"Oil India Limited Q2 FY22 Earnings Conference Call"

November 11, 2021

MANAGEMENT: **MR. HARISH MADHAV – DIRECTOR (FINANCE), OIL INDIA LIMITED**
MR. P. K. GOSWAMI – DIRECTOR (OPERATIONS), OIL INDIA LIMITED
MR. SANJAY CHOUDHURI – ED (FINANCE), OIL INDIA LIMITED

MODERATOR: **MR. SABRI HAZARIKA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to the Oil India Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand over the conference to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you and over to you, sir.

Sabri Hazarika: Good afternoon everyone. On behalf of Emkay Global Financial Services, I welcome you all to the Q2 FY22 Post Earnings Conference Call of Oil India Limited. We have Mr. Harish Madhav - Director, Finance; Mr. P. K. Goswami - Director, Operations and other senior management of Oil India Limited. So today, I request the management for opening remarks and then we will move over to the question-and-answer round. So without any further delay, I hand over now to Mr. Madhav. Over to you, sir.

Harish Madhav: Thank you Mr. Sabri for this opportunity for interaction with the investors and analysts community. We have declared our Q2 Financial Results only yesterday and the results were emailed and also posted on our website and I hope everybody has had access to the results and the detailed analysis that we shared with the investors. My Director, Operations who was supposed to be on this conference, he has to suddenly go out for some other meetings, so Mr. Goswami, he is not available, me and our ED - Finance, Mr. Sanjay Choudhuri, we are available. I would request Mr. Sanjay to kindly proceed with the opening remarks and then we can straight away go for the questions and answers.

Sanjay Choudhuri: Good afternoon dear friends, we appreciate the interest shown by you in the company and the financial results for Q2 2021-22 have been shared and also posted in the website as well. I would briefly give some indications about the performance of the company both in terms of physical and financial.

The consolidated turnover of OIL for half year ended 30th September 2021 is Rs. 13,456 crores vis-a-vis Rs. 9,656 crores for the half year ended last year. The consolidated PBT for the half year ended 30th September 2021 is Rs. 3,535 crores vis-a-vis Rs. 1,851 crores for the corresponding period last year. The profit after tax at the group level of the company for the half year ended 30th September 2021 is Rs. 2,669 crores vis-a-vis 1,436 crores for the corresponding period last year.

Now, coming to the standalone results and beginning from the production front, the crude oil production for Q2 2021-22 is 0.760 mmt vis-a-vis 0.746 mmt for Q2 of 2020-21 which is increased by 1.78%. Crude oil production for the half year has increased by 0.61%. Natural gas production for Q2 2021-22 is 806 mmscm compared to 638 mmscm for Q2 of 2020-21 which is an increase of 26.38%.

On the half yearly basis, the increase is in the range of 15%. On the financial side, the company's profit after tax in Q2 2021-22 is Rs. 704.46 crores vis-a-vis 238.95 crores in Q2 2020-21. For the half year ending 30th September 2021 PAT is 1,012 crores versus loss of 9.66 crores in the half year of the last year. The company's EBITDA in Q2 2021-20 is Rs.1,280.99 crores vis-a-vis 848.48 crores in Q2 of 2020-21 and EBITDA for the half year ended this year is Rs.2,577.91 crores versus Rs.1,176.24 crores for the corresponding period last year. The EPS has increased to Rs.4.65 per share in the second quarter of this year as compared to Rs.2.20 paisa in the same quarter of the last year. For the half year, this year, the EPS is Rs. 9.34 per share versus a negative EPS of 0.09 per share for the half year last year.

The Board of OIL has recommended an interim dividend of Rs. 3.50 paisa per share for 21-22.

The average crude oil price realization for Q2 21-22 is USD $71.35 per barrel vis-a-vis $42.75 per barrel for Q2 of 2020-21 which is an increase of almost 67%. The crude oil price realization for the half year ended 30th September 2021 is US $69.28 per barrel vis-a-vis US $36.48 per barrel for the half year ended 30th September 2020 which is an increase of almost 90%. The increase in prices led to increase in turnover by almost Rs.2,500 crores and profitability in excess of Rs.1200 crores for the half year ended 30th September 2021. The average natural gas price for the half year ended 30th September 2021 is US $1.79 per mmbtu versus US $2.3 per mmbtu for the half year ended 30th September 2020 which is decreased by 60 cents per mmbtu. The decrease in prices led to decrease in turnover by Rs.229 crores and profitability by Rs.156 crores for the half year ended 30th September 2021.

In the current quarter, OIL has taken provision of write-off against wells to the tune of Rs.581 crores in the second quarter of this year compared to Rs.8.3 crores in the second quarter of the last year.

The financial performance of Numaligarh Refinery Limited, our material subsidiary has also improved its financial performance in the current quarter. PAT of Numaligarh for Q2 is Rs.957 crores against Rs.831 crores in the corresponding period. NRL's GRM USD per barrel has improved to 13.47 per barrel in Q2 compared to USD 6.68 per barrel in Q2 of last year. The EPS has also improved to Rs. 13.01 per share from Rs. 11.30 paisa per share in the Q2 of the previous year.

With this, my opening remarks on the performance are over and we are now open to the question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Probal from Centrum Broking. Please go ahead.

Probal: I have two questions, one was, you just mentioned that there was additional provision for write-offs in this quarter and the exploration write-off number is also slightly higher on a Q-o-

Q level, can you tell us which wells this pertains to or is there anything sectional or any onetime large write-off has been taken on any exploration asset?

Sanjay Choudhuri: Actually, write-off to the tune of about Rs.150 to Rs.200 crores per quarter is the normal happening, however, this year we had to take a larger write-off of around Rs.450 crores for a particular well in Kakinada. This well was an expensive well which was a high-pressured high temperature well, a very specialized kind of a well which had to be written off because it did not show commercial perspectivity. So that is the reason.

Probal: And the second question was just a clarification that the higher miscellaneous income is because of the sale proceeds of international subsidiary being booked in the other income this time, right, so just wanted to clarify that is because of the booking of that international subsidiary sale, correct in this?

Harish Madhav: No, this is basically the accounting of the dividend that we have received from Indian Oil Corporation and BCPL also first dividend they have declared this time, so BCPL's dividend has come and plus dividend from our Singapore subsidiary which is holding the Russian asset Vankorneft. So these are the three dividend which comprises that.

Probal: And sir, last question I had was about Baghjan, just wanted to get a sense of what the production has ramped back up to and an overall guidance if you can give for oil and gas output for the next couple of years?

Harish Madhav: Production, I think we are back to the normal level of production. That particular well, of course it has been killed, but there are other wells in the area and we have built out new well in Baghjan also which is on production, so the production level is of around 3.1 mmt this year we are expecting to finish by the end.

Probal: And sir, overall for our company, any guidance you would like to have it for FY22 and FY23?

Harish Madhav: FY22 and FY23 should not be much increase, may be around 3.2, not beyond that, but we are working on some, basically faster development program on few of our assets, fields in Rajasthan and may be in Assam and Arunachal, so by 23-24, we expect significant increase in the production, but at least for current year and next year of course production will be in this range only.

Probal: Sir, one last question if I may, what is the reason for the sharp drop in the average gas realization in this year?

Harish Madhav: Gas realization?

Probal: You said that H1 realization was $1.8 versus 2.3 last year. That is the normal gas price formula led drop?

Harish Madhav: Yes, absolutely.

Moderator: Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.

Vidyadhar Ginde: My question is related to this provision, if you look at the last 10 quarters, I think there are 4 quarters in which exploration related write-off seems to be on the higher side and I haven't looked much behind that, for example, I think FY19, there was no such quarter where the exploration write-off was very big, so has something changed in the last 3 years and the asset in which is it the new NELP acreage or what is it and if it is let us say, any of these blocks, have we made any significant discoveries or are we hopeful of some significant discoveries going forward or until now, it is mainly only resulted largely exploration in the write-off?

Harish Madhav: Vidyadhar, this is basically exploration write-off which of the larger numbers what you are talking off. It is basically two blocks in Mizoram and the KG Basin. Of these two blocks, all the wells were very high-cost wells. Mizoram, because of the area and the accessibility issues the cost were high in the KG Basin, because out of the 5 wells, 3 wells are high pressure high temperature, the cost for each well was around Rs.350 crores to Rs.450 crores of each well, very high-cost wells. Now, all these wells were under different testing regime and finally as and when after each testing until then the well was found not to be commercially viable, the provision was made, all the well were written-off, so accordingly this has happened. So this is the last well in the KG Basin block, fifth well which was under extended production testing and after declared testing finally though there was a discovery, out of the five, two or three of the wells, there were discoveries, but they were not commercially viable, so that is why we have provided for all these wells.

Vidyadhar Ginde: So can we say that we are now done for the exploratory write-offs in KG are unlikely, what about Mizoram?

Harish Madhav: KG and Mizoram, all the wells which have been drilled, they have been finally found you can say commercially not viable or dry and all provisions have been made for all the wells.

Vidyadhar Ginde: So this phase may be over, it will be behind, so we are unlikely to have such highest production cost going forward or?

Harish Madhav: Big write-offs in the next few quarters unless we start drilling under the OLAP which is 1-1.5 years from now, but the lack of since we are continuing drilling operations, the first two drilling goes on in the main operating areas, nominated blocks, etc., those are normal write-offs under the Rs.150 crores per quarter, so that will keep coming.

Vidyadhar Ginde: My second question is on the Numaligarh, in case of Numaligarh Refinery, what is the, now from, if you could, you have given us the GRM which appears to be the core one excluding the excise duty benefits, so is it possible to share the GRM with excise benefit or the amount of the excise benefit if possible?

Harish Madhav: This we don't have readily, maybe we will just, I think last time also it was asked, but we forgot to connect this, we will get that information and we will share it next time certainly we will share this one.

Moderator: Thank you. The next question is from the line of Somaiah from Spark Capital. Please go ahead.

Somaiah: My first question is with respect to the gas production increase in the current quarter, anything you would like to highlight, we have seen a decent increase both on sequential and Y-o-Y basis, what would be driving this?

Sanjay Choudhuri: It has been an endeavor to consistently try and increase our oil and gas production and starting with gas production due to the concentrated efforts that has been put for production enhancement and we have entered into various kinds of new technologies to enhance latest technologies to be brought in, so that the production increases. As a result of this enhanced level of activities for increase of production in the gas front, it has yielded results and that has led to the higher gas production.

Harish Madhav: And one more reason if you compare with your last year sequentially as of last year basically significant increase is coming from last year because last year as you recollect because of the COVID, the consuming industries they were all closed for a longer period, fairly long period, so that is why the gas production has to be cut down last year except this small tea gardens, etc., which has supplied but all these fertilizers plant servicing were shut down, so because of that the volumes were low last year. This year, everything has started, so naturally the production and phase volumes have picked up.

Somaiah: Sir, is there any new well addition during the quarter which also kind of helped production ramp up?

Harish Madhav: Yes, certainly there will be few number of wells, which have been added, regularly being added.

Somaiah: No, more from a run rate standpoint sir, is it like relatively more number of wells were added during the quarter because even on the Q-o-Q basis the increase is relatively on the higher side, so just wanted to understand on that front?

Sanjay Choudhuri: The number of wells, it will be almost in the same range, some will go out of production, some will come into production, that is a continuous process and there hasn't been a significant increase in number of wells really.

Somaiah: Sir, next question with respect to the production outlook, could you just help us with how do we look at the ramp up of production and any ballpark numbers that you can give with respect to gas and oil, I remember that you used to give these numbers, but can you just, any updates to that or how do you see things ramping up over 23-24 both in terms of gas and oil?

Harish Madhav: Gas, you are talking about by 23-24 we should be, but we are intending that we should be able to increase our production to say around 3.2-3.25 this year, in next 2 years' time.

Somaiah: So in FY21, this number is 2.65?

Harish Madhav: FY21, we possibly must be reaching around, FY21 was very low, 2.8 something, but 22 it will be close to 2.9 -3, we should be able to reach.

Somaiah: And in terms of oil, so we were around close to 3 in FY21?

Harish Madhav: In respect to oil, I just mentioned sometime back also in reference to earlier question, around 3.1 we should be able to achieve, anywhere between 3 and 3.1, we should be able to achieve.

Somaiah: Sir, one question with respect to your CAPEX outlook, both on a standalone basis and anything that you need to spend on the NRL part also?

Harish Madhav: Standalone excluding NRL all other investments and the regular CAPEX is around Rs.4200 crores planned for the next year, this year it is Rs.4100 crores, next year it is Rs. 4200 crores and NRL capacity expansion a different strategy will be coming about Rs.3000 crores we have to invest, but that will come only in 23-24 and 24-25 and last two years of recently expansion project, because initially the loan drawn and internal resources will be used.

Somaiah: One final question sir, with respect to your debt break-up, the console, the different between console and standalone, so that entirely pertains to NRL or you also have other forms of debt, if you can give the breakup between standalone console debt, it should be helpful?

Harish Madhav: Standalone and console debt, the difference is not on account of NRL. NRL as of date there is no debt, but the difference will be on account of USD $500 billion loan that is there in our Singapore subsidiary, Oil India International PTE Limited through which we got our return investments. That is the only difference.

Moderator: Thank you. The next question is from the line of Rakesh Sethia from HDFC AMC. Please go ahead.

Rakesh Sethia: Sir, I wanted to understand this provision and the exploration cost a little better, so if I see on this quarter, about Rs.468 crores was in provision and another Rs.127 crores in exploration, is this entire amount Rs 468 plus Rs 126 pertains to some sort of exploration and well write-off?

Sanjay Choudhuri: Yes, this Rs.460 crores pertains to provision for well write-off which is when we…

Rakesh Sethia: Cost a little better, I see two classification, one is provision for Rs 468 crores and then exploration cost write-off, if you can help us understand why two separate heading and if all of this amount pertains to well which you have drilled in the past?

Sanjay Choudhuri: Now, coming to the question, actually you see we do this when we see that internally we assess that a particular well has got no further commercial use, then we take a provision against it because it doesn't make proper accounting or rather as you say it does not make conservative accounting by carrying it as work in progress once we have decided internally that it is unlikely to yield any commercial value. That is the stage when we take a provision against the well. However, most of these wells are under NELP and these wells are under OLAP. Now, in this situation what is going to happen is that you can actually write-off the well from your books. That is strike it off from your books only after all the formalities have been completed and the well has been relinquished. So when we take a provision, normally it is of two stage, you take the provision first when you internally feel that because of any commercial value and then subsequently after the formalities are over, you write it off, however, in some cases where we are drilling a well in the nominated blocks that is the earlier block that we have had before the NELP regime. These blocks don't have to go through this long process because no other outside party is involved and the formal writing off of a well and internally deciding it is commercially viable is the same step. Once we internally decide these are commercially viable we simply write it off, so we don't follow this two-step system. Now, coming to the amounts that you mentioned, we have shown provision as Rs.454 crores that is because it has been NELP block and be in NELP block it will fall in the two stages, first we will come to provision, then subsequently when all the formalities of DGH are over, it will be written off. Of course, when it will be written off, there will be no hit in the profit because hit in the profit has already taking because of taking the provision. It will merely move from provision to write-off. That is all. However, for the other well, for Rs.126 crores that you talked about, there this is a well in Assam this is going to the one stage like I explained to you. This is the single stage write-off that means initially decided, no commercial value and will be written off. I have been able to explain, I don't know.

Rakesh Sethia: So when I look at your balance sheet, there is an exploration and evaluation assets worth about Rs.1076 crores as on September 21. Out of this Rs.1077 crores, how much of this would pertains to the NELP block, I mean I would assume the provision would be setting in the liability side?

Sanjay Choudhuri: That I will have to check how much is NELP and we will come back to you on that, but right now there is not much drilling is going on in the NELP block. As of second quarter, the NELP figure is likely to be very slow. This is largely in the Assam fields.

Rakesh Sethia: So let us say if we were to assess risk of further write-offs, is the Rs.1100 crores or this Rs.1076 crores is the right number to look at in the balance sheet that this is the number if hypothetically none of the wells proven to be commercially viable, then this is the maximum amount you would be writing it off?

Sanjay Choudhuri: No that is a very unlikely situation going by the past record.

Rakesh Sethia: No, I am just saying hypothetically, so you?

Sanjay Choudhuri: But hypothetically, we will add on to it during the course of the year, this will become bigger and bigger also.

Rakesh Sethia: Every year, how much you expect to add on your exploration assets?

Sanjay Choudhuri: Because these exploration assets, this exploration and evaluation assets is the definition as per Ind AS, let us not take it in as common parlance, this is the particular definition of Ind AS, this is the particular accounting standard in Ind AS which has got this heading and as per that this heading has been used. So what has happened, this signifies the exploratory wells which are under drilling and have not been capitalized. Once this is successful, this will be capitalized and they will come under PPE. That is the first item in the balance sheet in the asset side, PPE. And this is kind of work in progress of exploratory wells. You can take it as that. That E&E assets are work in progress exploratory wells. If they become dry, there will be written-off. If they are successful, they will go into PPE.

Rakesh Sethia: Sir, from a customer side, which are the large customers that will take the increased production of gas volumes which you guided to us?

Sanjay Choudhuri: The electricity plants, NTPS, LTPS were there, the power plants are there, the fertilizers are there, Assam petrochemical is there, BCPL, Brahmaputra Crackers and Fertilizers, they are there, so all these customers want to take.

Rakesh Sethia: So these customers will add capacity and therefore take higher natural gas or currently they are not using any natural gas and therefore they will take natural gas?

Sanjay Choudhuri: They are all using natural gas as of now. In some cases, they are a little starve and in some cases like APL went through a overhauling process, BVFCL is also going through some overhauling process, so as a matter of coincidence also what has happened, lot of overhauling and capacity expansion is going on. So they are all expanding capacities now. Because of capacity enhancement is one and because of enhancing capacities, they were at suboptimal levels right now, so that is why the hike would be a little more.

Rakesh Sethia: And sir, my last question is on Numaligarh Refinery, how much will be the expansion CAPEX if that has been finalized and what would be the breakup of funding that CAPEX between internal accruals and borrowing and followup to that would be will it affect the Numaligarh Refinery's ability to pay dividends to Oil India?

Sanjay Choudhuri: See, I will take the last part of the question first, the dividends for Numaligarh might really come down because if you are going ahead, having net worth of about Rs.5700 crores and we will go ahead with a project of Rs.28,000 crores, obviously there will be some impact on the dividend payout, that is quite natural, right and so there would be some impact in the dividend payout in Numaligarh Refinery. As far as OIL's share of capital is concerned, it will be tune of Rs.3000 crores and that will be payable around 23-24 at the end part of the project.

Rakesh Sethia: This is additional Rs.3000 crores Oil India will infuse into Numaligarh in?

Sanjay Choudhuri: Right.

Rakesh Sethia: And of the Rs. 28,000 crores of CAPEX you explained, how much would be the borrowings, will it be two third, one third, the usual borrowing mix?

Sanjay Choudhuri: 70% will be borrowing.

Moderator: Thank you. The next question is from the line of Abhijeet Bora from Sharekhan. Please go ahead.

Abhijeet Bora: Only one question, can I get the breakeven price for both gas and oil?

Sanjay Choudhuri: Breakeven price of oil is around $27-$28.

Abhijeet Bora: And for gas?

Sanjay Choudhuri: For gas, it was around $2 mmbtu.

Moderator: Thank you. The next question is from the line of Yogesh Patel from Reliance Securities. Please go ahead.

Yogesh Patel: Sir, question is related to your 4% stakes in Mozambique basin, so the plans of gas production from this basin has been further extended to FY25-26 as per your presentation, so what is the current status of this basin and how much CAPEX is committed from Oil India side in next 2 years for this block, so sir, my question is from the perspective of current higher L&G prices and which can be a booster for existing investors of this block to ramp up with the operations, so that we can see early operations and gas output from this block, so can you throw some light on the Mozambique basin current status and your CAPEX plans for next 2 years for this block?

Sanjay Choudhuri: Actually Mozambique what has happened is right now it is on the Force Majeure because there has been some terrorists activities out there and the project is under Force Majeure last 3 months and may be another few months it might be on the Force Majeure, however, the situation is improving, there is intervention at the ministry level from India as well as from other operators, so the government to government talks which is going on and we expect the situation to improve. Because of this, the project would be delayed by say another year, obviously because of this whole situation which has happened right now.

Yogesh Patel: And my second question is related to again gas production, domestic gas production ramp up, so as you said the gas production will be close to 3.3 this year in FY23-24, so this additional gas production you will be able to sell at market price, is this the right understanding?

Sanjay Choudhuri: No, not at the market, most of it is going to come from nominated blocks, right, largely coming so we won't get a market price. If something comes from our NELP blocks, obviously we will be able to sell at market price, but not the all of it, small part of it yes, may be, but not all of it.

Yogesh Patel: So could you give us a ballpark number how much would be nominated block additional production and how much would be NELP or market price cap?

Sanjay Choudhuri: Very small, NELP, as per the current plan, it is the dynamic situation, but as per the current scenario, nothing more than 10% and may be in 5% unless you have ballpark figure, it is nothing more than 10%.

Moderator: Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: My first question is related to the oil production, you spoke about where you indicated that in the coming year, the production would go up to about 3 to 3.1 million ton, so what is the basis of that increase in production because past couple of years we have seen decline in the production level, so where does the incremental production going to come from, if you can just throw some light on that?

Sanjay Choudhuri: The increase in production of gas is we are expecting to come from some focused areas that we have identified within our existing fields and due to some enhanced recovery methods that we plan to use and in this focused fields, if you come from our existing fields and then you are looking at new fields to ramp up the production at this stage.

Nitin Tiwari: Basically you are talking about IOR in your activity and the field **?**

Sanjay Choudhuri: IOR/EOR activities and lesser explore part of the fields in the nominated blocks, more extensive exploration in some of the areas that would also be a focal area.

Nitin Tiwari: And sir, my second question is related to Numaligarh Refinery, so in case of Numaligarh post the BPCL's exit, how are the product offtake agreements, are there tie-up with oil marketing company for the current production and then for the ramp up also subsequently that all the product would be offtake?

Sanjay Choudhuri: Yes, there is an arrangement with them with BPCL for the next 15 years, I guess for these marking conditions to continue.

Nitin Tiwari: So even for the increased production that is going to come up for expansion that also BPCL will offtake?

Sanjay Choudhuri: Yes.

Nitin Tiwari: And on the related note only sir, that, that now like people are intimately talking about renewable energy and reduced reliance on oil and oil products, so in that light how do you see the Numaligarh CAPEX adding up because it is not costal refinery, it is remotely in the hinter-land and it is a substantial CAPEX which you will be able to happen for expansion of the capacity, so how do you see this scenario adding up with the demand moderates going ahead and eventually the refinery has to export?

Sanjay Choudhuri: In Numaligarh is going ahead with the project for ethanol plant, 1G, so they are going ahead with 1G ethanol plant right now and that is as far as Numaligarh is concerned and secondly, as far as Oil India is concerned, we are seriously exploring the prospects of green hydrogen, so from the Oil India's perspective is looking into the green hydrogen scope of things and for Numaligarh, they are looking into ethanol plant.

Nitin Tiwari: That is on the side that Numaligarh is working at an ethanol, but I am talking more from the perspective of that how much of value do you see in terms of adding capacity as Numaligarh as a substantial investment of Rs.28,000 crores and given it is not a coastal refinery eventually the logistics would turn out to be less sort of competitive for this refinery if it has to export out of the area, that is what I am trying to guess, like the demand over there get fertile?

Sanjay Choudhuri: Yes, I understand what you say, your question is that how does it add up that you make the investment of Rs.28,000 crores, when fossil fuels are not the flavor of the season, right?

Nitin Tiwari: Yes, that is the question.

Sanjay Choudhuri: The point is that whether we like it or not, whether it be the favorable season or not, we can't do with the fossil fuel in the near foreseeable future, so whatever happens is going to not happen before 20-25 years and for things to actually percolate and come down to India and be effectuated at India levels and see, let us look at it practically, there is no substitute of fossil fuel for ETF so there are lot of areas where no work has been done for substitution of fossil fuels, right. So we don’t think, we just at a stage we can write-off the fossil fuel, the future of the fossil fuel straight away, so there is the future, yes may be there might be dips here and there, but then we think we will live with it.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from Bank of Baroda Capital. Please go ahead.

Kirtan Mehta: Could you run us through the status of the capital projects under execution?

Sanjay Choudhuri: Now, there are no major projects we do. Only major project right now on the execution is the river pumping project from Bongaigaon to Guwahati. That is under construction. Other than that we have nothing major project right now really. Of course, we have lot of things in the pipeline with planning stage, but there is no other CAPEX right now for major projects. Otherwise, the ongoing CAPEX that happens due to drilling of wells and other activities of course that is ongoing, but if you look at the major projects like in STF or Makum OCS, project at that level, say in the range of Rs. 500-600-700 crores or more, nothing like that is in the offing right now except in the reverse pumping, revamping from Bongaigaon to Guwahati.

Kirtan Mehta: Sir, what is the exploration budget for the next 2 years?

Sanjay Choudhuri: The exploration budget for the next two years will be in the range of around Rs. 2500 to Rs. 3000 crores.

Kirtan Mehta: And how it would be split between the wells and the G&G expenses?

Sanjay Choudhuri: Survey would be in the range of Rs. 600 crores or so and rest will be for drilling purposes.

Kirtan Mehta: And one more question on the phasing of the CAPEX for NRL Refinery, could you also indicate from the NRL side, how the phasing would work out?

Sanjay Choudhuri: I don't have the exact phasing right now readily available with me, let me just have a look. We will just share with you. Somehow, I just missed out the exact phasing. We will just share this with you.

Moderator: Thank you. The next question is from the line of Avadhoot Sabnis from InCred Capital. Please go ahead.

Avadhoot Sabnis: I just wanted to seek a clarification, my understanding was this whole NRL expansion also included a pipeline that as we built to Bangladesh, Siliguri to Bharatpur which would be largely government grant, is my understanding correct?

Sanjay Choudhuri: For the Bangladesh, major part is government grant for that.

Avadhoot Sabnis: Point was that isn't that sort of main evacuation at the expanded refinery, taking the product to Bangladesh?

Sanjay Choudhuri: Sorry.

Avadhoot Sabnis: Isn't the main part of the question, I am trying to understand the question was asked earlier in terms of where the expanded product will go in terms of refinery expansion, isn't the main part an export to Bangladesh as part of the pipeline route?

Sanjay Choudhuri: Yes, some part yes, but not the major part.

Avadhoot Sabnis: Is there anything finalize in terms of agreements with Bangladesh in terms of product offtake?

Sanjay Choudhuri: No nothing is really finalized, but some products have already been exported to Bangladesh through the roadways as we speak, but nothing long term as to the total uptake has been finalized as of now.

Avadhoot Sabnis: And sorry, I just missed, I didn't quite catch the GRM number that you gave for the NRL Refinery for the second quarter, could you please repeat?

Sanjay Choudhuri: The GRM numbers for the second quarter NRL is $13.47 per barrel.

Avadhoot Sabnis: What was it for the first quarter?

Sanjay Choudhuri: $ 5.21.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from L&T Mutual Fund. Please go ahead.

Rahul Agarwal: Sir, my question is basically to understand this write-off of dry wells, is there, can you give us a sense of over the years, how much of your CAPEX, in your exploration side, would you have written off and is that something that you keep a track of in terms of operational efficiency or improvement of process over the years?

Sanjay Choudhuri: As far as write-off of dry wells is concerned this we are talking of a well which has not yielded any production and there would be another kind of dry well that has lived its life and has dried up. Now, for that accounting purpose, there will be no hits on the bottomline because that would happen in the natural course of business. The wells that you are talking of are those wells which were drilled and they did not yield any commercial hydrocarbon and in exploration business, drilling of dry wells is a part and parcel of the business itself and dry wells during exploration is common world over even with the biggest place in the game, so that is the part of the business and that is the way life is.

Rahul Agarwal: Sir, I understand that. What I am asking is that there would be certain percentage about your spending that you are taking write-off of, so is there any metric that you keep track of that or there is nothing as such?

Sanjay Choudhuri: For maintaining a conservative books of accounts as soon as internally decide that this is not commercially viable, my auditors will not permit me to carry it in our book and have to write it off immediately, so I cannot plan a write-off per se. The write-off would happen when it happens and I will have to account for it as it happens. So I would not be able to maintain the metrics and kind of even it out. I cannot even it out. I have to do as it comes.

Rahul Agarwal: And just last question is, sir, this quarter how much of past provisions would have got adjusted?

Sanjay Choudhuri: Past provision, none actually because the provision we have taken is Rs.454 crores is the new provision and the write-off we did Rs.126 crores did not have a provision, so past provision has not really been adjusted in this quarter.

Moderator: Thank you. The next question is from the line of Vikash Jain from CLSA. Please go ahead.

Vikash Jain: I just wanted to check what has been the seismic cost for this quarter?

Sanjay Choudhuri: If you have some other question, we will just get back to you on this.

Vikash Jain: And the other one the amount that you mentioned that is Rs.450 crores, this one-off is Rs.450?

Sanjay Choudhuri: Rs. 450 crores for one year, HPHT, whether the high pressure high temperature.

Vikash Jain: Rs. 450, I can catch it clear.

Sanjay Choudhuri: impact.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, as has been the case with this write-off, how does the provisions work with the income tax department in terms of tax calculation on the income when the write-offs are being made into, what is the rule for the same, we are taking provisions on the basis of wells not performing, so how does the taxation part play, sir?

Sanjay Choudhuri: What happens is that for the purpose of income tax, write-off and this provisions are straightway not allowed as deductible expenditure, but as far as the upstream oil companies are concerned we have got a separate provision under section 42 of the Income Tax Act and as per which the expenditure as and when are incurred are covered under Section 42 agreement and as per the provisions of the section 42 of the agreements when these expense are incurred there is a deduction and in some cases in the year in which the expenditure is incurred in certain cases over a period of three years so that is why this subsequent write-off and provision are not allowed does not hurt our income tax profitability.

Saket Kapoor: And sir, with the increase in the gas prices and overhauling of APM also, what kind of increased revenue are we expecting sir going forward and what portion has been factored for this quarter, sir?

Sanjay Choudhuri: The increased revenues, our gas revenue is in the range of 15% of the total revenue and the increased revenues since the prices have gone up from $ 1.79 going to about $ 2.9 that difference for 15% of the revenue would be the enhancement because in the revenue mix, gas is around 15% or so.

Saket Kapoor: And what have been the crude realization for this quarter ended first half?

Sanjay Choudhuri: Around $ 72.

Saket Kapoor: $72?

Sanjay Choudhuri: Yes.

Saket Kapoor: For the CAPEX part, the amount to be spent would be Rs.2,500 to Rs.3,000 crores?

Sanjay Choudhuri: For the exploration, seismic, exploratory wells and development wells all related to exploration activities.

Saket Kapoor: And how much have we spent on the same for the first half?

Sanjay Choudhuri: Around half of it has been spent.

Saket Kapoor: And sir for the green hydrogen part, what is the thought process of the management and what are the inroads we are making currently if you could throw some more light on the same?

Sanjay Choudhuri: Actually it is still in the drawing board stage, so we are just exploring the options and we have not really even zoomed in what kind of green hydrogen we want to use. So we are just weighing the options because there are certain options available, so the technical team is looking into the option, so once we have something concretely discussed about, we will definitely share that with you.

Moderator: The next question is from the line of Somaiah V from Spark Capital. Please go ahead.

Somaiah V: Just one clarification with respect to the breakeven numbers that you mentioned, so what are the cost trends that is getting accounted when we mention this breakeven number, sir?

Sanjay Choudhuri: That breakeven number includes the raising cost and includes the DDA, it includes absorbed cost and it includes the levies. It does not include development cost that is without development cost.

Moderator: Thank you. As there are no questions from the participants, I now hand the conference over to the management for closing comments.

Sanjay Choudhuri: This was very interesting and very encouraging I must say because the participation was very encouraging and the questions that you asked were very incisive and we found the participation also very involved in the whole process. I must take this opportunity to thank everybody who has participated in this Q&A session and special thanks to Mr. Hazarika and Emkay Global Financial Services for arranging this call. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.