



**“ONGC Q2 FY12 Earnings Conference Call of
Oil and Natural Gas Corporation”**

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SPEAKERS: Mr. S. V. Rao, Director (Exploration), ONGC
Mr. B L Ghasolia, Advisor (Finance), ONGC
Ms. Priti Mathur, ED- Corporate Planning, ONGC
Mr. A K Banerjee, GGM-CCF, ONGC
Mr. P Bhattacharya, DGM - OVL
Mr. L. Nelson, CM(F&A), ONGC
Mr. Basant Pasari, M(F&A), ONGC



Moderator:

Good evening, ladies and gentlemen. I am Varun Puri, the moderator for this call. Thank you for standing by and welcome to the Second Quarter FY12 Earnings conference call of ONGC Limited. For the duration of call, all participants' line will be in a listen-only mode. There will be a brief introduction followed by a question-and-answer session. I would like to now hand over the conference to Mr. B L Ghasolia. Over to you, sir.

B. L. Ghasolia:

Thank you, Varun. Good evening, ladies and gentlemen. I am B L Ghasolia, Advisor (Finance) on the line. On behalf of ONGC, I once again welcome you on this second quarterly conference call. We have our Director (Exploration), Mr. S. V. Rao. We have ED- Corporate Planning, Ms. Priti Mathur. We have Mr. Bhattacharya from OVL, Mr. Nelson and my colleague Basant Pasari from Investor Relations cell. In fact, we were expecting our chairman to be here but he is right now in the press conference because the Board Meeting has just concluded and we hope that as and when he is finished with the press conference, he may also join us.

Before I give the synopsis of financial results for the second quarter, let me make a customary statement because the FPO is not yet over. As all of you are aware that Government of India has decided to divest 5% of ONGC shares from its holding through an FPO which is likely to hit the market in coming months. Therefore, we have been informed by the legal advisors to the FPO that we are under the regulation and strict restriction of the relevant authorities until the FPO is over. As such, we will not be in a position to either make futuristic statements or entertain questions on future plans etc and therefore we would request you to kindly restrict your questions to the extent of our second quarterly results. I hope you will appreciate this position and restrict your questions related to the second quarter results only.

The financial results for the second quarter and half year ended September'11 have been taken on record by ONGC's Board today, i.e. 4th November 2011. The results have been released through a press note and sent to the stock exchanges. This has also been sent to the analysts who are there on our mailing list.

Let me give a synopsis of the results. The company has earned a net profit, i.e. profit after tax of Rs. 8,642 Crore in the second quarter of FY'12 as against Rs. 5,389 Crore during second quarter of FY'11, an increase of Rs. 3,253 Crore amounting to almost 60.4%. The profit after tax for the first half year of



FY'12 is Rs.12,737 Crore as against Rs. 9,050 Crore during the first half of FY'11, an increase of 41%.

The increase in PAT was contributed mainly by higher sales realization of crude by Rs. 4,227 Crore and value added product by Rs. 917 Crore, increase in other income due to increase in interest and dividend by Rs.222 Crore and the decrease in dry well expenses by Rs.1,259 Crore. Increase in PAT was partly offset by decrease in sales realization of gas amounting to Rs.116 Crore; increase in the statutory levies by Rs.809 Crore; increase in the Government of India share of profit petroleum by Rs.590 Crore; increase in Provisions and write-off by Rs.190 Crore; increase in the exchange loss by Rs.350 Crore and higher provision for income tax of Rs. 1,237 Crore.

Our share of subsidies towards under recoveries of oil marketing companies during Q2FY12 stood at Rs. 5,713 Crore as against Rs. 3,019 Crore in Q2 of FY11. The same for the first half of the current fiscal stood at Rs. 17,760 Crore as against Rs. 8,534 Crore for the first half of FY11.

The gross sales revenue for Q2 of FY12 was higher by Rs.4,448 Crore, an increase of 24.4% at Rs.22,687 Crore as against Rs.18,239 Crore in the corresponding quarter of previous year mainly due to positive price variance of crude amounting to Rs.4,392 Crore, value added product amounting to Rs. 730 Crore), positive quantity variance of value added product of Rs. 187 Crore, negative price variance of crude of Rs. 165 Crore, and gas of Rs.141 Crore and finally the increase in the profit petroleum surrendered by Rs.590 Crore.

The gross billing for crude during the second quarter of the current fiscal was at USD 116.94/bbl as against USD 79.21/bbl in the same period of last year, that is an increase of 47.63%. However, after allowing discounts by way of our contribution towards the under recoveries to downstream marketing companies, the net realization for crude oil in this quarter was USD 83.70/bbl as against USD 62.75/bbl in the same period of last year which amounted to an increase of 33.39%. Similarly, the gross billing for the first half of this year stood at USD 119.96/bbl as compared to USD 79.99/bbl for the first half of last fiscal. The net realization after discount for the first half of the current year was USD 66.52/bbl vis-à-vis USD 55.93/bbl in the first half of last year. The increase in net realization in USD was partly offset by strengthening of Indian rupee vis-à-vis USD during the second quarter of FY12. The exchange rate of rupee versus dollar stood at Rs. 45.76 vis-à-vis Rs. 46.50 in the



second quarter of FY11. Thus the post discount realization for crude in rupee terms stood at Rs. 3,830/bbl in Q2 of FY12 vis-à-vis Rs. 2,918 in Q2 of FY11 which amounted to an increase of 31.25% in INR despite decrease in the post discount realization by 33.39% in USD terms. For the first half of fiscal 2012, the net realization was Rs. 3,011/bbl vis-à-vis Rs. 2,569/bbl in the first half of last year.

Interest and dividend income has increased by Rs. 222 Crore in Q2 of FY12 from Rs. 899 Crore to Rs. 1,121 Crore. The increase is mainly due to increase in average rate of interest on investable funds in Q2FY12 to 9.55% as against 6.31% in Q2FY11 and the increase in the interest on SRF which is Site Restoration Fund deposit by Rs. 73 Crore due to increase in the rate of interest from 6% to 9%.

The operating expenses of Q2FY12 had marginally increased by just Rs. 47 Crore to Rs.3,368 Crore from Rs.3,321 Crore mainly on account of the increase in water injection, repairs and maintenance, administrative expenses, transportation of oil and gas, and manpower. Also, there is a marginal increase of Rs. 28 Crore in consumption of material, light and power which is mainly on account of purchase of condensate.

This increase in operating expenses is largely offset by decrease in work-over expenses, idle rig cost, other production expenses, contractual payments, etc. There is a marginal decrease of Rs. 29 Crore in pollution control expenses, transport expenses, insurance, R&D and prior period cost.

DD&A i.e. Depletion, Depreciation and Amortization cost for Q2FY12 stood at Rs.3,278 Crore as against Rs. 4,400 Crore in Q2FY11. There is a decrease of Rs. 1,122 Crore which is amounting to 25.5%. This decrease is mainly because of decrease in dry well cost by Rs. 1,259 Crore, that is from Rs.2,442 Crore in Q2FY11 to Rs. 1,183 Crore in Q2FY12. The depreciation expense has also decreased by Rs.214 Crore in Q2 of FY12 from Rs. 499 Crore to Rs. 285 Crore. This decrease was partly offset by an increase of Rs.279 Crore in depletion expenses mainly because there was an addition to the facility in Mumbai High, an increase of Rs. 57 Crore in survey cost in Q2FY12 as compared to Q2FY11.

From H1FY12 to H1FY11, the total DD&A cost stood at Rs. 7,400 Crore in the current fiscal vis-à-vis Rs.7,514 Crore in the H1 of last fiscal, i.e., a reduction of Rs. 114 Crore.



During Q2FY12, the statutory levies stood at Rs. 4,724 Crore as compared to Rs.3,915 Crore, that is an increase of Rs. 809 Crore – an increase of 20.6%. One of the main reason for increase is royalty paid on crude from Rajasthan block which is Rs. 841 Crore for Q2FY12 comprising of royalty of Rs.252 Crore on ONGC share and royalty of Rs. 589 Crore on other partners' share of crude as compared to the total royalty of Rs.465 Crore paid for Rajasthan block during the corresponding quarter of last year. Further, increased royalty on regular production was paid due to increase in the price of crude. The total royalty payment for crude from Rajasthan block on other partners' share of 70% amounted to Rs. 1,134 Crore for H1FY12.

In terms of physical performance, oil production is almost same at 6.839 million metric tons in the second quarter this fiscal as against 6.846 million metric tons in the corresponding quarter of last fiscal. However, gas production was higher by 2.16% at 6.386 BCM in this quarter versus 6.25 BCM in the same quarter last year.

Well, friends, with this I will finish my briefing on the second quarterly results of fiscal 2011-12 and we will be happy to take questions but again to remind you, as I said in the beginning, please try to confine your questions on the quarterly results only. The team members led by Mr. SV Rao, Director Exploration, and Mrs. Priti Mathur, Executive Director, Corporate Planning will help us in giving answer to your questions. Thank you.

Moderator:

Thank you. We will now begin the questions-and-answer session. Participants, if you wish to ask a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad and wait for your name to be announced. The first question is from Miten Vora from Antique Stock Broking. Miten, your line is unmuted, please go ahead.

Miten Vora:

I have one question. Recently, 7 mmcmd of gas has been allocated from ONGC field. So could you give us a bifurcation in which field and what is the output being allocated?

L. Nelson:

Basically, this is towards allocation of additional gas being produced from the marginal field – like C series, Bandra formation, B-22 Cluster, Vasai East, GS-15 and KG onland. , Based on the commencement of expected production we have



asked the Government to identify the consumer and accordingly the Government has allocated recently. Out of the 7 mmscmd, I was told that around 3 mmscmd is already there in the system. Additional four mmscmd is likely to come in the coming months.

Miten Vora: Sir, out of this four, I think Bandra formation and BS13 are going to add most likely because C series is already producing roughly 1.5 and 2 mmscmd. Out of this 4 mmscmd which is likely to come, major contribution is from which field?

SV Rao: With regard to the other ones, I think BS13 is already on stream. That's an offshore.

Miten Vora: Sir, you are not audible. I'm sorry.

SV Rao: The field is called BS13 in western offshore. It has about 1.75 BCM as the volume. The first well has now been tested and it's producing about 2 lac cubic meters per day.

Miten Vora: Okay. 0.2 mmscmd. Okay.

SV Rao: This is the one which has actually gone onstream already as well as B22. And these two are the ones which are currently onstream. Because of the nature of production insofar as G1 is concerned, there is going to be a net dip as far as this year is concerned.

Miten Vora: Net dip means?

SV Rao: The total expectation of what is likely to produce by the end of the fourth quarter. We might have a slight reduction because of the delay in the G1 going onstream.

Miten Vora: Okay, sir. You mean to say that our overall gas output will come down in the fourth quarter?

SV Rao: Yes. I mean, for the year, not for the quarter. You might have a small dip.

Miten Vora: Despite adding three to four fields into production?

SV Rao: Yes.

Miten Vora: So this means our existing production from matured...



SV Rao:

Primarily because of the fact that we could not bring it on stream. We thought we would definitely be able to do. It has been a slight delay on that front and therefore there is likely to be a small, small decline.

Miten Vora:

And how much G1 was expected to produce?

SV Rao:

About 4.35 bcm of gas over a period of 11 years with peak production of 1.38 mmscmd.

Miten Vora:

This is the KG offshore period.

SV Rao:

The first deep water productions.

Miten Vora:

Okay, sir. Thanks a lot.

Moderator:

Thank you, Miten. The next question is from Neeraj Mansingka. Neeraj, your line is unmuted, please go ahead.

Neeraj Mansingka:

Sir, I'm sorry. I'm actually taking the risk of repeating the same question of earlier. This quarter, you have produced 63.3 mmscmd of gas. If you have to put your number, how you will see the production profile, let's say exiting March 2012 and around September 2012? What would be the range of profile that you will be seeing for the gas production?

SV Rao:

We will see around 23 BCM for the year.

Neeraj Mansingka:

This is 63.01 mmscmd for the year average, right? Effectively, the production for this year wouldn't increase from the current rate is what you are saying.

SV Rao:

Right.

Neeraj Mansingka:

Right. And what about the next year? How are you looking at the profile for the production year ending March 2012-13?

SV Rao:

We would be reaching about 24.8 bcm next year. And this is definitely likely to happen.

Neeraj Mansingka:

24.8 means 4.6 mmscmd of net addition of gas production?

SV Rao:

Yes. It would translate to that.

Neeraj Mansingka:

And this would fully come from the GS15 fields, right?



SV Rao:

Yes, plus the other marginal fields which will be onstream by then – the other ones, the C-Series enhancements and the ones which I have already told you about as the B-22 as well as BS-13 and 12.

Neeraj Mansingka:

And, sir, what about the decline rate? How do you expect the decline rate for the existing production to pan out in the next one-and-a-half years?

SV Rao:

Our IOR/EOR efforts are primarily dedicated only towards trying to arrest this decline. Therefore, we would expect plateauing and continuance of the volumes that we are now doing. This is what we would continue to see till around two years from now. Mr. Ghasolia is glaring at me now because we are making forward statements. I'm now going to put a stop to further talk.

Neeraj Mansingka:

Okay. The second question is on the tax rate. Could you explain me how the tax rate was actually lower for this quarter because it seems to be quite lower than the usual average that ONGC has been doing?

L. Nelson:

Basically we have incurred certain R&D expenditures. During the recent past, some of the R&D projects have been approved by the concerned authorities because of which ONGC is entitled for a higher deduction while computing the taxable income. So, this has resulted in reduction in our tax liabilities in this particular quarter. That's why the effective rate has come down.

Neeraj Mansingka:

And how much would that be approximately?

L. Nelson:

apprx. Rs.133 Crore pertaining to earlier year has been considered in this quarter.

Neeraj Mansingka:

Sir, actually the number looks glaringly high. That's the reason I was asking it because...

L. Nelson:

There was a reversal of Rs.133 Crore.

Neeraj Mansingka:

Okay, there was a tax reversal of Rs.133 Crore as well?

L. Nelson:

No. This is a reversal of provision for Rs.133 Crore on account of higher R&D expenditures disclosed in the current quarter.

Neeraj Mansingka:

But, sir, that still doesn't justify that, because if you do 33% you have a total tax estimate of Rs. 3,900 Crore against PBT.



- Okay sir, I understand, thank you, that's all. Thank you from my side.
- L. Nelson:** Neeraj, the reversal of Rs.133 Crore pertained to the earlier year.
- Neeraj Mansingka:** Okay, I understand.
- L. Nelson:** So, don't link it to be current year's provisions. In addition, the dividend income will not be taxed again.
- Neeraj Mansingka:** I understand. But effectively you are saying that the tax rate for the next two, three quarters will be on a similar higher run rates as in the past?
- L. Nelson:** Yeah, that's right.
- Neeraj Mansingka:** Okay, sir. Thank you.
- Moderator:** Thank you, Neeraj. The next question is from Probal Sen. Probal, your line is unmuted, please go ahead.
- Probal Sen:** Good evening, Sirs. My question is on the lower expenditure that has been incurred on the dry wells. Would this indicate a lower drilling intensity in terms of number of wells drilled or a higher success rate that you've seen for this period?
- SV Rao:** Actually, this is more of a question of how many wells got completed in that quarter. That's about all. So, there is a cyclicity to the whole event. I would expect naturally some increase as we get into the next quarter.
- Probal Sen:** And sir, if I then may ask a follow-up in terms of how many wells have been completed in H1 vis-à-vis, let's say, last year.
- SV Rao:** 55 exploratory wells.
- Probal Sen:** Could there be a breakup between onshore and offshore on these?
- Priti Mathur:** That's 37 on the onland part and there were 11 in the shallow water.
- Probal Sen:** Okay and the balance would be offshore?
- SV Rao:** No. 11 is the shallow water. That's what she said.



Priti Mathur:

Yes, and there is 7 on the deep water part.

SV Rao:

And 7 wells in the deep water.

Probal Sen:

Right. Sir, the second question was regarding the treatment of royalty. From what I understand, you are still accounting for the royalty that you are paying on Cairn's behalf. Once the actual transaction happens, this royalty payment would stop and this will start reflecting in lower profit petroleum. Is my understanding correct?

L Nelson:

No, Probal. As per the Production Sharing Contract, the liability for paying royalty still rests with ONGC only. So, ONGC will be paying the royalty. The only thing is that by way of cost recovery, we will be getting back the royalty paid by higher revenue which means more than 30%. So, our revenue from the project will be 30% plus royalty.

Probal Sen:

So, that has been reflected in this quarter's numbers, correct?

L. Nelson:

No. ONGC Board has given a conditional approval for the settlement of disputes before giving NOC to Cairn. So, that condition is yet to be fulfilled and an agreement between ONGC, Cairn and Vedanta to be entered. So, that is yet to happen.

Probal Sen:

Okay, sir. So, the reciprocal effect as far as let's say the impact of this being allowed to be recovered as cost will then reflect once all the final agreements have been signed?

L. Nelson:

Yes, that's right.

Probal Sen:

Okay, fair enough. Thank you very much for your time, sir.

Moderator:

Thank you, Probal. Participants, I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad and wait for your name to be announced. Thank you. The next question is from Harshad Borawake. Harshad, your line is unmuted, please go ahead.

Harshad:

First of all, congratulations on a very good set of numbers. I have a few questions. One is on the number of wells which you plan to drill in the second half, if you can give the breakup between the onshore and offshore and deep water as well. Second one is on the Cairn Royalty, if you can give what would



the one-time impact which you would be accounting in the next quarter pre-tax, post-tax; and also on a quarterly basis what is the benefit in terms of lower royalty payment. Thank you.

B L Ghasolia:

We have already mentioned the royalty number. Last year's numbers are already available with you. The fact that the impact of the cost recovery of royalty is not yet given because that is subject to fulfillment of certain conditions which are under way. Once those conditions are fulfilled, effect of the same will be appearing in our financial results maybe next quarter or next to next quarter. As far as your first question regarding number of wells to be drilled in the second half, Mr. Rao is giving you the answer.

SV Rao:

With regard to the deep water, we are expecting to complete about 10 wells by March and the shallow water would be about 22. And as far as the onland is concerned, we should be having somewhere in the range of 79 wells to be completed by that period.

Harshad:

Okay. Sir, just on the royalty thing, is it fair to assume like Cairn India has reported numbers and they have given the one-time impact on the financials? So, we should take that number itself?

SV Rao:

We cannot comment anything on that.

Harshad:

Okay fine. And lastly, sir, revenue entitlement would be more than 30%. Sir, can you give the ballpark number what could be like... would be like 40% or 50%?

L Nelson:

It will vary on a quarter-to-quarter basis, Harshad. See, basically we will be paying the royalty and we will be giving the evidence to the operator to include it in the cost recovery statement. Based on that, they will allocate the revenues from the sale proceeds.

Harshad:

Okay. So, by when do you expect to get this clarity on the royalty number?

L Nelson:

Royalty number, basically the management is in talk with Cairn. Documents are being exchanged and then there are legal issues. They are examining the data.

Harshad:

So, maybe on one month's time, it's fair?

L Nelson:

See, things are on. So, very difficult to put a timeframe for this.



- Harshad:** Okay, fine. Thank you, sir.
- Moderator:** Thank you Harshad. The next question is from Neeraj Mansingka. Neeraj, your line is unmuted, please go ahead.
- Neeraj Mansingka:** Can I get an update on the status of C2, C3 project and by when you expect it to start the same?
- B L Ghasolia:** Neeraj, you have frightened all of us. I mean, none of us are having that information right now with us.
- Neeraj Mansingka:** Okay, sir.
- B L Ghasolia:** In fact, we should have called the concerned person.
- Neeraj Mansingka:** No issues, sir.
- Priti Mathur:** I think there are many issues currently which are on the anvil. Very difficult to say... fix date on it right now. What we'll do is we'll send you an update on it by mail.
- Neeraj Mansingka:** Okay, ma'am. Thank you.
- Moderator:** Thank you, Neeraj. The next question is from Mithen Lathia. Mithen, your line is unmuted, please go ahead.
- Mithen lathia:** Good evening, sir. When we report gross realization separately, we do not include the JV output in that calculation, is that right?
- B L Ghasolia:** You are right. JV is separate. There is no question of any discount or subsidy on JV realization.
- Mithen lathia:** Okay. Sir, if you could help us understand...
- B L Ghasolia:** Only from the nominated blocks. Mithen, you understand that?
- Mithen lathia:** Yeah. Sir, on the nomination blocks, currently where our basket of production is, what should be a realistic premium or discount to Bony Light that we can work with?
- L Nelson:** It's very difficult to put a ballpark figure for the premium because the crude sold to each refinery will have different premiums. This is due to the variable components like transportation charges, Customs Duty, Sales Tax etc which will be added to the basic price adjusted for GPW and will vary



depending upon to whom the crude are sold. So, even Bombay High crude sold to HPCL, Mumbai and HPCL, Vizag will have different premiums. Similarly for the crude sold in western regions some discounts are given because of sulphur content. So, it's very difficult to put, but overall maybe you have to calculate from the figures which we have given that how much is the average premium realised.

- Mithen lathia:** But is it right to say that almost all or maybe 90% of our output may be benchmarked to Bonny Light or that is not a correct assumption?
- L Nelson:** All the crude, except for north east, are benchmarked to the Nigerian Bonny Light only.
- Mithen lathia:** Okay. Thank you very much, sir. Thank you.
- Moderator:** Thank you, Mitain. The next question is from Rohit Ahuja. Rohit, your line is unmuted. Please go ahead.
- Rohit Ahuja:** Good evening. Sir, just want some update on OVL. Can you just explain us what's the current production at Imperial and Sakhalin-I.
- P Bhattacharya:** Hello. Imperial and what else?
- Rohit Ahuja:** Sakhalin-I.
- P Bhattacharya:** Current production in Imperial is around 15,400 barrels per day.
- Rohit Ahuja:** Right. And it seems it's fallen from 19,000.
- P Bhattacharya:** No, it never reached 19,000. It reached 18,000.
- Rohit Ahuja:** Right. Sir, any particular reason for this fall or do we see this jumping back soon to 18,000?
- P Bhattacharya:** Depends on focus for jumping back to 18,000. But due to tight reservoir conditions, it is falling.
- Rohit Ahuja:** And, sir, about Russia? What's the production in Sakhalin-I?
- P Bhattacharya:** Sakhalin production is around 158,000 barrels per day.
- Rohit Ahuja:** Okay, thank you.



- Moderator:** Thank you, Rohit. The next question is from Probal Sen. Probal, your line is unmuted, please go ahead.
- Probal Sen:** Thank you. Sorry to ask a follow-up. I just wanted to understand there is a big jump that we see in terms of other income and dividend income. Just wanted to understand, sir, if you can just give slight more details of where this dividend income has come from.
- L Nelson:** Dividend income has come from the the dividend declared by IOC, GAIL and Petronet LNG. Interest income has also gone up due to higher interest rate compared to year-on-year.
- Probal Sen:** Okay.
- L Nelson:** Regularly these three companies declare dividend in the second quarter.
- Probal Sen:** Okay, fair enough. Thank you very much.
- Moderator:** Thank you, Probal. Participants, I repeat, if you have a question please press “0” “1” on your telephone keypad and wait for your name to be announced. I repeat, if you have a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. The next question is from Rohit Nagraj. Rohit, your line is unmuted, please go ahead.
- Rohit Nagraj:** Sir, just one question. What is the royalty that ONGC has paid on Cairn share till date? First half, you’ve already given the number, Rs.1,135 Crore. I want till date since the beginning of the production.
- L Nelson:** We have paid Rs.2,508 Crore till the second quarter of FY12 on behalf of operators’ share.
- Rohit Nagraj:** Okay. That's all. Thanks.
- Moderator:** Thank you, Rohit. The next question is from Vidyadhar. Your line is unmuted, please go ahead.
- Vidyadhar:** Good evening. A couple of questions. One is, in case of Rajasthan production and the profit from the Rajasthan field, don’t you enjoy a tax holiday there in the sense that would it be completely tax free given that there is a tax holiday on oil with no disputes, plus given that you pay a maximum marginal tax on your other business? Wouldn’t it be tax free? That's one. The second question is, any update on the KG, the quarter



block where you have discovered, you're planning to start production in about 5-6 years time, KG-DWN-98 2. Any update on that?

L Nelson: Regarding the tax provision on the profitability on the Rajasthan projects, for the accounting purpose we didn't consider the benefit under Section 80IB of the Income Tax Act. However, at the time of filing return, we will be making a claim. There are certain issues with the tax department about accepting the claim under section 80IB. As and when we could be able to succeed then probably we would like to consider in the books.

Vidyadhar: So, will you account maximum marginal tax rate on the Rajasthan profit or will you account MAT?

L Nelson: We will be accounting the profit from Rajasthan JV as the normal profit only because in any case our profits are more than the MAT's

Vidyadhar: Okay. So, like any other profit from your other fields, you will be taxed for the Rajasthan profit?

L Nelson: Yes.

Vidyadhar: And then try to claim a tax benefit at the income tax level. And, so, you will take the benefit only if the income tax authority will give it to you, is it?

L Nelson: Yes, right.

Vidyadhar: So, that will be a few years from now?

L Nelson: We can't say. We understand the matter is under litigation by certain other assesseees and whatever is the final decision, hopefully that will also apply to all the E&P operators.

Vidyadhar: But what is the dispute? Because the dispute I thought was regarding only gas, no dispute relating to oil?

L Nelson: The dispute was well-wise or field wise. Earlier we were considering the undertaking as an individual well, now with the retrospective amendment this has to be considered field wise. So, that's the only thing.

Vidyadhar: Okay.



- L Nelson:** Basically we have already lodged our claims under section 80IB for nominated blocks at the time of filing the returns. So, any refunds or issues, we have to fight it out and then we will see what action to be taken.
- Vidyadhar:** It has been taking another tax holiday and paying only MAT to the best of my knowledge.
- L Nelson:** No. In fact, in nominated blocks the Tax Department has disallowed our claims.
- Vidyadhar:** Disallowed your claim?
- L Nelson:** Yes.
- Vidyadhar:** So, for the same field, there are different set of rules for Cairn and for you, is it?
- L Nelson:** RJ Blocks is a separate field under a separate Production Sharing Contract. In other cases, it's a nominated block. There was no production sharing contract whereas here it is a separate and other partner is involved.
- Vidyadhar:** So, do you think you have a better chance here?
- L. Nelson:** It is a question like, suppose it is allowed for the other partner, then we have a better chance.
- Vidyadhar:** Yeah, so, basically then I think... so, your chance in case of Rajasthan is better than in other fields?
- L Nelson:** Yes, that's right.
- Vidyadhar:** Okay, thanks. And on the KG-DWN-98 2, any update on that?
- S V Rao:** It's still under discussion. That's about all that I have been told today.
- Vidyadhar:** Okay, in terms of the FDP part?
- S V Rao:** The DOC is still awaiting approval.
- Vidyadhar:** Declaration of Commerciality, okay. Have you drilled any wells in the block this year or any plans to drill more wells?
- S V Rao:** All being discussed right now. So, probably couldn't tell you much today.



- Vidyadhar:** Okay, thanks.
- Moderator:** Thank you, Vidyadhar. The next question is from Ballabh Modani. Ballabh, your line is unmuted, please go ahead.
- Ballabh Modani:** Good evening, sir. Just a small question on CapEx guidance for FY13 and FY12?
- B L Ghasolia:** CapEx for which year? FY12 or FY13, Ballabh?
- Ballabh Modani:** Both, sir.
- Mrs Priti Mathur:** Well, CapEx estimate for the current fiscal, Ballabh, is Rs.31,317 Crore and next fiscal close to about Rs.33,000 Crore.
- Ballabh Modani:** Okay, fine. Fair enough. Thanks, sir. And sir, just the other question is about Tripura power plant, what's the status of that, sir?
- S V Rao:** The first unit is likely to be commissioned in the first quarter.
- Ballabh Modani:** First quarter of FY13?
- S V Rao:** First quarter of Calendar Year 2012.
- Ballabh Modani:** Okay.
- S V Rao:** Somewhere in the month of February-March.
- Ballabh Modani:** Okay.
- S V Rao:** The second unit, maybe after three months of that.
- Ballabh Modani:** Okay. Thank you very much.
- Moderator:** Thank you, Ballabh. The next question is from Kiran Kumar. Kiran, your line is unmuted, please go ahead.
- Kiran Kumar:** Congratulations on the results. My few questions are, what is the likely subsidy burden for financial year 2012 expected? And the second question is, what is the production expected from overseas, particularly from Imperial assets and Sakhalin for 2012?
- B L Ghasolia:** We have no answer to your first question. We can only share the actual number which I have already spoken in the



beginning. And what is going to be the ultimate number for the year is not known to us. And you know the position very well. As far as your second question about production from overseas is concerned, my friend will answer. You are asking production from overseas for the current fiscal?

- Kiran Kumar:** Yes, sir.
- P Bhattacharya:** It is around 9 mm toe.
- Kiran Kumar:** Thank you, sir. Thank you very much.
- Moderator:** Thank you, Kiran. The next question is from Prayesh Jain. Prayesh, your line is unmuted, please go ahead.
- Prayesh Jain:** Good evening, sir. What is the outcome for OVL in FY13 and we see the production number for H1 is almost flat. So, what's the outlook in terms of FY12 and FY13, both?
- P Bhattacharya:** For FY12, he has already given the number. FY13, not yet finalized.
- Prayesh Jain:** Okay. And, sir, what's the reason for production at Syria declining?
- P Bhattacharya:** Due to European economy sanction. It has reduced to around 70,000 barrels per day from 86,000.
- Prayesh Jain:** So, it's basically a natural decline?
- P Bhattacharya:** No, due to sanction.
- Prayesh Jain:** Alright. Thanks a lot.
- Moderator:** Thank you, Prayesh. The next question is from Mithen lathia. Mithen, your line is unmuted, please go ahead.
- Mithen lathia:** Again, sir. On Sakhalin, last full year output was about 1.5 million tons and a bulk of it came in second half. Will that repeat in FY12 or there was production which has been corrected since then?
- P Bhattacharya:** Average production will be around 158,000 BOPD and this production will be maintained, we are expecting.
- Mithen lathia:** So, FY12 average will be about 158,000?



- P Bhattacharya:** Around 158,000.
- Mithen lathia:** Okay, sir. Thank you very much.
- Moderator:** Thank you, Mithen. Participants, I repeat, if you have a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. We are waiting for the questions to be asked. Participants, I repeat, if you have a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. The next question is from Rohit Ahuja. Rohit, your line is unmuted, please go ahead.
- Rohit Ahuja:** Sir, any update on Carabobo project in Venezuela?
- P Bhattacharya:** Under development.
- Rohit Ahuja:** Sir, when do we expect the first marginal production from there?
- P Bhattacharya:** February 2013.
- Rohit Ahuja:** Okay. And the CapEx will be completed till what date?
- P Bhattacharya:** That is a very big project regarding... you are talking about the upgrader to be put in place. It will take some time, maybe four, five years.
- Rohit Ahuja:** Okay, sir. For FY 2013, what is the production number, if you can share with us?
- P Bhattacharya:** 12,000 BOPD by around February-March 2013.
- Rohit Ahuja:** Okay. Thank you.
- Moderator:** Thank you, Rohit. The next question is from Avadhoot Sabnis. Avadhoot, your line is unmuted, please go ahead.
- Avadhoot Sabnis:** All my questions are based on the Rajasthan field. Could you share what is the contribution from Rajasthan towards the crude oil production and crude oil sales volume?
- B L Ghasolia:** Avadhoot, Nelson is looking into papers. You have any other question? He is looking into your numbers.
- Avadhoot Sabnis:** If I've got it right...



- L Nelson:** Avadhoot, during the first six months, from the Rajasthan project, our share of production is 959,078 MT and there's a 41,114 TM3 of Gas Production.
- Avadhoot Sabnis:** And sales volumes for the first half?
- L Nelson:** ONGC's share of Sales volumes was 911,805 MT.
- Avadhoot Sabnis:** Okay. And if I've got it right, the royalty payment in the first half is Rs. 1,385 crore?
- L Nelson:** No, the other partner's share of royalty payment for Rajasthan for the first half of FY12 was Rs.1,134 Crore.
- Avadhoot Sabnis:** In the first half?
- L Nelson:** First half, yes.
- Avadhoot Sabnis:** Okay. Again, can you specifically say that if you had gone ahead and used royalty cost recoverability, what would have been the higher profitability, what is the pre-tax profit in this result?
- L Nelson:** Avadhoot, it's very difficult to put a number because it has an impact on the profit petroleum surrender to Government. See, we have already accounted the profit petroleum for this particular project and hence there will also be an adjustment to be made which will have an impact on the profit.
- Avadhoot Sabnis:** Would it be possible to share what is the revenue from this block that you have accounted in the current quarter?
- L Nelson:** See, revenue for the current quarter and half year from Joint Ventures were already shared. The revenue during the first six months of the current fiscal from the crude sale from Rajasthan was Rs.3,064 Crore.
- Avadhoot Sabnis:** Okay. Thank you.
- Moderator:** Thank you, Avadhoot. The next question is from Sujit Lodha. Sujit, your line is unmuted, please go ahead.
- Sujit Lodha:** Good afternoon, sir. This is Arindam from Asia Market Securities. I have a couple of questions. One is regarding the BC-10 block. We see that the production has come down y-o-y, any specific reason for that? And is the ramp up going to be on schedule going ahead from here? The same question is



regarding the depreciation, any specific reason why the depreciation has been lower this particular quarter compared to, say, Q1?

B L Ghasolia: You are mixing two questions. The first question is BC-10 Brazil, am I right? And the depreciation you are asking about ONGC or OVL?

Arindam: It's ONGC consolidated.

P Bhattacharya: BC-10 problem is very temporary. Within 10-12 days, it will be solved. The production has come down to around 33-34,000 BOPD from 62,000.

Arindam: Okay. We can see a ramp up from here on?

P Bhattacharya: Around 61-62,000 bopd.

Arindam: Okay. And regarding the depreciation?

B L Ghasolia: Regarding depreciation, you see why it is less this quarter as opposed to the same quarter of last year, because Rs.160 Crore on account of pipeline which was capitalized last year was fully depreciated as per our policy. So, to that extent, the depreciation is less. Plus, previous year there was non-operated block, and also there was a decrease in depreciation at Mehsana by about Rs.25 Crore and Mumbai by about Rs. 25 Crore, charging 100% depreciation on some pipelines in the last year. So, it is mainly because of the capitalization of pipeline last year as against no capitalization of pipelines in this quarter.

Arindam: Okay. That means going ahead we can see similar kind of depreciation charges?

B L Ghasolia: It depends on our CapEx plan. If we have any pipeline getting capitalized in the next quarter, obviously we'll have to charge off as and when we capitalize.

Arindam: Okay. That's about it from me. Thanks.

Moderator: Thank you, Sujit. The next question is from Ballabh Modani. Vallabh, your line is unmuted.

Ballabh Modani: Just one question. About that new field, that BS-13, just wanted to understand that are you getting the same price of \$5.25 per MMBTU which you are getting for the C-Series field for this? And what will be the pricing for your G1 field in KG Basin?



- L. Nelson:** For the gas production from BS-13, we will be getting \$5.25/mmbtu only as per the order of Government of India, and gas sales in the east coast – offshore KG Basin, we will be getting \$4.75 per mmbtu.
- Ballabh Modani:** Okay. Thank you. And about the Tripura power project, is there a commitment for certain years as far as gas price?
- L. Nelson:** Gas price for the Tripura Power Project has been fixed in rupee terms with escalation at 4% every year..
- Ballabh Modani:** Okay. So, what's the initial price going to be there?
- S V Rao:** See, I don't have exact number with me. As of now, their price should be close to \$3.3 per mmbtu.
- Ballabh Modani:** Okay, fine. Thanks a lot.
- Moderator:** Thank you, Ballabh. The next question is from Yogesh Patil. Yogesh, your line is unmuted, please go ahead.
- Yogesh Patil:** Good evening, sir. My question is related to FPO. In the start of this discussion, you said about that FPO it will be launched in market. So, are you in a discussion with the government, with the specific subsidy sharing formula before this FPO. So, can we get any idea about how much will be the net price realization in the next quarter? Can you share this with us?
- B L Ghasolia:** Well, realization, as you know, depends on what is the amount of subsidy we are asked to give to the marketing companies and this is known to us only after the end of the quarter. And going forward, you asked, what could be the realization in third quarter, fourth quarter. Obviously, we do not know about it.
- Yogesh Patil:** No, sir. I was just asking about, are you in a negotiation with the government, with the specific subsidy sharing formula.
- B L Ghasolia:** See, there cannot be any negotiation with government, we keep on writing to the government or discussing with the government that we need only transparency in the system of sharing of under recovery with marketing companies.
- Yogesh Patil:** Thank you, sir.
- Moderator:** Thank you, Yogesh. Participants, if you have a question, please press "0" "1" on your telephone keypad and wait for your name



to be announced. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad and wait for your name to be announced. The next question is from Rakesh Sethia. Rakesh, your line is unmuted, please go ahead.

- Rakesh Sethia:** Thank you, sir. I just have one question. If you could provide an update on the A-1, A-3 project in Myanmar and when do you expect first commercial gas production to start from this field?
- P Bhattacharya:** This is in the development stage and first production we are expecting in May 2013, around 5.6 mmscmd.
- Rakesh Sethia:** And sir, what is the peak of that production you see from this field?
- P Bhattacharya:** After one year.
- Rakesh Sethia:** Thank you, sir.
- Moderator:** Thank you, Rakesh. The next question is from Abhishek Dutta. Abhishek, your line is unmuted, please go ahead.
- Abhishek Dutta:** Sir, I just missed that part. Why dry well write-off amount quite low during the quarter?
- S V Rao:** As I have already explained in the beginning that this is depending upon the wells which have been completed and for which the result is known, the wells which are still under drilling not tested for which the results are not known, we have not given accounting treatment. There may be certain amount of wells which are still under drilling for which the result will be known in due course of time. As and when the result of the well is known whether it is a producer, discovery or it is a dry well, accordingly the accounting treatment is given.
- Abhishek Dutta:** Okay, sir. Thank you.
- Moderator:** Thank you, Abhishek. The next question is from Miten Vora. Miten, your line is unmuted, please go ahead.
- Miten Vora:** Sir, could you give us details 1H financials of OVL, that how much profit – I think you were sharing it earlier on the half yearly basis.



- B L Ghasolia:** OVL is not yet ready with their financial results for the first half. As and when they are ready and as and when their management decides to disclose, you will get to know about it.
- Miten Vora:** Okay. That's all. Thanks a lot.
- Moderator:** Thank you, Mitin. The next question is from Tarun Lakhotia. Tarun, your line is unmuted, please go ahead.
- Tarun Lakhotia:** Sir, what is the reason for decline in production from your Vietnam block?
- P Bhattacharya:** Vietnam block, there is no decline in production. Basically, it is demand-based.
- Tarun Lakhotia:** Okay. So there's a demand-supply issue.
- P Bhattacharya:** Well, I think that now winter season is coming. Due to rainy season the demand for gas fell because water power is cheaper.
- Tarun Lakhotia:** Because Y-o-Y, if I see, at least the sales have declined by 21%.
- P Bhattacharya:** It's a temporary phenomenon. I think, it will go up.
- Tarun Lakhotia:** Okay, thank you.
- Moderator:** Thank you, Tarun. At this time, there are no further questions from the participants. I would like to hand the floor back to the speakers for final remarks. Thank you.
- B L Ghasolia:** Okay, Varun, thank you very much. We thank all the participants who are hooked to this call. I along with my Director (Exploration) - Mr. SV Rao; Mr. AK Banerjee, Head of Finance; Mrs. Priti Mathur; Mr. Nelson; Mr. Bhattacharya; Mr. Basant, say goodbye to all of you and thank you very much.
- Moderator:** Thank you. Participants, with this we conclude the conference call for today. Thank you for your participation and have a pleasant evening ahead. You may all disconnect now. Thank you.
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