Management Discussion

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Good afternoon, ladies and gentlemen. I am Anupam Agarwal, Director Finance, ONGC. I welcome you all to ONGC's earnings conference call for the second quarter of FY 2026-27. Thank you for joining us today. I am joined here with our Director Production, Mr. Bhaskar Choudhury, and other colleagues from ONGC: Mr. Satish Kumar Dwivedi, Chief JV & BD; Mr. Ashok Kumar, Chief Marketing; Mr. Yogesh Nayak, Chief Corporate Finance; Dr. Ravinder Singh Negi, Chief Treasury and Investor Relations; Mr. Sanjay Kumar Sharma and Mr. Prakash Joshi from the Investor Relations team; Mr. Pramod Kumar Kalra from Corporate Planning; and Mr. Akhilesh Tiwari, Head Corporate Accounts. Mr. Mukul Bhatnagar and Mr. D.K. Agarwal have also joined from ONGC Videsh Limited.

ONGC's financial results for the quarter and half-year ended 30th September 2026 were approved by the Board on 5th November 2026, and have already been disseminated through the stock exchanges along with our press release. This has also been sent to the analysts who are there on our mailing list. The quarter was characterized by strong financial performance on back of improved realizations, even as geopolitical developments in the Hormuz region impacted global supply chains and led to delay in the execution of certain strategic projects, including DUDP.

We reported standalone gross revenue of INR43,875 crore, an increase of over 33% over the corresponding period of last year. Our average crude realization for the nomination fields during the quarter was US$92.33 per barrel. Standalone profit after tax stood at INR15,489 crore, registering a robust growth of over 57% year-on-year. Riding on the strong earning momentum, the company also posted its highest-ever H1 profit after tax of INR32,522 crore. The Board also declared its highest-ever interim dividend of 160%, that is 8 per share, with total dividend outgo of INR10,064 crore.

Despite a challenging cost environment marked by inflation and exchange rate volatility, ONGC maintained a strong focus on cost optimization during the quarter. The company's operating expenditure remained well controlled, reflecting the benefits of sustained operational efficiency initiatives and disciplined management of controllable costs across its operations. During H1 FY27, ONGC generated INR7,050 crore of revenue from new well gas, realizing an incremental INR2,859 crore compared to the APM gas pricing regime, accounting for over 34% of company's nomination gas revenues.

New well gas continues to strengthen ONGC's earning profile. On the production front, ONGC's oil and gas output remained broadly stable on a sequential basis during the quarter. Although it moderated marginally on a year-on-year basis, production was impacted by supply chain disruptions affecting certain projects, including DUDP, as well as weather-related operational challenges in offshore areas. In addition, temporary customer off-take constraints, including a shutdown at the OTPC facility in Tripura, affected gas production during the quarter.

We are actively addressing these issues, with critical materials now being mobilized and additional wells expected to come on stream in the coming months. Accordingly, we expect a gradual improvement in production and are confident of recovering lost ground in the subsequent quarters. The TSP, that is Technical Service Provider program, at Mumbai High continues to deliver encouraging results, with green shoots visible in MH production and demonstrating the positive impact of the interventions undertaken.

Building on this success, ONGC is moving ahead with a larger drilling and intervention program

aimed at further enhancing production from the field. The TSP program for the remaining western offshore assets, primarily the Neelam & Bassein and Satellite fields, was awarded during the last quarter. Teams have been mobilized, and detailed work plans are being finalized, with implementation expected to support production enhancement and arrest natural decline in these mature fields. ONGC reinforced its long-term growth pipeline during the quarter by awarding two major western offshore development projects with a combined investment of approximately INR11,800 crore and an estimated hydrocarbon potential of 22 million metric ton of oil equivalent.

The projects covering MB/OSN-2005/1, SD-4, and BS-17, and the additional development of Ratna-1 and Neelam-14, are expected to be completed over the next two to two and a half years. On the exploration front, ONGC has renewed its focus on deepwater exploration under the Government of India's Samudra Manthan initiative. We are encouraged by the positive results from exploratory drilling in Mahanadi offshore basin, where gas has been encountered, affirming the prospectivity of the Indian eastern offshore basins.

We are optimistic about the potential of emerging prospects in Utkal, Konark, and Mahanadi areas, which could open new growth avenues for the company. A significant policy milestone during the quarter was issuance of detailed operational guidelines for the Samudra Manthan national offshore exploration scheme. To support this, ONGC is scaling up its deepwater drilling capabilities. One deepwater rig is already operational in Mahanadi basin, while a second deepwater rig is expected to be mobilized during this financial year.

We are also encouraged by the gas discoveries in the Silchar region. With the commissioning and expansion of IGGL gas pipeline network, these stranded gas resources are expected to be monetized, contributing to ONGC's future production growth. ONGC Group posted a consolidated profit after tax of INR18,535 crore in Q2 FY27, driven by solid contributions across its businesses. HPCL rebounded strongly during the quarter on the back of improved GRMs, while ONGC Videsh and MRPL delivered notable performances.

The results underscore the benefits of ONGC Group's integrated and diversified energy portfolio and its ability to deliver resilient earnings across business cycles. ONGC Petrochemicals Marketing Limited was incorporated on 7th October 2026 to serve as a single integrated market-facing platform for the marketing and trading of petrochemicals, chemicals, and related products across the ONGC Group. The initiative is aligned with ONGC's downstream and petrochemical strategy and is expected to enhance market reach and unlock greater value across the group's petrochemical value chain.

ONGC is not only delivering robust earnings today, but it is also building the foundation for sustainable growth tomorrow through focused investment in production growth, portfolio diversification, and operational excellence. We are strengthening our ability to generate higher cash flows and enhance stakeholder returns.

With that, I conclude my opening remarks. Thank you.

Questions & Answers

Operator
Thank you, sir. [Operator instructions] The first question comes from Varadarajan Sivasankaran from Antique Stock Broking. Please go ahead.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Thanks for the opportunity, sir. First question on the higher other expenses, as well as higher depreciation and lower tax rate during the quarter. What were the drivers behind that?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yeah. Higher other expenditure, actually there was a case relating to terminal excise duty receivable from DGFT for INR1,861 crore. And this is already under litigation at High Court level. Though we are confident that we should win this case, but as a matter of conservatism, we have provided for that amount because the decision from the court is still pending. That, coupled with decrease in opex by INR609 crore and decrease in exchange loss by INR 625 crore, the net impact was about INR 600 crore increase in the other expenses. The other thing you talked about lower corporate tax. That is basically certain part of income which is not taxable. The dividend earnings were higher this quarter. And you know dividend we get 80M benefit. So because of that, there was net overall lesser impact of the tax in this quarter.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Understood, sir. And that higher depreciation as well, sir?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
We have also provided some impairment for the exploratory wells which were carrying for longer period, and that is being clubbed in the depreciation figure. That's why you are seeing a little higher other depreciation figure.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Fair enough, sir. Secondly, you spoke about all the projects and updates, so if you can provide some guidance on their production numbers as well for FY27, '28, and if possible '29 as well?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
This year we are expecting somewhere around close--this year we should close by about 39 MMT oil and oil equivalent of gas. And next year should be little higher, maybe 0.5 to 1 million ton extra.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Fair enough, sir. And finally on the Samudra Manthan, how many wells are we going to drill under that plan in the current year, and if you have a plan for next year and maybe even the next two years? And if possible to quantify the benefit as well, sir?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, let me answer the second question first, then I will answer the number. Samudra Manthan is a exploratory scheme--exploration in deep and ultra-deepwater. So nobody can quantify, though we have a lot of expectation from those blocks, and that is the nature of exploratory business. Regarding numbers are concerned, this year we are planning four wells. Next year we have a plan of drilling up to 13 wells, but that will depend on availability of rigs. We have already got two rigs on hire, and we are looking for other opportunities. You know the deepwater market is a rigged market right at this moment. So we are looking at the rigs; if we get those rigs, we will be completing 13 wells next year.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Thanks a lot, sir. Very useful.

Operator
Thank you, sir. [Operator instructions] Next question comes from Mr. Vivekanand S. from Ambit Capital. Please go ahead.

Vivekanand S. - Analyst, Ambit Capital
Yeah, thanks for the opportunity. Can you refresh us on the current production from the first part of the TSP that you have with BP in Mumbai High, as well as the current production of KG-DWN-98/2? And as an extension to this, if you can highlight what is the upside you expect for production from these two areas--the TSP 1 as well as KG-DWN-98/2--in FY28 and '29? If you can split between oil and gas, that will be great. Thank you.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Just hold on. You see, TSP is not a standalone production; it is relating to the field, that is Mumbai High field, which is under TSP 1. And there we are already seeing significant early shoots that with the technology and the support provided by BP, the kind of intervention we are seeing, those are giving good results. But it is difficult to quantify specific results at a specific point of time. It is a 10-year contract, and as part of contract, we have a plan to achieve a certain upside on that TSP 1. So the guidance I have given, that is at ONGC level, 39 MMT for this year and about 0.5 to 1 MMT more for the next year, that remains. The field-wise details if you need, those will be provided separately by our IRC cell. They will provide you whatsoever additional information you need.

Vivekanand S. - Analyst, Ambit Capital
Thank you, sir, for the color. What about KG-DWN-98/2?o

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yeah, KG-DWN-98/2, if you remember the last investor call and then subsequent press meet also, we had told we are seeing some kind of a reservoir surprises, subsurface surprises. So production today, oil terms, we are seeing about 19,000 barrels per day. And gas from wells were to be connected this quarter, but you know the offshore was facing the monsoon time, and then there was recently a [Indecipherable] there, which disturbed the project schedule there. Now we are expecting those wells to be completed by the next quarter.

Vivekanand S. - Analyst, Ambit Capital
Thanks a lot.

Operator
Thank you, sir. The next question comes from Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari - Analyst, Morgan Stanley
Sir, can we talk a bit about the initiative around marketing on the petrochemical side, and also in terms of the performance for the petrochemical OPaL? Can you just walk us through what's the performance been this quarter?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, regarding the new initiative we are taking the joint marketing company for petrochemical between OPaL, ONGC, and MRPL. We have a significant petchem portfolio. And presently our companies were--currently these companies were marketing the same products in the same market

under different brand names and at different prices. And there we were seeing that there were significant losses in terms of the marketing discount they were required to offer. So as a group strategy, we have decided to come together and have a single umbrella marketing framework. So this new company will be marketing for all the three together. So it will result in significant reduction in the marketing cost, the supply chain cost. Also the prices we will be better able to hold in this case. So that is the objective on that.

And regarding the position of petchem, you might be aware last quarter the petchem prices saw some rebound. And that's why we were able to see a positive EBITDA for OPaL. But at the same time, you know because of Hormuz situation continuing in the second quarter, the feedstock prices also went up. What we feel as the feedstock prices stabilize--and we are seeing some development like what is happening in USA, etc.--so as the feedstock prices stabilize, the company will be in much better position. At the same time, ONGC Group is trying to get ethane from USA. We have already contacted two ships which are under construction and will be delivered by early part of 2029, and we are also in talk with the US companies to tie up long-term ethane prices. So with ethane tied up as a feedstock for the project, OPaL will see much better days in days to come.

Mayank Maheshwari - Analyst, Morgan Stanley
Sir, would you be able to quantify the numbers in terms of synergy benefits from this marketing company, as well as what is the EBITDA and net profit for the quarter for OPaL?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yeah, EBITDA and net profit I will tell you, but regarding the synergy numbers, it will be difficult to quantify at this stage. This is the directionally we are working, but significant upside will come. Just hold on for a second. INR 147 crore was EBITDA, positive.

Operator
Thank you, sir. The next question comes from Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka - Analyst, Axis Capital
Yeah, hi. Thanks for the opportunity, sir. On the volume front, you mentioned KG-98/2 oil production. Could you also give gas production in Q2?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yeah, gas production, basically some wells could not be connected till date. We are planning to connect three wells in the fourth quarter. So with that, additional about 1.5 MMSCMD will be coming from those three wells expected.

Amit Murarka - Analyst, Axis Capital
But what was the volume in the second quarter?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Second quarter gas volume, just a minute... KG-98/2 was around 2 MMSCMD.

Amit Murarka - Analyst, Axis Capital
Okay. 2 MMSCMD, and then you expect another 1.5 to come by what, Q4 roughly?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Q4, Q4.

Amit Murarka - Analyst, Axis Capital
Sure. And OPaL, I didn't get the numbers right. You mentioned INR 147 crore positive EBITDA, right?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yes, yes.

Amit Murarka - Analyst, Axis Capital
And that's for Q2. Could you give H1 numbers also?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
INR 90 crore. INR 9-0 crore.

Amit Murarka - Analyst, Axis Capital
Sorry, how much?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
INR 90 crore, INR 90 crore.

Amit Murarka - Analyst, Axis Capital
For H1. Okay. And PAT numbers for the same, please?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
So PAT is basically Q2 was INR 494 crore negative, and half-year is INR 1,100 crore.

Bhaskar Chakraborty - Analyst, Jefferies
One thing just I wanted to add, last year our interest cost was around INR 2,000 crore, which has--which is being coming down now, if we say. So we are targeting that to happen.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Hopefully, you know last two years ONGC Group has taken a lot of steps for making this OPaL viable. And capital restructuring was carried out; INR 18,000 crore was infused in that. A lot of costly debt has gone, and at the same time, ONGC is also providing support to them in terms of getting the loans at a much more viable rate. So the financing cost is coming down. So what I want to say that with this thing happening, the steps we have taken in the past, and the feedstock supply we are tying up through ethane route, the company will be posting much better things.

Amit Murarka - Analyst, Axis Capital
Understood. Also on an earlier question on TSP performance, you mentioned that it's part of the overall Mumbai High, but generally what I understand like the arrangement is basically based on a certain performance criteria to kind of reward the partner, BP. So there must be some monitorable or some data point that is getting generated to kind of compensate the partner. Is that understanding correct?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You are right, but actually we have the first two-year period, their compensation is not linked with the performance; it is linked with the basically general--we are paying a fixed-fee period. So that incremental cost and the sharing part will start once the two-year period is over, that is from April 2027 onward. But what has happened during this period itself, they have suggested many of the positive interventions in terms of infill drilling, etc. We are taking all those steps, and we are seeing

that there are gains, and especially in gas front, there is a significant gain we have seen.

Amit Murarka - Analyst, Axis Capital
Any numbers if you could indicate, as you know this is just important to kind of build out the future forecast for volumes?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Our Director Operations will answer, Mr. Bhaskar Choudhury is there.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
SYeah, I'm sure you will appreciate that oil and gas projects normally have a longer gestation period, because we have to plan the drilling and other things. There are some green shoots in gas output from the Bombay High area, and simultaneously some pipeline replacements and things have also been taken up on a--on an aggressive mode. So we are trying to build up the capacities for increasing our injection volumes, and then we expect this to continue, trend to continue. Nevertheless, Bombay High has been recording a better production of gas off late.

Amit Murarka - Analyst, Axis Capital
Sure, get that. And also the exploration write-off that was recorded in the second quarter, it was a bit higher, so just to understand is there any large kind of field or well been written off in this? If you could just name any one or two key wells which were written off?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
No, no. There is not much of write-off, but some of the wells where we have a long plan to re-enter at some stage, but those wells were pending for some longer time, so based on the advice from the audit, we decided to provide impairment provision. So as and when a decision is taken for field development, the plan has come, then we will again take a look on that. This year there is no specific very significant write-off on the wells.

Amit Murarka - Analyst, Axis Capital
Okay. Thanks a lot and wishing you a very Happy Diwali.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Thank you. Happy Diwali.

Operator
Thank you, sir. Next question comes from Varadarajan Sivasankaran from Antique Stock Broking. Please go ahead.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Thanks for the opportunity again, sir. Want an update for Mozambique, how much we have spent so far, and incrementally what is the capex required for you to contribute till the commissioning of the two trains?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, in this project till date, we have invested about US$7 billion, and the project is progressing well. You know this project was in the force majeure for four-year period. So last year, the force majeure was lifted, and activities are going in full stream. Already the completion of about 49% has already been achieved. There were some other issues; the tying up of the financing was already

completed. The sovereign guarantee from Mozambique government has also been approved by their cabinet, and we expect drawdown on the project will start sometime in next month onward. So Mozambique is going in full stream now.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
And if you can provide an update on Sakhalin and Venezuela as well, sir?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Sakhalin also is doing well. We have already re-entered in that project in December 2025, and since then we are getting the accounts for that, and those are being consolidated in OVL account, and in turn with the consolidated account of ONGC Group. And this project is also doing very well in terms of the production performance. They are continuously going for additional well drilling, and the average production during first half was 183,000 barrels per day for Sakhalin. So it is almost coming to the same level where it was before the crisis happened in 2022.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
And Venezuela as well, sir?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Okay. Venezuela, you know we are already under discussions with them. We are there in two projects: San Cristobal and Petro Carabobo. San Cristobal, with PDVSA, the national oil company of Venezuela, we are the sole partners. So there the discussion is going on, and we are trying to see a new type of operating arrangement where we will take the operatorship and we will run the project. Petro Carabobo, there are other partners also, like Repsol. So at partner level and also with the government, discussions are on. We have got necessary approvals and OFAC clearances for this new arrangements. They are at advanced stage, so I will not be able to share the details of exact--specific provisions of those agreements, but we expect in next three to six months' time those agreements will be in place, and we will be San Cristobal sole operator and in case of Petro Carabobo, joint operators, and we are ready to start working on those fields.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
That's great, sir. In case you have a capex number finalized already for that, if you can share that, sir? Otherwise, it's fine, thanks.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, at this stage we will not be able to share any number. Yes, various things are under discussion, but until and unless the agreements are signed, the contours of those agreements, what will be the share of different partners, we will not be able to share the numbers at this stage.

Varadarajan Sivasankaran - Analyst, Antique Stock Broking
Sure, sir. Thanks a lot.

Operator
Thank you, sir. The next question comes from Mahesh Tolani from GoQuarter. Please go ahead. Mahesh, sir, please go ahead with your question, sir. There is no response. There are no further questions. Now I hand over the floor to Dr. Ravinder Singh Negi for closing comments.

Ravinder Singh Negi - Chief Treasury & Investor Relations and Operations Finance, Oil and Natural Gas Corporation Limited

Thank you, madam. Please check whether there are some questions or not.

Operator
Sir, there is one question from Mr. Bhaskar, sir. Next question comes from Bhaskar Chakraborty from Jefferies. Please go ahead.

Bhaskar Chakraborty - Analyst, Jefferies
Thank you. I wanted to ask if the 500-odd million dollars of dividend that Venezuela, which was stuck up all these years, have you received that now?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
No, no. The situation is there only where it was earlier in terms of dividend and other things. Everything will be basically--we are specifically looking how to enter into operationalizing two projects again. So once those agreements are finalized, then we will be looking at that.

Bhaskar Chakraborty - Analyst, Jefferies
So then you are basically putting more capital to work there without receiving all your dues over the past decade?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see what is happening in this project: in earlier system, we did not have off-take rights. The crude oil sale rights were with the national oil company of Venezuela, and that is why this situation of dividends getting stuck up there has happened. Now in the new arrangement, we will have off-take rights. We will be operating the project, we will off-take the produce, we will sell, and we will discharge various fiscal regime related responsibilities to the Government of Venezuela, and rest will belong to us. So this actually, you see, there are two phases of this project: one is pre that agreement and the second is post that agreement. So pre will continue to be discussed, and we will try to find out how that amount we will settle. It may be part of this arrangement with the new agreements we are planning, or it may be some separate set of agreements. Or we may get some other fields also. So various options are still under discussion.

Bhaskar Chakraborty - Analyst, Jefferies
You will be able to repatriate your profits under the new arrangement?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
We will be able to take produce to wherever we want to take for selling, so obviously everything belongs to us.

Bhaskar Chakraborty - Analyst, Jefferies
And what about the amount that was stuck with Sakhalin which was there in some Singapore banks, and you were trying to repatriate that to India?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Sakhalin no amount was stuck up there. There was another project, Vankorneft, which--

Bhaskar Chakraborty - Analyst, Jefferies
Hello?

Operator
[Technical Issues] Dear participants, please stay connected until we reconnect the management. Welcome back, sir. Please go ahead.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Bhaskar-ji, you are there?

Bhaskar Chakraborty - Analyst, Jefferies
Yes, I am there, sir.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Yeah. So I hope you had heard my reply, or should I say again?

Bhaskar Chakraborty - Analyst, Jefferies
No, for Vankorneft, please could you clarify, because your line got disconnected.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
We had some dividend relating to Vankorneft project which was stuck up in Russia, that we have already utilized, and no amount is stuck up in Russia today.

Bhaskar Chakraborty - Analyst, Jefferies
So you utilized that to fund your capex in Sakhalin?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
We had utilized to meet our abandonment fund liability in Sakhalin.

Bhaskar Chakraborty - Analyst, Jefferies
Okay. So just to clarify that all your profits generated in Russia and in Venezuela cannot be repatriated outside of those two countries as things stand right now?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
No, no, I did not say so. As far as Venezuela is concerned--

Bhaskar Chakraborty - Analyst, Jefferies
Have you been able to--have you been able to repatriate any profits from these two geographies till date?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Not yet. But a kind of arrangement we are entering in the new regime: Venezuela, whatsoever production we will make, we will have off-take right, and through that route we will be getting our dues next year. And regarding Sakhalin, we got in last year only, December. Accounting year is not yet over; they will declare dividend, and once the dividend will be declared, that dividend we can bring it to India. There is no restriction as of today on repatriation of dividend from Sakhalin project.

Bhaskar Chakraborty - Analyst, Jefferies
Thank you very much.

Operator
Thank you, sir. The next question comes from Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika - Analyst, Emkay Global
Yeah, good afternoon. Two questions. Firstly, now that we are at this almost like INR 1 lakh crore operating cash flow run rate annually, so what is the plan of action in terms of this excess cash flow? Whether it would be given in the form of more than 50% dividend payout or put under additional capex? What is the thought process?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, the capex we have been incurring about 3.5 to 4 billion dollar per year, and we plan to continue. At the same time, we are looking out various kind of diversification opportunities, so if anything materialize, we will do. Regarding dividend front, generally we pay about 40% or so, so at this stage we'll not be able to say anything more, but we plan to continue around that level of dividend.

Sabri Hazarika - Analyst, Emkay Global
Okay, fair enough.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Sabri, if you have seen, we have paid almost record first interim dividend of 160%, that is 8.

Sabri Hazarika - Analyst, Emkay Global
Right, right. That's why I was wondering, being first interim dividend, it is quite substantial. So is there a thought process of like--I think this is like some sort of windfall income itself that we are earning close to INR 9,500 crore. So is there a thought process of, rather than building a lot of cash--

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
We are not seeing that way. We are not seeing that way. We are going to maintain our dividend policy the way we have maintained in the past; there is no change in the dividend policy. And our focus remains in E&P, you are aware. And E&P, we are anchor player in Samudra Manthan project, so there also some money will be spent for maintaining our requirement in the Samudra Manthan project.

Sabri Hazarika - Analyst, Emkay Global
Got it. Second question is on your key natural gas assets. So can you just give us an update on Daman, what is the current production and what is the outlook for the next one year? Also whether DSF is on schedule? And also KG-98/2, you have mentioned it will be 3.5 MMSCMD by FY27 end, but is there further upside to it or should 3.5, 4 MMSCMD be the peak? That's all from my side. Thank you so much.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Yeah, KG-98/2, yes, towards the end of the year we expect financial year we expect to get started and add this 2 million as we have already mentioned. DUDP, about half the wells are done; a few more wells are under drilling having been monsoon locations. So we expect to start incrementing some volumes over there and then try to stabilize those numbers. And you were mentioning about--

Sabri Hazarika - Analyst, Emkay Global
DSF 2.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
DSF 2, it's construction work in progress. We would assume that we should be able to start getting the volumes at least towards the end of this financial year.

Sabri Hazarika - Analyst, Emkay Global
Okay, fair enough. Thank you so much, sir.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Thank you.

Operator
Thank you, sir. Next question comes from Kirtan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Thank you, sir, for the opportunity. In terms of the TSP that we have with BP, while you said that it's difficult to share the result, but would it be possible to at least now share what is the baseline decline rate that we are seeing for oil and gas separately in this field? And from next year when we start sharing, what sort of the agreement is emerging where the--and what would be the sharing mechanism that would be in place? Also you also mentioned that there is also an increase in the Bombay High production. So if we can highlight that number as well, that would be useful. And outside Bombay High in our other portfolio, what are the current decline rate that we are seeing?

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Yeah, you will accept that this decline rates are usually long-term numbers. It's not that what we see over the last six months, last eight months or so. So they are all subject to completion of projects and, you know, any facilities being under revamp or whatever. The terms of the contract in the TSP 1 and 2 have been frozen under the contract. So we will be working out the payouts to them depending upon the actual performance towards the end of the year. So it is not based on any temporary up or down situation.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Sure. Would it be possible to share at least the total Bombay High production levels at this point of time when we say it has improved? What was it last year, and how much improvement is there?

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Well, at the starting point when the uptick started to appear, it has actually gone up by approximately around--let me put it like this: on a day basis, maybe we had about 7% to 8% incremental on the gas. So let me put it that several things have to stabilize before onto a longer-term platform time frame before we can attribute so much to so much to a particular event or to a particular support.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Sure. And outside Bombay High, what kind of the average long-term decline rate that we are currently observing?

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Long-term current rates would depend because we constantly do developmental activities, but natural decline is a phenomena in petroleum and natural gas oil fields. So that being the case in

point, with the DUDP and other things coming up, we hope to arrest a part of it this time.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
These are the new projects. What I'm asking is about the existing projects. If we are doing a normal maintenance work, what kind of sort of a decline we'll have to continue to observe for next two, three years in the existing field? New will offset, new projects will add the production, that I do understand, but what kind of the baseline decline that we are working against? TSP is the one where we have taken a space for Bombay High where we are planning to arrest the decline, but for rest of the field, I think it will continue at the similar decline rate, and it would be good to have that understanding.

Bhaskar Chowdary Nettem - Director (Production), Oil and Natural Gas Corporation Limited
Yeah, hello. Generally a 5% to 8%, 9% is what you would count as a industry standard of decline, because they constitute multiple fields. Some somewhere it could be as low as 4%, some another place it can be as high as 9%, depending on the geology, local geology. So on an average you can say 6% to 8% is what you could perhaps count as a standard metric around in the industry, which we are also encountering.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Sure. And just one last question on the KG-DWN-98/2. Currently oil production is at 19,000 barrels per day and we have sort of encountered the geological challenges. So is there now sort of a path clearer from here how to ramp up this production, and what are the steps needed, or will it need some more time before we would be aware about the path to increase production from here?

Bhaskar Chakraborty - Analyst, Jefferies
We are working on that right now. It's definitely a much more complex system than what we had originally envisaged, and that is also a reason why we had a small dip along the time. But at this point in time, we are still working on several concepts, and we hope to make the runway clear on this matter.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Timeline would you be able to say, when would we have some communication in this regard?

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
You see, 98/2 is a deepwater project, so the resource mobilization takes certain time frame. So we are studying the various options, including the cost involved in those well interventions, and based on that we'll take a view. So that process is taking some time, but we are definitely working on how to come back on the 98/2 project.

Kirtan Mehta - Analyst, Baroda BNP Paribas Mutual Fund
Sure, sir. Thank you for these clarifications.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Thank you.

Operator
Thank you, sir. That would be the last question for the day. Now I hand over the floor to Dr. Ravinder Singh Negi for closing comments.

Ravinder Singh Negi - Chief Treasury & Investor Relations and Operations Finance, Oil and Natural Gas Corporation Limited
Thank you, madam. With this, we believe we have addressed all the queries raised by our investors and analysts. Should there be any further questions, participants may kindly reach out to our investor relations team, and we will be happy to assist. I would like to express my sincere gratitude to Director Finance and Director Operations, ONGC, for sharing valuable insights and addressing the participants' queries. I also extend my thanks to all our senior colleagues for their participation and support during the call. Most importantly, I would like to thank all our investors, analysts, and participants for joining us today and for their continued interest in ONGC. We appreciate your time and engagement, and we look forward to interacting with you again. Thank you, and have a pleasant day ahead. Happy Diwali.

Anupam Agarwal - Director (Finance), Oil and Natural Gas Corporation Limited
Thank you.

Operator
[Operator Closing Remarks]