



ONGC Ltd

Earnings Conference Call

Event Date / Time: 12/11/2024, 15:30 Hrs.

Event Duration: 56 Mins 59 secs

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- | | |
|-------------------------------------|------------------------------------|
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Moderator

Good afternoon, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to ONGC's Q2, FY25 Earnings Conference Call. We have with us today Mr. Vivek Tongaonkar, Director (Finance) and team who will interact with investors and analysts to discuss Q2 earnings. As a reminder, all participants will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your telephone keypad. Please note that this conference is recorded.

I would now like to hand over the floor to Mr. Vivek Tongaonkar for his opening remarks. Thank you, and over to you, sir.

Vivek Tongaonkar

Thank you very much. Good afternoon, ladies and gentlemen. To introduce, I am Vivek Tongaonkar, Director (Finance), ONGC. I welcome you all in this ONGC earnings call for Q2 and H1 ended financial year '25. Thank you all for joining us on this call. I am joined over here by my colleagues from ONGC, Mr. Ajay Kumar Singh, who is our Chief Corporate Planning; Mr. Satish Kumar Dwivedi our Chief JV&BD; Mr. Devendra Kumar, Chief Corporate Finance; Mr. Akhilesh Tiwari, Head Corporate Accounts; Mr. Prakash Joshi from Investor Relations; Mr. Lakshman Gora; from OVL we also have Mr. Vinod Hallan and Mr. Rajkumar.

ONGC has compiled its financial results for the quarter and six months ended 30th, September 2024, which have been reviewed by the Statutory Auditors. The financial results have already been released on 11th November '24 through a press note and sent to the stock exchanges. This has also been sent to the analysts who are on our mailing list. I'll present a brief synopsis of the results.

The company has earned a net profit that is profit after tax of INR 11,984 crore during the Q2 of FY25 as against INR 10,238 crore during the Q2 of FY24, which is an increase of INR 1,746 crores that is 17.1%. Correspondingly for the H1 FY25, the profit after tax has increased by INR 157 crores that is 0.8% from INR 20,765 crores in H1 FY24 to INR 20,922 crores in H1 FY25.

The sales revenue for Q2 FY25 has decreased by INR 1,218 crore, (3.5%) as against the corresponding quarter of previous year due to lower crude prices. However, same has increased by INR 276 crores that is 0.4% for H1 FY25 as against the corresponding H1 of previous year, mainly on account of increased sales revenue from value added product sales.

The realization of crude in rupee terms stood at INR 6,561 per barrel in Q2 FY25 vis-a-vis INR 7,013 per barrel in Q2 FY24 that is a decrease of INR 452 per barrel (6.4%) in INR terms. Similarly, realization for crude in rupee terms stood at INR 6,744 per barrel in H1 FY25 vis-a-vis INR 6,641 per barrel in H1 FY24, which amounted to an increase of INR 103 per barrel (1.6%) in INR terms.

The expenditure on statutory levies, royalty and excise duty have decreased during Q2, FY25 by INR 2,960 crore (27.4%) and in H1 FY25 by INR 642 crores (3.5%) in comparison with similar period for the previous years. This decrease in statutory levels is attributable mainly to decrease in average sale price of crude oil, levy of special additional excise duty by Government of India on production of petroleum crude at a rate revised every fortnight based on international crude price. This SAED on crude has been levied with effect from 1st July 2022 and it amounted to INR 3,352 crore in Q2 FY24 and to INR 1,127 crore during Q2 FY25. SAED from the 2nd fortnight of September '24 is Nil.

There is an increase of INR 4 crore in exploration cost written off in Q2 FY25 and rupees INR 631 crore in H1 FY25, vis-a-vis the corresponding periods for the quarter and half year of the previous year. The increase is mainly on account of increase in 3D data acquisition and charging off of dry wells at Western Offshore Basin, Assam and Arakan Basin and Vindhyan Basin.

The operating expenditure has increased by INR 277 crores (4.5%) from INR 6,112 crores in Q2 FY24 to INR 6,389 crores in Q2 FY25. Similarly, the operating expenditure in H1, FY25 has also increased by INR 390 crores that is 3.2% from INR 12,080 crores in H1 FY24 to INR 12,470 crores in H1 FY25. This increase is mainly on account of increase in activities at KG-DWN-98/2 and increase in repair and maintenance at Mumbai Offshore and other production expenditure.

DD&I cost for Q2 FY25 and H1 FY25 stood at INR 5,598 crores and INR 11,495 crores respectively, as against INR 4,721 crores and INR 9,718 crore during the corresponding period of previous years. This increase is due to increase in O&G assets, increase in depletion rate and increased number of workover days and major capitalizations of INR 166 crores at Western Offshore.

At the consolidated level, the company has earned a net profit that is profit after tax of INR 9,878 crores during the Q2 of FY25 as against INR 16,171 crores during the Q2 of FY24. This is a decrease of INR 6,293 crores that is 38.92%. At the consolidated level, the company has earned a net profit after tax of INR 19,689 crore during H1 FY25 as against INR 33,666 crore during H1 FY24. That is a decrease of INR 13,977 crore, which is 41.52% decrease. This decrease is mainly due to decline in profit of subsidies, HPCL and MRPL.

After these profits, the board has approved the interim dividend of 120% that is INR 6 per share on each share of INR 5. The total payout on this account will be INR 7,548 crores. In the previous year, the company had declared an interim dividend of INR 5.75 on each equity share of INR 5.

The government has approved additional investment in OPaL by ONGC and it has also allocated gas from new wells up to 3.2 MMSCMD. This gives assured feedstock supply and paves the way for sustainability of OPaL. Investment totaling INR 18,365 crores by ONGC in OPaL will result in an increase in ONGC's stake from 49.36% to 95.69%. ONGC has already infused INR 13,200 crore in OPaL, which has been used to retire high interest debt of OPaL. OPaL is now the 7th subsidiary of ONGC.

Lastly, before I finish, I would like to add that with focused approach and continuous thrust on increasing domestic production, ONGC has been able to reverse the declining trend in its crude oil production.

The standalone crude oil production excluding condensate during Q2 FY25 was 4.576 million metric tons, registering a growth of 0.7% over corresponding quarter of FY24. Similarly, the standalone crude oil production during H1 FY25 was 9.204 million metric tons with an increase of 0.8% over H1 FY24.

We are happy to mention that 3 oil wells of 'A- field' of deepwater block KG-DWN-98/2 have been opened on 30th October '24, thereby enhancing the total oil production from the KG-DWN-98/2 field to 25,000 plus barrels of oil per day from 8 flowing wells. We also plan to open the remaining 5 wells shortly.

Similarly, on the gas production front also, ONGC has been able to arrest the degrowth. The decline, which was 3.6% in Q1 FY25 over Q1 FY24 has been brought down to 2.1% in Q2 FY25.

Friends, with this, I finish my briefing of the results for Q2 and H1 FY'25, and we will be happy to take questions from you. We would request you to restrict your queries on financial results only. Thank you very much and the floor is open for questions, please.

Questions & Answers

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin 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. First question comes from Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta

We have notified -- mentioned about 2 contracts during this press release. One, we were awarded on the L&T and second, we were awarded on the Mazagon Dock with the potential of 5 MMSCMD and 4 MMSCMD. Would you give us more color on the project timeline and the ramp up that we can expect from these projects?

Vivek Tongaonkar

Yes. Both these projects have been awarded recently, and both these projects are likely to be completed by the end of 2025-26. Both will be producing gas, majorly from Daman upside project also and as well as the DSF II project. So, both these projects will be gas projects as such.

Kirtan Mehta

These projects are primarily for the wellhead platforms. So, are the drilling contracts also awarded?

Vivek Tongaonkar

So, the drilling contracts we hire Charter Hire Rigs or we have our own rigs which would be carrying out the drilling of the well subsequently, whenever these well platforms are ready, and the amount of gas that we are looking at a 5 MMSCMD in case of Daman upside and around 4 MMSCMD from DSF II project.

Kirtan Mehta

So, when we say about FY26 this is basically the completion of the wellhead platforms and drilling contracts will be subsequently after that. So, when do we start seeing the gas production?

Vivek Tongaonkar

What would happen is as the platforms get installed, we open them up for bringing our rigs over there and start drilling of those wells from those particular platforms. So generally, what we will find is within about, say, 6 months latest from the completion date of all these platforms, we would have started with the production of crude oil or gas as such.

Kirtan Mehta

Right, understood. Second question was about the new well gas or well intervention gas. We understand that we have been allocated around 4 MMSCMD of gas as new well gas. Does that mean that any decline over and above the 8% rate that we have been able to arrest will be considered as the new well gas for us? And how do we expect this to ramp up over next 2-3 years?

Vivek Tongaonkar

So, the new well gas is the gas which is from any new wells that are drilled or it is also from any interventions that happen in existing wells. That gas would qualify for new gas. Over a period of time, what we are seeing is that we expect a decline in our production to up to 6% to 7%. With this new gas coming up, because we keep on drilling new wells as well as well interventions that are carried out on a regular basis, we expect the quantum of new gas to increase. And what we are expecting is that over a period of say maybe 7 to 8 years, most of the gas, which will be there from the existing fields should qualify to be new gas as it replaces the existing gas coming out from the existing wells.

Kirtan Mehta

Right. So as of now, there is no sort of the decline rate criteria that we have to meet also, over and above this particular decline rate only, this will consider as a new wells. Is it any gas which comes out of the new wells or interventions will be treated as a new gas?

Vivek Tongaonkar

Generally, the decline rate that is considered is 7.5%, what is specified by the government. Any gas which comes above this decline rate would be the new gas.

Kirtan Mehta

So, in terms of the H1, we have just said that we have around 2.3% as sort of the gas decline. So roughly around 4.5% to 5% would qualify as the new well gas as we end the FY25. Is that the way to think about this?

Vivek Tongaonkar

No. See, whatever new gas we get from new wells that are drilled in existing fields or if we do any well intervention on existing wells, all that gas would qualify for the new gas purposes.

Kirtan Mehta

Fine, sir. And the last question, if I may squeeze in one more. On the KG-DWN-98/2, would you sort of say the latest guidance on the both oil as well as the natural gas ramp up?

Vivek Tongaonkar

So, we have already mentioned that we are producing 25,000 plus barrels of oil per day from KG-98/2. And we will be opening further opening up new wells over there. So earlier on, we have given a guidance of 45,000 barrels of oil per day being the peak towards the end of this year FY25. So as of now, we believe we are on track for that guidance. As far as gas is concerned, we have from the East

Coast about 2.5 MMSCMD being produced we have mentioned that it would be around 10 MMSCMD towards the end of this financial year or just in the new year 2025-26 also.

Kirtan Mehta

This will also be related to the 5 wells that we are planning to open up. So, the same well will contribute to this new gas production growth?

Vivek Tongaonkar

Yes. So, these wells will contribute to the new production of oil and gas as such. There are 3 more wells that are being planned for this.

Moderator

Thank you. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika

Yeah, congratulations on good set of numbers. So, I have a few questions. So, first one is relating to this new well gas. This has been effective from 16 October, is that right, I mean, in terms of accounting?

Vivek Tongaonkar

From yes, first week of -- 8th of August.

Sabri Hazarika

8th of August it has been effective in your books, right?

Prakash Joshi

Exactly. Actually, if you see, this notification has come on 8th August and the billing has been started from September 2024.

Sabri Hazarika

Okay. So, this quarter also some impact is there. I mean, some portion of the volumes is getting that USD 9-10 price. Is that right?

Prakash Joshi

New gas is getting higher price. You'll see from November 2024, previously it was 4 MMSCMD which was allocated. Currently it is 4.68 MMSCMD out of that C2-C3 Plant is 2.76.

Sabri Hazarika

So right now, if I have to do a modeling of this, then I have to like basically take the total production minus this 4.68. This 4.68 will be basically be USD 9-10 and the remaining will be USD 6.5. Is that right?

Prakash Joshi

Yes. Then you have to minus that HPHT and deepwater also.

Sabri Hazarika

Okay. So, this includes HPHT and deepwater also, 4.68?

Prakash Joshi

No. What you said from the total, you are going to subtract it. It's not that way.

Sabri Hazarika

Oh, yeah. Yeah. That's right. That's right. I'm talking about, I mean, X-NELP, maybe like nominated. From nominated block, this has to be deducted. Right?

Vivek Tongaonkar

Yes. Yes.

Sabri Hazarika

Okay. And your KG-98/2, that gas, currently, what is the production of that, you mentioned 2.6. So, this includes VA and S1 also, right? So pure 98/2 cluster 2 gas will be how much?

Vivek Tongaonkar

That will be 1.85.

Sabri Hazarika

That will be 1.85 MMSCMD and that will go up to, say, 7-8 MMSCMD. Is that right?

Vivek Tongaonkar

Yes. Broadly, we are on track for that.

Sabri Hazarika

And there you are basically getting the ceiling price?

Vivek Tongaonkar

Ceiling price. Yes, yes.

Sabri Hazarika

Okay. Is there anything specific formula? It's just the ceiling only which is being like currently applicable?

Devendra Kumar

It's a formula based on fuel oil LNG. It has got a bucket, so it is based out of that.

Sabri Hazarika

And second question is on your CAPEX. From the government data, I think your CAPEX for this year H1 itself has been something like INR 24,000 crore. So any comments on that? I mean, given that full year number is generally INR 30,000 to INR 33,000 crore for you?

Prakash Joshi

See, there you can see the amount which we have paid to OPaL, that is also part of it. So when you say INR 24,000 crore, out of that roughly around INR 6000 Crore, if it is September, so balance was for our E&P CAPEX.

Sabri Hazarika

Okay. So ideally, it should be INR 17000-18000 crores only for H1. So INR 24,000 crores includes INR 6,000 crores of OPaL infusion as well. Okay, sir. Fair enough. Thank you so much. I'll come back in the queue.

Moderator

Thank you. Next question comes from Probal Sen from ICICI Securities. Please go ahead.

Probal Sen

Thank you for the opportunity. With respect to OPaL, I'm just following up on the briefing that was done. Hello? Am I audible sir?

Vivek Tongaonkar

Yes.

Probal Sen

Yes. So just wanted to understand if you can kindly,-- I did not get all the numbers in the how much is the total investment done in OPaL till date by ONGC?

Vivek Tongaonkar

Yes. Just one second. In for what we have done now?

Probal Sen

Including what we have done now sir. What is the total number?

Vivek Tongaonkar

So currently we have done 18,365 Crore.

Akhilesh Tiwari

Total disbursement has not taken place. Till date we have pumped in INR 10,655 crores as on 30th September, 2024.

Vivek Tongaonkar

So out of 18,365 Crore, we have infused 13,200 Crore just now for this year after getting the debt till date.

Probal Sen

14,200 Crore has been infused and 18,350 Crore add?

Vivek Tongaonkar

13,200 Crore.

Probal Sen

Got it. And the total investment envisaged is 18,250, which will happen over H2 and then, I think.

Vivek Tongaonkar

18,365 Crore.

Probal Sen

18,365 Crore. Now if I can ask, after this investment is fully done, what will be the residual net debt in the in OPAL, if I can get a sense?

Vivek Tongaonkar

So, OPAL, after this infusion of 18,365 Crore, you would be left with around INR 14,000 odd crores as debt balance, after we input INR 18,000 crores.

Probal Sen

Got it, sir. Got it. So almost INR 30,000-32,000 Crore plus of debt will get reduced to the extent of our infusion, right?

Vivek Tongaonkar

Yes. Just hold on for a second.

Probal Sen

In terms of just looking forward at what OPAL's performance would look like, now that we are resolving 2 things, one is the debt burden as well as getting gas also at a slightly more competitive rate, thanks to the allotted gas quantity. What kind of profitability are we expecting from this business, let's say, over FY 2026-27 versus where we are now?

Vivek Tongaonkar

Yes, 2024-25, we are still expecting that the figures may be a little bit subdued. But from next year onwards, we are expecting that things should be a turnaround in OPaL, barring any unforeseen changes to product prices, etc. or feedstock prices.

Probal Sen

Any number in terms of EBITDA per ton even in U.S. dollars you can put on it, sir, as a range?

Vivek Tongaonkar

We would not be able to give any number as such.

Probal Sen

No problem, sir. And secondly, with respect to the gas production, has there been any change in terms of the gas production ramp up from previous guidance? Or are we sort of this is what we have sort of been working with for the last 6 months?

Vivek Tongaonkar

Currently, the ramp up or whatever that we're expecting is already been mentioned that it will come from KG-98/2, which we have already given a guidance that it is likely to go up to, from the east coast up to 10 MMSCMD by the year end. So that is, as of now we are looking at those gas figures.

Probal Sen

Got it sir, thank you so much for the detailed answers. I'll come back in the queue.

Vivek Tongaonkar

Thank you.

Moderator

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

Varatharajan Sivasankaran

Thank you for the opportunity. If you can once again give with the overall production guidance?

Vivek Tongaonkar

Overall production guidance. Okay.

Ajay Kumar Singh

Yeah, good afternoon, everybody. I'm Ajay Singh. I'm Chief Corporate Planning. The guidance for next 2 years. We are expected to produce and enhance from current year production to 22.8 million ton of

oil and similarly 22.1 million ton of gas equivalent. So, both put together is about 44.9 million ton of oil and oil equivalent in 2025-26. And next year we are planning to have cumulative production of 46.2-million-ton oil and oil equivalent in 2026-27.

Varatharajan Sivasankaran

Any breakup between oil and gas for 2026-27.

Ajay Kumar Singh

Yeah, this is 41.9 is from the current year. And 44.97 is the next year, 2025-26. The oil and oil equivalent both put together.

Varatharajan Sivasankaran

Okay. And so if you can provide an update on our OVL assets all of them, each of them like if you have any specific data, if you can highlight.

Vivek Tongaonkar

Yeah. Mr. Hallan will provide that update on OVL assets.

Vinod Hallan

Yeah, OVL we have currently 32 assets in 15 countries and of those there are three assets in Russia, one in Mozambique. Am I audible?

Varatharajan Sivasankaran

Yes, you can be a little louder.

Vinod Hallan

Yeah. So, we have, 32 assets in 15 countries, and of these we have 11 exploratory, 14 producing, 4 development and 3 pipeline assets. And the countrywide distribution is 3 assets in Russia, 1 in Mozambique, 2 in Venezuela, 2 in Columbia, and, 6 in Myanmar, and 2 in Vietnam. This is a broad distribution. Our production last year was 10.518 MMTOE oil plus oil equivalent. And the guidance for this year is around the same number, 10.5 MMTOE of this in H1, we have already produced 5.039 MMTOE, and the Russian assets - 3 assets because of the conflict. Russia- Ukraine, the production is slightly lower than as it used to be in the year 2023-24.

The other assets are producing better than average, which has been targeted for the year 2024-25. And the current year average production is something around 194,000 barrels per day against a yearly average of 201,000 barrels in 2023-24.

Varatharajan Sivasankaran

Any update on Venezuela?

Vinod Hallan

Venezuela, the sanctions were lifted from October to April 18th, 2024. During that period, negotiations were on and, Venezuela, PDVSA had proposed for taking over the operatorship, but again, the sanctions have been imposed after April, we have sought this OFAC approval and in case that is coming, we'll try to make further progress on that, whether we can actually operate those assets, because right now the restrictions are in place for oil movement as well as the fund restrictions.

Varatharajan Sivasankaran

Thank you. One more question regard to the Western Offshore Bombay High technical assistance tender that you have floated. Is there anything which you can provide us, an update and also like, vendor technical assistance that come through, any kind of best case and worst-case upside in terms of production, we can actually look at. Just to get a quantum of improvement, we can get.

Vivek Tongaonkar

Okay. So that tender is still on. It has not yet been closed but it should reach maturity in December that is what we are expecting, and once that is done, we will be having some technical service provider to work with us. It would be a long-drawn process. As of now, we would not be able to quantify any gains, et cetera that are likely because it would depend from TSP to TSP and what sort of work goes in after they have looked into all the data that is available for Mumbai high.

Moderator

Thank you. I request the participants to restrict with 2 questions in the initial round and join back the queue for more questions. Next question comes from Mayank Maheswari from Morgan Stanley. Please go ahead.

Mayank Maheswari

Thank you for the call, sir. My first question, [Inaudible 00:32:00]

Vivek Tongaonkar

We are not able to hear you properly.

Mayank Maheswari

Hello? Can you hear me now?

Vivek Tongaonkar

Now better.

Mayank Maheswari

Yeah, I just had a couple of questions. One was on the side that ----

Moderator

I'm sorry to interrupt. Can you join back the queue, sir, your voice is not clear. Thank you. The next question comes from Gagan Dixit from Elara Capital. Please go ahead.

Gagan Dixit

Sir, so you mentioned in the press that, you are getting the 12% of the price of the Indian Crude basket from the new well, so is this new well, from the nominated blocks or this KG-98/2 block or something other?

Vivek Tongaonkar

Nominated blocks.

Gagan Dixit

No what I know is that 20% premium over the USD 6.50 gas on the nominated block that the case is. So, it should be at USD 7.8 that should be the case.

Vivek Tongaonkar

Yes, Gagan it is 12% on the Indian crude oil basket. So, what the government has also said that gas price in India would be 10% of that Indian crude oil basket but there was a ceiling of USD 6.5 per MMBtu. If it is USD 70 crude oil basket, then it should be USD 7 per MMBtu, but the government restricts it to 6.5 as of now.

In case of new gas, it would be 20% above the price that is there for the APM gas. So if it is USD 70 per barrel is the Indian crude then 12% of that, (because 10 plus 20% of that is 12%), it's USD 8.4 per MMBtu would be the price, not 12% on USD 6.5.

Gagan Dixit

Okay. It's not that 20% over USD 6.5. It's a 12% of the current crude basket.

Prakash Joshi

Of the Indian crude basket, and this is basically announced every month.

Gagan Dixit

Okay. And sir, my second question is, you mentioned just that your natural decline rate is 7.5%. So is it safe to assume that this nominated block old gas, I mean USD 6.5 gas, that production will continue to decline at 7-8% rate YoY from now on and it will be met by the new well something?

Vivek Tongaonkar

Yeah, that is what I mentioned earlier on that if you consider 7.5 as the decline on a normal basis, and then, if we are able to maintain the production at current levels, it effectively means we are replacing all the old gas with the new gas for nominated fields over a period of time.

Gagan Dixit

Okay. So how much is the percentage of, I mean the USD 6.50 old gas, how much is the percentage of that at present?

Vivek Tongaonkar

So as of now, the new gas would not be very substantial.

Prakash Joshi

But it'll be continuously increasing every month.

Vivek Tongaonkar

Because this started off in September. As we said, that we started billing in September. So, over a period of time, that should increase from next year onwards. I think we would see a marked difference in the revenue generated from this new gas.

Gagan Dixit

Okay. So older gas is something around one to two MMBtu something like every year it will decline. Okay.

Vivek Tongaonkar

Broadly.

Moderator

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

Vikash Jain

Thanks for taking my questions. I have a couple of them and maybe one suggestion as well. If we look at your guidance for the KG field it is, can you just give a sense of the broad guidance at which you will reach 45,000 barrels? Can I take that as end of this fiscal that is March '25 roughly, or, and what is the guidance to broadly when you will reach 10 MMSCMD? When you said end of the year, does that mean end of 2025 or the gas guidance?

Vivek Tongaonkar

So when we are saying oil 45K is what we are targeting for this year-end -- financial year end broadly, we already have got 25,000 plus producing that with the existing well that are there in which we are going to open, we should be reaching our target at the peak production around that time.

Coming to gas new wells are being opened up and along with the oil gas would also be produced. We are expecting that this gas production, what we have mentioned would be around end of this year FY25, and maybe it may spill to the FY 2025-26, but it'll be there towards the end of this financial year.

Vikash Jain

So basically, I mean, let's keep it broadly. So somewhere around May -- before the middle of calendar year 2025, somewhere, but around March, April, May, you will, you are thinking you are targeting 10 MMSCMD.

Vivek Tongaonkar

Yes. We're estimating that as of now.

Vikash Jain

Okay. And the second question that I have is just for this calculation of decline rate, the volume of gas, which will get the higher 12% slope, is FY23 the right starting point of what your production was from nomination fields? And then if you are declining less than 7.5%, like for example, to keep it simple if FY23 nomination field is a 100 and is it FY25 or is it FY24? What is the starting base that I should be looking at?

Vivek Tongaonkar

FY 2023-24.

Vikash Jain

So FY24. So, if it is a 100 and in FY25, your average production stays at a 100, then 7.5 units of gas will be getting a 12% slope starting FY26. Is that what it means?

Vivek Tongaonkar

No, it would be from whenever that gas gets produced.

Vikash Jain

No, so what I'm missing is that when do you, your decline rate is to be 7.5% for the year. So, it's average to average. So, FY26 is when you start getting the higher volumes or that is the bit that I'm not able to understand.

Vivek Tongaonkar

So, it could also happen that I have drilled new well in this year that gives me gas, so that would also earn me higher price.

Vikash Jain

Okay. So, any kind of new wells that you drill, even in your existing, nomination fields so that you can separate out and say that this is volumes coming from new fields, right?

Vivek Tongaonkar

Yes.

Vikash Jain

So, it is not just a simple 7.5% formula, but even that interventions that you do, which will give those extra volumes, which will get that extra price, right. So finally, sir, just one suggestion. Since now we have three different prices operating and no real easy way for us to know for sure, what is the volume that you're getting from intervention? Of course, there could be a simpler formula, which is not the complete solution. Why don't we give a breakup of our gas volumes and the gas price for each of those 3 things? Maybe that will become more significant starting a couple of quarters from now as well, because when KG field also comes in, then there is that significant proportion, which is the HPHT formula, plus next year onwards, there'll be a big proportion, a reasonably large proportion, which will have the 12% slope, which will be almost as the, almost similar price as HPHT effectively. So why can't we spill that volumes out separately for ease of everybody to be able to model and look at things differently?

Vivek Tongaonkar

Okay. We'll have a look at it and if possible, we'll certainly try and provide those figures if possible.

Vikash Jain

But roughly, so from your understanding, what is the volume likely to be in FY26, which you will get this 12% slope? Is it 5 MMSCMD, 7 MMSCMD? Any rough, any rough numbers?

Vivek Tongaonkar

As of now, it would be very difficult to say that because it depends upon the new wells that are drilled, whether I get new gas out of it or the interventions that are done and whether we get gas out of it. So as of now, it would maybe difficult for us to hazard a guess. Next year onwards we may get a better sort of an idea about this thing because we have just started from September onwards rather August, this got notification came up, September we have started the billings and because this also requires us to look into what are the new wells and what production is likely to come up.

Vikash Jain

Sorry, currently what is the volume?

Prakash Joshi

Roughly 4.68 MMSCMD.

Vikash Jain

4.68. That is the number that you mentioned. Sorry. Thank you so much.

Prakash Joshi

And it'll change every month basically.

Vikash Jain

Correct. But it is likely to go up and the share of the 6.5 will keep coming down. Right?

Vivek Tongaonkar

Exactly.

Vikash Jain

Thank you so much.

Moderator

Thank you. Next question comes from Nitin Tiwari from Phillipcapital India Ltd. Please go ahead.

Nitin Tiwari

Good evening, sir. Thank you for the opportunity. So, just a few clarification questions. So, staying on the topic of new well gas, just wanted to understand the mechanism. So how does the gas get certified as new well gas? Is there a, is there are basically approval required from DGH? And then how does the mechanism with the customer works? I mean, when you're offering that gas does this gas gets offered under the usual APM mechanism or it is free to market and you marketing it on IGX. And the reason I'm asking is that would the NWG gas be marketed by you or would it be marketed by GAIL on your behalf? How would the marketing angle work?

Vivek Tongaonkar

Yeah, Nitin there would be DGH would be looking into this new gas figures also, and then accordingly it would be declared as new gas. There would also be, the next question was whether we market it ourselves or we give it to GAIL, wherever it is, GAIL we are selling it to GAIL. And if this new wells are connected to or sold to GAIL, then GAIL will market it at the higher price. They'll buy it from us at a higher price, and if it is a direct customer, we will be selling it directly to the customer at this new price because this is what has been mandated by the government.

Nitin Tiwari

Okay, sir. So, there's no fixed marketing mechanism, which is mandatory for NWG gas. Great sir. And secondly, sir, on the OPaL, I wanted to understand it's a dual feed tracker, correct me if I'm wrong over there. So given that it can also process Naphtha, so what was actually the need for allocation of domestic NWG gas for it to be profitable?

Vivek Tongaonkar

So, it can work on Naphtha as well as gas ethane, and what was earlier plan was that Naphtha was from ONGC Uran as well as Hazira and the LNG was, which was being imported, from that C2, C3 was being extracted by our Dahej Plant and then being supplied to OPaL plant. However, once this LNG prices have gone up, now today LNG prices are USD 14 per MMBtu broadly. So, with this, instead of that, if you can get a new gas, which is still at around 8.4 or maximum 9 as of now, it is much cheaper as far as OPaL is concerned. They save around USD 4.5-5 in this process. So, it becomes that they have an assured feed also as well at a cheaper rate. So, this allocation by the government makes OPaL plant more sustainable and viable.

Nitin Tiwari

No, sir. Why I'm asking that question is that I just wanted to understand that when we say dual feed cracker, so is it the same cracker, which can fracture and we can take in both Naphtha and natural gas or you have two separate crackers, one taking Naphtha one taking natural gas. And secondly a corollary to that, did the company explore the option of importing ethane and then using that, as a feed rather than like banking upon NWG gas domestically?

Vivek Tongaonkar

Yeah, just a second Nitin. So, it is a dual cracker. So, which can be used both Naphtha as well as gas. Earlier the gas portion was through C2, C3 portion was being imported through rich LNG, which was coming from Qatar RasGas. And out of which, C2, C3 was being extracted by the Dahej plant and provided to OPaL, and the balance used to be returned back to GAIL, who was the owner of that gas as such, and the differential between those two was being made up through ONGC make up gas.

However, that allocation of gas was stopped earlier on by the government and now this has been made good again. So, it is at USD 8.4-9 it is cheaper than importing LNG and providing it back to us. So, if your question is why we have not used ethane, bringing in ethane requires much more infrastructure and which would take some time to, build up also, and as of now we are not sure whether it'll come out to be cheaper than this allocated gas.

Nitin Tiwari

Understood. So, and lastly on the Daman guidance that provided that 5 MMSCMD gas from Daman and another four from another field I the name for -- is expected. So, if you can give some timeline regarding that production.

Vivek Tongaonkar

So, I said, completion of these projects is expected in FY26 and gas on those fields should start up coming in 2026-27 onward.

Nitin Tiwari

'27, alright understood. Thank you.

Moderator

Thank you. Next question comes from Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil

Thanks for an opportunity. Sir, question related to survey cost. Survey cost declined, any particular reason? And sir your plans to drill number of wells in FY25.

Vivek Tongaonkar

Just a moment. So, second quarter you're talking, there's a decline in survey cost. That is the question?

Yogesh Patil

Yes, sir.

Vivek Tongaonkar

So broadly, it is because of monsoon only.

Yogesh Patil

But sir, we have seen the decline on a YoY basis also. So last year also, we have seen the monsoon.

Vivek Tongaonkar

Yes. So, the quantum, if it is lesser in this period, what has been planned that would result in lesser quantum of expenditure on.

Yogesh Patil

My second question is related to other income. So other income also gone up sharply. Can you share the dividend part of that other income which you have received during the quarter?

Vivek Tongaonkar

Yes. So, the quantum that we have received is from IOC-1404 Crore, from OVL-75 Crore, from HPCL-1285 Crore, MRPL-251 Crore, Petronet LNG 56 and this is total is 3,071 Crore.

Yogesh Patil

Okay thanks. Sir, second question is related to again a 4.6 MMSCMD, which is notified by the government recently as NWG Gas. So, is this allotted to consumer for the next 5 years? I mean, as per my last reading, it will be allotted for the next 5 years. So just wanted to confirm the time frame. Is it a 5 years allotment or lesser than that?

Vivek Tongaonkar

So, it is the allocation for 5 years is for OPaL only. That is one thing. For the rest of the cases, whatever would be the contract duration for that period, the price of that gas, if I am supplying partly from APM and partly from this new gas, accordingly the price will change for the quantum that are being supplied to the customer whether it's existing and it would be for the term of the contract with that existing customer.

Yogesh Patil

Okay. And lastly, on the OPaL side, if you could share some numbers on the EBITDA levels, PAT levels for the first half FY25. OPaL plant utilization levels?

Vivek Tongaonkar

Yes, we can do that. So, the utilization for Q2 as far as OPaL was concerned was 94%. Revenue was INR 3,664 crore. EBITDA was 78.67. And PAT was negative, but that was (637). It was lesser than the previous quarter PAT means loss rather. Previous quarter in Q1, it was 983 loss, whereas in this it has improved to 637 loss.

Yogesh Patil

Okay. And do we expect based upon the new NWG gas allocation to the OPaL, we will come into the profitability in the second half FY25? And based upon the current run rate, you might guide us?

Vivek Tongaonkar

Like I mentioned earlier on, we would be not be able to comment upon that as of now. But we do expect that from next year onwards, we should be in a much better position. OPaL should be in much better position because the interest cost also will go down substantially for OPaL. And with ONGC pumping in or being the main shareholder, we are looking at ensuring that there is sort of a turnaround or if the performance goes up and the capacity utilization also goes up.

Yogesh Patil

Okay, thanks a lot sir.

Moderator

Thank you. Next question comes from Kishan Mundhra from DAM Capital. Please go ahead.

Kishan Mundhra

Sir, you were exploring setting up a new oil refinery at Prayagraj. So, is there any update on that? Have you made any progress?

Vivek Tongaonkar

So as far as Prayagraj is concerned, I don't think we have declared anywhere that we are doing any refinery or et cetera as such. What we have already mentioned earlier on in the press is that we will be looking at petrochemical projects as such. On that also, we have not yet declared where it would be there. The studies are still going on. So, I would not be able to comment about the refinery in Prayagraj.

Kishan Mundhra

Okay. Understood. So, second question is on OPaL. If you could give the bifurcation between how much Naphtha did you use last year in FY24, and how much gas did you use?

Vivek Tongaonkar

I think it is broadly 60-40, 60 Naphtha - 40 LNG, but for exact figures, I may have to check that out again.

Kishan Mundhra

No sir this works, 60-40 works. And the last thing, sir, on CAPEX guidance, if you could give the CAPEX numbers for FY26 and FY27?

Vivek Tongaonkar

Yes. Just hold on. '26, '27, it is INR 36,000 odd crores as of now.

Kishan Mundhra

For both the years?

Vivek Tongaonkar

Which one, '26, '27, I told you.

Prakash Joshi

2025-26 and 2026-27 would be in the same range more or less from 34,000 to 36,000.

Kishan Mundhra

Understood, thank you.

Moderator

Thank you. The last question of the day comes from Hemang Khanna from Nomura. Please go ahead.

Hemang Khanna

Thank you for taking my question. So, I just wanted a clarification on the new gas volume. So, 4.68 MMSCMD, new gas does not include 1.85 from KG, right?

Vivek Tongaonkar

No, no, no. It does not include the 1.85 from KG.

Hemang Khanna

Okay. Entire 4.68 is roughly at USD 9 per MMBtu of realization.

Prakash Joshi

That is basically HPHT deepwater gas, what you are talking about, KG 98/2. This is from our nominated field what we were talking about, the 20% premium.

Hemang Khanna

Correct. So, the entire 4.68 is roughly at about, let's say, USD 9 odd?

Vivek Tongaonkar

Exactly.

Hemang Khanna

Got it sir, thank you so much.

Moderator

Thank you, sir. Now I hand over the floor to Mr. Vivek Tongaonkar for closing comments.

Vivek Tongaonkar

Yes. Thank you very much, and thank you all for those questions also and the interest that is being shown in our company. If you want any further clarifications or the clarifications given here do not meet or you require further information also, please feel free to contact our IRC cell, and we would be happy to come back to you and provide you the necessary information.

So, thank you all, and thank you from ONGC over here.

Moderator

Thank you, sir. 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.

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