



**Oil and Natural Gas Corporation Limited
Q3 FY'23 Earnings Call**

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| 4. Kirtan Mehta | : B.O.B Capital Markets |
| 5. Mayank Maheswari | : Morgan Stanley |
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Moderator

Good evening, ladies and gentlemen. I'm Vidya, moderator for the conference call. Welcome to ONGC's Q3FY'23 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 ONGC Q3 FY'23 earnings. As a reminder, all participants will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * 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.

Pomila Jaspal

Thank you. Good afternoon, ladies and gentlemen. Just to introduce myself, I'm Pomila Jaspal, Director Finance, ONGC. I welcome you all in this ONGC earnings call for the quarter and nine-months ending FY22-23. Thank you all for joining us on the call. I am joined here by my colleague, Mr. K. C. Ramesh, Chief Accounts and Financial Reporting Services; Mr. Pavan Agarwal, Chief Corporate Planning and Strategy; Mr. Sanjay Bharti from Corporate Accounts section; Mr. Vinod Hallan and Mr. Chandra Shekar from ONGC Videsh Limited, and Mr. Prakash Joshi from Investors Relation and Corporate Budget.

As you know, ONGC has compiled its financial results for the quarter and nine-month ended 31st December 2022, which have been reviewed by the statutory auditors. The financial results have already been released on 14th February, 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 11,045 crores during the third quarter of FY'23 as against INR 8,764 crores during the third quarter of FY22, an increase of INR 2,281 crore, that is 26%.

The profit after tax for nine months FY'23 has increased by INR 7,631 crore, that is 24.3%, that is from a profit after tax of INR 31,446 crores in nine months FY'22 to INR 39,077 crore in 9M FY'23. The increase in net profit during the current quarter and 9M FY'23 is on account of higher sales revenue mainly due to higher crude oil, natural gas and VAP price realizations.

The sales revenue for Q3 FY'23 and 9M FY'23 has increased by INR 10,020 crores, 35.3%, and by INR 43,113 crores that is 57.1% as against the corresponding quarter and nine-months of previous year.

The billing, (net of VAT and CST) for crude during the third quarter of the current fiscal was at \$87.13 per barrel as against \$75.73 per barrel in the same period of last year, that is an increase of \$11.40 per barrel. The exchange rate of rupee versus dollars stood at INR 82.20 vis-à-vis

INR 74.96. Thus, realization of crude in rupee terms stood at INR 7,162 per barrel in Q3 FY'23 vis-à-vis \$5,677 per barrel in Q3 FY'22 which amounted to increase of INR 1,485 per barrel, that is 26.2% in INR terms. Similarly, gross billing for crude during first nine-months of the current fiscal was \$96.99 per barrel as against \$70.26 per barrel in the same period of last year, that is an increase of \$26.73 per barrel. The exchange rate of rupee versus dollar stood at INR 79.77 vis-à-vis INR 74.27. Thus, realization for crude in rupee terms stood at INR 7,737 per barrel in 9M FY'23 vis-à-vis INR 5,218 per barrel in 9M FY'22, which amounted to an increase of INR 2,519, i.e. 48.3 % in INR terms.

The expenditure on statutory levies, (royalty, cess and excise duty) have increased during Q3 FY'23 by INR 4,152 crores, that is 59.4%, and in 9M FY'23 by INR 17,311 crores, that is 90.7%, in comparison with similar period of previous year. This increase in statutory levies is attributable to increase in sale price of crude oil and natural gas and levy of Special Additional Excise Duty by Government of India on production of petroleum crude at a rate revised on every fortnight based on international crude price. This SAED, that is Special Additional Excise Duty, on crude has been levied with effect from 1st July 2022, due to which excise duty has increased by INR 2,938 in Q3 FY'23 and INR 9,390 crore in 9M FY'23.

There is an increase of INR 489 crores, that is 43.7% in exploration costs written off in Q3 FY'23 and INR 2,558 crores, that is 86.2%, in 9M FY'23 versus corresponding Q3 and nine-month period of previous year. This increase in Q3 FY'23 is mainly due to increase in 3D seismic data acquisition activity by INR 951 crores in Western Offshore Basin and Andaman deep water which is offset by INR 462 crores due to decrease in expenditure on unsuccessful well cost that is dry wells charged off. Similarly, the increase in nine month FY'23 is mainly due to increase in 3D seismic data acquisition activity by INR 1,158 crores in Western Offshore Basins and Andaman deep water, an increase by INR 1,400 crores due to company charging of exploratory wells amounting to INR 2,140 crores lying in the fields falling under the contract areas offered under discovered small field rounds i.e three by DGS and awarded to the winning bidders.

The operating expenditure has increased by INR 816 crores, that is 14.9%, from INR 5,459 crores in Q3 FY22 to INR 6,275 crores in Q3 FY'23. The increase is mainly on account of increase in consumption of materials by INR 417 crores mainly at Dahej C2-C3 Plant, INR 352 crores on account of increase in price of spot LNG and foreign exchange rate; transport expense by INR 97 crores, repair and maintenance by INR 60 crores, and transportation of product by INR 64 crores mainly at Mumbai offshore. Similarly, the operating expenditure in 9M FY'23 has also increased by INR 1,653 crores, that is 10.8%, from INR 15,282 crores in 9M FY22 to INR 16,935 crores in 9M FY'23. This increase is mainly on account of increase in consumption of materials, that is INR 334 crores, mainly in RJ-ON-90/1 block by INR 221 crores on account of increase in average polymer prices, repair and maintenance costs of INR 336 crores, transport expenses by INR 224 crores, workover operations by INR 137 crores, water injection by INR 218 crores due to increase in activities, mainly at Western Offshore.

The depreciation, depletion and impairment costs for Q3 FY'23 and 9M FY'23 stood at INR 4,855 crores and INR 11,959 crores as against INR 4,337 crores in Q3 FY22 and INR 12,446 crores during the corresponding period of previous year. This decrease in 9M FY'23 is mainly due to a reversal of impairment by INR 2,129 crores on certain discovered small fields of the company falling under 10 contract areas which were awarded by DGH to the winning bidders, which is offset by increase in depletion expenditure by INR 1,710 crores mainly due to capitalization of development wells and facilities at Western and Eastern offshore.

Well, friends, with this I finish my briefing of the third quarter results for the FY 22-23. We will be very happy to take questions from you. We would request you to restrict your queries on financial results only. And with this, thanking you and thank you very much.

Q&A

Moderator

Thank you, Madam. 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. We will wait for a moment while the question queue assembles. The first question comes from Probal Sen from ICICI securities. Please go ahead.

Probal Sen

Thank you for the opportunity. Good afternoon. My first question was with respect to the KG basin asset. Earlier briefings have indicated that the FPSO, which was a critical piece of equipment, was due to be installed anytime in the next few months or was already in process. So, just wanted to get a sense if that has actually happened, and if so, then, what are the timelines for production start and when can we expect more updates from this.

Pomila Jaspal

Probal, I think the first question which you are referring to, with regard to KG basin. So, let me tell you over here that the FPSO, the Floating Production and Storage Unit, sailed from the Singapore's yard on 21st November, 2022, arrived in Indian waters on 15th December 2022 and sailed away from Kakinada anchorage and arrived at offshore site on 19th December, 2022, and hookup of FTP buoy to FPSO was completed on 27th December, 2022.

Our installation of sea-water intake risers etc. completed on 20th January and further commissioning work is in progress. And with this, I think, most of the activities, so that they are

in line and we are expecting to produce the peak oil of 45,000 bopd in FY'24 and likely peak gas of 11.2 million standard cubic meters per day in FY'25.

Probal Sen

Got it, that is very helpful. The second question, Ma'am, was about with respect to the results this time around, there seems to be an increase quite sharply in both the other operating expenses as well as in raw material consumed. Any specific reason for that, if you can give us any?

Pomila Jaspal

One immediate reply which is come to my mind is that, because our raw material contains the C2-C3 that which gas, LNG, which we are buying for our C2-C3 plant. So, that is coming because now with the international volatility in the crude oil prices, the LNG prices have also gone up. So, we were buying this through PLL and that has also built up this increase in the feedstock prices. And, with regard to the other, you can say operating expenditures, this is mainly because of repair and maintenance of INR 60 crores, then transportation expenditure of INR 97 crores; and mainly this is because of the Mumbai offshore.

And because of the increase in prices, the charter hire of the helicopters, so that has also become costly. Now, the O&M charges, a lot of flying hours, they have been increased because of which the transportation expenses have increased. And the other reasons are of course, that I have already explained to you, the foreign exchange loss is also there. So, that is also adding to the increase in the cost. And our Chief Corporate Accounts is here Mr. Ramesh, if he can add something on this, so, that will further explain the detail.

Ramesh

Yes, good afternoon. Like, Madam has already explained the reason for this in the OpEx. Mainly it is, as far as the nine months period is concerned, as she explained it is in the Western Offshore where we have increased activity in water injection, work over, repair also, we had the this Tauktae cyclone also earlier. So, we are doing certain repairs over there. So, mainly with this plus the exchange loss of about INR 1,066 crores. These are the contributing factors for the increase in the OpEx.

Probal Sen

Got it, Sir, that's very helpful. If I can ask a small follow up in terms of run rate, therefore, on a quarterly basis. Should we then assume this as a new normal of around INR 5/5.5 thousand

crore for this other expense going ahead, given that our activities in offshore will only continue to accelerate?

Ramesh

Your question is with respect to the next financial year, are you saying that YoY this would be or you asking for the coming quarter?

Probal Sen

Yes, I'm saying that going forward for the next few quarters, Sir, is this INR 5,500-plus-crore number?

Ramesh

Okay, that's maybe around 5-10% plus-minus. Normally, in quarter four, we have a little more expenditure. So, it could be in that range, yes.

Probal Sen

Got it. That is very helpful. Thank you so much for your time. I'll come back if I have another question.

Moderator

Thank you, Sir. The next question comes from Varatharajan Sivasankaran from Antique Limited. Please go ahead.

Varatharajan Sivasankaran

Thank you. Good afternoon, Ma'am. Just wanted to check on this, numbers which you gave for KG basins. If you could provide a breakup on the current year and the next year and maybe like can we reach the peak, what is the ramp up schedule?

Pomila Jaspal

So, I think I will hand it over our Mr. Pavan Agarwal. So, he's our Chief Corporate Planning, so, he will explain further on this KG basin.

Pavan Agarwal

Hello, good afternoon. As Madam has already briefed that we are expecting our first oil by May or June 2023, and we will be getting the additional free gas production in May 2024. So, during this financial year 2023, we will be getting an incremental of oil of around 1.9 MMT and the gas to the tune of 2.8 BCM which will mainly be the associated gas coming along with the oil. And this will be further increase to FY25 to 2.2 million of oil and 3.8 million of gas with the commissioning of the CPP package which is expected in the year 2024. So, these are the projections.

Varatharajan Sivasankaran

Thank you, Sir. My second question was on Russia, if you can provide a perspective as to what is the transaction which is happening with regards to Sakhalin, and also the overall scheme of things how it begins with regard to dispatch of volumes, repatriation of profits, as well as production volumes?

Pomila Jaspal

Mr. Varatharajan, Mr. Vinod Hallan is here. He is the Head Finance from our ONGC Videsh Limited, so, he will give you the explanation for this.

Vinod Hallan

Sakhalin was put on force majeure by the operator in April. At that time, the field was producing something around 200 thousand barrels of oil per day. And in stages, the production, actually it came down to zero in September. At that time when the gas production was also stopped. So, there was a decree issued by the Russian Federation on 7th October taking over the operatorship and assigning it to LLC incorporated in Russia. So, that the partner, commercial partners under the PSA were required to apply for shares in the new company.

So, OVL applied on 8th November and our request was approved on 9th November for allocation of 20% shares. So, there were some conditions precedent which OVL is working very hard to resolve the issue. Actually, since there are production conditions precedent to be fulfilled by OVL we are yet to receive our allocation of shares and we are not officially in the project. So, we are not receiving any information on production officially from the operator.

Pomila Jaspal

I hope it does satisfy your answer.

Varatharajan Sivasankaran

Yes, thanks a lot Ma'am. I will come back in the queue.

Moderator

Thank you, Sir. The next question comes from Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika

Yes, good afternoon and congratulations on good numbers. So, my question is regarding FY'24 oil and gas production in general. I mean, you've got that Sagar Samrat also now, installed in Western offshore. So, net of KG 98/2, how are we seeing the production? And also, you said that the LNG prices were up. So, that was another reason for further raw material cost to have gone up. And you mentioned about that Polymer Injection also in the Rajasthan block of Vedanta. So, was there also one of the factors behind the increase in Q3 in particular of raw material costs? These are the two questions.

Pomila Jaspal

In fact, in Q3, the 57% rise in the polymer is on account RJ-ON 90/1.

Sabri Hazarika

Okay. So, these are the two factors, both LNG as well as Polymer, both of them contributed to the raw material costs going on, right?

Pomila Jaspal

And that water injection also.

Sabri Hazarika

Okay, got it. And second is on the overall production for FY'24.

Pomila Jaspal

Overall production?

Sabri Hazarika

Yes. Any other production also which we can look up and some increase in production from say Western offshore and likes.

Pomila Jaspal

Yes. Mr. Pavan Agarwal, he will give you the reply for this.

Pavan Agarwal

If we go by the performance of the financial year 2023, we see this year as a year of consolidation. Thereby we have adjusted the declines what we have been observing for last two or three years. And the next year FY'24 is going to be the year where we will be reaping the gains of our efforts, which have been ongoing for the last two years. So, in this year FY'23 we will be having a 1% increase in the production over FY'22.

That is also after accounting the natural decline which we are facing to 6-7% in a mature field. Now, in FY'24, we expect to have an increase of production by around 4-5% with the coming up of the production from 98/2 oil production and the associated gas. And we've got certain other projects going on in the Western offshore, where we will be expecting another 0.5 MMT of the gains. So, we see increase of production in the next year.

Sabri Hazarika

Sir, 4-5% growth will be basically on an overall basis for FY'24 versus FY'23 including KG 98/2 oil, you are saying, right?

Pavan Agarwal

That's right.

Sabri Hazarika

And, Sir, just one add up. So, your CapEx for nine months, so, as per Government data it is like around INR 19,000 crores. Is it right or is it, standalone basis?

Prakash Joshi

It is basically 22,068 till January.

Pomila Jaspal

So, our CapEx spent has been to the tune of INR 19,153 crores, so that has been till December.

Sabri Hazarika

Okay. And your full year guidance is still 30,000 or it could be lower than this? Now, considering the nine months has been like less than 20,000.

Pomila Jaspal

No. Now, even this month also it has overachieved. It is around 100.2%. So, we expect to achieve the targeted rate, CapEx.

Sabri Hazarika

Okay. And it will be 30,000 going ahead also? So, it won't increase on this.

Pomila Jaspal

I think around 30,000, maybe a little more than 30,000.

Prakash Joshi

Sabri, if you've seen the last quarters basically there is always an increase in expenditure. Looking at the trend for many years we expect to be within the target, that is 29,950 crore.

Sabri Hazarika

Okay, got it. Thank you so much and all the best.

Moderator

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

Kirtan Mehta

Can you check on implementation of the Kirit Parikh recommendation, will you be able to share your discussions with Government thereon and what is the likely timeline on the same?

Pomila Jaspal

See, Mr. Mehta, I think we had already engaged with the Government and I think you are aware about this Kirit committee report also. And, the various formula which they have suggested to the Government. So, which we feel that that is more practical and pragmatic is from our point of view also and for the consumer point of view also. But we are still engaged with the Government only and it is under the consideration of the government that is what we have learned and nothing more we can say on that.

Kirtan Mehta

Is it likely in this financial year itself or is there a possibility of sort of getting spillover in the next?

Pomila Jaspal

I think it should be within this financial year. That is our apprehension because the price which we are presently in that is 8.57 that is applicable till 31st March, 2023. So, from 1st April, again a call has to be taken. So, before that it should be. But then we are not much aware about that. It will not be proper to say anything further at this stage.

Kirtan Mehta

Sure. The second question was about the OVL. In terms of the CapEx, could you be able to sort of elaborate on the CapEx plan for OVL and the production targets for FY'24 for OVL?

Pomila Jaspal

Yes, OVL. I think, again, Mr. Vinod Hallan is there. So, he will be able to give a suitable reply for this.

Vinod Hallan

Yes, regarding the CapEx for FY'23, our budget is INR 2,907 crores, and by December we have used INR 1,970 crores. So, next year we have projected INR 3,339 crores. As regards the production, O+OEG, oil plus gas, for next year it is 9.668 MMT of oil plus oil equivalent gas, it is 9.668 MMTOE.

Pomila Jaspal

9.668 MMTOE.

Kirtan Mehta

Thank you, Sir.

Moderator

Thank you, Sir. The next question comes from Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari

Yes. Thank you, Ma'am, for the call. Just two questions from my end. First was, if you can just give us a bit of an idea around the oil marketing freedom that you had got from October last year? How has been the progress in terms of getting higher realizations on that? Anything around that if you can share that would be great.

Pomila Jaspal

See the marketing freedom has been given to us and the various slots which we have already auctioned in the month of October. So, there were some around 36 slots which were auctioned and we got an average premium of something around 1.79\$. So, that is all. Over brent.

Mayank Maheshwari

Okay. And, Ma'am, when you say 36 slots, can you just give it in million tonnes terms or how much percentage was sold in there, and what's your plan for FY'24 of how much do you think you can be able to sell in the open market like these in FY'24?

Pomila Jaspal

I think as regards the sale quantity is concerned, so, we don't have right now the data.

Prakash Joshi

Yes, Mayank Ji. Actually, this sale, we have initially started. So, as far as selling the entire offshore crude that we would be selling, and onshore crude, basically we are supplying it through our pipelines in the existing process. So, we would be in a position to sell the entire

offshore crude and this figure side, I'll let you know separately, basically it's not handy with us as of now.

Mayank Maheshwari

That's fine. I think I just want to understand, like, will your premium over brent for fiscal 24 versus what you had seen in the last 8-10 years, will that now be a premium or will that discount that you had kind of been getting for so many years, will that continue even in FY24? Give us a broad picture around it if you could help us, will be useful.

Vinod Hallan

See, as of now, there is a premium. Rest, we need to see how the market, what are the market dynamics. So, accordingly, it would be too early to say anything at this point of time.

Mayank Maheshwari

Okay, sure.

Vinod Hallan

Yes, we hope to get a premium naturally considering our crude quality.

Pomila Jaspal

So, that our marketing freedom which has been given by the Government, so it gives in two sense, the value to us. Otherwise, we were selling earlier also. So, we are expecting a premium.

Mayank Maheshwari

Got it. Thank you. My second question was more related to OVL. If you can just give us any color around extension of the Vietnam license and license around Colombia in terms of production updates there in Colombia?

Pomila Jaspal

Okay. Vinod, please?

Vinod Hallan

Could you repeat the first question, please?

Pomila Jaspal

Extension of Vietnam license.

Vinod Hallan

Yes, Vietnam, the current PSC is valid until 18th of May 23. And as the reserves still have the expected life of another say 2.5 years, we are pursuing with the Vietnamese Government to extend, and there is another area also in that block only, acreage only, where a discovery effort was made in the year 2019 for which also the extension has been applied for and we are likely to receive the extension. That is the case of Vietnam. I mean to produce until the economic life of the existing field and also to carry out further explorations. The second is regarding the Colombia, in Colombia the current production levels are around 18,000 barrels of oil per day. And in the next year we are going to take up intensive drilling of around six wells, which is likely to enhance the production from the block.

Mayank Maheshwari

Any targets around what you're targeting for production next year?

Vinod Hallan

The next year it should be around 35,000. We have an exploratory campaign to drill six wells, and hopefully we'll be touching around 35,000 barrels of oil per day.

Mayank Maheshwari

Got it. Thank you.

Moderator

Thank you. The next question comes from S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh

In terms of your ONGC consolidated P&L, there is increase in the share of joint venture and associates. If you can make us understand where this increase has come from? Is it from ONGC Petro additions Ltd? What is the kind of profits owning the Petro Ads has delivered in 3Q?

Pomila Jaspal

If we have seen our consolidated accounts, so, what we see is that mainly in the nine-month case, our profitability has been affected by HPCL only. HPCL, because of you can say, not increasing the RSP. So, all the OMCs, so, they were under loss. So, in this case also we are affected to something around INR 10,589 crores.

S Ramesh

I understand the consolidated earnings segment you have given. I am asking about the share of JVs and Associates in your P&L.

Pomila Jaspal

In case of P&L, we are into the profit of OVL 211Crore, MRPL 742 Crores and another one OPaL in a loss because of this high LNG prices, so, to the tune of INR 1,132 crores. And in regard to OTPCs, we have a profit of INR 77 crores, then IGGL, again a profit, OTBL again a small profit of INR 7 crores, and Dahej SEZ INR 13 crores, and this is before elimination I would say.

S Ramesh

So, this OPaL loss of INR 1,132 crores is for nine months or the third quarter?

Pomila Jaspal

Nine months.

S Ramesh

So, when do you see OPaL turning around [**Inaudible 00:40:04**].

Pomila Jaspal

Actually, next financial year we are hoping that the prices will come down and we will have some kind of a synergy in this regard. And OPaL has already undergone a total major turnaround after operation of four years for overhauling of the major equipment. So, that is why this time also it was shut down for some time and in the first quarter, and then of course increase in their raw material costs also. But next year, we are hoping that it will come out and we will be able to come with the profits

S Ramesh

That is useful. So, in the ONGC P&L if you look at the depletion provisions that have increased. So, can you help us understand why that has happened?

Pomila Jaspal

Because I think a lot of Western offshore projects, so, they have been capitalized, Sagar Samrat, also MOPU, then other Western offshore, the redevelopment project, water injection platform. I think Mr. Ramesh is there, he will be able to give you a suitable reply.

Ramesh

Yes. As far as the increase in depletion is concerned, as Ma'am was saying, we have added a lot of facilities in the Western offshore mainly. There we have the pipeline replacement projects, major pipeline projects are also the main addition to the platform. There is a platform by the name BIS in Mumbai, which we have added during this quarter. And also, the MOPU, Sagar Samrat which has come. So, all these have added to the capital base which has resulted in the increase of depletion.

S Ramesh

And if we move to OVL, there is an increase in JV share, but your core revenue has come down. So, as the Government take increase in any of your OVL property? And secondly, how has the share of JV's increase in OVL result? ONGC Videsh, you have on the one hand, the revenue has dropped. So, I want to understand whether Government take of profits or profit oil has increased. And secondly, what is the reason for the increase in JV share, whereas actually leading to the growth and profit share?

Vinod Hallan

To reply to the second part, there is no change in the entitlements. So, there is no increase in the Government take in any of our projects. And, on the first part, the revenue has come down mainly because of the Sakhalin because after May 22 there are no revenues coming from the Sakhalin project.

S Ramesh

The share of JV and equity accounting entity that has increased in this quarter in OVL. So, where has that come from? Compared to third quarter 22 and third quarter 23.

Vinod Hallan

Yes. So, in the third quarter that has increased because of the joint venture Vankorneft, Vankorneft in Russia.

S Ramesh

Sir, what is the current thinking in the Mozambique Rovuma Area LNG project where OVL and BPCL are involved, when do you think that normal project execution activities will resume, and are we still working on 26% gas, what is the current thinking?

Vinod Hallan

As per the current estimates, there is likely to be a short resumption of activities in the month of April 23. And with this, there is a likelihood that in July 23, there will be another mixed resumption of operations on the ground in case of Mozambique project. And what was 26% you asked?

S Ramesh

So, are you on track in terms of the first gas coming out by 2024?

Vinod Hallan

No. First gas is likely to be in the year 2027.

S Ramesh

2027. But the CapEx cost remains unchanged. Is there any increase in CapEx cost?

Vinod Hallan

As of now, there is no change in the CapEx, but that will be revised once the resumption of activities take place and the contractors are reengaged to look at the situation.

Pomila Jaspal

As on-date there is no increase.

S Ramesh

If I may, just one final question. What is the current status in the KG 98/2 and when do you see the volumes go up, and what are the final fully capitalized project cost there, as of date?

Pomila Jaspal

I think we have already answered. But again our Chief Corporate Planning, so, he will give you a suitable reply.

Pavan Agarwal

I think as explained that we expect the first oil by May 23. And we will have our peak oil production of 45,000 barrels per day during this year. And because it will be coming from May or June 23, so the average production will be around 38,500 barrels for the next financial year. And gas production after the commissioning of the CPP, it's likely to be commissioned by May 24. And we will then have likely peak gas production of around 11 million cubic meter per day.

S Ramesh

What is the total capital cost?

Moderator

Ladies and gentlemen, please stay connected while we connect the management team back on the call. Welcome back, Sir. Please go ahead.

Prakash Joshi

Yes. Can you just confirm where we left last?

S Ramesh

I was asking about the capital cost.

Pavan Agarwal

Against the approved project cost of around INR 34,000 crores or \$5 billion, the actual expenditure till January 2023 has been INR 21,500 crores.

S Ramesh

[Inaudible 00:46:48]

Pavan Agarwal

Our peak production was around 11 million cubic meter per day, we expect in the FY24-25.

S Ramesh

So, what I am asking is, earlier the number was **[Inaudible 00:47:13]** understand that would be around 15 MMSCMD **[Inaudible 00:47:17]**. So, has that main production being revised down or at some point in time will you see this number being raised towards 15 million cubic meter per day?

Pavan Agarwal

I think it was 12 million cubic meter per day. We were earlier anticipating the peak production. The three wells which we are producing already, we are producing around 1.6, again it is a projection of 3 million. So, the 12 million cubic meter per day peak production has been now revised to around 11 million. And once all these wells are put on production then we will be again reviewing the whole thing.

S Ramesh

Okay. Thank you very much and wish you all the best.

Pavan Agarwal

Thank you very much.

Pomila Jaspal

Thank you.

Moderator

Thank you. The next question comes from Hemang Khanna from Nomura. Please go ahead.

Hemang Khanna

I just wanted to get a sense on the overall survey expenses that we saw in this quarter there was a pretty sharp uptake and given the fact that we have a significant expansion plan over the next few years. Could you help us understand if this could be a more sustainable kind run rate for us to build up?

Pomila Jaspal

Mr. Hemang, the thing is that there was certain area which was under the no-go area around 3 lakh square kilometers. So, that has been given out by the Government. Now, Government has given to us and we will be bidding it under the OLP and then we will be going ahead with the exploration which will includes the 3D also survey expenditure also, and that will definitely increase but we expect that around in next three years we will be spending around INR 32,000 crores in exploration. So, if we take into account, now, since we have to carry out the aggressive exploration in this, now the area, which has been given, which was categorized earlier as a no-go area. So, definitely, there will be increase in the survey expenditure also.

Hemang Khanna

Got it, Ma'am. Got it. Thank you so much. That is my only question.

Moderator

Thank you. The next question comes from Amit Singhi, an individual investor. Please go ahead.

Amit Singhi

Hello. Good afternoon, Madam. I want to know what is the amount of revenue from natural gas in Q3 standalone and whether all the natural gas prices are covered under APM mechanism, and if the APM price is reduced to \$6.5, or reduction in natural gas prices how it will impact ONGC?

Pomila Jaspal

We have got a very robust revenue of INR 11,196 crores including JV.

Amit Singhi

Okay.

Pomila Jaspal

So, that is in Q3 of gas. We are talking only of gas. And Q3, from 1st October, the prices were revised to \$8.57 per million BTU. And let's see, let's hope that we get good prices now, from 1st April also. And definitely if there is some reduction in price or it will affect our revenue, but

approximately you can say INR 3,000 crores in PAT or so for \$1 per million BTU reduction or increase, that is per annum.

Amit Singhi

Thank you. Thank you very much.

Moderator

Thank you, Sir. That will be the last question for the day. Now, I hand over the floor to Mrs. Pomila Jaspal, Director of Finance for closing comments. Over to you Madam.

Pomila Jaspal

Thank you all, all the investors. So, this have been very satisfactory, I hope our replies have satisfied your question. And if at all you have some additional questions, so you can let us know through mail to our Investors cell also for that IRC cell. So, they will be able to give you the answers on that. And with this, I'm thankful to all of you for holding, coming on this Investor call, and let's wish best for the future for ONGC. Thank you.

Moderator

Thank you, Madam. 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 everyone.

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