"Oil India Limited

Q2 FY '25 Results Conference Call"

November 06, 2024

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MODERATOR: MR. VARATHARAJAN SIVASANKARAN --ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day, and welcome to Oil India Limited 2Q FY '25 Results Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participants' 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 star then zero on your touch-down phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varatharajan Sivasankaran from Antique Stock Broking Limited. Thank you, and over to you, sir.

Varatharajan S.: Thank you, Neha. A very good morning to everyone. I'd like to welcome all the participants to this call and the management of Oil India Limited, represented by Shri Ashok Das, Director, HR, also holding Additional Charge of Director - Finance; Shri Saloma Yomdo, Director E&D, on the Additional Charge of Director - Operations; Shri Rupam Barua, ED F&A and CFO; and Shri Sachidananda Maharana, CGM F&A.

I'd like to hand over the call to the management for their initial remarks, and then we can move on to Q&A.

Management: Thank you, Mr. Varatharajan. We now request our Director, HR and Director of Finance, Mr. Ashok Das to kindly give the inaugural address.

Ashok Das: Thank you. A very warm good morning to the friends. At the outset, we would like to thank M/s. Antique Stock Broking Limited for organizing this call for discussing the second quarter FY '25 results with the management of the company.

The company's financial results for the quarter ended 30 September '24 were approved by the Board of Directors on 5 November 2024, and have been published. The company has achieved significant milestones in terms of growth in production numbers of both crude oil and natural gas. The significant financial and operating achievement will be briefed by our ED F&A and CFO, which can be followed by a Q&A session. So I welcome you once again to the con call. Thank you.

Rupam Barua: Good morning dear friends. At the outset, I would like to thank M/s. Antique Stock Broking Limited for organizing today's analyst call and -- I am Rupam Barua, CFO of this company.

The company's financial results of Q2 financial year '24-'25 were published on 5 November 2024. I would briefly give some highlights about the performance of the company in both physical and financial terms.

Now coming to the stand-alone results, beginning with the production front. The company has continued to improve its crude oil production, which is higher by 4.79% in quarter ended 30 September 2024, at 0.875 MMT vis-a-vis 0.835 MMT in the quarter ended 30 September 2023. Crude oil production has increased by 5.5% in half year ended 30 September 2024 at 1.746 MMT vis-a-vis 1.655 MMT in the half year ended 30 September 2023.

Natural gas production during half year ended 30 September 2024 is at 1.617 BCM, increased by 3.99% over the production in half year ended 30 September 2023, this was 1.555 BCM. However, natural gas production for the quarter ended 30 September 2024 is marginally lower by 1.36% at 0.799 BCM vis-a-vis 0.810 BCM for the quarter ended 30 September 2023.

On the financial side, average crude oil price realization for Q2 FY 25 is $79.33 per barrel vis-a-vis $ 86.86 per barrel for quarter 2 financial year '24, decreased by 8.67%. For the half year ended 30 September 2024, average crude oil realization is $82.09 per barrel vis-a-vis $82.22 per barrel for the half year ended 30 September 2023, which decreased by 0.16%.

Average natural gas price remains -- for the quarter has remained at $6.5 MMBtu. The turn over for half year ended 30 September 2024 has increased by 7.58% to INR11,358.62 crores compared to INR10,558.04 crores in half year ended 30 September 2023. This is mainly due to higher crude oil and natural gas sale in half year financial '25 compared to half year financial '24. Average natural gas price for Q2 FY '25 has remained unchanged at $6.5. The EBITDA margin for Q2 financial year '25 has decreased by 47.67% vis-a-vis 48.29% for Q2 FY '24, which is mainly due to lower crude oil price.

Profit after tax from Q2 financial year '25 is INR1,834.07 crores vis-a-vis INR325.31 crores for Q2 financial year '24. The profit after tax for the half year ended 30 September 2024 has increased by 70.26% to INR3,300.91 crores vis-a-vis INR1,938.74 crores for the half year ended 30 September 2023.

The earnings per share for the half year ended 30 September 2024 is INR20.29 per share vis-a-vis INR11.92 for the half year ended 30 September 2023. Now I'm going to give financial performance of Numaligarh Refinery Limited. Profit after tax of Numaligarh Refinery Limited for Q2 financial year '24-'25 is INR175.05 crores vis-a-vis INR735.51 crores during Q2 financial '23-'24. And profit after tax for the half year ended 30 September 2024 is INR605.58 crores compared to INR657.95 crores for the corresponding period last year.

NRL gross refining margin during the Q2 financial '24-25 is $2.25 per barrel vis-a-vis $16.04 per barrel during Q2 financial year '23-'24. And gross refining margin for the half year ended 30 September '24 is $4.45 per barrel vis-a-vis $13.49 per barrel for the half year ended 30 September 2023. NRL's EBITDA for Q2 financial year '24-'25 is INR398.85 crores vis-a-vis INR1,084.55 crores for the Q2 financial year '23-'24. While EBITDA for the half year ended 30 September '24 is INR1,132.5 crores vis-a-vis INR1,079.39 for the half year ended 30 September '23-'24.

Our consolidated results, OIL’s group turnover for the half year ended 30 September 2024 is INR17,486.79 crores vis-a-vis INR15,225.23 crores for the half year ended 30 September 2023.

And consolidated profit after tax for the half year ended 30 September 2024 is INR4,085.46 crores vis-a-vis INR2,039.85 crores for the half year ended 30 September 2023.

With this, my opening remarks on performance is over. We are now open to question and answer.

Moderator: Thank you very much. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Just had a couple of questions. First was what is the reason for the sequential dip a little bit that we have seen in the natural gas production in Q2?

Management: Actually, your voice is not clear. Can you please repeat that question?

Probal Sen: I was saying, sir, that first question was what is the reason for the sequential decline -- Q-o-Q decline in gas production? Any color you can throw on this.

Trailukya Borgohain: Actually, there are -- this is Trailukya Borgohain by the way -- CGM, OSD, the Director of Operations. So what is happening, in this period there's a little bit of shutdown, especially NTPS, such as Namrup Thermal Power Station, and LTPs, Lakwa Thermal Power Station, which is around 0.6 and 0.45 or something like that, around 1 [MSN 0:12:15]. So during that period -- during this Q2 period, they had a major shutdown, actually. They didn't operate.

And also NRL, what happened is that they had some surplus naphtha during this period. So NRL consumption was also a little bit low. And the APL also was from 27 -- 28 to 39, almost 20 days -- close to 20 days, they were having some emergency plant treatment. Basically, this is because of the lower upliftment. It is not that we cannot produce. We could produce, but because this lower upliftment by the customers. Because of that only, it happened.

Probal Sen: So sir, if I can ask a follow-up. In the third quarter, then -- have we seen a reversal of some of these conditions? So can we expect a pickup in offtake in the third quarter if the shutdowns are over and NRL's surplus naphtha is also used out?

Management: I think there are -- in this quarter, quarter 3 -- in the quarter 3, I think there will be more upliftment. But on the other hand, there will be a little bit of lower upliftment by the Tea garden, because this is a lean season for the Tea garden. So overall, I think there will be a small increase -- increment. I think it will go to the level of the earlier quarter or maybe a little bit more, yes.

Probal Sen: So sir, for FY '25, then, overall, the guidance that we had of 3.2 BCM to 3.3 BCM, if I remember correctly, that is still maintained. That's the kind of production we expect to still do? And sir, any guidance you can give for FY '26 as of now?

Management: For FY '26, no, because we are in upgradation of many facilities basically, and we are thinking about the pipeline from IGGL. All those things, unless they come, I think this situation will remain a little bit more or less like -- the earliest like that. But overall, I think we'll be able to go good once the IGGL line comes.

Probal Sen: So '26, we don't have any guidance as of now on the gas production is what you're saying.

Management: As of now, no chance. Only thing that we can tell you about is that, there will be less of flaring as of current because we have already installed the Kumchai-Kusijan pipeline. So this has improved. And Director E&D also is coming, and he will...

Saloma Yomdo: This is Saloma, Director of Exploration. You are aware that the long-term vision of the company in the next few years is to achieve production close to 4 million tons of oil, and 5 BCM of gas per year. So that's a long-term vision, which we envision to accomplish within the next couple of years. But the gradual increase will definitely be there. Now the bottlenecks with respect to lower upliftment by customers, et cetera, will be mainly offset by -- like our CGM said, by the proposed IGGL pipeline, which will come up. And in the meantime, we are aggressively going for achieving 0 flare by December '25. And so there is also going to be -- include an offtake, where we see that there is potential requirement -- additional requirement even from existing customers. So on a year-on-year you can expect that this 4% or 5% incremental growth in gas production and oil production will definitely continue.

Probal Sen: Understood. So that's what I was looking for. One last question, if I may, on NRL. This quarter, is it possible to share the GRM, including the excise duty benefit? I think the number shared was net of that.

Rupam Barua: Yes. Actually, the GRM, which is reported by NRL, is always without excise benefit because that is the comparable GRM on pan-India basis. So excise duty is never included part of GRM reported by the refinery. Now the GRM, which has been reported by NRL for this quarter 2 is only $2.25 per barrel. Having said that, there is also -- there is an issue in this quarter in terms of the inventory loss, which is prevailing across the industry actually during this quarter. So the inventory loss is about USD 4.5 per barrel. So if you remove that, then the GRM would have been about $6.7, $6.6, $6.5, $6.7.

Probal Sen: Similar to what it was last quarter?

Rupam Barua: Yes.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: I also want to understand in terms of the -- why we had given a Y-o-Y production growth on the oil side? The sales was -- there was a Y-o-Y decline in the sales of oil. Could you explain the reasons for the sales?

Management: We couldn't hear your question clearly.

Kirtan Mehta: For the crude oil production, there has been a 4% Y-o-Y growth in this quarter as against that, there has been a 1% to 2% decline in the sales for the crude oil. What is the reason which has led to this Y-o-Y decline in the crude oil sales?

Management: Actually, last quarter there was annual shutdown was there.

Management: Actually, there was a small shutdown in NRL of about 10 to 15 days. So as a result of that, there has been a slight decline in the sales of crude oil, although there has been improvement in production.

Kirtan Mehta: And will we be able to sort of offset that additional inventory during the next quarter? So would the crude oil sales be higher by that amount?

Management: Crude oil sales will improve because unless there is shutdown, there is no question of production going down.

Management: The refinery uptake depends on their operational issues and all. So we don't have any issues. From our side, we'll be able to kind of create sales for us.

Kirtan Mehta: And what would be our FY '25 target for the crude oil? Would it remain unchanged?

Management: Yes, for the current year, the target, actually, we have created our revised crude oil target. It will be 3.6 million tons, close to 3.6 million tons, yes, 3.56 million tons or something.

Kirtan Mehta: 3.56 million tons for the crude oil. And natural gas is 3.2 BCM to 3.3 BCM, correct?

Management: Yes. Our assessment will be a little higher -- close to 3.45 million this year. Close to 3.5 million, 3.45 million will be our shipment in the crude oil, 3.45 million to 3.5 million.

Kirtan Mehta: Could you also highlight the progress on the Indradhanush Gas Grid. Is it likely to get completed by December '24?

Management: As far as Phase 1 is concerned, that is about 385 kilometer, which is running from Guwahati to Numaligarh. That has already been mechanically completed. Okay. And nitrogen, this feeding has already been done for about 280 kilometers or something. And by December, they are saying that they will be able to start off with this as well.

Kirtan Mehta: And for sort of these additional customers that we will be adding alongside the Phase 1, have we already entered into the agreement with them now?

Management: See, Phase 1 is still running from Guwahati to Numaligarh. So that line will not have any impact as far as Oil India is concerned because Oil India up to Numaligarh is catered by DNPL, which is also under upgradation and augmentation. So as far as up to Numaligarh line is concerned, definitely, they must be having some stock within GAIL with regard to their customer arrangement and all.

Kirtan Mehta: For our perspective, which is the line which will -- when would the sort of the augmentation of the line would help us to start increasing the volumes?

Management: As far as Oil India is concerned, because we should be capable of evacuating the gas, which is there with us in the Duliajan region, okay? So as far as that gas is concerned, that will be -- we'll be able to evacuate once there is another line of about 116 kilometer 24-inch line, which will be coming from [North Bank 0:22:49] up to Duliajan. But that will be an additional line. So once that line comes up to Duliajan, then we will be able to push the gas from Duliajan to our fullest potential.

Kirtan Mehta: And could you also share the current status on that line and the target dates for completion?

Management: That is about 2 -- within 2 years' time, they are going to make it happen.

Kirtan Mehta: So for the next couple of years, would this mean that our natural gas production will remain more or less flat until and unless this line is complete?

Management: That may not also be a correct statement for the reason that because DNPL line is also under augmentation. And as you are aware, because Numaligarh Refinery is under expansion. So their expected date of completion is December 2024. So once this new refinery comes into full stream of operation, they will require additional gas, which they are -- as on date, they are taking 0.9 to 1 MMSCMD. So that will ramp up to 2.5 to 3 MMSCMD. So as a result, we cannot say that we have to bank on this IGGL only to increase our production.

Kirtan Mehta: So NRL would be one of the key customers where we'll see the offtake increase. And about the DNPL line, what would be the status? And when is it likely to get?

Management: DNPL line is going ahead with 2 phases, so Phase 1 and Phase 2. Phase 1 expected completion is March '25, and Phase 2 is March '26. So, this is a INR433 crores project that is also going ahead.

Kirtan Mehta: And what would be the sort of the offtake addition with the completion of Phase 1 in March '25?

Management: As far as you see the Numaligarh Refinery, the completion is targeted December '25. So, the first phase of this DNPL line, the total capacity, the increased capacity requirement for the Numaligarh Refinery is expected to be around 3 MMSCMD. Out of that one we are already transporting with the existing capacity. So, the target is that by last quarter of the next calendar year, the DNPL first phase line will be activated.

And because the mechanical completion will take some time, so by the time that DNPL line increased capacity of 2 MMSCMD comes into play, that will directly meet the increased requirement of Numaligarh Refinery. So, we can say, expect that the increase in volume may start from the last quarter of next financial year for the DNPL pipeline.

Kirtan Mehta: Right. So, then the understanding would be basically this year's target and even the next year's target will be more or less flat, but we'll see a material increase in the gas offtake by around 2 MMSCMD as and when NRL starts taking the additional gas. Is that the right understanding?

Management: Absolutely. And '26-'27 onwards, we can expect a substantial increase because then by that time the IGGL, the capitalization etc, the connectivity will increase. All the different gas lines that is developing in the northeast region, they are also working parallelly. So, the IGGL connectivity definitely enhance crude oil gas production will basically serve the different gas grids under the CGD regime that are getting developed. So it will be the feeding line for all those regions across the northeast.

Kirtan Mehta: Just one more question in terms of, could you also update on the progress on the NRL refinery? And what are the next milestones to track before sort of the commissioning of the refinery expansion?

Management: As far as refinery expansion project is concerned, they have already achieved about 70% of the physical progress by now, and about more than INR20,000 crores of capital capex has already been achieved out of INR28,000 crores.

Kirtan Mehta: And the target rate still remains at December '25, vis-a-vis the commissioning.

Management: Absolutely.

Kirtan Mehta: Is that a mechanical completion date? Or is that the sort of the commissioning date?

Management: That is the commissioning date.

Kirtan Mehta: So basically, pre-commissioning activity would start sometime in the first or second quarter of the FY '26?

Management: No, see, the moment the refinery is completed mechanically, it will not start in full string from the day 1. So that will progressively increase. So, the initial year might be starting with 50% to 60% capacity, next year going up to 75%, then finally reaching 100%.

Moderator: The next question is from the line of Vidyadhar Ginde from Sohum Asset Managers Private Limited.

Vidyadhar Ginde: So, it appears that your oil and gas production increase is mainly constrained by demand. And so, as some pipelines get commissioned, Numaligarh Refinery expansion gets commissioned, your production will increase. So, my question was that Numaligarh Refinery expansion from 3 million ton to 9 million ton. One, probably selling that 9 million ton also is probably demand for final petroleum products also is likely to be constrained? So, is it easily possible for Numaligarh Refinery to ramp up whenever possible to 100% in 2, 3 years or demand constraints? Or is there a pipeline which can take the finished products from Northeast to other parts of India?

Management: As far as the pipeline product evacuation part is concerned, there are 2 issues here. Are you talking about their raw material procurement side or...

Vidyadhar Ginde: No. My question really is that I am not very sure whether there is additional demand within northeast for another 6 million tons, whatever production, 5 million ton extra production. So that is the question. So, can you produce that much and send it elsewhere in India? That is my question.

Management: As far as the product evacuation part is concerned, you are very correctly raising the question that what is its additional capacity, how it is going to be evacuated. As of now, you are aware probably that our pipeline is being used by Numaligarh Refinery for evacuation of their products from their Northeast up to Siliguri 1. But that existing pipeline is having a capacity of 1.7 MMTPA. And that pipeline is being augmented from 1.7 MMTPA to 5.5 MMTPA, that is under progress. And that particular augmentation project is also going to coincide with the completion of the refinery expansion.

So automatically, the additional capacity is being created to cater to the additional requirement of Numaligarh Refinery once this capacity expansion is complete. So automatically, their additional product will mostly be evacuated through our pipeline only, which is under augmentation.

Vidyadhar Ginde: So, this Siliguri 1 is the production with incremental capacity expansion to Siliguri happens. Can it go all over India wherever it wants to go?

Management: Yes. Numaligarh Refinery is also creating facilities in Siliguri terminal for additional tankages and loading and unloading facility, etcetera. So, from there onwards, the products will move through either tankages or railway at that as of now. And they are also planning to put in place some pipeline, which we'll be able to take the product up to the high demand areas in the installation.

Vidyadhar Ginde: That pipeline, you will put or IOCL or somebody else? Who is going to put that pipeline?

Management: No, that pipeline will be put by Numaligarh only. So this is under planning right now.

Vidyadhar Ginde: Okay. No problem. So basically, you are saying that because the pipeline to evacuate additional production is also going to be commissioned along with the refinery. As and when the refinery stabilizes, it can ramp up over a 2-3-year period to 100%, and therefore, to that extent, your oil demand and gas demand will go up.

Management: Yes.

Vidyadhar Ginde: Yes. So my second question was on your gas production. Like some of your gas production is potentially eligible for this '25. Is any of your gas production is going to happen in the next 2, 3 years eligible for this higher 20%, higher gas price and that can you give us some color on what proportion of your FY '26 or '27 production could be eligible for this higher gas price?

Management: Yes. I think the $6.5 cap is for the APM gas. But as per the direction of the government that from April '23 onwards, whatever additional activity you do on the new gas that you produce, you will get a premium of 20% over the $6.5 cap that we have.

And so we are working out various modalities like which are the fields, which are wells from which this gas will be qualified as a premium gas. And as of now, there are still some technical issues which needs to be sorted out with the regulatory body, which is the Director General of Hydrocarbons. And once that is sorted out, we will be able to come up with the exact figures, like which are the gas and how much of the gas is currently available for the premium price. I think we don't have it right now.

Vidyadhar Ginde: So whatever increase in production will happen from here on, it will be, in any case, entitled to the higher gas prices? Because you were also guiding a big jump in your gas production in any case?

Management: That gas actually produced from a new well or production through new well intervention. So if that happens, then even if we are producing from our own nomination fields, that gas will face higher price in the form of premium of 20%.

Vidyadhar Ginde: So do you have any idea of what proportion of your production in FY26 or FY27, it is going to…

Management: As of now, we are thinking of finding out those areas from where the production will qualify for the premium gas. That's currently on.

Vidyadhar Ginde: So, when can you give a better color? Will it take a few quarters for you to give us a more clear idea on that, on how much of your production? When do you think you would be able to guide us on what proportion of your output will get a higher price?

Management: See, data is being shared with the ministry from time to time based on the requisition which is from the ministry for their report to be finalized. So once the report comes, then only that quantification part will be possible. So, before that, it is better not to give any mention of quantification, right?

Management: Actually, so this is going to add on, the amount of new gas will increase day by day because we are going to work, we are going for new interventions. That is for the quality, we are not able to tell you the quantity as of now because there are many…

Vidyadhar Ginde: And just if I could add one more question. So, most of the incremental oil, I presume, goes to Numaligarh. But in case of your incremental gas, 5 BCM, which you are talking of, what proportion of this incremental gas is going to Numaligarh for the expansion?

Sachidananda Maharana: That part I have already mentioned that Numaligarh Refinery is presently picking up about 0.9 to 1 MMSCMD of gas from us.

Vidyadhar Ginde: Okay. So which are the other big consumer potential?

Sachidananda Maharana: Oncoming capacity, they would be requiring 2.5 to 3 MMSCMD.

Vidyadhar Ginde: Correct, correct. Which are other big consumers of gas, which might -- over the next 2 years other than Numaligarh?

Ashok Das: APL capacity is likely to get increased.

Vidyadhar Ginde: So how much more they will consume?

Ashok Das: Once it is commissioned, there will be larger demand from the CGD entities because the entire Northeast, CGD blocks have already been awarded. So once the CGD entities become functional, they would be also requiring gas.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bank Equities.

S. Ramesh: Can you give us some sense in terms of your plans in the city gas distribution and biogas. And is it going to be included in the segment called renewable energy in terms of reporting?

Ashok Das: After the 12th round of bidding, we have actually got 9 geographical areas in all. So out of those 9 geographical areas, 3 are already functional. Those are in Maharashtra and Haryana. That is the geographical area of Kolhapur, Ambala and Kurukshetra, where we are already producing and we have a steady market over there. In addition to that, we have got a geographical area in...

Management: Tripura.

Management: Yes. We have a CGD in Tripura.. So, these are the CGDs where we have our own interest. And our CGDs are already in the process of laying the network there, even though the IGGL network is yet to come, but we are at our end, doing everything possible so that once the IGGL network is commissioned, we can immediately draw gas from that network.

And run it through our own vendor so that we can create a market for ourselves. Parallelly, we are setting up CNG stations in those areas. I think 2 of the CNG stations in Tripura, which are currently being run by GAIL, we have tied up with them, and we will be supplying our gas to those CNG stations, which will immediately become functional. So these are some of the things that we are doing in the Northeast for enhancing our sales volume.

As far as CGD is concerned, we are excited to set up 25 CGD stations. Out of which, what we have done so far is that we have identified a few technology partners with whom we will be setting up 1 CGD station in Tinsukia, Assam. That is already -- that has reached some level of finality. And other CGD stations also, we are thinking of stepping up. But that would take a little bit of time because CGD has to be spiked with the natural gas.

Those things we are currently working on and possibly in the days ahead, we'll be able to come up with some additional information on this.

S. Ramesh: Okay. So out of these 9 GAs, how many GAs are on your own stand-alone, how many rigs?

Ashok Das: Stand-alone, none. We are having partnership with HPCL mostly. And the Arunachal GA, we are having partnership with BPCL.

S. Ramesh: So in terms of your capital allocation, you have shown about INR2,000 crores of capex. Out of which INR1,400 crores is for your E&P business. So where is the E&P capex going? And can you share how much of that will be for these nomination blocks where you can get 20% premium? So although you may not be able to give the volume on which we will get that 20% premium, would have done some basic working for the internal rate of return, right?

So you are spending so much of money. Is it possible to say how -- where this INR1,400 crores and the other capital expenditure is going based on whatever you have shared?

Management: Your question is on capex?

S. Ramesh: Yes. Yes, the cash flow you've given INR1,400 crores for E&P and other capital expenditure, INR4,700 crores, can you share where it...

Management: I mean you cannot clearly grow in on any one particular area. It could be oil. It could be gas. It could be other areas as well. Now your question is specifically on gas, I believe. Is that your question?

S. Ramesh: Sir, you are spending INR6,000 crores. You already spent INR6,000 crores in first half. So if you can share what is the split for this capex in terms of the projects on which you are spending, it will be useful for us to understand which business you are investing in.

Management: Just give us a moment.

Management: Let's see, the next 3 years, capex projection for the Oil India on internal basis will be in the range of around INR6,000 crores to INR7,000 crores. And on the group basis, if we consider Numaligarh Refinery, it can be around INR10,000 crores to INR12,000 crores. Now out of the INR6,000 crores, the -- mainly if you see the trend, our -- around 75% of the capex is directed towards the upstream initiatives of the company.

And the balance, we are going to see we are elevating to the other initiatives and also including the renewables, the CGD space or the partial allocations towards this space also. Now on the upstream initiative part as we'll be doing that we have got acreage of around 50,000 square kilometers plus another OLP regime. And in many of the areas, we have already completed the assessment part. And we have got extensive drilling plans.

I just like to highlight that our target for this year is almost around 70-plus wells. So a lot of capex is diverted towards the upstream part for the development drilling and also exploratory drilling. And you'll be ever that Oil is now planning for the option within in Andaman. So the Andaman, there will be a part allocation to the Andaman offshore initiatives as well out of the current capex.

So for a broader deadline, you can say that around 75% was the upstream initiative, which will include drilling plans in our Northeast in the main producing area, in the different other regions like Rajasthan and also in Mahanadi Basin and 1% in particular, a few of the wells in the offshore region is in Andaman. And so we are targeting in Q4 to start the drilling in Andaman. Yes. Mid-November, we are starting the drilling activity in offshore Andaman.

S. Ramesh: So how much of your E&P capex out of the 75% is...

Rupam Barua: Yes, yes. So you want the hard numbers?

S. Ramesh: Yes. So out of the 75%, you are spending on the upstream...

Management: Broadly, as my colleague has explained, we'll be spending about INR7,000 crores in the current year. The heads are systemic survey exploration, drilling, development. Then we'll be investing in our subsidiaries. As I've explained, we have about 25 CGD stations to be set up, so all of these will be spent on these heads. And exploration cost would be more than INR2,000 crores.

My development would be close to INR1,400 crores, a little more than INR1,400 crores. Other oil and gas facilities, etcetera, will attract another INR2,300 crores. This is the broad break-up of the INR7,000 crores that we are projecting.

S. Ramesh: Understood. Just to get some perspective on Vidyadhar's question on the potential for additional production from the nomination wells for getting that 20% premium, is any of this development expenditure going towards the increase in production in new wells or additional well interventions in the nomination blocks, just to understand what your thought process is there?

Management: Yes. What we are currently doing is that we are in the process of exploring those areas, which will be -- which will qualify as new wells or -- those are new well intervention. Actually, we will have to kind of qualify those 2 conditions to get that extra premium. If that doesn't happen, then our gas will be like normal gas. So that would take some time. However, monies will be spent on new wells as well.

S. Ramesh: So how much of that expenditure will be in the new well, just to understand?

Saloma Yomdo: No, like our Director Finance just mentioned that in '24, '25, exploration drilling, INR2,000 crores is projected. So this exploration drilling doesn't necessarily mean rank exploration in new areas. So what we do is chunk of our exploration, we also do in our nominated regime in terms of near-field exploration. And therefore, you will see that the exploration work that we drill are not only in the rank exploration areas or in the OALP blocks, but is also qualified exploration for near-field exploration.

And that's why in the near-field exploration, in the nominated regime itself, you will have some exploration wells. And chunk of the development wells where this is earmarked as INR700 crores is the budget. Now for development drilling, you know that 99% of the crude oil comes from nominated regions in the Northeast apart from about 600 barrels from Rajasthan. So majority of the development drilling will also be held in the nominated blocks in Assam and Arunachal.

And all these wells, which will be drilled at development wells or exploration wells in the nominated regimes will be eligible. The ratio of gas will be eligible for a premium 20% gas.

S. Ramesh: Okay. So your capex provides for some capital expenditures in the nomination block. That's why I wanted to confirm.

Saloma Yomdo: Actually, the majority of it will be there.

Management: So regarding your question about gas actually, at least we have always mostly around 3 non-accessible gas in our GDP. There are around 3, minimum non-accessible gas we will target. So [inaudible 48:09] we generally target three wells.

Moderator: Thank you. The next question is from the line of Mayank from Morgan Stanley. Please go ahead.

Mayank: I had a follow-up question on the capex itself. Can you just -- I think you gave a bit of detail around the breakup of the capex that you're doing. but can you also give us a bit of a breakup of how much goes into Rajasthan, what goes into Assam, Duliajan and what will kind of go into Andaman that you're kind of planning and how much could be of overseas that you'll have to do your equity contribution as?

Management: So if you request such detailed breakup in terms of the areas where this capex is going to be spent, so that can be addressed separately. We are not readily prepared. We don't have that breakup as of now.

Mayank: Okay, sure. So I think I'll just follow up on that. The second thing was in terms of your NRL capex, you said INR200 billion of the INR280 has been spent, correct? Can you just give us the total net debt that you have now sitting at NRL's balance sheet?

Management: NRL debt is right now it is more than INR11,500 crores.

Mayank: Okay. Got it. That's all question I had.

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

Sabri Hazarika: Just two questions. Sir, firstly, I think your provision and the dry well that went up by around INR200 crores quarter-on-quarter. Can you tell us exactly what effect this has happened?

Management: Can you -- actually, your voice is not very clear.

Management: Sabri I got to know what you want to understand actually. Actually, this quarter we have taken a write-off of about INR72 crores on account of wells sitting in Puri. That is INR72 crores is a straightaway write-off. And apart from that another INR270 crores -- INR297 crores we have taken provision in respect of 5 wells[inaudible 51:07].

Sabri Hazarika: In respect of which one?

Management: There are about five wells we have taken a provision of about INR297 crores. So that includes basically one well in Moran, one well in SouthDhakuwal, one in Dima Hasao, one in Ashoknagar, one is Malikbaria. So these are five wells against which about INR290-odd crores has been taken as a provision. Apart from that write-off of INR72 crores on account of that Puri well.

Sabri Hazarika: Puri well is part of OALP and the others are like part of nominated?

Management: I mean some are NELP blocks.

Sabri Hazarika: Some of them are NELP blocks.

Management: Like Ashoknagar and Malickberia is referred to these are NELP blocks where ONGC is our partner. And one I think is [inaudible 52:02] that is Dima Hasao is OALP and rest are our nomination areas few nominations.

Sabri Hazarika: Got it sir just a small question you mentioned Phase 1 and Phase 2 of DNPL. So Phase 2, I could understand by 2026 the entire and other steps will get augmented. Phase 1 will be what? By 2025 March what are you trying to achieve in Phase 1?

Management: Phase 1 is basically is having us cover 55-kilometer area and apart from that in the Phase 2, there are many other lots which are lined up that will give the final set to the profit actually.

Sabri Hazarika: 55 kilometer, does it connect to a major customer or it's like...

Management: That is always exclusively for DNPL. That is normally there.

Sabri Hazarika: Okay. No, I mean 55 kilometers, not like I mean I was just wondering with 55 kilometers can there be any incremental volumes or it is after Phase 2?

Management: Sabri, just to explain actually this DNPL project it is one part is the expansion of the capacity and one part is basically an upliftment of the current facilities based on certain observations and some extensive repairing activities also that was taken out within the same project. So the project is that is why phased in 2 basis the first repairing and major repairing part will be carried out and then at the same time, capacity expansion part is also simultaneously going on.

The repairing part will be completed in the first week basically. And then the capacity expansion is tied up in sync with the expected date of commissioning of Numaligarh Refinery. So what we expect that by end of next financial, by mid the first phase will be over, but that will not help all to enhance the capacity because this is a standalone line going for feeding NRL gas requirement. So once the entire project gets completed towards the latter part of next year, then the additions of gas evacuation will start once Numaligarh Refinery commissions and gradually get stabilized.

Sabri Hazarika: Got it sir. Very clear. Thank you so much and all the best.

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

Hardik Solanki: Yes. My question already got answered. Thanks for the opportunity.

Moderator: Thank you. The next question is from the line Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Just one question to understand the capital intensity of the well work over programs and new well programs that we are doing. Would you be able to highlight how the capital intensity or our capex efforts have ramped up in the nomination block?

Management: Sir actually as far as exploration and development progress are concerned, we earmarked more than 55% to 60% of our budget total capex on account of addressing those exploration and development activity. So right away I don't have the exact breakup of what you are asking, but as far as the capex, this strategy is concerned more than 60% of the capex goes on account of this exploration and development efforts.

Kirtan Mehta: My question was more from the perspective that for us basically, I think the production growth has been constrained primarily by the demand and not necessarily by sort of the additional capex investments required in the existing well. So under -- and the incentive scheme of 20% extra premium on the gas is primarily to sort of support the additional capital intensity in the legacy field. So is it really applicable for us this new well gas provision because our capital intensity is not really sort of rising?

Management: As far as crude oil production is concerned, that demand is not constrained by capex obviously. Sorry, the production is now constrained by the demand because as you know Northeast is having more than 7.5 MMTPA of refining capacity whereas the total production in the Northeast is about 4 to 4.5 MMSCMD. And so there is surplus capacity available. So the moment I can produce, the crude oil will immediately find its bore. So there is no in well as far as crude oil is concerned.

But yes as far as gas is concerned, the production is constrained by demand that's on there, but demand can unlocked the moment these facilities are in place. And majority of the facilities are in terms of this IGGL completion and DNPL completion, not necessarily at our end.

Management: No, there is another thing that we are also trying to implement that's why. And I think Oil India is going to be the first in the country to do it. Actually, we have done it earlier as well. Now in order to address this issue of constrained production because when we produce gas, in some of the fields we also produce some bit of condensate along with the gas.

So if I have to shut down a couple of gas wells because of low upliftment by the customers, I'm also losing out on some of the production of oil in terms of the condensate which comes along with the gas. And therefore, we address this problem, of course, the IGGL line will come. It will take another couple of years, but we cannot afford to lose even a single drop or barrel of oil. And that's the reason we have taken up this initiative that we will have a facility for underground gas storage.

So this is something which is -- which we are planning to undertake on a war footing. And we have already identified a couple of wells or reservoirs where we will try to implement this strategy. And so whenever there is a shortage or there is a requirement for curtailing our gas production, we will not curtail per se. But we will still produce and we will still produce the oil -- additional oil also with the gas and whatever gas gets produced, we will inject it back to the reservoir for storage.

It's like an oil storage. But here, we are talking about the gas storage. Unless [inaudible 59:29] later when the demand requires we can even produce back that reservoir. So this unique concept we are going to implement, we are going to be the first in the country to do it ONGC is also eyeing for it. But then these are a few of the steps that we are already taking so that our production levels are sustained well to the desired levels.

Kirtan Mehta: Thank you sir.

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

Somaiah: Somaiah this side. First question, sir, in terms of the 30% equity contribution for NRL expansion capex, how much have we contributed so far? How much remains?

Management: We have already contributed about INR1,100 crores.

Somaiah: Sorry? We have contributed so far INR1,100 crores.

Managemenr: INR1,100 crores, we have already contributed.

Somaiah: Sorry, your voice is not clear?

Managemenr: INR1,100 crores, we have already contributed.

Managemenr: Yes, basically as the promoters contribution, our total commitment towards the NRL project is INR2,200 crores, and this is splitted into 4 cash calls. So first two cash call actually, we have already paid of INR550 crores each. So the total cumulative investment as a promoter to the refinery capex for the project is INR1,100 crores as on date.

The third cash flow also we have received and that will be disbursed sometime by December. So by the end of this financial year up to December, INR1,100 crores plus INR550 crores. And then based on the development of the project, as and when we get the balance cash flow request from the refinery, that will be paid. Our total commitment is INR2,200 crores.

Somaiah: Okay. Sir, also, capex for NRL, let's say, after next year, and the expansion is partly done, what will be the capex run rate post that?

Managemenr: See, NRL capex, actually, the total refinery product cost is INR28,000 crores, and that is -- again, is getting revised. Of course, the formal approval is awaited but it is expected to be around INR32,000 crores. Now there is already a debt arrangement of INR18,000 crores by the refinery, and the increased cost will be made from some additional debt drawdown as well as maybe some additional internal accruals also may contribute to that.

Now the -- as we have already mentioned that the total draw that has been done is around INR11,000 crores out of the INR18,000 crores capacity. The capex that is for '24, '25, they have planned phase-wise capex. And for the current year, '24, '25, the capex is -- planned capex is around INR10,000 crores. And it will be at that level for the next year also because they have to complete -- the target is to complete the refinery by December '25.

Somaiah: Okay. Sir, one clarification here. So the revised capex for NRL expansion would be INR32,000 crores, that's the updated number?

Management: I mean that is awaiting ministry approval. So what is approved as of now is INR28,000 crores. There is a revision. The revision proposal is with the ministry. The approval is yet to be received.

Somaiah: Okay, sir. Sir, also, I was just trying to understand, post expansion, once all the 9 MMT comes up fully ramped up, what would be the run-rate capex required for NRL in case we have?

Managemenr: Essentially, Numaligarh Refinery is having another project in hand. That is the pet-chem project. So for that project also, they have received approval. And that will be around INR7,000 crores. And the expected project is actually a few of the physical activities are simultaneously done with the refinery project itself because it is an integrated project, most of the refineries are taking this kind of project now considering the change in the scenario.

And so what you can see that, yes, after the 9 million capacity is reached, definitely the refinery have to be more focused on streamlining the inroad supply chain, our broad supply chain for the 9 million refinery. But at the same time, the mix capex, measure capex that is in plan is the pet-chem project. The approved cost for that is INR7,000 crores. And the time requirement is 3 years from the approval of debt. And the approval is what we have understood is recently received.

So you can say that in another 3 years' time, the pet-chem project will come up. And it will be free depending on the funding availability, how the additional capacity is marketed. So it will be a combination in that way. But if you ask me what is the next phase of capex, that will be the pet-chem project, which is INR7,000 crores capex.

Somaiah: Okay. Sir, what will be the product line in this pet-chem project? Or would it be LTP, HTB? What is it?

Managemenr: On the technicality part, we cannot comment right now. About 360 KTPA.

Somaiah: Sorry, capacity?

Managemenr: 360 KTPA.

Somaiah: Okay. And sir, also, just a couple of clarifications. One, this new well intervention gas pricing, so does this $6.5 seeding apply to this? Or is it just that 10% of crude and then a 20% premium to it? How does it...

Managemenr: As per our understanding, the premium will be charged on the ceiling, which is $6.5. If a premium is charged on any price lower than $6.5, then possibly the intent.

Somaiah: I was looking at -- I mean there is another possibility that the ceiling is not applied and the crude at 75...

Managemenr: As far as the pricing is concerned, that is not for nomination blocks of oil and ongc. So for the oil nomination from there, they are maintaining a cap. And that cap is very still 31 March 2025. Yes, from April 2025, we will be getting $0.25 premium over and above the $6.5. So it would be averaging $6.75 coming April. So as far as the premium $0.25 is concerned, as far as our understanding goes, that will be applicable on $6.5, I don't know.

Managemenr: Just would like to also highlight 1 point. All this capex, the 1 part is targeted towards our main producing area, the nomination well. And 1 part is for OALP regime. The blocks that we are having in OALP. Now if we have any gas discoveries in the OALP regime, then the price restriction is not applicable for that part of the gas production.

So I think in your number simulation, of course, it's an ongoing process. I think it takes around typically 5 to 10 years. But what we would like to highlight is that not the entire capex is going towards only towards the $6.5 or 20% premium. Part of the capex is also moving towards the oil division where the gas, if we have any discovery, that will be at a very higher price. There is no [inaudible 67:23].

Managemenr: I think there are posting marketing freedom in respect of the gas produced from those areas. If it is DSA, it is OALP, so there is no restriction.

Managemenr: Going forward, say, after another 2, 3 years, one of the IGGL line comes and we are connected to the national grid, then we also have -- we can also see the opportunity of connecting additional gas for the IGGL platform. So because that gas demand is always there, we are also in touch with the IGGL team. So all these additional revenues will come once the IGGL connectivity and the northeast connectivity with the national grid is issued.

Moderator: Thank you. Ladies and gentlemen, we'll take this as a last question. I now hand the conference over to the management for closing comments.

Management: This is the last?

Moderator: Yes, sir.

Management: So thank you very much, Antique, for organizing this con-call interaction. We are -- we hope we have been able to satisfy the queries of the parties, and thanks once again. Thank you.

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