



ऑयल इंडिया लिमिटेड

(भारत सरकार का उद्यम)

Oil India Limited

(A Government of India Enterprise)

“Oil India Limited
. Q3 FY '23 Earnings Conference Call”
February 13, 2023



MANAGEMENT: **MR. PANKAJ KUMAR GOSWAMI – DIRECTOR,
OPERATIONS – OIL INDIA LIMITED
MR. SANJAY CHOUDHURI – EXECUTIVE DIRECTOR,
FINANCE – OIL INDIA LIMITED**

MODERATOR: **MS. REENA SHAH – ELARA SECURITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, welcome to Oil India Q3 FY '23 Earnings Conference Call, hosted by Elara Securities Private Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Reena Shah from Elara Securities Private Limited. Thank you. And over to you, ma'am.

Reena Shah: Thank you. Good morning, everyone. On behalf of Elara Capital, I welcome you all to the Q3 FY '23 post earnings conference call of Oil India Limited.

We are pleased to have the senior management of Oil India Limited, led by Mr. Harish Madhav, Director Finance and Mr. Pankaj Kumar Goswami, Director Operations ; Dr. Manas Kumar Sharma, Director Exploration & Development. At the outset, the management will brief on the results, and this will be followed by question-and-answers round.

So now, I request the Oil India management for their opening remarks. Over to you, sir.

Pankaj Kumar Goswami: Good morning friends. I'm Pankaj Kumar Goswami, Director Operations, Oil India Limited. I welcome you all to the post Q3 financial year 2023 earnings call. Actually, Director Finance, Harish Madhav is not here as of now because of his some personal problem.

So in brief, I would like to highlight that the company's performance in last quarter both in physical parameters and financial front has improved, both quarter-to-quarter basis as well as on year-to-year basis. The company has declared 100% second interim dividend of INR 10 per share for the financial year '23, resulting in total dividend declared/ paid during the year to INR 14.5 per share.

And with this, I would now request, Shri Sanjay Choudhuri, our ED Finance for the opening remarks.

Sanjay Choudhuri: Thank you, sir. Good morning, dear friends. At the outset, I would like to thank M/s. Elara Capital for organizing today's Investors Conference. Like our Director Operations sir, Mr. Goswami mentioned that Director Finance, Mr. Harish Madhav is unable to join us today due to a bereavement in his family. So the team is being led today by our Director Operations, Mr. Pankaj Goswami.

Now coming to the company's financial results for Q3 FY '23, which was published on 10th February, 2023, I would briefly give some indications about the performance of the company both in physical and financial terms.

Consolidated turnover of the company for the 9 months ended 31 December has shown a record rise of 50%. That is going up to INR 32,821 crores from around INR 20,000 crores. The consolidated profit after tax for 9 months ended 31 December, 2022 is at INR 10,259 crores

against INR 5,668 crores in the similar period last year. The consolidated profit after tax for the 9 months ending 31 December, 2022 stands at INR 7,874 crores against INR 4,191 crores, which is actually an increase of almost 88%.

Now coming to the standalone results and production front. The crude oil production for Q3 is 0.807 MMT versus 0.754 MMT, which is an increase over the same period last year by over 7%. And for the 9-month period, the increase is in excess of 5%. As far as natural gas is concerned, for Q3 FY '23 it is 806 MMSCM versus 793 standard cubic meters (MMSCM) from Q3 of FY '22, which is an increase of around 2%. And if you go on the 9-month basis, the increase is around 4%.

On the financial side, the highest ever profit after tax is in Q3 FY '23 on strength of better pricing, as you all know, and the higher output of natural gas and crude oil, which I just mentioned. Debt for acquisition of additional share in NRL has been fully repaid.

Profit after tax for Q3 FY '23 is INR 1,746.10 crores versus INR 1,244.9 crores in the same quarter last year. For the 9 months ending 31 December, 2022, profit after tax recorded a growth of over 120% to INR 5,022 crores versus INR 2,257 crores for the same period last year. The turnover has increased by 27%, which has gone up to and for the 9-month period, it has increased by about 63%.

Earnings per share for Q3 has also increased to INR 16.1 per share as DO sir already mentioned. The Board of OIL has declared a second interim dividend of INR 10 per share, and this is in addition to the first interim dividend of INR 4.5 per share, which was declared earlier. The total interim dividend declared in the year up to now is INR 14.5 per share.

The financial performance of Numaligarh Refinery, profit after tax of NRL for the 9-month period is INR 2,933 crores versus INR 2,429 crores for the 9 months last year. NRL GRM for the 9-month is \$19.71 per barrel versus \$10.40 per barrel in the corresponding period last year. EPS of NRL for the 9-month period is INR 19.94 per share against INR 16.5 per share for the 9 months last year.

With these opening remarks on the performance of the company, we are now open to the question-and-answer session. Thank you so much.

Moderator: The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: I had a couple of questions. One was that in our earlier few quarters, we have mentioned about slightly ambitious production goals for both oil and gas. In the context of the last few quarters' performance, is there any change to that guidance? Can we get a fresh guidance, let's say, for FY '24 oil and gas as well as for FY '25, if it's available?

Pankaj Kumar Goswami: Yes. Very happy to announce that the performance of the company in terms of physical performance is also going up. As we have mentioned from the last year, so there is a year-on-

year growth in production in front of both oil and gas. So this year, we are supposed to get a production -- crude oil production figure of 3.2 MMT and similarly also in the gas we will be achieving more than 3 BCM. So, this was the target.

And as of now, we are at par with the target. Similarly for the next financial year, we have a target of 3.4. And probably with this progress, we have a very good terminal production at the end of the year, and we'll be able to achieve that. So, these are the milestones we have already set, and we are actually going in the line of the milestones. So, we'll be definitely achieving that.

Probal Sen: Just to clarify, sir, 3.4 MT was for the oil and what's the target we have for gas production for FY '24?

Pankaj Kumar Goswami: Gas production is also in the same line. It is 3.3 BCM.

Probal Sen: 3.3 BCM. Okay. Sir, on the NRL performance, just wanted to clarify again that the GRM number mentioned is excluding the excise duty benefit, the \$19.7 a barrel?

Sanjay Choudhuri: Yes.

Probal Sen: And earlier, you have indicated that the excise benefit is in the range of around \$10 to \$11 a barrel. Is my understanding correct?

Sanjay Choudhuri: Yes kind of. But then we have worked on exactly for these 9 months, but there are kind of that kind of range. Yes.

Probal Sen: On an annualized basis, roughly, that is what it works out to, correct?

Sanjay Choudhuri: Yes, kind of.

Probal Sen: Last question from my side, if I may. On an overall capex perspective, sir, a run rate of around, what, INR 3,000 crores to INR 4,000 crores is expected to be sustained for the next few years?

Sanjay Choudhuri: Yes. We expect we will achieve it this year.

Probal Sen: This is excluding whatever is NRL, we will be spending on their expansion plans, right?

Pankaj Kumar Goswami: NRL is separate.

Sanjay Choudhuri: NRL is totally separate. This would, of course, include our investment part in NRL.

Probal Sen: Including our equity contribution to that capex?

Sanjay Choudhuri: Including our equity contribution. We should be very much less if it will be in the range of INR 500 crores to INR 600 crores in that.

Probal Sen: What would be the consolidated debt on the book, sir, as on date?

- Sanjay Choudhuri:** Debt on the books, along with NRL?
- Probal Sen:** Yes.
- Sanjay Choudhuri:** As on date, it is around INR 17,500 crores.
- Moderator:** The next question is from the line of V. Sivasankaran from Antique Limited.
- V. Sivasankaran:** So the benefits we have on the auction in front, both on oil and gas. Did it gave a higher realization and what are the contributions? How was the realization in the last quarter?
- Sanjay Choudhuri:** These were higher realization and higher production. Pricing being a larger -- sorry?
- V. Sivasankaran:** Any numbers you can share, sir?
- Sanjay Choudhuri:** Our voice is a little faint.
- V. Sivasankaran:** Any numbers you can share, sir? What is the realization higher realization vis-a-vis the benchmarks?
- Sanjay Choudhuri:** For the 9 months, the realization has been around \$100 per barrel. Of course, this is subject to what we have to give as SAED. So, realization net is around \$70 to \$75 per barrel after the additional excise duty.
- V. Sivasankaran:** Sir, what would be the auction premium kind of the depending on the benchmark, you got on account of auction and on what volumes?
- Sanjay Choudhuri:** We are abreast of the issue, and we have our plans which we will be unfolding in the next fiscal because you see a lot of groundwork has to be done on this before we really take it forward, and we have to be out on the closing calls. So, taking everything into consideration, we expect to go -- start the auction process next fiscal.
- Moderator:** The next question is from the line of Nitin Tiwari from YES Securities.
- Nitin Tiwari:** My question is a book keeping one with respect to your other operating expenses. So, there is a sharp fall on a sequential basis versus the previous quarters. What is the reason for that?
- Sanjay Choudhuri:** For the operating expenses?
- Nitin Tiwari:** It's about INR 113 crores versus INR 531 crores in the previous quarter.
- Sanjay Choudhuri:** Just one second. Just give me one second. Our operating expenses has actually come down due to two reasons. One is that we had lesser well write-offs during the quarter. That is the major reason why it's come down and expenditure on CSR, it's not linear quarter-on-quarter. Whether the projects come up, we will do the spending because of the more expenditure on CSR and due to lesser number of write-offs, this has come down.

- Nitin Tiwari:** Any indication you can give us for the fourth quarter in terms of well write-offs? Like how is that....
- Sanjay Choudhuri:** That would be an impossible task. Nobody will be able to give it to you. I would be gazing at a crystal ball if I do that.
- Nitin Tiwari:** So, I mean I just wanted to understand if you have written off most of the wells that we could write-off for the year.
- Sanjay Choudhuri:** No, if it was written off, obviously, I would have shown in our books, I would not hide it.
- Nitin Tiwari:** And sir, secondly, my second question with respect to the production guidance that you earlier shared that we would be looking at more than 4 million tons of production and more than making 4 BCM of gas production post FY '25. So are we sticking to that target? And in that backdrop, there was a slight decline in gas production in this quarter. So any particular reason for decline in gas production?
- Pankaj Kumar Goswami:** Yes. In fact, we are in line with the 4 million target. So, our production year-by-year is going up. And by '25, definitely, we'll be able to reach 4 million. And regarding your question for declining gas production in this quarter, basically, as you know that we have one of the major customers is the tea grid customers. So tea gardens in Assam and Arunachal Pradesh. So in that case, what happens is demand is seasonal. So during this period, the tea gardens do not operate and they do not pick up the gas. So accordingly, we have to cut down the production for this period, which is a common phenomenon. In every year, this goes in a cyclic sort of requirement. So that is the major reason why production rate gone down.
- Moderator:** The next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** I have a question on the Numaligarh Refinery. So if I look at the production throughput, it has increased from 614 million tons last year in Q3 to around 800 million tons this year. At the same point of time, GRM has also increased from \$12.5 per barrel to \$13.50 per barrel, but EBITDA is more or less flat, or has seen a marginal decline to INR 1,122 crores. What is the reason, which is sort of underpinning the reduction in the EBITDA despite the increase in throughput and margin?
- Sanjay Choudhuri:** This is largely due to the special additional excise duty that have been imposed on the products -on diesel.
- Pankaj Kumar Goswami:** Basically, Numaligarh is a diesel refinery. So anything on diesel actually....
- Sanjay Choudhuri:** Largely inputs the refinery. And the additional excise duty, special additional excise duty on diesel has impacted the EBITDA.
- Kirtan Mehta:** So the additional excise duty is not part of the gross refining margin and it's actually below the cost line after the gross refining margin?

- Sanjay Choudhuri:** Yes.
- Kirtan Mehta:** And the second question was about the sort of the target for 3.4 million tons and 3.3 BCM. So from this year to next year, which are the key projects which will help us underpin this additional production?
- Pankaj Kumar Goswami:** So, basically, these are the new areas within our own areas. So, we have been expediting our drilling activities in those areas. Under Mission 4 Plus, we have to accelerate the drilling program. So accordingly, we have identified 5 fields and all those fields we have accelerated our drilling activity and accordingly, the production is going up. So this is way we'll be achieving 4 million target by '25.
- And at the same time, we are also happy to announce that we have new discoveries within our old areas. Recently, we have some new discoveries in the name of Sesabil, which is within our own field only. So, these are the new things coming up. And with that, we are hoping that we'll be able to achieve more production in the coming days.
- Kirtan Mehta:** Would you be able to elaborate on the progress on the five key projects that we have identified? And how -- what are the, basically, stage that we are in towards the increase in production?
- Pankaj Kumar Goswami:** These are the old fields. We have five identified old fields, Baghjan, Balimara, Lakwaga Gaon Kumchai and one in Rajasthan. So these are the 5 old fields where we have accelerated our drilling. And accordingly, from each and every field, the production figure is going up. So the number of wells that drilled corresponding to previous year, the number is more. So when we drill more development wells, we get more oil. That is the way we are going up. And we have identified 70 wells to be drilled for the next year. So, we hope that with that, we'll be able to get more production.
- Kirtan Mehta:** Could you repeat the number of wells that you said for the next year?
- Pankaj Kumar Goswami:** 70.... 70 wells for the next year.
- Moderator:** The next question is from the line of Sabri Hazarika from Emkay Global.
- Sabri Hazarika:** So, I have a few questions. First one pertains to your consolidated accounts, the share of profits from associates & JV. It was like at a positive run rate. So in Q3, it became negative. So can you tell us details on which asset, basically, these negative numbers have come?
- Sanjay Choudhuri:** Actually, what has happened, you see in some of the assets that we have acquired overseas have not been able to perform as per our expectations when we acquired them. That is largely, say, the Suntera asset in Nigeria, the License 61 asset in Russia. Now these two-three assets have not been able to perform as per expectations. They're like -- and this has not been the bright stars in our basket. So due to this, we have recorded some amount of loss again in these assets because the production is on the downside, the expenditures -- some of the expenditures, operating expenses are still there.

So this has led to a loss. And another some small part of this loss is also due to the change in the Dollar to Ruble exchange rate, which is we think with the weakening of the Ruble. So these three -- the major factors being License 61 and Suntera Nigeria and to some extent, the dollar exchange rate of Ruble and USD.

- Sabri Hazarika:** Right. But the main Russian assets, they are performing normally, right?
- Sanjay Choudhuri:** Perfectly fine. The production is -- the businesses are doing good there.
- Sabri Hazarika:** And any -- I mean, pending dividend right now since -- or are you able to like repatriate that?
- Sanjay Choudhuri:** See, the amount that is there in OIPL is about \$177 million, which is there at the Singapore level.
- Sabri Hazarika:** 100 and -- sorry, sir, 100 and..
- Sanjay Choudhuri:** At the Singapore level, we have got about \$175 million....
- Sabri Hazarika:** \$175 million. Okay.
- Sanjay Choudhuri:** At the Singapore level. And at the Russian level, we have got about \$533 total. OIL share is about \$178 in VIPL and about \$200 in TIPL at the Russian level.
- Sabri Hazarika:** So Russian level, \$200 million is pending and pending to be delivered and \$175 million is pending to be delivered to Singapore, right?
- Sanjay Choudhuri:** Yes. About 170 and \$250 million OIL share -- and OIL share at the Russian level is \$66 million, \$56 million. Same put together, it's \$120 million. At the Russian level, it is about \$120 million odd.
- Sabri Hazarika:** Russian level \$120 million and Singapore level \$175 million.
- Sanjay Choudhuri:** Yes.
- Sabri Hazarika:** And when is it expected? Any headway in terms of payment channels? Or do you think that it can...
- Sanjay Choudhuri:** We haven't had the Board Meeting right now. We are expecting a Board Meeting in the first week of March or so. Once the Board Meetings are there, all the partners decide. Something should be coming in the next month.
- Sabri Hazarika:** Second question pertains to your -- this -- I think it was like asked before also, but just wanted to know more specifically your sundry expenses in particular. So, that number has actually changed significantly. So it used to be like Y-o-Y, it has not changed much. But Q-o-Q, if we see, so it has gone up significantly in the -- I mean, it was like around INR 64 crores in Q3 FY '22.

Then it went up to INR 200 crores to INR 300 crores to INR 350 crores kind of run rate during Q4 to Q2 '23. Now again, it has fallen to around INR 100 crores. So what is the reason behind that? Is it just CSR or is there any other heads also?

Sanjay Choudhuri: Actually, you see -- if you go through our financial statements, these other expenses expenditure although as per the natural heads we have to put all expenses as other expenditure. Okay. So, this is not sundry expenses. This is actually all expenses, which includes your well write-offs, your exchange loss or gain, which will include your CSR activity. So all these together -- and in terms of and other expenses also includes your consumption of materials and contract costs. All right. This is the natural heads for other expenses.

But what has made the difference is that due to lesser well write-offs this year, that has made the difference. And like you said that has jumped above only to compare over the last 5 years or 6 years maybe. That is because, naturally -- because the wells are becoming exclusive year-on-year, right? So when you write-off a well, the expenses also become higher year-on-year.

Sabri Hazarika: Okay. And what was the forex loss this time versus Q2?

Sanjay Choudhuri: Forex loss this time versus -- forex loss this time is about INR 49 crores and in Q2, it was about INR 290 crores.

Sabri Hazarika: INR 290 crores versus INR 49 crores. Okay, sir. Okay. And your provision was negative because of some Mizoram well write-back, right?

Sanjay Choudhuri: Yes. Actually, what happened -- yes, last year, what happened, we paid provision based on the estimated basis and when they actual payment come out, it came out to be little less. So there has been add back there.

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

S. Ramesh: Sir, when we talk about the special additional excise duty in Numaligarh Refinery, there is a difference in the excise duty in the P&L between consolidated and standalone of about INR 700 crores, sir. Is that the amount of special additional Excise duty attributable to Numaligarh Refineries?

Sanjay Choudhuri: Yes. Prima facie it is due to Numaligarh Refinery. We have noted it down and if thing is added to this figure we'll get back to you.

S. Ramesh: So in terms of this additional excise duty, it looks like the oil marketing companies are levying this additional excise duty on the refinery transfer pricing for all the standalone refiners irrespective of whether it is exported because this additional excess duty was meant on exports. So, I would like to understand the thought process under which this is being done and what are the standalone refineries doing in terms of addressing this issue because it kind of vitiates the refining business contrary to the spirit of that duty which the government imposed on exports?

So can you share your thoughts and the thinking of the industry and what's exactly happening there?

Sanjay Choudhuri: What's happening is that the marketing companies are deducting the amount and paying to the refineries. And the issue is that, see, being a PSU in a country like India, which is 80% oil dependent on imports, I think it's a fair deal that when the prices are high, some part is passed on to the consumer, right? Some mechanism is worked out. Like in the mechanism, it worked out for the upstream companies is that we are getting a net realization of around \$70-75. So it will be moderated -- that will be moderated on a fortnightly basis by the change in the SAED.

And one thing is very clear that there's no aberration on that. If you just follow what has happened from July onwards, you will see what is left on the table for the upstream companies around \$70-75. It's not just gone up dramatically from the -- not dramatically gone down from there. So if we range bound, it is predictable, and that's what's been happening.

S. Ramesh: The next thought is in your pipeline business, you have a capital allocation of INR 1,500 crores on the asset side, but the earnings are not measuring up to the expected return. When do you see that giving a normalized return? Why is the return so low there?

Sanjay Choudhuri: What has happened, we are in the process of signing the contract for transportation. It is -- the negotiations went on for a long time because we had a huge investment in the pipeline expansion and modernization. Because the pipeline is very old. You see we have to modernize it totally. Total revamp had to be done. So the expenditure has been made from our end. Now, these are all run on a cost plus basis. So there is negotiation with all of the refineries. And we are on the verge of signing the contracts for the same. Once that is in place, the income from transportation would show a considerable change. And what has happened prospectively for reverse pumping, the new rates have already been applied. And soon you'll see that -- the income from transportation is going to go up.

S. Ramesh: So finally, if you can share some thoughts on whether there is any loss from the Indian JVs in your share of JVs? And how is your HPOIL-CGD JV progressing?

Sanjay Choudhuri: HPOIL JV is progressing well on both the places in Kolhapur, as well as your Kurukshetra-Ambala. And the progress is as per the plan and a large number of CNG stations have also come up in both the GAs. And in Kurukshetra-Ambala, we have been able to deliver to the households also. And in Kolhapur, delivery to houses have started and commercial delivery of piped gas is also starting in Kolhapur.

Pankaj Kumar Goswami: Another JV, that is in Assam Gas Company Limited. There also we have started some CNG stations in Assam, and the Government of Assam is now running 100 city buses on CNG. So, this is one achievement in that front.

S. Ramesh: So if you look ahead, say, 3 years to 4 years or 5 years from now, what is the kind of revenue and EBITDA or PAT you can expect from this City Gas JVs?

- Sanjay Choudhuri:** You see, this is a tough one because this is all dependent on what kind of gas prices rule, natural gas prices rule. Once the investments are done, we have to really take a because it's an open market. It all depends on what the next GAs doing. The open market is competitive. So right now, tell we've actually made the investments, we know what kind of a business we have build up, what kind of consumer, how many consumers we have. It will be little premature to comment on that right now.
- S. Ramesh:** And on the JV share, can you comment because there is a Brahmaputra Cracker, which I think possibly is under pressure. So other than the African entities you mentioned, is there any loss from any Indian JVs or Cracker, including Brahmaputra factor in the share of JVs?
- Sanjay Choudhuri:** No. BCPL has not reported loss.
- Pankaj Kumar Goswami:** No. Nobody has ever done this.
- Moderator:** The next question is from the line of Vikash Jain from CLSA. The line for the current participant has dropped off. We'll move on to the next question. That is from the line of Vishnu Kumar from Spark Capital.
- Vishnu Kumar:** Sir, my question is on the GAIL network, the pipelines. When do we expect that -- over the next couple of years, when do we see that GAIL will connect into our gas network? Is that likely to happen? And do you see any timeline there?
- Sanjay Choudhuri:** See, this whole networking is going to be through IGGL, which is progressing as per schedule. So once the grid is in place, the IGGL grid is in place, then the gas business is really going to boom in the Northeast region, specifically Assam. So they have the target, I think by '25, '26...
- Pankaj Kumar Goswami:** By end of '23, there will be some amount...
- Sanjay Choudhuri:** will be completed. So maybe by end of '23, early '24, the business will take off. And fully fledged in another years time maybe, after that.
- Pankaj Kumar Goswami:** As of now, the progress is more than the targets.
- Vishnu Kumar:** About 12 months from now, we should have the line connected with our networks?
- Sanjay Choudhuri:** Yes. We are expecting not full-fledged, but to some extent, yes, definitely.
- Vishnu Kumar:** Slightly medium-term question. Earlier, you used to mention that there are not enough offtakers. So, our production ability on gas is kind of capped because of that. Now that this line is going to come up and currently, if you see a lot of gas is going to be ferried all the way from Petronet, Dahej, to get into the, let's say, UP, West Bengal or whenever the LNG terminal comes on the Eastern Coast and probably will come.

But will we have the ability to produce far bigger volumes and supply into the central part of the country and is that possible? Is there any plan on this side? Let's say, in the next 4 years, 5 years, do we see that we can step up gas production materially? Is that possible?

Pankaj Kumar Goswami: Yes, you are right. Once the grid is in place, so definitely, we'll be able to add more gas to the grid. So, that is the plan as of now. So once the lines are actually ready, then we'll be able to -- because it has to go up to the Northeast, remotest corner because our production is from the extreme Northeast, near Arunachal Pradesh. But the present grid is going through the central part of Assam. So it has to be extended a little bit more than only able to directly connect our production to that grid. So there will be some gap.

As we have said that the first part of the line will be by end of next year, by mid of next year. But the remaining part, where we have to connect to our grid, our main production producing area that will take some time. So once those are in place, definitely, we will be in a better shape and able to produce more. And in fact, considering that also, we have taken up some infrastructural projects so that we can produce more gas in that area.

Vishnu Kumar: So when can we connect into the network or rather, as you said, from Arunachal Pradesh, if we need to move all the way to Assam, when can we complete the line?

Pankaj Kumar Goswami: One line is under construction. So it will be completed by end of '24. So by that, we'll be able to get the gas produced in Arunachal Pradesh into Assam.

Sanjay Choudhuri: The distance is not much. I mean, Arunachal and Assam are neck to neck. We're talking in terms of 100 kilometers.

Pankaj Kumar Goswami: 53 kilometers.

Sanjay Choudhuri: 53 kilometers.

Pankaj Kumar Goswami: Problem is that it is a fully forest area. We have to take lots of permissions. Then the other part is thickly populated. So all those areas are having some constraints and there are some very tough rivers where we have to cross. So, these are the hurdles there. So though the line length seems to be very small, but because of those hurdles and getting approval and walking inside the forest area is a difficult job. So that is why it is taking time.

Vishnu Kumar: Sir, understood on the problems that you mentioned. Let's say, 2 years, 3 years down the line, if you're able to complete the pipeline, how much incremental production can be available, provided that these lines and the evacuation capacity assuming it comes through, what can be the production technically that you can take out, which you kind of said?

Pankaj Kumar Goswami: We are expecting, as you know, that we have a very ambitious target of production of gas like 5 BCM. So once we achieve that, definitely, we will be able to achieve that because all these are interconnected. I cannot produce gas unless and until I have these infrastructures. Though the fields are capable, but we are not being able to produce because of these infrastructure issues.

- Vishnu Kumar:** Does this mean that you can just about -- you'll have to additionally drill more wells and you can quickly bring it up? Or does you need further large-scale investment to go from where you are to, this 5 BCM?
- Sanjay Choudhuri:** Yes. No, we would need very large investment.
- Pankaj Kumar Goswami:** Very large this is not very large. Some of the infrastructures are always in space. But the pipelines, these are the difficult jobs to do. See, investment is not that big one, but the execution is difficult. That is an issue.
- Vishnu Kumar:** I mean, more in terms of the production capability, let's say, if the pipeline comes through, I understand the problems that you highlighted. But if the pipeline comes then to increase production, is it going to be more straightforward where we -- existing fields, we just drill additional wells and bring production?
- Sanjay Choudhuri:** It won't be projectized as another project getting more gas. In natural course of business, the gas will come.
- Pankaj Kumar Goswami:** Those projects are already in place.
- Sanjay Choudhuri:** Other things are in place. You just drill the well, the gas comes up.
- Vishnu Kumar:** My second question is with this Kirit Parikh Committee Report. Any thoughts on it? And when do you expect the numbers to come? And one more point is that the global indices are now coming down. So anything that your side you have recommended to the government that given that the indices are coming down in the next 12 months, anyways prices are going to come down, so do we see a change in the thought process? Or broadly, your thoughts we want to hear on what is your stance on this and what is going to happen?
- Sanjay Choudhuri:** Actually, the recommendations like we all know by the Kirit Parikh Committee has been put forth. And the government has not yet come out with a -- how far the recommendations are going to be implemented. As and when implemented, we will come to know. As of now, there is no clear indication as to how much of the report is going to be accepted or which way it is going to go. The international prices are coming down on gas, yes. But then still, they will be -- are much higher than what we were about, say, 6 months to 9 months back, right? The prices that we're looking forward, the forward prices are definitely higher than the trailing 9-months basis.
- Vishnu Kumar:** When do you see the final notification to be coming out, sir?
- Sanjay Choudhuri:** That is really a very tough one. We don't really now.
- Moderator:** The next question is from the line of Vikas Jain from CLSA.
- Vikash Jain:** I wanted to check on dividends. Firstly, on NRL, have we received any dividends so far? Or is it something which comes out in the fourth quarter typically?

- Sanjay Choudhuri:** Yes. Up to now, we have received in excess of INR 750 crores.
- Vikash Jain:** Sorry, how much?
- Sanjay Choudhuri:** INR 750 crores plus.
- Vikash Jain:** And is the trend that -- I mean, they have an interim or something which comes out in the fourth quarter in terms of when we carried...
- Sanjay Choudhuri:** There have been 2 dividends up to now. One, we give at the end of the first quarter.
- Vikash Jain:** Which was the final dividend.
- Sanjay Choudhuri:** The final dividend -- which was the final dividend. Last year final dividend came, and now we have got -- up to now we've got INR 760 crores.
- Vikash Jain:** INR 760 crores, which you have got, which is already a part of the 3Q number you say?
- Sanjay Choudhuri:** Yes. Q3 numbers, right -- Q2 number. Sorry, I stand correctly, Q2 numbers.
- Vikash Jain:** Sorry, Q3 numbers, right? Yes. Yes.
- Sanjay Choudhuri:** Q2.
- Vikash Jain:** Q2. So Q1 and Q2 has the NRL dividend, you say?
- Sanjay Choudhuri:** Yes.
- Vikash Jain:** And the other thing was our own dividend payout. So far as a payout perspective, given that the EPS that we've been able to do is about Rs.46 in the first 9 months, the payout is about 30% or so. By the time we end the fiscal, is it likely to be, typically, what it has been around the 50% kind of a range? Should we expect it to be that? I mean...
- Sanjay Choudhuri:** See, I can give a straight answer to that. But seeing the trends earlier, then you can make your assessment from that, right? It's not fair for me to give you a straight answer to that, right?
- Vikash Jain:** Sure. But I mean -- so 50% kind of a number is what we have seen historically as a practice maybe in the regulation?
- Sanjay Choudhuri:** We are likely to follow historically practices because that will depend on the DIPAM guidelines because given that is 30% and 90% to be paid during the third quarter. So that will be met in any which way. And there might be something in excess of that as well, okay? We're expecting to pay in excess of the 30%.
- Moderator:** The next question is from the line of Naresh Kataria from MoneyCurves Investment.

- Naresh Kataria:** My question is on the Numaligarh Refinery, where we are expanding from 3 million to 9 million, Numaligarh expanding. Does it have linkage for crude and also to evacuate the refined products? So are there pipelines and also is crude available in the vicinity of the....
- Sanjay Choudhuri:** No, it is not available in the vicinity. They are going to import it from Paradip. And as far as your question is concerned, it is largely going to be -- some part is going to be through the product pipeline, which has been expanded by Oil India. And another mode of transportation is going to be through the PM's Gati Shakti program. There's a multimodal transport which is coming up in Jogighopa. From there, through the waterways, it will be exporting to Bangladesh, as well as exporting to Bhutan and Nepal and Myanmar.
- Naresh Kataria:** My second question is on the realizations. I'm sorry if this question was asked. I joined 10 minutes late. So, we have realized \$88 for this quarter. I believe the windfall tax was kind of working towards \$75- \$78. So is there something exceptional we have done to generate \$88? You have \$88.37 as realization for crude in Q3.
- Sanjay Choudhuri:** Yes. In Q3, yes. Q3, this is before. 9 months is \$100 before the windfall tax. And in Q3, \$88 before the windfall tax.
- Naresh Kataria:** Okay. So \$88 is before.
- Sanjay Choudhuri:** It is before -- \$100 is for the 9 months.
- Naresh Kataria:** Perfect. Sorry. I stand corrected. I'm done.
- Sanjay Choudhuri:** \$112 is for Q1. That made the average \$100. Q1 was \$112.
- Moderator:** The next question is from the line of Vipul Shah from Sumangal Investments.
- Vipul Shah:** So, my question is regarding the expansion of Numaligarh Refinery from 3 to 9. So excise duty will be -- benefit will be available for expanded capacity also?
- Sanjay Choudhuri:** Yes, that is the indication. Yes.
- Vipul Shah:** And sir, on your website, the financial analysis. So Slide 5, so in quarter 1, Numaligarh Refinery's gross refining margin is 32.39. And in quarter 2 and quarter 3, they are 13.84 and 13.48. So can you explain how it works, sir?
- Sanjay Choudhuri:** Because if you see the Singapore GRM, in the first quarter, there was a huge jump in the Singapore GRM. As a result of that, the GRM world over was very high. Now the GRMs have come down to normal levels, including the Singapore GRM. So this is a following that trend.
- Vipul Shah:** And these figures are exclusive of the excise benefit, right sir?
- Sanjay Choudhuri:** Yes. These are exclusive of the excise benefit, yes.

- Vipul Shah:** And sir, any cost or any provision for the last year's fire at our gas field? Can we expect any cost in subsequent quarters?
- Sanjay Choudhuri:** Nothing as of now. There is no indication as of now. Because we have already provided till year before last year, we provided INR 450 crores -- INR 449 crores for Baghjan. And that we feel is all that we need to provide for as we speak.
- Vipul Shah:** So that field has started to production, sir?
- Pankaj Kumar Goswami:** Much production is coming from that field only. So, we have drilled number of wells in that area, and the production is mostly gaining -- our gas production is from that area only. So this well is fully operative as of now. Nothing to be worried.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang Equities.
- S. Ramesh:** This is Ramesh here again. So if you can shed some light on how you see the returns from the refinery expansion in Numaligarh, and what kind of underlying assumptions you're making on the margins?
- Sanjay Choudhuri:** See, with a three-fold increase in production capacities, obviously, we expect the margins & the profitability to go up in the same ratio.
- S. Ramesh:** And if you look at your supply of gas through Brahmaputra cracker, they're getting a feedstock subsidy. So is there any negative impact on your P&L because of the subsidy being offered for Brahmaputra Petrochemicals?
- Sanjay Choudhuri:** No. That has been taken up totally separately. It doesn't affect our profitability. In fact, it adds to our profitability. We'll get more dividend because their profits go up because of that.
- S. Ramesh:** Similarly, if you're looking at your investments in oil and gas exploration and production, what is the kind of reserve accretion you have seen this year? And if you had to assume the current oil prices, what is the return on capital employed you can generate on the additional investments you're making on increasing the production in oil and gas?
- Sanjay Choudhuri:** See, our accretion has consistently been in excess of one over the years, and we continue to have that kind of accretion. And what was the other part of the question?
- S. Ramesh:** So in terms of the investments you're making in expanding oil and gas production, assuming current level of oil prices and the gas prices, what's the kind of return on capital you would expect from these investments.
- Sanjay Choudhuri:** See, we will be in a much better position to give you a proper reply to this question once we know the results of the huge investments we are making in OALPs. Once the OALP fields show the results and we strike oil in 1 or 2 areas, then the return on capital is going to be humongous.

Moderator: The next question is from the line of Somaiya V. from Spark Capital.

Somaiya V: First question is on the debt number. The INR 17,500 crores number that you said, can we just have a breakup? What is it that the standalone...

Sanjay Choudhuri: Can you be a little louder? Your voice is very faint.

Somaiya V: Yes, sir. Am I audible now, sir?

Sanjay Choudhuri: Perfectly now.

Somaiya V: Yes. I was looking for the debt breakup, the INR 17,500 crores number. Sir, just looking for what is the standalone number? What is it at NRL, if any and then the international assets, sir?

Sanjay Choudhuri: INR 11,244 crores for OIL, standalone. And the consol basis about INR 18,000 crores. INR 17,800.

Somaiya V: So what would be the NRL level debt, sir?

Sanjay Choudhuri: NRL level debt?

Sanjay Choudhuri: INR 2,300 crores.

Sanjay Choudhuri: NRL level debt, INR 2,300 crores.

Somaiya V: So the NRL expansion, the expansion capex of INR 28,000 crores- INR 29,000 crores what we plan to spend, how much has been spend so far? How much so far has been our equity contribution? How much is NRL from NRL's...

Sanjay Choudhuri: The contribution has not yet being made. And around what about 20% odd, about INR 8,000 crores has been spend up to now. Out of the INR 28,000 crores, INR 8,000 crores was gone.

Somaiya V: And this has majorly come from NRL, not much of equity contribution?

Sanjay Choudhuri: This is all debt and internal accruals. Largely internal accruals of NRL.

Somaiya V: So, of this, if I understand it right, so, so far INR 8,000 crores has been spent and it's by and large by NRL, which includes INR 3,300 crores of debt, rest by internal accruals of NRL?

Sanjay Choudhuri: Right. Spot on.

Somaiya V: Sir, and what is the trajectory here, sir? I mean, how do you plan for the next couple of years in terms of this expansion capex?

Sanjay Choudhuri: The expansion is slated to be completed by '24-'25. And the progress is going as per plan. So, we have full confidence that it would be operational by '25.

- Somaiya V:** And these NRL payouts that we got in the first half, this is after factoring the expansion capex. So what is our expectation of NRL payouts in next couple of years, I mean, given that they have the expansion capex to be done so?
- Sanjay Choudhuri:** Right. So there might be a dip in the NRL dividend. But the fact remains that we are expecting much better dividends from IOC in the forthcoming year. Last year's, IOC the dividend has been lower, right? So in total terms, the dividend received from these companies should be in that -- overall, the range will be maintained, I feel.
- Somaiya V:** And the INR 750 crores that we received in the first half from NRL, so that payout ratio is more or less in line with what we have been getting in the previous years? Or there is a slight dip because of this expansion?
- Sanjay Choudhuri:** More or less in the same range.
- Somaiya V:** One final question. What is the NRL's maintenance capex at current capacity?
- Sanjay Choudhuri:** Sorry?
- Somaiya V:** NRL's maintenance capex at current capacity?
- Sanjay Choudhuri:** We don't have that figure right now. We can get back to you. We will just note down. We'll get back to you on this one. We don't have the figure right now. Okay. We will send across the figure. My team is noting it down. We will send it across to you.
- Moderator:** The next question is from the line of Kirtan Mehta from...
- Sanjay Choudhuri:** And maybe this will be the last question, please.
- Moderator:** Sure, sir. Ladies and gentlemen, we'll be taking the last question. That is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** You just mentioned that there is INR 450 crores provided on the Baghjan field, but note number 8, first, to sort of the additional assessment of around INR 1,200 crores of flows by the committee set by the Supreme Court and the matter has been sort of referred back to the National Green Tribunal. So what do we expect about this additional sort of cost of INR 1,200 crores? Do we contest this or are we in line with it?
- Sanjay Choudhuri:** No, no. The fact remains that, see, if we would be accepting it, it would be a provision or contingent liability, right? It is neither a provision, nor a contingent liability. So, obviously, we're not accepting is evident from our financial statements.
- Kirtan Mehta:** As of now, so we are not in agreement with the way the Supreme Court Committee has set up the costs. And what are our key objections against this? Would you be able to share more color on that?

Sanjay Choudhuri: Our objection is that whatever compensation was to be paid has been already paid by us and whatever bioremediation measures had to be done -- because this case is about 2 years old. These 2 years, we have worked very hard on that area. And all -- and we have taken multiple projects for the bioremediation there. And as a result of that, we feel that it has gone back. The Flora and the fauna is back in its original state as we speak.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Reena Shah for closing comments.

Reena Shah: On behalf of Elara Capital, I would like to thank management and participants for joining this call. I would like to hand over the call to management for the closing remarks.

Pankaj Kumar Goswami: Yes. Thank you very much for your very active participation.

So, hope that we'll be continuing our journey in this way, and we'll be getting more and more profit in the coming days. This is the expectation. Our production is also going up. We are expecting the production -- the total profit figure will also go up in the coming days. And we need your all cooperation all the time. Thank you Elara Capital for organizing this investors conference today. Thank you. Thank you, everyone.

Sanjay Choudhuri: Thank you so much. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Elara Securities Private Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.