



Oil India Limited
Q4 FY2021 Earning Conference Call

June 22, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2021 Earnings Conference Call of Oil India Limited hosted by Antique Stock Broking. 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 *0 then 00 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varatharajan Sivasankaran from Antique Stock Broking. Thank you and over to you Sir!

Varatharajan S: Thank you Rutuja. Good afternoon gentlemen and my apologies again for a delayed start. I would like to extend a warm welcome to all the participants and the management of Oil India represented by Dr. P. Chandrasekaran, Director (Exploration & Development); Mr. Harish Madhav, Director (Finance); Mr P. K. Goswami, Director (Operations). We request Mr. Harish Madhav to give a brief and then we can open the house for Q&A. I would like to hand over the call to Mr. Harish Madhav right now. Thank you.

Harish Madhav: Thank you Varatharajan, thanks for arranging this call. Good afternoon ladies and gentlemen. We declared our financial results for Q4 and FY2021 yesterday and we had circulated the results as well as the detailed financial analysis to all analysts and investors, hope everybody has received that. Before we open up for the question and answer I would just like to give a brief about the company's performance in last year and the results that we declared yesterday.

On the production front, the crude oil and natural gas production both suffered last year mainly because of the COVID and the Baghjan blowout incident and the other related disturbances. The crude oil production in Q4 was down to around 0.72 MMT and on annual basis it was 2.96 MMT as compared to 3.13 MMT last year. On the natural gas front also our Q4 production has remained almost static at around 649 MMSCM, but on annual basis the production was down to 2642 MMSCM as compared to 2800 MMSCM last year.

On the financial results, the first three quarters were really bad for Oil India Limited because of the very, very low level of crude oil prices and the additional expenditure on account of Baghjan incident of about 380 Crores, but Q4 because of the recovery in the crude prices the performance has improved. For Q4, profit declared is around 848 Crores and for the annual level we have declared a net profit of 1741.59 Crores as against 2584 Crores in the previous year. The EBITDA for Q4 was about 1780 Crores.

Crude oil price realization, we all know that the previous year because of the COVID impact the crude price internationally had suffered a severe shock and the average realization in the Q4 thanks to a recovery of prices in fourth quarter ultimately we realized around \$43.99 to be precise and in the previous year the average realization was \$60.75 per barrel so there was a drop of around \$17 per barrel in the oil price realization. Similarly, in case of natural gas also the price was lower from \$3.46 average in 2019-2020 to \$2.09 average in 2020-2021. The combined effect

of these two price decreases is close to around 3000 Crores on the turnover and a significant quantum on the net profit.

On the expenditure side, we have taken a write-off of about 850 Crores towards various explorations, which had gone dry, wells which had gone dry, total of about 850 Crores mainly in K.G. basin project and the Mizoram wells. The Baghjan blowout which happened in last year May it was fully controlled by middle of November 2020 and we incurred a total cost of about 449 Crores in management of this blowout operation including the compensation that we have to pay as per the NGT order as well as the various relief and rehabilitation operations which we undertook during that period. This additional expenditure of 449 Crores we have reflected as an exceptional item in our accounts for March 2021, but in spite of all these challenges of COVID, Baghjan blowout, in Q4 we have recovered significantly. As I just mentioned we have reported EBITDA of around 1754 Crore in Q4 and in fact the last year Q4 EBITDA was about 100 Crores negative because the prices had started falling by end of February or March so Q4 last year was really bad.

In a major development, which also people are aware now we have already intimated the stock exchanges, we acquired additional 54.16% equity stake in the Numaligarh Refinery from Bharat Petroleum on March 26, 2021. We paid total cash consideration of 8676 Crores; this has increased our equity stake in Numaligarh from 26% to 80.16% as of March, 31, 2021. This acquisition of 54% stake also includes 10.53% share that we have acquired on behalf of the Government of Assam, which they intended to buy from BPCL, but because of the ongoing elections at that point of time they could not do that so we have purchased them and during the current year the Government of Assam will buy these shares from Oil India Limited. Accordingly, the reflection of this transaction has been made in the accounts.

In addition to our investment in Numaligarh of 8700 Crores, we have also made capex investment of close to 4600 Crores in other E&P activities and infrastructure creation. During 2021 two of our major infrastructure projects, the Secondary Tank Farm at Madhuban and a Gas Compressor Station at Makum both in Assam were dedicated to the nation by Honourable Prime Minister Shri Narendra Modi. Increasing the exploration acreage we participated further in the OALP bidding round, round five and we have acquired four more blocks in that which has increased our acreage by 13% during the year. One good thing I would like to share with you we feel it is a major achievement. Oil India Limited under the OALP rounds of bidding we are the first company to start and complete the survey and other exploration activities and we are also the first company to start survey and complete the activity in one of this OALP round one block. Company has been recognized by The Federation of Indian Petroleum Industry and we have been awarded the Oil & Gas Exploration Company of the Year Award for 2021.

Since we all know that country and every part of the country people had a lot of suffering because of the COVID and as our contribution to the society we have been in the forefront of helping and assisting the state government and the central government in COVID management company is providing assistance under its CSR initiatives for setting up several oxygen plants in

hospitals, providing concentrators to governments and large scale vaccination of all the employees, their families and other related stakeholders. We have already incurred an amount of about 55/56 Crores under the CSR initiative for COVID management in all these activities.

Last thing before I complete, our Board has recommended a final dividend of additional 1.50 per share for 2021 this is in addition to the dividend of 3.50 that we paid in February 2021. We have along with us our Director (Exploration & Development), Dr. Chandrasekaran and Mr. P. K. Goswami who is our Director (Operations). So in case Sir anything you wish to further add to this whatever I have said we can do that, after that we can open up for the question and answer.

P. Chandrasekaran: Good afternoon. He has covered almost everything. I would like to elaborate on one or two points like our continued focus and the stress was in Northeast and Rajasthan so we continued to focus on those new acreages in these basins so we could win four blocks here, two in Rajasthan and two in Assam. So like what Mr. Director (Finance) was telling immediately within one month of the PEL we started the seismic data acquisition and we have also completed the one block. So what I am trying to tell is the planning is going on in the right direction and we have almost covered the exploration acreages, the seismic data acquisition whatever needs to be done is being done we have almost covered 96%, 97% of the total target. So with this the exploration campaign is going on in the proper way and we were also successful in getting certain fields appraised. So, one is Lakwagaon, which show the extension of the field and then we could appraise it properly and it was a good extension of this field and also Balimara and also Baghjan. So these fields we are going ahead with certain fast track appraisal-cum-development in the next two to three years so the plants have been elaborately made and the models have been made and we are going ahead with a fast track development on this and this year the success rate was 50% in exploration drilling and we have also made a gas discovery, Dinjan in Assam. Then this year we could also maintain an RRR of more than 1 reserve replacement ratio which is 1.16 this year and so the 1P, 2P results are in a comfortable position so this is in a nutshell and as Mr. Harish Madhav, our Director (Finance) has told, so all our efforts have been recognized and we have been awarded the Best Exploration Company of the Year during 2021. Any particular thing I would be willing to take. Thank you.

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

Probal Sen: Thank you for the opportunity Sir, good afternoon. Two, three questions, one was I think the reserve replacement ratio was mentioned as 1.16 can we get a sense in terms of absolute numbers what has been the 1P and 2P reserve addition in this year?

P. Chandrasekaran: 1P I will just give you the numbers.

Probal Sen: Yes Sir.

- Harish Madhav:** Probal I think you can continue with the second question in the meantime we can provide this information.
- P. Chandrasekaran:** 1P 7.4126 and 2P was 6.03.
- Probal Sen:** Is it possible to share what is the total 1P and 2P as on date Sir?
- P. Chandrasekaran:** Yes, the total 1P would be 105.55 and the total 2P would be 190.84.
- Probal Sen:** 190.84?
- P. Chandrasekaran:** Yes.
- Probal Sen:** Okay Sir. That is very helpful. The second question was a broader one. Before the Baghjan fire incident I remember that the guidance was that Baghjan would be one of the most promising new areas that was in our portfolio and it would be one of the key drivers for production growth so my question was now that the damage has been contained and work has started as before I presume, do we still maintain that level of optimism and are there some more regulatory compliances that we will need to do in order to get more permissions going ahead for further drilling and development since I believe it does as part of the protected forest area?
- P. Chandrasekaran:** The focus on Baghjan is even more optimistic than what I think I recall this sort of a question last time also, so in fact as I told you the appraisal of the area has been quite promising and quite encouraging and our efforts will be like as I told you earlier also our focus is basically while we would continue to do the development and you are in all the mature fields, there are four, five trust areas which we are targeting chief among them is Baghjan so we have also got an extension of some oil leg so I would not go into the details, but my point is that Baghjan is in fact promising, more promising than what we had envisaged earlier, number one. Number two is your question about the regulations from the government or the national parks.
- Probal Sen:** From the environment side Sir on a broad level.
- P. Chandrasekaran:** So we have been given permission to go ahead and drill extended reach wells so what we would be doing is we will not be entering any eco-sensitive area, we will not be placing our rigs anywhere there and we would be following all the guidelines of maintaining the distance from the boundary so we would be drilling only an extended reach drilling, which would be beneath the surface and so we have already identified the locations and we would be going ahead with those sort of drilling programs in the next two to three years and so we are taking care of all those things and the intention is not at all to enter any eco-sensitive areas these we have already got the approval from the government so we will be doing limited to only that.
- Probal Sen:** Near-term guidance for FY2022 oil and gas production or FY2023 maybe if you can share that, any targets which we might have set or submitted?

- Harish Madhav:** Probal as you know the target fixation is basically when we declare the final targets based on the MoUs that is finally signed, but for 2021, MoU numbers I do not recollect exactly, but as per the plan what Director (Exploration) just now mentioned, so as per that plan in 2021-2022 the crude oil production I think we are going to target at around 3.05 million metric tonne and natural gas around 3.1 or 3.2 BCM.
- Probal Sen:** Okay, that is very aggressive Sir that is good to know. Thank you Sir. I will come back if I need to. Thank so much for your time. Have a nice day.
- Moderator:** Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.
- Nitin Tiwari:** Good afternoon Sir. Thanks for taking my question. First question is a bookkeeping one. So if you can give us some capex guidance for FY2022 and 2023 and preferably if you are able to break it up in subheads like how much you are going to spend in survey, in exploration and development, drilling and so on and so forth?
- Harish Madhav:** The approved plan what we have in hand today what we have planned is 4100 Crores and last year our survey expenditure was around 800 Crores plus because OALP rounds what we discussed in the opening remarks, survey we had undertaken, extensive survey in various OALP blocks, but current year out of this the survey will be around 400 Crores to 500 Crores will be the survey expenditure out of the 4100 Crores and about 1700 Crores to 1800 Crores will be in the drilling operations so total exploration will be anywhere close to around 2400 Crores, 2500 Crores and then the further capital equipments and the overseas acquisitions so the overseas means the investment in Mozambique so that is how it is 4100 Crores.
- Nitin Tiwari:** Do we have like any number for FY2023 as well which we have fixed as of now or that is still open?
- Harish Madhav:** 2023 detailed plan is not there, but our investment will remain in this range around anywhere between 4000 Crores to 4500 Crores depending on the activity.
- Nitin Tiwari:** Sir my second question is related to our crude oil production so from past like in couple of quarters if we see the trajectory the trajectory is of a decline in production so I just wanted to understand what is the company's outlook going ahead and which oilfields we foresee like you are going to basically add to production and so if you can maybe throw some light on that?
- Harish Madhav:** You and Goswami Sir can take this question.
- P. Chandrasekaran:** Basically I would request to Director (Operations) before that I will just, as you rightly said almost most of the fields are old and they are mature so we are going ahead with complete digital modeling of all these fields. So we are looking for unswept areas, the normal reservoir management principles and we will be identifying those areas where there is still some unswept

oil and we are also going on with certain EOR projects so this is as far as addressing the issues in mature fields and also some certain positive happenings which we had in the last couple of years is like we said in response to a previous question is we have got some good developments in three, four, five fields. One is four fields are in Assam and Arunachal Pradesh, one is Baghjan, Balimara then Lakwagaon, Lakwagaon we have had a nice appraisal done during 2021 and Balimara also we have done an appraisal and Baghjan as I told you that the field, so I cannot say certain things now because they are not announced, but we have got some good wells which we have indicated and extension, which can be developed in a nice manner, so in the next three years, that is 2021-2022, 2022-2023, 2023-2024, we will have a very intensive drilling program of development and appraisal program in these areas and Kumchai in Arunachal Pradesh, this particular field, which we could not get the PML for more than 15 years, we got it in 2018 and now after a lot of persuasions the government has granted us till 2038 so this has granted us an opportunity to plan properly now. So the Kumchai field in Arunachal Pradesh and these three fields in Assam and also Rajasthan we have got Baghewala which is a heavy oil field. So these fields we can say that they are semi virgin even now so we are going ahead with certain intensive drilling program in these areas in the next three years. This plus the management of the mature fields will lead us to maintaining and enhancing the production slightly over the current levels in the next three to four years so we are very hopeful that we will be able to maintain the current levels and plus add definitely something more than the current levels and also there is a good opportunity and potential in gas. In gas this year also we got a discovery, Dinjan and Baghjan is a very prolific field so Director (Operations) would explain to you that we are going ahead with some infrastructure projects for handling more gas per day and so with that infrastructure also coming up in the next couple of years, the wells will be drilled and we are very hopeful that the oil and gas production would be maintained and gas production would be enhanced substantially.

P K Goswami:

Good afternoon. I think most of the things are nicely explained by Director (Exploration & Development) one or two things I would just like to add. One thing is that in mature fields there are so many non-producing wells we do have now so we are trying to reduce the number of non-producing wells by incorporating new technologies for these wells in which we are converting this to producing wells that is one agenda we do have now for gaining production from the very old wells so this is one thing and as Director (Exploration & Development) has rightly said that there are some bottlenecks in some areas for infrastructure those also we have taken up during last two years so some of the projects have been completed and some projects are to be completed within this year and next year. So with that, all those bottlenecks will be over and Baghjan as Sir has rightly said Baghjan is a very prolific field, we are developing Baghjan pipeline we have started this will be completed during two or three months so Baghjan production will also go up so you have to be patient also in Baghjan and two, three new infrastructures all those things are coming up so in that production that everyone was thinking that production is going down, but we have all these plans ready to make it faster growth. Thank you.

Nitin Tiwari:

Great Sir. So basically if I understood it right what you are trying to do is you are trying to maintain your crude oil production and basically grow your gas production through infrastructure

addition and Sir also highlighted about the appraisal program that you are going to undertake over next three years so if the understanding is right like in the next three years we will be undertaking the appraisal sort of program and development so any reasonable incremental production would take about three to four years is our understanding correct Sir?

P K Goswami: No, not exactly. So the appraisal of these fields has been completed to a large extent so what we have now going ahead is only some out of field appraisal wells but otherwise most of these would be development wells so what will happen is yes, but the wells do take some time to get drilled and so it will take a couple of years, say two to three years so as we look at this we will maintain these production levels from the current year and slowly step it up in the next couple of years so that is the story so far.

Nitin Tiwari: Understood. Thank you so much. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Yes, good afternoon Sir. I have three questions so first is on the cost and bookkeeping side so if I look into your expenditure breakup so there has been a lot of volatility since the last three, four years even if we consider annual numbers so your provisions which were earlier at around 400 Crore to 500 Crore range I think in FY2020 there was impairment and some overseas provision but FY2021 also it has been around 1000 Crores. Of course FY2021 also had some adjustments so going forward how the trend is like and out of this provision how much could be the recurring provision and how much would be nonrecurring going ahead?

Harish Madhav: Sabri, in provisions part, last year out of the total 1800 Crore provision which was there it included an impairment provision of over 1200 Crores so that leaves a normal provision range of say anywhere between 500 to 600 Crores. In the current year 1000 Crores what we have seen that again an impairment provision of about 100 Crores has been taken for the Russian assets where we have taken last year also on revaluation about 100 Crores the Licence 61 Russia is there and additional provision of a well in K.G. also has been taken for about 400 Crores so the normal range of provision if we remove the exploration write-off or impairments, etc., it remains around 500 to 600 Crores.

Sabri Hazarika: Right and this time you have taken impairment in many assets especially overseas assets.

Harish Madhav: Overseas assets License 61 Russia which is 100 Crores and Venezuela also we have taken impairment of about 60 Crores.

Sabri Hazarika: Okay, so going ahead, do we have any more risk of further impairments or right now we are done actually in terms of impairment and any kind of provisions from the existing assets not the new ones?

- Harish Madhav:** Yes from the existing assets whatever six, seven assets were there see this License 61 we have taken a large provision already last year and current year even Oil India (USA) the shale gas assets there also we have taken a significant provision last year so I do not think there is any further scope of any further provision in these two assets that leaves this Venezuela that also Venezuela only investment was about 54 million, 55 million out of which 60 Crores we have taken so Venezuela also I do not think there will be any major impairment coming up in future. Mozambique and Russia, other two is Vankor & Taas, these are the two blocks so as per the current indications no impairment but anyway everything depends on the developments how it happens and so many factors which are considered in impairment testing so if something comes up we will have to provide but apparently there is no indication that there will be any further impairments.
- Sabri Hazarika:** Nothing has been like decided on that Mozambique I think insurgency and taking the staff out?
- Harish Madhav:** That is the current development and there is a force majeure in place so the indication is that things should get resolved within six months to one year timeframe and the project should be back, but in any case this factor of Mozambique the recent development of insurgency and force majeure while doing the impairment testing we have considered this adequately and considering even one year force majeure two years force majeure no impairment has been worked out.
- Sabri Hazarika:** Secondly if I look into other expense heads, another one is the cost of support service and contracts so this has also fluctuated, it was used to be around 800 Crores, 900 Crores then it went up to 1100 Crores this year it has been 1400 Crores so was there any one-off or considering FY2021 is a low oil price year so the support contract cost going up anything specific on that?
- Harish Madhav:** No, if you see the last year's figures also this cost of support services contract cost was around 895 Crores last year this time it has increased to 1400 Crores. One major element which comes into the contract services is the cost of surveys, G&G studies that we undertake. As we mentioned in the beginning also in the OALP blocks this time we have undertaken extensive survey. Total expenditure on surveys which used to be around 350 Crores to 400 Crores, this has increased to around 800 Crores plus in current year 2021 so because of that about 500 Crores additional cost is coming in this.
- Sabri Hazarika:** So this will continue for some time or we are done largely?
- Harish Madhav:** Not necessarily. I think OALP major survey work has been done, but still around 500 Crores annually survey we will continue.
- Sabri Hazarika:** 500 Crores annual survey we will continue.
- Harish Madhav:** Maybe so next one or two years till all the blocks or these studies are done.

- Sabri Hazarika:** Okay and another is insurance, rent and all that has actually fallen significantly in FY2021 it used to be around again on the 700 Crore range it has fallen to 220 Crores so anything on that, there has been some reversals I guess some negative numbers?
- Harish Madhav:** I think that is basically because of the exchange rate variation. This also includes the exchange rate gain or loss. Last year because rupee had depreciated from about 69 to 74 there was a loss of about 500 Crores this time there is an exchange gain of 100 Crores so because of that only this variation is there.
- Sabri Hazarika:** Your dividend this time was high this was because of NRL right final dividend?
- Harish Madhav:** Yes. NRL and IOC, yes both.
- Sabri Hazarika:** NRL and IOC both. Okay Sir. Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.
- Vidyadhar Ginde:** My first question is if you could give us the breakup of your oil and gas 1P and 2P reserves?
- Harish Madhav:** I think Vidya it is the first question our Director (Exploration) already gave that response.
- Vidyadhar Ginde:** He did not give an oil and gas breakup.
- Harish Madhav:** You want oil and gas breakup?
- Vidyadhar Ginde:** Yes.
- Harish Madhav:** If you do not mind we will provide you separately?
- Vidyadhar Ginde:** Sure, no problem. So my next question is what do you expect now on the gas pricing there was some talk of some changes, but now with the global environment having changed there will be some improvement in H2 this year and next year is likely to be far better given the significant improvement in underlying gas prices so do you think the formula will change or we may stay the same formula what appears to be the probability of any change on that front?
- Harish Madhav:** Vidya, just on the first thing on the change in the formula I think we all know that there was a committee formed by the government, government has considered that prices are low, need a revision, committee was formed, committee has submitted its report to the government in December, it is under consideration that is all I think we can say on this part because it is a policy matter, I do not know when the government will decide this year, next year, second half or whenever but as far as the current formula is concerned, yes, the prices should start looking up and second half we should have a little bit recovery at least the price.

- Vidyadhar Ginde:** Okay, thank you. That is it from me.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** What is the consolidated debt as on March 31, 2021?
- Harish Madhav:** Yes, it will be around 18000 Crores.
- Vipul Shah:** 18000 Crores that is a lot of debt considering the size of our profit pool.
- Harish Madhav:** Do not consider the size of profit we also have a big asset NRL in our fold now so it is a big refinery which we have so this 18000 Crores when I say this includes about 6300 Crores on account of NRL.
- Vipul Shah:** But not long ago you were cash-rich, I think cash-plus four, five years ago, if I remember correctly.
- Harish Madhav:** Earlier we were cash-rich earning money from interest now we have invested it in the business now so naturally the major investments have happened in Russia assets.
- Vipul Shah:** So all Russia, Mozambique, but none of these assets are going to give you return in near future so my question is how do you bring down the debt?
- Harish Madhav:** I do not think your question is right. Russia is already paying us dividend almost 60% of the total investment we have already recovered from dividends in Russia so Russia, two assets which we acquired in 2016 they are regularly paying us dividends and good dividends. In four yearsøtime we have been able to recover about 60% of the investment. Mozambique, yes, Mozambique, there have been issues which were not anticipated it is going into trouble once again so once the asset recovers I think it will start paying us and Numaligarh investment in any case is going to give us continued good dividends and good investment so we will be able to liquidate this loan. Out of that 18000 Crores what I just mentioned about 2000 Crores we have already repaid which we borrowed from Numaligarh, a fairly short-term loan, and another about 2000 Crores we will be able to liquidate within the current financial year. We anticipate our cash flows to be that much so we will be able to do that. So in the next three yearsøtimeframe I think Numaligarh loan should be fully liquidated that would leave Russia and Mozambique only. Mozambique, of course when the production starts as anticipated in 2024 then only the flow of funds will start.
- Vipul Shah:** Three or four years down the line how should we look at your total production oil equivalent oil and gas combined which hovers around 525-550 currently?
- P. Chandrasekaran:** Roughly it is around 5.5 million, 5.6 million tonne equivalent for now in all positive it should reach anywhere about 7 million, 7.2 million tonne equivalent in the next 2023-2024.

- Vipul Shah:** By 2023-2024?
- P. Chandrasekaran:** Yes, by 2023-2024, max 2024-2025, we should cross 7 million, 7.2 million tonne equivalent.
- Vipul Shah:** Okay Sir. Thank you and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Vikash Jain from CLSA. Please go ahead.
- Vikash Jain:** I just wanted to know so there is a lot of positive momentum exchange around some exploration success and whatever you can see in Baghjan very simplistically put Oil India has seen over the last 10 years oil production fall by almost 25% last nine years or so and can we say that the number that we see the annual average for this year is that a clear bottom and there is going to be a significant rebound from here over the next couple of years or the coming three to five years?
- Harish Madhav:** Vikash, you are talking about the production levels?
- Vikash Jain:** That is right. So oil production, which kind of fallen by 25% in the last nine years, so I just wonder if this is really the floor and from here that all businesses that you are seeing and this should start looking up?
- P. Chandrasekaran:** Yes that is right. There are a lot of challenges, but as I have been telling in response to several earlier questions there are some development activities which are being taken up in certain fields so this should definitely take us up, at the same time the mature fields will continue to decline so we need to top it up and then add some few barrels over and above so we are very hopeful that this will happen. As you rightly said if I can borrow your words yes this should be the rock bottom and so we have never gone below 3 million tons, this is the first time in several years now that is due to several other reasons other than reservoir also, so in the next couple of years or two to three years this boundary management also is likely to be much better number one and then this Baghjan incident and other things we are likely to come out of it, we have already come out of it, but still there could be some minor hiccups here and there so those would be addressed. The matured fields will continue to decline so that as Director (Operations) was saying we are going ahead with liquidating the old wells and then doing a lot of work over and the development of certain still I can call them semi-virgin because whatever has been produced there is still more potential like in three, four fields whatever I just mentioned so this is the outlook which we have and we are working towards it.
- Vikash Jain:** The other question is so the debt number that you said that was standalone or consolidated what is standalone debt overall, I was asking sort of debt number that you mentioned that was standalone or that was consolidated?
- Harish Madhav:** Standalone is about 15.

- Vikash Jain:** The other question that I had was this particular year I think we did touch upon this briefly survey expenses went up significantly so where do you see them settling down next year onwards?
- Harish Madhav:** Next year we have I think total planned survey expenditure is around 450 Crores to 500 Crores that range.
- Vikash Jain:** This went up to about 850 Crores this year, right?
- Harish Madhav:** Sorry?
- Vikash Jain:** This year it was about 850 Crores, right?
- Harish Madhav:** This year it was around 830 Crores, 850 Crores, yes.
- Vikash Jain:** Okay. That is it. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Avishek Datta from Prabhudas Lilladher. Please go ahead.
- Avishek Datta:** Sir just wanted to know like can you just update on the Numaligarh capex program?
- Harish Madhav:** Numaligarh refinery expansion program which is approved as of now it is 22000 Crore plus and the project got approval I think last year 2020 sometime from the cabinet and it is already activities have started, the work orders etc., are being issued and by 2024 I think the refinery is supposed to get completed. In the meantime, there is some talk of reconfiguration also, in addition of some units, etc., so the revised cost will be around 28000 Crores for the refinery, but this is subject to approval from the Government of India so present approved cost is 22000 Crores.
- Avishek Datta:** Excise benefit which you currently enjoy in Numaligarh that will continue even post expansion to 9 million tonne?
- Harish Madhav:** It will continue, yes.
- Avishek Datta:** How do you plan to fund this revised project?
- Harish Madhav:** This total investment cost is debt equity ratio is 70:30, so 30% will be the equity contribution out of that 30% something will be from NRL's internal resources and the rest by the equity contribution by the partners so based on 28000 Crores basically our equity contribution will be about 3500 Crores.
- Avishek Datta:** How much Sir?

- Harish Madhav:** About 3500 Crores for all India for 70% equity that we will be holding and this investment will span over a period of three to four years on the project cycle.
- Avishek Datta:** Sir, this revised capex will also delay the timeline project commissioning?
- Harish Madhav:** I do not think so, project timelines will remain the same.
- Avishek Datta:** By that time the two pipelines will also be commissioned one for product and one for the crude oil?
- Harish Madhav:** Yes, otherwise the refinery expansion project will not be completed because crude oil sourcing has to be there and evacuation facilities, that is the complete project, crude oil pipeline, evacuation pipeline, everything.
- Avishek Datta:** Okay, Sir. Thank you so much Sir.
- Moderator:** Thank you. Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, as you were alluding to the fact that a substantial part of the debt is attributed towards the foreign exchange also, so how much is it for the Mozambique and Russia, Russia I think so you clarified 2000 Crores is what is still left after the dividend payout?
- Harish Madhav:** Our total standalone debt is about 15000 Crores, Russian debt figures into the consolidated results because that debt-to-fund raising was at the subsidiary company level in Singapore that is \$500 million equivalent, so that is 3500 Crores and the domestic debt what we have about 15000 Crores this is 6300 Crore as of March 31, 2021 6300 Crores was from this Numaligarh refinery expansion investment and the balance the entire thing is for this 9000 Crores is for Mozambique.
- Saket Kapoor:** Did not get Sir. You gave the breakup last night I missed it. Out of the 15000 Crores, 6300 Crores is towards
- Harish Madhav:** Out of the total standalone loan borrowing of 15000 Crores 6300 Crores is for the Numaligarh investment and remaining around 9000 Crores is for Mozambique.
- Saket Kapoor:** So Mozambique is there in the standalone?
- Harish Madhav:** Mozambique and Numaligarh both are in standalone and Russia is under the subsidiary of Singapore.
- Saket Kapoor:** What is the asset size, what are the equivalent oil and gas which will be anticipated once commercial production commence in Mozambique say two years down the line as the program is?

Harish Madhav: Mozambique production is not two years I think as per plan it is somewhere around 2023-2024 only and I did not get your question about the asset size I did not get what was it?

Saket Kapoor: Sir I only want to understand what is the oil equivalent from the Mozambique asset we have paid a substantial part in the acquisition so when the oil starts flowing from the field what is the oil equivalent in the field as per the discovery or as per the investment when we made the total oil equivalent that could be extracted over the life cycle of the oil field?

Harish Madhav: I think as per the Mozambique if I correctly remember the Mozambique total size of the reserve it was estimated at about 75 BCM so that is of the total project's lifecycle, initial two trains which we are developing is for 6 million metric tons per annum capacity each train so 12 million tonne capacity production will start in 2023-2024 as per the current plan and then subsequently these trains will be expanded to other five or six trains so total production ramp up will happen somewhere over timeframe of maybe around 10 to 15 years, but initially to begin with 2023-2024 12 million tonne production will come out of which 4% share will be of Oil India.

Saket Kapoor: Right Sir and as you told the technological changes that we are going, moving away from the traditional way so what are the benefits and in adopting these technological advancements is the requirement for say similar size and all, which are currently used in exploration or do you see significant changes in the way the consumables will also change in the technological advancement, which you spoke earlier?

P. Chandrasekaran: As far as Oil India is concerned, we have got a very, very good system in place so we have also inducted a number of technologies in our areas like even this cyclic steam simulation which is being inducted in Rajasthan that is first of its kind in India and that is also the first in the world like at that depth around 1100 meters we have successfully done the cyclic steam simulation in Rajasthan that is the first in the world itself so what we are doing is like in the exploration and the development and production, so this year we have also inducted airborne gradiometry survey in the entire acreages in the Northeast where doing a regular seismic is not possible because of the logistics and the terrain and things like that so what we are doing is it is an airborne gradiometry survey that we have already started and we are doing and then we have entered into a lot of work association to say for example IIT Bombay and then Norway for the carbon capture and sequestration so we are going ahead with that and the EOR also we are going ahead both in the carbonated water and also the chemical EOR and we have also inducted something called passive cyclic thermography we have to say that we have addressed and then we are asking the government.

Saket Kapoor: Looking at your traditional way similar pipes was required for the exploration purpose so is there any change and shift in demand due to this new technological advancement or your requirement for the same remains the same and what has been your annual requirement for this year and your projections going forward?

- P. Chandrasekaran:** The requirement is to reduce the cost of production so ultimately when the gas price is less so if you are not able to produce below the price it is not going to be economical so what we are doing is one is in the exploration plan, another is also in the production in enhancing the productivity per well so this also is a bigger focus which we are doing. Like in gas wells what we are doing is I think the Director (Operations) will tell about this. We are going ahead with changing the whole size of the tubing and the casing based on the productivity of the wells, and the thermal productivity we are trying to enhance so that less number of wells are drilled for producing same amount or more amount of gas so as far as the oil is concerned we are going ahead with the DRM things for this so in these sort of technologies when we indulge if you want me to give us some quantification of the money which is being spent it is normally around 200 Crores to 300 Crores to 400 Crores, which in the overall thing may look optimal, but along with this we are also inducting the data acquisition in the technology.
- Saket Kapoor:** Last point is about PSUs are investing a lot in the renewable segment and also the government has preponed this ethanol blending program also so anything on that front Sir where we are making any further investment?
- Harish Madhav:** Renewables we have total capacity of 188 megawatt, 174 megawatt in wind energy and 14 megawatt in solar in Rajasthan, Madhya Pradesh and Gujarat. These all investment took place started with 2011-2012, last three, four years we have not added anymore capacity, but coming to your question of ethanol thing we are also considering setting up a grain based ethanol plant of about 200 tonne per day capacity something like that in state of Assam, but that is very elementary stages of study there, etc., but we are thinking of setting it up that is the only thing as far as Oil India is concerned on the ethanol front.
- Saket Kapoor:** On the biogas plant Sir anything on that?
- Harish Madhav:** I do not think we are anticipating anything.
- Saket Kapoor:** Right, Sir. I was looking at the other income component also; we see a significant part of your profit there is the other income for this quarter what constitutes these 1330 Crores of other income?
- Harish Madhav:** This includes a large part of it towards the dividends that we have received from Indian Oil Corporation and Numaligarh. Numaligarh there was a significant increase in dividend because of this disinvestment thing last portion of their reserves, etc., they have distributed so about 700 Crore plus dividend we got from Numaligarh and about 500 Crores from Indian Oil Corporation.
- Saket Kapoor:** Out of your profit of 1210 Crores if we remove this other income part before exceptional items then we have losses for this quarter also that means the operational profits are not meeting the expenses?

Harish Madhav: Gentlemen please tell me one thing my investment in Numaligarh is it for other income for deposits or it is for an operational income? My investment in Indian Oil Corporation is purely an operational income.

Saket Kapoor: But sir since revenue from operations.

Harish Madhav: Revenue from operations, my investment this is how I basically develop my business. If I am acquiring a refinery it is pretty much an operational income just because of accounting purpose I have to classify it as other income that is very much an operational income.

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

Manikanta: Yes. Thank you for providing an opportunity, sir. So I have three questions. One is with respect to the mature fields that Chandrasekaran Sir has mentioned that production is going to decline here so if you can just quantify that like with EOR activities also are we saying that the decline would be there and how much would be that and without EOR activities what could be the decline?

P. Chandrasekaran: See, as far as EOR is concerned Oil India has been doing it over the last three decades so there is a very regular thing called a low salinity water injection, so that is a method and almost around 15% of our current oil is produced through that only, so now what we are doing is this sort of the system is being continued in all the fields wherever it is required, in addition what we have done is we have carried out the screening of all of our reservoirs and then we have got it also screened by other institutes and we are going ahead with chemical EOR which will be unique to each reservoir so that would have to be done in the next two to three years we would be completing the pilots in at least two to three reservoirs so then it would be replicated in the total field and what we hope is there may be around another five years to seven years in the horizon of seven to ten years around the 10% of the total production would be through this process.

Manikanta: So if I understand it correctly you are saying that with the chemical EOR we will still be maintaining the production or there will be reduction with that as well?

P. Chandrasekaran: Sorry let me try to explain it. See in a normal manner business as usual every reservoir will decline and the production will decline that is due to the decline in pressure and that is normal with any reservoir, so what we try to do is we try to arrest this and then we try to increase the recovery factor so this can be done through several methods, which I do not think I would go into the details, but it is enough to say that there are several methods which we have already are implementing in our fields, which is one of the primary things is low salinity water injection which is we have got an enormous infrastructure of water injection, which is a very low salinity so that is one thing. Another thing is about chemical. This chemical also we had already inducted some few years back and now what we have done is we are doing the digital model, seeing the sweet spots and then planning we need to drill wells and inject those chemicals in that part of the

field so this is a time-consuming process so that is why I said, there will be a decline and we are trying to arrest it through an enhanced oil recovery method, which worldwide if you see it is around 3% of the recovery which can be achieved through the production through EOR. We are hoping that it can be increased around 7% to 8%, which is a very, very positive number for us. Am I tried to answer your query?

Manikanta: Yes Sir that makes it clear thank you and my second question is with respect to a news article which talked about us re-entering the fuel retail business now that we have NRL refinery can you please throw some light there Sir, are there any plans to enter in the fuel retailing?

Harish Madhav: Not immediately, no plans immediate, but certainly it is an open area and whenever time permits and the finances permit the business opportunities are there we will certainly like to do it, but there are no immediate plans.

Manikanta: Sure Sir and the last question is you mentioned that the debt, which was as of March 31, 2021 has already declined by 2000 Crores is that what you have said Sir?

Harish Madhav: Yes.

Manikanta: Thank you Sir. Thank you so much.

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

Ankur Sabnis: Just one question. Last few years the NRL dividend payout has been closer to 80% any thoughts on what is it going to be going forward?

Harish Madhav: Going forward this NRL because they have to invest in the expansion projects so certainly it will not be that high. Last year it was exceptionally high, but so far they were distributing high dividends because there were no major capex involved, but now since the capex is there so dividend distribution certainly will come down, but they are also guided by the government guidelines on dividend distribution so certain minimum dividend they will have to pay so that depends on how much investments each year is coming up and how much profitability and accordingly it will be decided, but minimum 30% of the profit is what is they are supposed to pay minimum.

Ankur Sabnis: Understood. Thank you.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to Mr. Varatharajan Sivasankaran for closing comments.

Varatharajan S: Thank you Rituja. Sir I have one last question of course. We seem to be getting once in a while this news in the media talking about the government considering taking away some of the oil

fields from ONGC and Oil India and probably auctioning it so is it something which is of note at this point in time should we be concerned?

P. Chandrasekaran: Sorry, it is not very clear, I am sorry, could you please repeat?

Harish Madhav: It was about the divestment or taking over of oil fields, nomination fields by the government and giving to other parties.

P. Chandrasekaran: I do not think we can make a comment on this. This was also told about by Honourable Chief Minister of Assam so I do not think we can make any comment on this, but what we can definitely tell us yes if they are handed over we would definitely like to because of our presence here for ages we can handle it that is not an issue, but we do not think we can make a comment on this. Thank you.

Varatharajan S: Not a problem. Thanks a lot to all the participants and thanks a lot management for a very productive and very instructive Q&A session. Have a nice day.

P. Chandrasekaran: Thank you.

Harish Madhav: Thank you Varatharajan. On behalf of Oil India management my sincere thanks to you and Antique Broking for organizing this call. Thank you so much. I hope we have handled all the queries of the people, in case something is still remaining they can approach us we will give the responses through e-mail or other ways also.

Varatharajan S: Thanks HarishJi.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.