



## “ONGC Q1 FY12 Earnings Conference Call”

**July 29, 2011**



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**Moderator** Ladies and gentlemen good day and welcome to the Q1 FY12 Earnings Conference Call of ONGC Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. B.L. Ghasolia, Advisor Finance, ONGC. Thank you and over to you sir.

**B.L. Ghasolia** Good afternoon friends, I am B.L. Ghasolia. Welcome to the first quarter conference call for FY12. We have with us Director (Finance), Mr. D. K. Sarraf and Director (Exploration), Mr. S.V. Rao. Also we have Ms. Priti Mathur, Executive Director - Corporate Planning, Mr. R. Vijayarangan, Group General Manager -Corporate Planning, Mr. Nelson, CM (F&A) - Investor relation from ONGC, Mr. P. Bhattacharya and Mr. Subhash Kumar from OVL. First of all Director (Finance) would like to give a brief about the quarterly results which were declared yesterday and thereafter the floor will be open to all of you for Q&A. I am now handing over to Mr. D.K. Sarraf, Director Finance. Over to you sir.

**D.K. Sarraf** Thank you Mr. Ghasolia. Good afternoon ladies and gentlemen. I am D.K. Sarraf, Director (Finance), ONGC and on behalf of ONGC, I once again welcome you all in this ONGC's earnings call for Q1 FY12. I am joined by Mr. S.V. Rao, Director (Exploration) and other colleagues as mentioned by Mr. Ghasolia. Before I give you a synopsis of the financial results for the Q1 of this fiscal, let me make a statement.

All of you are aware that Government of India has decided to divest 5% ONGC shares from its holding through an FPO which is likely to hit the market in the coming months. Therefore, we have been informed by the legal advisors to the FPO that we are under the regulations and strict restrictions until the FPO is over. As such we are not in a position to either make futuristic statements or entertain questions on future plans etc. and therefore, we would be restricting ourselves more on the results for the quarter ended 30<sup>th</sup> June 2011. I would also request you to appreciate this position and restrict your questions relating to the 1<sup>st</sup> Quarter results only.

Financial results of the Q1 fiscal 2012 have been taken on record by ONGC's Board of Directors yesterday i.e. 28<sup>th</sup> July 2011. The results have been published today in the

leading newspapers and the performance detail for the 1st Quarter is already uploaded on our corporate site [www.ongcindia.com](http://www.ongcindia.com).

The company has earned net profit after tax (PAT) of ₹ 4,095 Crore during this quarter as against ₹ 3,661 Crore during the corresponding quarter of the fiscal 2011, an increase of ₹ 434 Crore which amounts to an increase of 12%. Increase in PAT was contributed mainly by higher sales realization of crude, gas and VAP which amounts together to ₹ 2,709 Crore and increase in Other Income due to increase in the interest and dividend income which amounts to ₹ 319 Crore. This increase in PAT was partly offset by increase in statutory levies amounting to ₹ 888 Crore, increase in dry well expenses of about ₹ 1,002 Crore, increase in operating expenses by ₹ 468 Crore and higher provision for income tax amounting to ₹ 152 Crore.

ONGC's share of subsidies towards under recovery of oil marketing companies during Q1 FY12 stood at ₹ 12,046 Crore as against ₹ 5,515 Crore in the Q1 FY11. This has adversely impacted our PAT by ₹ 6,878 Crore. The gross sales revenue for Q1 FY12 was higher by ₹ 2,558 Crore about 18.7% at ₹ 16,268 Crore as against ₹ 13,710 Crore in the corresponding quarter of the previous year mainly due to positive price variance of crude ₹ 751 Crore, gas ₹ 955 Crore and value added products ₹ 537 Crore. Positive quantity variance of crude ₹ 947 Crore and negative quantity variance of gas ₹ 165 Crore and also value added products by ₹ 316 Crore.

Gross billing for crude during Q1 FY12 was US\$121.29 per barrel as against \$80.80 per barrel in the same period of last year, an increase of **50.11%**. However, after allowing discount by way of contribution to the under recoveries to downstream oil marketing companies, the net realization for crude oil in this quarter was only \$48.76 per barrel as against \$48.04 per barrel in the same period last year, an increase of 1.5%. This increase in the net realization in US Dollar was partly offset by strengthening of Indian Rupee vis-à-vis Dollar in Q1 FY12. That exchange rate of Rupee-Dollar stood at ₹ 44.74 to a **Dollar** vis-à-vis ₹ 45.67 in the 1<sup>st</sup> Quarter of 2011 a variation of about 1.5%. Thus the post discount price realization for crude in rupee terms stood at ₹ 2,181 per barrel in Q1 FY12 versus ₹ 2,194 in Q1 FY11 which is at same level despite increase in post discount realization of 1.5% in Dollar terms.

Interest and dividend income has increased by ₹ 365 Crore in Q1 FY12 from ₹ 565 Crore to ₹ 930 Crore, and increase is mainly due to increase in average rate of interest on investible funds during the current quarter to almost 9% as against 6.14% in Q1

FY11 and increase in interest on SRF which is site restoration fund deposit by ₹ 72 Crore due to increase in rate of interest from 6% to 9%.

The operating expenses in Q1 FY12 has increased by ₹ 414 Crore to ₹ 3,190 Crore from ₹ 2,776 Crore mainly on account of increase in work over by ₹ 92 Crore, **administrative** expenses by ₹ 121 Crore, Dry dock expenses by ₹53 Crore, R&D expenses by ₹ 39 Crore, transport expenses by ₹ 37 Crore. This increase is largely off-set by decrease in repairs and maintenance expenses by ₹ 44 Crore.

DD&A cost for Q1 FY12 stood at ₹ 4,122 Crore as against ₹ 3,113 Crore in Q1 FY11, an increase of 32.4%. There is an increase of ₹ 148 Crore in depletion expense and increase of 29 ₹ Crore in depreciation. **Dry well** costs have increased significantly by ₹ 1,002 Crore from ₹ 877 Crore to ₹ 1,879 Crore mainly on account of exploratory activities in ultra deep area. Survey expenses, however, has decreased by ₹ 166 Crore from ₹ 593 Crore in Q1 FY11 to ₹ 427 Crore. We have Director Exploration with us who would be taking questions on this and dwell this development in more details.

In Q1 FY12 the statutory levies stood at ₹ 3,800 Crore as compared to ₹ 2,912 Crore, an increase of Rs.888 Crore. One of the main reasons of increase in royalty paid on crude was payment for Rajasthan block which was ₹ 606 Crore comprising of ₹ 182 Crore on ONGC crude and ₹ 424 Crore on JV partner share. Further increased royalty on gas amounting ₹ 89 Crore was mainly due to upward revision of gas price with effect from June 2010. Cess has also increased by ₹ 92 Crore from ₹ 1,315 Crore to ₹ 1,406 Crore. This was mainly due to increased production from the Rajasthan block. Increase in **cess** amounting to ₹70 Crore was on account of Rajasthan block. In terms of physical performance, there is an increase of 2.29% in oil production at 6.758 **MMT** in the first quarter this fiscal as against 6.607 MMT in the corresponding quarter in the last fiscal because of increase in production from Rajasthan block. However, gas productions were lower by 3.93% at 6.162 BCM in this quarter versus 6.414 BCM in the same quarter last year.

With this, I finish my briefing of the first quarter results of fiscal 2011-12 and now we would be happy to take questions from you. Our team members and Mr. Rao, Director Exploration and I would try to answer all your questions. Thank you.

**Moderator**

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, may press \* and then 1 on their touchtone telephone. Participants are requested to use only handsets while asking a question. Anyone who



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has a question at this time may press \* and then 1. The first question is from Yogesh Patil from KR Choksey, please go ahead.

**Yogesh Patil**

I have a few set of questions regarding royalty on the Rajasthan block. Sir if the royalty on Rajasthan block becomes cost recoverable, then can we expect any cash flow or refund of payment as a royalty made on behalf of Cairn India by ONGC from the sales of oil production from Rajasthan block.

**D. K. Sarraf**

Yes. As per ONGC stand, we pay royalty on entire production of crude oil from Rajasthan blocks though our participating interest in block is 30% only. Full amount of royalty which we are paying for the block, we are expensing in P&L. However we believe that royalty is cost recoverable. First of all, so far as the **numbers** are concerned, let me tell you that for Rajasthan block during the current quarter we paid for our share of crude amounting to ₹ 234 Crore and on the Cairn's share of production ₹ 546 Crore. The entire amount of royalty has been debited to the profit and loss account. In case the royalty is finally held to be cost recoverable which we believe that it would be held very soon, then this entire royalty, when I say entire royalty means 100% royalty would become cost recoverable and with the result that the profit petroleum would come down. So far as we are concerned, the entire royalty would be credited to our profit and loss account.

**Yogesh Patil**

Sir I am talking about just historical payments.

**D. K. Sarraf**

Historical payments also we believe that same treatment would be given as to the current payment.

**Yogesh Patil**

Sir what will be that refund, any idea about that?

**D. K. Sarraf**

There won't be any refund. It would be adjustment in our share of production which we will receive in future. There won't be any cash refund. And the total amount of royalty which we have paid till now is as under. For financial year 2011, we have paid royalty on our share of production amounting to ₹ 553 Crore and on other partners share, we have paid ₹ 1,290 Crore. During financial year 2010, the figures were ₹ 36 Crore and ₹ 84 Crore. And I have already told you the Q1 fiscal 12 figure.

**Yogesh Patil**

So ONGC is not going to get any refund. It will be the future adjustments.

**D. K. Sarraf**

ONGC will not get any cash refunds but the whole of the cost would be treated as cost recoverable. Hence it would have a significant impact on our revenues.



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| <b>Yogesh Patil</b> | So how much impact will be there any idea sir because if there will be future adjustment then it will be positive impact of ONGCs top line and bottom line.                                                                                                                                                                                                                     |
| <b>D. K. Sarraf</b> | It would be almost of the same amount as I just said that, however since profit petroleum would decline, our share in the profit of petroleum also would decline to an extent.                                                                                                                                                                                                  |
| <b>Yogesh Patil</b> | Okay. Thank you sir. Thank you from my side.                                                                                                                                                                                                                                                                                                                                    |
| <b>Moderator</b>    | Thank you. The next question is from Probal Sen from IDFC Securities, please go ahead.                                                                                                                                                                                                                                                                                          |
| <b>Probal Sen</b>   | I had a couple of questions. One was, is there information on how much net realizations did OVL do in the quarter? If it is possible to share that, second was the level of productions from imperial energy in terms of barrels of oil per day that you are doing currently and lastly the number of wells that have been drilled exploratory and development for the quarter? |
| <b>D. K. Sarraf</b> | Total numbers of exploratory wells drilled are 24 numbers. And 64 development wells were drilled.                                                                                                                                                                                                                                                                               |
| <b>Probal Sen</b>   | Will it be possible to give the break up of offshore and onshore in this sir.                                                                                                                                                                                                                                                                                                   |
| <b>D. K. Sarraf</b> | There are 10 in the offshore and 14 on the onshore.                                                                                                                                                                                                                                                                                                                             |
| <b>Probal Sen</b>   | Okay this is for the exploratory wells.                                                                                                                                                                                                                                                                                                                                         |
| <b>D. K. Sarraf</b> | Absolutely.                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Probal Sen</b>   | Okay and for the development?                                                                                                                                                                                                                                                                                                                                                   |
| <b>D. K. Sarraf</b> | ONGC has drilled 3 wells in shallow water and 61 wells in onshore out of the total of 64.                                                                                                                                                                                                                                                                                       |
| <b>Probal Sen</b>   | Right. Thanks and sir as far as OVL is concerned, would it be possible to look at the average rates say realization particularly for crude that you are achieving now?                                                                                                                                                                                                          |
| <b>D. K. Sarraf</b> | For different projects of OVLs there is a different pricing formula, so different numbers will be there which are readily not available.                                                                                                                                                                                                                                        |
| <b>Probal Sen</b>   | Okay but can we assume that there is obviously a discount to these numbers particularly in numbers like in areas like imperial and BC10?                                                                                                                                                                                                                                        |



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- D. K. Sarraf** We discount to about 18% to them. Last full financial the discount was 18% .
- Probal Sen** Fair enough sir. And that's pretty much from my side sir. Thank you so much.
- Moderator** Thank you. The next question is from Ballabh Modani from Religare Capital Markets, please go ahead.
- Ballabh Modani** Sir just wanted to understand if we look at the crude oil productions from our own fields and if we compare it from lets say last 10-12 quarters, for the first time it has fallen below 6 million tones. So that is one and even the gas production, even though the C series have come into production, your gas production has actually fallen from your own estimate. So reasons for that and the second thing is that in the dry well write off any specific drilling being done on any of the blocks.
- S.V. Rao** Can we address the issue of the dry well first? What we like to explain here is when we consider these wells as dry; there are those oil and gas wells in the offshore which are also expensed as dry wells. So this will include both shallow water and deep water wells that we have drilled in spite of 2 off shore discoveries, one in the deep water and one in the shallow water amounting to a total investment of more than Rs. 800 Crore this will still be considered as part of the dry well cost. So the difference of 1,000 Crore what Director (Finance) was talking about includes wells of this kind and essentially the main component of the drilling has been in the deep water where an average well costs between Rs.200 to 400 Crore. So that is clearly impacting the total amount that we discussed.
- Ballabh Modani** So basically what we are drilling even though it's a discovery, for accounting purpose, you will still write it off in the books, am I right sir?
- D. K. Sarraf** Exactly.
- Ballabh Modani** Yeah just the other question is about the crude oil production, why it has fallen below 6 million tones this quarter, both crude and on the gas front, it is lower than last 6-7 quarters, so any specific reasons for that.
- Priti Mathur** Hi, I'll just try to address this at a very macro level. There are certain setbacks that we were supposed to get new production platforms which were delayed. This accounted to some fall in production from Mumbai high. Of course the problems are now getting addressed. Also there was some production decline in marginal and satellite fields also, where we are experiencing increasing water cuts and there was a high gas and oil ratio. Hence the crude oil production was affected.



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| <b>Ballabh Modani</b> | Okay. So ma'am, is it right to assume that from the next quarters we will again have a run rate of more than 6 million tones for crude oil production from own fields?                                                                                                                                                                                                        |
| <b>Priti Mathur</b>   | I would not like to quantify it but yes things will pick up.                                                                                                                                                                                                                                                                                                                  |
| <b>Ballabh Modani</b> | Okay fine. Thanks a lot.                                                                                                                                                                                                                                                                                                                                                      |
| <b>Moderator</b>      | Thank you. The next question is from Saurabh Mishra from Credit Suisse, please go ahead.                                                                                                                                                                                                                                                                                      |
| <b>Sanjay Mokim</b>   | This is Sanjay Mokim from Credit Suisse. I was just keen to understand the dry well write off mode especially on the deep water side. My first question is that is there any deep water well that you have not written off in the last 6-7quarters?                                                                                                                           |
| <b>S. V. Rao</b>      | I assume there are 6 wells in one of the KG acreages in the deep water as we have yet to dispense of those wells being producers and primarily because we had submitted the declaration of commerciality. Now except this, all the other deep water wells have been expensed.                                                                                                 |
| <b>Sanjay Mokim</b>   | The reason why I am asking the question sir is to kind of understand the trends in write offs going forward because you have two rigs on long term contracts at \$500,000 plus. Can we expect the levels of write offs to remain elevated for the next several quarters?                                                                                                      |
| <b>S. V. Rao</b>      | Purely so?                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Sanjay Mookim</b>  | Alright okay. Thank you very much.                                                                                                                                                                                                                                                                                                                                            |
| <b>Moderator</b>      | Thank you. The next question is from Abhijeet Bora from IFCI Financial Services, please go ahead.                                                                                                                                                                                                                                                                             |
| <b>Abhijeet Bora</b>  | My question is that could you please throw light on your drilling program of FY12-13 both in terms of onshore wells and off shore wells to be drilled and your Rig requirement. Your current rig portfolio is around 90 rigs onshore and about 30-35 rigs offshore. So can you just throw your views on that, what is your planning in terms of drilling program?             |
| <b>D. K. Sarraf</b>   | There is a complete resource sharing in terms of both exploratory and development drilling. Total rigs which are available with ONGC are distributed between developments drilling and exploratory drilling in a shared manner. On an average we drill about a 125 to 140 wells in exploratory segment. This is a kind of figure which we should expect to see this year too. |



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**Abhijeet Bora** 125 to 140 how many exploratory wells?

**D. K. Sarraf** I am talking about the exploratory wells alone.

**Abhijeet Bora** 125 to

**D. K. Sarraf** 125 to 140 that is the total number of exploratory wells which we drill annually.

**Abhijeet Bora** And development wells?

**D. K. Sarraf** Development wells around 270.

**Abhijeet Bora** Okay so your current rigs portfolio in onshore is 90. So that will suffice for next 2 years. Or you will be requiring new rigs?

**D. K. Sarraf** I believe it will go up incrementally in terms of couple of more additional rigs but largely it will remain at about that level.

**Abhijeet Bora** Okay. Out of the 90 onshore rigs I think around 22 are on hired basis. So would you like to renew the contract for these rigs going forward or like what will the scenario going forward be, can you throw a light?

**D. K. Sarraf** Contracts would continue.

**Abhijeet Bora** You will continue?

**D. K. Sarraf** Yes it would continue.

**Abhijeet Bora** Okay. Thank you sir.

**Moderator** Thank you. The next question is from Rohit Nagraj from Centrum Broking, please go ahead.

**Rohit Nagraj** I wanted to ask about gas production which is declined. And what is the current rate of gas production from the PMT field. Is it like you decline incrementally?

**Priti Mathur** Well, the actual production of gas from the Panna, Mukta and Tapti field during the first quarter is 12 million cubic meters per day and ONGC's share of gas production from Panna and Mukta field is 210.865 mmscm. Now this is a little lower than the Q4 of the previous fiscal. .

**Rohit Nagraj** Is it likely to stay at these levels I mean currently it is at similar levels?

**Priti Mathur** I think it should be but I think I'll get back to you on this for a specific answer on this.

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| <b>Rohit Nagraj</b> | Sure. And one more question, on the depreciation front, I mean sequentially I can understand that depreciation has significantly come down. Any specific reasons for the same?                                                                                                                                                                                                                                                   |
| <b>L. Nelson</b>    | Depreciation on pipelines below ground are charged at 100%. So whenever there is capitalisation, we charge the same in the respective years. So depreciation in Q1 will be lower unless there is a capitalization of new pipeline that is the reason for reduction in depreciation on quarter to quarter basis.                                                                                                                  |
| <b>Rohit Nagraj</b> | Okay. Fair enough. That's it from my side. Thank you.                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Moderator</b>    | Thank you. The next question is from Nipun Sharma from Mirae Asset, please go ahead.                                                                                                                                                                                                                                                                                                                                             |
| <b>Nipun Sharma</b> | Just wanted a clarification on the dry well. Why are you expensing successful discoveries, I didn't quite catch that.                                                                                                                                                                                                                                                                                                            |
| <b>D. K. Sarraf</b> | Due to certain accounting norms in India, the Institute of Chartered Accountants of India has published separate guidance note on Oil and Gas activities. As per those norms, even if it is successful well, but incase it is an expendable well – means that the hole is not available for future production, it has to be written off in the same year.                                                                        |
| <b>Nipun Sharma</b> | Does that have to do with declaration of commerciality or?                                                                                                                                                                                                                                                                                                                                                                       |
| <b>D. K. Sarraf</b> | It is a successful exploratory well and we are not going to produce from the same well. Because you can't re-enter the well post completion of the well. The well would need to be written off so these are the existing accounting guidelines And we believe that these guidelines are not very logical and we also believe that the Institute of Chartered Accountants are thinking of revising the guidelines for the future. |
| <b>Nipun Sharma</b> | So that does not necessarily mean that you need to abandon and plug these wells. You can still connect them to other infill wells in the future if that is the case?                                                                                                                                                                                                                                                             |
| <b>D. K. Sarraf</b> | We cannot produce from these abandoned wells but we can produce from the same reservoir by drilling new wells closer to the earlier ones.                                                                                                                                                                                                                                                                                        |
| <b>Nipun Sharma</b> | Right but I am trying to understand that you are not necessarily abandoning all these so called accounting unsuccessful wells, right?                                                                                                                                                                                                                                                                                            |
| <b>S. V. Rao</b>    | In some cases we tend to put a secondary shallow water wells for the jack-up locations. We tend to put in a system which can help us to put it back on to                                                                                                                                                                                                                                                                        |



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production if required but we have not yet entered a case where we have done this. But we have made arrangements for these wells in some of the jack-up locations in western offshore.

**Nipun Sharma**

Okay I understand thank you very much.

**Moderator**

Thank you. The next question is from Raj Gandhi from Principal Mutual Fund. Please go ahead.

**Raj Gandhi**

Sir under current sharing mechanism amongst the upstream, you will see there is divergence in the realization for Oil India and ONGC wherein they have reported net realization above \$61. So are you taking up this matter with the ministry in terms of the sharing formula now?

**D. K. Sarraf**

Yeah, we would be taking up this matter with the government and the reason for this divergence between the net price of Oil India and ONGC is under recovery which we share is based on the profit of last three years and the quantum of under recovery which we have to bear in absolute amounts needs to be divided by the quantity sold so that means unless the average profit of the last three years versus the quantity sold by ONGC and Oil India is in the same ratio this divergence would always remain. Further, Oil India's profits are proportionately lower as compared to its production and the under recovery discount in case of Oil India is lower than ours.

**Raj Gandhi**

Right, but did you take up this matter before this and for the last year also in Q4. We observe that post Q4 adjustment, the realization were much lower for us. It is now two quarters since this phenomenon has happened, so have you taken up this matter in the past?

**D. K. Sarraf**

We have not taken up the matter in the past but we are thinking that we would take up this matter with the government and one of the reasons of this has also been that earlier sharing between the three upstream companies was based on the profit of the previous year. Now for the last couple of quarters it has been made that PAT of the last three years. That is another reason. So this one year versus three years we have already taken up which has also contributed to an extent but the point which you are raising we will also taken up but we do not know what will be the response of the government.

**Raj Gandhi**

Okay and you said that how many deep water wells did you drill this quarter?

**D. K. Sarraf**

Five.



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- Raj Gandhi** You are saying there was discovery in one well out of the five?
- D. K. Sarraf** Yes.
- Raj Gandhi** Which region was this?
- D. K. Sarraf** Andaman.
- Raj Gandhi** Okay and will the deep water wells drilling spend move up from the current run rate of this quarter or?
- S. V. Rao** We will continue.
- Raj Gandhi** It will remain flat or it will go up further?
- S. V. Rao** We complete a well on an average in 63 to 65 days and with three rigs we could get a sort of 14-15 wells. Looking at the scenario coming up ahead, the third rig is likely to be de-hired sometime in the third quarter.
- Raj Gandhi** First your E&P spend will reduce.
- S. V. Rao** I believe so with one rig out.
- Raj Gandhi** Okay and just one discovery of five wells so that pulls the success ratio at about 20% which is below global average so are there any thoughts on that?
- S. V. Rao** Yes. We are very focused on this and are aware that these are not the kind of success ratios one would want to have in the deep water particularly. We are working towards this.
- Raj Gandhi** Is it that you are still working on the earlier nomination blocks wherein you have to finish the committed work or it was more of NELP blocks where you drilled? Because earlier the reason given was that you are drilling in the nomination blocks wherein you need to finish of the work and so the success rate is poor.
- S. V. Rao** It is really not correct to the fact that we are drilling in the nomination, in fact only one well was drilled in the nomination block. The other wells are in the NELP.
- Raj Gandhi** Okay thanks a lot.
- Moderator** Thank you. The next question is from Prayesh Jain from IIFL. Please go ahead.
- Prayesh Jain** Why is the VAP production down and what kind of levels is it sustained in the current quarter going ahead?



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| <b>D. K. Sarraf</b>   | There was an explosion in Uran plant a couple of months back and one of the cooling towers fell down. This problem has since been sorted out but there is another tower like that and it was found that we need to do something about that tower also. So that cooling tower is also under repair now. So because of that the production is down. It would continue for next couple of months after which it would normalize. |
| <b>Prayesh Jain</b>   | Okay and sir what is the status on our CBM field?                                                                                                                                                                                                                                                                                                                                                                             |
| <b>S. V. Rao</b>      | We have just submitted the development program for one of the acreages in North Karanpura. As you are aware we have already submitted the one on Bokaro. We should be hearing from the DGH as to where we stand on both these plans.                                                                                                                                                                                          |
| <b>Prayesh Jain</b>   | When can we see the light of production on these fields?                                                                                                                                                                                                                                                                                                                                                                      |
| <b>S. V. Rao</b>      | Incidental production is already ongoing to the tune of 12,000 to 13,000 cubic meter per day.                                                                                                                                                                                                                                                                                                                                 |
| <b>Prayesh Jain</b>   | Commercial production, when can we expect?                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>S. V. Rao</b>      | On the approval of these programs, we shall take this forward subsequently after clearance from the board.                                                                                                                                                                                                                                                                                                                    |
| <b>Prayesh Jain</b>   | Alright thank you.                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Moderator</b>      | Thank you. The next question is from Dixit Mittal from SBI Capital. Please go ahead.                                                                                                                                                                                                                                                                                                                                          |
| <b>Dixit Mittal</b>   | This is a small question on OVL. Can you give the revenue and profit figures for last quarter in case of OVL?                                                                                                                                                                                                                                                                                                                 |
| <b>D. K. Sarraf</b>   | OVL does not prepare its quarterly accounts. But if there are any official questions on OVL that can be taken up.                                                                                                                                                                                                                                                                                                             |
| <b>Dixit Mittal</b>   | Okay thanks a lot.                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Moderator</b>      | Thank you. The next question is from Hitesh Chauhan from Analac. Please go ahead.                                                                                                                                                                                                                                                                                                                                             |
| <b>Hitesh Chauhan</b> | Hi, I just had a followup question on OVL. What kind of current production rate is going on for Imperial Energy?                                                                                                                                                                                                                                                                                                              |
| <b>D. K. Sarraf</b>   | It was 18,000 barrels a day.                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Hitesh Chauhan</b> | And sir what kind of rate we can expect in coming quarters for Imperial energy?                                                                                                                                                                                                                                                                                                                                               |



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| <b>D. K. Sarraf</b>   | OVL is saying that rates will be similar.                                                                                                                                          |
| <b>Hitesh Chauhan</b> | Okay sir one more question is regarding your ONGC G1 and GS15 fields. Are these fields online now?                                                                                 |
| <b>S. V. Rao</b>      | GS15 should begin production very shortly and G1 would go to the later part of the first quarter of the next year.                                                                 |
| <b>Hitesh Chauhan</b> | What kind of rates we can expect from GS15 now?                                                                                                                                    |
| <b>S. V. Rao</b>      | That is about 1,200 barrels.                                                                                                                                                       |
| <b>Hitesh Chauhan</b> | Okay in terms of gas?                                                                                                                                                              |
| <b>S. V. Rao</b>      | Solution gas.                                                                                                                                                                      |
| <b>Hitesh Chauhan</b> | What is the status for D1 fields for ONGC?                                                                                                                                         |
| <b>S. V. Rao</b>      | The second phase of the D1 development is ongoing right now and we have got down to perhaps finally deciding on the fact that we may bring in an FPSO there at some point of time. |
| <b>Hitesh Chauhan</b> | So in this financial year we can expect any sort of production from D1 field in a short-term?                                                                                      |
| <b>S. V. Rao</b>      | Wells will be getting drilled in post monsoon.                                                                                                                                     |
| <b>Hitesh Chauhan</b> | Okay thank you sir.                                                                                                                                                                |
| <b>Moderator</b>      | Thank you. The next question is from Rina Sanghavi from SPA Securities Limited. Please go ahead.                                                                                   |
| <b>Rina Sanghavi</b>  | Sir Can I know the expected production sizes of crude oil and natural gas from joint venture share in FY12?                                                                        |
| <b>Preeti Mathur</b>  | The JV oil as we have planned to produce 3.407MMT and gas 2.049BCM.                                                                                                                |
| <b>Rina Sanghavi</b>  | Can I have the same figures for OVL production of oil in this for FY12?                                                                                                            |
| <b>Subhash Kumar</b>  | It is 9.448MMT.                                                                                                                                                                    |
| <b>Rina Sanghavi</b>  | 9.448, it is together contributing the oil and gas.                                                                                                                                |
| <b>D. K. Sarraf</b>   | You want oil and gas separate figures?                                                                                                                                             |
| <b>Rina Sanghavi</b>  | Yeah.                                                                                                                                                                              |
| <b>Subash Kumar</b>   | 6.756 MT of Oil.                                                                                                                                                                   |



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| <b>Rina Sanghavi</b> | 6.756 for crude oil?                                                                                                                                                                                                                                                                                         |
| <b>Santosh Kumar</b> | 2.6524 BCM of gas.                                                                                                                                                                                                                                                                                           |
| <b>Rina Sanghavi</b> | And sir please can you give me for the domestic sales from ONGC standalone?                                                                                                                                                                                                                                  |
| <b>Priti Mathur</b>  | As far as oil is concerned the ONGC domestic sales is 20.379 MMT and gas sales is 18.224 BCM.                                                                                                                                                                                                                |
| <b>Rina Sanghavi</b> | Sir I want to ask in the next three years how much volume growth you expect from OVL?                                                                                                                                                                                                                        |
| <b>D. K. Sarraf</b>  | This would be a futuristic statement and we will not be able to answer this question in view of the FPO.                                                                                                                                                                                                     |
| <b>Rina Sanghavi</b> | Okay. What are the blocks from which we are expediting increase in production from OVL?                                                                                                                                                                                                                      |
| <b>Bhattacharya</b>  | More productions are expected from Imperial, Columbia and San Cristobal Venezuela.                                                                                                                                                                                                                           |
| <b>Rina Sanghavi</b> | Okay sir that's it from my side. Thank you.                                                                                                                                                                                                                                                                  |
| <b>Moderator</b>     | Thank you. The next question is from Abhijeet Bora from IFCI Financial Services. Please go ahead.                                                                                                                                                                                                            |
| <b>Abhijeet Bora</b> | Sir I have two more questions. Firstly, it was expected that a policy note on subsidy sharing mechanism will be announced by the government. Is there any update on the scene and like what will be the subsidy sharing ratio about upstream sector in FY12 and FY13? Can you just throw light on that part? |
| <b>D. K. Sarraf</b>  | It is a policy question and we have not heard anything from the government as yet.                                                                                                                                                                                                                           |
| <b>Abhijeet Bora</b> | Okay. And in FY12 subsidy sharing will be at 33.3% or more than that?                                                                                                                                                                                                                                        |
| <b>D. K. Sarraf</b>  | We cannot comment on that as we just see amount on a quarter-on-quarter basis and we do not know as to what would be the subsidy or the formula which the government would take into account for deciding the subsidies.                                                                                     |
| <b>Abhijeet Bora</b> | And sir my second question was recently ONGC has closed bids around six of the work over rig and around four drilling rigs in 2011. There has been no announcement on this part like tenders will be closed. Can you just throw light on that part?                                                          |
| <b>D. K. Sarraf</b>  | These are commercial matters. I do not think we can take up these issues in this conference call.                                                                                                                                                                                                            |
| <b>Abhijeet Bora</b> | Okay thank you.                                                                                                                                                                                                                                                                                              |



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| <b>Moderator</b>     | Thank you. The next question is from Sujit Lodha from Amsec. Please go ahead.                                                                                                                                                                                                                                                                                                                                        |
| <b>Anirban</b>       | I have one question regarding C series production. What is the current rate of gas production from C-Series and earlier we were expecting peak production from C-Series will be around 2.8 mscmd by FY13, so is the ramp up plan as per schedule as of now? And in terms of realization are we still making around \$5.25 per mmbtu for the C-Series gas?                                                            |
| <b>Vijayarangan</b>  | Currently the production is 1.2 mscmd and probably by next year they will reach the peak production.                                                                                                                                                                                                                                                                                                                 |
| <b>Anirban</b>       | Okay that is around 2.8 mscmd. And in terms of the realization are we still making around \$5.25 per mmbtu from this series?                                                                                                                                                                                                                                                                                         |
| <b>Vijayarangan</b>  | Yeah that is right.                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Sujit Lodha</b>   | Okay thanks.                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Moderator</b>     | Thank you. The next question is from Janish Shah from Quantum Advisors. Please go ahead.                                                                                                                                                                                                                                                                                                                             |
| <b>Janish Shah</b>   | Sir I have couple of questions. One is on domestic side. Could you just have an idea about what kind of a CAPEX you are likely to spend on the existing producing field in next five year plan or 12 <sup>th</sup> five year plan that is one and second is if you can also give us an update on your tie up with the Kazakhstan block, what is the up-date on that? And what can we expect going forward from that? |
| <b>D. K. Sarraf</b>  | The CAPEX during 12 <sup>th</sup> five year plan is concerned, the five plan is under formulation stage so we will not be able to tell you that how much CAPEX we would be spending and in any case this is a futuristic question. We would not like to answer this near the FPO time and so far as the Kazakhstan is concerned my colleague from OVL would like to reply.                                           |
| <b>Subhash Kumar</b> | I think you are referring to Satpayev block which has just been approved and as per the approval for this we will be spending around USD 400 million over exploration phase.                                                                                                                                                                                                                                         |
| <b>Janish Shah</b>   | If you can also give us the potential for this block?                                                                                                                                                                                                                                                                                                                                                                |
| <b>Santosh Kumar</b> | We are in an exploratory phase so very difficult to give a definitive figure.                                                                                                                                                                                                                                                                                                                                        |



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| <b>Janish Shah</b>  | Just referring to my CAPEX question probably you may not give me a number but at least on the sense like we have a two phase of CAPEX in our existing field where we have refurbished and replaced many of our old assets, do we still require to invest big money in that existing field to continue the current rate of production or its likely to be more of a replacement CAPEX, maintenance CAPEX which would be there?                  |
| <b>D. K. Sarraf</b> | Refurbishment of the existing facilities is an ongoing program because many of our platforms and other facilities have grown slightly old so we need to continue this for some time.                                                                                                                                                                                                                                                           |
| <b>Janish Shah</b>  | Okay thanks.                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Moderator</b>    | Thank you. The next question is from Akash Gupta from DSP Merill Lynch. Please go ahead.                                                                                                                                                                                                                                                                                                                                                       |
| <b>Akash Gupta</b>  | I have just two to three questions. One may have been answered. What is the royalty which you have paid for Cairn in Rajasthan until now? The cumulative amount until now and what was the amount you paid for that is the 70% in first quarter 2012?                                                                                                                                                                                          |
| <b>D. K. Sarraf</b> | I repeat the answer which I gave perhaps in the beginning of the call. I will give you several numbers for the current quarter. For ONGC 30% production it was Rs. 235 Crore and on Cairn share of production is Rs. 546 Crore. For FY11 taken together ONGC shares it was Rs. 553 Crore and Cairn share of production it was Rs. 1,290 Crore and FY10 which was the first year of production these numbers are Rs. 36 Crore and Rs. 84 Crore. |
| <b>Akash Gupta</b>  | Okay thanks a lot. The other question I had was I understood a part of the APM gas which gets sold to consumers other than power and fertilizers you get a price of 5.25. So what proportion of your APM gas gets sold to these consumers?                                                                                                                                                                                                     |
| <b>D. K. Sarraf</b> | Insignificant portion.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Akash Gupta</b>  | Not even 5-10%?                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>D. K. Sarraf</b> | Certainly not.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Akash Gupta</b>  | Okay and lastly in one of the answer to earlier question you mentioned that there was one successful well in the Andaman block but that has not yet been certified as a discovery I think. It has not even been mentioned in the press release which came in so what is the status there and when do we get more details on that?                                                                                                              |



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**S. V. Rao** It is in the deep water in particular. There are two elements of the discovery notification. We have sent a discovery notification already to DGH a month ago. The point that is more important is that within 60 days we have also to submit the potential commercial interest and because we are still studying this data we are still not getting to a stage where we want to make this public.

**Akash Gupta** So hopefully by next quarter we could have more details on this. Who was the operator, the operator was not ONGC in this case isn't it for this block?

**S. V. Rao** It was ONGC.

**Akash Gupta** You are the operator for the block?

**S. V. Rao** Yes.

**Akash Gupta** Okay thanks.

**Moderator** Thank you. The next question is from Pritesh Vora from Equirum. Please go ahead.

**Pritesh Vora** I have couple of question with respect to 98/2. What is our latest figure recoverable from our side and what is the DGH and other partners are saying?

**S. V. Rao** First of all, the recoverable reserve component does not exist for this block. We have only an estimated in place volume of which we will produce about 87 bcm. That is what it is.

**Pritesh Vora** No, what is the in place volume, sir?

**S. V. Rao** 137 bcm.

**Pritesh Vora** 137 bcm, this is the in place volume?

**S. V. Rao** That is really which we have seen.

**Pritesh Vora** 137 bcm you said right?

**S. V. Rao** Yes, of which the production profile would be for about 87 bcm.

**Pritesh Vora** Okay is there any dispute between what we are saying and DGH is confirming in terms of this tca figure?

**S. V. Rao** We have submitted the declaration of commerciality to DGH and are we are awaiting the response.



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| <b>Pritesh Vora</b>     | What is our sustainable production level which we have mentioned in the developmental plan and when do you think we will be able to start producing it after development?                                                                                     |
| <b>S. V. Rao</b>        | I believe we would not want to provide any information on this.                                                                                                                                                                                               |
| <b>Pritesh Vora</b>     | Okay. My second question is with respect to my earlier question. Oil India you mentioned there is a diversion and would you think that diversion will go in our favor when we raise this question?                                                            |
| <b>D. K. Sarraf</b>     | Obviously, since there is a diversion and it hurts us. In case we take it up because we expect it would be in our favor to take up.                                                                                                                           |
| <b>Pritesh Vora</b>     | What is this diversion? You think both parties will come to the same level or there is a reduction in diversion or what is your opinion on that?                                                                                                              |
| <b>D. K. Sarraf</b>     | Too early to say. We have not had even preliminary meetings with the Ministry. So may be in the next earning call we can answer this question.                                                                                                                |
| <b>Pritesh Vora</b>     | Alright sir. And my last question is about reduction, Madam mentioned about the delay in the project commissioning of offshore project. And that was the delay by which production has come down. Is it the same project which Punj Lollyd has got the order? |
| <b>D. K. Sarraf</b>     | None of us sitting here would have this information.                                                                                                                                                                                                          |
| <b>Pritesh Vora</b>     | Okay and there is delay about the Punj Lollyd order and we have claimed the LD (Liquidity damages). What is the amount of LD which we have raised?                                                                                                            |
| <b>D. K. Sarraf</b>     | We do not answer the specific questions on contractual matter because Punj Lollyd also I believe is a listed company and we would not like to answer such questions.                                                                                          |
| <b>Pritesh Vora</b>     | Okay thank you very much.                                                                                                                                                                                                                                     |
| <b>Moderator</b>        | Thank you. The next question is from Aishwarya Deepak from Alchemy Capital. Please go ahead.                                                                                                                                                                  |
| <b>Aishwarya Deepak</b> | My question is on this under recovery sharing. Now from here onward I expect that the under recovery should be somewhere around 75,000 to 80,000 crores so I wonder that half of that amount will be coming to ONGC or one-third of that amount, how          |



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the upstream and down stream and the government things will be working in? Any clarity?

**D. K. Sarraf** As I just said that there is no clarity with us but we have been observing that under recovery which upstream companies taken together share is about one-third of total under recoveries although fourth quarter of the last fiscal was an exception. But since exception has already happened it is difficult to say that in the future whether we would be sharing one-third of the under the recoveries or anything other than that.

**Aishwarya Deepak** Just correct me if my working is right if I go ahead with the 72,000 crore of the number and even if I go with a 50% sharing of under recoveries, I foresee the realization of the crude goes beyond \$60, so I guess I am right or?

**D. K. Sarraf** I will not be able to do accurate calculation. I believe that you may be not right.

**Aishwarya Deepak** I may not be right. Okay sir thank you.

**Moderator** Thank you. The next question is from Vikas Patwari from JM Financial. Please go ahead.

**Vikas Patwari** I have two questions. Firstly, what is the rate of interest we are charging for loans given to OVL?

**D. K. Sarraf** We do not charge any interest on loans given to OVL.

**Vikas Patwari** Sir, were we not supposed to revise that in FY11 because if I am right it was 0.1% or something, and wasn't there something like that? Which was supposed to be reviewed after two years?

**D. K. Sarraf** It was supposed to be reviewed and not revised after two years and review has already taken place for the fiscal 2011-12 and we have decided that no interest would be charged for the fiscal 2011-12.

**Vikas Patwari** Okay and sir the next question is can you give a brief update on projects which is going on in the Mumbai offshore and their status? So we just get an idea that how it is going to be?

**Priti Mathur** See it would be prudent to point out since many projects which are going on in the Mumbai offshore area. I don't have the data with me right now as to what is happening in the individual projects but yes as a company there is a lot of attention given right now to the project management and we hope to close the gap which have risen in terms of delay but it is very difficult to give answer to this question.



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| <b>Vikas Patwari</b>    | Okay that should be absolutely fine. Thanks a lot.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Moderator</b>        | Thank you. The next question is from Harshad Borawake from Motilal Oswal Securities Limited. Please go ahead.                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Harshad Borawake</b> | I had one question in terms of royalty recoverability. The amount of royalty recoverability which you paid in terms of other partners is around Rs. 576 Crore. Of that for Cairn India is Rs. 546 Crore so the remaining will be paid for PY3, now are you going to take up the issue with those companies for that royalty part also to be made as the cost recoverable?                                                                                                                         |
| <b>D. K. Sarraf</b>     | We need to study the provisions of the PSC and JOA of PY3 field. And I am absolutely not well-equipped with the provisions of these PSC.                                                                                                                                                                                                                                                                                                                                                          |
| <b>Harshad Borawake</b> | Sir as of now you have done nothing on that part, right?                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>D. K. Sarraf</b>     | I am not very sure whether we have done anything on that or not but we can come back to you.                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Harshad Borawake</b> | Okay sir and secondly how many more deep water wells are we supposed to drill in FY12?                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>D. K. Sarraf</b>     | 12.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Harshad Borawake</b> | That would be largely in what? KG basin or in Andaman, again?                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>D. K. Sarraf</b>     | And Mahanadi too.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Harshad Borawake</b> | Okay thank you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Moderator</b>        | Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. D. K. Sarraf – Director (Finance) for closing comments.                                                                                                                                                                                                                                                                                                                           |
| <b>D. K. Sarraf</b>     | It was a very good experience answering all your questions and many of the questions we are sorry that we could not reply either because of the forthcoming FPO or because the questions were such that enough data was not available. In case you have any other question you can always refer those questions to the investor relations cell and I believe all of you have the e-mail ids. Thank you very much everybody and I thank my team also who participated in this con call. Thank you. |
| <b>Moderator</b>        | Thank you very much. On behalf of ONGC Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.                                                                                                                                                                                                                                                                                                                                    |