much.

**Moderator**

Thank you. Next question comes from Varatharajan Sivasankaran from Antique Stock Broking Ltd. Please go ahead.

**Varatharajan Sivasankaran**

Thanks for the opportunity. Sir, you mentioned about the CapEx number. I'm still looking confused about the things which are going down in the past. One is about your petrochemical OPaL investment. So, whatever that INR 30,000-odd-crore that is INR 33,000 crore to INR 35,000 crore. Does it include that OPaL investment or that doesn't?

**D. Adhikari**

No, it does not include the OPaL investment.

**Prakash Joshi**

No, that is only currently which is in table basically, not the INR 18,000 crores, which is yet to be approved.

**Varatharajan Sivasankaran**

Fair enough. Secondly, we are looking after the KG basin completion by April, May next year. That development expenditure intensity should actually come down. I know that you have a lot of projects on hand in the pipeline, but they are yet to be approved or tender down. So, is it a fair assumption that FY25, especially, at least one year, your development it's CapEx would actually come down?

**Pomila Jaspal**

No, we will be able to maintain our financial position it's quite robust, and even after making this capital infusion once it is approved by the CCA, and some new investment which we are talking about, so we have the capacity to generate profits also and definitely we will be able to maintain the desired dividend levels.

**KC Ramesh**

The development expenditure which you are talking about, that we have been maintaining around INR 30,000 crores over the period of last 5 years. So that as far as the Western Offshore front is concerned, the expenditure as Mr. Pavan Agarwal had earlier explained, there are projects which are under various stage of approval. So, that CapEx part in development would more or less continue to be the same. Of course, as far as the core E&P is concerned, the focus is now getting a little more.

We are trying to spend on the exploration part more so, because of the government has released in no way areas also now. So, around INR 30,000 crores is what we are planning in the next three years, and also INR 10,000 odd crores in exploration, which is some increase. But, yes, if you exclude the pet-chem and other projects which are subject to approval, the development expenditure would continue to be more or less on the same level on the core E&P sector.

**Varatharajan Sivasankaran**

Fair enough, sir. Thanks. One last question on the international asset, specifically on Venezuela and Mozambique. If you have any update on Venezuela, especially given the lifting of the sanctions, is there in the thought process on further investment as well as the dividend outflow? And in terms of Mozambique if you have any updates?

**Vinod Halan**

On the Venezuela, the sanctions have been lifted on 19<sup>th</sup> October, and for a period of six months it been around six months until, say, first week of April 2024. And we have a team on the ground, which is in consideration with PDVSA to actually secure that crude allocations, which will actually facilitate the realization of the pending dividends. And we are also in the talks with the banks in Venezuela to see how the funds remittance that can take place. As of now, there are no further investment plans as far as the Venezuela is concerned. And regarding the other project, you spoke, Mozambique. This project is maybe this year, end of this year or January 2024, we are expecting a restart, because the security situation has considerably improved in the project area and already 2,000 feet are on the ground, emergency work has been resumed. So, there is an early start going to happen in January 2024. Anything else?

**Varatharajan Sivasankaran**

Thank you.

**Moderator**

Thank you. Next question comes from Roshni Devi from Argus Group. Please go ahead.

**Roshni Devi**

Hello sir.

**K.C. Ramesh**

Hi. Please go ahead.

**Pomila Jaspal**

Hello. Please go ahead.

**Roshni Devi**

Regarding the Panna-Mukta oilfield, how has the production been there so far, and what is the outlook on it?

**Pavan Agarwal**

I think Panna-Mukta is producing very consistently, something around 7,000 to 8,000 barrels per day and we hope that we will be maintaining the same rate in the near future.

**Roshni Devi**

Okay. Thank you, sir.

**Moderator**

Thank you. There are no further questions. Now, I hand over the floor to Mr. K.C. Ramesh, Executive Director and Chief Corporate Finance for closing comments.

**K.C. Ramesh**

Yes, thank you, ma'am. We thank all the analyst and investors for being part of this call today. I think the outlook as ma'am was explaining in the beginning itself like it's pretty good now with the actual prices that we have for oil particularly so in case of gas, for the gas, well intervention and the new wells, which we are going to get 20% more. And with the KG 98/2 on the horizon, we are expecting that the core revenue which we have from the E&P would continue to be more if we are getting the price that the government has assured for gas and further with the new investments in other areas like pet-chem and other areas what Mr. Adhikari was explaining. So, the overall outlook looks pretty good and with your support, we keep continuing to perform well. So, thank you once again. Thank you all for being part of this call today. Thank you.

**Pomila Jaspal**

Thank you.

**Prakash Joshi**

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.