# CHAIRMAN'S MESSAGE

ONGC VIDESH

## Address of the Chairman at the 47th Annual General Meeting scheduled on 17th August 2012

### Dear Shareholders,

It gives me great pleasure to welcome you to the 47th Annual General Meeting of ONGC Videsh Ltd. Before I speak about the performance of the year 2011–12 and the business plans, I would like to outline the global scenario which prevailed during the year, with reference to countries where ONGC Videsh operates:

### Global Economic Environment:

Worldwide, 2011 has been another excellent year for conventional exploration, with reserves additions of almost 12 billion barrels (bbl) of oil and over 82 tcf of gas. In 2011, the demand for total petroleum products in the Asia–Pacific region grew by an estimated 3.1%. Asia is expected to continue to be the principal driver of global oil demand. The demand has prompted increased investments in the exploration and production (E&P) sector, however, political risk is seen as posing a considerably greater threat to international E&P business in the recent past. This is especially true for emerging markets, where generic political risks i.e. risks of political violence, FDI protectionism, threats associated with geopolitical tensions and governmental instability, are main investment constraints.

### Performance:

Your Company has completed another successful year i.e., 2011–12 despite geo–political challenges. The major performance highlights of the year are as under:

- Your Company's consolidated production of Oil plus Oil–Equivalent Gas (O+OEG) was 8.753 MMT during FY'12 as compared to 9.448 MMT during FY'11. The production during the year was adversely affected due to geo–political situation (force majeure) in Syria, Sudan and South Sudan. Excluding Syria, Sudan and South Sudan, production during FY'12 was almost at the same level as that of FY'11. If the operations in these projects had been normal, your Company's crude oil production would have been higher by 0.334 MMT during FY'12.
- Your Company's share of proved reserves as on 1st April 2012 stood at 193.381 MMTOE (O+OEG), which is the second largest holding of proved oil and gas reserves by any Indian Company, next only to parent ONGC.
- Your Company's consolidated gross revenue was up by 21%, from ₹186,711 million during FY'11 to ₹226,374 million during FY'12.
- Your Company's consolidated net profit was marginally up by 1.1%, from ₹26,905 million for FY'11 to ₹27,212 million for FY'12 despite two extraordinary items, first, provisioning of ₹19,534 million for impairment in Imperial Energy, Russia and second, levy of Windfall tax amounting to ₹8,087 million for San Cristobal Project, Venezuela by the host Government.
- Your Company achieved an overall rating of "Excellent" in actual performance as compared to MOU parameters for the year 2010–11.
- Your Company's consolidated net worth increased to ₹199,411 million as on 31st March, 2012 as compared to ₹145,530 million as on 31st March, 2011.
- Your Company's actual production during XI Plan period was 44.649 MMTOE against projected production of 43.568 MMTOE.
- Your Company has been conferred with the prestigious "SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management Institutional III (other Profit making PSE Category – Non Ratna) for 2009–10.

### Conferment of Mini–Ratna Status:

Your Company was accorded with Mini–Ratna Category–I status by MoP&NG during the year 2011–12. With appointment of three new independent Directors w.e.f. 5th June 2012, the powers granted on the conferment of Mini–Ratna status have been operationalised.

### Corporate Governance:

Your Company believes that good corporate governance goes beyond compliance of the provisions of various laws and therefore strives to inculcate the practice of transparency in conduct of all across its business practices. Your Company has complied with the DPE Guidelines on Corporate Governance and a separate section on Corporate Governance Report has been included in its Annual Report.

### Perspective Plan:

As a Company, ONGC Videsh and its employees have always sought to put their best and this approach has helped to achieve milestones year after year. As an attempt to maintain ONGC's relevance in India's hydrocarbon sector, ONGC as a group has drawn a Perspective Plan 2030 to double its present production to around 130 MMTOE/yr by FY 2030, which would require production growth @4–5% per annum to ONGC. ONGC Videsh's share of production contribution is targeted to 20 MMTOE by FY' 2018 and 60 MMTOE by FY' 2030 i.e. 46% of group production. The target has thrown a challenging task to the Management. However, all efforts are being made to achieve the above targets by ONGC Videsh Team.

### Government Support:

To achieve energy security, the Govt. of India is encouraging investment plan of your Company and facilitates all possible diplomatic supports in overseas acquisitions.

### Acknowledgements:

On behalf of the Board of Directors, I would like to acknowledge with deep appreciation the valuable guidance and support extended by the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Indian Embassies / High Commissions abroad and the Reserve Bank of India etc. Your Company also wish to place on record their deep sense of appreciation for the credible services by the employees of your Company. Your Company recognizes that the achievements of your Company have been possible with support from the parent company, Oil and Natural Gas Corporation Limited.

We reaffirm our commitment to excellence in the coming year with a determination to sustain our success and momentum.

***With Best Compliments,***

***(Sudhir Vasudeva)***
***(Chairman)***

# CONTENTS


Boards of Directors ........ 06

Consolidated Performance at a Glance ........ 08

Directors' Report ........ 16

Management Discussion and Analysis Report ........ 42

Corporate Governance Report ........ 58

Comments of C&AG on the Stand – alone Accounts ........ 78

Secretarial Compliance Report ........ 80

Auditors' Report – ONGC Videsh Stand–alone ........ 82

Balance Sheet, Profit & Loss Account and Schedules including Accounting Policies & Notes to the Accounts – ONGC Videsh Stand–alone ........ 86

Cash Flow Statement– ONGC Videsh Stand–alone ........ 130

Statement Pursuant to Section 212 of the Companies Act, 1956 ........ 132

Auditors' Report – ONGC Videsh Consolidated ........ 134

Balance Sheet, Profit & Loss Account and Schedules including Accounting Policies & Notes to the Accounts – ONGC Videsh Consolidated ........ 140

Cash Flow Statement– ONGC Videsh Consolidated ........ 190

Details of the Subsidiaries ........ 192


ONGC VIDESH

# BOARD OF DIRECTORS

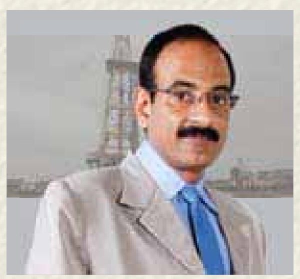
Sudhir Vasudeva
Chairman

D K Sarraf
Managing Director

S P Garg
Director (Finance)

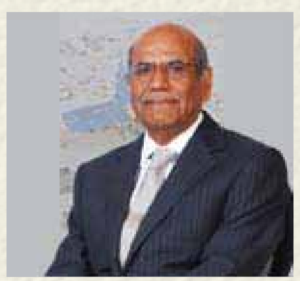
Narendra K Verma
Director (Exploration)

Shyamal Bhattacharya
Director (Operations)



Rajesh Kumar Khullar
Director

Arun Ramanathan
Independent Director



Shyam Saran
Independent Director

Sanjay G Dhande
Independent Director

Shyamal Roy
Independent Director

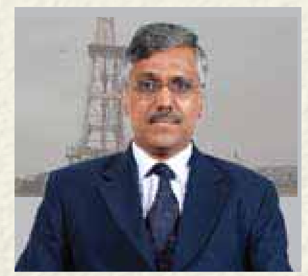


Joeman Thomas
MD (upto $15^{th}$ Sept.2012)
& Director (E)
(upto $31^{st}$ Dec. 2011)

S. Roychaudhury
Director (Operations)
(upto $30^{th}$ June 2012)

Vivek Kumar
Director
(upto $8^{th}$ Aug 2012)

## SPECIAL INVITEES

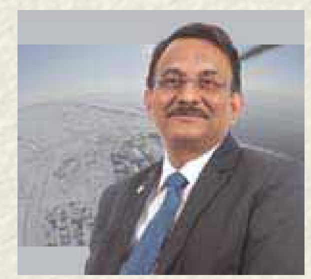


Aramane Giridhar
Joint Secretary (E), MoP&NG

A K Hazarika
Director (Onshore), ONGC

U N Bose
Director (T&FS), ONGC

S V Rao
Director (E), ONGC



K S Jamestin
Director (HR), ONGC

A K Banerjee
Director (Finance), ONGC

D N Narasimha Raju
Special Invitee (upto $4^{th}$ Jan. 2012)

# CONSOLIDATED PERFORMANCE AT A GLANCE

(₹ in Million, unless otherwise stated)

| | 2011–12 | 2010–11 |
|---|---|---|
| **PHYSICAL** | | |
| Crude oil (Including condensate) (MMT) | 6.214 | 6.756 |
| Gas (BCM) | 2.539 | 2.692 |
| **FINANCIAL** | | |
| Income form Operations (Net) | 223,473 | 184,111 |
| Other Non–operating Income | 1,990 | 2,111 |
| **Total Revenue** | **225,463** | **186,223** |
| Statutory Levies | 65,672 | 56,947 |
| Operating Expenses | 63,223 | 34,948 |
| Exchange Loss/(Gain) | 1,474 | (815) |
| **Profit Before Interest, Depreciation & Tax (PBIDT)** | **95,094** | **95,143** |
| Depreciation, Depletion, Amortisation and Impairment | 41,870 | 42,683 |
| **Profit Before Interest & Tax (PBIT)** | **53,224** | **52,461** |
| **Financial Costs** | | |
| **Interest** | | |
| Payments | 2,970 | 3,531 |
| Receipts | 911 | 488 |
| Net | 2,058 | 3,043 |
| **Profit before Tax and Exceptional Items** | **51,166** | **49,418** |
| Exceptional item | | |
| **Profit before Tax** | **51,166** | **49,418** |
| Corporate Tax | 23,627 | 22,048 |
| **Profit after Tax** | **27,538** | **27,369** |
| Profit relating to minority | 327 | 464 |
| **Group Profit after Tax** | **27,212** | **26,905** |
| Share Capital | 10,000 | 10,000 |
| Net Worth | 199,411 | 145,530 |
| Long–term Borrowings | 195,161 | 204,554 |
| Working Capital | 45,614 | 49,047 |
| Capital Employed | 293,562 | 294,194 |
| Internal Resources Generation | 89,307 | 57,578 |
| Plan Expenditure | 79,995 | 56,502 |
| Expenditure on Employees | 2,187 | 2,209 |
| Number of employees | 246 | 233 |
| **FINANCIAL PERFORMANCE RATIOS** | | |
| PBIDT to Turnover (%) | 42.55 | 51.68 |
| PBDT to Turnover (%) | 41.63 | 50.02 |
| Profit Margin (%)– including exceptional items | 7.74 | 14.61 |
| ROCE (PBIDT to Capital Employed) (%) | 32.39 | 32.34 |
| Net Profit to Equity (%)– including exceptional items | 13.65 | 18.49 |
| **BALANCE SHEET RATIOS** | | |
| Current Ratio | 1.63 | 1.92 |
| Debt Equity Ratio | 0.98 | 1.41 |
| Debtors Turnover Ratio (Days) | 48 | 79 |
| **PER SHARE DATA (Face Value ₹ 100)** | | |
| Earning Per Share (₹) | 272.12 | 269.05 |
| Dividend (%) | – | – |
| Book Value Per Share (₹) | 1,994.11 | 1,455.30 |

In view of the Notification no. S.O 447(E) dated 28.02.2011, issued by Ministry of Corporate Affairs, the Balance Sheet of the Company is mandatorily required to be prepared in Revised Schedule VI w.e.f 1st April 2011 onwards. Accordingly, the figures of FY 2011–12 and FY 2010–11 are given as per the requirement of Revised Schedule VI and earlier years figures (including FY 2010–11 for ready reference) are as per Old Schedule VI.



# CONSOLIDATED PERFORMANCE AT A GLANCE

(₹ in Million, unless otherwise stated)

| | 2010–11 | 2009–10 | 2008–09 | 2007–08 | 2006–07 | 2005–06 | 2004–05 | 2003–04 | 2002–03 |
|---|---|---|---|---|---|---|---|---|---|
| **PHYSICAL** | | | | | | | | | |
| Crude oil (Including condensate) – MMT | 6.756 | 6.513 | 6.556 | 6.84 | 5.804 | 4.584 | 3.714 | 3.345 | 0.183 |
| Gas (BCM) | 2.692 | 2.357 | 2.220 | 1.962 | 2.148 | 1.755 | 1.349 | 0.523 | 0.070 |
| **FINANCIAL** | | | | | | | | | |
| Income from Operations (Turnover) | 186,832 | 153,828 | 184,235 | 168,657 | 117,947 | 80,780 | 59,848 | 34,788 | 2,319 |
| Statutory Levies | 56,947 | 49,387 | 68,857 | 60,374 | 51,446 | 39,070 | 27,781 | 16,289 | 761 |
| Operating expenses | 35,027 | 26,186 | 22,157 | 20,070 | 18,107 | 14,534 | 9,709 | 3,821 | 406 |
| Profit before Interest Depreciation & Tax (PBIDT) | 94,858 | 78,254 | 93,221 | 88,213 | 48,394 | 27,176 | 22,358 | 14,678 | 1,152 |
| Depreciation, Depletion & Amortisation | 42,683 | 36,513 | 30,620 | 36,650 | 21,335 | 11,204 | 7,670 | 6,134 | 231 |
| Operating Income (PBIT) | 52,175 | 41,741 | 62,601 | 51,563 | 27,059 | 15,972 | 14,688 | 8,544 | 921 |
| Exchange loss / (Gain) | (815) | –2,651 | 1,904 | 3,243 | –2,527 | –1,005 | 264 | 913 | 164 |
| Interest Payment | 3,531 | 4,370 | 7,289 | 7,373 | 318 | 40 | 13 | 64 | 30 |
| Hedging Cost | 42 | (19) | (154) | 217 | – | – | – | – | – |
| Profit Before Tax | 49,418 | 40,041 | 53,562 | 40,730 | 29,268 | 16,937 | 14,411 | 7,567 | 727 |
| Corporate Tax | 22,048 | 18,889 | 25,032 | 16,759 | 12,635 | 8,234 | 6,797 | 3,283 | 137 |
| Net Profit | 27,369 | 21,152 | 28,530 | 23,971 | 16,633 | 8,703 | 7,614 | 4,284 | 590 |
| Less: Share of Profit/loss – Minority Interest | 464 | 256 | 463 | – | – | –309 | – | – | – |
| **GROUP PROFIT AFTER TAX (PAT)** | **26,905** | **20,896** | **28,067** | **23,971** | **16,633** | **9,012** | **7,614** | **4,284** | **590** |
| Dividend | – | – | – | – | – | – | 1,050 | – | – |
| Tax on Dividend | – | – | – | – | – | – | 147 | – | – |
| Share Capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Net Worth | 145,530 | 116,449 | 115,156 | 63,059 | 43,736 | 21,977 | 12,227 | 8,720 | 5,022 |
| Borrowings | 205,907 | 206,983 | 206,790 | 113,738 | 132,347 | 159,242 | 116,610 | 87,581 | 70,534 |
| Working Capital | 52,938 | 30,676 | 33,339 | 29,592 | 29,438 | 74,399 | 42,371 | 23,364 | 11,372 |
| Capital Employed | 295,547 | 269,047 | 264,819 | 153,556 | 159,451 | 140,105 | 81,084 | 63,645 | 52,853 |
| Internal Resources Generation | 57,578 | 49,726 | 67,996 | 36,733 | 41,774 | 21,158 | 6,275 | 4,887 | 835 |
| Plan Expenditure | 56,502 | 49,919 | 161,049 | 45,293 | 71,519 | 63,306 | 43,101 | 23,422 | 49,683 |
| Expenditure on Employees | 2,209 | 1,992 | 1,573 | 628 | 666 | 602 | 346 | 322 | 71 |
| Number of employees | 233 | 231 | 196 | 190 | 110 | 90 | 85 | 63 | 51 |
| **FINANCIAL PERFORMANCE RATIOS** | | | | | | | | | |
| PBIDT to Turnover (%) | 50.77 | 50.87 | 50.60 | 52.30 | 41.03 | 33.64 | 37.36 | 42.19 | 49.68 |
| PBDT to Turnover (%) | 49.30 | 49.77 | 45.69 | 45.88 | 42.90 | 34.84 | 36.89 | 39.38 | 41.31 |
| Profit Margin (%) | 14.40 | 13.58 | 15.23 | 14.21 | 14.10 | 11.16 | 12.72 | 12.31 | 25.44 |
| ROCE (PBIDT to Capital employed) (%) | 32.10 | 29.09 | 35.20 | 57.45 | 30.35 | 19.40 | 27.57 | 23.06 | 2.18 |
| Net Profit to Equity (%) | 18.49 | 17.94 | 24.37 | 38.01 | 38.03 | 41.01 | 62.27 | 49.13 | 11.75 |
| **BALANCE SHEET RATIOS** | | | | | | | | | |
| Current Ratio | 2.01:1 | 1.68:1 | 1.69:1 | 2.23:1 | 2.56:1 | 7.27:1 | 5.30:1 | 3.63:1 | 2.99:1 |
| Debt Equity Ratio | 1.41:1 | 1.78:1 | 1.80:1 | 1.80:1 | 3.03:1 | 7.25:1 | 9.54:1 | 10.04:1 | 14.05:1 |
| Debtors Turnover Ratio (Days) | 78 | 70 | 49 | 33 | 35 | 18 | 46 | 13 | 268 |
| **PER SHARE DATA** | | | | | | | | | |
| Earnings per share (₹) | 269 | 209 | 281 | 240 | 224 | 300 | 254 | 143 | 20 |
| Dividend(%) | – | – | – | – | – | – | 35 | – | – |
| Book Value per share (₹) | 1,455 | 1,164 | 1,152 | 631 | 437 | 733 | 408 | 291 | 167 |

## STATEMENT OF CONSOLIDATED INCOME & RETAINED EARNINGS

(₹ in Million)

| | 2011–12 | 2010–11 |
|---|---|---|
| **REVENUES** | | |
| **Sales** | | |
| Crude Oil | 211,687 | 174,081 |
| Natural Gas | 9,924 | 8,280 |
| Condensate | 3,189 | 2,233 |
| **Sub– Total** | 224,800 | 184,594 |
| **Traded Products** | | |
| Other Operating Revenue | 1,240 | 434 |
| **Total Revenue from Operations (Gross)** | **226,041** | **185,027** |
| **Less: VAT** | 2,568 | 916 |
| **Total Revenue from Operations (Net)** | **223,473** | **184,111** |
| Other Non–operating Income | 1,990 | 2,111 |
| **Total Revenues** | 225,463 | 186,223 |
| **COST & EXPENSES** | | |
| **Operating, Selling & General** | | |
| Statutory Levies | | |
| (a) Royalties | 57,571 | 55,156 |
| (b) Other Taxes | 8,101 | 1,791 |
| **Sub–total (a to b)** | **65,672** | **56,947** |
| Accretion / (Decretion) in stock | (632) | (121) |
| Production, Transportation, Selling and Distribution Expenditure | 35,866 | 32,213 |
| Provisions and Write–offs | 27,929 | 3,448 |
| Adjustments for overlift / (underlift) | (414) | (283) |
| Adjustments relating to Prior Period (Net) | (73) | (351) |
| **Profit Before Depreciation, Interest &Tax** | **97,115** | **94,370** |
| **Depreciation, Depletion, Amortisation and Impairment** | 41,870 | 42,683 |
| **Total Cost & Expenses** | **170,218** | **134,535** |
| **Operating Income Before Interest &Tax** | **55,245** | **51,688** |
| **Financial Costs** | | |
| Exchange Loss / (Gain) | 1,474 | (815) |
| **Interest** | | |
| Payments | 2,970 | 3,531 |
| Receipts | 911 | 488 |
| Hedging Cost | 547 | 42 |
| Net | 4,079 | 2,270 |
| **Profit before Tax and Extraordinary Items** | **51,166** | **49,418** |
| Exceptional item | | |
| **Profit before Tax** | **51,166** | **49,418** |
| Corporate Tax ( Net) | 23,627 | 22,048 |
| **Profit after Tax** | **27,538** | **27,369** |
| Profit relating to minority | 327 | 464 |
| **Group Profit after Tax** | **27,212** | **26,905** |
| Profit & Loss Account Balance b/f | 122,532 | 102,077 |
| Adjustments due to change in share holding /other adjustment | – | – |
| Transfer to Capital Redemption Reserve | – | – |
| Dividend | – | – |
| Tax on Dividend | – | – |
| Transfer to general Reserve | 1,876 | 2,142 |
| Transfer to Debenture Redemption Reserve | 4,319 | 4,308 |
| **Retained Earnings for the Year** | **143,549** | **122,532** |

In view of the Notification no. S.O 447(E) dated 28.02.2011, issued by Ministry of Corporate Affairs, the Balance Sheet of the Company is mandatorily required to be prepared in Revised Schedule VI w.e.f 1st April 2011 onwards. Accordingly, the figures of FY 2011–12 and FY 2010–11 are given as per the requirement of Revised Schedule VI and earlier years figures (including FY 2010–11 for ready reference) are as per Old Schedule VI.



## STATEMENT OF CONSOLIDATED INCOME & RETAINED EARNINGS

(₹ in Million)

| | 2010–11 | 2009–10 | 2008–09 | 2007–08 | 2006–07 | 2005–06 | 2004–05 | 2003–04 | 2002–03 |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | |
| **Sales** | | | | | | | | | |
| Crude oil | 173,500 | 140,444 | 169,088 | 155,430 | 102,426 | 64,415 | 47,696 | 30,881 | 1,690 |
| Gas | 8,280 | 7,608 | 7,307 | 6,780 | 8,004 | 6,668 | 4,552 | 1,469 | 99 |
| Condensate | 2,233 | 1,706 | 2,109 | 2,081 | 1,841 | 1,466 | 833 | 97 | – |
| Construction Contract Revenue | – | – | – | – | – | 2,174 | 5,430 | – | – |
| Transportation and other Services | 434 | 2,048 | 2,938 | 3,122 | 3,269 | 3,199 | – | – | – |
| Overlifted Quantity of Crude | 581 | – | – | – | – | – | – | – | – |
| Less: VAT | **(916)** | –816 | –800 | –685 | –1,063 | –927 | –410 | –235 | –9 |
| **Sub Total** | **184,111** | **150,989** | **180,642** | **166,728** | **114,477** | **76,995** | **58,101** | **32,212** | **1,780** |
| **Other Income** | | | | | | | | | |
| Interest Income | 357 | 104 | 1,570 | 1,442 | 2273 | 3127 | 1418 | 814 | 366 |
| Lease Income | 253 | 317 | 377 | 352 | 435 | 271 | – | – | – |
| Other Income | 1,990 | 1,302 | 801 | 333 | 365 | 373 | 332 | 1720 | 165 |
| Increase/(Decrease) in Stock | 121 | 1,116 | 845 | (198) | 397 | 14 | (3) | 42 | 8 |
| **TOTAL INCOME FROM OPERATIONS** | **186,832** | **153,828** | **184,235** | **168,657** | **117,947** | **80,780** | **59,848** | **34,788** | **2,319** |
| **COST & EXPENSES** | | | | | | | | | |
| **Operating, Selling & General** | | | | | | | | | |
| (a) Production, Transportation & Other operating expenses | 32,213 | 23,949 | 18,891 | 13,554 | 12,531 | 7256 | 5060 | 3824 | 404 |
| (b) Royalties | 55,156 | 48,693 | 66,640 | 60,350 | 51,130 | 39061 | 27781 | 16289 | 761 |
| (c) Other Taxes | 1,791 | 694 | 2,217 | 24 | 316 | 9 | – | – | – |
| (d) Construction Contract Expenditure | – | – | – | – | – | 2699 | 4253 | – | – |
| (e) Provisions and write offs | 3,448 | 2,819 | 3,163 | 5,595 | 1,409 | 394 | 13 | – | – |
| (f) Adjustments for overlift / (underlift) | (351) | – | – | – | – | – | – | – | – |
| (g) Prior Period adjustments (Net) | (283) | –582 | 103 | 921 | 4,167 | 4185 | 383 | (3) | 2 |
| **Sub Total (a to g)** | **91,974** | **75,574** | **91,014** | **80,444** | **69,553** | **53,604** | **37,490** | **20,110** | **1,167** |
| **Depletion, Depreciation & Amortisation** | | | | | | | | | |
| (a) Depletion | 23,664 | 16,941 | 13,735 | 11,777 | 12,590 | 4615 | 2952 | 2424 | 140 |
| (b) Depreciation | 3,462 | 4,230 | 3,159 | 9,894 | 2,678 | 1170 | 883 | 919 | 41 |
| (c) Amortisation | 15,180 | 15,100 | 12,999 | 13,654 | 5,275 | 4272 | 3769 | 1119 | – |
| (d) Others | 376 | 244 | 727 | 1,325 | 792 | 1147 | 66 | 1672 | 50 |
| **Sub Total (a to d)** | **42,683** | **36,513** | **30,620** | **36,650** | **21,335** | **11,204** | **7,670** | **6,134** | **231** |
| **TOTAL COST AND EXPENSES** | **134,657** | **112,087** | **121,634** | **117,094** | **90,888** | **64,808** | **45,160** | **26,244** | **1,398** |
| **OPERATING INCOME BEFORE FINANCIAL COST & TAX** | **52,175** | **41,741** | **62,601** | **51,563** | **27,059** | **15,972** | **14,688** | **8,544** | **921** |
| **Financial Costs** | | | | | | | | | |
| Exchange Loss / (Gain) | (815) | (2,651) | 1904 | 3,243 | (2,527) | (1005) | 264 | 913 | 164 |
| Interest Payments | 3,531 | 4,370 | 7289 | 7,373 | 318 | 40 | 13 | 64 | 30 |
| Hedging Cost | 42 | (19) | (154) | 217 | – | – | – | – | – |
| **Sub Total** | **2,758** | **1,700** | **9,039** | **10,833** | **(2,209)** | **(965)** | **277** | **977** | **194** |
| **PROFIT BEFORE TAX** | **49,418** | **40,041** | **53,562** | **40,730** | **29,268** | **16,937** | **14,411** | **7,567** | **727** |
| Corporate Tax (Net) | 22,048 | 18,889 | 25,032 | 16,759 | 12,635 | 8234 | 6797 | 3283 | 137 |
| Net Profit | 27,369 | 21,152 | 28,530 | 23,971 | 16,633 | 8,703 | 7,614 | 4,284 | 590 |
| Less: Share of Profit/Loss – Minority Interest | 464 | 256 | 463 | – | – | (309) | – | – | – |
| **GROUP PROFIT AFTER TAX** | **26,905** | **20,896** | **28,067** | **23,971** | **16,633** | **9,012** | **7,614** | **4,284** | **590** |
| Dividend | – | – | – | – | – | – | 1050 | – | – |
| Tax on Dividend | – | – | – | – | – | – | 147 | – | – |
| **Retained Earnings for the Year** | 26,905 | 20,896 | 28,067 | 23,971 | 16,633 | 9,012 | 6,417 | 4,284 | 590 |

# STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(₹ in Million)

| | 2011–12 | 2010–11 |
|---|---|---|
| RESOURCES | | |
| A. Own | | |
| 1. Net Worth | | |
| (a) Equity | | |
| i) Share Capital | 10,000 | 10,000 |
| ii) Reserves & Surplus | 189,411 | 135,530 |
| **Sub–Total** | **199,411** | **145,530** |
| (b) Less Miscellaneous Expenditure | | |
| **Net Worth** | **199,411** | **145,530** |
| B. Long–term Borrowings | **195,161** | **204,554** |
| C. Deferred Tax Liability (Net) | **4,983** | **8,353** |
| D. Minority Interest | **1,003** | **682** |
| **TOTAL RESOURCES ( A+B+C+D )** | **400,558** | **359,119** |
| DISPOSITION OF RESOURCES | | |
| A. Non–current assets | | |
| **1. Fixed Assets( Net)** | | |
| i) Tangible assets | 35,590 | 42,304 |
| ii) Producing Properties | 144,236 | 136,140 |
| iii) Intangible assets | 126 | 37 |
| **Total Block Capital** | **179,953** | **178,480** |
| **2. Goodwill on consolidation** | **75,045** | **86,998** |
| **3. Long–term Loans and Advances (Excluding Capital Advance)** | **917** | **281** |
| **4. Deposit with Bank Under Site Restoration Fund Scheme** | **2,927** | **107** |
| **5. Other non–current Assets (Excluding DRE)** | **17,348** | **2,655** |
| **6. Subtotal = (1+2+3+4+5)** | **276,190** | **268,522** |
| **7. Less Non–current Liabilities** | | |
| a. Other Long Term Liabilities | 82 | – |
| b. Liability for Abandonment Cost | 27,609 | 22,861 |
| c. Long Term Provisions | 551 | 513 |
| **Sub total (7)** | **28,242** | **23,374** |
| Net Non Current Asset (A)=(6)–(7) | **247,948** | **245,147** |
| B. Net Working Capital | | |
| **1. Current Assets** | | |
| i) Inventories | 5,733 | 4,699 |
| ii) Trade Receivables | 29,615 | 40,044 |
| iii) Cash & Cash equivalents | 51,528 | 36,998 |
| iv) Short–term Loans & Advances | 8,227 | 4,485 |
| v) Others Current Assets (Excluding DRE) | 22,497 | 16,261 |
| **Sub–Total** | **117,600** | **102,486** |
| Less | | |
| **2. Current Liabilities** | | |
| i) Short–term borrowings | 623 | 331 |
| ii) Trade payables | 25,782 | 19,728 |
| iii) Other current liabilities | 45,392 | 33,365 |
| iv) Short–term provisions | 189 | 16 |
| **Sub–Total** | **71,986** | **53,440** |
| Net Working Capital | **45,614** | **49,047** |
| **C. Capital Employed** | **293,562** | **294,194** |
| **3. Capital Works in Progress (Including Capital Advance)** | **76,256** | **40,018** |
| **4. Exploratory/Development Wells in Progress** | **30,740** | **24,907** |
| **TOTAL DISPOSITION (A+B)** | **400,558** | **359,119** |

In view of the Notification no. S.O 447(E) dated 28.02.2011, issued by Ministry of Corporate Affairs, the Balance Sheet of the Company is mandatorily required to be prepared in Revised Schedule VI w.e.f 1st April 2011 onwards. Accordingly, the figures of FY 2011–12 and FY 2010–11 are given as per the requirement of Revised Schedule VI and earlier years figures (including FY 2010–11 for ready reference) are as per Old Schedule VI.



# STATEMENT OF CONSOLIDATED FINANCIAL POSITION

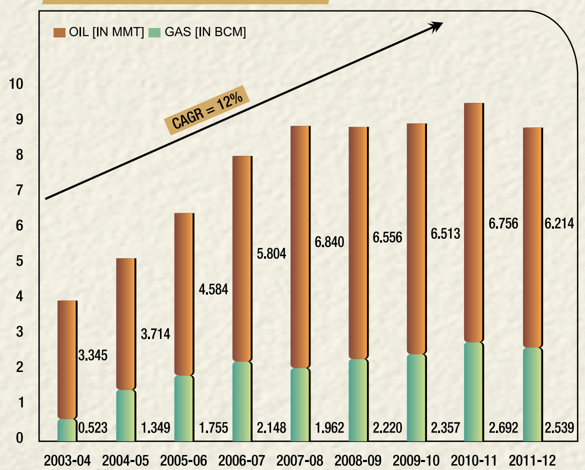
(₹ in Million)

| | 2010–11 | 2009–10 | 2008–09 | 2007–08 | 2006–07 | 2005–06 | 2004–05 | 2003–04 | 2002–03 |
|---|---|---|---|---|---|---|---|---|---|
| RESOURCES | | | | | | | | | |
| A. Own | | | | | | | | | |
| 1. Net Worth | | | | | | | | | |
| (a) Equity | | | | | | | | | |
| i) Share Capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| ii) Reserves and Surplus | 135,530 | 106,449 | 105,156 | 53,059 | 33,736 | 18,977 | 9,227 | 5,720 | 2,096 |
| **Sub Total** | **145,530** | **116,449** | **115,156** | **63,059** | **43,736** | **21,977** | **12,227** | **8,720** | **5,096** |
| (b) Less: Intangible Assets | – | – | – | – | – | – | – | – | 74 |
| **Net Worth** | **145,530** | **116,449** | **115,156** | **63,059** | **43,736** | **21,977** | **12,227** | **8,720** | **5,022** |
| 2. Minority Interest | 682 | (220) | (45) | – | – | 6708 | – | – | – |
| 3. Long Term Liability– Deferred Tax Liability (Net) | 8,353 | 6,884 | 8,369 | 8,211 | 9,759 | 6,635 | 4,253 | 1,734 | 1,822 |
| **Total Own Funds (1+2+3)** | **154,564** | **123,113** | **123,480** | **71,270** | **53,495** | **35,320** | **16,480** | **10,454** | **6,844** |
| B. Outside | | | | | | | | | |
| Loans | | | | | | | | | |
| Oil Industry Development Board | – | – | – | – | – | 61 | 157 | 253 | 349 |
| Oil and Natural Gas Corporation Ltd | 172,786 | 162,723 | 153,065 | 112,649 | 130,941 | 157,618 | 115,469 | 84,849 | 67,313 |
| Non Resource Deferred Credit | 777 | 934 | 1,225 | 1,089 | 1,406 | 1,519 | 984 | – | – |
| Bank Loans/Overdraft/Short Term Loans/Debentures/ Other Liabilities | 8,944 | 9,026 | – | – | – | 44 | – | 2,479 | 2,872 |
| Commercial Paper/ Non Convertible Redeemable Bonds | 23,400 | 34,300 | 52,500 | – | – | – | – | – | – |
| **Total Outside Resources** | **205,907** | **206,983** | **206,790** | **113,738** | **132,347** | **159,242** | **116,610** | **87,581** | **70,534** |
| **TOTAL RESOURCES (A+B)** | **360,471** | **330,096** | **330,270** | **185,008** | **185,842** | **194,562** | **133,090** | **98,035** | **77,378** |
| DISPOSITION RESOURCES | | | | | | | | | |
| A. Block Capital | | | | | | | | | |
| 1. Fixed Assets | 42,332 | 47,657 | 40,331 | 45,144 | 50,774 | 17,247 | 12,013 | 12,716 | 14,323 |
| 2. Producing Properties (Net of depletion) | 136,140 | 108,843 | 91,401 | 60,840 | 56,056 | 36,806 | 15,947 | 15,904 | 15,497 |
| Less: Liability for abandonment cost | 22,861 | 10,584 | 11,361 | 4,867 | 4,503 | 2,519 | – | – | – |
| Net Producing property | 113,279 | 98,259 | 80,040 | 55,973 | 51,553 | 34,287 | 15,947 | 15,904 | 15,497 |
| 3. Goodwill | 86,998 | 92,455 | 111,109 | 22,847 | 27,686 | 14,172 | 10,753 | 11,661 | 11,661 |
| **Total Block Capital (1+2+3)** | **242,609** | **238,371** | **231,480** | **123,964** | **130,013** | **65,706** | **38,713** | **40,281** | **41,481** |
| B. Working Capital | | | | | | | | | |
| (a) Current Assets | | | | | | | | | |
| i) Inventories | 4,699 | 6,201 | 5,941 | 3,200 | 3,649 | 2,163 | 1,175 | 885 | 882 |
| ii) Debtors (Net of Provision) | 40,061 | 29,384 | 24,701 | 15,222 | 11,203 | 3,944 | 7,566 | 1,211 | 1,701 |
| iii) Cash and Bank Balances | 37,106 | 16,598 | 15,997 | 21,564 | 12,125 | 2,563 | 7,083 | 8,267 | 3,627 |
| iv) Loans and Advances and others | 23,672 | 23,729 | 34,853 | 13,669 | 21,306 | 77,599 | 36,402 | 21,901 | 10,869 |
| **Sub Total** | **105,538** | **75,912** | **81,492** | **53,655** | **48,283** | **86,269** | **52,226** | **32,264** | **17,079** |
| Less: | | | | | | | | | |
| (b) Current Liabilities and Provisions | 52,600 | 45,236 | 48,153 | 24,063 | 18,845 | 11,870 | 9,855 | 8,900 | 5,707 |
| **Working Capital (a – b)** | **52,938** | **30,676** | **33,339** | **29,592** | **29,438** | **74,399** | **42,371** | **23,364** | **11,372** |
| C. Capital Employed (A+B) | 295,547 | 269,047 | 264,819 | 153,556 | 159,451 | 140,105 | 81,084 | 63,645 | 52,853 |
| D. Capital Works in Progress | 40,018 | 36,421 | 33,780 | 12,503 | 14,149 | 43,746 | 45,476 | 30,770 | 23,910 |
| E. Exploratory/Development Wells In Progress | 24,907 | 24,628 | 31,671 | 18,949 | 12,242 | 10,711 | 6,530 | 3,620 | 615 |
| **TOTAL DISPOSITION (C TO E)** | **360,471** | **330,096** | **330,270** | **185,008** | **185,842** | **194,562** | **133,090** | **98,035** | **77,378** |

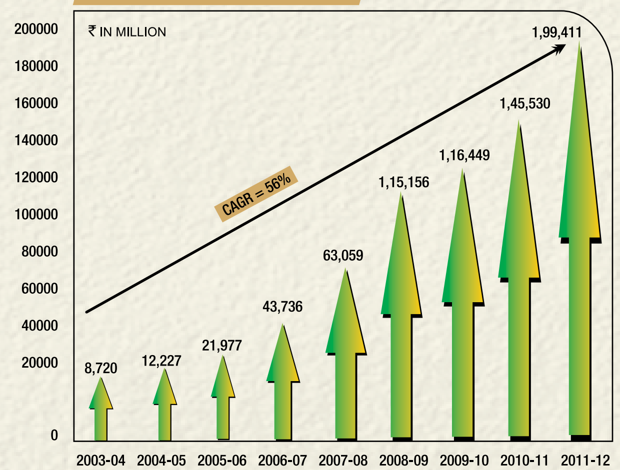
# OPERATIONAL & FINANCIAL HIGHLIGHTS



## PRODUCTION OF OIL AND GAS

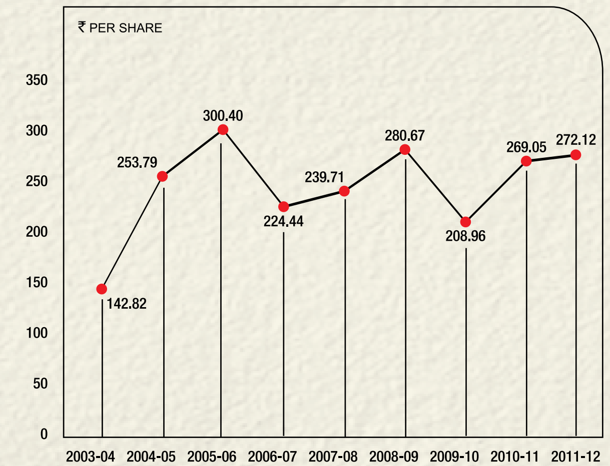



## NET WORTH



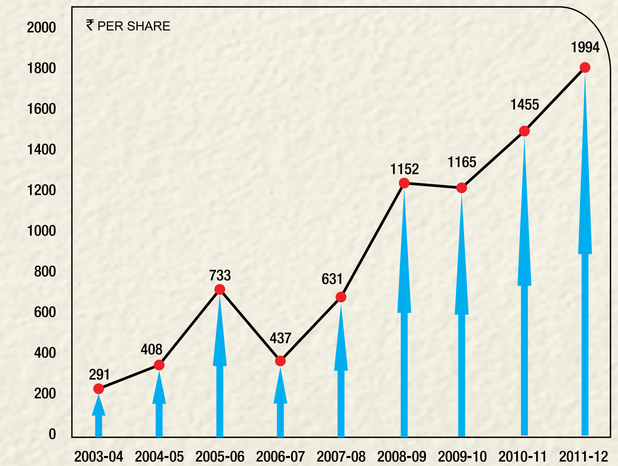



## EARNING PER SHARE



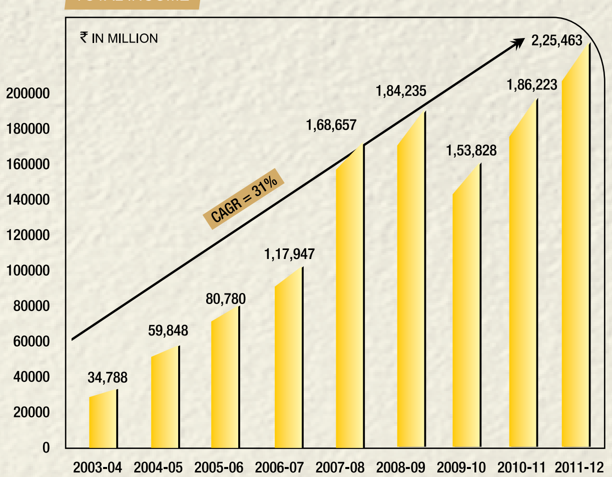

2006-07* post increase in share capital

## BOOK VALUE PER SHARE

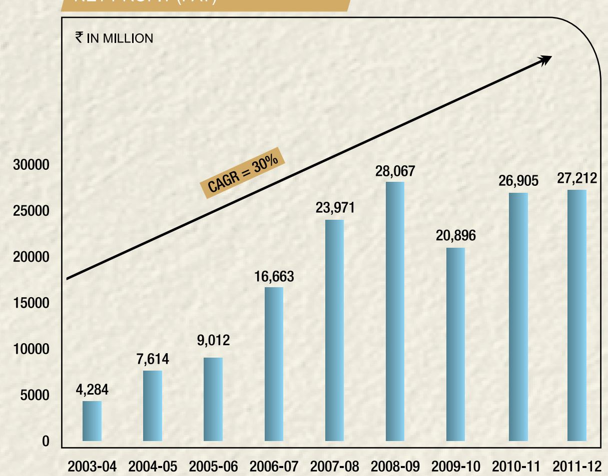



2006-07* post increase in share capital

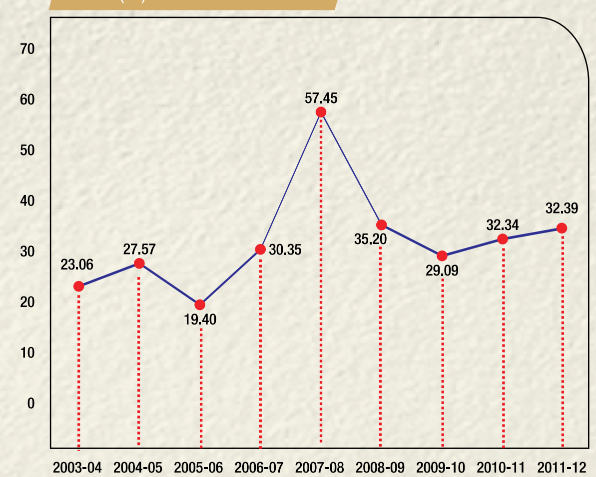
## TOTAL INCOME



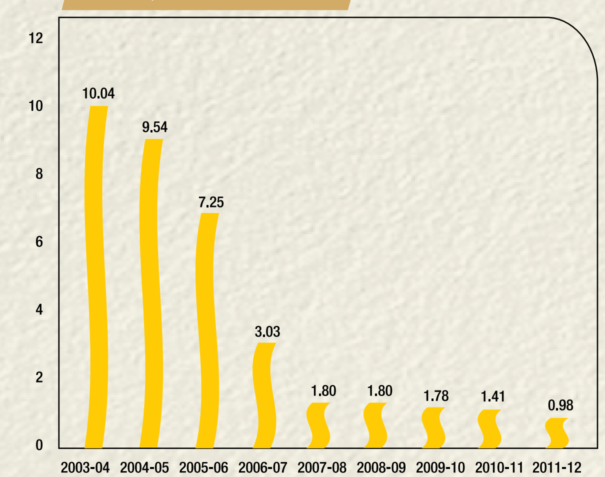

## NET PROFIT (PAT)




## ROCE (%)




## DEBT EQUITY RATIO



Dear Members,

On behalf of the Board of Directors of your Company, I take great pleasure in presenting before you the 47th Annual Report on the working of the Company for the financial year ended 31st March, 2012, together with the Audited Financial Statements, the Auditors' Report and the Comments on the Accounts by the Comptroller and Auditor General of India.

## 1. PERFORMANCE HIGHLIGHTS

Your Company has completed another successful year despite geo–political challenges. Significant performance highlights for the year are as below:

- Your Company's consolidated production of Oil plus Oil–Equivalent Gas (O+OEG) was 8.753 MMTOE during FY'12 as compared to 9.448 MMTOE during FY'11. The production during the year was adversely affected due to geo–political situation (force majeure) in Syria, Sudan and South Sudan. Excluding Syria, Sudan and South Sudan, production during FY'12 was almost at the same level as that of FY'11. If the operations in the assets had been normal, your Company's crude oil production would have been higher by 0.334 MMT during FY'12.
- Your Company's share of proved reserves as on 1st April 2012 stood at 193.381 MMTOE (O+OEG), which is the second largest holding of proved oil and gas reserves by any Indian Company next to ONGC.
- Your Company's consolidated gross revenue was up by 21%, from ₹186,711 million during FY'11 to ₹226,374 million during FY'12.

Mr. Sudhir Vasudeva, CMD ONGC & Mr. D.K. Sarraf CEO & MD ONGC Videsh receiving SCOPE Award for the year 2009-10 from the Hon'ble Prime Minister of India, Dr. Manmohan Singh

Historic co–operation contract being signed by Petro Vietnam Chairman Mr. Phung Dinh Thuc and OVL CEO & MD Mr. D K Sarraf in the presence of Vietnamese President Mr. Truong Tan Sang and the Indian Prime Minister Dr. Manmohan Singh

- Your Company's consolidated net profit was marginally up by 1.1%, from ₹26,905 million for FY'11 to ₹27,212 million for FY'12 despite two extraordinary items, first, provisioning of ₹19,534 million for impairment in Imperial Energy, Russia and second, levy of Windfall tax amounting to ₹8,087 million for San Cristobal Project, Venezuela by the host Government.
- Your Company achieved an overall rating of "Excellent" in actual performance as compared to MOU parameters for the year 2010–11.
- Your Company's consolidated net worth increased to ₹199,411 million as on 31st March, 2012 as compared to ₹145,530 million as on 31st March, 2011.
- Your Company's actual production during XI Plan period was 44.649 MMTOE against projected production of 43.568 MMTOE.
- Your Company has been conferred with the Mini–Ratna Category–I status by MoP&NG on 19th July, 2011.
- Your Company has been conferred with the prestigious "SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management Institutional III (other Profit making PSE Category – Non Ratna) for 2009–10.

South Sudan rig

## 2. FINANCIAL RESULTS

### a) Consolidated Accounts:

The Consolidated Accounts incorporate accounts of subsidiaries viz., ONGC Nile Ganga BV–Consolidated, ONGC Narmada Limited, ONGC Amazon Alaknanda Limited – Consolidated, Jarpeno Limited – Consolidated, Carabobo One AB–Consolidated and Jointly Controlled Entity i.e., ONGC Mittal Energy Limited–Consolidated and form part of the Annual Report and Accounts.

## Highlights:–

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Total Income | 226,374 | 186,711 |
| Expenditure | 175,208 | 137,293 |
| Profit Before Tax | 51,166 | 49,418 |
| Provision for Tax (including Deferred Tax) | 23,627 | 22,048 |
| Share of Profit – Minority Interest | 327 | 464 |
| **Profit After Tax** | 27,212 | **26,905** |
| Paid–up Equity Share Capital | 10,000 | 10,000 |
| **Net Worth** | 199,411 | **145,530** |
| **Earnings Per Share of ₹100 each (₹)** | 272.12 | **269.05** |

## b) Stand–alone Accounts:

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Total Income | 80,133 | 57,832 |
| Expenditure | 49,978 | 32,126 |
| Profit Before Tax | 30,155 | 25,706 |
| Provision for Tax (including Deferred Tax) | 11,394 | 4,281 |
| **Profit After Tax** | 18,761 | **21,425** |
| Transfer to General Reserve | 1,876 | 2,142 |
| Transfer to Debenture Redemption Reserve | 4,319 | 4,308 |
| Paid–up Equity Share Capital | 10,000 | 10,000 |
| **Net Worth** | 100,881 | **80,659** |
| **Earnings Per Share of ₹100 each (₹)** | 187.61 | **214.25** |

## c) Dividend:

No dividend has been proposed for the FY'12 so as to conserve resources for further growth.

## d) Market Borrowings:

### (i) Debentures:

During the FY'10, the Company had raised funds from the financial markets by issuance of non–convertible redeemable bonds guaranteed by the parent company ONGC as follows:

| Sl No. | Particulars | Amount (₹ in Million) | Date of issue |
|---|---|---|---|
| 01 | 8.40% 5 Year Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series I | 19,700 | 23rd December 2009 |
| 02 | 8.54% 10 Year Unsecured Non– Convertible Redeemable Bonds in the nature of Debentures– Series II | 3,700 | 6th January 2010 |

The above mentioned debentures were rated "AAA/Stable" and "LAAA" by CRISIL and ICRA respectively which represents highest degree of safety and lowest credit risk. The above securities have been listed in the National Stock Exchange of India Ltd. (NSE).

Debenture Redemption Reserve amounting to ₹3,948.64 million and ₹370.80 million has been created during the year in respect of above Debentures Series I and Debentures Series II respectively. The aggregated balance of Debenture Redemption Reserve as on 31st March, 2012 stood at ₹8,954.54 million and ₹826.73 million in respect of Debentures Series I and Debentures Series II respectively.

### ii) Currency Swap Transactions:

During the year, your Company has entered into cross currency swap transactions with various banks whereby it has swapped the principal and interest amounts payable towards the aforesaid Bonds issued in domestic markets into USD liability so as to align the currency of its assets and liabilities as follows:

| Underlying | Notional Principal Amount (₹/Million) | Notional Principal Amount (USD/ Million) | Termination Date |
|---|---|---|---|
| 8.40% 5–Year Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series I | 15,000.00 | 299.23 | 23rd December, 2014 |
| 8.54% 10–Year Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series II | 3,700.00 | 56.30 | 6th January, 2020 |
| **TOTAL** | **18,700.00** | **355.53** | |

*On the occasion of signing of MOU between ONGC and ONGC Videsh Limited, Mr. Sudhir Vasudeva, CMD, ONGC & Mr. D.K. Sarraf, CEO & MD, ONGC Videsh along with Mr. S.P. Garg, Director Finance, ONGC Videsh*

a) The above swap positions were outstanding on 31st March 2012 and have been revalued on that date based on Mark–to–Market positions reported by counter–party banks. Mark–to–market loss amounting to ₹498.56 Million has been charged to foreign exchange gain/loss in profit and loss account.

b) During the year, the Company had also entered into foreign exchange forward transactions for hedging its underlying exposures which were settled during the year itself. The net gain on settlement of such transactions amounting to ₹222.45 Million has been credited to foreign exchange gain/loss in profit and loss account.

## 3. RESERVES

Details of remaining proved Oil and Gas reserves held by your Company, including that of the subsidiaries, are placed at Para No. 47 of Notes to Consolidated Financial Statements. In brief, your Company's remaining reserves under different categories are as under:

| | As on 31st March, 2012 | As on 31st March, 2011 |
|---|---|---|
| **1P Reserves (Proved)** | | |
| Oil (including Condensate) (In MMT) | 98.303 | 104.564 |
| Gas (In BCM) | 95.078 | 98.344 |
| **Total 1P Reserves (In MTOE)** | 193.381 | 202.908 |
| **2P Reserves (Proved + Probable)** | | |
| Oil (including Condensate) (In MMT) | 250.455 | 256.478 |
| Gas (In BCM) | 142.246 | 145.037 |
| **Total 2P Reserves (In MTOE)** | 392.701 | 401.515 |
| **3P Reserves (Proved + Probable + Possible)** | | |
| Oil (including Condensate) (In MMT) | 264.186 | 270.457 |
| Gas (In BCM) | 161.756 | 164.547 |
| **Total 3P Reserves (In MTOE)** | 425.942 | 435.004 |

## 4. EXISTING PROJECTS

### 4.1 PRODUCING ASSETS

#### 4.1.1 Block 06.1, Vietnam:

Block 06.1 is an offshore Block located 370 km south–east of Vung Tau on the southern Vietnamese coast with an area of 955 sq.km. The exploration License for Block 06.1 was acquired by your Company in 1988. After subsequent assignments and transfers of PI between the parties to Block 06.1 and Petro Vietnam, the present holdings of PIs with effect from 17th October 2011 are ONGC Videsh 45%, TNK Vietnam B.V. 35% (Operator) and Petro Vietnam 20%. Lan Tay field in the Block has been developed and the field started commercial production in January, 2003. Your Company's share of production from the project was 2.023 BCM of gas and 0.036 MMT of condensate during 2011–12 as compared to 2.249 BCM of gas and 0.038 MMT of condensate during 2010–11. Lan Do field in the Block is under development with first gas expected in October 2012. Wells Lan Do–2P and Lan Do–1P have been drilled and completed between 14th January, 2012 to 18th April, 2012. Presently, subsea construction works are in progress and first gas from Lan Do field is expected in October 2012. Your Company's share of the development expenditure in the block was about USD 342.78 million till 31st March, 2012.

*Oil wells at Snezhnoye oil field*

#### 4.1.2 Sakhalin–I, Russia:

Sakhalin–1 is a large oil and gas field in Far East offshore in Russia, spread over an area of approx. 1,146 sq.km. Your Company acquired stake in the field in July, 2001. Your Company holds 20% PI in the field with Exxon holding 30% PI as Operator; Sodeco, a consortium of Japanese companies holding 30% and balance 20% PI held by Rosneft, the Russian National Oil Company (NOC). Your Company's investment in the field is within the maximum net cash sink for investment approved at USD 1,556 million (excluding carry finance). The project includes three offshore fields: Chayvo, Odoptu, and Arkutun Dagi. The first phase of Sakhalin–1 of Chayvo field has been developed. Production started in October, 2005. Odoptu first stage production started in September, 2010. Development of Arkutun Dagi is in progress and first oil is expected to be produced in third quarter of 2014. During 2011–12, your Company's share of production from the project was 1.498 MMT of oil and 0.494 BCM during 2011–12 as compared to 1.474 MMT of oil and 0.415 BCM of gas during 2010–11.

*Installation at Khabarovsk, Sakhalin*

#### 4.1.3 Greater Nile Oil Project (GNOP), Republic of Sudan and Greater Pioneer Operating Company (GPOC), Republic of South Sudan:

Your Company holds 25% PI in the GNOP through its wholly owned subsidiary ONGC Nile Ganga BV (ONGBV) which was acquired on 12th March, 2003. Other partners in this project are CNPC (40% PI), Petronas of Malaysian (30% PI) and Sudapet of Sudan (5% PI). GNOP consisted of the upstream assets of on–land Block 1, 2 & 4 spread over 49,500 sq.km in the Muglad Basin, located about 700 km South–West of the capital city of Khartoum in Sudan.

GNOP has downstream facility of 1504–Km 28"crude oil pipeline from the oil field in Heglig to Port Sudan at Red Sea. As per "Settlement Agreement" between the Government of Sudan (GOS) and Foreign Partners (FP's) concluded in December 2010, 70% of the ownership in the Sudan Crude Oil Transportation System (SCOTS) got transferred to the GOS effective from 1st October 2006. Your Company's PI in downstream pipeline is 11.25% effective from 1st October 2006 after transfer of 55% of its ownership in the downstream pipeline as against 75.36% ceded by CNPC and Petronas. The pipeline continues to be managed by GNOP.

The project is jointly operated by all partners through a joint operating company Greater Nile Petroleum Operating Company (GNPOC), registered in Mauritius.

Upon secession of South Sudan from Republic of Sudan (ROS) effective from 9th July 2011, while majority production and reserves are situated in Republic of South Sudan (RSS), with a few fields straddle the boundaries of ROS and RSS, the major processing facilities and crude oil transportation system along with export terminal are situated in ROS. Post secession, the GOS share of total production is not sufficient to meet its local refinery requirements. Since August 2011, the GOS has been asking to lift/purchase Foreign

Partners' (FPs) share of crude oil for the local refinery feedstock requirements. During October, 2011, the FPs sold 0.8 million barrels of oil to GOS. Further in respect of the directive from GOS to take FPs share of oil to refineries, about 3.3 million barrels of FPs' crude oil have been taken by GOS for the local refineries during the period January to June, 2012. However, payment has not been received fully from GOS for purchase of FPs' oil for local refinery requirements. Your Company's share of estimated dues from GOS as on 30th June 2012 was about USD 112 million.

Consequent upon the separation of RSS, share of Sudapet stands transferred to Nilepet, the National Oil Company of Republic of South Sudan as per the Decree issued by the President of RSS on 8th November, 2011. Partners of Block 1, 2 & 4 along with Nilepet executed a Transition Agreement with GOSS on 13th January 2012 for the continuation of rights of petroleum exploration and exploitation for contract area of Block 1, 2 & 4 in RSS.

RSS being a land locked country, is dependent on ROS's pipeline system for evacuation of crude oil for export through Port Sudan and continued to utilise the existing pipeline system till December, 2011. Post–secession, both governments had been engaged in the process of negotiations on various issues. Pending settlement of unresolved geopolitical and commercial issues between the two countries, GOSS enforced shut down of all oil field operations effective from 21st January 2012. The production from Blocks 1, 2 & 4 in RSS has been shutdown as per decision from GOSS. However, GNPOC continued to produce 52,000 barrels of oil per day till 31st March, 2012 from areas in ROS.

A new Joint Operating Company (JOC), Greater Pioneer Operating Company (GPOC) has been registered in Mauritius for petroleum operations of Block 1, 2 & 4 in RSS. Your Company holds 25% equity share in GPOC through its wholly owned subsidiary ONGC Nile Ganga B.V. and the project is jointly operated by all partners

On 10th April, 2012, crude oil pumping from the Central Processing Facility (CPF) in Heglig to Marine Terminal, Port Sudan had to be stopped due to bombing and shelling in the vicinity of the base camp area. The CPF Heglig was subsequently reported to be in the occupation of RSS forces till 20th April 2012. Due to the intrusion, there have been damages in the oil facilities in Heglig. The repair work has started and the production restored partially from 1st May, 2012; average production during June, 2012 was about 44,000 barrels of oil per day.

Your Company's share in oil production from GNPOC, ROS and RSS was 1.324 MMT during 2011–12 as compared to 1.801 MMT during 2010–11. If the operations had been normal, your Company's share of production in the asset would be higher by 0.219 MMT during 2011–12.

*Discussion on Transition Aggrement between Mr. S.P. Garg, Director (Finance) and the Hon'ble Mr. Pagan Amum, Secretary General, SPLM, Republic of South Sudan*



### 4.1.4 San Cristobal Project, Venezuela:

*Visit of Indian delegation at MECL installations in December 2011*

Your Company signed an agreement with Corporación Venezolana del Petróleo S.A. (CVP), a subsidiary of PDVSA on 8th April, 2008 and acquired 40% PI in San Cristobal Project, Venezuela. San Cristobal project covers an area of 160.18 Sq. Km in the Zuata Subdivision of proliferous Orinoco Heavy Oil belt in Venezuela. The project is operated jointly by your Company and the PDVSA. The JV Company has been named "Petrolera IndoVenezolana SA" (PIVSA). CVP, a subsidiary of PDVSA holds 60% equity in JVC and Your Company holds 40% equity through ONGC Nile Ganga (San Cristobal) BV, a wholly owned subsidiary of ONGC Nile Ganga B.V. Though your Company received its dividend of USD 56.224 million for 2008, dividend for 2009 and 2010 amounting to USD 72.34 million and USD 83.2 million respectively remained unpaid due to cash flow difficulties being faced by PDVSA/CVP, which is being followed–up. In April 2011, new special contribution (windfall tax) on extraordinary/exorbitant prices had been imposed in Venezuela at sliding scales from 20% to 95% depending upon Venezuelan oil basket prices, Your Company's share of windfall tax levied by the host Government during the year was USD 168.89 million, having downward impact on profit of your Company .

During 2011–12, your Company's share of oil production was 0.894 MMT as compared to 0.757 MMT during 2010–11 and current production is approx. 40000 bopd. Your Company's share of investment was about USD 191 million till 31st March, 2012 in the project.

### 4.1.5 Imperial Energy, Russia :

Your Company acquired Imperial Energy Corporation Plc., an independent upstream oil Exploration and Production Company having its main activities in the Tomsk region of Western Siberia, Russia on 13th January, 2009 at a total cost of USD 2.1 billion. Imperial's interests currently comprise of nine blocks in the Tomsk region i.e. Block 69, 70–1, 70–2, 70–3, 77, 80, 85–1, 85–2 and 86 with a total licensed area of approximately 13,500 square kilometres with 14 licenses. The Production licenses were granted to the Company during 2005 to 2010 and are valid till 2027 to 2031. As on 1st April, 2012, ONGC Videsh Ltd.'s share of 2P reserves in the project was 110.122 MTOE (O+OEG).

The post acquisition development activities of Imperial Energy included drilling of 72 development wells and construction of facilities increasing the production level to above 15,000 bopd in April 2012. On the exploratory front, a total of 28 exploratory/ appraisal wells have been drilled from 2009 to April 2012.


*Oil Tank Farm at Snezhnoye oil field of Imperial Energy*

Further 270 sq. km of 3D seismic data and 2536 Lkm of 2D seismic data were acquired, processed and interpreted. The processing & interpretation of 2D and 3D seismic data acquired during 2011 and 2012 are currently in progress. The exploration efforts have shown positive results. Based on the exploration / development efforts put forward so far, Imperial Energy has primarily focussed on exploiting from Upper Jurassic formation with relative good reservoir characteristics. Concurrently, Imperial is consolidating all the data generated so far to develop its strategy for exploitation of oil from its tight sand reservoirs as next course of action, for which the job of scouting and identification of a suitable technologies is in hand. A provision for impairment of ₹1,953 Crore has been made for this project as the asset is performing lower as compared to the estimates and the 'value in use' computed for the asset as on 31st March, 2012 was lower than its carrying value. During the year 2011–12, production of Imperial Energy was 0.771 MMT of oil as compared to 0.770 MMT during 2010–11.

### 4.1.6 Mansarovar Energy Project, Colombia:

Mansarovar Energy Colombia Limited (MECL), Colombia is a 50:50 joint venture of your Company and Sinopec of China. Effective 1st April, 2006, MECL's assets constitute a 100% interest in Velasquez fee mineral property and a 50% interest in the Nare Association contracts where the Colombian national oil company, Ecopetrol holds the remaining 50%. MECL also owns 100% of the 189–km Velasquez–Galan pipeline, connecting the Velasquez property to Ecopetrol's Barrancabermeja refinery. Your Company's share of oil production from MECL was 0.561 MMT during 2011–12 as compared to 0.468 MMT during 2010–11.

### 4.1.7 Al Furat Project, Syria:

The project is owned by Himalaya Energy Syria B.V. (HESBV), a Joint Venture Company of ONGC Nile Ganga B. V., a wholly owned subsidiary of your Company and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), holding 50% shares each. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company (50%), the National Oil Company of Syria, Shell Syria Petroleum Development Co. (31.25%) and HESBV (18.75%). Due to geo–political development in gulf countries, European Union (EU) imposed oil trade sanctions on Syria in September, 2011. The EU sanctions were specifically targeted at crude oil exports making vessel availability, associated insurance and payment extremely difficult. EU further imposed enhanced sanctions on 1st December, 2011 and included AFPC and GPC in the list of sanctioned Syrian entities. Shell has issued a letter informing AFPC and Syrian authorities that the present situation is preventing the contractor from discharging their obligation under PSC Contract due to EU sanctions and was like a Force Majeure situation for foreign partners. Shell has withdrawn all its expatriates' from field operations and Damascus office work. The national employees were running the AFPC operations at fields and no details are being shared with the partners. In the absence of details, the accounting of revenue and expenditure has not been carried

*KAR– 1 rig at Syria*

*Sudan Onshore Rig*

out from December, 2011 till March, 2012. Your Company's share in the oil and OEG production was 0.503 MMTOE during 2011–12 as compared to 0.662 MMT during 2010–11. If the operations had been normal, your Company's share of production in the asset would be higher by 0.069 MMT during 2011–12.

### 4.1.8 Block BC–10, Brazil:

Block BC–10 is a deepwater offshore Block located in the Campos Basin approximately 120 km southwest from the city of Vitoria off the coast of Brazil with a water depth of around 1800 meters spread over 600 sq.km. Your Company holds 15% PI in the project. Other partners in the Block are Shell with 50% PI as operator and Petrobras with 35% PI. Phase–1 development of the Block was completed using sub–sea wells which connect via sub–sea manifolds, flowlines, and risers to a Floating Production, Storage and Offloading Vessel (FPSO). Drilling of 11 wells (10 producers and 1 gas injector) is operational; oil production commenced on 12th July 2009. The Phase II development would involve drilling of seven producer wells and four water injector wells. The Batch drilling of wells has started in April 2012. The Subsea & Pipeline installation work is scheduled in October 2012 and first Oil is expected in October 2013. Your Company's share of oil and gas production was 0.450 MMT and 0.015 BCM respectively during 2011–12 as compared to oil production of 0.573 MMT and gas production of 0.013 BCM during 2010–11.

### 4.1.9 Block 5A, South Sudan:

Block 5A is located in the Muglad basin and spread over an area of about 20,917 sq.km. Your Company acquired stake in the Block from OMV of Austria on 12th May, 2004 and holds 24.125% PI along with Petronas of Malaysia (67.875% PI) and Sudapet (8% PI). The Block was operated by White Nile Petroleum Operating Company (WNPOC), a consortium of Petronas and Sudapet. Since 9th July 2011, on cessation of South Sudan from Republic of Sudan (ROS), the entire block area is located in the territory of the Republic of South Sudan (ROSS). Subsequently, the PI of Sudapet has been transferred to Nilepet, the National Oil Company of ROSS as per the Presidential Decree issued on 8th November, 2011. The Company along with Petronas and Nilepet has signed a Transition Agreement on 13th January 2012 with the Government of RSS for the continuation of its right for petroleum exploration and exploitation in Block 5A. The partners of Block 5A, including your Company, have incorporated a new operating company SUDD Petroleum Operating Co. Ltd. (SPOC) registered in Mauritius on 7th March 2012. The block will now be jointly operated by all partners. Your Company's share of oil production from the project was 0.174 MMT during 2011–12 as compared to 0.226 MMT during 2010–11. If the operations had been normal, your Company's share of production in the asset would be higher by 0.046 MMT during 2011–12.

AK – 3 L Dib Test, Syria

### 4.1.10 Pipeline Project, Sudan:

Your Company (90% PI) along with Oil India Limited (10% PI) had financed & constructed a 12", 741 km multi–product pipeline from Khartoum refinery to Port Sudan at a base lump sum price of USD 194 million. The pipeline was handed over to Government of Sudan (GOS) in October, 2005. The lease amount is payable to the Company in 18 equal half yearly installments effective from December 2005. Payment of eleven half–yearly installments due till December, 2010 has been received by your Company from the GOS. However, the 12th, 13th and 14th installments due on 30th June 2011, 30th December 2011 and 30th June, 2012 respectively are yet to be released by the GOS. Your Company has been following up for the realization of the amount from GOS at various levels. Dodsal, the EPC contractor has invoked arbitration against your Company staking claim of USD 28.70 million plus interest and cost towards alleged additional work carried out in the project. The arbitral proceedings in the matter between your Company and Dodsal are under adjudication.

## 4.2 DISCOVERED / DEVELOPMENT ASSETS:

### 4.2.1 Carabobo–1 Project

Your Company along Indian Oil Corporation Limited (IOCL), Oil India Limited (OIL), Repsol YPF (Repsol) and Petroliam Nasional Berhad (PETRONAS) (collectively, the "Consortium"), was awarded by the Government of the Bolivarian Republic of Venezuela 40% ownership interest in an "Empresa Mixta" (or "Mixed Company") which will develop the Carabobo 1 North (203 sq.km) and Carabobo 1 Central (180 sq.km) blocks located in the Orinoco Heavy Oil Belt in eastern Venezuela. Your Company holds 11% PI in Carabobo–I project through its subsidiary Carabobo One AB. Repsol and Petronas holds 11% PI each and IOCL and OIL holds 3.5% PI each in the project. The Corporación Venezolana del Petróleo ("CVP"), a subsidiary of Petróleos de Venezuela S.A. ("PDVSA"), Venezuela's state oil company, holds the remaining 60% equity interest. The Mixed Company was incorporated as Petro Carabobo S.A. (PCB). The project has estimated Oil in Place of about 27 Billion barrels. The Mixed Company would build heavy (8°–9° API) oil production facilities, upgrading (32° API) facilities and associated infrastructure for producing extra–heavy crude oil. The upstream production facilities are expected to produce about 400,000 barrels per day of which approximately 200,000 barrels per day will be upgraded into light crude oil in a facility to be located in the Soledad area, Anzoátegui State. The license term is for 25 years with the potential for a further 15 year extension i.e., for a total of 40 years. One Service Company Carabobo Ingenieria Y Construcciones S.A (CICSA) for executing the Jobs under Development plan has been incorporated on 21st January 2011. Four Stratigraphic wells and six slant wells drilled for collection of samples and study of petrophysical properties for drilling development wells for accelerated production of first oil in 2013. Presently, basic engineering & FEED for upgrader and downstream facilities and 3D–Seismic study, civil works for well pads have been awarded and other tendering Processes/approval from PCB & awarding of drilling contract for Development of the Field are in progress.

### 4.2.2 Block XXIV, Syria:

The Contract for Exploration, Development and Production of Petroleum for the Block XXIV, Syria was signed on 15th January, 2004 with effective date from 29th May, 2004. Your Company holds 60% PI in the Block with IPR Mediterranean Exploration Ltd. (Operator) and Tri Ocean Mediterranean holding PI of 25% and 15% respectively.

The exploration phase for the block has expired on 28th September, 2011. The consortium over achieved the physical Work Commitment by drilling a total of 14 wells in the Block in this phase. During the FY'12, the consortium drilled 7 exploratory wells, out of which 3 wells flowed oil/gas and 1 well showed presence of hydrocarbon. Extended production testing of three exploratory wells in Abu Khashab area was carried out to acquire reservoir data and also to know its production potential. 1 development well was also drilled during the current FY'12. Based on the exploration results, the Government of Syria granted development rights for additional areas of three formations in Abu Khashab area. Presently, Plan of Development (PoD) of Abu Khashab area is being prepared by the Operator. Further, the consortium's request for granting of development right for Romman Area is under active considerations of the Syrian Authorities. Meanwhile, the Operator has invoked 'Force Majeure' in the Block w.e.f. 30th April, 2012 citing effects of US sanctions and deteriorating law and order situation in the operational areas. Rashid Field has been under extended production testing with an average rate of production of 180 BOPD. However, due to worsening law and order situation in and around Rashid field, the facilities have been shut down w.e.f. 13th June, 2012. Your Company's share of oil production from the project was 0.010 MMT for 2011–12 compared to 0.002 MMT for the year 2010–11. The Company has invested about USD 70.17 Million till 31st March, 2012, on cash sink basis, in the block.

### 4.2.3 Farzad B Offshore Exploration Block, Iran:

Farzad B is an offshore exploration Block spread over 3,500 sq.km in Persian Gulf Iran with a water depth of 20–90 meters. The contract for the Block was signed on 25th December, 2002. Your Company holds 40% PI as operator, with the remaining PI held by Indian Oil Corporation Limited (40%) and Oil India Limited (20%). Pursuant to the discovery of gas made by the Consortium led by your Company, it had submitted a commerciality report to National Iranian Oil Company (NIOC), Iran on 23rd December, 2007. NIOC approved the Commerciality of the Farzad B area on 18th August 2008. The Master Development Plan (MDP) for the Farzad B Gas Field was submitted to Iranians during April, 2009. Development Service Contract for the field remains under discussion. Your Company's share of investment in the Block till 31st March, 2012 was about USD 36.32 million.

### 4.2.4 Blocks A–1 and A–3, Myanmar:

Your Company holds 17% PI in Blocks A1 and A3 and remaining stakes are held by Daewoo (51%), GAIL and KOGAS (8.5% each) and MOGE (15%).

Block A–1 extends over an area of 2,129 sq.km of Rakhine Coast in Arakan offshore in north–western Myanmar. Commercial quantity of natural gas has been discovered in the Block in two fields, Shwe and Shwe Phyu. The Shwe and Shwe Phyu field appraisals have been completed by the consortium and the Gas Initially In–Place reserves certified by an independent firm for the Shwe and Shwe Phyu gas fields are 3.83 TCF. Out of 16 wells drilled so far in the block, 9 have been found gas bearing.

Block A–3, the adjacent block of Block A–1, covers presently an area of 3,441 sq.km with bathymetry up to 1,500 meters in the Rakhine offshore. So far six exploratory wells were drilled in this Block out of which three are gas bearing. Commercial quantity of natural gas has been discovered from Mya Gas Field. The Gas initially in–place reserves certified by an independent firm for the Mya Gas field are 1.52 TCF.

A combined Field Development Plan for Blocks A–1 and A–3 comprising of Shwe, Shwe Phyu and Mya gas fields approved by Consortium Partners is expected to be commissioned by May 2013. Your Company's share of investment till 31st March, 2012 was about USD 166.94 million and USD 105.61 million for Block A–1 and A–3 respectively.

## Shwe Offshore Mid–Stream Project:

The mid–stream project which is a part of the combined development of A–1 and A–3 blocks, is in progress through an EPCIC contract and includes construction of offshore pipeline of 110 km X 32" from Shwe Offshore Platform to land fall point at Ramree Island, onshore gas terminal, supply base and jetty. The construction of 32" offshore pipeline and supply base and jetty has been completed. The Project is scheduled to be completed by March 2013. Your Company's share of investment was about USD 39.33 million till 31st March, 2012.

## Onshore Gas Transportation Pipeline

Your Company has participation in the Onshore Gas Pipeline Transportation project through a joint venture company South–East Asia Gas Pipeline Company Limited (SEAGP) registered in Hong Kong on 25th June 2010, in which the stake of your Company is 8.347%. The shareholding of other partners is CNPC, China– 50.9%, Daewoo–25.041%, MOGE, Myanmar 7.365%, GAIL and KOGAS 4.1735% each. The joint company will lay an on–land pipeline of 793 km X 40" from land fall point at Ramree Island to Ruilli at Myanmar–China border. To achieve the first gas from Shwe Gas Development Project in mid–2013, the onshore pipeline project is scheduled to be completed by March 2013. Out of the 5 EPC sections, 2 EPC sections are nearing completion and work on other 3 EPC sections is progressing. Out of the 6 HDD projects, 3 have been completed and work on other 3 HDD projects is progressing. Your Company's share of investment in the project till 31st March, 2012 was about USD 43.07 million.

Your Company's share in the Combined Development of Blocks A–1 and A–3 including Offshore Mid–stream project and Onshore Gas Transportation pipeline is estimated at about USD 880.61 million.

## 4.3 EXPLORATORY ASSETS:

### 4.3.1 Blocks 34 and 35, Cuba:

Blocks 34 and 35 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) for which the PSC was signed on 10th September, 2006. Your Company holds 100% PI in the Blocks as the Operator. Acquisition, processing and interpretation of 2D and 3D seismic data have been completed. The block area has increased from 4300 to 4800 sq.km after annexation of additional 500 sq.km of area. The exploration period would expire on 12th September 2012.

Your Company is watching the post–drilling results/analysis in the neighbouring blocks to firm up its future plans for the blocks. The Company has invested about USD 46.50 million in the blocks till 31st March, 2012.

### 4.3.2 Blocks 25, 26, 27, 28, 29 and 36, Cuba:

Blocks 25, 26, 27, 28, 29 and 36 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) for which the agreement for acquisition of 30% PI in the Blocks from Repsol–YPF of Spain was signed on 23rd May, 2006. The other partners in the Blocks are Repsol–YPF with 40% PI as operator and Statoil with 30% PI. The Consortium entered into extended exploration sub period–IV with commitment of drilling of two exploration wells after relinquishing 5,962 sq.km area of the Blocks. The consortium now holds 5,269 sq.km of area. The drilling of first of the two commitment wells has been completed on 11th May, 2012 without any oil and gas find and the well was declared dry. The Company's share of cost of drilling the first exploratory well till 31st March 2012 was about USD 31.91 million. Data collected from the well is under analysis to decide the future course of action. Your Company's share of investment in these blocks was about USD 49.58 million till 31st March, 2012.

*Aerial View of MTB Moriche facility*

### 4.3.3 Blocks SSJN–7 & CPO–5, Colombia:

Your Company participated in the Bidding Round 2008 in Colombia and was awarded two onland Blocks i.e. SSJN–7 with 50% PI and CPO–5 with 100% PI. Later in the year 2010, 30% PI in CPO–5 Block was divested to Petrodorado. Block CPO–5 is operated by your Company with 70% PI and the Block SSJN–7 is operated by Pacific Stratus Energy, Colombia with 50% PI. The concession contracts for the Blocks SSJN–7 and CPO–5 were signed on 24th December, 2008 and 26th December, 2008 respectively. Two exploratory locations have been released for drilling in Block CPO 5 under Phase–1. In Block SSJN–7, acquisition & processing of 2D seismic data in part of the identified area has been concluded. The Phase–I of exploration of these blocks expired in June, 2012. Due to delay in grant of environment permits and approvals from concerned authorities, Operator of SSJN–7 and ONGC Videsh in case of block CPO–5 have sought extension to the running exploration period. Your Company's share of investment was about USD 5.81 million for Block SSJN–7 and about USD 18.39 million for the Block CPO–5 till 31st March, 2012.

### 4.3.4 Blocks RC–8, RC–9 and RC–10, Colombia:

Your Company acquired exploration blocks RC–8, RC–9 and RC–10 in offshore Colombia, effective date of concession contracts being 30th November, 2007. Currently Blocks are running in Phase–II, expiring on 29th November, 2013. The current area of the blocks RC–8, RC–9 and RC–10 after entering into phase–II are 1,385 sq.km, 1,060 sq.km and 1,340 sq.km respectively with water depths of 70 to 1,500 meters in offshore Colombia. In Block RC–8, your Company as Operator holds 40% PI with Ecopetrol and Petrobras holding 40% PI and 20% PI respectively. In Blocks RC–9 and RC–10, your Company and Ecopetrol hold 50% PI each. Your Company is Operator in RC–10 Block while Ecopetrol is Operator in RC–9 Block. All the three Blocks have completed three years of exploration Phase–I on 29th November, 2010, successfully completing minimum committed work of the Blocks. Your Company's share of investment was about USD 2.3 million in Block RC–8, USD 5.43 million in Block RC–9 and about USD 3.47 million in Block RC–10 till 31st March, 2012.

### 4.3.5 Satpayev E&P Project, Kazakhstan:

Your Company signed agreements with KazMunaiGas (KMG), the National Oil Company of Kazakhstan for acquisition of 25% participating interest in Satpayev exploration block on 16th April, 2011 at Astana, Kazakhstan in the presence of Hon'ble Prime Minister of India and the President of Kazakhstan. This transaction marks the entry of your Company in hydrocarbon rich Kazakhstan. Satpayev exploration block, located in the Kazakhstan sector of the Caspian Sea, covers an area of 1482 sq.km at a water depth of 6–8 mts. Satpayev Block is situated in close proximity to major discoveries in the North Caspian Sea. Your Company carries KMG for its 75% share and therefore bear the 100% expenditure during the exploration and appraisal phase of the Project. Acquisition, Processing and Interpretation of 1200 LKM of 2D Seismic data have already been completed and location for drilling has been identified. Your Company's share of investment in the project was about USD 113.93 million which includes carry finance amount of about USD 11.16 million till 31st March, 2012.


*Minister of State for Petroleum and Natural Gas, India Mr. RPN Singh & Mr. Sauat Mynbayev Minister of Oil & Gas of Kazakhstan signing the agreement*


*Apex Management on the occasion of Signing of MOU between ONGC & CNPC to jointly explore oil and gas worldwide*

### 4.3.6 Block BM–S–73, Brazil:

Your Company through its indirect wholly owned subsidiary ONGC Campos Ltda (OCL) holds 43.5% PI and is the Operator in offshore Block BM–S–73, Brazil. Petrobras and Ecopetrol are the other partners in the block having 43.5% and 13% PI respectively. The block spreads over an area of 160 sq.km with water depths of around 200 meters. 3D Seismic data acquisition, processing, G&G study and drilling of one committed well have been completed for the fulfilment of MWP of 1st Exploration phase. As the exploratory well has been declared dry, the block has been surrendered in February 2012. Your Company's share of investment was about USD 89 million till 31st March 2012. There is dispute with the partners against the rig hire charges for stand–by period and penalties imposed by Agencia Nacional de Petroleo (ANP), the Brazilian regulatory authority, for about USD 82 million, which is under discussion with partners. Further, there is potential liability of about USD 27.5 million on account of non–fulfillment of Local Content (LC), for which waiver from ANP has been sought.

### 4.3.7 Block BM–ES–42, Brazil:

Your Company through its indirect wholly owned subsidiary OCL, holds 100% PI in the deep water offshore Block BM–ES–42 in Brazil. The block spreads over an area of 725 sq.km with water depths of around 1,500 meters. Seismic data acquisition, processing and G&G studies of PSTM & PSDM data have been completed. As your Company could not farm out up to 50% PI to mitigate exploration risk in the block as per Board's decision, the block has been surrendered at the end of 1st exploration phase i.e., 11th March, 2012. The Company has invested about USD 47 million till 31st March 2012.

### 4.3.8 Blocks BM–SEAL–4 & BM–BAR–1, Brazil:

Your Company through its indirect wholly owned subsidiary OCL, acquired PI in exploration blocks BM–SEAL–4 and BM–BAR–1 in Brazil in August 2008. Your Company holds 25% PI in each of these blocks with Petrobras (operator) holding remaining 75%. Drilling of an exploratory well is currently in progress in block BM–SEAL–4. In Block BM–BAR–1, two exploratory wells have been drilled without success for which your Company has conveyed its decision to relinquish its share in the venture. Your Company's share of investment till 31st March, 2012 was about USD 7 million for Block BM–SEAL–4 and about USD 98 million for Block BM–BAR–1.

### 4.3.9 Block BM–S–74, Brazil:

Your Company through its indirect wholly owned subsidiary OCL, holds 43.5% PI in Brazil offshore Block BM–S–74 covering an area of 165.4 sq.km. Other partners in the block are Petrobras (operator) and Ecopetrol with 43.5% and 13% PI respectively. Seismic data acquisition, processing and G&G studies and drilling of 1 commitment well have been completed. The well has been declared dry and hence abandoned. The consortium has decided to relinquish the block. Your Company's share of investment in the block till 31st March, 2012 was about USD 15 million.

### 4.3.10 Block OPL 279, Nigeria:

OPL 279 is a deepwater offshore exploration Block in Nigeria with an area of 1,125 sq.km. The effective date of the PSC was 23rd February, 2007. Your Company's Joint Venture Company ONGC Mittal Energy Limited (OMEL) through its wholly owned subsidiary company OMEL Exploration & Production Nigeria Ltd. (operator) held 45.5% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 40% PI and TOTAL with 14.5% PI. The Phase I of exploration expired on 22nd February 2012. All MWP commitments under exploration phase I in the Block have been fulfilled including acquisition of 534 sq.km of 3D seismic data and drilling of well Kuyere–1 in Jan–Feb., 2010 with discovery of hydrocarbons in three pay zones. Based on the post–drill analysis of G&G data, some prospects were identified in deeper stratigraphic levels of this block. However the identified prospects do not offer a standalone discovery case for any viable commercial development. A notice of relinquishment was accordingly issued to NNPC on 21st November 2011. OMEL's share of investment, including the carry obligations to EMO, till 31st March, 2012 was about USD 156 million.

### 4.3.11 Block OPL 285, Nigeria:

OPL 285 is a deepwater offshore exploration Block in Nigeria with an area of 1,167 sq.km. The effective date of the PSC was 23rd February, 2007. Currently, OMEL through its wholly owned subsidiary company OMEL Energy Nigeria Ltd., as operator, holds 64.33% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 10% PI and TOTAL with 25.67% PI. As per terms of the agreement, EMO is carried by other participants in their respective share of participation. The committed MWP of the block for the first phase of exploration has been completed with acquisition of 524 sq.km of 3D data and drilling of one well, Opueyi–1 in August–September, 2010. Two sub–commercial hydrocarbon zones are encountered in the well. Based on post drilling analysis, review of G&G data and the commitment to the downstream project attached to the PSC, the operator, decided to enter the second phase of exploration period if the regulator NNPC grants the waiver from the downstream project commitment. A request letter was sent to NNPC in this regard on 24th November, 2011. No response has been received from NNPC on waiver request so far. OMEL's share of investment, including the carry obligations to EMO, till 31st March, 2012 was about USD 79 million.

### 4.3.12 Contract Area 43, Libya:

Your Company acquired Contract Area 43 located in Cyrenaica offshore basin in the Mediterranean Sea under an Exploration and Production Sharing Agreement (EPSA) effective from 17th April, 2007. Contract Area 43 consists of four blocks spread over an area of 7,449 Sq. Km. The block boundaries extend from the coastline to a water depth of about 2200 meters. Your Company holds 100% PI in Contract Area 43 with

*Oil Tank Farm at Maiskoye oilfield of Imperial Energy*

*Block 6.1 partners visit the rig Ocean Monarch, Vietnam*

operatorship. The acquisition and processing of 1011 LKM 2D and 4000 Sq. Km. 3D seismic data have been completed. Finalization of interpretation report of Geo scientific data is in progress at G&G centre of your Company in New Delhi. Due to civil unrest in Libya, notice for Force Majeure was served to NOC, Libya w.e.f. 26th February 2011 and the operations at Libya were suspended. However after improvement of civil unrest and safety situation at Libya, the Force Majeure notice has been revoked and the operations have been resumed w.e.f. 1st June, 2012. Your Company has invested about USD 39.22 million in Contract Area 43 till 31st March, 2012.

### 4.3.13 Exploration Block–8, Iraq:

Your Company is the sole licensee of Block–8, a large on–land exploration Block in Western Desert, Iraq spread over 10500 sq.km. The Exploration & Development Contract (EDC) for the Block was signed on 28th November, 2000. The contract was ratified by the Government of Iraq on 22nd April, 2001 and was effective from 15th May 2001. Since then, the work relating to archival, reprocessing and interpretation of the existing seismic data has been completed. However, your Company had to notify the force majeure situation to the Ministry of Oil, Iraq in April, 2003 due to prevailing conditions in Iraq. In 2008, your Company was informed that Government of Iraq had decided to re–negotiate the Block–8 contract in line with the provisions of the new oil and gas law which was expected to be promulgated soon. Re–negotiation is yet to commence. Your company is following up the matter with Iraq authorities. The Company has invested about USD 2 Million till 31st March, 2012.

### 4.3.14 Block 128, Vietnam:

Block 128 is an offshore deepwater Block, located at water depth of more than 400 metres with 7,058 sq.km area in Vietnam. The PSC for the Block was signed on 24th May, 2006 and the extension to the exploration Phase–I for the Block 128 was valid till 15th June, 2012. Your Company holds 100% PI in the Block with Operatorship. 1650 sq.km of 3D seismic data was acquired and interpreted in the Block by your Company and location for drilling of exploration well was identified. Drilling was attempted on the location during September 2009; however, the well could not be drilled as the rig had difficulty in anchoring at the location due to hard carbonate sea bottom. Meanwhile, your Company has found solution to the anchoring problem and asked for extension to the exploration phase to undertake review of additional G&G data to find out a viable location for drilling to fulfill the PSC commitment. PetroVietnam (PVN) has suggested ONGC Videsh to continue the exploration programme in the block for additional two years with effect from 16th June, 2012 by revisiting the geological model with the integration of data likely to be available with the assistance from PVN. Till 31st March, 2012, the Company has invested about USD 49.14 million in the Block.

## 5. DIRECT SUBSIDIARIES OF ONGC VIDESH LIMITED:

### 5.1 ONGC Nile Ganga BV (ONGBV) – Wholly owned Subsidiary:

ONGC Nile Ganga B. V. (ONGBV) is incorporated in Netherlands and engaged in Exploration and Production (E&P) activities in Sudan, South Sudan, Syria, Venezuela, Brazil and Myanmar. Your Company has ownership interest in following projects through ONGBV:

5.1.1 25% Participating Interest (PI) in Greater Nile Oil Project (GNOP), Sudan and Greater Pioneer Operating Company (GPOC);

5.1.2 16.66% to 18.75% PI in four Production Sharing Contracts in Al Furat Petroleum Company (AFPC) in Syria;

5.1.3 40% PI in San Cristobal Project in Venezuela;

5.1.4 15% PI in BC–10 Project in Brazil;

5.1.5 held 43.5% PI and 100% PI as operator of exploratory blocks BM–S–73 and BM–ES–42 respectively; and as non–operator holds 43.5% PI in exploratory block BM–S–74 and 25% PI each in exploratory blocks Block BM–SEAL–4 and Block BM–BAR–1 all located in Deepwater Offshore, Brazil;

5.1.6 8.347% PI in South East Asia Gas Pipeline Co. Ltd., (SEAGP) for Pipeline project, Myanmar.

### 5.2 ONGC Narmada Limited (ONL) – Wholly owned Subsidiary:

ONGC Narmada Limited (ONL) is registered in Lagos, Nigeria. ONL is a Special Purpose Vehicle for E&P activities in Nigeria.

### 5.3 ONGC Amazon Alaknanda Limited (OAAL) – Wholly owned Subsidiary:

ONGC Amazon Alaknanda Limited (OAAL) is registered in Bermuda. OAAL holds stake in E&P projects in Colombia, through Mansarovar Energy Colombia Limited (MECL), a 50:50 joint venture company with Sinopec of China.

### 5.4 Jarpeno Limited – Wholly owned Subsidiary:

Jarpeno Limited is registered in Cyprus, acquired Imperial Energy Corporation plc., a United Kingdom listed upstream oil exploration and production entity with its main activities in Tomsk region of Western Siberia in Russia, in January 2009.

### 5.5 Carabobo One AB – Wholly Owned Subsidiary:

Carabobo One AB is registered in Sweden, holds 11% PI in Carabobo–1 Project, Venezuela.

## 6. EXEMPTION IN RESPECT OF ANNUAL REPORT OF SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS

Ministry of Corporate Affairs (MCA) vide its circular dated 8th February 2011 and clarification dated 21st January 2011 has decided to grant a general exemption from the applicability of Section 212 of the Companies Act, 1956 from attaching the Balance Sheet and Profit & Loss Account prepared for the financial year ending on or after 31st March 2011, in relation to subsidiaries of those companies which fulfil the various conditions including inter–alia approval of the Board of Directors for not attaching the Balance Sheet of the subsidiary concerned. Your Board has accorded necessary approval in this regard for not attaching the Balance Sheet and Profit & Loss Account of all direct and indirect subsidiaries of the Company with its Annual Accounts for the financial year ended 31st March 2012. All other conditions mentioned in the circular are also being complied by your Company.

## 7. JOINT VENTURE COMPANY – ONGC MITTAL ENERGY LIMITED

Your Company along with Mittal Investments Sarl (MIS) had promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. Your Company and MIS hold 98% shares of OMEL in the ratio of 51% (ONGC Videsh), 49%(MIS) with 2% shares held by SBI Capital Markets Ltd. OMEL holds interest in the AFPC Syrian Assets through ONGBV and exploration Blocks OPL 279 and OPL 285 through its 100% subsidiaries OMEL Exploration and Production Nigeria Limited (OEPNL) and OMEL Energy Nigeria Limited (OENL) respectively in Nigeria.

*Onshore processing facilities Yuzhno, Russia*

*Oil tanks Dekastri terminal*

## 8. OVERSEAS OFFICES

The overseas offices of your Company are located in Ho Chi Minh City (Vietnam), Yuzhno Sakhalinsk (Russia), Baghdad (Iraq), Tehran (Iran), Tripoli (Libya), Havana (Cuba), Caracas (Venezuela), Astana & Atyrau (Kazakhstan), Bogota (Colombia), Damascus (Syria) and Calgary (Canada). ONGC Nile Ganga BV has its registered office in Amsterdam (The Netherlands), offices in Khartoum (Sudan), Juba (South Sudan) and its subsidiaries have offices in Rio de Janeiro (Brazil) and Nicosia (Cyprus). ONGC Narmada Limited and ONGC Amazon Alaknanda Limited have their registered offices in Lagos (Nigeria) and Hamilton (Bermuda) respectively. Jarpeno Limited has its registered office in Cyprus and its subsidiaries have offices in Cyprus, Moscow & Tomsk (Russia). Carabobo One AB has its registered office in Sweden.

## 9. INFORMATION TECHNOLOGY

Your Company keeps itself abreast of the latest advancements in the field of information technology so as to adopt them to the extent required in its pursuit of achieving operational excellence.

During the current year, your Company has implemented Disaster Recovery (DR) solution for its business data. The DR is located at ONGC, Baroda. The Corporate E–mail system has been successfully migrated to Microsoft Exchange 2010 Enterprise messaging & collaboration platform. Your Company has updated its IT Security Policy based on ISO 27001 standards and has put in place a mechanism for periodic review of IT security system.

## 10. HUMAN RESOURCE DEVELOPMENT

Your Company has been operating with pool of highly skilled manpower provided by the parent company ONGC, in the core areas of E&P globally. Your Company would calibrate its manpower levels and quality with its expanding requirements and challenges in various parts of the world. The total manpower of your Company was 246 as on 31st March, 2012 as compared to 233 as on 31st March, 2011 out of which 83 executives stood posted to various overseas projects/offices.

## 11. IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

Your Company continues to make concerted effort to spread and promote Official Language. During the year, Hindi Fortnight was organised from 14th September, 2011 to 30th September, 2011. In the Hindi fortnight, a large number of employees participated in Hindi competitions and successful ones were awarded. Your Company's In–house magazine "Aadharshila", Hindi fortnight awardees compilation, Corporate Brochure and Annual Reports were also printed in Hindi. Statutory advertisements were released in Hindi also. Quarterly Hindi Progress Report of the Company is being sent to Headquarter regularly and Hindi workshops are being organised.

## 12. BOARD OF DIRECTORS

- Mr. D. K. Sarraf joined as Managing Director of your Company on 16th September 2011.
- Mr. Joeman Thomas was relieved from the additional charge of Managing Director of your Company w.e.f. 16th September 2011 and also submitted his resignation from the Board of Directors of your Company with effect from 1st January 2012 upon his retirement from the services on attaining the age of superannuation.
- Mr. Arun Ramanathan, former Union Finance Secretary, Government of India and Independent Director of ONGC joined your Company as an Independent Director on 22nd September 2011.
- Mr. Sudhir Vasudeva took over the Chairmanship of your Company on 4th October, 2011 in place of Mr. A. K. Hazarika.
- Mr. A. K. Hazarika, Mr. U. N. Bose, Mr. S. V. Rao and Mr. K. S. Jamestin are Special Invitees to the Board of your Company w.e.f. 25th October 2011. Your Company is continuing to get benefits of their valuable contributions.
- Mr. N. K. Verma joined as Director (Exploration) of your Company on 1st January 2012.
- Mr. Shyam Saran, Former Foreign Secretary to the Government of India, joined your Company as an Independent Director on 5th June 2012.

- Prof. Sanjay Govind Dhande, Director, IIT, Kanpur, joined your Company as an Independent Director on 5th June 2012.
- Prof. Shyamal Roy, Chairperson, Executive Education, IIM, Bangalore, joined your Company as an Independent Director on 5th June 2012.
- Mr. Shyamal Bhattacharya joined as Director (Operations) of your Company on 1st July 2012 in place of Mr. S. Roychaudhury, who submitted his resignation from the Board of Directors of your Company pursuant to his superannuation on 30th June 2012.

Your Directors place on record their sincere appreciation for the excellent contributions made by Mr. Joeman Thomas and Mr. S. Roychaudhury and extend a warm welcome to Mr. Sudhir Vasudeva, Chairman, Mr. D. K. Sarraf, Managing Director, Mr. N. K. Verma, Director (Exploration), Mr. Shyamal Bhattacharya, Director (Operations), Mr. Arun Ramanathan, Mr. Shyam Saran, Prof. Sanjay G. Dhande and Prof. Shyamal Roy, Independent Directors.

Guidelines on Corporate Governance 2011 issued by Department of Public Enterprises require that atleast one–third of the Board members should be Independent Directors. The appointment of three new independent Directors by ONGC as per letter of MoP&NG vide no. C–31024/3/2008–CA dated 5th June 2012, has fulfilled the requisite numbers of independent Directors on the Board of your Company.

As required under Section 255 and 256 of the Companies Act, 1956, Mr. S. P. Garg, Director (Finance) and Mr. R. K. Khullar, Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re–appointment at the said meeting.

## 13. AUDITORS

M/s GSA & Associates, Chartered Accountants and M/s S Mann & Co., Chartered Accountants were appointed as Joint Statutory Auditors of your Company by the Comptroller & Auditor General (C&AG) of India for the financial year 2011–12. The Notes on Accounts referred to in the Auditors' Report are self–explanatory and therefore do not call for any further comments.

You would be pleased to know that your Company has received 'Nil' comments from C&AG and Statutory Auditors for the year 2011–12.

*Signing of transition agreement with the government of South Sudan in Juba on 13th January, 2012*

*Signing of MOU with government of South Sudan in Juba on 19th December,2011*

## 14. COST AUDIT

Pursuant to clarifications provided by the Cost Audit Branch of Ministry of Corporate Affairs vide letter no. F. No. 52/21/CAB/2007 dated 26th May, 2008, the Company maintains its cost records under section 209(1)(d) of the Companies Act, 1956 and these records are duly audited by Cost Auditors of the Company. Ministry of Corporate Affairs vide letter F. No. 52/26/CAB–2010 dated 2nd May, 2011 had issued an order under Section 233B(1) of the Companies Act, 1956 which inter–alia states that all companies to which Cost Accounting Records (Petroleum Industry) Rules, 2002 apply, and wherein the aggregate value of the turnover made by the Company from sale or supply of all products or activities during the immediate preceding financial year exceeds twenty crore of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2011, audited by a Cost Auditor. Accordingly, Your Company got covered under the Cost Audit from the Financial Year 2011–12 onwards and further appointed M/s Gurdeep Singh & Associates, Cost Accountants as Cost Auditors for the year 2011–12.

## 15. STATUTORY DISCLOSURES

(i) None of the employees posted in your Company drew remuneration more than the prescribed limits during the year 2011–12 as required to be disclosed as per Companies (Particulars of Employees) Amendment Rules, 2011 vide GSR 289 (E) dated 31.03.2011 read with the provision of Section 217(2A) of the Companies Act, 1956.

(ii) None of the Directors of your Company is disqualified under the provisions of Section 274 (1) (g) of the Companies Act, 1956.

(iii) Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo during the financial year 2011–12 is given below:

a) the sources of energy used by the Company are Electricity, Diesel and Motor Spirit (Petrol);

b) the Board, as part of its existing internal control measures, is striving for the conservation of electricity, diesel and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company in India;

c) the provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company; and

d) the details of foreign exchange earned and outgo during the year 2011–12 are as follows:

| | (₹ in Million) |
|---|---|
| • Foreign Exchange earned | 81029.73 |
| • Foreign Exchange outgo | 92508.52 |

## 16. SECRETARIAL COMPLIANCE REPORT

Secretarial Compliance Report confirming compliance to the applicable provisions of Companies Act, 1956 and applicable Rules there under, Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2008, Debt Listing Agreement with the National Stock Exchange, Depositories Act, 1996 given by a practicing Company Secretary, is annexed and forms part of the Directors' Report.

## 17. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report, is annexed and forms part of the Directors' Report.

## 18. CORPORATE GOVERNANCE REPORT

The Company strives to attain high standards of corporate governance. A separate section on Corporate Governance is annexed and forms part of the Directors' Report.

## 19. IMPLEMENTATION OF RISK MANAGEMENT POLICY

In line with the requirements of Clause 49 of Equity Listing Agreement and DPE Guidelines on Corporate Governance, your Company has developed a comprehensive Enterprise–wide Risk Management (ERM) framework inter–alia identifying the causes of risks and its mitigating measures. The Risk Register and the Risk Management Policy of your Company was reviewed by the Audit Committee and approved by the Board of Directors. The Risk Management Policy of ONGC Videsh is reproduced below:

**"ONGC Videsh shall identify the possible risks associated with its business and commits itself to put in place a Risk Management Framework to address the risks involved on an ongoing basis to ensure achievement of the business objectives without any interruptions.**

**ONGC Videsh shall optimize the risks involved by managing their exposure and bringing them in line with the acceptable risk appetite of the company".**

The ERM framework has been rolled out and the risk reporting structure has already been put in place.

## 20. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, the following statements relating to Annual Accounts for the financial year ended 31st March, 2012 are made:

(i) in the preparation of the annual accounts for the financial year 2011–12, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and that there are no material departures from the same;

(ii) the Directors have selected such accounting policies as described in the Notes to the Accounts of the Financial Statements for the financial year ended March 31, 2012 and applied them consistently as stated in the annual accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended on that date;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

(iv) the Directors had prepared the annual accounts on a "going concern" basis.

## 21. AUDIT COMMITTEE

The details of Audit Committee are given separately in the Corporate Governance Report.

## 22. ACKNOWLEDGEMENT

Your Directors would like to acknowledge with deep appreciation the valuable guidance and support extended by the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Department of Public Enterprises, Indian Embassies / High Commissions abroad and the Reserve Bank of India etc. Your Directors also wish to place on record their deep sense of appreciation for the dedicated services by the employees of the Company. Your Directors recognize that the achievements of your Company would not have been possible without the unstinted and total support from the parent company, Oil and Natural Gas Corporation Limited.

**On behalf of the Board of Directors**

**New Delhi**
**30th July, 2012**

**(Sudhir Vasudeva)**
**(Chairman)**

*GBS is ready to move from Nakhodka to the North of Sakhalin*

ONGC VIDESH

## 1. INTRODUCTION

ONGC Videsh Limited (ONGC Videsh) is a wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC), the flagship National Oil Company and a Central Public Sector Enterprise/Undertaking (CPSE/CPSU) of the Government of India, under the administrative control of the Ministry of Petroleum & Natural Gas (MoP&NG). ONGC Videsh is engaged in prospecting for oil and gas acreages outside India including acquisition of oil and gas acreages, exploration, development and production of oil and gas. ONGC Videsh was incorporated as Hydrocarbons India Private Limited, on March 5, 1965 with registered office in New Delhi to perform international exploration and production business and the Company was rechristened as ONGC Videsh Limited w.e.f. 15th June, 1989. With the widening of the energy demand/supply gap from domestic production, participation in overseas oil and gas assets for equity oil was revived in the mid–nineties.

In January, 2000, ONGC Videsh was granted special empowerment by the Government of India that facilitated better and smooth functioning of the Company in the international environment as evidenced by a string of successful acquisitions post January, 2000. As on 31st March,2012, ONGC Videsh has participation either directly or through wholly owned subsidiaries/joint venture companies in 30 E&P projects in 15 countries namely Vietnam (1 projects), Russia (2 projects), Sudan (2 projects), South Sudan(2 projects), Iran (1 project), Iraq (1 project), Libya (1 project), Myanmar (2 projects), Syria (2 projects), Cuba (2 projects), Brazil (4 projects), Nigeria (1 project), Colombia (6 projects), Venezuela (2 projects) and Kazakhstan (1 project) and is actively seeking more opportunities across the world. Out of 30 projects, ONGC Videsh is Operator in 9 projects and Joint Operator in 7 projects. The Company adopts a balanced portfolio approach and maintains a combination of 10 producing, 5 discovered and 14 exploration assets. In addition, ONGC Videsh has successfully completed a 741 km product pipeline project in 2005 in Sudan.

*Block 6.1 signing of agreement for training under CSR, Vietnam*

## 2. INDUSTRY STRUCTURE AND DEVELOPMENTS

Worldwide, 2011 has been another excellent year for conventional exploration, with reserves additions of almost 12 billion barrels (bbl) of oil and over 82 tcf of gas. In 2011, the demand for total petroleum products in the Asia–Pacific region grew by an estimated 3.1%. This was slower than the 5.6% seen in 2010, but on expected lines given the strengths of the rebound in demand the year before. Demand slowed markedly in the second half on lower growth from China, even as Japan continued to consume more low– sulphur crudes and fuel oil due to dwindling nuclear power.

Asia is expected to continue to be the principal driver of global oil demand in the medium term. Asian incremental demand has increased during 2009–2011, while over the same period the rest of the world saw demand register almost no net incremental rise.

These facts pose important questions for our industry and the countries where we produce. They demonstrate the need to redouble efforts to reduce energy intensity and pursue a sustainable mix for the future. They also point to the need for continuing investments to provide the increasing volumes of energy that the world requires.

Political risk is seen as posing a considerably greater threat to international E&P business over the next five years than in the recent past. This is especially so for high potential markets, where generic political risk is identified as the main investment constraint. All four forms of political risk (risks of political violence, FDI protectionism, threats associated with geopolitical tensions and governmental instability having a material impact on business) in emerging markets are seen as increasing over the next five years. However, Opportunities appear to predominate over political risk concerns, even though these are seen as posing a considerably greater threat to business in near future than in the recent past.

The political risks of energy investments gel with the tightness of global oil supplies. When markets are tight and oil prices are high, as they are now, existing contracts are renegotiated to the benefit of host countries and some of the hydrocarbon reserves are re–nationalised. The absence of internationally agreed norms for foreign investments in energy sector hinders economic development in the host countries, foments aggressive geopolitical competition that threatens global energy security and may block the scale of investment and co–operation necessary to overhaul a strained global energy system. Political risks facing FDI in energy are likely to continue to rise in the coming years.

Crude oil prices have been highly volatile since 2011, fluctuating on a daily basis but month on month prices have been fairly stable. Factors that have contributed to the upside in 2011 are:

- Disruption to the flow of crude from Libya where most crude oil production came to a halt in early 2011 and led to a loss of around 1.3 million barrels/day of light–sweet crude oil exports. This led to tightening of the supply/demand balance that was prolonged. Saudi Arabia, UAE and Kuwait raised their output to help calm the markets.
- A fear that the US hurricane season (July to September 2011) and the accompanying storms might damage oil facilities in the US Gulf and Offshore Mexico.
- A general drawdown of OECD oil inventories particularly during the end of 2011 that led to the market to believe that supply was tightening.
- Geo–political issues in Yemen, Nigeria, Sudan, South Sudan, Syria, Egypt, Libya, Iran and Iraq with genuine disruption to supplies in some cases whilst potential disruption concerns in others.

Benchmark crude prices fell significantly between late July,2011 and early August, 2011 before rebounding towards end–August 2011. This trend remained during the remaining period of 2011 resulting in considerable volatility in benchmark crude prices.

North America has become the fastest growing oil and gas region in the world and is likely to remain so for the rest of the decade and during 2020's, with the main obstacles as political rather than geological or technological. Surging supply growth could transform North America from an importing country to an exporting country, driven by growth in shale oil and gas, deepwater and oil sands resources. And US liquid fuels demand is in structural, secular decline due to demographics, fuel efficiency, transport technology shifts.

The US and Canada could see rise in natural gas production by 22–Bcf/d by 2020, with 14–Bcf/d from the Lower 48 states, 4–Bcf/d from Alaska and 4–Bcf/d from Canada. Abundant shale plays accessed by hydraulic fracturing and horizontal drilling technology is the key driver behind North America becoming the globe's "energy island" by 2020. US shale liquids projections could see +3.8–m b/d of growth by 2020. A significant qualitative shift in investment is underway among the IOC's. Development capital is progressively moving from conventional assets to more complex projects associated with new resource themes. The Majors generally tend to be more dependent on LNG, deepwater and unconventional oil and gas resources to drive growth.

Conventional assets make up almost half of the average portfolio value based on NPV 2011. This will fall to around 40% by 2016 as the current investment programme comes to an end. LNG is by far the biggest growth theme over this period. Returns from new–field projects have fallen to 18% in 2011, down from 23% in 2005. This reflects the higher capital intensity and longer lead–times of current new projects relative to 2005, as well as cost inflation and fiscal effects. Returns of the companies have converged around this lower average, with few material high–return projects available now than in the past.

All the Majors will be producing at or above current levels in 2020. The current investment cycle is also focused on projects with longer production plateaus. This should lead to more stable earnings and cash flow as the decade unfolds.

Most Asian companies face a decline in production later this decade due to their dependence on conventionally–biased portfolios and maturing domestic assets. At the same time, domestic supply deficits continue to fuel the need to secure oil and gas production overseas. International assets currently comprise just 25% of Asian companies' portfolios by NPV. Emulating the scale, diversity and long–term growth potential of the leading international companies will take huge further investment.

Asian companies have access to substantial financial resources to fund further international expansion. Several of the larger Asian national oil companies (NOCs) have net cash on their balance sheets and it is estimated that cumulative upstream cash generation would be about US$450 billion from the peer group over the next five years. Some companies have already begun to take bolder steps in building overseas

*Water treatment plant*

portfolios, targeting long–life resources. We expect an increasing focus on technically–challenging growth resource themes such as deepwater, LNG and unconventional oil and gas.

M&A is likely to remain the primary route to capture resources and build technical expertise in the near–term. High–impact exploration will play an increasingly important role in longer–term portfolio development, reflecting a rising appetite for risk as well as exploration's potential for multi–billion boe resource additions and value creation.

Near–term production levels for Asian companies have been boosted by recent internationalization but it is believed that the longer–term story has yet to change materially. Medium to longer term production profiles are threatened by underlying decline from domestic assets, particularly legacy oil projects. Production from outside Asia will grow to account for 28% of combined output by 2015. However, international growth will flatten thereafter at which point domestic production will also enter decline.

*Oil tanks Dekastri terminal, Sakhalin project*

Consequently, there are strong drivers for the Asian companies to continue their efforts to access growth projects overseas. In the near–term, achieving sustained production growth is likely to be targeted through further M&A activity.

Developing resources that currently lie in the sub–commercial category and a greater emphasis on high–impact exploration will also be a priority for some companies. Although some of the Asian companies have substantial remaining domestic investment opportunities, their global ambition, long–term growth aims and the need to build technical expertise will mean internationalisation remains high on the agenda.

Addressing a lack of exposure to deepwater resource development and high–impact exploration acreage could be specific deal themes over the next few years. Further acquisitive moves to build positions in LNG and other growth resource themes such as oil sands and unconventional/tight oil and gas can also be expected. Establishing exposure to emerging resource rich regions such as East African gas will also be high on the agenda. Corporate as well as asset acquisitions could also become more prominent for those companies seeking international capability development.

*One of the largest single point mooring at Dekastri*

*Aerial view of Yastreb rig in Odoptu process facility, Sakhlin*

Many of the Asian companies now seem willing to compete for assets by paying considerations over and above the base case asset valuations. Optimistic views on oil prices, confidence in asset resource upside potential, lower discount rate assumptions and significant strategic incentives may be the factors in driving asset considerations upwards.

Natural gas prices remained weak in North America, where production of shale gas continued to climb and were on an average lower in continental Europe, in part due to changes in contractual pricing arrangements. Global LNG and UK spot prices increased more strongly in the face of robust consumption growth. Coal prices grew robustly in Europe, but were weak in the US and Japan. Events so far this year have kept the world's focus on energy: the tragic tsunami in Japan and unrest in the Arab world have disrupted energy flows and rising prices 'at the pump' have raised concerns about slowing the economic recovery.

During the year, ONGC Videsh screened many opportunities and participated in the bidding rounds.

### 2.1 International Industry Environment

Capital spending in the global upstream industry has fully recovered from the dark days of 2009. Development spending in 2011 has amounted to almost US$450 billion, around US$35 billion more than in 2010. The most active sectors over the next five years will be the US Gulf Coast, Russia, China, Australia and Brazil.

The biggest regional impact has been in onshore US and Canada, where the recovery that began in late–2009 has kicked on in spectacular fashion. Operators are building major new production capacity, most notably in the US Gulf Coast and Canadian oil sands. Over US$210 billion of new investment is planned in these two sectors alone, over the next four years. The higher levels of spending are the result of several factors. High oil prices have supported many major new project approvals. There is also growing confidence in the commercial performance of a wide range of unconventional oil and gas plays. By 2013, one–third of development spending around US$130 billion, could be in unconventional projects.

ExxonMobil has the highest development expenditure amongst oil and gas companies in 2011, but it will be hard–pressed in the next few years. Chevron has embarked on a major investment programme, with giant capital projects in Australia, Gulf of Mexico and the US Lower 48. Its annual development spending will increase by over US$10 billion by 2013. Petrobras has the most ambitious investment plans amongst national oil companies (NOCs) and could rival ExxonMobil and Chevron's capital spending within the next few years.

With the industry's confidence restored, the threat of cost inflation has returned. The biggest impact to date has been in Australia and Canadian oil sands, where cost increase of over 10% have affected every element of project design and construction. There are growing signs of higher costs in other prominent sectors, where demand for materials and services are particularly high. This includes most deepwater provinces and liquids–rich plays in the Lower 48. Despite the high levels of confidence in the industry, the macroeconomic environment remains highly uncertain. The outlook has soured as the Eurozone sovereign debt crisis intensified – with implications for household and business confidence. The investment plans of the upstream industry are ambitious and progressive, but they could yet be undermined by fragility in the global economy.

Recent social and political upheaval in Middle East and North Africa has drastically increased the risk profile of quite a few prolific international basins holding a substantial percentage of world's hydrocarbons. This increased geopolitical turmoil and spiraling crude prices have complicated potential capital allocation decisions of NOCs and IOCs.

M&A divesture and acquisitions, short–term and long–term strategies will be greatly challenged in this turbulent and increasingly crowded and competitive M&A space.

## 3. STRENGTH AND WEAKNESS

Your Company is the first Indian International E&P Company to produce Equity Oil and Gas outside India. Your Company has now presence in 15 countries and from 8 countries, Your company has oil and gas production from 10 projects.

A fair degree of risk mitigation has already been exercised by your Company by partnering with some of the leading international oil and gas companies like Exxon, Shell, TNK–BP, Rosneft, TOTAL, ENI, Repsol, Petrobras, PDVSA, PetroVietnam, CNPC, Sinopec, Ecopetrol, Petronas, KazMunaiGas etc. ONGC Videsh has emerged as a credible player in the international E&P market, which is evident from the fact that it has been able to register its presence in most of the oil producing provinces. Your Company aims to sustain the exploration effort through allocation of its internal resources except for high value but attractive projects.

Further, being a Public Sector Undertaking, there are some limitations for the Company, in terms of decision making process. The Company is pursuing with MoP&NG for enhancement of empowerment of its Board as the present empowerment is insufficient even for carrying out the minimum work program in an exploratory asset.

## 4. OPPORTUNITIES AND THREATS

ONGC Videsh has been participating in opportunities for acquisition through various routes like bidding rounds, direct negotiations, advised acquisitions etc. In the last few years, many countries like Libya, Nigeria, Vietnam, Syria, Yemen, Angola, Brazil, Iraq, Colombia and Venezuela have offered acreages through bidding rounds. Your Company has been pursuing an Exploration Project in Kazakhstan, which was finally signed in April 2011. Your Company expects good results out of the exploration prospects over the next couple of years. If proved successful in these ventures, the Company shall be adding reserves through drill–bit thereby reducing its overall acquisition cost of reserves considerably.

The performance of the Company hinges on oil prices on the revenue side and factor cost of raw material, equipment, services etc. on the input side. High volatility in oil price and scarcity or high input costs of factor inputs could materially affect the performance of the Company. Though most of the projects are under production sharing contracts, the entitlement and cost oil recoveries may be altered by host Governments in attempt to net the windfall profits emerging from high oil prices.


*Lan Tay 1, Vietnam*

*Panoramic view of Maiskoye oilfield in winters*

## 5. OUTLOOK

Your Company has registered presence in various oil provinces of the world and continues to look for attractive assets. It has earned a high reputation for itself and therefore multiple opportunities keep coming for its consideration. ONGC Videsh had earlier set a production target of 20 MMTPA of oil and gas from its overseas assets by 2020. In the 9th Strategy Meet of ONGC group held during November, 2011 under the Chairmanship of Secretary P&NG, it was decided that ONGC Videsh should produce equity oil and gas of 20 MTOE by FY'18 and 35 MTOE by FY'30.

ONGC has initiated an exercise in February 2012, to formulate a bottom–up Perspective Plan 2030 (PP2030) for ONGC group. The PP 2030 has been finalized and was presented to ONGC Board on 29th May 2012. As per the plan, the 1st Shaping Move of ONGC is to grow ONGC Videsh to 60 MTOE/year by 2030.

This needs to be achieved by new acquisitions to yield additional 50 MTOE/ Year by 2030 and to build positions of scale in 3–5 focus plays. With this plan in place, the two internal targets for ONGC Videsh are to (i) Increase production to 20 MTOE by FY'18 and (ii) Increase production to 60 MTOE by FY'30. As the production targets are quite steep involving a CAGR of more than 14% up to FY'18 and CAGR of 9% from FY'18 to FY'30, Your Company needs to concentrate on acquiring assets in development and production phase initially and then concentrate on high potential exploration acreages and also venture capitalist type of opportunities.

This will involve substantial fund requirement to the tune of USD 20 billion and ONGC Videsh needs to use full headroom of balance sheet of ONGC and ONGC Videsh to finance these acquisitions coupled with equity and project financing. This will also require acquiring, retention and training of manpower with specific skill sets, revamping of many internal processes and taking a relook at the way business development is to be done in future.

Key priorities for going forward of your Company include the following:

### 5.1 New Ventures:

Your Company in last few years has adopted a balanced portfolio approach by maintaining a combination of producing, discovered and exploration assets. While acquiring producing properties, enhanced emphasis is also being given to add to the company's reserves through exploratory efforts to contribute to production in future. ONGC Videsh intends to maintain this trend and focus on all the three types of assets.

*Working at South Sudan Pipeline*

### 5.2 Exploration:

Your Company has set up a state–of–the–art data center and has constituted a knowledge team to scan and identify value in the existing exploration assets, assets with discovery and in new opportunities so as to enhance the reserve base of the Company.

### 5.3 International Alliances:

The Company has also plan to forge alliances to attain a collaborative approach on value creation and knowledge sharing. The Company shall continue to engage more and more in such alliances through agreements and Joint Ventures.

### 5.4 Geographic spread:

The Company has presence in 15 countries and it has been able to enhance participation in more than one project in some countries. The Company shall endeavor to consolidate its position in the regions/countries where it is already present while making attempt to enter attractive acreages in other hydrocarbon rich countries/regions.

## 6. RISKS AND CONCERNS

The Company participates and operates in varied environments, both politically and geographically, where exploration, production and development is more challenging technologically, operationally and financially. In the projects and countries where your Company has large investments, the risks and losses due to expropriation, change in fiscal regime, additional taxes and increase in Government share or restrictions on exports of oil could materially affect the performance. However, due to prime importance of oil and gas industry in these countries, their Governments would not in their own interest like to destabilize the oil companies. Most of the international investments in the past had been in the form of joint ventures where your Company was not the operator. In the course of such investments, your Company was dependent to an extent on the operating partner, including for the success of the joint venture. The Company may sometime disagree with actions proposed to be taken by the operating partner. However, this is the format in which international E&P industry works to take care of sharing of exploration risks. Further, of late, the Company is acting as Operator in several projects.

Some of the projects are in countries where there are unresolved unrest and larger issues of governance and territorial/ethnic divisions; some also have terrorism and reactionary protests on continued basis. Though your Company has not been the target, yet in future it may face the threat from these as closely as any one operating in such hostile environments. Further, the business involves high exploration and technology risks and there are inherent HSE risks in the oil & gas business.

## 7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal audit and internal control systems to ensure that all transactions adhere to procedure and meet statutory requirements. The Company has already implemented SAP R/3 ERP system for integration of various business processes. The internal control system consists of regular operative performance evaluation and devising corrective measures thereof and comprehensive internal and external audit including audit by C&AG. During the year 2011–12, internal audit on a four tier mechanism was got carried out from M/s Deloitte Haskin and Sells, which had independently evaluated adequacy of internal control system. The audit observations are periodically reviewed by the Audit Committee and necessary directions are issued wherever required.

## 8. PHYSICAL PERFORMANCE

### 8.1 Reserve Accretion:

ONGC Videsh share of total reserves (3P) of oil and oil equivalent gas as on 1st April, 2012 was 425.941 MMTOE. As on 31st March, 2012, the Reserves–to–Production (R/P) Ratio considering proved reserves was 22.09.

### 8.2 Production:

The Crude Oil Production (including condensate) was 6.214 MMT during 2011–12 as compared to 6.756 MMT during 2010–11. Production of natural gas was 2.539 BCM during 2011–12 as compared to 2.692 BCM during 2010–11. The production had been adversely affected during the year 2011–12 mainly due to geo–political situation in Sudan, South Sudan and Syria. The detail of production during the last nine years is given below:

| Particulars | YE Mar'12 | YE Mar'11 | YE Mar'10 | YE Mar'09 | YE Mar'08 | YE Mar'07 | YE Mar'06 | YE Mar'05 | YE Mar'05 | YE Mar'04 |
|---|---|---|---|---|---|---|---|---|---|---|
| Crude Oil (MMT)* | 6.214 | 6.756 | 6.513 | 6.556 | 6.840 | 5.804 | 4.584 | 3.714 | 3.714 | 3.345 |
| Gas (BCM) | 2.539 | 2.692 | 2.357 | 2.220 | 1.962 | 2.148 | 1.755 | 1.349 | 1.349 | 0.523 |
| Total (O+OEG) (MTOE) | **8.753** | **9.448** | **8.870** | **8.776** | **8.802** | **7.952** | **6.339** | **5.063** | **5.063** | **3.868** |

** Including Condensate*

## 9. FINANCIAL PERFORMANCE

Your Company's consolidated gross revenue was up by 21%, from ₹186,711 million during 2010–11 to ₹226,374 million during 2011–12. Your Company's consolidated net profit was up by 1% from ₹26,905 million for the year 2010–11 to ₹27,212 million for the year 2011–12.

The Consolidated financial results of ONGC Videsh, including wholly owned subsidiary companies viz. ONGBV (consolidated), ONL, OAAL (consolidated), Jarpeno Limited (consolidated), Carabobo one AB (consolidated) and jointly controlled entity viz. OMEL (consolidated) for the year 2011–12 as compared to 2010–11 are as follows :

**(₹ in Million)**

| | Particulars | Audited for the Year ended | | Var. % |
|---|---|---|---|---|
| | | YE Mar, 2012 | YE Mar, 2011 | |
| **A** | **INCOME** | | | |
| i | Revenue from Operations | 223,473 | 184,111 | 21.4 |
| ii | Interest Income | 911 | 488 | 86.9 |
| iii | Other Income | 1,990 | 2,111 | (5.8) |
| | **TOTAL REVENUE (A)** | **226,374** | **186,711** | **21.2** |
| **B** | **EXPENSES** | | | |
| i | Production, Transportation, Selling and Distribution Expenditure | 101,418 | 89,160 | 13.7 |
| ii | Change in inventories of finished goods | (632) | (121) | 421.0 |
| iii | Other Expenses | 2,141 | (773) | 376.9 |
| iv | Decrease/(increase) due to overlift/underlift quantity | (414) | (283) | 46.2 |
| v | Provisions & Write–Offs | 27,929 | 3,448 | 710.0 |
| | **TOTAL EXPENSES (B)** | **130,442** | **91,431** | **42.7** |
| **C** | **Earning Before Interest, Tax, DD&A (EBITDA) (A – B)** | **95,932** | **95,280** | **0.7** |
| i | Financing Costs | 2,970 | 3,531 | (15.9) |
| ii | Depreciation, Depletion and Amortisation (DD&A) | 41,870 | 42,683 | (1.9) |
| **D** | **Profit Before Prior Period, Exceptional and Extraordinary Items and Tax** | **51,092** | **49,067** | **4.1** |
| i | Adjustments relating to Prior Period (Net) | (73) | (351) | 79.1 |
| **E** | **Profit Before Exceptional and Extraordinary Items and Tax** | **51,166** | **49,418** | **3.5** |
| i | Exceptional and Extraordinary items | 0 | 0 | – |
| **F** | **Tax expense** | | | |
| i | Current Year Tax | 27,385 | 23,688 | 15.6 |
| ii | Deferred Tax | (3,951) | 1,651 | (339.4) |
| iii | Earlier Years Tax | 193 | (3,290) | 105.9 |

| | Particulars | Audited for the Year ended | | Var. % |
|---|---|---|---|---|
| | | YE Mar, 2012 | YE Mar, 2011 | |
| | **Total Tax Expenses (F)** | **23,627** | **22,048** | **7.2** |
| **G** | **Less: Share of Profit / (Loss) – Minority Interest** | **327** | **464** | **(29.5)** |
| **H** | **Group Profit After Tax (E–F–G)** | **27,212** | **26,905** | **1.1** |

The position of major items in the Consolidated Balance Sheet as at 31 March, 12 and 31 March, 2011 is given below:

**(₹ in Million)**

| Sl. No. | Particulars | As at 31st March, 2012 | As at 31st March, 2011 | % Variation |
|---|---|---|---|---|
| **A** | **EQUITY AND LIABILITIES** | | | |
| **1** | **SHAREHOLDERS' FUNDS** | | | |
| i | Share Capital | 10,000 | 10,000 | – |
| ii | Reserves and Surplus | 189,411 | 135,530 | 39.8 |
| | **TOTAL SHAREHOLDERS' FUNDS** | **199,411** | **145,530** | **37.0** |
| **2** | **MINORITY INTEREST** | **1,003** | **682** | **47.0** |
| **3** | **NON–CURRENT LIABILITIES** | | | |
| i | Long–term borrowings | 195,161 | 204,554 | (4.6) |
| ii | Deferred tax liabilities | 10,204 | 9,555 | 6.8 |
| iii | Liability for abandonment | 27,504 | 22,861 | 20.3 |
| iv | Other Long term liabilities | 82 | – | – |
| v | Long–term provisions | 551 | 513 | 7.4 |
| | **TOTAL NON–CURRENT LIABILITIES** | **233,502** | **237,484** | **(1.7)** |
| **4** | **CURRENT LIABILITIES** | | | |
| i | Short–term borrowings | 623 | 331 | 88.1 |
| ii | Liability for abandonment | 104 | – | – |
| iii | Trade payables | 25,782 | 19,728 | 30.7 |
| iv | Other current liabilities | 45,392 | 33,365 | 36.0 |
| v | Short–term provisions | 189 | 16 | 1,087.1 |
| | **TOTAL CURRENT LIABILITIES** | **72,091** | **53,440** | **34.9** |
| | **TOTAL EQUITY AND LIABILITIES** | **506,007** | **437,135** | **15.8** |
| **B** | **ASSETS** | | | |
| **1** | **NON–CURRENT ASSETS** | | | |
| i | Fixed Assets | | | |
| a | Tangible assets | 35,590 | 42,304 | (15.9) |
| b | Intangible assets | 126 | 37 | 243.3 |
| c | Producing properties | 144,236 | 136,140 | 5.9 |
| d | Development & exploratory wells in progress | 30,740 | 24,907 | 23.4 |
| e | Capital work in progress | 76,256 | 40,018 | 90.6 |
| ii | Goodwill | 75,045 | 86,998 | (13.7) |
| iii | Non–Current Investment | 2,927 | 107 | 2,625.0 |
| iv | Deferred Tax Assets | 5,221 | 1,202 | 334.3 |
| v | Long Term Loans and Advances | 917 | 281 | 226.8 |

| Sl. No. | Particulars | As at 31st March, 2012 | As at 31st March, 2011 | % Variation |
|---|---|---|---|---|
| vi | Other Non–Current Assets | 17,348 | 2,655 | 553.3 |
| | **TOTAL NON CURRENT ASSETS** | **388,407** | **334,649** | **16.1** |
| **2** | **CURRENT ASSETS** | | | |
| i | Inventories | 5,733 | 4,699 | 22.0 |
| ii | Trade receivables | 29,615 | 40,044 | (26.0) |
| iii | Cash & Bank balances | 51,528 | 36,998 | 39.3 |
| iv | Short term loans & advances | 8,227 | 4,485 | 83.4 |
| v | Other current assets | 22,497 | 16,260 | 38.4 |
| | **TOTAL CURRENT ASSETS** | **117,600** | **102,486** | **14.7** |
| | **TOTAL ASSETS** | **506,007** | **437,135** | **15.8** |

## 10. HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company follows the HR policies of its parent company ONGC. However, being international operator, the Company provides necessary training and conducts development programmes to imbibe the necessary skills required to operate in the international environment. Further, the Company deputes its personnel along with other international experts, in joint venture projects with major oil and gas companies which enable them to upgrade their skills in terms of new technologies, working in international environment etc. The Company has been operating mainly with manpower provided by the parent company. The total manpower of the Company was 246 as on 31st March, 2012 as compared to 233 as on 31st March, 2011. As on 31st March, 2012, 83 executives stood posted to various overseas projects/offices.

## 11. ENVIRONMENT

As per HSE policy of the Company, it is committed to maintain the highest standards of Occupational Health, Safety and Environment protection and ensures compliance with all applicable Statutory, Regulatory requirements. In the projects operated by Company, it's endeavor is to achieve Operational Excellence through HSE governance and continual improvement with business policies compatible to socio–economic needs of local communities.

In the projects operated by other global E&P operators where your Company is a partner, it is ensured that operating company maintains the highest standards of Occupational Health, Safety and Environment protection and ensures compliance with all applicable Statutory, Regulatory requirements.

## 12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company, being operating overseas, understands its responsibility to contribute to the communities and economies of the countries in which it operates. The Company is committed to create a positive and lasting social impact by developing successful partnerships built on mutual trust and respect, ultimately raising the standard of living and the stability of the communities of the countries in which the Company operates. The Company makes valuable contribution in many ways such as through payment of tax revenues to governments; by investing in education and training and improving employment opportunities for nationals; providing medical/sports/agricultural facilities to the local community etc. Keeping in view the CSR guidelines issued by DPE, ONGC Videsh has framed CSR Policy for achieving the CSR objectives in all its overseas Projects / Assets. Budget of 0.5% of previous year's Profit After Tax (PAT) or target as per MOU with ONGC, whichever is higher has been allocated towards CSR every year from financial year 2011–12 onwards. This budget allocation is non–lapsable. The Company spent `239 million on CSR activities during 2011–12.

## 13. RIGHT TO INFORMATION ACT, 2005 (RTI ACT)

Further, with the objective to ensure access by any citizen to information under the control of the Company and in order to bring in transparency and accountability, an appropriate mechanism has been set up at registered office of the Company in New Delhi in line with the requirements of RTI Act. The status of RTI requests during the year 2011–12 are as follows:



| Details | Received during the Year (including cases transferred to other Public Authority) | No. of cases transferred to other Public Authorities | Decisions where request / appeals rejected | Decisions where requests / appeals accepted |
|---|---|---|---|---|
| Requests | 27 | 5 | 4 | 18 |
| First appeals | 2 | 0 | 2 (Partly rejected) | 2 (Partly accepted) |

## 14. CAUTIONARY STATEMENT

Statements in this management discussion and analysis may be 'forward looking' within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.


*Health Mobile Unit purchased for rural communities*

ONGC Videsh Limited continues to make efforts towards achieving highest standards of corporate governance and responsible management practices. The details of compliance of Guidelines on Corporate Governance by the Company are provided in the following sections.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's vision is to be a world–class exploration and production company providing energy security oil to the nation. Its philosophy on Corporate Governance is to conduct business in an efficient, transparent, ethical and responsible manner. The Company believes that good corporate governance goes beyond legal compliances and therefore embedded in the system all across.

## 2. BOARD OF DIRECTORS

### 2.1 Composition of the Board:

The Company is managed by the Board of Directors, which formulates strategies & policies and reviews its performance periodically. As per Articles of Association (AOA) of the Company, the number of Directors shall not be less than three and more than fifteen. As per AOA, Oil and Natural Gas Corporation Limited (ONGC), the parent company, appoints the Chairman and all part time Directors and the President of India appoints all whole–time Directors, including Managing Director on the Board of the Company. Presently, the Board of your Company comprises four Functional Directors (including the Managing Director) and seven Non–executive Directors (one Non–Executive Chairman, two part–time official nominee Directors and four independent Directors).

The Chairman & Managing Director of ONGC is also the Chairman of the Company. The Managing Director who is the Chief Executive Officer of the Company and three whole–time Directors i.e. Director (Finance), Director (Operations) and Director (Exploration) manage the business of the Company under the overall supervision, control and guidance of the Board.

In accordance with letter No. C–31012/4/2010–CA (Pt.) dated 16th September, 2011 from Ministry of Petroleum & Natural Gas (MoP&NG), ONGC appointed Mr. Arun Ramanathan, former Finance Secretary, Government of India and an independent Director on the Board of ONGC, as an Independent Director on the Board of the Company. Similarly, in accordance with letter No. 31024/3/2008–CA dated 5th June, 2012 from MoP&NG, ONGC appointed Mr. Shyam Saran, former Foreign Secretary, Government of India, Mr. Sanjay Govind Dhande, Director, IIT, Kanpur and Mr. Shyamal Roy, Chairperson, Executive Foundation, IIM, Bangalore as Independent Directors on the Board of the Company.


*ONGC Videsh Limited's presence in Brazil*

In addition, Joint Secretary (International Cooperation), MoP&NG, Government of India and Joint Secretary, Department of Economic Affairs, Ministry of Finance (MoF) are part–time Directors on the Board of the Company.

To get benefits of broader domain expertise, Joint Secretary (Exploration), MoP&NG and all functional Directors on the Board of ONGC are permanent invitees to the Board meetings.

Present composition of the Board of Directors of the Company is as follows:

| | |
|---|---|
| **Non–Executive Chairman:** | |
| Mr. Sudhir Vasudeva | Chairman w.e.f. 4.10.2011 |
| **Whole–time Directors:** | |
| Mr. D. K. Sarraf | Managing Director w.e.f. 16.09.2011 |
| Mr. S.P. Garg | Director (Finance) |
| Mr. N.K. Verma | Director (Exploration) w.e.f. 01.01.2012 |
| Mr. S. Bhattacharya | Director (Operations) w.e.f. 01.07.2012 |
| **Part–time Official Nominee Directors:** | |
| Mr. Vivek Kumar, Joint Secretary (IC), MoP&NG | Director |
| Mr. R.K. Khullar, Joint Secretary, DEA, MoF | Director |
| **Part–time Non–Official Directors:** | |
| Mr. Arun Ramanathan | Independent Director w.e.f. 22.09.2011 |
| Mr. Shyam Saran | Independent Director w.e.f. 05.06.2012 |
| Prof. Sanjay Govind Dhande | Independent Director w.e.f. 05.06.2012 |
| Prof. Shyamal Roy | Independent Director w.e.f. 05.06.2012 |
| **Permanent Invitees:** | |
| Mr. A.K. Hazarika, Director (Onshore), ONGC | Director upto 24.10.2011 and Chairman upto 03.10.2011 |
| Mr. U.N. Bose, Director (T&FS), ONGC | Director upto 24.10.2011 |
| Mr. S.V. Rao, Director (Exploration), ONGC | Director upto 24.10.2011 |
| Mr. K.S. Jamestin, Director (HR), ONGC | Director upto 24.10.2011 |
| Mr. A.K. Banerjee, Director (Finance), ONGC | |
| Mr. A. Giridhar, Joint Secretary (Exploration), MoP&NG | |

### 2.2 Scheduling and selection of Agenda items for Board/ Committee Meetings:

The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board/ Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance in the defined agenda format amongst the members/ invitees to facilitate meaningful, informed and focused decisions at the meetings. To address specific urgent need, sometimes meetings are being called at a shorter notice. In case of exigencies, resolutions are also sometimes passed by circulation, which are put up for confirmation in the next meeting of the Board/ Committee.

Where it is not practicable to circulate any document or the agenda, being of confidential nature, the same is tabled with the approval of Managing Director. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted with the permission of the Chairman. Sensitive subject matters are sometimes discussed at the meeting without written material being circulated. The meetings of the Board/ Committee are generally held at New Delhi. Directors may also participate in the meetings through electronic mode in case they are not able to be present in person for the meeting.

The agenda papers are prepared by the concerned officials, sponsored by the concerned functional Directors and concurred by Director (Finance), wherever necessary and are approved by the Managing Director. Duly approved agenda papers are circulated amongst the Board members/ Invitees by the Company Secretary.

Presentations are made to the Board/ Committee covering Exploration, Production, Operations, Financial, Human Resources, Risk assessment, Marketing and operations of Joint Ventures/ Subsidiaries of the Company etc. at the pre–scheduled Board/ Committee meetings.

The members of the Board/ Committee have complete access to all information of the Company. The Board is also free to recommend inclusion of any matter in agenda for discussion. Senior management officials are called to provide additional inputs on the items being discussed by the Board/ Committee, as and when required.

### 2.3 Recording minutes of proceedings at the Board/ Committee Meeting:

Minutes of the proceedings of each Board/ Committee meeting are recorded. Draft minutes are approved by the Chairman of the Board/ Audit Committee. These minutes are confirmed/ noted in the next meeting of the Board/ Audit Committee. The approved Minutes of the proceedings of the meetings are entered in the Minutes Book.

### 2.4 Follow–up mechanism:

The guidelines for the Board/ Committee meetings facilitate an effective post–meeting follow–up, review and reporting process for the action taken on decisions of the Board and Committee. The follow–up Action Taken Report (ATR) on the decisions/ instructions/ directions of the Board/ Committee is submitted to the Board/ Committee regularly.

### 2.5 Board Meetings:

Eight Board Meetings were held during the financial year 2011–12 on the following dates:

| | | | |
|---|---|---|---|
| 20th May, 2011 | 27th July, 2011 | 12th August, 2011 | 16th September, 2011 |
| 7th October, 2011 | 14th November, 2011 | 11th January, 2012 | 22nd February, 2012 |

The minimum and maximum interval between any two Board meetings was 15 days and 67 days respectively.

### 2.6 Board Attendance:

The details of attendance, directorship held in other companies etc. during the financial year 2011–12 are as under:

*Republic Day Celebration in Tehran*

| Name of the Directors | No. of Board Meetings held during the Tenure | No. of Board Meetings attended | Attendance at the last AGM (12–Aug–2011) | Details of Directorships held in other Companies* | Membership held in Committees, including ONGC Videsh** |
|---|---|---|---|---|---|
| Mr. D. K. Sarraf | 8 | 8 | Yes | – | – |
| Mr. Joeman Thomas | 6 | 5 | No | – | – |
| Mr. S.P. Garg | 8 | 7 | Yes | – | – |
| Mr. S. Roychaudhury | 8 | 8 | Yes | – | – |
| Mr. N.K. Verma | 2 | 2 | NA | – | – |
| Mr. Sudhir Vasudeva | 8 | 8 | Yes | 8 | – |
| Mr. Vivek Kumar | 8 | 6 | No | 1 | 1 |
| Mr. R.K. Khullar | 8 | 2 | No | 3 | 1 |
| Mr. Arun Ramanathan | 4 | 4 | NA | 5 | 6 |
| Mr. A.K. Hazarika | 5 | 4 | Yes | 3 | – |
| Mr. U.N. Bose | 5 | 3 | Yes | 1 | 1 |
| Mr. S.V. Rao | 5 | 4 | No | – | – |
| Mr. K.S. Jamestin | 4 | 3 | Yes | 5 | 1 |

** The other directorships do not include directorships of Companies registered under Section 25 of the Companies Act, 1956, Foreign Companies and Private Limited Companies.*
*** Membership of the Audit Committees and Shareholders'/ Investors' Grievance Committees only of all Public Limited Companies have been considered.*

**Notes:**

(i) Directors are not related to each other;

(ii) Directors do not have any pecuniary relationships or transactions with the Company;

(iii) The Directorships/ Committee memberships are based on the latest disclosure received from Directors;

(iv) None of the Director is a Member of more than 10 Committees or Chairman of more than 5 Committees, across all the companies in which he is a Director.

### 2.7 Resume of Directors proposed to be appointed/ re–appointed:

The brief resume of Directors including nature of their experience in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of Board/ Committee, who have been appointed after the date of the last report or are retiring by rotation and seeking re–appointment are as below:

*Signing of MOU with Government of South Sudan*

## 2.7.1 Directors to be appointed:

| Name | Mr. D.K. Sarraf | Mr. N.K. Verma | Mr. Shyamal Bhattacharya |
|---|---|---|---|
| Date of Birth & Age | September 3, 1957;<br>54 Years | January 2, 1959;<br>53 Years | October 18, 1954<br>57 Years |
| Date of Appointment | September 16, 2011 (Appointed as Managing Director) | January 1, 2012 | July 1, 2012 |
| Qualification | – B.Com (Hons.)<br>– M.Com<br>– AICWA<br>– ACS | – M.Sc. (Geology) Special<br>– M.Tech (Petroleum Exploration), Gold Medalist<br>– MBA (Finance) | – B.Tech (Petroleum) |
| No. of Shares held | 1 (as Nominee of ONGC) | Nil | Nil |
| Experience in specific Functional Areas | Mr. D. K. Sarraf carries a very rich and varied experience of three decades in oil industry. In the past, he held the position of Director (Finance), ONGC and ONGC Videsh Limited. | Mr. N.K. Verma has to his credit experience of more than 30 years in various facets of petroleum exploration and development with ONGC. | Mr. Shyamal Bhattacharya has rich experience of more than three decades in various fields majority being in reservoir studies. During his stint as Executive Director of ONGC Videsh, he was looking after all aspects of overseas operations of development and producing assets. |
| Directorship held in other Companies* | Nil | Nil | Nil |
| Membership/ Chairmanship of Committees, including ONGC Videsh** | Nil | Nil | Nil |

| Name | Mr. Arun Ramanathan | Mr. Shyam Saran | Prof. Sanjay G Dhande | Prof. Shyamal Roy |
|---|---|---|---|---|
| Date of Birth & Age | April 25, 1949<br>63 years | September 4, 1946<br>65 Years | February 14, 1948<br>64 Years | August 25, 1946<br>65 Years |
| Date of Appointment | September 22, 2011 | June 5, 2012 | June 5, 2012 | June 5, 2012 |
| Qualification | – IAS (Retd.)<br>–PG in Nuclear Physics<br>–PG in Business Administration and Development Economics<br>–AICWA | – IFS (Retd.)<br>– Post Graduate degree in Economics | – B.E. (Mech.)<br>– Ph. D. (Mech.) | – M. A.<br>– Ph. D. |
| No. of Shares held | Nil | Nil | Nil | Nil |
| Experience in specific Functional Areas1 | Mr. Arun Ramanathan joined the IAS in July 1973 and held several assignments in various ministries of Govt. of India (GOI), such as Secretary (Chemicals & Petrochemicals), Secretary (Financial Services) and finally the Union Finance Secretary. | Mr. Shyam Saran belongs to the 1970 batch of the Indian Foreign Service (IFS). After career spanning 34 years in the IFS, he was appointed India's Foreign Secretary in 2004 and held that position till September, 2006. He was awarded the Padma Bhushan for contribution to Civil Service. | Mr. Sanjay Govind Dhande, a brilliant academician of high caliber is presently working as the Director of IIT, Kanpur. He served as a part–time member of Telecom Regulatory Authority of India. He is also credited with his pioneering work in the fields of Rapid Prototyping, Rapid Tooling and Reverse Engineering. | Mr. Shyamal Roy is presently Chairperson, Executive Education IIM, Bangalore. He was earlier Professor, Economics and Social Science Area, IIM, Bangalore. He has been an Economist/ consultant of International Bank for Reconstruction and Development, (World Bank) and also worked as an Advisor, Policy Analysis Division, Food & Agriculture Organisation of UN, Rome, Italy. |
| Directorship held in other Companies* | 1. JCT Electronics Limited<br>2. National Textile Corporation Limited<br>3. Shipping Corporation of India Limited<br>4. Indian Clearing Corporation Limited<br>5. Oil and Natural Gas Corporation Limited | 1. Wipro Limited<br>2. Indian Oil Corporation Limited | Neyveli Lignite Corporation Limited | Nil |
| Membership/ Chairmanship of Committees, including ONGC Videsh Limited** | Member–Audit Committee<br>1. JCT Electronics Limited<br>2. National Textile Corporation Limited<br>3. Shipping Corporation of India Limited (Chairman)<br>4. Indian Clearing Corporation Limited<br>5. Oil and Natural Gas Corporation Limited<br>6. ONGC Videsh Limited (Chairman)<br>Member – Shareholders' / Investors' Grievance Committee<br>1. Shipping Corporation of India (Chairman)<br>2. Oil and Natural Gas Corporation Limited | Nil | Nil | Nil |

## 2.7.2 Directors to be reappointed:

| Name | Mr. S.P. Garg | Mr. Rajesh Kumar Khullar |
|---|---|---|
| Date of Birth & Age | August 15, 1956; 55 years | August 31, 1963; 48 Years |
| Date of Appointment | September 8, 2008 | March 11, 2011 |
| Qualification | – B.Com (Hons.)<br>– FCA<br>– FCS<br>– AICWA | – IAS<br>– M.Sc in Physics |
| No. of Shares held | 1 (as Nominee of ONGC) | Nil |
| Experience in specific Functional Areas | Mr. S.P. Garg carries a very rich and varied experience in the field of Finance including Corporate Accounts, Project Management, Taxation, Internal Audit etc. He previously held the position of GM (Finance) and Company Secretary, ONGC. | Mr. Rajesh Kumar Khullar is an IAS officer of 1988 batch and currently holding the position of Joint Secretary in the Department of Economic Affairs, Ministry of Finance. He previously served on various positions in the Government such as Director, Public Relations Department, Haryana, Managing Director, Haryana Tourism Corporation, Commissioner, Municipal Corporation, Faridabad etc. |

| Name | Mr. S.P. Garg | Mr. Rajesh Kumar Khullar |
|---|---|---|
| Directorship held in other Companies* | Nil | 1. Indian Railway Finance Corporation Ltd.<br>2. Union Bank of India<br>3. Indian Infrastructure Finance Co. Ltd. |
| Membership/ Chairmanship of Committees including ONGC Videsh Limited** | Nil | Member, Audit Committee – ONGC Videsh Limited |

** The other directorships do not include directorships of Companies registered under Section 25 of the Companies Act, 1956, Foreign Companies and Private Limited Companies.*
*** Membership/ Chairmanship of the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public limited companies only have been considered.*

## 3. AUDIT COMMITTEE

### 3.1 Composition of the Audit Committee:

The composition of the Audit Committee during the year 2011–12 was as follows:

- Mr. Arun Ramanathan – Member (w.e.f. 26th September, 2011) and Chairman (w.e.f. 14th November, 2011);
- Mr. Vivek Kumar – Member (Chairman up to 13th November, 2011);
- Mr. U.N. Bose – Member upto 24th October, 2011;
- Mr. D. K. Sarraf – Member upto 15th September, 2011
- Mr. Sudhir Vasudeva – Member upto 3rd October, 2011;
- Mr. S.V. Rao – Member w.e.f. 4th October, 2011 till 24th October, 2011;
- Mr. R. K. Khullar – Member w.e.f. 31st October, 2011

The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines on Corporate Governance issued by the Department of Public Enterprises. Mr. Arun Ramanathan, Independent Director, was appointed as Chairman of the Committee w.e.f. 14th Nov. 2011. Mr. Arun Ramanathan joined the IAS in July 1973 and held several assignments in various ministries of Govt. of India (GOI). In the GOI, he was Secretary (Chemicals & Petrochemicals), Secretary (Financial Services) and finally the Union Finance Secretary. Mr. Arun Ramanathan was the Finance Secretary at the time of the global financial crisis and was nominated by the Prime Minister to Chair the Group of Secretaries to recommend measures needed to counter the meltdown in the financial and industrial sectors. Mr. Vivek Kumar, Chairman of the Committee (upto 13th November, 2011) and Government nominee Director is an IAS officer and MA (International Relations). He is currently holding the position of Joint Secretary (International Cooperation) in MoP&NG and has served on various positions in the Government.

All members of the Committee have requisite financial and management experience. All Functional Directors of ONGC Videsh, Director (Finance), ONGC and Internal Auditors are the permanent invitees to Committee's meetings. Representatives of Statutory Auditors are invited to attend and participate in the meetings. Executives of Finance and other departments are invited on need basis. Company Secretary acts as the Secretary to the Committee.

### 3.2 Role of the Audit Committee:

The role of the Audit Committee includes the following:

**3.2.1** Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

**3.2.2** Recommending the fixation of audit fees to the Board.

**3.2.3** Approval of payment to statutory auditors for any other services rendered by the statutory auditors.



*Tree Plantation on world environment day, Tehran*

**3.2.4** Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

a. Matters required to be included in the Directors' Responsibility Statement and in the Director's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

b. Changes, if any, in accounting policies and practices and reasons for the same.

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with legal requirements relating to financial statements;

f. Disclosure of any related party transactions; and

g. Qualifications in the draft audit report, if any.

**3.2.5** Reviewing, with the management, the quarterly/ half yearly financial statements as may be required before submission to the Board for approval.

**3.2.6** Reviewing, with the management, performance of internal auditors and adequacy of the internal control systems.

**3.2.7** Reviewing the adequacy of internal audit function, it any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

**3.2.8** Discussion with internal auditors and/ or auditors any significant findings and follow up there on.

**3.2.9** Reviewing the findings of any internal investigations by the internal auditors/ auditors/ agencies into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

**3.2.10** Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post–audit discussion to ascertain any area of concern.

**3.2.11** To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors, if any.


*Presentation on Far East economic forum, Sakhalin*

*Tanker Loading DeKastro*

**3.2.12** To review the functioning of the Whistle Blower Mechanism.

**3.2.13** To review the follow up action on the audit observations of the C&AG audit, if any.

**3.2.14** Review/ check the contracts on nomination basis as per CVC guidelines.

**3.2.15** To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.

**3.2.16** Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors.

**3.2.17** Review and pre–approve all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre–approving related party transactions.

**3.2.18** Review with the independent auditor the co–ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.

**3.2.19** Consider and review the following with the independent auditor and the management:

–The adequacy of internal controls including computerized information system controls and security, and

–Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

**3.2.20** Consider and review the following with the management, internal auditor and the independent auditor:

–Significant findings during the year, including the status of previous audit recommendations.

–Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information,

### 3.3 Minutes of the Audit Committee:

Minutes of the meetings of the Audit Committee are approved by the Chairman of the Committee and are noted by the Board of Directors in the subsequent meeting.

### 3.4 Meetings:

Six meetings of the Audit Committee were held during the financial year on the following dates:

| | | |
|---|---|---|
| 20th May, 2011 | 27th July, 2011 | 12th August, 2011 |
| 14th November, 2011 | 11th January, 2012 | 22nd February, 2012 |

### 3.5 Attendance:

| Members | Meetings held during the tenure | Meetings attended |
|---|---|---|
| Mr. Vivek Kumar | 6 | 4 |
| Mr. Arun Ramanathan | 3 | 3 |
| Mr. U. N. Bose | 3 | 3 |
| Mr. D. K. Sarraf | 3 | 3 |
| Mr. Sudhir Vasudeva | 3 | 3 |
| Mr. R. K. Khullar | 3 | 1 |
| Mr. S.V. Rao | 0 | 0 |

In view of induction of three more Independent Directors on the Board of your Company with effect from 5th June, 2012, your Company has reconstituted the Audit Committee with three Independent Directors as members and constituted the following new committees of the Board as this would strengthen the deliberations and functioning of the Board:

1. Human Resource Management and Remuneration Committee
2. Project Appraisal, HSE and Risk Management Committee
3. Financial Management Committee

## 4. EQUITY SHARES HELD BY DIRECTORS (AS ON 31ST MARCH, 2012)

Mr. Sudhir Vasudeva, Mr. D.K. Sarraf and Mr. S.P. Garg hold one share each of the Company as nominee of Oil and Natural Gas Corporation Limited.

## 5. CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT

The Company is committed to conduct its business in accordance with the highest standards of business ethics and comply with applicable laws, rules and regulations. A code of conduct, evolved in line with the parent Company ONGC was adopted by the Board which is applicable to all Members of the Board and Senior Management who have confirmed compliance with the Code of Conduct for the year under review. A copy of the Code is available on the Company's website www.ongcvidesh.com.

A declaration signed by Chairman is given below:

"I hereby confirm that:

The Company has obtained from the Members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management during the financial year 2011–12."

*(Sudhir Vasudeva)*
*(Chairman)*

## 6. SUBSIDIARY MONITORING FRAMEWORK

All subsidiaries of the Company, except one subsidiary in Brazil, are managed by their respective Boards having the duties to manage such companies in the best interest of their stakeholders. Brazilian company is managed through administrators as permitted under the local laws. Being 100% shareholder, the Company nominates its representatives on the Boards of subsidiaries and monitors the performance of its subsidiaries periodically.

ONGC Videsh had twenty nine subsidiaries (comprising five direct subsidiaries and twenty four indirect subsidiaries) as on 31st March 2012. Details of Subsidiaries are as under:



| Sl No. | Name of the Subsidiary | Date of Incorporation/ Acquisition | Country in which Incorporated |
|---|---|---|---|
| **Direct Subsidiaries:** | | | |
| 1 | ONGC Nile Ganga B.V. | 12.03.2003 | Netherlands |
| 2 | ONGC Narmada Limited | 07.12.2005 | Nigeria |
| 3 | ONGC Amazon Alaknanda Limited | 08.08.2006 | Bermuda |
| 4 | Jarpeno Limited | 12.08.2008 | Cyprus |
| 5 | Carabobo One AB | 25.02.2010 | Sweden |
| **Indirect Subsidiaries:** | | | |
| 1 | ONGC Campos Ltda. | 16.03.2007 | Brazil |
| 2 | ONGC Nile Ganga (Cyprus) Ltd. | 26.11.2007 | Cyprus |
| 3 | ONGC Nile Ganga (San Cristobal) B.V. | 29.02.2008 | Netherlands |
| 4 | ONGC Satpayev E&P B.V | 07.06.2010 | Netherlands |
| 5 | ONGC Caspian E&P B.V | 07.06.2010 | Netherlands |
| 6 | Biancus Holdings Limited | 13.01.2009 | Cyprus |
| 7 | Imperial Energy Tomsk Limited | 13.01.2009 | Cyprus |
| 8 | Imperial Energy (Cyprus) Limited | 13.01.2009 | Cyprus |
| 9 | Imperial Energy Nord Limited | 13.01.2009 | Cyprus |
| 10 | Imperial Energy Gas Limited | 13.01.2009 | Cyprus |
| 11 | Nefsilius Holdings Limited | 13.01.2009 | Cyprus |
| 12 | RK Imperial Energy Kostanai Limited | 13.01.2009 | Cyprus |
| 13 | Imperial Frac Services ( Cyprus) Limited | 13.01.2009 | Cyprus |
| 14 | Freshspring Investments Limited | 13.01.2009 | Cyprus |
| 15 | Redcliffe Holdings Limited | 13.01.2009 | Cyprus |
| 16 | San Agio Investments Limited | 13.01.2009 | Cyprus |
| 17 | LLC Sibinterneft | 13.01.2009 | Russian Federation |
| 18 | LLC Allianceneftegaz | 13.01.2009 | Russian Federation |
| 19 | LLC Nord Imperial | 13.01.2009 | Russian Federation |
| 20 | LLC Imperial Energy Tomsk Gas | 13.01.2009 | Russian Federation |
| 21 | LLC Stratum | 13.01.2009 | Russian Federation |
| 22 | LLC Imperial Trans Service | 13.01.2009 | Russian Federation |
| 23 | LLC Rus Imperial Group | 13.01.2009 | Russian Federation |
| 24 | Petro Carabobo Ganga B.V | 26.02.2010 | Netherlands |

## 7. ANNUAL GENERAL MEETINGS (AGMs)

Location, date and time, where the AGMs were held during the preceding three years:

| Year | Location | Date | Time (IST) |
|---|---|---|---|
| 2008–09 | 4th Floor, Kailash Building, 26, Kasturba Gandhi Marg, New Delhi – 110 001. | 16th September, 2009 | 12.00 Noon |
| 2009–10 | 4th Floor, Kailash Building, 26, Kasturba Gandhi Marg, New Delhi – 110 001. | 15th September, 2010 | 10.00 AM |
| 2010–11 | 4th Floor, Kailash Building, 26, Kasturba Gandhi Marg, New Delhi – 110 001. | 12th August, 2011 | 11:00 AM |

### Special Resolutions passed during last 3 AGMs

No Special Resolution was passed during the last three AGMs of the Company.

## 8. DISCLOSURES

### 8.1 Material Contracts/ Related Party Transactions:

The Company has not entered into any material financial or commercial transactions with the Directors or the Senior Management personnel or their relatives or the companies and firms, etc. in which they are, either directly or through their relatives, interested as Directors and/ or Partners except with certain PSUs, where the Directors are Directors without the required threshold of shareholdings. The Company has obtained declarations from all concerned in this regard, which were noted by the Board.

Transactions with related parties are disclosed in Note No. 54 to the Stand–alone Accounts of the Company in the Annual Report. Being a State enterprise, no disclosure has been made in respect of the transactions with state enterprises including subsidiary companies in line with Accounting Standard (AS) 18 on Related Party Disclosures.

8.2 The Company has not incurred any expenditure during the year 2011–12, which was not for the purpose of the business of the Company or which was personal in nature and incurred for the members of the Board of Directors and Senior Management personnel.

### 8.3 DIRECTORS' REMUNERATION

ONGC Videsh Limited being a Government Company, appointment and terms and conditions of remuneration of Executive Directors (whole–time functional) are determined by the Government through administrative ministry, the MoP&NG. Non–executive part–time official Director do not draw any remuneration. The part–time non–official Director received sitting fees of ₹20,000 for each Board meeting and Board Committee meeting attended during the year 2011–12.

Remuneration of Directors for the year ended 31st March, 2012 was as follows:


*AK fields temporary production facility, Syria*

### a. Executive Directors

(₹ in Million)

| Sl No. | Names | Salary Including DA | Other benefits & perks | Performance Incentives | Contribution to PF & other Funds | Grand Total |
|---|---|---|---|---|---|---|
| 1 | Mr. D.K. Sarraf | 1.03 | (0.01) | 1.16 | 0.09 | 2.27 |
| 2 | Mr. S.P. Garg | 1.75 | 0.07 | 0.96 | 0.16 | 2.94 |
| 3 | Mr. S. Roychaudhury | 1.80 | 0.97 | 0.91 | 0.16 | 3.84 |
| 4 | Mr. N.K. Verma | 0.41 | 0.35 | – | 0.04 | 0.80 |
| 5 | Mr. Joeman Thomas | 5.20 | 0.59 | 0.93 | 0.12 | 6.84 |

### b. Non–Executive Directors (Part–time non–official)

The details of sitting fees paid to Non–Executive non–official Director during the year 2011–12 are as follows:

| Name | Sitting fees (₹ in Million) |
|---|---|
| Mr. Arun Ramanathan | 0.16 |

8.4 Details of administrative and office expenses as a percentage of total expenses and reasons for increase:

| Particulars | 2011–12 | 2010–11 | Reasons for variation |
|---|---|---|---|
| Total expenses * | 16,050.36 | 13,035.76 | Though the increase in administrative and office expenses in absolute terms is marginal, in percentage terms, the administrative and office expenses has reduced due to increase in total expenses mainly due to increase in royalty. |
| Administrative and office expenses | 1,272.83 | 1,250.28 | |
| Administrative and office expenses as a percentage of total expenses | 8% | 9.6% | |

**Includes Production, Transportation, Selling & Distribution Expenditure but excludes Provisions & Write Off (Net).*

## 9. COMPLIANCES

The Company has complied with applicable rules and the requirement of regulatory authorities and no penalties or strictures were imposed on the Company on any matter related to any guidelines issued by Government during last three years. All statutory filings were within stipulated time with various authorities. No Presidential Directives have been issued during 2011–12.

## 10. MEANS OF COMMUNICATION

- **Half–Yearly Results:** Pursuant to listing of the debt securities in the National Stock Exchange of India Ltd., the Company intimated half–yearly financial results/ audited annual financial results during 2011–12 to the Stock Exchange immediately after being taken on record and approved by the Board. These financial results were published in the leading English and Hindi dailies having wide circulation. The results were also sent to Debenture Trustee M/s IDBI Trusteeship Services Limited and displayed on the website of the Company www.ongcvidesh.com.
- **News Release, Presentation etc.:** The official news releases are displayed on the Company's website www.ongcvidesh.com.
- **Website:** The Company's website is www.ongcvidesh.com. Annual Report and Audited financial statements are also available on the web–site.
- **Annual Report:** Annual Report containing inter–alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report and Corporate Governance Report form part of the Directors' Report in the Annual Report.
- **Compliance Officer:** The Company has designated Mr. V. Sreedher, Company Secretary as Compliance Officer for servicing of debenture investors. The email id complianceofficerncd@ongcvidesh.in has been created exclusively for addressing the queries of debenture investors:

*Orlan Platform*

## 11. ANNUAL GENERAL MEETING

Date : 17th August, 2012

Time : 5.00 PM

Venue : 4th Floor, Kailash Building, 26, K.G. Marg, New Delhi – 110001

## 12. SHARE OWNERSHIP PATTERN AS ON 31ST MARCH, 2012

| Category | No. of shares held of ₹100 each | Percentage of shareholding |
|---|---|---|
| Oil and Natural Gas Corporation Limited and its nominees | 100,000,000 | 100% |

## 13. MAJOR PROJECTS:

The list of projects of ONGC Videsh, including held through subsidiaries/ Joint Venture companies, presently is as below:

1. Block 06.1, Vietnam
2. Block 8, Iraq
3. Sakhalin–1, Russia
4. Block A–1, Myanmar
5. Block A–3, Myanmar
6. Farsi Offshore Block, Iran
7. Area 43, Libya
8. GNPOC Blocks 1, 2 & 4, Sudan
9. Pipeline Project, Sudan

*Yastreb rig in Odoptu process facilities*

10. Block 5A, South Sudan
11. GPOC Blocks 1, 2 & 4, South Sudan
12. Block XXIV, Syria
13. Al Furat Project (4 PSAs), Syria
14. Block BC–10, Brazil
15. Block BM–S–74, Brazil
16. Blocks 25, 26, 27, 28, 29 & 36, Cuba
17. Block 128, Vietnam
18. Blocks 34 & 35, Cuba
19. Mansarovar Energy Project, Colombia
20. Block RC–8, Colombia
21. Block RC–9, Colombia
22. Block RC–10, Colombia
23. Block CPO–5, Colombia
24. Block SSJN–7, Colombia
25. OPL – 285, Nigeria
26. Block BM–SEAL–4, Brazil
27. Block BM–BAR–1, Brazil
28. San Cristobal Project, Venezuela
29. Carabobo–1 Project, Venezuela
30. Imperial Energy (7 blocks), Russia
31. Satpayev Project, Kazakhstan

## 14. RISK MANAGEMENT

The framework for risk assessment and minimization thereto has been implemented in the Company.

## 15. CEO/CFO CERTIFICATION

In terms of Department of Public Enterprises Guidelines on Corporate Governance, the certification by the CEO/ CFO on the financial statements and internal controls relating to financial reporting for the financial year 2011–12 was submitted for review to the Audit Committee/ Board of Directors on 21st May, 2012.

*Main Office Building & Living quarter, Chyvo Onshore process facilities*

## 16. SECRETARIAL AUDIT REPORT

Secretarial Audit Report confirming compliance to the applicable provisions of the Companies Act, Debt Listing Agreement, SEBI guidelines etc. and Certificate on compliance of guidelines on Corporate Governance issued by DPE has been obtained M/s A. N. Kukreja & Co., practicing Company Secretaries for the financial year ended 31st March, 2012 which was noted by the Board and forms part of the Directors' Report.

## 17. AUDIT QUALIFICATION

The Company is in the regime of unqualified financial statements.

## 18. TRAINING OF BOARD MEMBERS

Though, no specific training programmes were arranged for Board members, detailed presentations are made by senior executives/ professionals/ consultants on business related issues, risk assessment, strategy effect of regulatory changes etc. at the Board/ Committee meetings. The Company has recently adopted "Policy for Training of Directors".

## 19. WHISTLE BLOWER POLICY

A Whistle Blower Policy has been implemented by our parent company ONGC and is functional from 1st December, 2009. The policy ensures that a genuine Whistle Blower is granted due protection from any victimization.

## 20. FEE TO STATUTORY AUDITORS

The total fee paid/ payable to the Statutory Auditors for the financial year 2011–12 was ₹3.85 million (previous year ₹3.49 million).

## 21. GENERAL INVESTOR (DEBENTURE HOLDERS) INFORMATION:

- **Listing On Stock Exchange:**

Company's debt securities are listed on the Wholesale Debt Market (WDM) segment of National Stock Exchange of India Limited (NSE).

- **Debenture Trustee**

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai – 400 023.

- **Payment of listing Fees:**

Annual listing fee till the year 2012–13 has been paid by the Company.

*Marine Tanker*

# COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ONGC VIDESH LIMITED FOR THE YEAR ENDED 31 MARCH, 2012

The preparation of financial statements of ONGC Videsh Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 May, 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of ONGC Videsh Limited for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

***For and on behalf of the***
***Comptroller and Auditor General of India***

Sd/–

***(Naina A. Kumar)***
Principal Director of Commercial Audit
& Ex–Officio Member, Audit Board –II
New Delhi.

Place : New Delhi.
Date : July 10, 2012.




*100 ton capacity Workover rig*

The Board of Directors
ONGC Videsh Ltd.
601 "Kailash"
26, Kasturba Gandhi Marg
New Delhi – 110 001

We have examined the registers records and documents of ONGC Videsh Ltd. (the Company) for the period 1.4.2011 to 31.03.2012 according to the provision of:

1. The Companies Act, 1956 and Rules made under Act;
2. The Depositories Act, 1996 and Regulations framed under Act;
3. Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations 2008.
4. The Listing Agreement for Debt Securities with the National Stock Exchange of India Ltd., and
5. Guidelines on Corporate Governance for Central Public Sector Enterprises as stipulated in the O.M. No. 18 (8) 2005– GM dated 14th May, 2010 of the Ministry of Heavy Industries and Public Enterprises, Government of India (the DPE Guidelines on Corporate Governance").

1) Based on our examination and verification of records produced to us and according to the information and explanations given to us by the Company, in our opinion, the Company has complied with the provisions of the Companies Act, 1956 ('the Act) and Rules made under the Act and the Memorandum and Articles of Association of the Company with regard to:

   a) Maintenance of statutory registers and documents and making necessary entries therein;
   b) Filing of requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana within the time prescribed under the Act;
   c) Service of documents by the Company on its and the Registrar of Companies;
   d) Notice of Board Meetings and Committee Meetings of Directors;
   e) Convening and holding of the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
   f) The 46th Annual General Meeting held on 12.08.2011;
   g) Minutes of proceedings of General Meeting and meetings of Board and its Committee;
   h) Constitution of Board of Directors and appointment, retirement and re–appointment of directors;
   i) Appointment of Chairman, Managing Director, Whole Time Directors and non–executive directors and their remuneration;
   j) The Directors disclosed their interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in order entities and their disclosures have been noted and recorded by the Board;
   k) Transfer of share and issue and delivery of original and duplicate certificates of shares.
   l) Investment of Company's funds including inter corporate loans and investments, and borrowing powers;
   m) Appointment and remuneration of Auditors/ Cost Auditor;
   n) The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the relevant period;
   o) The Company has not made any secured borrowings during the relevant period;
   p) The Company has not bought back any shares during the relevant period;
   q) The Company has deposited both the employees' and employer's contribution with the ONGC Employees Contributory Provident Fund Trust within the prescribed time pursuant to Section 418 of the Act during the relevant period.
   r) There was no prosecution initiated against or show cause notice received by the Company and no fines or any other punishment was imposed on the Company, its Directors and officers during the relevant period for any offences under the Act.

We further report that

2) The Company has complied with the provisions of the Depositories Act, 1956 and reconciliation of records of dematerialized non–convertible redeemable bonds in the nature of debentures.

3) The Company has complied with the provisions of Securities and Exchange Board India (Issue and Listing of Debt Securities) Regulations, 2008.

4) The conditions of Listing Agreement for Debt Securities entered into with the National Stock Exchange of India Ltd.

5) In our opinion and to the best of our information and according to explanations given to us by the management, we certify that, except the compositions of the Board of Directors and Audit Committee with regard to independent Directors, the Company has complied with the DPE guidelines on Corporate Governance.

***For A.N. Kukreja & Co***
***Company Secretaries***

Sd/–

New Delhi
May 21, 2012.

***(A.N. Kukreja)***
***Proprietor***
**CP 2318**

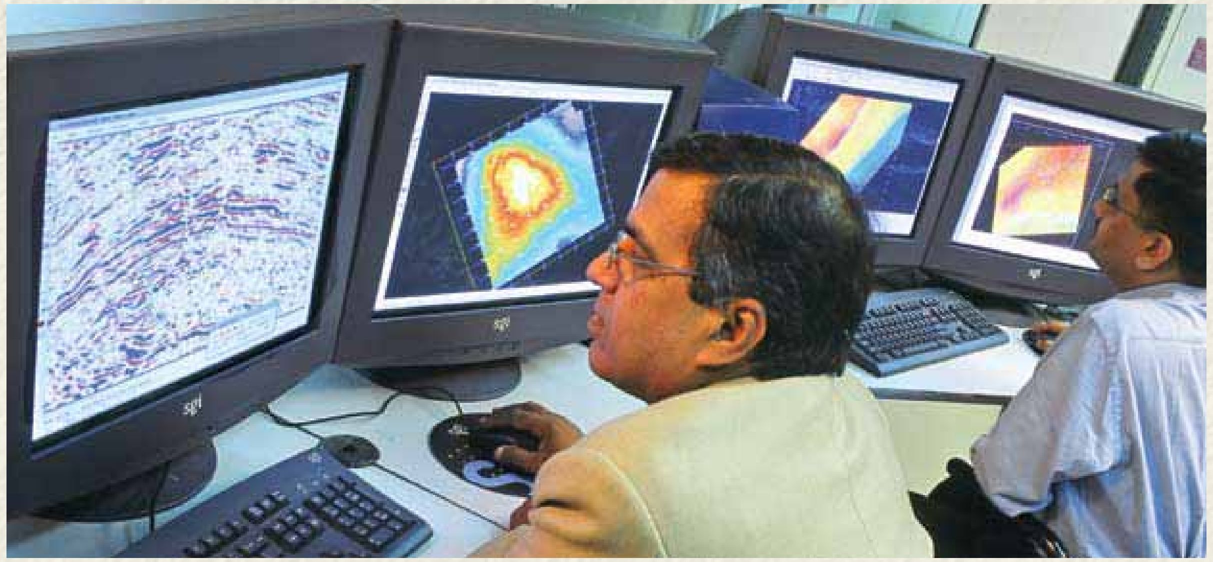
# AUDITORS' REPORT

To
THE MEMBERS
ONGC VIDESH LIMITED

1 We have audited the accompanying financial statements of "ONGC VIDESH LIMITED", (the company) which comprise the Balance Sheet as at 31st March 2012, and the statement of Profit & Loss Account and the Cash Flow Statement for the year then ended, in which are incorporated, the company's share in the total value of assets, liabilities, expenses and net profits of 7 International Joint Ventures audited by other auditors appointed by the management of the respective joint ventures/the company under respective local laws / Production Sharing Contract / Joint Operating Agreement as at 31st March 2012 and 5 International Joint Ventures audited by such other auditors as at 31st December 2011, however updated for position as at 31st March 2012 by the management and unaudited 7 international Joint Ventures. These audited joint ventures accounts (including for the period ended Dec 31, 2011) cover 95% of Income, 89% of Fixed Assets, 92% of Producing Properties, 92% of CWIP and 76% of EWIP & DWIP. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Considering the fact that actual operations are performed outside India and operator is responsible for maintaining the original books of account on behalf of all the members as per Joint operating agreement, we have conducted our audit by relying on such information furnished by the operator based on the audited statements or where Joint Ventures are not audited, relying upon the information furnished by the management.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.



*Data centre at ONGC Videsh Corporate office*

3 We have placed reliance on technical/ commercial evaluation by the management in respect of categorization of expenditure on project in Exploratory & Development Wells in Progress, Producing Properties and Capital Work in Progress, Wells Status, allocation of cost incurred on them, depletion of producing properties on the basis of proved developed hydrocarbon reserves as estimated by REC of the parent company, provision for abandonment costs, allocation of depreciation on fixed assets (including support equipment and facilities) and liabilities against agreed minimum work program. We have also placed reliance on the management's assessment of impairment indicators and impairment results.

4 As required by the Companies (Auditors Report) Order, 2003 and read together with the Companies (Auditor's Report) Amendment order, 2004 (hereinafter referred to as the order) issued by the Central Government of India in terms of sub–section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

5 Further to our comments above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) In our opinion, proper books of account as required by law have been kept by the Company at head office so far as appears from our examination of the books.

(iii) The Balance Sheet and Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.

(iv) In our opinion and based on the information given to us, the Statement of Profit and Lossand Balance Sheet and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub–section (3C) of Section 211 of the Companies Act, 1956.

(v) Disclosure in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956 is not required as per notification no. GSR829 (E) dated October 21st, 2003 issued by the Department of Company affairs.

6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Notes on accounts and the Significant Accounting Policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2012; and

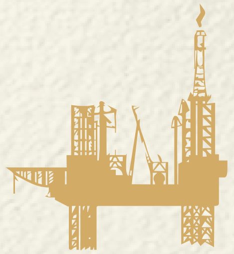
b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

c) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

| | For S. Mann & Co. | For GSA & Associates |
|---|---|---|
| | **Chartered Accountants** | **Chartered Accountants** |
| | **Sd/–** | **Sd/–** |
| | **(Subhash Mann)** | **(Sunil Aggarwal)** |
| | **Partner** | **Partner** |
| Place : New Delhi | **M. No. 80500** | **M. No. 83899** |
| Date : May 21, 2012 | **Firm Regn No. 000075N** | **Firm Regn No. 000257N** |

# ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 4 of our report of even date)



ONGC VIDESH

1. **In respect of fixed assets**
   a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets in India at headquartersand in case of operated projects/branches outside India. In respect of non– operated ventures outside India fixed assets are accounted for based on the information made available by the respective operators of joint ventures and such fixed assetsare in the custody of the consortium and/or operator on behalf of the partners for business operation throughout the term of the respective agreements.
   b) As explained to us, during the year, the management has carried out physical verification of fixed assets situated at headquarters, operated ventures outside India as well as major non operated joint ventures in accordance with the requirements of the respective agreements. There was no material discrepancies noticed during such physical verification.
   c) We have been informed by the management that no substantial part of fixed assets has been disposed off by the company during the year.
2. **In respect of its inventories:**
   a) The company does not have any inventory in India. However, inventories lying outside India in non operated projects are in the custody of the consortium and/or operator on behalf of the consortium partners. During the year under audit, physical verification of majority of inventories lying in non operated projects was conducted by the operator of the joint ventures in accordance with the requirements of the respective agreements. It was informed that the inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts on the basis of information provided by the respective operators.
   b) As informed by the management the procedures of physical verification of inventory lying outside India, followed by the management in respect of operated and non–operated Joint Ventures are reasonable and adequate in relation to the size of the company and the nature of its business.
   c) There was no material discrepancies noticed during such physical verifications.
3. **In respect of loans:**
   a) According to the information and explanations given to us, the Company has not granted or taken any loan, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In view of this, sub clauses (b), (c) and (d) of clause (iii) are not applicable.
   b) As per information and explanation given to us, the Company has not taken any loan from the parties covered under the register maintained u/s 301 of the Companies Act, 1956. In view of this sub clause (e), (f) & (g) of clause (iii) are not applicable.
4. In our opinion and according to the information and explanations given to us, in general, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets acquired at headquarters in India. According to information and explanations given to us, internal control system in respect of inventory and fixed assets purchased by the company and sales for the operated ventures outside India is commensurate with the nature and size of its business. However, all purchases of fixed assets and inventory in respect of the non–operated Joint Ventures are made outside India by the respective operators. It is not practically feasible or appropriate to check the internal control system being prevalent at respective project sites for non–operated joint ventures.
5. **In respect of its inventories:**
   a) According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
   b) Accordingly the provisions of the clause v (b) of paragraph 4 of the order (as amended) are not applicable to the company.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of section 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. The company has a system of internal audit, which in our opinion, is commensurate with the size and nature of its business.However efforts be made to further strengthen the same.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, as explained to us, cost audit is yet to be conducted for FY 2011–12.
9. a) Provident fund contributions are transferred by the company to its parent company, ONGC. ONGC is responsible for depositing the same with appropriate authority. According to the information given to us, there are no undisputed statutory dues pending as on last day of current financial year for a period of more than six months from the date they become payable.
   b) As per information and explanations provided to us, no dues of income tax/ sales tax/VAT/ wealth tax/ custom duty/ excise duty/ cess (except cess under section 441A of the Companies Act 1956 since the aforesaid section has not yet been made effective by the Central Government) are pending on account of any dispute.
10. The company has no accumulated losses at the end of the current financial year and has not incurred cash losses during the current and in the immediately preceding financial year.
11. As per the information and explanation given by the management, we are of the opinion that company has not defaulted in the repayment of dues to any financial institution, banks and debenture holders.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securitiesand accordingly paragraph 4 (xii) of the Order is not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of this clause are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. In view of the same, provisions of this clause are not applicable.
15. According to information and explanations given to us, the company has not given any guarantee for loan taken by others from bank and financial institutions.
16. According to information and explanation given to us, term loans were broadly applied by the company for the purpose for which loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short–term basis have been used for long–term investment.
18. The Company has not made any preferential allotment of shares during the period under audit to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. Company has not issued any debentures during the year; hence the question of securities to be created for debentures issued does not arise.In earlier years, the company has issued non–convertible redeemable Bonds in the nature of Debentures amounting to Rs. 23,400 million. As explained to us, the company is maintaining 100% assets cover as required in SEBI guidelines.
20. The company has not raised any money by way of public issue during the year.
21. According to the information and explanations given by the management and to the best of our knowledge and belief, no fraud on or by the company was noticed or reported during the year.

**For S. Mann & Co.**
**Chartered Accountants**

**Sd/–**
**(Subhash Mann)**
**Partner**
**M. No. 80500**
**Firm Regn No. 000075N**

**For GSA & Associates**
**Chartered Accountants**

**Sd/–**
**(Sunil Aggarwal)**
**Partner**
**M. No. 83899**
**Firm Regn No. 000257N**

Place : New Delhi
Date : May 21, 2012

# BALANCE SHEET AS AT 31 MARCH, 2012

(₹ in Million)

| | Notes | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| **SHAREHOLDERS' FUNDS** | | | |
| Share capital | 3 | **10,000.00** | 10,000.00 |
| Reserves and surplus | 4 | **90,880.77** | 70,659.07 |
| **NON CURRENT LIABILITIES** | | | |
| Long term borrowings | 5 | **192,036.03** | 196,741.06 |
| Deferred tax liabilities (Net) | 6 | **3,876.60** | 3,783.02 |
| Liability for abandonment | 7 | **19,529.59** | 13,799.58 |
| Long term provisions | 8 | **389.45** | 362.27 |
| | | **215,831.67** | 214,685.93 |
| **CURRENT LIABILITIES** | | | |
| Short term borrowings | 9 | **622.82** | 331.18 |
| Trade payables | 10 | **11,396.81** | 8,925.08 |
| Other current liabilities | 11 | **15,534.43** | 7,034.86 |
| Short term provisions | 12 | **29.37** | 15.95 |
| | | **27,583.43** | 16,307.07 |
| **TOTAL** | | **344,295.87** | 311,652.07 |
| ASSETS | | | |
| **NON CURRENT ASSETS** | | | |
| **Fixed Assets** | | | |
| Tangible assets | 13 | **28,491.89** | 36,600.31 |
| Intangible assets | 14 | **94.96** | 28.38 |
| Producing properties | 15 | **61,599.39** | 56,707.85 |
| Development & exploratory wells in progress | 16 | **16,493.15** | 7,389.07 |
| Capital work in progress | 17 | **62,231.85** | 31,696.37 |
| | | **168,911.24** | 132,421.98 |
| **Non Current Investment** | 18 | **137,357.65** | 138,032.28 |
| **Long Term Loans and Advances** | 19 | **96.73** | 85.11 |
| **Other Non Current Assets** | 20 | **1,911.91** | 2,655.30 |
| **CURRENT ASSETS** | | | |
| Inventories | 21 | **1,882.46** | 1,578.98 |
| Trade receivables | 22 | **6,709.55** | 5,940.94 |
| Cash & Bank balances | 23 | **5,459.50** | 6,063.49 |
| Short term loans & advances | 24 | **1,496.09** | 10,249.74 |
| Other current assets | 25 | **20,470.74** | 14,624.25 |
| | | **36,018.34** | 38,457.40 |
| **TOTAL** | | **344,295.87** | 311,652.07 |

*The accompanying notes are integral part of the financial statements 1–54*

**Sd/–**
**(V Sreedher)**
**Company Secretary**

**Sd/–**
**(S P Garg)**
**Director (Finance)**

**Sd/–**
**(D K Sarraf)**
**Managing Director**

**Sd/–**
**(Sudhir Vasudeva)**
**Chairman**

As per our report of even date attached

**For S. Mann & Co.**
**Chartered Accountants**

**Sd/–**
**(Subhash Mann)**
**Partner**
**M. No. 80500**
**Firm Regn No. 000075N**

**For GSA & Associates**
**Chartered Accountants**

**Sd/–**
**(Sunil Aggarwal)**
**Partner**
**M. No. 83899**
**Firm Regn No. 000257N**

Place : New Delhi
Date : May 21, 2012



# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2012

(₹ in Million)

| | Notes | 2011–12 | 2010–11 |
|---|---|---|---|
| INCOME | | | |
| Revenue from operations | 26 | **74,313.77** | 55,682.63 |
| Other Income | 27 | **5,819.25** | 2,149.08 |
| | | | |
| **TOTAL REVENUE** | | **80,133.02** | 57,831.71 |
| EXPENSES | | | |
| Production, Transportation, Selling and Distribution Expenditure | 28 | **16,050.36** | 13,035.76 |
| Decrease/(Increase) In Stock (Finished Goods) | 29 | **(4.40)** | (2.02) |
| Financing Costs | 30 | **1,974.74** | 2,241.13 |
| Depreciation, Depletion and Amortisation | 31 | **11,061.30** | 14,614.76 |
| Other Expenses | 32 | **510.73** | (101.03) |
| Provisions & Write–Offs (Net) | 33 | **20,470.75** | 2,593.34 |
| Decrease/(increase) due to overlift/underlift quantity | 34 | **(58.69)** | (283.32) |
| **TOTAL EXPENSES** | | 50,004.79 | **32,098.62** |
| PROFIT BEFORE PRIOR PERIOD, EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX | | **30,128.23** | 25,733.09 |
| **Less: Adjustment relating to Prior Period** | 35 | **(26.62)** | 27.11 |
| PROFIT BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX | | **30,154.85** | 25,705.98 |
| **Exceptional And Extraordinary Items** | | – | – |
| **Tax expense** | | | |
| Current Year Tax | 36 | **11,141.78** | 7,255.81 |
| Deferred Tax | 37 | **93.58** | (3.06) |
| Earlier Years Tax | 38 | **158.69** | (2,971.37) |
| PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS | | **18,760.80** | 21,424.60 |
| **Profit / (Loss) From Discontinuing Operations** | | – | – |
| PROFIT (LOSS) FOR THE PERIOD | | **18,760.80** | 21,424.60 |
| **EARNINGS PER EQUITY SHARE** | | | |
| **Basic** | 39 | **187.61** | 214.25 |
| **Diluted** | | **187.61** | 214.25 |

*The accompanying notes are integral part of the financial statements 1–54*

**Sd/–**
**(V Sreedher)**
**Company Secretary**

**Sd/–**
**(S P Garg)**
**Director (Finance)**

**Sd/–**
**(D K Sarraf)**
**Managing Director**

**Sd/–**
**(Sudhir Vasudeva)**
**Chairman**

As per our report of even date attached

**For S. Mann & Co.**
**Chartered Accountants**

**Sd/–**
**(Subhash Mann)**
**Partner**
**M. No. 80500**
**Firm Regn No. 000075N**

**For GSA & Associates**
**Chartered Accountants**

**Sd/–**
**(Sunil Aggarwal)**
**Partner**
**M. No. 83899**
**Firm Regn No. 000257N**

Place : New Delhi
Date : May 21, 2012


*OPF Modules transportation across Chayvo Bridge*

# NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 2012

## 1. Corporate information

ONGC Videsh Limited (the Company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in exploration, development and production of crude oil and natural gas outside India.

## 2. Basis of preparation

2.1 The financial statements are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India and Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006 and provisions of the Companies Act, 1956. The financial statements are presented in Indian Rupees and all values are rounded to the nearest million (₹million) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

### a.1 Change in accounting Policies

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company for preparation and presentation of its financial statements. Balance Sheet has been prepared based on the format prescribed under Part I and statement of Profit and Loss based on the format prescribed under Part II in Revised Schedule VI of the Act . However, in view of the technical nature of operation of the Company i.e. exploration, development and Producing oil and gas, functional wise expenses has been classified in Statement of Profit and Loss as disclosed consistently in earlier years. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. The Company has also reclassified the previous years figures in accordance with the requirements applicable in the current year.

The financial statements for the year 2011–12 are prepared following the same accounting policies and practices as followed in the annual financial statements for the year ended March 31, 2011, except for change in the policy with regard to amortisation of intangible assets which has been changed during the current period to align with the accounting policy of parent company and AS–26 from Written Down Value Method @ 40% to Straight Line Method over the useful life not exceeding a period of 5 years in order to systematically amortize its intangible assets. This has resulted in decrease in Depreciation, Depletion, Amortisation and Impairment by ₹86.67 million, consequently Profit before tax increased by ₹86.67 million.

### a.2 Documentation, rewording or re–alignment of Accounting Policies to properly reflect existing accounting practice

Certain accounting policies were re–worded or re–align with the existing accounting practice consistently followed by the Company in financial statements. However, these does not have any impact on recognition and measurement principles followed for preparation of financial statements.

| Policy no. | Existing Policy | Accounting policy documented in FY 2011–12 | Financial Impact over the financial statements |
|---|---|---|---|
| 2.2.p.7 | Nil | Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. | Nil |
| 2.2.u | Nil | Abnormal Rig days' costs are considered as unallocable and charged to Statement of Profit and Loss. | Nil |

| | | | |
|---|---|---|---|
| 2.2.k.1 | Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. | Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. Low value items not exceeding ₹5,000/– are fully depreciated at the time of addition. | Nil |
| 2.2.r.4 | Nil | In respect of local staff in foreign offices of the company, employees (other than those on deputation/secondment from the company) of joint ventures (incorporated/ unincorporated)/ subsidiaries, the liabilities for employee benefits are recognised in accordance with the applicable laws of their respective jurisdictions and/or the respective labor agreements with the employees. | Nil |

### b. Use of Estimates:

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

### c. Acquisition, Exploration, Development, Abandonment and Production Costs:

### c.1 Acquisition Cost:

Acquisition costs of an oil and gas property in exploration/development stage are taken to capital work in progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment of the property, such costs are expensed. Acquisition costs of a producing oil and gas property are capitalized as Producing Property.

### c.2 Survey Costs:

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

### c.3 Exploratory/Development Wells in Progress Costs:

c.3.1 Exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially taken to capital work in progress as exploratory wells in progress till the time these are either capitalized to producing properties when ready to commence commercial production or expensed when determined to be dry or of no further use, as the case may be.

c.3.2 All costs relating to development wells, development type stratagraphic test wells, service wells, are initially taken to capital work in progress as development wells in progress and capitalized to producing properties when ready to commence commercial production.

c.3.3 Exploratory wells in progress which are more than two years old from the date of completion of drilling are charged to Statement of Profit and Loss except those wells which have proved reserves and the development of the fields in which the wells are located; has been planned.

### c.4 Abandonment Costs:

Costs relating to dismantling, abandoning and restoring well sites and allied facilities are provided as abandonment costs based on the provisions under respective agreements governing Company's activities in the field/ projects.

### c.5 Production Costs:

Production costs include pre–wellhead and post–wellhead expenses including depreciation and applicable operating costs of support equipment and facilities.



### d. Producing Properties:

d.1 Producing properties are created in respect of a field/project having proved developed oil and gas reserves when any well in the field/project is ready to commence commercial production. Development wells are capitalized to producing properties when ready to commence commercial production.

d.2 All acquisition costs, cost of successful exploratory wells and all development wells, all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs relating to producing properties are capitalized as Producing Properties.

### e. Depletion of Producing Properties:

Producing properties are depleted using the "Unit of Production Method". The rate of depletion for all capitalized costs is computed with reference to the field/project/amortization base by considering the related proved and developed reserves excepting for acquisition costs which are depleted by considering the proved reserves. These reserves are estimated annually by the Reserve Estimates Committee formed by the parent company Oil and Natural Gas Corporation Limited (ONGC), which follows the International Reservoir Engineering Procedures.

### f. Side tracking:

f.1 The cost of abandoned portion of side tracked exploratory wells is charged to Statement of Profit and Loss as dry wells.

f.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.

f.3 The cost of sidetracking in respect of existing producing wells is capitalized if it increases the Proved Developed Reserve otherwise, charged to Statement of Profit and Loss as workover expenditure.

### g. Impairment:

g.1 Producing Properties, Development Wells in Progress (DWIP) and Fixed Assets (Including Capital Works in Progress) of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case, event and circumstances indicates any impairment, recoverable amount of these assets is determined, being the higher of net selling price and value in use. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. In assessing value in use, the estimated future cash flows from the use of assets and from its disposal at the end of its useful life are discounted to their present value at appropriate rate.

g.2 An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro–rata basis. Subsequent to impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life.

### h. Joint Ventures:

h.1 The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in case of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

h.2 The reserves of hydrocarbons in the joint ventures are taken in proportion to the participating interest of the Company.

### i. Tangible Assets:

i.1 Tangible assets (including those taken on finance lease, support equipment and facilities) are stated at historical cost.

i.2 All costs relating to acquisition of tangible assets till the time of commissioning of such assets are capitalized.

### j. Intangible Assets:

j.1 Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets.

### k. Depreciation:

k.1 Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. Low value items not exceeding ₹5,000/– are fully depreciated at the time of addition.

k.2 Intangible Assets are amortised over the useful life not exceeding five years from the date of capitalisation.

k.3 Leasehold land (other than perpetual lease and lease over 99 years) is amortized over the lease period.

k.4 Depreciation on adjustments to tangible assets on account of price variation is provided for prospectively over the remaining useful life of such assets.

k.5 Depreciation on tangible assets (including those taken on finance lease, support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and expensed/depleted as stated in policy c and d above.

### l. Inventories:

l.1 Crude oil and condensate are valued at cost or net realizable value, whichever is lower.

l.2 Natural gas in pipeline and crude oil/condensate stock in flow lines/Gathering Stations are not valued.

l.3 Inventory of stores and spares is valued at weighted average cost or net realizable value, if available, whichever is lower. Wherever, weighted average cost or net realizable value is not available, the cost made available by the operator is considered for valuation of Stores and Spares. Provisions are made for obsolete and non–moving inventories.

### m. Investments:

m.1 Long–term investments are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

m.2 Current investments are valued at lower of cost or fair value.

### n. Foreign Currency Transactions and Foreign Operations:

n.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

n.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non–monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

n.3 All exchange differences arising on the settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

n.4 In respect of the Company's integral foreign operations:

n.4.1 The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in n.1. For practical reasons, the average exchange rate of the relevant month/quarter is taken for the transactions of the month/quarter in respect of joint venture operations, where actual date of transaction is not available.

n.4.2 At each Balance Sheet date, monetary and non–monetary items are translated following the policy stated in n.2.

n.4.3 All exchange differences are treated following the policy stated in n.3.

n.5 The financial statements of the non–integral foreign operations of the company are incorporated in the financial statements using the following principles:

n.5.1 The assets and liabilities, both monetary and non–monetary, of the non–integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

n.5.2 Income and expense items of the non–integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

n.5.3 All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non–integral foreign operation.

n.6 Exchange differences arising on the company's net investment in a non–integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

### o. Finance Leases

o.1 Assets given on Lease:

o.1.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases" issued by the Institute of Chartered Accountant of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

o.1.2 Initial direct costs incurred in respect of finance leases are recognized in the statement of profit and loss in the year in which such costs are incurred.

o.2 Assets taken on Lease:

Assets taken on finance lease are capitalised and recognised at the lower of the fair value of the asset and the discounted value of the minimum lease installments. The lease payments are bifurcated into repayment and interest components, based on a fixed interest rate and installment as derived from the underlying agreement. The lease commitments are carried under liabilities exclusive of interest. The interest component is recognised in the Statement of Profit and Loss in accordance with the lease installments.

### p. Revenue Recognition:

p.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive (i.e. under lift quantity) the proportionate production expenditure is treated as prepaid expenses and, if negative (i.e. over lift quantity), a liability for the best estimate of the Company's proportionate share of production expenses as per the JOA / PSA is created in respect of the quantity of crude oil to be foregone in future period towards settlement of the overlift quantity of crude oil with corresponding charge to Statement of Profit and Loss.

p.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

p.3 Any payment received in respect of short lifted gas quantity for which an obligation exists to supply such gas in subsequent periods is recognized as Deferred Revenue in the year of receipt. The same is recognized as revenue in the year in which such gas is actually supplied for the quantity supplied or in the year in which the obligation to supply such gas ceases, whichever is earlier.

p.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

p.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

p.6 Revenue in respect of interest on delayed realization is recognized when there is reasonable certainty regarding ultimate collection.

p.7 Dividend income is recognized when the Company's right to receive dividend is established by the reporting date

### q. Transportation Costs:

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

## r. Employee Benefits:

r.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

r.2 Contribution to Provident Fund and Composite Social Security Scheme is made as per the rules of the parent company. The same is paid to funds administered through trusts.

r.3 Provisions for gratuity, leave encashment and other employee benefits are made as per actuarial valuation at the end of the financial year. The same are not funded.

r.4 In respect of local staff in foreign offices of the company, employees (other than those on deputation/secondment from the company) of joint ventures (incorporated/unincorporated)/ subsidiaries, the liabilities for employee benefits are recognised in accordance with the applicable laws of their respective jurisdictions and/or the respective labor agreements with the employees.

## s. Borrowing Costs:

Borrowing Costs specifically identified to the acquisition or constructions of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Statement of Profit and Loss.

## t. Insurance Claims:

The Company accounts for insurance claims as under:–

t.1 In case of total loss of asset by transferring, either the carrying cost of the relevant asset or Insurance value (subject to deductibles), whichever is lower under the head "Claims Recoverable – Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Statement of Profit and Loss.

t.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (less policy deductibles) if any, are accounted for as "Claims Recoverable–Insurance". Insurance Policy deductibles are expensed in the year when the corresponding expenditure is incurred.

t.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable – Insurance and Claims received is adjusted to Statement of Profit and Loss.

## u. Abnormal Rig days' costs:

Abnormal Rig days' costs are considered as unallocable and charged to Statement of Profit and Loss.

## v. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent Liabilities, if material, are disclosed by way of notes to the accounts.

## w. Taxes on Income:

Provision for current tax is made as per the provisions of the Income Tax Act, 1961/ other applicable tax laws. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

## x. Accounting for derivatives:

As per the ICAI Announcement, Accounting for Derivatives, other than those covered under AS–11, is done on marked to market basis and the losses are charged to Statement of Profit and Loss. Unrealized gains are ignored.

## y. Goodwill Amortization:

The Company amortizes Goodwill (on consolidation) based on "Unit of Production Method" considering the related Proved Reserves.



(₹ in Million)

| 3 | Share Capital | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| | **Authorised** | | |
| | 100,000,000 (Previous year 100,000,000) Equity Shares of ₹100 each | **10,000.00** | 10,000.00 |
| | **Issued, Subscribed, Called and Paid Up** | **10,000.00** | 10,000.00 |
| | 100,000,000 (Previous year 100,000,000) Equity Shares of ₹100 each fully paid up in cash | | |
| | (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees) | | |
| | **TOTAL** | **10,000.00** | **10,000.00** |

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:**

| | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | **No. million** | **₹million** | **No. million** | **₹million** |
| Equity Shares : | | | | |
| At the beginning of the period | **100.00** | 10,000.00 | **100.00** | 10,000.00 |
| Issued during the period | – | – | – | – |
| Outstanding at the end of the period | **100.00** | 10,000.00 | **100.00** | 10,000.00 |

**b. Terms / rights attached to the equity shares:**

The company has only one class of equity shares having a par value of ₹100 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The dividend, if any, proposed by the Board of Director is subject to the approval of the shareholders in the meeting.

During the year ending 31 March 2012, the amount of dividend per share declared for distribution to equity shareholders was Nil (31 March 2011: Nil).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Shares held by holding / ultimate holding company and/or their subsidiaries/ associates:**

Out of the equity shares issued by the company, the shares held by its holding company, ultimate holding company and their subsidiaries / associates are as below:

| | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | **No. Million** | **₹Million** | **No. Million** | **₹Million** |
| Oil and Natural Gas Corporation Limited, the holding company and its nominees | **100** | 10,000.00 | **100** | 10,000.00 |

d. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: Nil

**e. Details of shareholders holding more than 5% shares in the company:**

| | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | **No. million** | **% holding** | **No. million** | **% holding** |
| Oil and Natural Gas Corporation Limited, the holding company and its nominees | 100 | 100% | 100 | 100% |

f Shares reserved for issue under options: Nil.

(₹ in Million)

| 4 | Reserves and Surplus | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **Capital Reserve** | | 174.08 | | 174.08 |
| | **Debenture Redemption Reserve** | | | | |
| | Opening balance | 5,461.83 | | 1,154.19 | |
| | Add: Current year transfer | 4,319.44 | 9,781.27 | 4,307.64 | 5,461.83 |
| | **General Reserve** | | | | |
| | Opening balance | 7,893.64 | | 5,751.18 | |
| | Add: Current year transfer | 1,876.08 | 9,769.72 | 2,142.46 | 7,893.64 |
| | Foreign Exchange Translation Reserve | | (5,547.27) | | (7,008.17) |
| | **Profit and Loss Account** | | | | |
| | Opening balance | 64,137.69 | | 49,163.19 | |
| | Add: Net profit/(Net loss) for the year | 18,760.80 | | 21,424.60 | |
| | Less: Transfer to Debenture Redemption Reserve | 4,319.44 | | 4,307.64 | |
| | Less: Transfer to General Reserve | 1,876.08 | 76,702.97 | 2,142.46 | 64,137.69 |
| | | | | | |
| | **TOTAL** | | 90,880.77 | | 70,659.07 |

**a. Debentures and Debentures Redemption Reserve:**

During the financial year 2009–10, the Company had raised funds from the financial markets by issuance of non–convertible redeemable bonds in the nature of debentures as follows:

(₹ in Million)

| Particulars | Amount (₹Million) | Date of issue | Date repayable on |
|---|---|---|---|
| 8.40% 5 Years Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series I | 19,700 | 23–Dec–09 | 23–Dec–14 |
| 8.54% 10 Years Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series II | 3,700 | 06–Jan–10 | 06–Jan–20 |

The above securities have been listed in National Stock Exchange of India Ltd. (NSE). Both the bonds are guaranteed for repayment of principal and payment of interest by Oil and Natural Gas Corporation Limited, the holding company. Further the company is required to maintain 100% asset cover as per SEBI guidelines. There is no put/ call option.

The Debentures Redemption Reserve position for above is as under:–

(₹ in Million)

| Particulars | Balance as at 31 March 2011 | Additions during the year | Balance as at 31 March 2012 |
|---|---|---|---|
| 8.40% 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series I | 5,005.91 | 3,948.63 | 8,954.54 |
| 8.54% 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series II | 455.92 | 370.81 | 826.73 |
| Total | 5,461.83 | 4,319.44 | 9,781.27 |

(₹ in Million)

| 5 | Long Term Borrowings | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| | **Non Convertible Redeemable Debenture** | 23,400.00 | 23,400.00 |
| | **Foreign Currency Loans** | | |
| | Non–Recourse Deferred Credit – Unsecured | 380.59 | 554.90 |
| | (In respect of Joint venture) | | |
| | **From related parties** | | |
| | Oil and Natural Gas Corporation Limited – Unsecured | 168,255.44 | 172,786.16 |
| | | | |
| | **TOTAL** | 192,036.03 | 196,741.06 |

a. Non–convertible redeemable debentures: Attention is invited to Note: 4(a)

b. Non–recourse deferred credit: ₹888.06 Million (Previous Year ₹776.88 Million) represents the non–recourse deferred credit from contractors of pipeline project executed by the Company in Sudan. The credit is repayable from the installments of pipeline lease rentals from Ministry of Energy and Mining (MEM), Sudan. Attention is also invited to Note 44.

(₹ in Million)

| | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|
| Current (Note 9) | 507.47 | 221.98 |
| Non Current (Note 5) | 380.59 | 554.90 |
| **Total** | 888.06 | 776.88 |

c. The Company has taken loans from ONGC for various projects. The outstanding balance of such loans as of 31 March 2012 was ₹168,255.44 Million (31 March 2011 ₹172,786.16 Million). The loan is normally repayable out of the cash flows of the projects for which the respective funds were lent. However, ONGC have the right to demand repayment with a notice period of minimum 15 months. The loan carried no interest during the period. Accordingly, interest expenditure on loan from parent company during the period is ₹Nil (previous year: ₹Nil).

(₹ in Million)

| 6 | Deferred Tax Liabilities | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Deferred Tax Liabilities (net) | 3,876.60 | 3,783.02 |
| | **TOTAL** | 3,876.60 | 3,783.02 |

a. The Net Deferred Tax Liability of the Company as at 31 March 2012 is `3,876.60 Million (year ending 31 March 2011 `3,783.02 Million). An amount of `93.58 Million has been adjusted to the current period's Statement of Profit and Loss.

b. The item wise details of Net Deferred Tax Liability as on 31 March 2012 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

(₹ in Million)

| Deferred Tax Assets : | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|
| Carried Forward Expenditure u/s 42 of Income Tax Act, 1961 | 11,213.98 | 10,222.01 |
| Other disallowables under Income Tax Act, 1961* | 1,043.13 | 814.33 |
| **Total Deferred Tax Assets** | 12,257.11 | 11,036.34 |
| **Deferred Tax Liability :** | | |
| Difference in Net Block of Fixed Assets for Tax | 16,133.71 | 14,819.36 |
| **Total Deferred Tax Liability** | 16,133.71 | 14,819.36 |
| **Net Deferred Tax Liability** | 3,876.60 | 3,783.02 |

*Disallowance u/s 43B, provisions for doubtful debts and non–moving inventory.

(₹ in Million)

| 7 | Liability for Abandonment | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Liability for abandonment | 19,529.59 | 13,799.58 |
| | **TOTAL** | 19,529.59 | 13,799.58 |

The above liability is in respect of Sakhalin–1 project. Against the above liability, funding of ₹2927.15 Million has been made as per Note 18.

(₹ in Million)

| 8 | Long Term Provisions | Balance as at 1st April 2011 | Utilisation / Reversal during the year | Provision made for the year | Balance as at 31st March 2012 |
|---|---|---|---|---|---|
| | **Provisions for employee benefits** | | | | |
| | Gratuity | 161.90 | – | 8.16 | 170.06 |
| | Leave Encashment | 131.36 | – | 15.90 | 147.26 |
| | Post Retirement Medical Benefits/Other Terminal Benefits | 69.01 | – | 3.12 | 72.13 |
| | | 362.27 | – | 27.18 | 389.45 |
| | Other provisions | – | – | – | – |
| | **TOTAL** | 362.27 | – | 27.18 | 389.45 |
| | **Previous Year** | 325.75 | – | 36.52 | 362.27 |

The Provisions for employee benefits have been bifurcated into current and non–current based on the acturial valuation.

| | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|
| **Current (Note 12)** | 29.37 | 15.95 |
| **Non Current (Note 8)** | 389.45 | 362.27 |
| **Total Provisions for Employee benefits** | 418.82 | 378.22 |

(₹ in Million)

| 9 | Short Term Borrowings | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| | **Foreign Currency Loans** | | |
| | Non–Recourse Deferred Credit – Unsecured * (In respect of Joint venture) | 507.47 | 221.98 |
| | **Deposits – Unsecured** | 115.35 | 109.20 |
| | **TOTAL** | 622.82 | 331.18 |

**Non–Recourse Deferred Credit : Attention is also invited to Note–5(b)*

(₹ in Million)

| 10 | Trade Payables | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Deferred Credit on Gas Sales | 229.37 | 20.80 |
| | Trade payables for Supplies / Works | 1,843.55 | 1,519.13 |
| | Trade payables for Supplies / Works | 9,323.89 | 7,385.15 |
| | (In respect of Joint Venture) | | |
| | **TOTAL** | 11,396.81 | 8,925.08 |

*Deferred credit on gas sales represents amounts received from gas customers against Take or Pay obligations under relevant gas sales agreements. The amounts are to be utilised to supply the gas in subsequent year(s) free of charge to such customers.*

(₹ in Million)

| 11 | Other Current Liabilities | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Interest accrued but not due on Debentures | 526.38 | 522.42 |
| | Advance from customers / Income received in advance | 320.09 | 161.09 |
| | Amount Payable to Operators | 11,157.41 | 5,397.56 |
| | Payable to Oil and Natural Gas Corporation Limited | 646.87 | 118.18 |
| | Other Liabilities | 2,883.68 | 835.61 |
| | **TOTAL** | 15,534.43 | 7,034.86 |

(₹ in Million)

| 12 | Short Term Provisions | Balance as at 1 April 2011 | Utilisation/ Reversal during the Year | Provision made for the Year | Balance as at 31 March 2012 |
|---|---|---|---|---|---|
| | **Provisions for employee benefits** | | | | |
| | Gratuity | 7.64 | 7.00 | 9.20 | 9.84 |
| | Leave Encashment | 8.31 | 42.23 | 53.10 | 19.18 |
| | Post Retirement Medical Benefits/ Other Terminal Benefits | – | 0.34 | 0.69 | 0.35 |
| | | 15.95 | 49.57 | 62.99 | 29.37 |
| | Other provisions | – | – | – | – |
| | **TOTAL** | 15.95 | 49.57 | 62.99 | 29.37 |
| | **Previous Year** | 25.06 | 37.35 | 28.24 | 15.95 |

*Attention is invited to Note: 8*

## 13 Tangible Assets

(₹ in Million)

| | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | As at 1 April 2011 | Additions during the Period | Deletions / Adjustments during the Period | As at 31 March 2012 | Up to 31 March 2011 | For the Period | Deletions / Adjustments during the Period | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 |
| 1. | **Land (Leasehold)** | 1,700.53 | 31.65 | – | **1,732.18** | – | – | – | – | **1,732.18** | 1,700.53 |
| 2. | **Building** | 5,608.09 | 68.79 | (61.72) | **5,615.16** | 907.83 | 241.53 | (10.30) | **1,139.06** | **4,476.10** | 4,700.26 |
| 3. | **Plant & Machinery** | 74,877.12 | 1,883.34 | 4.99 | **76,765.45** | 46,982.96 | 9,415.88 | 22.88 | **56,421.72** | **20,343.73** | 27,894.16 |
| 4. | **Computers** | 263.30 | 71.69 | (14.86) | **320.13** | 177.03 | 38.55 | (8.17) | **207.41** | **112.72** | 86.27 |
| 5. | **Vehicles** | 344.75 | 21.46 | (9.51) | **356.70** | 222.19 | 36.19 | (7.15) | **251.23** | **105.47** | 122.56 |
| 6. | **Furniture & Fittings and Equipments** | 3,826.49 | 40.18 | (160.43) | **3,706.24** | 1,729.96 | 279.28 | (24.69) | **1,984.55** | **1,721.69** | 2,096.53 |
| | **TOTAL** | **86,620.28** | **2,117.11** | **(241.53)** | **88,495.86** | **50,019.97** | **10,011.43** | **(27.43)** | **60,003.97** | **28,491.89** | **36,600.31** |
| | Previous Year | 69,266.03 | 17,464.84 | (110.59) | 86,620.28 | 39,470.03 | 10,596.40 | (46.45) | 50,019.97 | 36,600.31 | 29,796.00 |
| | **The above includes the company's share in Joint Venture Assets: Current Year** | 84,698.61 | **2,027.25** | **(204.96)** | **86,520.90** | 49,893.77 | **10,021.59** | **(55.01)** | **59,860.34** | **26,660.56** | 34,804.84 |
| | **Previous Year** | **67,408.64** | **17,399.76** | **(109.79)** | **84,698.61** | **39,368.64** | **10,571.15** | **(46.02)** | **49,893.77** | **34,804.84** | **28,032.99** |

a. Title to Fixed Assets under Production Sharing Agreements

The Company, the Subsidiaries and Joint Venture Company, in consortium with other partners (Consortium) carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements, governing Company's activities in the fields / projects, provide that the title to the fixed assets and other ancillary installations shall pass to host Government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas" or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations throughout the term of the respective agreements. The Consortium also has the custody and maintenance of such assets and bears all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company during the currency of the respective agreements.

## 14 Intangible Assets

(₹ in Million)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 April 2011 | Additions during the Period | Deletions / Adjustments during the Period | As at 31 March 2012 | Up to 31 March 2011 | For the Period | Deletions / Adjustments during the Period | As at 31 March 2012 | As at 31 March 2012 | As at 31 March 2011 |
| **Software** | 245.50 | 26.47 | 6.72 | **278.68** | 217.12 | (34.89) | 1.49 | **183.72** | **94.96** | 28.38 |
| **TOTAL** | **245.50** | **26.47** | **6.72** | **278.68** | **217.12** | **(34.89)** | **1.49** | **183.72** | **94.96** | **28.38** |
| **Previous Year** | 239.37 | **12.43** | **(6.30)** | **245.50** | 204.85 | **17.22** | **(4.95)** | **217.12** | **28.38** | 34.51 |
| **The above includes the company's share in Joint Venture Assets: Current Year** | 146.45 | **22.66** | **6.72** | **175.83** | 133.66 | **(13.05)** | **1.49** | **122.10** | **53.73** | 12.80 |
| Previous Year | 140.33 | 12.43 | (6.30) | 146.45 | 131.77 | 6.84 | (4.95) | 133.66 | 12.80 | 15.56 |

*Attention is invited to Note: 2.2 a.1*

(₹ in Million)

| 15 | Producing Properties | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Gross Cost** | | |
| | Opening Balance | **86,482.76** | 68,546.90 |
| | Expenditure during the year | **7,964.51** | 8,154.94 |
| | Transfer from Development & Exploratory Wells–in–Progress | **19.91** | 2,767.57 |
| | Estimated Abandonment Costs | **3,873.37** | 7,013.35 |
| | **Total Gross (A)** | **98,340.55** | **86,482.76** |
| | **Less: Depletion** | | |
| | Opening Balance | **29,774.91** | 23,225.48 |
| | Depletion for the year | **6,966.25** | 6,549.43 |
| | **Total Depletion (B)** | **36,741.16** | **29,774.91** |
| | **NET PRODUCING PROPERTIES (A – B)** | **61,599.39** | **56,707.85** |

(₹ in Million)

| 16 | Development & Exploratory Wells In Progress | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **A. Development Wells in Progress** | | |
| | Opening Balance | **2,213.40** | 481.21 |
| | Addition during the year | **6,393.27** | 4,361.40 |
| | Less: Transfer to Producing Properties | **(15.07)** | 2,629.21 |
| | **Development Wells in Progress (A)** | **8,621.74** | **2,213.40** |
| | **B. Exploratory Wells in Progress** | | |
| | Opening Balance (Gross EWIP) | **6,642.52** | 10,406.11 |
| | Addition during the year | **3,449.43** | 329.03 |
| | Less: Transfer to Producing Properties | **34.97** | 138.36 |
| | Less: Wells written off during the year | **706.43** | 3,954.26 |
| | **Closing Balance (Gross EWIP)** | **9,350.55** | **6,642.52** |
| | Less: Provision For Wells drilled under service Contract | | |
| | Opening Balance | **1,466.85** | 1,444.65 |
| | Add: Provided during the year | **12.29** | 22.20 |
| | **Total Provision** | **1,479.14** | **1,466.85** |
| | **Exploratory Wells in Progress (B)** | **7,871.41** | **5,175.67** |
| | **TOTAL WELLS IN PROGRESS (A + B)** | **16,493.15** | **7,389.07** |

(₹ in Million)

| 17 | Capital Work In Progress | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Block 06.1, Vietnam | **2,503.28** | 1,188.30 |
| | Block 128, Vietnam | **–** | 92.54 |
| | Sakhalin–1 Project, Russia | **46,764.05** | 26,994.93 |
| | Block 5A, Sudan | **27.26** | 268.86 |
| | Block A1, Myanmar | **3,960.76** | 700.46 |
| | Block A3, Myanmar | **840.95** | 842.73 |
| | Offshore Midstream Pipeline, Myanmar | **1,966.65** | 568.78 |
| | Block 25, 26, 27, 28, 29, 36 and 35 (Part), Cuba | **346.91** | 346.91 |
| | Block 1,2,3&4 (Area 43), Libya | **408.90** | 408.90 |
| | Block Satpayev, Kazakhstan | **4,753.53** | – |
| | Corporate Office Building, Vasant Kunj, New Delhi | **659.56** | 283.96 |
| | **TOTAL** | **62,231.85** | **31,696.37** |

(₹ in Million)

| 18 | Non– Current Investment | No. of Shares/ Bonds/ Units | Face Value per Share/Bond/ Unit | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **Long Term Investments (Fully Paid Up) (At Cost)** | | | | |
| | **Trade Investments in Shares Unquoted** | | | | |
| | **In Wholly Owned Subsidiaries:** | | | | |
| | **ONGC Narmada Limited** | | | | |
| | Equity Shares | 20,000,000 | 1 (Naira) | **6.94** | 6.94 |
| | | (20,000,000) | | | |
| | **ONGC Amazon Alaknanda Limited** | | | | |
| | Equity Shares | 12,000 | 1 (USD) | **0.56** | 0.56 |
| | | (12,000) | | | |
| | Preference Shares | 367,995,174 | 1 (USD) | **16,982.98** | 20,190.07 |
| | | (437,488,000) | | | |
| | **Jarpeno Limited** | | | | |
| | Equity Shares | 1,450 | 1 (USD) | **15,574.46** | 0.06 |
| | | (1,350) | | | |
| | Preference Shares (at a premium of USD 9,999) | 192,210 | 1(USD) | **86,744.37** | 86,744.37 |
| | | (192,210) | | | |
| | **Carabobo One AB** | | | | |
| | Equity Shares | 377,678 (1,000) | 11.19457 (EURO) | **2,822.02** | 0.76 |

| 18 | Non– Current Investment | No. of Shares/ Bonds/ Units | Face Value per Share/Bond/ Unit | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **In Partially Owned Subsidiaries:** | | | | |
| | **ONGC Nile Ganga B.V.** | | | | |
| | Equity Shares Class A | 40 (40) | 453.78 (Euro) | **8,462.12** | 8,462.12 |
| | Equity Shares Class B | 100 (100) | 453.78 (Euro) | **21,155.29** | 21,155.29 |
| | Equity Shares Class C | 880 (880) | 1 (Euro) | **234.25** | 234.25 |
| | **In Jointly Controlled Entity :** | | | | |
| | **ONGC Mittal Energy Limited** | | | | |
| | Equity Shares | 24,990,000 (24,990,000) | 1 (USD) | **1,113.72** | 1,113.72 |
| | Preference Shares | – (42) | 1 (USD) | **–** | 16.72 |
| | **Investment with Bank for Site Restoration** | | | **2,927.15** | 107.42 |
| | **TOTAL** | | | **156,023.86** | **138,032.28** |
| | **Less : Provision for diminution in the Value of Investment** | | | **18,666.21** | – |
| | **Total Non– Current Investment** | | | **137,357.65** | **138,032.28** |

**a.** Carabobo One AB : ONGC Videsh Limited ("ONGC Videsh Ltd.", 11.0%), Indian Oil Corporation Limited ("IOC", 3.5%), Oil India Limited ("OIL", 3.5%), Repsol YPF ("Repsol", 11.0%) and Petroliam Nasional Berhad ("PETRONAS", 11.0%), hold aggregate 40% equity interest in an "EmpresaMixta" (or "Mixed Company") which will develop the "Carabobo 1 Norte" and "Carabobo 1 Centro" blocks located in the Orinoco Heavy Oil Belt. The CorporaciónVenezolanadelPetróleo ("CVP"), a subsidiary of Petróleos de Venezuela S.A. ("PDVSA"), Venezuela's state oil company, holds the remaining 60% equity interest. A joint venture company "Petro Carabobo S.A." has been incorporated in Venezuela with the above mentioned equity interests. The Company has set up a wholly owned subsidiary, Carabobo One AB ("COAB") in Sweden, which has set up a wholly–owned subsidiary, Petro Carabobo Ganga B.V. ("PCGBV") in the Netherlands. PCGBV holds 11% shares in the Mixed Company. The Mixed Company contract for the development and production from Carabobo–1 Project was signed on 12 May 2010. COAB has changed its accounting currency to Euro from Swedish Krona from FY 2011–12 and accordingly face value of shares has been changed.

**b.** ONGC Nile Ganga B.V.: The Company holds 100% of Class A and Class B equity shares of ONGC Nile Ganga B.V., the Netherlands ("ONGBV"). Further, the Company holds 55% of Class C equity shares of ONGBV and the balance 45% Class C equity shares are held by ONGC Mittal Energy Limited. Class C shares are entitled only and exclusively to the results of Class C business representing ONGBV's investments in Himalaya Energy (Syria) B.V., the Netherlands (the joint venture company for its investments in AFPC Project, Syria).

**c.** ONGC Amazon Alaknanda Limited and ONGC Mittal Energy Limited have redeemed 69,492,826 and 42 preference shares respectively during the year at premium. The resulting gain amounting to ₹2,726.77 Million has been disclosed in Note–27.

**d.** An amount of USD 314 million out of the outstanding loans to Jarpeno has been adjusted against the allotment and issuance of 100 Ordinary Shares in the share capital of the Jarpeno of nominal value of USD 1 each at a premium of USD 3,139,999 per share (total value for each share being USD 3,140,000).

**e.** The company has assessed the carrying value of its long term investments and has observed diminution in the carrying value in respect of Jarpeno Limited. Provision of ₹18,666.21 million has been made for the diminution in value of the investment as on 31 March 2012 (Previous year ₹Nil).

(₹ in Million)

| 19 | Long Term Loans And Advances | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Secured, considered good** | | |
| | Loans and advances to related party | **0.38** | 0.09 |
| | Other loans and advances | **83.64** | 75.28 |
| | **Unsecured, considered good** | | |
| | Other loans and advances | **12.71** | 9.74 |
| | **Doubtful** | | |
| | Loans and advances to related party | **1,401.83** | 1,428.74 |
| | **Other loans and advances** | **534.16** | – |
| | **Sub Total (A)** | **2,032.72** | 1,513.85 |
| | **Less : Provision for bad and doubtful loans and advances** | | |
| | Loans and advances to related party | **1,401.83** | 1,428.74 |
| | Other loans and advances | **534.16** | – |
| | **Sub Total (B)** | **1,935.99** | **1,428.74** |
| | **TOTAL (A)–(B)** | **96.73** | **85.11** |

(₹ in Million)

| a | Loans and advances | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Current (Note 24) | **1,496.09** | 10,249.74 |
| | Non Current (Note 19) | **96.73** | –1,343.63 |
| | **Total** | **1,592.82** | **8,906.11** |

Attention is invited to Note 33 (b) also.

**b.** Loans and advances due to related party represent due from directors (₹ in Million)

| | Non–current | | Current | |
|---|---|---|---|---|
| | As at 31 March 2012 | As at 31 March 2011 | As at 31 March 2012 | As at 31 March 2011 |
| Loans and advances due from directors | **0.38** | **0.09** | **0.05** | – |

(₹ in Million)

| 20 | Other Non Current Assets | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Secured, considered good** | | |
| | Investment in Lease realisable beyond 12 months from the end of reporting period | **1,846.25** | 2,567.91 |
| | Interest Accrued on Loans to Employees | **34.16** | 30.85 |
| | **Unsecured, considered good** | | |
| | Other Deposits | **31.49** | 56.54 |
| | **Doubtful** | | |
| | Trade receivables (sundry debtors) realisable beyond 12 months | **2.16** | – |
| | Non moving Inventories | **930.62** | 558.24 |
| | **Sub Total (A)** | **2,844.69** | **3,213.54** |
| | **Less : Allowance** | | |
| | Trade receivables (sundry debtors) realisable beyond 12 months | **2.16** | – |
| | Provision for Non moving Inventories | **930.62** | 558.24 |
| | **Sub Total (B)** | **932.78** | **558.24** |
| | **TOTAL (A)–(B)** | **1,911.91** | **2,655.30** |

| | Other Assets | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Current (Note 25) | 20,470.74 | 14,624.25 |
| | Non Current (Note 20) | 1,911.91 | 2,655.30 |
| | **Total** | 22,382.65 | 17,279.55 |

(₹ in Million)

| 21 | Inventories (As taken, valued and certified by the Management) | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Finished Goods | 16.78 | 12.38 |
| | Stores & Spares | 1,865.68 | 1,566.60 |
| | **TOTAL** | 1,882.46 | 1,578.98 |

(₹ in Million)

| 22 | Trade Receivables | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Considered good** | | |
| | Debts outstanding for a period exceeding six months: | 0.18 | – |
| | Other Debts: | – | – |
| | **Considered good** | | |
| | **Secured** | – | – |
| | **Unsecured** | | |
| | Debts outstanding for a period less than six months: | 6,709.37 | 5,940.94 |
| | **TOTAL** | 6,709.55 | 5,940.94 |

(₹ in Million)

| 23 | Cash & Bank balances | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **A. Balances with Banks** | | |
| | a) Current account | 3,411.52 | 4,728.55 |
| | b) Deposits | 35.38 | 12.79 |
| | **B. Cash on hand** | | |
| | a) At New Delhi | 0.25 | 0.26 |
| | b) At Overseas | 0.17 | 0.09 |
| | **C. Cash & Bank Balance** (In respect of Joint Ventures) | 2,012.18 | 1,321.80 |
| | **TOTAL** | 5,459.50 | 6,063.49 |

(₹ in Million)

| 24 | Short Term Loans & Advances | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **A. Secured – Considered Good** | | | | |
| | Loans & Advances to Employees | | 19.28 | | 14.45 |
| | **Secured – Considered Good (A)** | | 19.28 | | 14.45 |
| | **B. Unsecured – Considered Good** | | | | |
| | Carry Finance to JV Partners | | 69.38 | | 282.92 |
| | Loans & Advances to Employees | | 5.86 | | 10.58 |
| | Loans & Advances to Directors | | 0.05 | | – |
| | Advances recoverable in cash or in kind or for value to be received | | 716.18 | | 419.60 |
| | Loans and advances to related parties | | | | |
| | Receivable from ONGC Nile Ganga BV (Subsidiary Company) | | 294.64 | | 174.25 |
| | Receivable from Petro Carabobo Ganga BV (Subsidiary Company) | | 53.55 | | 46.82 |
| | Receivable from OAAL (Subsidiary Company) | | 2.83 | | – |
| | Receivable from ONGC Mittal Energy Ltd. | | 183.88 | | 156.67 |
| | Advance to Jarpeno Limited | | 1.24 | | 6,651.93 |
| | Advance to AB Startkapitalet nr 5636 (Carabobo ONE AB Limited) | | 149.20 | | 2,492.52 |
| | **Unsecured – Considered Good (B)** | | 1,476.81 | | 10,235.29 |
| | **C. Unsecured – Considered Doubtful** | | | | |
| | Carry Finance to Shell, Egypt (NEMED) | – | | 6,156.23 | |
| | Less: Provisions for Doubtful Advances and Claims | – | | – | |
| | Less: Written Off during the Year | – | – | 6,156.23 | – |
| | **Unsecured – Considered Doubtful (C)** | | – | | – |
| | **LOANS AND ADVANCES (A+B+C)** | | 1,496.09 | | 10,249.74 |

**a.** Carry Finance to Sudapet: The Company carried the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A till the commencement of first commercial production (Sudapet Carry). The carried amounts are repayable without interest in form of oil out of the production share of Sudapet as per the terms of the Exploration and Production hearing Agreement (EPSA). Currently, Block 5A is under exploration, production and development and due to certainty of the recovery, the net carried amount of USD 1.36 Million equivalent to ₹69.38 Million (previous year USD 6.33 Million equivalent to ₹282.92 Million) has been shown as Loans and Advances.

(₹ in Million)

| 25 | Other Current Assets | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|
| | Prepaid expenses for Underlift Quanity | | 342.01 | | 283.32 |
| | **Interest Accrued On:** | | | | |
| | Deposits with Banks | | – | | 0.13 |
| | Others | | 4.14 | | 195.69 |
| | Other Deposits | | 27.02 | | 0.25 |
| | Other Current Assets | | 11.69 | | 7.48 |
| | VAT Receivable | | 926.56 | | 541.05 |
| | Investment in Lease | | 2,427.35 | | 975.68 |
| | Advances recoverable in Cash or in kind or for value to be received (In respect of Joint Venture) | | 6,318.76 | | 4,477.50 |
| | **Taxes (Income Tax, Wealth Tax and Fringe Benefit Tax) :** | | | | |
| | Advance Payment | 21,841.37 | | 19,094.64 | |
| | Less: Provision | 11,428.16 | 10,413.21 | 10,951.49 | 8,143.15 |
| | **TOTAL** | | 20,470.74 | | 14,624.25 |

*Attention is invited to Note 20*

(₹ in Million)

| 26 | Revenue from Operations | 2011–12 | 2010–11 |
|---|---|---|---|
| | **Sale of products** | | |
| | (A) Sale of products | | |
| | Crude Oil | 62,889.77 | 46,138.49 |
| | Gas | 9,567.78 | 7,896.11 |
| | Condensate | 3,090.51 | 1,982.75 |
| | **TOTAL** | 75,548.06 | 56,017.35 |
| | **(B) Overlifted Quantity of Crude** | – | 581.28 |
| | **Total Sales (A)+(B)** | 75,548.06 | 56,598.63 |
| | **Less: VAT** | 1,234.29 | 916.00 |
| | **Total revenue from operations** | 74,313.77 | 55,682.63 |

(₹ in Million)

| 27 | Other Income | 2011–12 | 2010–11 |
|---|---|---|---|
| | **Income from Dividend from ONGBV (Subsidiary Company)** | 1,049.40 | 818.11 |
| | **Interest income :** | | |
| | On Deposits with Banks | 46.28 | 55.30 |
| | On Loans & Advances to Subsidiaries | 429.27 | 194.19 |
| | On Loans and Advances to Employees | 5.54 | 3.86 |
| | Other interest income | 93.63 | 126.85 |
| | **Profit on Redemption/ Sale of Investment** | 2,726.77 | 28.40 |
| | **Gain on Foreign Exchange Forward Contract** | 222.45 | – |
| | **Lease Income** | 207.36 | 252.94 |
| | **Miscellaneous Receipts** | 1,038.55 | 669.43 |
| | **TOTAL** | 5,819.25 | 2,149.08 |

(₹ in Million)

| 28 | Production, Transportation, Selling and Distribution Expenditure | 2011–12 | 2010–11 |
|---|---|---|---|
| | Production Expenditure | 5,928.31 | 5,174.64 |
| | Transportation Expenditure | 3,083.46 | 2,612.19 |
| | Royalty | 5,116.27 | 3,680.30 |
| | Service Tax and Other Levies | 13.08 | 37.55 |
| | Staff Exp | 786.56 | 672.53 |
| | Rent | 166.41 | 196.16 |
| | Repair & Maintenance | 67.90 | 47.43 |
| | Insurance | 28.07 | 2.97 |
| | Crude oil received against Carry Finance | 231.66 | – |
| | Other Expenses | 628.64 | 611.99 |
| | **TOTAL** | 16,050.36 | 13,035.76 |

The above expenses have been reclassified in accordance with Part II of Revised Schedule VI to the Companies Act ,1956

**a.** Details of Production, Transportation, Selling and Distribution Expenditure

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| (i) (a) Salaries, Wages, Ex–gratia, etc. | 519.64 | 458.52 |
| (b) Contribution to Provident and other Funds | 33.02 | 29.59 |
| (c) Provision for Gratuity | 17.36 | 11.65 |
| (d) Provision for Leave Encashment | 69.00 | 43.18 |
| (e) Provision of Medical/Terminal Benefits | 3.82 | 9.92 |
| (f) Staff Welfare Expenses | 143.72 | 119.67 |
| **Sub–Total** | 786.56 | 672.53 |
| (ii) Rent | 166.41 | 196.16 |
| (iii) Electricity, Water and Power | 18.22 | 17.33 |
| (iv) Repairs to Building | – | – |
| (v) Repairs to Plant and Machinery | 0.03 | – |
| (vi) Other Repairs | 67.87 | 47.43 |
| (vii) Hire Charges of Vehicles | 96.04 | 103.62 |
| (viii) Professional Charges | 71.59 | 160.72 |
| (ix) Telephone and Telex | 18.08 | 12.88 |
| (x) Printing and Stationary | 2.43 | 1.84 |
| (xi) Training and Seminar | – | 0.56 |
| (xii) Business Meeting Expenses | 3.08 | 13.15 |
| (xiii) Traveling Expenses | 104.06 | 177.46 |
| (xiv) Insurance | 28.07 | 2.97 |
| (xv) Advertisement and Exhibition Expenditure | 10.06 | 7.32 |
| (xvi) Statutory Levies | 13.08 | 37.55 |
| (xvii) Contractual Transportation | 3,083.46 | 2,612.18 |
| (xviii) Miscellaneous Expenditure | 19.59 | 18.04 |
| (xix) Other Operating Expenditure | 6,445.46 | 5,273.72 |
| (xx) Royalty | 5,116.27 | 3,680.30 |
| **TOTAL** | 16,050.36 | 13,035.76 |

b. Crude oil received against Carry Finance represents the value of the Carry Finance Refund in kind as per the terms of Exploration and Production Sharing Agreement. During the year ended 31 March, 2012, total crude oil sales for Block 5A Sudan were ₹3,284.96 Million (Previous year ₹2,928.49 Million). The Sudapet carry finance recovery in kind during the current period amounted to USD 4.97 Million equivalent to ₹231.66 Million . The amount of Sudapet Carry finance recovery in kind is recognized as expenses under Note 28 – Production Transportation, Selling and Distribution Expense with the value of the loan recovered which was adjusted from sales revenue till the previous year ended 31 March 2011. However there is no impact on the profitability during the year due to the change in such accounting of the Sudapet Carry finance recovery. Sales revenue is recognized for the sales quantity net of quality bank compensation taken in kind by the transporter. Pending finalization of the transportation agreement with the transporters, the transport charges and quality bank compensation are accounted based upon the invoices of the transporter.

c. The Other Operating Expenditure (sl.no. (xix) above) includes the expenses in respect of Sakhalin–1 Project, Russia where the above details are not made available by the Operator.

d. Auditors' Remuneration:

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Audit Fee | 3.09 | 2.21 |
| Tax Audit Fee | 0.28 | 0.32 |
| Certification Fee | 0.48 | 0.96 |
| TOTAL | 3.85 | 3.49 |

e. The expenditure incurred by Oil and Natural Gas Corporation Limited or its subsidiaries on behalf of the Company are accounted for on the basis of debit raised by them for which supporting documents are held by the respective parent company/subsidiaries.

(₹ in Million)

| 29 | Increase/(Decrease) in Stock (Finished Goods)<br>* As taken, Valued and Certified by the Management | | 2011–12 | | 2010–11 |
|---|---|---|---|---|---|
| | Closing Stock | | 16.78 | | 12.38 |
| | Opening Stock | 12.38 | | 10.36 | |
| | Less: Adjustment | – | 12.38 | – | 10.36 |
| | NET (INCREASE)/DECREASE IN STOCK | | (4.40) | | (2.02) |

(₹ in Million)

| 30 | Financing Costs | 2011–12 | 2010–11 |
|---|---|---|---|
| | **A. Interest expenses** | | |
| | Amortized Financial Charges on Commercial Papers | – | 267.60 |
| | Interest on Bonds | 1,974.74 | 1,970.78 |
| | Other interest expenses | – | 2.75 |
| | Sub–Total | 1,974.74 | 2,241.13 |
| | **B. Foreign Exchange Fluctuation related to borrowing cost** | – | – |
| | TOTAL | 1,974.74 | 2,241.13 |

(₹ in Million)

| 31 | Depreciation, Depletion and Amortisation | | 2011–12 | | 2010–11 |
|---|---|---|---|---|---|
| | Depreciation on Fixed Assets | 10,011.43 | | 10,596.40 | |
| | Add: Amortisation – Intangibles | (34.89) | | 17.22 | |
| | Less: Capitalised | 7,982.82 | 1,993.72 | 8,245.20 | 2,368.42 |
| | Depletion | | 6,966.25 | | 6,549.43 |
| | Survey Expenditure | | 1,204.25 | | 1,366.67 |
| | Dry Wells Written Off | | 706.43 | | 3,954.26 |
| | Pre–Acquisition Expenses | | 190.65 | | 375.98 |
| | TOTAL | | 11,061.30 | | 14,614.76 |

(₹ in Million)

| 32 | Other Expenses | 2011–12 | 2010–11 |
|---|---|---|---|
| | Net (gain) or loss on foreign currency transactions and translation (other than considered as finance cost) | 12.17 | (101.03) |
| | Provision for Mark to Market loss on Derivative Contracts | 498.56 | – |
| | TOTAL | 510.73 | (101.03) |

(₹ in Million)

| 33 | Provisions and write offs | 2011–12 | 2010–11 |
|---|---|---|---|
| | Provision for Diminution in the Value of Investment | 18,666.21 | – |
| | Provisions for Doubtful Debts/Claims | 509.41 | 1,428.74 |
| | Provision for Wells under service contract | 12.29 | 22.20 |
| | Provision for Non Moving Inventory | 372.38 | 557.36 |
| | Provisions Written Back | – | (6,156.23) |
| | Acquisition Cost Written Off | 92.54 | 423.23 |
| | Other Write Off | 817.92 | 6,318.04 |
| | TOTAL | 20,470.75 | 2,593.34 |

a. Provision for diminution in value of investment is made against non–current investments (Note–18)

b. Provision for doubtful debts/claims includes carry loan of ₹534.16 Million (previous year ₹Nil) to KMG. In view of the block being under exploration and there is no certainty of commercial discovery and provision against loan to subsidiary ₹(26.91) Million (previous year ₹1,428.74 Million) and others ₹2.16 Million (previous year 31 March 2011 ₹Nil)

c. Provision has been made for well under service contract in Iran.

d. Provision amounting to ₹Nil (previous year ₹6,156.23) made in earlier years has been written–back in respect of NEMED exploration block, Egypt in previous year. The same amount has been written–off and included under Other Write Off in previous year.

e. Acquisition cost has been written off in respect of exploration projects upon relinquishment.

f. Other write–off includes ₹766.80 Million (previous year : ₹88.20 Million) in respect of minimum exploration commitment upon relinquishment of exploration blocks.

(₹ in Million)

| 34 | Decrease/(increase) due to overlift/underlift quantity | 2011-12 | 2010-11 |
|---|---|---|---|
| | A. Overlift previous period | - | - |
| | B. Underlift Previous period | 283.32 | - |
| | C. Overlift current period | - | - |
| | D.Underlift current period | 342.01 | 283.32 |
| | **Decrease/(increase) due to overlift/underlift quantity (B+C)-(A+D)** | **(58.69)** | **(283.32)** |

(₹ in Million)

| 35 | Adjustment relating to Prior Period (Net) | 2011-12 | 2010-11 |
|---|---|---|---|
| | **A. Expense** | | |
| | Survey Expenses | (23.20) | - |
| | Other Expenses | 2.84 | 27.18 |
| | Depreciation | (0.02) | (0.07) |
| | **Sub-Total** | (20.38) | 27.11 |
| | **B. Income** | | |
| | Other Income | 6.24 | - |
| | **Sub-Total** | 6.24 | - |
| | **TOTAL (A) - (B)** | (26.62) | 27.11 |

(₹ in Million)

| 36 | Current Year Tax | 2011-12 | 2010-11 |
|---|---|---|---|
| | Corporate Tax | 11,141.60 | 7,255.77 |
| | Wealth Tax | 0.18 | 0.04 |
| | **TOTAL** | 11,141.78 | 7,255.81 |

The provision for corporate income-tax has been made for ₹11,141.60 Million (previous year ₹7255.77), including the tax payable in respect of Sakhalin-1, Russia Project as well as taking into account the tax credits under applicable double taxation avoidance agreements.

(₹ in Million)

| 37 | Deferred Tax | 2011-12 | 2010-11 |
|---|---|---|---|
| | Deferred Tax | 93.57 | (3.06) |
| | **TOTAL** | 93.58 | (3.06) |

(₹ in Million)

| 38 | Earlier Years Tax | 2011-12 | 2010-11 |
|---|---|---|---|
| | Corporate Tax | 158.56 | (2,971.37) |
| | Wealth Tax | 0.13 | - |
| | **TOTAL** | 158.69 | (2,971.37) |



(In ₹)

| 39 | Earning Per Equity Share | 2011-12 | 2010-11 |
|---|---|---|---|
| | Net Profit | 18,760,795,568 | 21,424,602,996 |
| | No of Shares | 100,000,000 | 100,000,000 |
| | Basic and Diluted Earnings Per Equity Share (Per Share of ₹100 each) | 187.61 | 214.25 |

## 40. The required disclosure under the Accounting Standard 15 (Revised) is given below:

**(A)** Brief Description: A general description of the type of Defined Benefit Plans is as follows:

**(i) Earned Leave (EL) Benefit**

Accrual -30 days per year

Encashment while in service-75% of Earned Leave balance subject to a maximum of 90 days per calendar year

Encashment on retirement - maximum 300 days.

**(ii) Good Health Reward (Half Pay Leave)**

Accrual -20 days per year

Encashment while in service -Nil

Encashment on retirement - 50% of Half Pay Leave balance.

**(iii) Gratuity**

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to ₹1.00 million.

**(iv) Post-Retirement Medical Benefits**

Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation and on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

**(v) Terminal Benefits**

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Travelling Allowance. Employees are given a silver plaque as a memento on superannuation, depending upon their level.

**(B)** The amounts recognized in financial statements for defined contribution plans are as under:

(₹ in Million)

| DEFINED CONTRIBUTION PLANS | Expense Recognized during 2011-12 | Contribution for Key Management Personnel during 2011-12 | Expense Recognized during 2010-11 | Contribution for Key Management Personnel during 2010-11 |
|---|---|---|---|---|
| Contributory Provident Fund | 29.53 | 0.54 | 26.53 | 0.61 |
| Employee Pension Scheme -95 | 1.40 | 0.01 | 1.40 | 0.01 |
| Composite Social Security Scheme | 1.53 | 0.02 | 1.66 | 0.03 |

**(C)** The amounts recognized in the balance sheet for post-employment benefit plans are as under:

**(₹ in Million)**

| PARTICULARS | Gratuity | Leave | Post-Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| **Present Value of Funded Obligation** | – | – | – | – |
| | – | – | – | – |
| **Fair Value of Plan Assets** | – | – | – | – |
| | – | – | – | – |
| **Present Value of Unfunded Obligation** | **179.90** | **166.44** | **63.49** | **8.99** |
| | 169.54 | 139.67 | 61.14 | 7.86 |
| **Unrecognized Past Service Cost** | – | – | – | – |
| | – | – | – | – |
| **Net Liability** | **179.90** | **166.44** | **63.49** | **8.99** |
| | 169.54 | 139.67 | 61.14 | 7.86 |

**(D)** The amounts included in the fair value of plan assets of gratuity fund in respect of Reporting Enterprise's own financial instruments and any property occupied by, or other assets used by the reporting enterprise are ₹Nil (Previous Year ₹Nil)

**(E)** Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

**(₹ in Million)**

| PARTICULARS | Gratuity | Leave | Post-Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Opening defined benefit obligation | **169.54** | **139.67** | **61.14** | **7.86** |
| | 164.23 | 127.04 | 54.74 | 4.79 |
| Current Service Cost | **7.39** | **6.81** | **2.48** | **0.35** |
| | 7.01 | 5.80 | 2.23 | 0.31 |
| Past Service Cost | **–** | **–** | **–** | – |
| | – | – | – | – |
| Interest Cost | **14.41** | **11.87** | **5.20** | **0.67** |
| | 13.14 | 10.16 | 4.38 | 0.38 |
| Actuarial Losses (Gains) | **(4.44)** | **50.32** | **(5.33)** | **0.45** |
| | (8.50) | 27.22 | (0.21) | 2.83 |
| Exchange differences on foreign plans | **–** | **–** | **–** | – |
| | – | – | – | – |
| Less: Benefits paid | **(7.00)** | **(42.24)** | **–** | **(0.34)** |
| | 6.34 | 30.55 | – | 0.45 |
| Closing defined benefit obligation | **179.90** | **166.44** | **63.49** | **8.99** |
| | 169.54 | 139.67 | 61.14 | 7.86 |

**(F)** The total expenses recognized in the statement of profit and loss are as follows:

**(₹ in Million)**

| PARTICULARS | Gratuity | Leave | Post Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Current Service Cost | **7.38** | **6.80** | **2.48** | **0.35** |
| | 7.01 | 5.80 | 2.23 | 0.31 |
| Interest on Obligation | **14.41** | **11.87** | **5.20** | **0.67** |
| | 13.14 | 10.16 | 4.38 | 0.38 |
| Expected Return on plan assets | **–** | **–** | **–** | – |
| | – | – | – | – |
| Net Actuarial Losses (-Gains) recognised in year | **(4.44)** | **50.32** | **(5.33)** | **0.45** |
| | (8.50) | 27.22 | (0.21) | 2.83 |
| Past Service Cost | **–** | **–** | **–** | – |
| | – | – | – | – |
| Losses (Gains) on curtailments and settlement | **–** | **–** | **–** | – |
| | – | – | – | – |
| Total included in 'Employee Benefit Expense' | **17.35** | **68.99** | **2.35** | **1.47** |
| | 11.65 | 43.18 | 6.40 | 3.52 |
| Actual return on Plan Assets | **–** | **–** | **–** | **–** |
| | – | – | – | – |

**(G)** Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

**(₹ in Million)**

| PARTICULARS | Gratuity | Leave | Post Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Discount Rate | **8.50%** | **8.50%** | **8.50%** | **8.50%** |
| | 8.00% | 8.00% | 8.00% | 8.00% |
| Expected Return on Plan Assets | **–** | **–** | **–** | **–** |
| | – | – | – | – |
| Annual Increase in health care costs | **–** | **–** | **–** | **–** |
| | – | – | – | – |
| Annual Increase in Salary | **6.00%** | **6.00%** | **6.00%** | **6.00%** |
| | 5.50% | 5.50% | 5.50% | 5.50% |

**(H)** Effect of 1.00 % increase and decrease in inflation rate on Post Retirement Medical Benefits as on 31st March 2012:

**(₹ in Million)**

| | 1.00 % (+) | 1.00 % (–) |
|---|---|---|
| a) Effect on service and interest cost | **1.57** | **(1.13)** |
| | 1.31 | (1.05) |
| b) Effect on Present Benefits Obligation (Closing) | **14.24** | **(8.03)** |
| | 11.41 | (9.25) |

*Note: Figures in **bold** represent **current** year's figures*

## 41.1 Tax Assessment

i. The Company had appealed to Hon'ble Delhi High Court against the decision of Income Tax Appellate Tribunal (ITAT) for the Assessment Years 1981–82 to 1987–88 regarding disallowance of its claim for `94.04 Million (As on 31st March 2011: `94.04 Million) on account of depreciation, development allowance and receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard was paid by the Company. The matter has been remanded back by the Hon'ble Delhi High Court to the ITAT for fresh hearing vide order dated 30 March 2011.

ii. The Company had filed appeals with Commissioner of Income Tax (Appeals) [CIT (Appeals)] against the disallowance of depreciation on acquisition costs of the projects and other expenses as well as addition to income aggregating to `3,958.54 Million, `3,006.17 Million, `3,470.29 Million, `3, 212.03 Million, `4,683.46 Million , `5,617.51 Million and `4,578.92 Million for assessment years 2002–03, 2003–04, 2004–05, 2005–06, 2006–07, 2007–08 and 2008–09 respectively by the assessing officer ("AO"). CIT (Appeals), while disposing off the appeals for assessment years 2002–03 and 2003–04 partially deleted the disallowances. The Company filed appeals with the Income Tax Appellate Tribunal (ITAT) against the orders of CIT (Appeals). The Company got a favorable decision from ITAT for AY 2002–03 and all disallowances (depreciation on acquisition cost and pre–acquisition expenses) made by the AO have been deleted by ITAT. While the Department has filed appeal in the High Court of Delhi (the "Delhi HC") against the said order of ITAT for 2002–03, the Company has also approached the Delhi HC against the said order with the appeal that the acquisition cost be treated as revenue expenditure.

iii. For the assessment years 2004–05 and 2005–06, CIT (Appeals) has decided the appeals in favor of the Company. However, the Department has filed appeal against the above orders in the ITAT.

iv. For the assessment year 2004–05, the AO had reassessed the income under u/s 147 of the Income Tax Act, 1961 making additions to income amounting to `165.98 Million towards exchange gain adjustments and change in method of accounting during the relevant year. The tax demanded due to reassessment is nil. The AO has also initiated penalty proceedings. Company has filed an appeal before CIT (Appeals) against the order of the AO and requested the AO to keep the penalty proceedings in abeyance till the disposal of the appeal by CIT (Appeals).

v. For the assessment year 2005–06, the Company had claimed tax credit of `111.33 Million (increased to `709.88 Million due to assessment by Department under regular provisions rather than under MAT, as returned) under the India–Vietnam double tax avoidance agreement with respect to tax deemed to be paid. The claim was duly supported by report of a reputed accounting and tax firm in Vietnam and accepted by the AO. The CIT had issued an order dated 29 March 2010 holding the allowance of the credit to be erroneous and directed the AO to re–compute the tax payable and allow credit only on the basis of certificate to be obtained by the Company from Vietnam tax authorities. The Company had filed appeal with the Income Tax Appellate Tribunal (ITAT) to contest the same on the ground that the decision of the CIT is not in accordance with the law. The Company had also approached Vietnam Tax Authorities (VTA) for required certificate. However, the AO vide his order dated 21 December 2010 has withdrawn the credit allowed for `709.88 Million and the resulting demand for `958.34 Million has been adjusted by the AO against refunds due to the Company. The Company has filed appeal with CIT (A) against the order of the AO. Further, the VTA vide their notice dated 5 August 2011 have confirmed the tax amounts for the calendar years 2003 to 2006. The Company has filed the documents with CIT (A) and further proceedings before CIT(A) are pending.

vi. For the assessment year 2008–09, the AO has made certain disallowances/additions (depreciation on acquisition costs of the projects, adjustment of Sudan crude oil inventory, provision in respect of Farsi exploration service contract and other expenses) amounting to ₹4,578.92 Million and assessed total income as ₹32,469.15 Million against returned income of ₹27,890.22 Million. The disallowances/ additions include an amount of ₹1,654,88 Million on protective basis. In consequence, the AO has raised a demand of ₹2,238.65 Million payable by the Company. The Company does not agree with the disallowances made and filed appeal with CIT (Appeals) against such assessment order. No provision has been made for additional tax liability, if any, on this account.

vii. For the assessment year 2005–06, AO has initiated action on 28 March 2012 u/s 147 of the Income Tax Act, 1961 for re–assessing company's assessed income. The AO also conveyed the reasons whereby the AO has indicated additions to income amounting to ₹25.87 Million towards exchange loss adjustments due to change in method of accounting during the year. No demand has been raised by the AO

## 41.2 Disclosure pursuant to the clause 28 of the Listing Agreement:

Loans & Advances in the Nature of Loans

**(₹ in Million)**

| Particulars | 2011–12 | | 2010–11 | |
|---|---|---|---|---|
| | Outstanding as on 31.03.2012 | Maximum Amount Outstanding during the Year | Outstanding as on 31.03.2011 | Maximum Amount Outstanding during the Year |
| a) Loans and advances to Subsidiaries | | | | |
| i) Advance to Jarpeno Limited | **1.24** | **15,329.61** | 6,651.93 | 6,668.37 |
| ii) Advance to Carabobo One AB | **149.20** | **2,547.42** | 2,492.52 | 2,622.23 |
| iii) Loan to ONGC Narmada Limited | **1,401.83** | **1,428.74** | 1,428.74 | 1,428.74 |
| iv) Advance to ONGC Caspian E&P B.V. | **Nil** | **Nil** | Nil | 733.42 |
| b) Loans to Associates Advance to ONGC Mittal Energy Limited | **Nil** | **Nil** | Nil | 75.55 |
| c) Loans having no repayment schedule or repayment schedule of more than seven years to employees | **103.35** | **104.34** | 89.82 | 89.82 |
| d) Loans having no interest or interest below section 372A of Companies Act, 1956 | **NA** | **NA** | NA | NA |
| e) Investment by the loanee (borrower) in the shares of parent company and subsidiary company | **Nil** | **Nil** | Nil | Nil |
| f) Loan to firms/companies in which Directors are interested | **Nil** | **Nil** | Nil | Nil |

## 42. Details of Joint Ventures:

The details of Company's and its Subsidiaries' significant joint ventures as on 31 March, 2012 are as under

| Sr. No. | Name of the Project and Country of Operation | Company's participating share (%) | Other Consortium Members* | Operator* | Project Status |
|---|---|---|---|---|---|
| 1 | Block 06.1 Project, Vietnam, Offshore | 45% | TNK Vietnam B.V.** –35% | TNK Vietnam B.V.** | The project is under development and production. |
| | | | Petrovietnam – 20% | | |
| 2 | Sakhalin –1 Project, Russia, Offshore | 20% | ENL – 30% | ENL | The project is under development and production. |
| | | | SODECO – 30% | | |
| | | | SMNG – 11.5% | | |
| | | | R N Astra– 8.5% | | |
| 3 | Block 5A Project, Sudan, Onshore | 24.125% | Petronas – 67.875% | Petronas and Sudapet – Joint Operatorship | The project is under exploration, development and production. |
| | | | Sudapet – 8% | | |

| Sr. No. | Name of the Project and Country of Operation | Company's participating share (%) | Other Consortium Members* | Operator* | Project Status |
|---|---|---|---|---|---|
| 4 | Block A–1 Myanmar, Offshore | 17% | Daewoo – 51%<br>KOGAS – 8.5%<br>GAIL – 8.5%<br>MOGE– 15% | Daewoo | The project is under development. |
| 5 | Block A–3 Project, Myanmar, Offshore | 17% | Daewoo – 51%<br>KOGAS – 8.5%<br>GAIL – 8.5%<br>MOGE– 15% | Daewoo | The project is under development. |
| 6 | Farsi Block Project, Iran, Offshore | 40% | IOC – 40%<br>OIL – 20% | ONGC Videsh Ltd. | The project 's exploration service contract ended on 24 June 2009. The Master Development Plan (MDP) for the Farzad 'B' Gas Field has been submitted to National Iranian Oil Company and Development Service Contract for the field is under discussion. |
| 7 | Block XXIV Project, Syria, Onshore | 60% | IPRMEL – 25%<br>Triocean–15% | IPR MEL | The project is under exploration, development and production. |
| 8 | Block 25–29, 35 (Part) & 36 Project, Cuba, Offshore | 30% | Repsol YPF – 40%<br>StatOil – 30% | Repsol YPF | The project is under exploration. |
| 9 | Khartoum–Port Sudan Pipeline Project, Sudan | 90% | OIL – 10% | ONGC Videsh Ltd. | The pipeline has been completed and is under lease. |
| 10 | Block RC–8, Colombia, Offshore | 40% | Ecopetrol – 40%<br>Petrobras – 20% | ONGC Videsh Ltd. | The project is under exploration |
| 11 | Block RC–9, Colombia, Offshore | 50% | Ecopetrol – 50% | Ecopetrol | The project is under exploration |
| 12 | Block RC–10, Colombia, Offshore | 50% | Ecopetrol – 50% | ONGC Videsh Ltd. | The project is under exploration |
| 13 | Block SSJN–7, Colombia, Onshore | 50% | Pacific – 50% | Pacific | The project is under exploration |
| 14 | Block CPO–5, Colombia, Onshore | 70% | PetroDorado – 30% | ONGC Videsh Ltd. | The project is under exploration |
| 15 | SHWE Offshore Pipeline, Myanmar, Offshore | 17% | Daewoo – 51%<br>KOGAS – 8.5%<br>GAIL – 8.5%<br>MOGE – 15% | Daewoo | The project is under construction. |
| 16 | Satpayev Contract Area 3575, Kazakhstan | 25% | KMG – 75% | SOLLP | The project is under exploration |

*Abbreviations used: BPEOC – BP Exploration Operating Company Limited; Daewoo – Daewoo International Corporation; Ecopetrol – Ecopetrol S.A, Colombia; ENL – Exxon Neftegas Limited; GAIL – GAIL (India) Limited; IOC – Indian Oil Corporation Limited; IPRMEL – IPR Mediterranean Exploration Limited; KMG – Kazmunaygas; KOGAS – Korea Gas Corporation; MOGE– Myanmar Oil and Gas Enterprise; OIL – Oil India Limited; Petrobas – Petrobras Colombia Ltd; Pacific – Pacific Stratus Energy, Colombia ; Petro–Dorado – Petro–Dorado South America S.A.; Petronas – PetronasCarigali Overseas SdnBhd; Petrovietnam – Vietnam Oil and Gas Group; Repsol YPF – Repsol YPF Cuba SA; SMNG – Sakhalinmorneftegas Shelf; SODECO – Sakhalin Oil Development Company Limited; SOLLP – Satpayev Operating Company LLP (100% subsidiary of KMG); Sudapet – Sudapet Limited; Triocean: Tri–Ocean Mediterranean.

** BPEOC has transferred its PI and Operatorship to TNK Vietnam B.V. which is effective from 17th October 2011.



### 43.1 Company's share in Joint Ventures

The Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the Operator has been incorporated in the financial statements as given below:

(₹ in Million)

| Project | Net Fixed Assets | Net Producing Property | Capital Work in Progress | Exploratory and Development Wells in Progress | Current Assets | Cash and Bank Balance | Liabilities | Income | Expenditure* (Including depreciation) |
|---|---|---|---|---|---|---|---|---|---|
| **A. Audited as of 31 March 2012** | | | | | | | | | |
| Block 06.1, Vietnam | 1,160.94 | 1,700.14 | 2,503.28 | 3,868.07 | 2,585.96 | 22.96 | 12,227.59 | 10,124.13 | 3,666.03 |
| Farsi Block, Iran | 0.27 | – | – | – | 1.45 | 1.08 | 116.18 | 0.33 | 10.90 |
| Sudan Pipeline, ONGC Videsh Ltd.'s Share (90%) | – | – | – | – | 2,436.45 | 9.10 | 3,861.74 | 207.37 | (914.15) |
| **Total (A)** | **1,161.21** | **1,700.14** | **2,503.28** | **3,868.07** | **5,023.86** | **33.14** | **16,205.51** | **10,331.83** | **2,762.78** |
| **B. Audited as of 31 January 2012** | | | | | | | | | |
| Block 5A, Sudan | 2,834.54 | 5,016.93 | 27.26 | 2,006.76 | 1,204.69 | 125.42 | 325.40 | 3,287.07 | 1,911.68 |
| **Total (B)** | **2,834.54** | **5,016.93** | **27.26** | **2,006.76** | **1,204.69** | **125.42** | **325.40** | **3,287.07** | **1,911.68** |
| **C. Audited as of 31 December 2011** | | | | | | | | | |
| Sakhalin 1, Russia | 22,632.87 | 54,960.77 | 46,764.05 | 1,344.42 | 9,759.26 | 799.88 | 80,642.67 | 60,737.72 | 28,442.46 |
| Block RC–8, Colombia | 0.15 | – | – | – | 11.06 | – | 126.73 | 0.35 | 40.91 |
| Block RC–10, Colombia | 0.21 | – | – | – | 14.33 | – | 150.08 | 0.49 | 38.39 |
| Block RC–9, Colombia | – | – | – | – | 0.09 | 0.24 | 7.59 | 0.26 | (13.91) |
| Block SSJN–7, Colombia | – | – | – | – | 2.20 | – | 50.93 | 0.07 | 260.33 |
| Blocks 25–29, 35 (Part) & 36, Cuba | 6.12 | – | 346.91 | 1,811.86 | 248.44 | – | 748.71 | – | 20.32 |
| Block A–1, Myanmar | 20.97 | – | 3,960.76 | 2,753.72 | 734.58 | 444.92 | 1,827.11 | 3.14 | 78.55 |
| Block A–3, Myanmar | 2.01 | – | 840.95 | 2,695.10 | 186.02 | 162.42 | 317.60 | 3.54 | 10.13 |
| CPO 5 Block | 0.24 | – | – | 15.20 | 67.06 | – | 219.11 | 1.16 | 166.43 |
| SHWE Offshore Pipeline, Myanmar | – | – | 1,966.65 | – | 444.18 | 443.79 | 440.26 | 1.74 | (5.61) |
| **Total (C)** | **22,662.57** | **54,960.77** | **53,879.32** | **8,620.30** | **11,467.22** | **1,851.25** | **84,530.79** | **60,748.47** | **29,038.00** |
| **D. Unaudited** | | | | | | | | | |
| Block XXIV, Syria | 53.67 | (78.46) | – | 1,998.02 | 314.97 | – | 270.06 | 191.49 | 246.74 |
| Block 6 North Ramadan, Egypt+ | – | – | – | – | 50.96 | – | 60.82 | 0.80 | (68.50) |
| Block NC–189, Libya+ | – | – | – | – | 24.79 | 2.34 | 0.23 | – | (0.75) |
| Block NEMED, Egypt+ | – | – | – | – | – | – | (1.88) | – | 30.79 |
| Satpayev Block, Kazakhstan | 2.30 | – | 4,753.53 | – | 18.66 | – | 646.57 | – | 703.45 |
| **Total (D )** | **55.97** | **(78.46)** | **4,753.53** | **1,998.02** | **409.38** | **2.34** | **975.80** | **192.29** | **911.73** |
| **Grand Total** | **26,714.29** | **61,599.38** | **61,163.39** | **16,493.15** | **18,105.15** | **2,012.15** | **102,037.50** | **74,559.66** | **34,624.19** |

*Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the Accounting Standard (AS) 27 viz. Financial Reporting of interests in Joint Ventures.

+Projects surrendered during the year

The Company's share of assets, liabilities, income and expenses has been converted into the reporting currency at the average exchange rate over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin–1, Russia Project, where the details are provided by the Operator on quarterly basis.

### 43.2 Block 5A, Republic of South Sudan

The Company has 24.125% participating interest in Block 5A Republic of Sudan (ROS). South Sudan separated from ROS as an independent country effective from 9th July 2011. In view of the separation of South Sudan, the entire contract area of Block 5A is now situated in Republic of South Sudan (RSS), whereas the downstream crude oil transportation system and export terminal are situated in ROS.

The company signed a Transition Agreement (TA) with RSS on 13th January 2012 continuing its right for oil exploration and exploitation for contract area of Block 5A in Republic of South Sudan. Republic of South Sudan is a landlocked country. Government of Sudan and Government of South Sudan has been negotiating an agreement for the evacuation of crude produced from Republic of South Sudan concessional area through the processing and transportation facilities of Republic of Sudan and has yet to reach an agreement. As per the directives of Ministry of Petroleum & Mines, Government of South Sudan, petroleum operation has been temporarily shut down in concession area of Block 5A effective from 23rd January 2012. In view of the above, currently petroleum operations in the Block have been limited to the maintenance of the facilities to ensure integrity for swift resumption of production operation.

Due to the secession of South Sudan from ROS, the operator has been shifting office from Khartoum in ROS to Juba in RSS. Due to the shifting process the operator has not been able to provide the monthly expenditure statement for the month of February and March 2012. Hence the expenditure for the month of February and March are booked based on the cash call request for those two months amounting to USD 4.39 Million equivalent ₹218.24 Million. Necessary adjustments would be carried out in the accounts on receipt of the expenditure statement.

### 43.3 Satpayev Block, Kazakhstan:

Effective 12th October 2011, the Company has acquired 25% Subsoil use rights from National Company JSC Kaz Munai Gas (KMG) in the Contract for Exploration and Production of Hydrocarbon (Contract) in Satpayev Area which was signed on 15th June, 2010 between Ministry of Oil and Gas (MOG), Kazakhstan and KMG. KMG now holds subsoil use rights of 75% in the Block. The amounts paid toward initial payment and signature bonus aggregating to ₹4,753.53 Million are disclosed as Capital Work in Progress in Note 17.

## 44. Disclosure pursuant to as 19 – Leases

a. Khartoum – Port Sudan Pipeline Project:

The Company had completed the 12"X741 Kms multi–product pipeline from Khartoum refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (GOS) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to GOS during the financial year 2005–06. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to USD 37.15 Million, Company's share being USD 33.43 Million (90%), which have not been accepted by the Company. The Company, in turn has filed a claim as per the contract with GOS for their approval of an aggregate amount of USD 46.18, Company's share being USD 41.56. The EPC Contractor has initiated arbitration with a claim for USD 25.49 Million plus interest (amount uncertainable) against the Company. Pending settlement with the EPC Contractor, an amount of USD 22.94 Million, being the Company's 90% share out of total claim of USD 25.49 Million has been accounted as liability in the relevant year. No revenue in this respect has been recognized since the claim has not been accepted by GOS. ONGC Videsh Ltd. has served a pre–arbitral notice on GOS which is a requirement prior to initiating any legal proceedings in Sudan.

The payment under the contract with GOS would be received over a period of 10 years including a moratorium of one year from the date of the contract (30 June, 2004) in 18 equal semi–annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by GOS are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to GOS in proportion to the payments made by GOS against total payments due to Company under the contract. Further, subject to regular payments on due dates by GOS to the Company, GOS shall have the exclusive right to use and operate the pipeline system and the Company shall not assign, transfer, sub–let, sub–contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments minus Unearned Finance Income) is recognized and recorded as receivables under the lease. The finance income thereon has been recognized based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first 11 installments under the contract due till 30th December 2010 have been received. The 12th Installment due on 30th June 2011 and 13th installment due on 30th December 2011 have not yet been received. Company has taken a political risk insurance policy for 12th and 13th installments. As per the provisions of policy contract, the company has filed the claim for 12th and 13th installments with Export Credit Guarantee Corporation of India (ECGC).

b. The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(₹ in Million)

| Particulars | | 31 March 2012 | | 31–Mar–11 | |
|---|---|---|---|---|---|
| | | Gross | Net | Gross | Net |
| a) | Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end | | | | |
| | – Not later than one year | 2,581.50 | 2,427.35 | 1129.15 | 975.68 |
| | – Later than one year and not later than five years | 1,936.13 | 1,846.25 | 2822.89 | 2567.91 |
| | – Later than five years | – | – | – | – |
| | Total | 4517.63 | 4273.60 | 3952.04 | 3543.59 |
| b) | Unearned Finance Income | 244.03 | | 408.45 | |
| c) | Unguaranteed residual value accruing to Company's benefit | Nil | | Nil | |
| d) | Accumulated provision for uncollectible minimum lease payments receivable | Nil | | Nil | |
| e) | Contingent rents recognised in the statement of profit and loss for the period | Nil | | Nil | |
| f) | General description of the significant leasing arrangement | As described in para above | | As described in para above | |
| g) | Accounting Policy followed in respect of initial direct costs | As per Accounting Policy O.1.2 | | As per Accounting Policy O.1.2 | |

## 45. Details of Reserves: (as determined by the Reserves Estimation Committee):

(a) Company's share of Proved Reserves in respect of different projects as on 31 March, 2012 is as under:

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total Oil Equivalent** (Million Tonne) |
|---|---|---|---|---|
| Block 06.1, Vietnam | Opening | 0.672 | 10.540 | 11.212 |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.036 | 2.023 | 2.059 |
| | Closing | 0.636 | 8.517 | 9.153 |
| Sakhalin–1, Russia | Opening | 35.501 | 71.537 | 107.038 |
| | Addition | 0.258 | 0.138 | 0.396 |
| | Ded/Adj | – | – | – |
| | Production | 1.498 | 0.494 | 1.992 |
| | Closing | 34.261 | 71.182 | 105.442 |

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total Oil Equivalent** (Million Tonne) |
|---|---|---|---|---|
| **Block 5A, Sudan** | Opening | **6.627** | – | **6.627** |
| | Addition | (0.105) | – | (0.105) |
| | Ded/Adj | – | – | – |
| | Production | 0.174 | – | 0.174 |
| | Closing | **6.348** | – | **6.348** |
| **Block–24, Syria** | Opening | **1.813** | – | **1.813** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | **0.010** | – | **0.010** |
| | Closing | **1.803** | – | **1.803** |
| **Block–A1 & A3, Myanmar** | Opening | – | **10.297** | **10.297** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | – | – | – |
| | Closing | – | **10.297** | **10.297** |

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000$M^3$ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

b) Company's share of Proved and Developed Reserves in respect of different projects as on 31 March 2012 is as under:

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total Oil Equivalent** (Million Tonne) |
|---|---|---|---|---|
| **Block 06.1, Vietnam** | Opening | **0.663** | 6.985 | **7.648** |
| | Addition | – | – | – |
| | Deductions/ Adjustment | – | – | – |
| | Production | 0.036 | 2.023 | 2.059 |
| | Closing | **0.627** | 4.962 | **5.589** |
| **Sakhalin–1, Russia** | Opening | **10.620** | 11.288 | **21.908** |
| | Addition | – | – | – |
| | Deductions/ Adjustment | – | – | – |
| | Production | 1.498 | 0.494 | 1.992 |
| | Closing | **9.122** | 10.794 | **19.916** |
| **Block 5A, Sudan** | Opening | **2.467** | – | **2.467** |
| | Addition | 0.306 | – | 0.306 |
| | Deductions/ Adjustment | – | – | – |
| | Production | 0.174 | – | 0.174 |
| | Closing | **2.599** | – | **2.599** |
| **Block–24, Syria** | Opening | **–** | – | **–** |
| | Additions | 0.060 | – | 0.060 |
| | Deductions/ Adjustment | – | – | – |
| | Production | 0.010 | – | 0.010 |
| | Closing | **0.050** | – | **0.050** |

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000$M^3$ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

(c ) The year end reserves of the company has been estimated by the Reserves Estimation Committee (REC) of the parent company ONGC, which follows international reservoir engineering procedures consistently.

## 46. Segment Information

(₹ in Million)

| Particulars | Asia | | FSU Countries | | Latin America | | Africa | | Unallocated | | Grand Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 |
| External sales | 10,309.10 | 7,927.45 | 60,719.71 | 44,950.27 | – | – | 3,284.96 | 2,804.92 | – | – | 74,313.77 | 55,682.64 |
| Inter Segment sales | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total Revenue** | 10,309.10 | 7,927.45 | 60,719.71 | 44,950.27 | – | – | 3,284.96 | 2,804.92 | – | – | 74,313.77 | 55,682.64 |
| **Results** | 3,942.68 | 4,474.08 | 32,277.25 | 29,051.08 | (690.63) | (1,232.50) | 2,283.93 | (3,403.66) | – | – | 37,813.23 | 28,889.00 |
| Segment results | 3,942.68 | 4,474.08 | 32,277.25 | 29,051.08 | (690.63) | (1,232.50) | 2,283.93 | (3,403.66) | – | – | 37,813.23 | 28,889.00 |
| Unallocated corporate Expenses (Net) | – | – | – | – | – | – | – | – | (11,502.88) | (3,090.95) | (11,502.88) | (3,090.95) |
| Operating profit or (Loss) | 3,942.68 | 4,474.08 | 32,277.25 | 29,051.08 | (690.63) | (1,232.50) | 2,283.93 | (3,403.66) | (11,502.88) | (3,090.95) | 26,310.35 | 25,798.05 |
| Interest expenses | – | – | – | – | – | – | – | (2.75) | (1,974.74) | (2,238.39) | (1,974.74) | (2,241.14) |
| Interest and other income | 15.28 | 19.21 | 18.02 | 44.55 | 2.32 | 0.88 | 284.53 | 276.67 | 5,499.11 | 1,807.77 | 5,819.26 | 2,149.08 |
| Income & other Tax | – | – | – | – | – | – | – | – | (11,394.05) | (4,281.38) | (11,394.05) | (4,281.38) |
| Profit / (loss) from ordinary activities | 3,957.95 | 4,493.30 | 32,295.26 | 29,095.62 | (688.32) | (1,231.63) | 2,568.46 | (3,129.74) | (19,372.56) | (7,802.95) | 18,760.79 | 21,424.60 |
| **Net profit / (Loss)** | 3,957.95 | 4,493.30 | 32,295.26 | 29,095.62 | (688.32) | (1,231.63) | 2,568.46 | (3,129.74) | (19,372.56) | (7,802.95) | 18,760.79 | 21,424.60 |
| **Other information** | – | – | – | – | – | – | – | – | – | – | – | – |
| **Segment Assets** | 39,129.49 | 21,297.22 | 161,600.88 | 140,162.61 | 2,525.54 | 778.97 | 16,924.85 | 16,588.55 | – | – | 220,180.76 | 178,827.35 |
| Unallocated Corporate Assets | – | – | – | – | – | – | – | – | 124,115.11 | 132,824.72 | 124,115.11 | 132,824.72 |
| **Total Assets** | 39,129.49 | 21,297.22 | 161,600.88 | 140,162.61 | 2,525.54 | 778.97 | 16,924.85 | 16,588.55 | 124,115.11 | 132,824.72 | 344,295.87 | 311,652.07 |
| Segment Liabilities | 17,727.89 | 12,757.12 | 80,642.66 | 72,585.33 | 1,456.15 | 688.63 | 5,061.22 | 11,250.23 | – | – | 104,887.92 | 97,281.31 |
| Unallocated Corporate Liabilities | – | – | – | – | – | – | – | – | 138,527.19 | 133,722.00 | 138,527.19 | 133,722.00 |
| **Total Liabilities** | 17,727.89 | 12,757.12 | 80,642.66 | 72,585.33 | 1,456.15 | 688.63 | 5,061.22 | 11,250.23 | 138,527.19 | 133,722.00 | 243,415.11 | 231,003.31 |
| Capital Expenditure | 17,086.89 | 3,371.58 | 33,162.28 | 34,426.68 | 1,616.75 | 97.37 | 1,119.82 | (3,591.05) | 432.67 | 348.17 | 53,418.41 | 34,652.75 |
| Recouped cost | 1,821.11 | 856.97 | 7,561.55 | 7,139.27 | 683.53 | 1,099.59 | 801.57 | 5,109.52 | 193.55 | 409.41 | 11,061.31 | 14,614.76 |
| Non cash Exp. | – | – | – | – | – | – | – | – | – | – | – | – |

Information about Secondary Business Segments (Product–wise):

(₹ in Million)

| Revenue from | 2011–12 | 2010–11 |
|---|---|---|
| Crude Oil* and Natural Gas | 74,313.77 | 55,682.63 |
| Lease Finance Income | 207.36 | 252.94 |

*Crude Oil includes Condensate.

**Notes:**

i. Segments have been identified and reported taking into account the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These have been re–organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated.

ii. The segment revenue in the business segment (Product–wise) is revenue from sale of Crude Oil and Natural Gas and Lease Finance Income.

iii. Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. "Unallocated" includes common expenditure incurred for all the segments and expenses incurred at corporate level.

iv. Revenue figures are shown as net of VAT.

## 47. Capital Commitments:

(i) Other Capital Commitments based upon the details provided by the operators: ₹29,252.78 Million (Previous year ₹31,168.63 Million).

(ii) Contracts remaining to be executed on capital account amounting to ₹1,570.00 Million ( Previous year ₹1,960.30 Million) towards ONGC Videsh Ltd. share for building at Vasant Kunj, Delhi wherein the contracts have been awarded by parent company to various agencies and ONGC Videsh Ltd. is to share the costs.

### 47.a Other Commitments:

(i) The Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations / commitments have not been completed as of the reporting date amounted to USD 121.02 Million equivalent to ₹6,186.61 Million (Previous year USD 131.52 Million equivalent to ₹5,881.62 Million). The Company is confident of meeting the obligations/ commitments.

## 48. Contingent Liability:

i Liability for payment to contractual workers for regularization of their services is pending with Labor Court under civil suit. The amount of liability is not ascertainable.

ii Claims not acknowledged as debt: USD 10.49 Million plus interest (amount uncertainable). (Refer note 44 above).

iii Disputed income–tax demands (excluding cases decided in favour of Company and addition made by the AO on protective basis): ₹7,145.56 Million (As on 31 March 2011: ₹4,967.43 million). Against disputed tax demands,₹9,438.08 Million (As on 31 March 2011: ₹5,714.31 million) has been paid by the Company or adjusted by the authorities against refunds due to the Company from time–to–time. Attention is invited to note 41 above.

iv In respect of bank guarantees/standby letters of credit obtained from banks for performance guarantee/bid bonds: ₹4,861.23 Million (Previous Year ₹4,234.98 Million).

v The Company has issued Performance Guarantee in respect of concessionary contract for Block BC–10, Brazil and Blocks BM–S–73 and BM–ES–42 on behalf of ONGC Campos Ltda (OCL). The Company is confident that OCL will be able to honor its obligations.

vi The Company has given a Performance Guarantee on behalf of Petro Carabobo Ganga B.V. to Government of Venezuela in respect of Carabobo 1 Project. The total investment commitment is estimated at USD 1,333 Million (₹68,142.96 Million).

vii The Service Tax Department has issued a demand cum show–cause notice dated 11 October 2011 requiring the Company to show cause why service tax amounting to ₹28,163.14 Million (including Education Cess and SHE cess), the interest on such amount and penalty should not be demanded and recovered from the Company. Service Tax Department has calculated these tax amounts based on foreign currency expenditure reported in the Company's financial statements covering the reporting periods from 1 April 2006 to 31 December 2010 and contending that these expenses represent business auxiliary services rendered by ONGC Videsh Ltd.'s foreign branches and operator of the Joint Venture/ Consortium to the Company. The Company is of the view that the said service tax is not payable and proposes to contest the same. No provision has been made on this account.

viii All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint ventures, where the Company is the non–operator are not ascertainable except Sakhalin–1 where the Operator has intimated that the status of contingent liability is Nil.

## 49. Derivative instruments and unhedged foreign currency exposure:

During the year, ONGC Videsh Ltd. has entered into cross currency swap transactions with various banks whereby it has swapped the principal and interest amounts payable towards Bonds issued in domestic markets into USD liability as follows:

| Underlying | Notional Principal Amount ( ₹Million) | Notional Principal Amount (USD Million) | Termination Date |
|---|---|---|---|
| 8.40% 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series I | 15,000.00 | 299.23 | 23 December 2014 |
| 8.54% 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series II | 3,700.00 | 56.30 | 6 January 2020 |
| **Total** | **18,700.00** | **355.53** | |

The business of the Company is carried out entirely outside India. The revenues of the Company are received entirely in foreign currency and substantially all the expenses are incurred in foreign currency. Accordingly, the Company has swapped the Bonds issued in Indian Rupees into USD so as to align the currency of its liabilities and assets, thereby hedging the resulting exposure.

The above swap positions were outstanding on 31 March 2012 and have been revalued on that date based on Mark–to–Market positions reported by counter–party banks. Mark–to–market loss amounting to ₹498.56 Million has been charged to foreign exchange gain/loss in the Statement of profit and loss.

Further, during the year, the Company had entered into foreign exchange forward transactions for hedging its underlying exposures which have settled during the year itself. The net gain on settlement of such transactions amounting to ₹222.45 Million has been charged to foreign exchange gain/loss in the Statement of profit and loss.

## 50. Expenditure in foreign currency:

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Import | **Nil** | Nil |
| Professional and Consultation Fee | **171.50** | 457.09 |
| Interest | **367.95** | 102.51 |
| Others | 91,969.07 | 32,574.67 |

## 51. Earnings in foreign currency (accrual basis):

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Export/ Sales (incl. advance received/ adjusted)* | **75,548.06** | 56,017.35 |
| Royalty/Technical know–how | **Nil** | Nil |
| Interest | **667.64** | 501.87 |
| Dividend | 1,049.40 | 818.11 |
| Others | 3,764.63 | 1,382.35 |

* Attention Is also invited to Note–28

**52.** Previous year figures have been re–grouped/re–arranged and nomenclature re–named wherever necessary to make them comparable with current year classification.

**53.** Some balances of Debtors, Creditors and Loans & Advances are subject to confirmation/ reconciliation. Adjustments, if any, will be accounted for on receipt/confirmation of the same after examination.

**54.** Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures is given below (excluding with State Controlled Entities):

(₹ in Million)

| | Subsidiaries | Joint ventures | Key Managerial personnel | Total 2011–12 | Total 2010–11 |
|---|---|---|---|---|---|
| Income from rendering services | 685.36 | 167.29 | – | 852.65 | 639.84 |
| Expenses on receiving services | – | – | – | – | – |
| Reimbursement of expenditure (travelling etc) | 106.99 | 78.46 | – | 185.45 | 109.09 |
| Interest Income | 428.74 | 34.43 | – | 463.17 | 497.23 |
| Dividend Income | 1,049.40 | – | – | 1,049.40 | 818.11 |
| Redemption of shares | 6,113.25 | 21.17 | – | 6,134.42 | 315.45 |
| Loans Given | 7,890.90 | – | – | 7,890.90 | 8,945.57 |
| Remuneration | – | – | 16.69 | 16.69 | 16.05 |
| Capital Contribution* | 17,751.15 | – | – | 17,751.15 | – |

* Loans and Advances converted into shares.

**Note :**

Name of related parties and description of relationship (excluding State Controlled Entities):

| | |
|---|---|
| **Subsidiaries** | ONGC Nile Ganga B.V., The Netherlands |
| | ONGC Nile G anga Cyprus Limited,Cyprus |
| | ONGC Nile Ganga (San Cristobal) B.V. , The Netherlands |
| | ONGC Campos Ltda, Brazil |
| | ONGC Do Brasil Explorancao Petrolifera Ltda,Brazil (liquidated in Jan–12) |
| | ONGC Caspian E&P B.V., The Netherlands |
| | ONGC Satpayev E&P B.V., The Netherlands |
| | ONGC Narmada Limited, Nigeria |
| | ONGC Amazon Alakananda Limited, Bermuda |
| | Jarpeno Limited, Cyprus |
| | Imperial Energy Tomsk Limited, Cyprus |
| | Imperial Energy (Cyprus) Limited, Cyprus |
| | Imperial Energy Nord Limited, Cyprus |
| | RK Imperial Energy (Kostanai) Limited, Cyprus |
| | Nefsilius Holdings Limited, Cyprus |
| | Imperial Frac Services ( Cyprus) Limited, Cyprus |
| | Freshspring Investments Limited, Cyprus |
| | Redcliffe Holdings Limited, Cyprus |
| | Imperial Energy Gas Limited |
| | San Agio Investments Limited, Cyprus |
| | Biancus Holdings Limited, Cyprus |
| | LLC Sibinterneft, Russian Federation |
| | LLC Allianceneftegaz, Russian Federation |
| | LLC Nord Imperial, Russian Federation |
| | LLC Imperial Energy Tomsk Gas, Russian Federation (under liquidation) |
| | LLC Stratum, Russian Federation |
| | LLC Imperial Trans Service, Russian Federation |
| | LLC Rus Imperial Group, Russian Federation |
| | Carabobo One AB, Sweden |
| | Petro Carabobo Ganga B.V., the Netherlands |
| **Joint Ventures** | Block 06.1 Project, Vietnam |
| | Sakhalin–1 Project, Russia |
| | Block 5A Project, Sudan |
| | Block A–1 Project, Myanmar |
| | Block A–3 Project, Myanmar |
| | SHWE Offshore Pipeline Project, Myanmar |
| | Farsi Block Project, Iran |
| | Block XXIV Project, Syria |
| | Block 25–29, 35 (Part) & 36 (Part), Cuba |
| | Khartoum – Port Sudan Pipeline Project, Sudan |
| | ONGC Mittal Energy Limited, Cyprus |
| | Block RC–8, Colombia |
| | Block RC–9, Colombia |
| | Block RC–10, Colombia |
| | Block SSJN–7, Colombia |
| | Block CPO–5, Colombia |
| | Satpayev Project, Kazakhstan |
| **Key Management personnel** | Mr D K Sarraf, Managing Director (with effect from September 16, 2011) |
| | Mr J Thomas, Managing Director (till September 15, 2011 ) and Director (Exploration) (till December 31, 2011) |
| | Mr S P Garg, Director (Finance) |
| | Mr S. Roychoudhary, Director (Operations) |
| | Mr N K Verma, Director (Exploration) (with effect from 1st January, 2012) |

| | | | |
|---|---|---|---|
| **Sd/–** | **Sd/–** | **Sd/–** | **Sd/–** |
| **(V Sreedher)** | **(S P Garg)** | **(D K Sarraf)** | **(Sudhir Vasudeva)** |
| **Company Secretary** | **Director (Finance)** | **Managing Director** | **Chairman** |

As per our report of even date attached

| | | |
|---|---|---|
| | **For S. Mann & Co.**<br>**Chartered Accountants** | **For GSA & Associates**<br>**Chartered Accountants** |
| | **Sd/–**<br>**(Subhash Mann)**<br>**Partner** | **Sd/–**<br>**(Sunil Aggarwal)**<br>**Partner** |
| Place : New Delhi | **M. No. 80500** | **M. No. 83899** |
| Date : May 21, 2012 | **Firm Regn No. 000075N** | **Firm Regn No. 000257N** |

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2012

(₹ in Million)

| | | Year Ended 31 March , 2012 | | Year Ended 31 March, 2011 | |
|---|---|---|---|---|---|
| A | **CASH FLOW FROM OPERATING ACTIVITIES:** | | | | |
| | **Net profit before tax and prior period items** | | **30,128.23** | | 25,733.09 |
| | Adjustments For: | | | | |
| | – Foreign Exchange Translation Reserve | **1,460.90** | | (250.94) | |
| | – Provision for Diminution in the Value of Investment | **18,666.21** | | – | |
| | – Provisions for Doubtful Debts/Claims | **509.41** | | 1,428.74 | |
| | – Provision for Non Moving Inventory | **372.38** | | 557.36 | |
| | – Provisions Written Back | **–** | | (6,156.23) | |
| | – Other Provisions and Write Offs | **922.76** | | 6,763.47 | |
| | – Unrealized Foreign Exchange Loss/(Gain) | **12.17** | | (101.03) | |
| | – Provision for Mark to Market loss on Derivative Contracts | **498.56** | | – | |
| | – Depreciation on Tangible Assets (Net) | **2,028.62** | | 2,351.20 | |
| | – Amortisation – Intangibles | **(34.89)** | | 17.22 | |
| | – Depletion on Producing Properties | **6,966.25** | | 6,549.43 | |
| | – Interest Expenses | **1,974.74** | | 2,241.13 | |
| | – Foreign Exchange Fluctuation related to borrowing cost | **–** | | – | |
| | – Dividend Income | **(1,049.40)** | | (818.11) | |
| | – Interest Income | **(574.73)** | | (380.20) | |
| | – Profit on Redemption/ Sale of Investment | **(2,726.77)** | | (28.40) | |
| | – Gain on Foreign Exchange Forward Contract | **(222.45)** | **28,803.76** | – | 12,173.64 |
| | **Operating Profit before Working Capital Changes** | | **58,931.99** | | 37,906.73 |
| | Adjustments for:– | | | | |
| | – Decrease/(Increase) in Inventories | **(675.86)** | | (216.80) | |
| | – Decrease/(Increase) in Trade Receivables | **(768.60)** | | (1,633.04) | |
| | – Decrease/(Increase) in Short Term Loans and Advances | **8,753.64** | | (7,383.36) | |
| | – Decrease/(Increase) in Long Term Loans and Advances | **(521.03)** | | (1,428.74) | |
| | – Decrease/(Increase) in Other Current Assets | **(5,846.49)** | | (186.07) | |
| | – Decrease/(Increase) in Other Non Current Assets | **743.39** | | – | |
| | – Increase/(Decrease) in Short Term Borrowings | **291.65** | | (10,900.00) | |
| | – Increase/(Decrease) in Trade Payables | **2,471.73** | | (467.69) | |
| | – Increase/(Decrease) in Other current Liabilities | **8,499.57** | | – | |
| | – Increase/(Decrease) in Other Long Term Liabilities | **(174.32)** | | (157.38) | |
| | – Increase/(Decrease) in Short Term Provisions | **13.42** | | 27.40 | |
| | – Increase/(Decrease) in Long Term Provisions | **27.18** | | – | |
| | – Increase/(Decrease) in Liability for Abandonment | **5,730.02** | | 6,930.78 | |
| | – Increase/(Decrease) in Deferred Tax Liabilities (Net) | **93.57** | **18,637.87** | (3.07) | (15,417.97) |
| | **Cash generated from/(used in) Operations** | | **77,569.86** | | 22,488.76 |
| | Direct Taxes Paid (net of refunds) | | **(11,394.05)** | | (4,281.38) |
| | **Net Cash Flow before Prior period items** | | **66,175.81** | | 18,207.38 |
| | Prior period items | | **26.62** | | (27.11) |
| | **Net Cash Flow from/(used in) Operating Activities (A)** | | **66,202.43** | | **18,180.27** |

| | | Year Ended 31 March , 2012 | | Year Ended 31 March, 2011 | |
|---|---|---|---|---|---|
| B | **CASH FLOW FROM INVESTING ACTIVITIES:** | | | | |
| | – Purchase of Tangible Assets (Net) | | **(1,903.01)** | | (17,400.71) |
| | – Purchase of Intangible Assets (Net) | | **(31.69)** | | (11.09) |
| | – Expenditure on Projects | | **(44,948.03)** | | (9,531.18) |
| | – Investment in Subsidiaries/JV's | | **(15,171.84)** | | 229.40 |
| | – Investment with Bank for Site Restoration | | **(2,819.74)** | | (0.05) |
| | – Dividend Income | | **1,049.40** | | 818.11 |
| | – Interest Income | | **574.73** | | 380.20 |
| | – Profit on Redemption/ Sale of Investment | | **2,726.77** | | 28.40 |
| | – Gain on Foreign Exchange Forward Contract | | **222.45** | | – |
| | **Net Cash Flow from/(used in) Investing Activities (B)** | | **(60,300.96)** | | **(25,486.92)** |
| C | **CASH FLOW FROM FINANCING ACTIVITIES:** | | | | |
| | – Proceeds from Non Convertible Redeemable Bonds | | **–** | | – |
| | – Proceeds from Issue of Share Capital | | **–** | | – |
| | – Net Long Term Borrowings from ONGC | | **(4,530.72)** | | 10,063.58 |
| | – Interest Expenses | | **(1,974.74)** | | (2,241.13) |
| | – Foreign Exchange Fluctuation related to borrowing cost | | **–** | | – |
| | **Net Cash Flow from/(used in) Financing Activities (C)** | | **(6,505.46)** | | 7,822.45 |
| | **Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)** | | **(603.99)** | | **515.80** |
| | Cash and Cash Equivalents as at 31 March, 2011 | | **6,063.49** | | 5,547.69 |
| | (Opening Balance) | | | | |
| | Cash and Cash Equivalents as at 31 March, 2012 | | **5,459.50** | | 6,063.49 |
| | (Closing Balance) | | | | |

**Note:**

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard–3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

2 Bracket indicates cash outflow.

3 Previous year figures have been regrouped wherever necessary to confirm the current year's classification.

4 Adjustment have not been made to purchase of fixed assets etc. (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

**Sd/–**
**(V Sreedher)**
**Company Secretary**

**Sd/–**
**(S P Garg)**
**Director (Finance)**

**Sd/–**
**(D K Sarraf)**
**Managing Director**

**Sd/–**
**(Sudhir Vasudeva)**
**Chairman**

As per our report of even date attached

**For S. Mann & Co.**
**Chartered Accountants**

**Sd/–**
**(Subhash Mann)**
**Partner**
**M. No. 80500**
**Firm Regn No. 000075N**

**For GSA & Associates**
**Chartered Accountants**

**Sd/–**
**(Sunil Aggarwal)**
**Partner**
**M. No. 83899**
**Firm Regn No. 000257N**

Place : New Delhi
Date : May 21, 2012

# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARIES

| Sl. No. | Name of the Subsidiaries | 1. The Financial Year of the Subsidiary ends on | 2. Date from which it became Subsidiary | 3. (a) Number of shares held by ONGC Videsh Ltd. in the Subsidiary at the end of the financial year of the Subsidiary | 3. (b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary | 4. The net aggregate amount of the Subsidiary's Profit/ (Loss) so far it concerns the members of the Holding Company: | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 4. (a) Not dealt within the Holding Company's accounts* | | 4. (b) Dealt within the Holding Company's accounts: | |
| | | | | | | 4. (a) (i) For the period 1st April, 2011 to 31st March, 2012 (₹ in million) | 4. (a) (ii) For the previous period (s) of the Subsidiary since it became the Holding Company's Subsidiary (₹ in million) | 4. (b) (i) For the period 1st April, 2011 to 31st March, 2012 (₹ in million) | 4. (b) (ii) For the previous period (s) of the Subsidiary since it became the Holding Company's Subsidiary (₹ in million) |
| 1 | ONGC Nile Ganga B.V. | 31st December, 2011 | 12th March, 2003 | 40 Class "A" & 100 Class "B" shares of Euro 453.78 each & 880 Class "C" Shares of Euro 1 each directly, rest 720 Class "C" shares are held by OMEL which is JV Company of ONGC Videsh Ltd. & Mittal Investment Sarl (MIS) | Class A & B 100% Class C 77.491% | 11,534.48 | 64,668.56 | 1,049.40 | 14,916.88 |
| 2 | ONGC Narmada Limited | 31st March, 2012 | 7th December, 2005 | 20 million shares of one Naira each | 100% | – | (1,373.60) | – | – |
| 3 | ONGC Amazon Alaknanda Limited | 31st March, 2012 | 8th August, 2006 | 12,000 Equity & 367,995,174 Preference shares of one USD each | 100% | 7,185.50 | 13,066.09 | – | – |
| 4 | ONGC Campos Ltda. | 31st December, 2011 | 16th March, 2007 | 353,958,050 quotas of BRL 1 each | 100% | (2,369.73) | 440.85 | – | – |
| 5 | ONGC Nile Ganga (Cyprus) Ltd. | 31st December, 2011 | 26th November, 2007 | 241,223 Shares of 0.01 USD each | 100% | 188.09 | 218.27 | – | – |
| 6 | ONGC Nile Ganga (San Cristobal) B.V. | 31st December, 2011 | 29th February, 2008 | 54,000 shares of Euro 1 each | 100% | 76.10 | 11,028.50 | – | – |
| 7 | ONGC Satpayev E&P B.V | 31st December, 2011 | 7th June, 2010 | 18,000 shares of Euro 1 each | 100% | (0.10) | (0.38) | – | – |
| 8 | ONGC Caspian E&P B.V | 31st December, 2011 | 7th June, 2010 | 36,000 shares of Euro 1 each | 100% | (0.15) | (8.37) | – | – |
| 9 | Jarpeno Limited | 31st March, 2012 | 12th August, 2008 | 1,450 Equity shares of 1 USD each & 192,210 Optionally Convertible Redeemable Preference shares of USD 1 each | 100% | (19,676.10) | 1,528.42 | – | – |
| 10 | Biancus Holdings Limited | 31st March, 2012 | 13th January, 2009 | 1,000 shares of 1.71 EUR each | 100% | 21.07 | 97.53 | – | – |
| 11 | San Agio Investments Limited | 31st March, 2012 | 13th January, 2009 | 1,000 shares of 1.71 EUR each | 100% | 127.85 | (213.13) | – | – |
| 12 | Redcliffe Holdings Limited | 31st March, 2012 | 13th January, 2009 | 2,520 shares of 1 USD each | 100% | (44.05) | (127.54) | – | – |
| 13 | Imperial Energy Nord Limited | 31st March, 2012 | 13th January, 2009 | 25,920 shares of 1 USD each | 100% | (416.11) | (908.20) | – | – |
| 14 | Imperial Energy (Cyprus) Limited | 31st March, 2012 | 13th January, 2009 | 25,720 shares of 1 USD each | 100% | (245.65) | (763.27) | – | – |
| 15 | Imperial Energy Tomsk Limited | 31st March, 2012 | 13th January, 2009 | 850 shares of 1.71 EUR each | 85% | (28.49) | (67.11) | – | – |
| 16 | Imperial Energy Gas Limited | 31st March, 2012 | 13th January, 2009 | 2,000 shares of 1 EUR each | 100% | (0.96) | (2.33) | – | – |
| 17 | Imperial Frac Services (Cyprus) Limited | 31st March, 2012 | 13th January, 2009 | 1,000 shares of 1.71 EUR each | 100% | (0.96) | (2.51) | – | – |
| 18 | Nefsilius Holdings Limited | 31st March, 2012 | 13th January, 2009 | 2,420 shares of 1 USD each | 100% | (2.87) | (5.73) | – | – |
| 19 | Freshspring Investments Limited | 31st March, 2012 | 13th January, 2009 | 1,000 shares of 1.71 EUR each | 100% | (0.48) | (2.37) | – | – |
| 20 | RK Imperial Energy Kostanai Limited | 31st March, 2012 | 13th January, 2009 | 1,000 shares of 1.71 EUR each | 100% | (0.48) | (2.02) | – | – |
| 21 | LLC Nord Imperial | 31st December, 2011 | 13th January, 2009 | full charter capital 100,000RUR | 100% | (4,660.57) | (11,518.77) | – | – |
| 22 | LLC Allianceneftegaz | 31st December, 2011 | 13th January, 2009 | full charter capital 50,000RUR | 100% | (395.04) | (4,408.17) | – | – |
| 23 | LLC Sibinterneft | 31st December, 2011 | 13th January, 2009 | charter capital 55,900RUR | 55.9% (Net Interest 47.5%) | (50.49) | (608.51) | – | – |
| 24 | LLC Rus Imperial Group | 31st December, 2011 | 13th January, 2009 | full charter capital 100,000RUR | 100% | (420.42) | (498.38) | – | – |
| 25 | LLC Imperial Trans Service | 31st December, 2011 | 13th January, 2009 | full charter capital 100,000RUR | 100% | (0.48) | (50.45) | – | – |
| 26 | LLC Imperial Energy Tomsk Gas | 31st December, 2011 | 13th January, 2009 | charter capital 9,500 RUR | 95% | (1.36) | (5.18) | – | – |
| 27 | LLC Stratum | 31st December, 2011 | 13th January, 2009 | full charter capital 100,000RUR | 100% | – | (0.19) | – | – |
| 28 | Carabobo One AB | 31st March, 2012 | 25th February, 2010 | 377,678 ordinary shares of 11.19457 Euro each | 100% | (144.13) | (9.51) | – | – |
| 29 | Petro Carabobo Ganga B.V. | 31st December, 2011 | 26th February, 2010 | 18,000 shares of 1 Euro each | 100% | (4.41) | (9.89) | – | – |

*At the closing rate of exchange, there is a Foreign Exchange Translation Reserve of ₹19,655.59 million, which has not been adjusted.

**Sd/–**
**(V Sreedher)**
**Company Secretary**

**Sd/–**
**(S P Garg)**
**Director (Finance)**

**Sd/–**
**(D K Sarraf)**
**Managing Director**

**Sd/–**
**(Sudhir Vasudeva)**
**Chairman**

To
THE BOARD OF DIRECTORS
ONGC VIDESH LIMITED

1 We have audited the attached Consolidated financial statements of ONGC Videsh Limited ('the Company') and its Subsidiaries and Joint Ventures (hereinafter referred to as 'Group'), which comprises the Balance Sheet as at 31st March 2012 and the Consolidated Statement of Statement of Profit and Loss Consolidated Cash Flow Statement for the year ended on that date and annexed thereto. These financial statements are the responsibility of the management of the Company and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.



*Aniva Bay, Transfer of equipment*

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21, 'Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of Interest in Joint Ventures', issued pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956.

4 Considering the fact that actual operations are performed outside India and operator is responsible for maintaining the original books of account on behalf of all the members as per Joint operating agreement, we have conducted our audit by relying on such information furnished by the operator based on the audited statement or where Joint Ventures are not audited, reliance on the information furnished by the management.

5 We have placed reliance on technical/ commercial evaluation by the management in respect of categorization of expenditure on project in Exploratory & Development Wells in Progress, Producing Properties and Capital Work in Progress, Wells Status, allocation of cost incurred on them, depletion of producing properties on the basis of proved developed hydrocarbon reserves as estimated by REC of the parent company, provision for abandonment costs, allocation of depreciation on fixed assets (including support equipment and facilities) and liabilities against agreed minimum work program. We have also placed reliance on the management's assessment of impairment indicators and impairment results.

6 We did not audit the financial statements of the 5 Subsidiaries and 1 Joint venture company which are considered in preparation of "Consolidated Financial Statements" of the Company. Out of 5 Subsidiaries, consolidated accounts of 3 Subsidiaries were audited by the other auditors. In case of unaudited financial statements of 2 Subsidiary and 1 Joint Venture

company, financial information has been derived from the financial statements certified by the Management. (Refer **'Annexure–1'** attached)

Total Assets & Revenue from Subsidiary Companies and Company's shares in the Joint Venture Company for the year ended March 31, 2012, included in the Audited Consolidated Financial Statements, reflects at ₹321,883.95 million and ₹152,019.00 million, respectively. Our opinion on the financial statements for the year ended March 31, 2012 to the extent they have been derived from such financial statements is based solely on the report of such other auditors in case of 3 Subsidiaries and unaudited financial statement of 2 Subsidiary and 1 Joint Venture Company certified by the Management.

7 Further to our comments above and on the basis of information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of the company, its subsidiaries and certification of management in respect of unaudited accounts referred to in Para 7 above, we are of the opinion that the consolidated financial statements read with notes to accounts give a true and fair view:

(a) In the case of Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2012;

(b) In the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

| | For S. Mann & Co.<br>Chartered Accountants | For GSA & Associates<br>Chartered Accountants |
|---|---|---|
| | Sd/–<br>(Subhash Mann)<br>Partner | Sd/–<br>(Sunil Aggarwal)<br>Partner |
| Place : New Delhi | M. No. 80500 | M. No. 83899 |
| Date : May 21, 2012 | Firm Regn No. 000075N | Firm Regn No. 000257N |



# ANNEXURE–1

Summary of the Financial Information (*) of Subsidiaries and Joint Venture as of the year ended 31st March 2012:

(₹ in Million)

| S. No. | Name of the Subsidiaries / Joint Venture | Total Assets as of March 31, 2012 (Consolidated) ₹ million | Total Liabilities as of March 31, 2012 (Consolidated) ₹ million | Total Revenue for the year ended March 31, 2012 (Consolidated) ₹ million | Total Profit/ (Loss) after tax for the year ended March 31, 2012 (Consolidated) ₹ million | Name of the auditor and date of audit report |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| 1 | ONGC Nile Ganga B.V. (ONGBV) | 180,982.97 | 46,546.22 | 115,164.72 | 17,308.50 | M/s Ernst & Young Accountants LLP, Amsterdam, the Netherlands Report date May 9, 2012 |
| 2 | ONGC Amazon Alaknanda Limited (OAAL) | 44,704.27 | 6,244.08 | 16,384.85 | 7,195.33 | M/s BDO Audit S.A., Bogota, Colombia Report date May 6, 2012 |
| 3 | Jarpeno Limited | 88,771.60 | 20,423.16 | 20,006.65 | (25,656.16) | M/s Ernst & Young LLC, Moscow, Russia Report date May 14, 2012 |
| 4 | ONGC Narmada Limited (ONL) | 101.91 | 1,644.03 | – | – | Unaudited |
| 5 | Carabobo One AB | 6,302.10 | 399.12 | – | (143.99) | Unaudited |
| **Joint Venture** | | | | | **Company's shares in the Profit/(Loss)** | |
| 1 | ONGC Mittal Energy Limited (OMEL) | 1,021.09 | 7,560.76 | 462.79 | (2,428.84) | Unaudited |
| | **Total** | **321,883.95** | **82,817.36** | **152,019.00** | **(3,725.16)** | |

**Note :–**

(*) These financial statements include company's share of assets, liabilities, income and expenses in respect of international joint ventures.

*Scarabeo 9 Navigation, CUBA*

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2012

(₹ in Million)

| | Notes | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 3 | 10,000.00 | 10,000.00 |
| Reserves and Surplus | 4 | 189,411.15 | 135,529.73 |
| | | 199,411.15 | 145,529.73 |
| MINORITY INTEREST | | 1,002.53 | 681.99 |
| NON CURRENT LIABILITIES | | | |
| Long term borrowings | 5 | 195,161.02 | 204,554.35 |
| Deferred tax liabilities | 6 | 10,203.88 | 9,554.84 |
| Liability for abandonment | 7 | 27,504.49 | 22,861.16 |
| Other Long term liabilities | 8 | 81.86 | – |
| Long term provisions | 9 | 551.16 | 513.31 |
| | | 233,502.41 | 237,483.66 |
| CURRENT LIABILITIES | | | |
| Short term borrowings | 10 | 622.81 | 331.18 |
| Liability for abandonment | 11 | 104.37 | – |
| Trade payables | 12 | 25,782.33 | 19,728.11 |
| Other current liabilities | 13 | 45,391.72 | 33,364.56 |
| Short term provisions | 14 | 189.34 | 15.95 |
| | | 72,090.57 | 53,439.80 |
| TOTAL | | 506,006.66 | 437,135.18 |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Fixed Assets | | | |
| Tangible assets | 15 | 35,590.45 | 42,303.82 |
| Intangible assets | 16 | 126.28 | 36.79 |
| Producing properties | 17 | 144,236.09 | 136,139.76 |
| Development & exploratory wells in progress | 18 | 30,740.28 | 24,906.82 |
| Capital work in progress | 19 | 76,255.68 | 40,017.94 |
| Goodwill | 20 | 75,045.32 | 86,998.12 |
| Non Current Investment | 21 | 2,927.15 | 107.42 |
| Deferred Tax Assets | 22 | 5,220.65 | 1,202.19 |
| Long Term Loans and Advances | 23 | 916.92 | 280.60 |
| Other Non Current Assets | 24 | 17,347.71 | 2,655.30 |
| | | 388,406.53 | 334,648.76 |
| CURRENT ASSETS | | | |
| Inventories | 25 | 5,732.91 | 4,699.03 |
| Trade receivables | 26 | 29,614.55 | 40,043.50 |
| Cash & Bank balances | 27 | 51,528.33 | 36,998.27 |
| Short term loans & advances | 28 | 8,226.93 | 4,485.08 |
| Other current assets | 29 | 22,497.41 | 16,260.54 |
| | | 117,600.13 | 102,486.42 |
| TOTAL | | 506,006.66 | 437,135.18 |

The accompanying notes are integral part of the financial statements 1 to 53

Sd/–
(V Sreedher)
Company Secretary

Sd/–
(S P Garg)
Director (Finance)

Sd/–
(D K Sarraf)
Managing Director

Sd/–
(Sudhir Vasudeva)
Chairman

As per our report of even date attached

For S. Mann & Co.
Chartered Accountants

Sd/–
(Subhash Mann)
Partner
M. No. 80500
Firm Regn No. 000075N

For GSA & Associates
Chartered Accountants

Sd/–
(Sunil Aggarwal)
Partner
M. No. 83899
Firm Regn No. 000257N

Place : New Delhi
Date : May 21, 2012



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31, MARCH 2012

(₹ in Million)

| | Notes | 2011–12 | 2010–11 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| INCOME | | | |
| Revenue from Operations | 30 | 223,473.12 | 184,111.49 |
| Other Income | 31 | 2,901.13 | 2,599.22 |
| TOTAL REVENUE | | 226,374.25 | 186,710.71 |
| EXPENSES | | | |
| Production, Transportation, Selling and Distribution Expenditure | 32 | 101,417.96 | 89,160.18 |
| Changes in inventories of finished goods | 33 | (631.69) | (121.25) |
| Financing Costs | 34 | 2,969.80 | 3,531.05 |
| Depreciation, Depletion and Amortisation | 35 | 41,869.78 | 42,682.50 |
| Other Expenses | 36 | 2,141.07 | (773.24) |
| Provisions & Write–Offs | 37 | 27,929.11 | 3,448.25 |
| Decrease/(increase) due to overlift/underlift quantity | 38 | (414.11) | (283.32) |
| TOTAL EXPENSES | | 175,281.92 | 137,644.17 |
| PROFIT BEFORE PRIOR PERIOD, EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX | | 51,092.33 | 49,066.54 |
| Adjustments relating to Prior Period (Net) | 39 | (73.48) | (351.03) |
| PROFIT BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX | | 51,165.81 | 49,417.57 |
| Exceptional and Extraordinary items | | – | – |
| Tax expense | | | |
| Current Year Tax | | 27,385.31 | 23,688.08 |
| Deferred Tax | | (3,950.76) | 1,650.55 |
| Earlier Years Tax | | 192.78 | (3,290.24) |
| Total Tax Expenses | | 23,627.33 | 22,048.39 |
| Less: Share of Profit or (loss) – Minority Interest | | 326.92 | 463.73 |
| Group Profit After Tax from continuing operations (A) | | 27,211.56 | 26,905.45 |
| DISCONTINUING OPERATIONS | | | |
| PROFIT / (LOSS) FROM DISCONTINUING OPERATIONS (B) | | – | – |
| GROUP PROFIT AFTER TAX (A + B) | | 27,211.56 | 26,905.45 |
| EARNINGS PER EQUITY SHARE (₹) | | | |
| (Face Value ₹100/– Per Share) | | | |
| Basic | 40 | 272.12 | 269.05 |
| Diluted | | 272.12 | 269.05 |

The accompanying notes are integral part of the financial statements 1 to 53

Sd/–
(V Sreedher)
Company Secretary

Sd/–
(S P Garg)
Director (Finance)

Sd/–
(D K Sarraf)
Managing Director

Sd/–
(Sudhir Vasudeva)
Chairman

As per our report of even date attached

For S. Mann & Co.
Chartered Accountants

Sd/–
(Subhash Mann)
Partner
M. No. 80500
Firm Regn No. 000075N

For GSA & Associates
Chartered Accountants

Sd/–
(Sunil Aggarwal)
Partner
M. No. 83899
Firm Regn No. 000257N

Place : New Delhi
Date : May 21, 2012

# Notes To The Consolidated Financial Statements for the year ended 31 March 2012

## 1. Corporate information

ONGC Videsh Limited (the company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act 1956. The Company is engaged in exploration, development and production of crude oil and natural gas outside India.

### A. Basis of preparation

A.1 The financial statements are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India (ICAI) and Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006 and provisions of the Companies Act, 1956. The financial statements are presented in Indian Rupees and all values are rounded to the nearest million (₹million) except when otherwise indicated

### A.2 Principles of Consolidation:

The Consolidated Financial Statements relate to ONGC Videsh Limited (Company), ONGC Nile Ganga B.V., The Netherlands (Subsidiary), ONGC Narmada Limited, Nigeria (Subsidiary), ONGC Amazon Alaknanda Limited (Subsidiary), Jarpeno Limited, Cyprus (Subsidiary) , Carabobo One AB (Subsidiary) and jointly controlled entity ONGC Mittal Energy Limited, Cyprus (Joint Venture Company). The Financial Statements of the Company, its Subsidiaries and Joint Venture Company have been consolidated on a line–by–line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra–group balances and intra–group transactions resulting in unrealized profits or losses, unless indicated otherwise.

The financial statements of the foreign subsidiaries and Joint Venture Company have been incorporated in the consolidated financial statements by translating to Indian rupees following the principles for translation of the financial statements of Non–integral Foreign Operation as laid down in Accounting Standard (AS) 11 viz. Effects of changes in foreign exchange rates (revised 2003) issued by ICAI.

The consolidated accounts incorporate financial statements of the Company and its Subsidiaries and the Joint Venture Company for the year ended 31 March, 2012 are as detailed below:

| Sl No. | Name of the Subsidiaries / Jointly Controlled Entities | Country of Incorporation | Proportion of Ownership Interest | | Status of Audit as at 31 March 2012 |
|---|---|---|---|---|---|
| | | | As at 31 March 2012 | As at 31 March 2011 | |
| 1.1 | ONGC Nile Ganga B.V. (ONGBV) | The Netherlands | **Class A and Class B 100%** | Class A and Class B 100% | Audited |
| 1.1 (i) | ONGC Do Brasil Exploracao Petrolifera Ltda.*** | Brazil | – | 100% | Audited |
| 1.1 (ii) | ONGC Campos Ltda. | Brazil | **100%** | 100% | Audited |
| 1.1 (iii) | ONGC Nile Ganga (Cyprus) Ltd. | Cyprus | **100%** | 100% | Audited |
| 1.1 (iv) | ONGC Nile Ganga (San Cristobal) B.V. | The Netherlands | **100%** | 100% | Audited |
| 1.1 (v) | ONGC Satpayev E&P B.V. | The Netherlands | **100%** | 100% | Audited |
| 1.1 (vi) | ONGC Caspian E&P B.V. | The Netherlands | **100%** | 100% | Audited |
| 1.2 | ONGC Nile Ganga B.V. (ONGBV) | The Netherlands | **Class C 55% direct (balance 45% held by OMEL)** | Class C 55% direct (balance 45% held by OMEL) | Audited |
| 2 | ONGC Narmada Limited (ONL) | Nigeria | **100%** | 100% | Unaudited |
| 3 | ONGC Amazon Alaknanda Limited (OAAL) | Bermuda | **100%** | 100% | Audited |
| 4 | ONGC Mittal Energy Limited (OMEL) | Cyprus | **49.98%** | 49.98% | Unaudited |
| 5 | Jarpeno Limited | Cyprus | **100%** | 100% | Audited |
| 5 (i) | Imperial Energy Corporation plc(*) | UK | – | 100% | Audited |
| 5 (ii) | Imperial Energy Limited(*) | UK | – | 100% | Audited |
| 5 (iii) | Imperial Energy Kostanai Limited(*) | UK | – | 100% | Audited |
| 5 (iv) | Imperial Energy Tomsk Limited | Cyprus | **85%** | 85% | Audited |
| 5 (v) | Imperial Energy (Cyprus) Limited | Cyprus | **100%** | 100% | Audited |
| 5 (vi) | Imperial Energy Nord Limited | Cyprus | **100%** | 100% | Audited |
| 5 (vii) | RK Imperial Energy (Kostanai) Limited | Cyprus | **100%** | 100% | Audited |
| 5 (viii) | Freshspring Investments Limited | Cyprus | **100%** | 100% | Audited |
| 5 (ix) | Nefsilius Holdings Limited | Cyprus | **100%** | 100% | Audited |
| 5 (x) | Biancus Holdings Limited | Cyprus | **100%** | 100% | Audited |
| 5 (xi) | Redcliffe Holdings Limited | Cyprus | **100%** | 100% | Audited |
| 5 (xii) | Imperial Energy Gas Limited | Cyprus | **100%** | 100% | Audited |
| 5(xiii) | Imperial Frac Services (Cyprus) Limited | Cyprus | **100%** | 100% | Audited |
| 5 (xiv) | San Agio Investments Limited | Cyprus | **100%** | 100% | Audited |
| 5 (xv) | LLC Imperial Energy(*) | Russia | – | 100% | Audited |
| 5 (xvi) | LLC Sibinterneft (**) | Russia | **48%** | 48% | Audited |
| 5 (xvii) | LLC Allianceneftegaz | Russia | **100%** | 100% | Audited |
| 5 (xviii) | LLC Nord Imperial | Russia | **100%** | 100% | Audited |
| 5 (xix) | LLC Imperial Trans service | Russia | **100%** | 100% | Audited |
| 5 (xx) | LLC Rus Imperial Group | Russia | **100%** | 100% | Audited |
| 5(xxi) | LLC Stratum | Russia | **100%** | 100% | Audited |
| 5(xxii) | LLC Imperial Energy Tomsk Gas(***) | Russia | **95%** | 95% | Audited |
| 5(xxiii) | LLC Imperial Frac Services | Russia | **50%** | 50% | Audited |
| 6 | Carabobo One AB | Sweden | **100%** | 100% | Unaudited |
| 6 (i) | Petro Carabobo Ganga B.V. | The Netherlands | **100%** | 100% | Unaudited |

(*) Liquidated during the reporting period.

(**) Although the Company has 47.52 per cent effective ownership interest, it has 55.9 per cent of voting rights in LLC Sibinterneft. LLC Sibinterneft is therefore a subsidiary of the Company, in accordance with The Companies Act, 1956 of India and included in consolidation of accounts accordingly.

(***) Under liquidation

A.3 In view of different set of environments in which the Subsidiaries and the Joint Venture Company operate, the accounting policies followed for treatment of depreciation on fixed assets, sales revenue and royalties and retirement benefits in respect of the below mentioned subsidiaries and the Joint Venture Company are different from the accounting policies of the Company. Such different accounting policies have been adopted in respect of the following:

### A.3.1 Depreciation on Fixed Asset:

The Subsidiary – OAAL and joint venture company OMEL provide depreciation on fixed assets using the straight line method. The amount involved is ₹709.36 Million (Previous year ₹936.97 Million including in respect of Jarpeno Ltd) shown as depreciation under Note 32. Jarpeno Ltd, which had been providing depreciation on fixed assets using SLM based on useful life of the fixed assets till previous year has changed its policy to written down value (WDV) method in line with parent company ONGC Videsh Ltd. during the current period with retrospective effect. As a result, the depreciation for the prior years of ₹192.97 Million (USD 4.03 Million) was written back. Further, under the new policy, the depreciation is lower by ₹16.57 Million (USD 0.35 Million) during the reporting period.

### A.3.2 Revenue recognition

The Subsidiary – ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount reported using such method is ₹68,757.64 Million (Previous year ₹71,432.78 Million) shown as sales under Note 26.

### A.3.3 Royalties

The Subsidiary – ONGBV conducts its operations in Sudan jointly with Sudapet the national oil company of Sudan among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represent the entitlement of the government of Sudan to a portion of ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. Royalties / taxes in Syrian concession are accounted similarly by ONGBV. The amount of royalty reported in respect of Sudan and Syrian concession is ₹38,770.10 Million (Previous year ₹40, 848.27 Million) under the head Royalty in Note 28.

### A.3.4 Retirement Benefits

The Subsidiaries and the Joint Venture Company provide for the retirement benefits in accordance with the laws of their respective jurisdictions. The net impact on account of the difference in accounting policy is not ascertainable.

## 2. Significant Accounting Policies

**a.1 Change in accounting Policy**

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company for preparation and presentation of its financial statements. Balance Sheet has been prepared based on the format prescribed under Part I and Statement of profit and loss based on the format prescribed under Part II in Schedule VI of the Act. However, in view of the technical nature of operation of the Company i.e. exploration, development and Producing oil and gas, functional wise expenses has been classified in Statement of Profit and Loss as disclosed consistently in earlier years. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. The Company has also reclassified the previous years figures in accordance with the requirements applicable in the current year.

The financial statements for the year 2011–12 are prepared following the same accounting policies and practices as followed in the annual financial statements for the year ended March 31, 2011, except for change in the policy with regard to amortisation of intangible assets which has been changed during the current period to align with the accounting policy of parent company and AS–26 from Written Down Value Method @ 40% to Straight Line Method over the useful life not exceeding a period of 5 years in order to systematically amortize its intangible assets. This has resulted in decrease in Depreciation, Depletion, Amortisation and Impairment by ₹86.67 million, consequently Profit before tax increased by ₹86.67 million

**a.2 Documentation, rewording or re–alignment of Accounting Policies to properly reflect existing accounting practice**

Certain accounting policies were re–worded or re–align with the existing accounting practice consistently followed by the Company in financial statements. However, these do not have any impact on recognition and measurement principles followed for preparation of financial statements.

| Policy no. | Existing Policy | Accounting policy documented in FY 2011–12 | Financial Impact over the financial statements |
|---|---|---|---|
| 2.2.k.1 | Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. | Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. Low value items not exceeding ₹5,000/– are fully depreciated at the time of addition. | Nil |
| 2.2.q.7 | Nil | Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. | Nil |
| 2.2.s.4 | Nil | In respect of local staff in foreign offices of the company, employees (other than those on deputation/secondment from the company) of joint ventures (incorporated/unincorporated)/ subsidiaries, the liabilities for employee benefits are recognised in accordance with the applicable laws of their respective jurisdictions and/or the respective labor agreements with the employees. | Nil |
| 2.2.v | Nil | Abnormal Rig days' costs are considered as unallocable and charged to Statement of Profit and Loss. | Nil |

**b Use of Estimates:**

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

**c. Acquisition, Exploration, Development, Abandonment and Production Costs:**

**c.1 Acquisition Cost:**

Acquisition costs of an oil and gas property in exploration/development stage are taken to capital work in progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment of the property, such costs are expensed. Acquisition costs of a producing oil and gas property are capitalized as Producing Property.

**c.2 Survey Costs:**

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

**c.3 Exploratory/Development Wells in Progress Costs:**

c.3.1 Exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially taken to capital work in progress as exploratory wells in progress till the time these are either capitalized to producing properties when ready to commence commercial production or expensed when determined to be dry or of no further use, as the case may be.

c.3.2 All costs relating to development wells, development type stratagraphic test wells, service wells, are initially taken to capital work in progress as development wells in progress and capitalized to producing properties when ready to commence commercial production.

c.3.3 Exploratory wells in progress which are more than two years old from the date of completion of drilling are charged to Statement of Profit and Lossexcept those wells which have proved reserves and the development of the fields in which the wells are located; has been planned.

**c.4 Abandonment Costs:**

Costs relating to dismantling, abandoning and restoring well sites and allied facilities are provided as abandonment costs based on the provisions under respective agreements governing company's activities in the field/ projects.

**c.5 Production Costs:**

Production costs include pre–wellhead and post–wellhead expenses including depreciation and applicable operating costs of support equipment and facilities.

**d. Producing Properties:**

d.1 Producing properties are created in respect of a field/project having proved developed oil and gas reserves when any well in the field/project is ready to commence commercial production. Development wells are capitalized to producing properties when ready to commence commercial production.

d.2 All acquisition costs, cost of successful exploratory wells and of all development wells, all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs relating to producing properties are capitalized as Producing Properties.

**e. Depletion of Producing Properties:**

Producing properties are depleted using the "Unit of Production Method". The rate of depletion for all capitalized costs is computed with reference to the field/project/amortization base by considering the related proved and developed reserves excepting for acquisition costs which are depleted by considering the proved reserves. These reserves are estimated annually by the Reserve Estimates Committee formed by the parent company Oil and Natural Gas Corporation Limited (ONGC), which follows the International Reservoir Engineering Procedures.

**f. Side tracking:**

f.1 The cost of abandoned portion of side tracked exploratory wells is charged to Statement of Profit and Lossas dry wells.

f.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.

f.3 The cost of sidetracking in respect of existing producing wells is capitalized if it increases the Proved Developed Reserve otherwise, charged to Statement of Profit and Lossas workover expenditure.

**g. Impairment:**

**g.1** Producing Properties, Development Wells in Progress (DWIP) and Fixed Assets (Including Capital Works in Progress) of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case, event and circumstances indicates any impairment, recoverable amount of these assets is determined, being the higher of net selling price and value in use. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. In assessing value in use, the estimated future cash flows from the use of assets and from its disposal at the end of its useful life are discounted to their present value at appropriate rate.

**g.2** An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro–rata basis. Subsequent to impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life.

**h. Joint Ventures:**

**h.1** The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in case of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

**h.2** The reserves of hydrocarbons in the joint ventures are taken in proportion to the participating interest of the Company.

**i. Tangible Assets:**

**i.1** Tangible assets (including those taken on finance lease, support equipment and facilities) are stated at historical cost.

**i.2** All costs relating to acquisition of tangible assets till the time of commissioning of such assets are capitalized.

**i.3** Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

**j. Intangible Assets:**

**j.1** Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets.

**k. Depreciation:**

**k.1** Depreciation on tangible assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. Low value items not exceeding ₹5,000/– are fully depreciated at the time of addition.

**k.2** Intangible Assets are amortised over the useful life not exceeding five years from the date of capitalisation.

**k.3** Leasehold land (other than perpetual lease and lease over 99 years) is amortized over the lease period.

**k.4** Depreciation on adjustments to tangible assets on account of price variation is provided for prospectively over the remaining useful life of such assets.

**k.5** Depreciation on tangible assets (including those taken on finance lease, support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and expensed/depleted as stated in policy 3 and 4 above.

**l. Inventories:**

**l.1** Crude oil and condensate are valued at cost or net realizable value, whichever is lower.

**l.2** Natural gas in pipeline and crude oil/condensate stock in flow lines/Gathering Stations are not valued.

**l.3** Inventory of stores and spares is valued at weighted average cost or net realizable value, if available, whichever is lower. Wherever, weighted average cost or net realizable value is not available, the cost made available by the operator is considered for valuation of Stores and Spares. Provisions are made for obsolete and non–moving inventories.

**m. Investments:**

**m.1** Long–term investments are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

**m.2** Current investments are valued at lower of cost or fair value.

**n. Foreign Currency Transactions and Foreign Operations:**

**n.1** Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

**n.2** At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the Balance Sheet date and non–monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

**n.3** All exchange differences arising on the settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

**n.4 In respect of the Company's integral foreign operations:**

**n.4.a** The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in m.1. For practical reasons, the average exchange rate of the relevant month/quarter is taken for the transactions of the month/quarter in respect of joint venture operations, where actual date of transaction is not available.

**n.4.b** At each Balance Sheet date, monetary and non–monetary items are translated following the policy stated in m.2.

**n.4.c** All exchange differences are treated following the policy stated in m.3.

**n.5** The financial statements of the non–integral foreign operations of the company are incorporated in the financial statements using the following principles:

**n.5.a** The assets and liabilities, both monetary and non–monetary, of the non–integral foreign operation are translated at the average of the exchange rate prevailing on the date of the Balance Sheet;

**n.5.b** Income and expense items of the non–integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

**n.5.c** All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non–integral foreign operation.

**n.6** Exchange differences arising on the company's net investment in a non–integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

**o. Finance Leases**

**o.1 Assets given on Lease:**

**o.1.a** Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases" issued by the Institute of Chartered Accountants of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

**o.1.b** Initial direct costs incurred in respect of finance leases are recognized in the statement of profit and loss in the year in which such costs are incurred.

**o.2 Assets taken on Lease:**

Assets taken on finance lease are capitalised and recognised at the lower of the fair value of the asset and the discounted value of the minimum lease installments. The lease payments are bifurcated into repayment and interest components, based on a fixed interest rate and installment as derived from the underlying agreement. The lease commitments are carried under liabilities exclusive of interest. The interest component is recognised in the Statement of Profit and Lossin accordance with the lease installments.

**p. Revenue Recognition:**

p.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive (i.e. under lift quantity) the proportionate production expenditure is treated as prepaid expenses and, if negative (i.e. over lift quantity), a liability for the best estimate of the Company's proportionate share of production expenses as per the JOA / PSA is created in respect of the quantity of crude oil to be foregone in future period towards settlement of the overlift quantity of crude oil with corresponding charge to P&L.

p.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

p.3 Any payment received in respect of short lifted gas quantity for which an obligation exists to supply such gas in subsequent periods is recognized as Deferred Revenue in the year of receipt. The same is recognized as revenue in the year in which such gas is actually supplied for the quantity supplied or in the year in which the obligation to supply such gas ceases, whichever is earlier.

p.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

p.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

p.6 Revenue in respect of interest on delayed realization is recognized when there is reasonable certainty regarding ultimate collection.

p.7 Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

**q. Transportation Costs:**

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

**r. Employee Benefits:**

r.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

r.2 Contribution to Provident Fund and Composite Social Security Scheme is made as per the rules of the parent company. The same is paid to funds administered through trusts.

r.3 Provisions for gratuity leave encashment and other employee benefits are made as per actuarial valuation at the end of the financial year. The same are not funded.

r.4 In respect of local staff in foreign offices of the company, employees (other than those on deputation/ secondment from the company) of joint ventures (incorporated/unincorporated)/ subsidiaries, the liabilities for employee benefits are recognised in accordance with the applicable laws of their respective jurisdictions and/or the respective labour agreements with the employees.

**s. Borrowing Costs:**

Borrowing Costs specifically identified to the acquisition or constructions of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

**t. Insurance Claims:**

The Company accounts for insurance claims as under:–

t.1 In case of total loss of asset by transferring, either the carrying cost of the relevant asset or Insurance value (subject to deductibles), whichever is lower under the head "Claims Recoverable – Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

t.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (less policy deductibles) if any, are accounted for as "Claims Recoverable–Insurance". Insurance Policy deductibles are expensed in the year when the corresponding expenditure is incurred.

t.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable – Insurance and Claims received is adjusted to profit and loss Account.

**u. Abnormal Rig days' costs:**

Abnormal Rig days' costs are considered as unallocable and charged to Statement of Profit and Loss.

**v. Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent Liabilities, if material, are disclosed by way of notes to the accounts.

**w. Taxes on Income:**

Provision for current tax is made as per the provisions of the Income Tax Act, 1961/ other applicable tax laws. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

**x. Accounting for derivatives:**

As per the ICAI Announcement, Accounting for Derivatives, other than those covered under –AS–11, is done on marked to market basis and the losses are charged to Profit & Loss A/c. Unrealized gains are ignored.

**y. Goodwill Amortization:**

The Company amortizes Goodwill (on consolidation) based on "Unit of Production Method" considering the related Proved Reserves.

# Notes To The Consolidated Financial Statements for the year ended 31 March 2012

(₹ in Million)

| 3 | Share Capital | As at 31 March, 2012 | As at 31 March, 2011 |
|---|---|---|---|
| | Authorised | | |
| | 100,000,000 (Previous year 100,000,000) Equity Shares of ₹100 each | 10,000.00 | 10,000.00 |
| | | | |
| | Issued, Subscribed, Called and Paid Up | 10,000.00 | 10,000.00 |
| | 100,000,000 (Previous year 100,000,000) Equity Shares of ₹100 each fully paid up in cash | | |
| | (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees) | | |
| | | | |
| | TOTAL | 10,000.00 | 10,000.00 |

**a.** Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

| | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | No. Million | ₹Million | No. Million | ₹Million |
| Equity Shares | | | | |
| At the beginning of the period | 100 | 10,000.00 | 100 | 10,000.00 |
| Issued during the period | – | – | – | – |
| Outstanding at the end of the period | 100 | 10,000.00 | 100 | 10,000.00 |

**b.** Terms / rights attached to the equity shares:

The company has only one class of equity shares having a par value of ₹100 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The dividend, if any, proposed by the Board of Director is subject to the approval of the shareholders in the meeting.

During the year ending 31 March 2012, the amount of per share dividend declared for distribution to equity shareholders was Nil (31 March 2011: Nil).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c.** Shares held by holding / ultimate holding company and/or their subsidiaries/ associates:

Out of the equity shares issued by the company, the shares held by its holding company, ultimate holding company and their subsidiaries / associates are as below:

| Holding Company | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | No. Million | ₹Million | No. Million | ₹Million |
| Oil and Natural Gas Corporation Limited, the holding company and its nominee | 100 | 10,000.00 | 100 | 10,000.00 |

**d.** Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: Nil

**e. Details of shareholders holding more than 5% shares in the company:**

| Share holders | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|
| | No. millions | % Holding | No. millions | % Holding |
| Oil and Natural Gas Corporation Limited, the holding company and its nominee | 100 | 100% | 100 | 100% |

**f.** Shares reserved for issue under options: Nil

(₹ in Million)

| 4 | Reserves and Surplus | | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|---|
| | **Capital Reserve** | | | 941.35 | | 845.29 |
| | **Capital Redemption Reserve** | | | 0.09 | | 0.09 |
| | **Debenture Redemption Reserve** | | | | | |
| | Balance as per last Financial statement | Note 4a | 5,461.83 | | 1,154.19 | |
| | Add: Transfer from surplus in statement of profit and loss | | 4,319.44 | 9,781.27 | 4,307.64 | 5,461.83 |
| | **General Reserve** | | | | | |
| | Balance as per last Financial statement | | 8,623.86 | | 6,481.40 | |
| | Add: Transfer from surplus in statement of profit and loss | | 1,876.08 | 10,499.94 | 2,142.46 | 8,623.86 |
| | **Foreign Exchange Translation Reserve** | Note 4b | | | | |
| | Balance as per last Financial statement | | (1,933.82) | | (4,115.28) | |
| | Additions during the year | | 26,573.80 | 24,639.98 | 2,181.46 | (1,933.82) |
| | **Surplus in the statement of profit and loss** | | | | | |
| | Balance as per last Financial statement | | 122,532.48 | | 102,077.13 | |
| | Add: Addition during the year | | 27,211.56 | | 26,905.45 | |
| | Less: Transfer to Debenture Redemption Reserve | | 4,319.44 | | 4,307.64 | |
| | Transfer to General reserve | | 1,876.08 | 143,548.52 | 2,142.46 | 122,532.48 |
| | | | | | | |
| | TOTAL | | | 189,411.15 | | 135,529.73 |

**a Debentures and Debentures Redemption Reserve:**

During the financial year 2009–10, the Company had raised funds from the financial markets by issuance of non–convertible redeemable bonds in the nature of debentures as follows:

(₹ in Million)

| Particulars | Amount (₹Million) | Date of issue | Date repayable on |
|---|---|---|---|
| 8.40 % 5 Years Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures–Series I | 19,700.00 | 23–Dec–09 | 23–Dec–14 |
| 8.54 % 10 Years Unsecured Non–Convertible Redeemable Bonds in the nature of Debentures– Series II | 3,700.00 | 6–Jan–10 | 6–Jan–20 |

The above securities have been listed in National Stock Exchange of India Ltd. (NSE). Both the bonds are guaranteed for repayment of principal and payment of interest by Oil and Natural Gas Corporation Limited, the holding company. Further the company is required to maintain 100% asset cover as per SEBI guidelines. There is no put/ call option.

Debenture redemption reserve has been created as follows in respect of the above Bonds:

(₹ in Million)

| Particulars | Balance as at 31 March 2011 | Additions | Balance as at 31 March 2012 |
|---|---|---|---|
| 8.40 % 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series I | 5,005.91 | 3,948.64 | 8,954.54 |
| 8.54 % 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series II | 455.92 | 370.81 | 826.73 |
| Total | 5,461.83 | 4,319.44 | 9,781.27 |

**b. Foreign Currency Translation Reserve**

The Company has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements following the principles for translation of the financial statements of Non–integral Foreign Operation. Accordingly, the resulting exchange gain of ₹26,573.80 Million (Previous Year ₹2,181.46 Million exchange gain) has been accounted as foreign currency translation reserve and shown in Schedule 2 as per details given below:

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Opening Balance | (1,933.82) | (4,115.28) |
| Additions during the year | 26,573.80 | 2,181.46 |
| Closing Balance | 24,639.98 | (1,933.82) |

(₹ in Million)

| 5 | Long Term Borrowings | | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|---|
| | Non Convertible Redeemable Bonds | Note 5a | 23,400.00 | 23,400.00 |
| | Foreign Currency Loans | | | |
| | from banks (unsecured) | Note 5b | – | 4,472.00 |
| | Non–Recourse Deferred Credit (unsecured) | Note 5c | 380.60 | 554.91 |
| | (In respect of Joint venture) | | | |
| | Loans and advances | | | |
| | from Oil and Natural Gas Corporation Limited | Note 5d | 168,255.44 | 172,786.16 |
| | Non current maturities of finance lease obligations (unsecured) | Note 46.b | 3,124.98 | 3,341.28 |
| | TOTAL | | 195,161.02 | 204,554.35 |

a. Non–convertible redeemable bonds: Attention is invited to Note: 4(a) above. The bonds are unsecured.

b. Foreign currency loan from Bank: Represents USD 100 Million (Noncurrent Nil / current USD 100 Million(₹5,112.00 Million)(31st March 2011 USD 200 Million ₹8,944.00 Million (Non Current USD 100 Million (₹4,472 Million) Current USD 100 Million (₹4,472 Million) syndicated loan taken by Jarpeno Limited, Cyprus, in January –2010 from a consortium of banks led by Sumitomo Mitsui Banking Corporation, Singapore. The loan is repayable in 8 equal quarterly installments starting April 2011. Four installments of USD 25 Million each were paid on due dates during the period.

(₹ in Million)

| Foreign Currency Loans | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|
| Current (Note 13) | 5,112.00 | 4,472.00 |
| Non Current (Note 5) | – | 4,472.00 |
| Total | 5,112.00 | 8,944.00 |

c. Non–recourse deferred credit: ₹888.06 Million (Previous Year ₹776.89 Million) represents the non–recourse deferred credit from contractors of pipeline project executed by the Company in Sudan. The credit is repayable from the installments of pipeline lease rentals from Ministry of Energy and Mining (MEM), Sudan. Attention is also invited to Note 43. This credit is unsecured.

(₹ in Million)

| Non–Recourse Deferred Credit (unsecured) | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|
| Current (Note 10) | 507.47 | 221.98 |
| Non Current (Note 5) | 380.60 | 554.91 |
| Total | 888.07 | 776.89 |

d. The Company has taken loans from ONGC for various projects. The outstanding balance of such loans as of 31 March 2012 was ₹168,255.44 Million (Previous year ₹172,786.16 Million). The loan is normally repayable out of the cash flows of the projects for which the respective funds were lent. However, ONGC have the right to demand repayment with a notice period of minimum 15 months. The loan carried no interest during the period. Accordingly, interest expenditure on loan from parent company during the period is ₹Nil (Previous year: ₹Nil).

(₹ in Million)

| 6 | Deferred Tax Liabilities | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Deferred Tax Liabilities | 10,203.88 | 9,554.84 |
| | TOTAL<br>Refer Note No 42(c) | 10,203.88 | 9,554.84 |

(₹ in Million)

| 7 | Liability for Abandonment | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Liability for Abandonment | 27,504.49 | 22,861.16 |
| | TOTAL<br>Refer Note No 21 and table below | 27,504.49 | 22,861.16 |

(₹ in Million)

| Liability for Abandonment | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| Current (Note 11) | 104.37 | – |
| Non Current (Note 7) | 27,504.49 | 22,861.16 |
| Total | 27,608.86 | 22,861.16 |

(₹ in Million)

| 8 | Other Long Term Liabilities | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Trade payables | 81.86 | – |
| | TOTAL | 81.86 | – |

(₹ in Million)

| 9 | Long Term Provisions | Balance as at 1 April 2011 | Utilisation/ Reversal during the Year | Provision/ Adjustment made for the Year | Foreign Currency Translation Adjustment | Balance as at 31 March 2012 |
|---|---|---|---|---|---|---|
| | Gratuity | 161.90 | – | 8.16 | – | **170.06** |
| | Leave Encashment | 190.09 | – | (42.83) | – | **147.26** |
| | Post Retirement Medical Benefits/Other Terminal Benefits | 161.33 | 83.97 | 141.13 | 15.35 | **233.84** |
| | | **513.31** | **83.97** | **106.47** | **15.35** | **551.16** |

Refer Note 41

(₹ in Million)

| 10 | Short Term Borrowings | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Non–Recourse Deferred Credit – Unsecured | **507.46** | 221.98 |
| | Deposits | **115.35** | 109.20 |
| | **TOTAL** | **622.81** | **331.18** |

Non–Recourse Deferred Credit : Attention is also invited to Note–5(c)

(₹ in Million)

| 11 | Current Liability for Abandonment | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Liability for Abandonment | **104.37** | – |
| | **TOTAL** | **104.37** | – |

Refer Note No 21 & 7

(₹ in Million)

| 12 | Trade Payables | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Deferred Credit on Gas Sales | **229.37** | 20.80 |
| | Trade payables for Supplies / Works | **2,516.73** | 4,103.19 |
| | Trade payables for Supplies / Works (In respect of Joint Ventures) | **23,036.23** | 15,604.12 |
| | **TOTAL** | **25,782.33** | **19,728.11** |

(₹ in Million)

| 13 | Other Current Liabilities | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Current maturities of long term debts | **6,025.68** | 5,151.72 |
| | Interest accrued but not due on borrowings | **122.33** | – |
| | Interest accrued but not due on Debentures | **526.38** | 522.42 |
| | Advance from customers / Income received in advance | **765.60** | 230.36 |
| | Amount Payable to Operators | **13,528.92** | 10,748.91 |
| | Payable to ONGC | **646.87** | 121.89 |
| | Tax Payable by Subsidiaries and JV Companies in foreign Country | **6,231.39** | 10,712.96 |
| | Other Liabilities | **17,544.55** | 5,876.30 |
| | **TOTAL** | **45,391.72** | **33,364.56** |

Current maturities of long term liabilities – Refer Note no 5

(₹ in Million)

| 14 | Short Term Provisions | Balance as at 1 April 2011 | Utilisation/ Reversal during the Year | Provision/ Adjustment made for the Year | Foreign Currency Translation Adjustment | Balance as at 31 March 2012 |
|---|---|---|---|---|---|---|
| | Gratuity | 7.64 | 9.20 | 11.40 | – | **9.84** |
| | Leave Encashment | 8.31 | 113.75 | 248.09 | 8.34 | **150.99** |
| | Post Retirement Medical Benefits/Other Terminal Benefits | – | 0.69 | 22.47 | 6.73 | **28.51** |
| | **TOTAL** | **15.95** | **123.64** | **281.96** | **15.07** | **189.34** |

Attention is invited to Note 41

## 15. Tangible Assets

(₹ in Million)

| | PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | As at 1 April 2011 | Additions during the Period | Foreign Currency Translation Adjustment/ Other Adj. | Deletions / Adjustments during the Period | As at 31 March 2012 | Up to 31 March 2011 | For the Period | Foreign Currency Translation Adjustment/ Other Adj. | Deletions / Adjustments during the Period | Up to 31 March 2012 | Up to 31 March 2012 | As at 31 March 2011 |
| 1. | **Land (Leasehold)** | 1,999.30 | 113.73 | 48.24 | – | **2,161.27** | – | – | – | – | – | **2,161.27** | 1,999.30 |
| 2. | **Building** | 6,568.73 | 115.59 | 128.43 | 61.82 | **6,750.93** | 1,107.72 | 233.50 | 27.91 | 9.54 | **1,359.59** | **5,391.34** | 5,461.01 |
| 3. | **Plant & Machinery** | 87,128.38 | 3,091.94 | –1,755.70 | 0.42 | **88,464.20** | 55,445.08 | 10,035.55 | –1,969.17 | 17.60 | **63,493.87** | **24,970.33** | 31,683.30 |
| 4. | **Computers** | 673.41 | 91.96 | 46.01 | 15.20 | **796.18** | 441.30 | 96.47 | 39.84 | 8.17 | **569.44** | **226.74** | 232.11 |
| 5. | **Vehicles** | 1,406.85 | 150.43 | 95.29 | 17.90 | **1,634.67** | 825.56 | 224.33 | 56.60 | 14.60 | **1,091.89** | **542.78** | 581.29 |
| 6. | **Furniture & Fittings and Equipments** | 4,397.89 | 88.01 | 3,657.79 | 174.80 | **7,968.89** | 2,051.09 | 349.61 | 3,306.74 | 36.53 | **5,670.91** | **2,297.98** | 2,346.80 |
| | **TOTAL** | **102,174.56** | **3,651.66** | **2,220.06** | **270.14** | **107,776.14** | **59,870.75** | **10,939.46** | **1,461.92** | **86.44** | **72,185.69** | **35,590.45** | 42,303.82 |
| | Previous year | 103,428.09 | 18,962.93 | 100.19 | 20,316.65 | 102,174.56 | 55,805.46 | 11,705.28 | (9.57) | 7,630.42 | 59,870.75 | 42,303.81 | 47,622.63 |
| | The above includes the company's share in Joint Venture Assets: Current Year | **98,593.07** | **3,450.31** | **2,071.24** | **198.74** | **103,915.87** | **59,575.22** | **10,912.40** | **1,349.70** | **125.07** | **71,712.26** | **32,203.61** | 39,017.85 |
| | Previous Year | 100,216.83 | 18,448.54 | 52.58 | 20,124.88 | 98,593.07 | 55,155.05 | 17,847.71 | (30.72) | 13,396.81 | 59,575.22 | 39,020.55 | 45,054.77 |

**a.** Title to Fixed Assets under Production Sharing Agreements

The Company, the Subsidiaries and Joint Venture Company, in consortium with other partners under agreements with the host governments. Several of these agreements, governing Company's pass to host Government or its nominated entities either upon acquisition / first use of such assets or the relevant contract areas or termination of the relevant agreement. However, as per the terms of the of charge all such assets for Petroleum Operations throughout the term of the respective agreements. and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. respective agreements.

(Consortium) carries on its business in respect of exploration, development and production of hydrocarbons activities in the fields / projects, provide that the title to the fixed assets and other ancillary installations shall upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas" or upon relinquishment of agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free The Consortium also has the custody and maintenance of such assets and bears all risks of accidental loss Under the circumstances, such assets are kept in the records of the Company during the currency of the

## 16 Intangible Assets

(₹ in Million)

| | PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | As at 1 April 2011 | Additions during the Period | Foreign Currency Translation Adjustment/ Other Adj. | Deletions / Adjustments during the Period | As at 31 March 2012 | Up to 31 March 2011 | For the Period | Foreign Currency Translation Adjustment/ Other Adj. | Deletions / Adjustments during the Period | Up to 31 March 2012 | Up to 31 March 2012 | As at 31 March 2011 |
| 1. | **Software** | 254.67 | 68.48 | 7.17 | (3.75) | **334.07** | **217.88** | (12.57) | 2.22 | (0.27) | **207.80** | **126.28** | 36.79 |
| | **TOTAL** | **254.67** | **68.48** | **7.17** | **(3.75)** | **334.07** | **217.88** | **(12.57)** | **2.22** | **(0.27)** | **207.80** | **126.28** | 36.79 |
| | Previous year | 239.37 | 12.43 | 0.04 | 5.58 | 246.26 | 204.85 | 17.22 | 0.03 | 4.22 | 217.88 | 28.38 | 34.52 |
| | The above includes the company's share in Joint Venture Assets: Current Year | **159.06** | **22.66** | **0.00** | **6.72** | **175.01** | **143.56** | **(13.05)** | **0.00** | **1.49** | **129.01** | **45.99** | **15.50** |
| | Previous year | 140.33 | 12.43 | 0.00 | (6.30) | 159.06 | **131.77** | **6.84** | **0.00** | **(4.95)** | **143.56** | **12.80** | **15.56** |

(₹ in Million)

| 17 | Producing Properties | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Gross Cost** | | |
| | Opening Balance | 240,348.24 | 187,961.97 |
| | Acquisition Cost | – | 164.99 |
| | Expenditure during the year | 10,493.91 | 24,413.40 |
| | Transfer from Development & Exploratory Wells–in–Progress | 11,723.63 | 11,981.68 |
| | Estimated Abandonment Costs | 1,726.67 | 12,365.84 |
| | Foreign Currency Translation Adjustment | 15,189.82 | 3,460.36 |
| | **Total Gross (A)** | 279,482.27 | 240,348.24 |
| | | | |
| | **Less: Depletion** | | |
| | Opening Balance | 104,208.48 | 79,119.11 |
| | Depletion for the year | 21,607.06 | 23,663.82 |
| | Prior period depletion | – | 136.02 |
| | Foreign Currency Translation Adjustment | 9,430.64 | 1,289.53 |
| | **Total Depletion (B)** | 135,246.18 | 104,208.48 |
| | **NET PRODUCING PROPERTIES (A – B)** | 144,236.09 | 136,139.76 |

(₹ in Million)

| 18 | Development & Exploratory Wells In Progress | | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|---|
| | **A.** | **Development Wells in Progress** | | |
| | | Opening Balance | 8,270.33 | 4,050.09 |
| | | Addition during the year | 16,266.08 | 14,706.70 |
| | | Adjustments during the year | – | (5.30) |
| | | Less: Transfer to Producing Properties | 10,583.51 | 10,914.11 |
| | | Foreign Currency Translation Adjustment | 2,780.78 | 432.95 |
| | | **Development Wells in Progress (A)** | 16,733.68 | 8,270.33 |
| | **B.** | **Exploratory Wells in Progress** | | |
| | | Opening Balance | 18,103.35 | 22,022.65 |
| | | Addition during the year | 8,916.69 | 5,111.30 |
| | | Adjustments during the year | – | 152.66 |
| | | Less: Transfer to Producing Properties | 1,140.12 | 1,067.57 |
| | | Less: Wells written off during the year | 9,264.44 | 7,262.48 |
| | | Foreign Currency Translation Adjustment | (1,129.73) | (853.21) |
| | | **Closing Balance (Gross EWIP)** | 15,485.75 | 18,103.35 |
| | | Opening Balance | 1,466.86 | 1,444.66 |
| | | Add: Provided during the year | 12.29 | 22.20 |
| | | **Total Provision** | 1,479.15 | 1,466.86 |
| | | **Exploratory Wells in Progress (B)** | 14,006.60 | 16,636.49 |
| | **TOTAL WELLS IN PROGRESS (A + B)** | | 30,740.28 | 24,906.82 |

Provision has been created in respect of Farsi block Iran under service contract pending the agreements on development

(₹ in Million)

| 19 | Capital Work In Progress | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Block 06.1, Vietnam | 2,503.28 | 1,188.30 |
| | Block 128, Vietnam | – | 92.54 |
| | Sakhalin–1 Project, Russia | 46,764.05 | 26,994.93 |
| | Block 5A, Sudan | 27.26 | 268.86 |
| | Block A1, Myanmar | 3,960.76 | 700.46 |
| | Block A3, Myanmar | 840.95 | 842.73 |
| | Pipeco Midstream, Myanmar | 1,966.65 | 568.78 |
| | Block 25, 26, 27, 28, 29, 36 and P35 (Part), Cuba | 346.91 | 346.91 |
| | Block 1,2,3 &4 (Area 43), Libya | 408.90 | 408.90 |
| | Tamba BV, The Netherlands | 2,562.69 | 666.54 |
| | Block BC–10, Brazil | – | 840.41 |
| | Sancristobal Project, Venezuela | 2,466.28 | 1,339.23 |
| | Pipeco 1 – Onland Pipeline A1 A3, Myanmar | 2,275.55 | 147.37 |
| | Petro Carabobo, Venezuela | 5,923.96 | 2,459.60 |
| | Block OPL 297, Nigeria | 638.74 | 558.77 |
| | Block 279, Nigeria | – | 1,580.40 |
| | Block 285, Nigeria | – | 647.00 |
| | Block Satpayev, Kazakhstan | 4,753.53 | – |
| | Corporate Office Building, Vasant Kunj, New Delhi | 659.56 | 283.96 |
| | Others | 156.61 | 82.25 |
| | **TOTAL** | 76,255.68 | 40,017.94 |

(₹ in Million)

| 20 | Goodwill | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Gross Goodwill (A) | 122,029.76 | 106,839.23 |
| | Accumulated Amortisation (B) | 27,450.75 | 19,841.11 |
| | Less: Provision for impairment (C) | 19,533.69 | – |
| | Net Goodwill (A – B – C) | 75,045.32 | 86,998.12 |

The company has carried out impairment assessment as per Accounting Standard 28, wherein indicators were noted for four Cash Generating Units (CGU). Based on the impairment test, provision of USD 407.97 Million(₹19,533.69) (Previous Year– Nil) has been provided in respect of one CGU and has been provided for in the Goodwill.

(₹ in Million)

| 21 | Non Current Investment | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Investment with bank for Site Restoration | 2,927.15 | 107.42 |
| | **TOTAL** | 2,927.15 | 107.42 |

Please refer to Note No 7 & Note No 17

(₹ in Million)

| 22 | Deferred Tax Assets | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Deferred Tax Assets | 5,220.65 | 1,202.19 |
| | **TOTAL** | 5,220.65 | 1,202.19 |

Refer Note No 45.c

(₹ in Million)

| 23 | Long Term Loans And Advances | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Secured, considered good** | | |
| | Other loans and advances (secured) | 899.65 | 270.86 |
| | **Unsecured, considered good** | | |
| | Other loans and advances (unsecured) | 17.27 | 9.74 |
| | **Doubtful** | | |
| | Loans and advances to related party (doubtful) | 1,401.83 | 1,428.74 |
| | Other loans and advances | 534.16 | – |
| | **Sub Total (A)** | 2,852.91 | 1,709.34 |
| | **Less : Provision for bad and doubtful loans and advances** | | |
| | Loans and advances to related party | 1,401.83 | 1,428.74 |
| | Other loans and advances | 534.16 | – |
| | **Sub Total (B)** | 1,935.99 | 1,428.74 |
| | **TOTAL** | 916.92 | 280.60 |

a Loans and advances due by directors or other officers

(₹ in Million)

| | Non-current | | Current | |
|---|---|---|---|---|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| Loans and advances to employees include | | | | |
| Dues from Directors | 0.38 | 0.09 | 0.05 | – |

(₹ in Million)

| 24 | Other Non Current Assets | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Secured, considered good** | | |
| | Investment in Lease realisable beyond 12 months from the end of reporting period | 1,846.25 | 2,567.91 |
| | Interest Accrued on Loans to Employees | 34.16 | 30.85 |
| | **Unsecured, considered good** | | |
| | Trade receivables on deferral credit terms realisable beyond 12 months from the end of reporting period | 15,192.42 | – |
| | Other Deposits | 274.88 | 56.54 |
| | **Doubtful** | | |
| | Trade receivables (sundry debtors) realisable beyond 12 months from the end of reporting period | 2.16 | – |
| | Inventory | 1,577.56 | 558.24 |
| | **Sub Total (A)** | 18,927.43 | 3,213.54 |
| | **Less : Allowance for bad and doubtful loans and advances / Provision for inventory** | | |
| | Trade receivables on deferral credit terms realisable beyond 12 months from the end of reporting period | 2.16 | – |
| | Inventory | 1,577.56 | 558.24 |
| | **Sub Total (B)** | 1,579.72 | 558.24 |
| | **TOTAL (A –B)** | 17,347.71 | 2,655.30 |

Investment in Lease – refer note no 46 (a)

(₹ in Million)

| 25 | Inventories (As taken, valued and certified by the Management) | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | Finished Goods | 1,034.71 | 564.06 |
| | Stores & Spares | 4,698.20 | 4,134.97 |
| | **TOTAL** | 5,732.91 | 4,699.03 |

(₹ in Million)

| 26 | Trade Receivables | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **Secured, considered good** | | |
| | Trade receivable outstanding for a period exceeding six months: | 3,286.52 | 3,020.72 |
| | Others | 7.48 | – |
| | **Unsecured, considered good** | | |
| | Trade receivable outstanding for a period exceeding six months: | 21,904.54 | 22,570.04 |
| | Other Debts: | 4,416.01 | 14,452.74 |
| | **Doubtful** | | |
| | Trade receivable outstanding for a period exceeding six months: | – | – |
| | Other Debts: | 5.19 | 10.73 |
| | **Sub Total (A)** | 29,619.74 | 40,054.23 |
| | **Less : Allowance for bad and doubtful loans and advances** | | |
| | Debts outstanding for a period exceeding six months: | 5.19 | 10.73 |
| | **Sub Total (B)** | 5.19 | 10.73 |
| | **TOTAL (A–B)** | 29,614.55 | 40,043.50 |

(₹ in Million)

| 27 | Cash & Bank balances | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|---|
| | **A) Balances with Banks** | | |
| | in current account | 46,966.00 | 29,317.14 |
| | in deposits | 35.38 | – |
| | **B) Cash on hand** | | |
| | i) At New Delhi | 0.25 | 0.26 |
| | ii) At Overseas | 7.05 | 6.98 |
| | **C) Others** | | |
| | Cash & Bank Balance | 4,519.65 | 7,673.89 |
| | (In respect of Joint Ventures) | | |
| | **TOTAL** | 51,528.33 | 36,998.27 |

(₹ in Million)

| 28 | Short Term Loans & Advances | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **A. Secured – Considered Good** | | | | |
| | Loans & Advances to Employees | | 43.27 | | 32.10 |
| | **B. Unsecured – Considered Good** | | | | |
| | Carry Finance to JV Partners | | 69.38 | | 282.92 |
| | Loans & Advances to Employees | | 12.34 | | 23.52 |
| | Advances recoverable in cash or in kind or for value to be received | | 920.05 | | 2,220.50 |
| | Advances recoverable in cash or in kind or for value to be received (In respect of Joint Ventures) | | 7,181.89 | | 1,926.04 |
| | **Unsecured – Considered Good (B)** | | 8,183.66 | | 4,452.98 |
| | **C. Unsecured – Considered Doubtful** | | | | |
| | Advances recoverable in cash or in kind or for value to be received | 1,741.95 | | – | |
| | Carry Finance to JV Partners | 1,474.04 | | 6,271.93 | |
| | **Less: Allowances** | | | | |
| | Less: Provisions for Doubtful Advances and Claims | 3,215.99 | | 6,271.93 | |
| | **Unsecured – Considered Doubtful (C)** | | – | | – |
| | **LOANS AND ADVANCES (A+B+C)** | | 8,226.93 | | 4,485.08 |

**a. Carry Finance to Sudapet:**

The Company carried the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A till the commencement of first commercial production(Sudapet Carry). The carried amounts are repayable without interest in form of oil out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA).Currently, Block 5A is under exploration, production and development and due to certainty of the recovery, the net carried amount of USD 1.36 Million equivalent to ₹69.38 Million (previous year USD 6.33 Million equivalent to ₹282.92 Million) has been shown as Loans and Advances.

(₹ in Million)

| 29 | Other Current Assets | | As at 31 March 2012 | | As at 31 March 2011 |
|---|---|---|---|---|---|
| | **Prepaid expenses for Underlift Quantity** | | 745.48 | | 283.33 |
| | **Interest Accrued On** | | | | |
| | Deposits with Banks | | 313.91 | | 37.92 |
| | Others | | 369.19 | | 2.19 |
| | Other Deposits | | 74.00 | | 239.54 |
| | Other Current Assets | | 31.68 | | 280.99 |
| | VAT Receivable | | 1,169.94 | | 1,374.10 |
| | **Investment in Lease** | | 2,427.35 | | 975.68 |
| | **Advances recoverable in Cash or in kind or for value to be received** (In respect of Joint Ventures) | | 6,532.28 | | 4,695.46 |
| | **Taxes (Income Tax, Wealth Tax and Fringe Benefit Tax) :** | | | | |
| | Advance Payment | 22,420.44 | | 19,322.81 | |
| | Less: Provision | 11,586.86 | 10,833.58 | 10,951.48 | 8,371.33 |
| | **TOTAL** | | 22,497.41 | | 16,260.54 |

Investment in lease – Refer Note No. 41

(₹ in Million)

| 30 | Revenue from Operations | 2011–12 | 2010–11 |
|---|---|---|---|
| | **(A) Sales** | | |
| | Crude Oil | **211,687.47** | 173,499.75 |
| | Gas | **9,923.88** | 8,279.65 |
| | Condensate | **3,189.04** | 2,232.91 |
| | **Subtotal (A)** | **224,800.39** | **184,012.31** |
| | **(B) Overlifted Quantity of Crude** | **–** | 581.28 |
| | **Total Sales (A)+(B)** | **224,800.39** | **184,593.59** |
| | Less: Value Added Tax | **2,567.68** | 916.00 |
| | **(C) Net Sales** | **222,232.71** | **183,677.59** |
| | **(D) Other Operating Revenue** | | |
| | Other Operating income | **1,240.41** | 433.90 |
| | **Total Revenue from Operations (C + D)** | **223,473.12** | **184,111.49** |

(₹ in Million)

| 31 | Other Income | 2011–12 | 2010–11 |
|---|---|---|---|
| | **Interest Income on:** | | |
| | Deposits with Banks | **812.22** | 356.72 |
| | Loans and Advances to Employees | **5.54** | 4.19 |
| | Others | **93.63** | 126.85 |
| | Lease Income | **346.95** | 354.26 |
| | Profit on Redemption/ Sale of Investment | **–** | 0.57 |
| | Gain on Foreign Exchange Forward Contract | **222.45** | – |
| | Miscellaneous Receipts | **1,420.34** | 1,756.63 |
| | **TOTAL** | **2,901.13** | **2,599.22** |

(₹ in Million)

| 32 | Production, Transportation, Selling and Distribution Expenditure | 2011–12 | 2010–11 |
|---|---|---|---|
| | Production Expenditure | **22,673.78** | 17,763.48 |
| | Transportation Expenditure | **5,094.13** | 4,368.88 |
| | Royalty | **57,571.23** | 55,155.66 |
| | Staff Expenditure | **2,187.13** | 2,209.21 |
| | Service Tax and Other Levies | **8,100.89** | 1,791.15 |
| | Rent | **1,032.17** | 890.82 |
| | Repair to Buildings | **73.48** | 47.54 |
| | Repair to Machinery | **3.96** | 0.13 |
| | Other Repairs and Maintenance | **124.85** | 18.30 |
| | Insurance | **69.90** | 53.81 |
| | Payment due to surrender of Sudan Crude Oil Pipeline | **–** | 5,079.72 |
| | Idle rig cost | **1,746.75** | – |
| | Crude oil received against Carry Finance | **231.66** | – |
| | Others | **2,508.03** | 1,781.48 |
| | **TOTAL** | **101,417.96** | **89,160.18** |

**a.** The Subsidiary – ONGBV conducts its operations in Sudan jointly with Sudapet the national oil company of Sudan among others. All government takes other than income taxes are considered to be royalty interest. Royalties on production represent the entitlement of the Government of Sudan to a portion of ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. Royalties / taxes in Syrian concession are accounted similarly by ONGBV. The amount involved is ₹38,770.10 Million (Previous year ₹40, 848.27 Million) under the head Royalty in Note 33.

**b.** Details of Production, Transportation, Selling and Distribution Expenditure

(₹ in Million)

| Particulars | | | 2011–12 | 2010–11 |
|---|---|---|---|---|
| i | a. | Salaries, Wages, Ex–gratia etc. | **1,775.38** | 1,995.20 |
| | b. | Contribution to Provident Fund and other Funds. | **61.50** | 29.59 |
| | c. | Provision for Gratuity | **69.97** | 11.65 |
| | d. | Provision for Leave Encashment | **130.37** | 43.18 |
| | e. | Provision for medical / Terminal Benefits | **6.19** | 9.92 |
| | f. | Staff Welfare Expenses | **143.72** | 119.67 |
| **Sub Total (A)** | | | **2,187.13** | **2,209.21** |
| ii | Rent | | **1,032.17** | 890.82 |
| iii | Electricity, Water and Power | | **429.79** | 321.87 |
| iv | Repairs to buildings | | **73.48** | – |
| v | Repairs to Plant and Machinery | | **3.96** | 61.08 |
| vi | Other Repairs | | **124.85** | 272.43 |
| vii | Hire Charges of Vehicles | | **260.33** | 257.37 |
| viii | Professional Charges | | **400.12** | 390.68 |
| ix | Telephone and Telex | | **71.25** | 69.56 |

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| x Printing and Stationery | 13.12 | 11.84 |
| xi Training and Seminar | 4.76 | 4.56 |
| xii Business Meeting Expenses | 31.15 | 30.15 |
| xiii Traveling Expenses | 254.57 | 219.09 |
| xiv Pipeline construction Cost | – | – |
| xv Insurance | 69.90 | 53.81 |
| xvi Advertisement and Exhibition Expenditure | 36.64 | 23.01 |
| xvii Contractual Transportation | 5,094.13 | 4,368.88 |
| xviii Miscellaneous Expenditure | 2,733.78 | 2,398.36 |
| xix Other Operating Expenditure* | 22,924.71 | 20,630.65 |
| xx Royalty | 57,571.23 | 55,155.66 |
| xxi Statutory Levies (Service Tax and Other Levies, Windfall Tax & VAT) | 10,668.57 | 2,707.15 |
| **Sub Total (B)** | **101,798.51** | **87,866.97** |
| **Total (A+B)** | **103,985.64** | **90,076.18** |

*The other operating expenditure (no. xix above) includes the expenses in respect of Sakhalin–1, Russia project, where the above details are not made available by the Operator.*

**c.** Managerial Remuneration:

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Salary and Allowances | 20.13 | 40.59 |
| Contribution to Provident Fund | 0.57 | 0.65 |
| Other Benefits and Perquisites | 1.97 | 2.76 |
| **Total** | **22.67** | **44.00** |

**d.** Auditors' Remuneration (excluding subsidiaries and joint venture company):

(₹ in Million)

| Particulars | 2011–12 | 2010–11 |
|---|---|---|
| Audit Fee | 3.09 | 2.21 |
| Tax Audit Fee | 0.28 | 0.32 |
| Certification Fee | 0.48 | 0.96 |
| **Total** | **3.85** | **3.49** |

**e.** The expenditure incurred by Oil and Natural Gas Corporation Limited or its subsidiaries on behalf of the Company are accounted for on the basis of debit raised by them for which supporting documents are held by the respective relevant company/subsidiaries.

(₹ in Million)

| 33 | Changes in Inventories of Finished Goods | | 2011–12 | | 2010–11 |
|---|---|---|---|---|---|
| | As taken, valued and certified by the Management | | | | |
| | Closing Stock | | 1,034.71 | | 564.06 |
| | Opening Stock | 564.06 | | 1,326.17 | |
| | Less: Adjustment | 161.04 | 403.02 | 883.35 | 442.81 |
| | **NET (INCREASE)/DECREASE IN STOCK** | | **(631.69)** | | **(121.25)** |



(₹ in Million)

| 34 | Finance Costs | | 2011–12 | | 2010–11 |
|---|---|---|---|---|---|
| | **A. Interest On** | | | | |
| | Finance Lease | | 371.31 | | 1,154.83 |
| | Discount on Commercial Papers | | – | | 267.60 |
| | Interest on Bonds | | 1,974.74 | | 1,970.78 |
| | Others | | 614.60 | | 137.84 |
| | **B. Foreign Exchange Fluctuation related to borrowing cost** | | 9.15 | | – |
| | **TOTAL** | | **2,969.80** | | **3,531.05** |

(₹ in Million)

| 35 | Depreciation, Depletion and Amortisation | | 2011–12 | | 2010–11 |
|---|---|---|---|---|---|
| | Depreciation | 11,132.60 | | 11,705.28 | |
| | Amortisation –Intangibles | (12.75) | | 17.22 | |
| | Less: Capitalised | 7,995.20 | 3,124.65 | 8,260.05 | 3,462.45 |
| | Depletion | | 21,607.06 | | 23,663.82 |
| | Survey Expenditure | | 2,537.43 | | 2,867.35 |
| | Dry Wells | | 9,264.44 | | 7,262.48 |
| | Pre–Acquisition Expenses | | 190.65 | | 375.98 |
| | Amortisation of Goodwill | | 5,145.55 | | 5,050.42 |
| | **TOTAL** | | **41,869.78** | | **42,682.50** |

Refer to Note No A 3.1
Intangible Asset depreciation please refer to note no 2 a.1

(₹ in Million)

| 36 | Other Expenses | 2011–12 | 2010–11 |
|---|---|---|---|
| | Net (gain) or loss on foreign currency transactions and translation (other than considered as finance cost) | 1,473.54 | (815.09) |
| | Hedging (Gain)/Loss | 48.52 | 41.85 |
| | Other Expenses | 120.45 | – |
| | Provision for Mark to Market loss on Derivative Contracts | 498.56 | – |
| | **TOTAL** | **2,141.07** | **(773.24)** |

**Hedging Gain/Loss:**

The hedging loss for the year is ₹48.52 Million (Previous year gain ₹41.85 Million) in respect of hedging of crude oil against prices by joint venture company.

(₹ in Million)

| 37 | Provisions & Write–Offs (Net) | 2011–12 | 2010–11 |
|---|---|---|---|
| | Provision for Impairment | 19,533.69 | – |
| | Provisions for Doubtful Debts/Claims | 2,269.42 | 215.97 |
| | Provision for Wells under Service Contract | 12.29 | 22.20 |
| | Provision for Non Moving Inventory | 740.62 | 696.60 |
| | Excess Provisions Written Back | – | (6,156.23) |
| | Acquisition Cost Written Off | 3,257.84 | 941.85 |
| | Other Write Off | 2,115.25 | 7,727.86 |
| | **TOTAL** | 27,929.11 | 3,448.25 |

Provision for Impairment – Attention is invited to Note 20

(₹ in Million)

| 38 | Decrease/(increase) due to overlift/underlift quantity | 2011–12 | 2010–11 |
|---|---|---|---|
| | UnderLift Previous year | 283.33 | – |
| | UnderLift current year | 697.44 | 283.32 |
| | Decrease/(increase) due to overlift/underlift quantity | (414.11) | (283.32) |

(₹ in Million)

| 39 | Adjustments Relating to Prior Period (Net) | 2011–12 | 2010–11 |
|---|---|---|---|
| | **A. Expenses** | | |
| | Survey Expenses | (23.20) | 0.00 |
| | Amortisation of Goodwill | 11.14 | (480.54) |
| | Other Expenses | 137.80 | 27.18 |
| | Depreciation | (192.98) | (0.07) |
| | Depletion | – | 136.02 |
| | **Sub–Total** | (67.24) | (317.41) |
| | **B. Income** | | |
| | Miscellaneous Items | 6.24 | 33.62 |
| | **Sub–Total** | 6.24 | 33.62 |
| | **TOTAL (A – B)** | (73.48) | (351.03) |

(₹ in Million)

| 40 | Earnings Per Equity Share | 2011–12 | 2010–11 |
|---|---|---|---|
| | Net Profit | 27,211,559,601 | 26,905,441,958 |
| | No of Shares | 100000000 | 100000000 |
| | Basic and Diluted Earnings Per Equity Share | 272.12 | 269.05 |
| | (Per Share of ₹100 each) | | |

## 41. The required disclosure under the Accounting Standard 15 (Revised) is given below:

**(A)** Brief Description: A general description of the type of Defined Benefit Plans is as follows:

**(i) Earned Leave (EL) Benefit**

**Accrual – 30 days per year**

Encashment while in service–75% of Earned Leave balance subject to a maximum of 90 days per calendar year

**Encashment on retirement – maximum 300 days.**

**(ii) Good Health Reward (Half Pay Leave)**

Accrual –20 days per year

Encashment while in service –Nil

Encashment on retirement – 50% of Half Pay Leave balance.

**(iii) Gratuity**

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to ₹1.00 million.

**(iv) Post–Retirement Medical Benefits**

Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

**(V) Terminal Benefits**

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque as a memento on superannuation, depending upon their level.

**(B) The amounts recognized in financial statements for defined contribution plans are as under:**

| Defined Contribution Plans | Expense Recognized during 2011–12 | Contribution for Key Management Personnel during 2011–12 | Expense Recognized during 2010–11 | Contribution for Key Management Personnel during 2010–11 |
|---|---|---|---|---|
| Contributory Provident Fund | 29.53 | 0.54 | 26.53 | 0.61 |
| Employee Pension Scheme –95 | 1.40 | 0.01 | 1.4 | 0.01 |
| Composite Social Security Scheme | 1.53 | 0.02 | 1.66 | 0.03 |

**(C) The amounts recognized in the balance sheet for post–employment benefit plans are as under:**

| Particulars | Gratuity | Leave | Post–Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Present Value of Funded Obligation | – | – | – | – |
| | – | – | – | – |
| Fair Value of Plan Assets | – | – | – | – |
| | – | – | – | – |
| Present Value of Unfunded Obligation | 179.90 | 166.44 | 63.49 | 8.99 |
| | 169.54 | 139.67 | 61.14 | 7.86 |
| Unrecognized Past Service Cost | – | – | – | – |
| | – | – | – | – |
| Net Liability | 179.90 | 166.44 | 63.49 | 8.99 |
| | 169.54 | 139.67 | 61.14 | 7.86 |

**(D) The amount included in the fair value of plan assets of gratuity fund is as follows**

| Defined Contribution Plan | Expense Recognized during 2011–12 | Expense Recognized during 2010–11 |
|---|---|---|
| Reporting Enterprise's own financial instruments | Nil | Nil |
| Any Property occupied by, or assets used by the reporting enterprise | Nil | Nil |

**(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:**

| Particulars | Gratuity | Leave | Post Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Opening defined benefit obligation | **169.54** | **139.67** | **61.14** | **7.86** |
| | 164.23 | 127.04 | 54.74 | 4.79 |
| Current Service Cost | **7.39** | **6.81** | **2.48** | **0.35** |
| | 7.01 | 5.80 | 2.23 | 0.31 |
| Past Service Cost | – | – | – | – |
| | – | – | – | – |
| Interest Cost | **14.41** | **11.87** | **5.20** | **0.67** |
| | 13.14 | 10.16 | 4.38 | 0.38 |
| Actuarial Losses (–Gains) | **–4.44** | **50.32** | **–5.33** | **0.45** |
| | –8.50 | 27.22 | –0.21 | 2.83 |
| Exchange differences on foreign plans | – | – | – | – |
| | – | – | – | – |
| Less: Benefits paid | **–7.00** | **–42.24** | **0.00** | **–0.34** |
| | 6.34 | 30.55 | – | 0.45 |
| Closing defined benefit obligation | **179.90** | **166.44** | **63.49** | **8.99** |
| | 169.54 | 139.67 | 61.14 | 7.86 |

**(F) The total expenses recognized in the statement of profit and loss are as follows:**

| Particulars | Gratuity | Leave | Post Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Current Service Cost | **7.38** | **6.80** | **2.48** | **0.35** |
| | 7.01 | 5.80 | 2.23 | 0.31 |
| Interest on Obligation | **14.41** | **11.87** | **5.20** | **0.67** |
| | 13.14 | 10.16 | 4.38 | 0.38 |
| Expected Return on plan assets | – | – | – | – |
| | – | – | – | – |
| Net Actuarial Losses (–Gains) recognised in year | **–4.44** | **50.32** | **–5.33** | **0.45** |
| | –8.50 | 27.22 | –0.21 | 2.83 |
| Past Service Cost | – | – | – | – |
| | – | – | – | – |
| Losses (Gains) on curtailments and settlement | – | – | – | – |
| | – | – | – | – |
| Total included in 'Employee Benefit Expense' | **17.35** | **68.99** | **2.35** | **1.47** |
| | 11.65 | 43.18 | 6.40 | 3.52 |
| Actual return on Plan Assets | – | – | – | – |
| | – | – | – | – |



**(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):**

| Particulars | Gratuity | Leave | Post Retirement Medical Benefits | Terminals Benefits |
|---|---|---|---|---|
| Discount Rate | **8.50%** | **8.50%** | **8.50%** | **8.50%** |
| | 8.00% | 8.00% | 8.00% | 8.00% |
| Expected Return on Plan Assets | – | – | – | – |
| | – | – | – | – |
| Annual Increase in health care costs | – | – | – | – |
| | – | – | – | – |
| Annual Increase in Salary | **6.00%** | **6.00%** | **6.00%** | **6.00%** |
| | 5.50% | 5.50% | 5.50% | 5.50% |

**(H) Effect of 1.00 % increase and decrease in inflation rate on Post Retirement Medical Benefits as on 31st March 2012:**

| | 1.00 % (+) | 1.00 % (–) |
|---|---|---|
| a) Effect on service and interest cost | **1.57** | **–1.13** |
| | 1.31 | –1.05 |
| b) Effect on Present Benefits Obligation (Closing) | **14.24** | **–8.03** |
| | 11.41 | –9.25 |

Note: Figures in **bold** represent **current** year's figures.
The above information pertains to the company only and does not include subsidiaries.

## 42 Taxation

### (a) Current Tax provision :

The current provision for tax has been made for ₹27,385.31 Million (period ending 31st March 2011 ₹23,688.08 Million) in respect of income–tax liability of the company and its consolidated subsidiaries/ joint ventures. The tax liabilities take into account the tax credits available under applicable tax treaties.

### (b) Tax Assessment

(i) The Company had appealed to Hon'ble Delhi High Court against the decision of Income Tax Appellate Tribunal (ITAT) for the Assessment Years 1981–82 to 1987–88 regarding disallowance of its claim for ₹94.04 Million (As on 31st March 2011: ₹94.04 Million) on account of depreciation, development allowance and receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard was paid by the Company. The matter has been remanded back by the Hon'ble Delhi High Court to the ITAT for fresh hearing vide order dated 30th March 2011.

(ii) The Company had filed appeals with Commissioner of Income Tax (Appeals) [CIT (Appeals)] against the disallowance of depreciation on acquisition costs of the projects and other expenses as well as addition to income aggregating to ₹3,958.54 Million, ₹3,006.17 Million, ₹3,470.29 Million, ₹3, 212.03 Million,₹4,683.46 Million , ₹5,617.51 Million and ₹4,578.92 Million for assessment years 2002–03, 2003–04, 2004–05, 2005–06, 2006–07, 2007–08 and 2008–09 respectively by the assessing officer ("AO"). CIT (Appeals), while disposing off the appeals for assessment years 2002–03 and 2003–04 partially deleted the disallowances. The Company filed appeals with the Income Tax Appellate Tribunal (ITAT) against the orders of CIT (Appeals). The Company got a favorable decision from ITAT for AY 2002–03 and all disallowances (depreciation on acquisition cost and pre–acquisition expenses) made by the AO have been deleted by ITAT. While the Department has filed appeal in the High Court of Delhi (the "Delhi HC") against the said order of ITAT for 2002–03, the Company has also approached the Delhi HC against the said order with the appeal that the acquisition cost be treated as revenue expenditure.

(iii) For the assessment years 2004–05 and 2005–06, CIT (Appeals) has decided the appeals in favor of the Company. However, the Department has filed appeal against the above orders in the ITAT.

(iv) For the assessment year 2004–05, the AO had reassessed the income u/s 147 of the Income Tax Act, making additions to income amounting to ₹165.98 Million towards exchange gain adjustments and change in method of accounting during the relevant year. The tax demanded due to reassessment is nil. The AO has also initiated penalty proceedings. Company has filed an appeal before CIT (Appeals) against the order of the AO and requested the AO to keep the penalty proceedings in abeyance till the disposal of the appeal by CIT (Appeals).

(v) For the assessment year 2005–06, the Company had claimed tax credit of ₹111.33 Million (increased to ₹709.88 Million due to assessment by Department under regular provisions rather than under MAT, as returned) under the India–Vietnam double tax avoidance agreement with respect to tax deemed to be paid. The claim was duly supported by report of a reputed accounting and tax firm in Vietnam and accepted by the AO. The CIT had issued an order dated 29th March 2010 holding the allowance of the credit to be erroneous and directed the AO to re–compute the tax payable and allow credit only on the basis of certificate to be obtained by the Company from Vietnam tax authorities. The Company had filed appeal with the Income Tax Appellate Tribunal (ITAT) to contest the same on the ground that the decision of the CIT is not in accordance with the law. The Company had also approached Vietnam Tax Authorities (VTA) for required certificate. However, the AO vide his order dated 21st December 2010 has withdrawn the credit allowed for ₹709.88 Million and the resulting demand for ₹958.34 Million has been adjusted by the AO against refunds due to the Company. The Company has filed appeal with CIT (A) against the order of the AO. Further, the VTA vide their notice dated 5th August 2011 have confirmed the tax amounts for the calendar years 2003 to 2006. The Company has filed the documents with CIT (A) and further proceedings before CIT (A) are pending.

(vi) For the assessment year 2008–09, the AO has made certain disallowances/additions (depreciation on acquisition costs of the projects, adjustment of Sudan crude oil inventory, provision in respect of Farsi exploration service contract and other expenses) amounting to ₹4,578.92 Million and assessed total income as ₹32,469.15 Million against returned income of ₹27,890.22 Million. The disallowances/ additions include an amount of ₹1,654,88 Million on protective basis. In consequence, the AO has raised a demand of ₹2,238.65 Million payable by the Company. The Company does not agree with the disallowances made and filed appeal with CIT (Appeals) against such assessment order. No provision has been made for additional tax liability, if any, on this account.

(vii) For the assessment year 2005–06, AO has initiated action on 28th March 2012 u/s 147 of the Income Tax Act for re–assessing company's assessed income. The AO also conveyed the reasons whereby the AO has indicated additions to income amounting to ₹25.87 Million towards exchange loss adjustments due to change in method of accounting during the year. No demand has been raised by the AO

**(c) Deferred Tax Provision**

Net consolidated deferred tax liability as at 31st March, 2012 aggregated to ₹10,203.88 Million (Previous year: ₹9,554.84 Million) and Net consolidated deferred tax asset as at 31 March, 2012 aggregated to ₹5,220.65 Million (Previous year: ₹1,202.19 Million).

The item wise details of Net Deferred Tax Liability/Asset as on 31 March, 2012 accounted for in accordance with Accounting Standard (AS) 22 viz. accounting for Taxes on Income are as under:

(₹ in Million)

| Particulars | As at 31 March 2012 | As at 31 March 2011 |
|---|---|---|
| **Deferred Tax Liability of ONGC Videsh Ltd.** | | |
| **Deferred Tax Assets :** | | |
| Carried Forward Expenditure U/S 42 of Income Tax Act, 1961* | **11,213.98** | 10,222.01 |
| Other disallowances under Income Tax Act, 1961 | **1,043.13** | 814.33 |
| **Total Deferred Tax Assets** | **12,257.11** | 11,036.34 |
| **Deferred Tax Liability :** | **–** | 0 |
| Difference in Net Block of Fixed Assets for Tax | **16,133.71** | 14,819.36 |
| **Total Deferred Tax Liability** | **16,133.71** | 14,819.36 |
| **Net Deferred Tax Liability of the Company (ONGC Videsh Ltd.)** | **3,876.60** | 3,783.02 |
| **Net Deferred Tax Liability of ONGBV** | **6,178.54** | 5,591.06 |
| **Net Deferred Tax Liability of OAAL** | **148.74** | 180.76 |
| **Consolidated Net Deferred Tax Liability** | **10,203.88** | 9,554.84 |
| **Net Deferred Tax Asset of ONGBV** | **5,049.90** | 1,202.19 |
| **Net Deferred Tax Asset of OAAL** | **170.75** | – |
| **Net Deferred Tax Asset of OMEL** | **–** | – |
| **Consolidated Net Deferred Tax Asset** | **5,220.65** | 1,202.19 |

*Disallowance u/s 43B, provisions for doubtful debts and non–moving inventory.

An amount of ₹3,950.76 Million (Previous year: ₹1,650.55 Million debited) has been credited to the Statement of Profit and Loss and ₹581.34 Million (Previous year: ₹182.21 Million) has been adjusted to foreign currency translation reserve.

## 43 Details of Joint Ventures:

The details of Company's and its Subsidiaries' significant joint ventures as on 31 March 2012 are as under

| Sr. No. | Name of the Project and Country of Operation | Company's participating share (%) | Other Consortium Members | Operator | Status |
|---|---|---|---|---|---|
| 1 | Block 06.1 Project, Vietnam, Offshore | 45% | TNK – 35% Petrovietnam – 20% | TNK* | The project is under development and production |
| 2 | Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore (Through ONGC Nile Ganga B.V.) | 25% | CNPC – 40% Petronas – 30% Sudapet – 5% | Joint Operatorship | The project is under production. |
| 3 | Sakhalin –1 Project, Russia, Offshore | 20% | ENL – 30% SODECO – 30% SMNG – 11.5% R N Astra – 8.5% | ENL | The project is under development and production |
| 4 | AFPC Project Syria, Onshore (Through ONGC Nile Ganga B.V.) ** | 38.75% | Fulin – 50% Mittals – 11.25% | SSPD ** | The project is under production. |
| 5 | MECL, Colombia, Onshore (Through ONGC Amazon Alaknanda Limited) | 50% | Sinopec – 50% | Joint Operatorship | The project is under exploration, development and production |

| Sr. No. | Name of the Project and Country of Operation | Company's participating share (%) | Other Consortium Members | Operator | Status |
|---|---|---|---|---|---|
| 6 | Block 5A Project, Sudan, Onshore | 24.13% | Petronas – 67.875% Sudapet – 8% | Petronas and Sudapet – Joint Operatorship | The project is under exploration, development and production |
| 7 | Block BC–10 Project, Brazil, Offshore (Through ONGC Nile Ganga B.V.) | 15% | Shell – 50% Petrobras – 35% | Shell | The project is under development and production |
| 8 | OOO Imperial Frac Service (Through Jarpeno Ltd) | 50% | Mr. Vladimir Aleksandrovich Borisov – 50% | ONGC Videsh Ltd. | The company provides Fraccing Services |
| 9 | "San Cristobal Project, Venezuela, Onshore (Through ONGC Nile Ganga B.V.)" | 40% | CVP– 60% | Joint Operatorship | The project is under development and production |
| 10 | Block A–1 Project, Myanmar, Offshore | 17% | Daewoo – 51% KOGAS – 8.5% GAIL – 8.5% MOGE– 15% | Daewoo | The project is under development. |
| 11 | Block A–3 Project, Myanmar, Offshore | 17% | Daewoo – 51% KOGAS – 8.5% GAIL – 8.5% MOGE– 15% | Daewoo | The project is under development. |
| 12 | Farsi Block Project, Iran, Offshore | 40% | IOC – 40% OIL – 20% | ONGC Videsh Ltd. | The project 's exploration service contract ended on 24 June 2009. The Master Development Plan (MDP) for the Farzad 'B' Gas Field has been submitted to National Iranian Oil Company and Development Service Contract for the field is under discussion. |
| 13 | Block XXIV Project, Syria, Onshore | 60% | IPRMEL – 25% Triocean–15% | IPR MEL | The project is under exploration, development and production. |
| 14 | Block 25–29, 35 (Part) & 36 Project, Cuba, Offshore | 30% | Repsol YPF – 40% Stat Oil – 30% | Repsol YPF | The project is under exploration. |
| 15 | Khartoum–Port Sudan Pipeline Project, Sudan | 90% | OIL – 10% | ONGC Videsh Ltd. | The pipeline has been completed and is under lease. |
| 16 | Block RC–8, Colombia, Offshore | 40% | Ecopetrol – 40% Petrobras – 20% | ONGC Videsh Ltd. | The project is under exploration |
| 17 | Block RC–9, Colombia, Offshore | 50% | Ecopetrol – 50% | Ecopetrol | The project is under exploration |
| 18 | Block RC–10, Colombia, Offshore | 50% | Ecopetrol – 50% | ONGC Videsh Ltd. | The project is under exploration |
| 19 | Block BM–SEAL–4, Brazil. (Through ONGC Nile Ganga B.V) | 25% | Petrobras– 75% | Petrobras | The project is under exploration |
| 20 | Block BM–BAR–1, Brazil (Through ONGC Nile Ganga B.V) | 25% | Petrobras– 75% | Petrobras | The project is under exploration |
| 21 | Block SSJN–7, Colombia, Onshore | 50% | Pacific – 50% | Pacific | The project is under exploration |
| 22 | OPL–279, Nigeria (Through ONGC Mittal Energy Limited) | 22.74% (OMEL 45.5%) | EMO– 40% Total –14.5% | OMEL | Exploration;surrendered in 2011–12 |
| 23 | OPL–285, Nigeria (Through ONGC Mittal Energy Limited) | 32.15% (OMEL 64.33%) | EMO– 10% Total –25.67% | OMEL | Exploration;surrendered in 2011–12 |
| 24 | Block CPO–5, Colombia, Onshore | 70% | PetroDorado – 30% | ONGC Videsh Ltd. | The project is under exploration |
| 25 | SHWE Offshore Pipeline Project, Myanmar | 17% | Daewoo – 51%, KOGAS – 8.5%, GAIL – 8.5%, MOGE – 15% | Daewoo | The project is under construction. |
| 26 | Onshore Gas Pipeline Project (SEAGPCL), Myanmar (Through ONGC Nile Ganga B.V.) | 8.35% | CNPC–SEAP– 50.9% Daewoo – 25.041%, KOGAS– 4.1735%, GAIL – 4.1735%, MOGE – 7.365% | CNPC–SEAP | The project is under construction |
| 27 | BM–S–73, Brazil (Through ONGC Nile Ganga B.V.) | 43.50% | Petrobras – 43.5% Eco Petrol – 13% | OCL | The project is under exploration |
| 28 | BM–S–74, Brazil (Through ONGC Nile Ganga B.V.) | 43.50% | Petrobras – 43.5% Eco Petrol – 13% | Petrobras | The project is under exploration |
| 29 | Carabobo Project, Venezuela (Through Carabobo One AB) | 11% | CVP – 60% Repsol Exp–11% Petronas Ve–11% INDOIL–7% | Joint operatorship | The project is under development |
| 30 | Satpayev Contract Area 3575, Kazakhstan | 25% | KMG – 75% | SOLLP | The project is under Exploration |

**Abbreviations used:** Addax – Addax Energy Nigeria Limited; BPEOC – BP Exploration Operating Company Limited; CNPC – China National Petroleum Corporation; CNPC–SEAP–CNPC South–East Asia Pipeline Co Ltd; CVP – Corporacion Venezolana Del Petroleo S.A.; Daewoo – Daewoo International Corporation; Devon – Devon Energy do Brazil Ltda ; EMO – EMO Exploration & Production Limited; Equator – Equator Exploration JDZ Block 2 Limited; ERHC – ERHC Energy Nigeria JDZ Block 2 Limited; ENL – Exxon Neftegas Limited; Foby – Foby Energy Company Limited; Fulin – Fulin Investments Sarl; GAIL – GAIL (India) Limited; IOC – Indian Oil Corporation Limited; INDOIL– Indoil Netherlands B.V.; IPRMEL – IPR Mediterranean Exploration Limited; KOGAS – Korea Gas Corporation; B.V; Mittals – Mittal Investments Sarl; MOGE– Myanmar Oil and Gas Enterprise ; Amber – Momo Deepwater JDZ Limited; OCL – ONGC Campos Ltda.. OIL – Oil India Limited; Pacific – Pacific Stratus Energy, Colombia; Petrobras – Petroleo Brasileiro S.A.; Petro–Dorado – Petro–Dorado South America S.A.; Petronas – Petronas Carigali Overseas Sdn Bhd; Petronas Ve: PC Venezuela Ltd; Petrovietnam – Vietnam Oil and Gas Group; Repsol – Repsol YPF Cuba SA; Repsol Exp– Repsol Exploracion S.A.; SEAGPCL – South East Asia Gas Pipeline Company Ltd.; Shell – Shell Brazil Ltda; Sinopec – Sinopec Overseas Oil and Gas Limited; Sinopec JDZ– Sinopec JDZ Block 2 Limited; SMNG – Sakhalinmorneftegas Shelf; SODECO – Sakhalin Oil Development Company Limited; SOLLP – Satpayev Operating Company LLP (100% subsidiary of KMG); SSPD: Syria Shell Petroleum Development B.V.; Sudapet – Sudapet Limited; Triocean: Tri–Ocean Mediterranean

* BPEOC has transferred its PI and Operatorship for the Block–6.1 to TNK–Vietnam B.V. effective from 17thOctober, 2011

** ONGC Videsh Ltd. has effectively 38.75% interest in Himalaya Energy Syria B.V. (HESBV) with Mittals and Fulin effectively holding 11.25% and 50% interest respectively. HESBV, through its subsidiaries, holds 33.33%, 37.5% and 36% interest in Ash Sham (including deep and lateral) concession, Deir–Ez–Zor and Annexure–IV (including deep and lateral) concessions and a gas utilization agreement in Syria; the balance interest in the concessions being held by SSPD– the Operator.

## 44. Company's share in Joint Ventures

The Company, its Subsidiaries' and the Joint Venture Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the Operator has been incorporated in the financial statements as given below:

(₹ in Million)

| Project | Net Fixed Assets | Net Producing Property | Capital Work in Progress | Exploratory and Development Wells in Progress | Current Assets | Cash and Bank Balance | Liabilities | Income | Expenditure* (Including depreciation) |
|---|---|---|---|---|---|---|---|---|---|
| **A. Audited as of 31 March 2012** | | | | | | | | | |
| Block 06.1 Vietnam | 1,160.94 | 1,700.14 | 2,503.28 | 3,868.07 | 2,585.96 | 22.96 | 12,227.59 | 10,124.13 | 3,666.03 |
| Farsi Block, Iran | 0.27 | – | – | – | 1.45 | 1.08 | 116.18 | 0.33 | 10.90 |
| Sudan Pipeline, ONGC Videsh Ltd.'s Share (90%) | – | – | – | – | 2,436.45 | 9.10 | 3,861.74 | 207.37 | (914.15) |
| Block 1a, 1b, 2a, 2b & 4, Sudan | 434.36 | 21,655.12 | – | 4,065.73 | 5,496.61 | 1,065.62 | 4,694.70 | 51,161.16 | 34,218.54 |
| Block BC–10 & Exploratory Blocks, Brazil | – | 21,466.30 | – | 1,954.69 | 2,680.75 | 261.84 | 3,764.59 | 17,486.37 | 18,695.80 |
| PIVSA (San Cristobal), Venezuela | 992.37 | 1,917.26 | 2,466.28 | – | 16,821.40 | 130.99 | 11,238.61 | 26,554.20 | 16,072.04 |
| Pipeco 1 onshore Project, Myanmar (SEAGP) | 14.54 | – | 2,275.55 | – | 2.70 | 83.72 | 969.49 | – | – |
| Tamba | – | – | 2,562.69 | – | 8,665.74 | 816.60 | 4,672.24 | 1,490.54 | 3.89 |
| AFPC, Syria | 0.87 | 2,180.50 | – | 66.72 | 2,106.32 | 13.43 | 658.51 | 18,619.54 | 15,506.74 |
| MECL | 3,089.19 | 5,971.94 | 131.64 | 2,888.02 | 4,111.37 | – | 1,334.52 | 12,935.66 | 9,580.58 |
| LLC Imperial Frac Service–Jarpeno | 97.74 | – | – | – | 57.15 | 13.60 | 30.26 | 247.70 | 183.44 |
| **Total (A)** | **5,790.27** | **54,891.27** | **9,939.44** | **12,843.22** | **44,965.90** | **2,418.94** | **43,568.43** | **138,827.01** | **97,023.82** |
| **B. Audited as of 31 January 2012** | | | | | | | | | |
| Block 5A, Sudan | 2,834.54 | 5,016.93 | 27.26 | 2,006.76 | 1,204.69 | 125.42 | 325.40 | 3,287.07 | 1,911.68 |
| **Total (B)** | **2,834.54** | **5,016.93** | **27.26** | **2,006.76** | **1,204.69** | **125.42** | **325.40** | **3,287.07** | **1,911.68** |
| **C. Audited as of 31 December 2011** | | | | | | | | | |
| Sakhalin 1 Russia | 22,632.87 | 54,960.77 | 46,764.05 | 1,344.42 | 9,759.26 | 799.88 | 80,642.67 | 60,737.72 | 28,442.46 |
| Block RC–8, Colombia | 0.15 | – | – | – | 11.06 | – | 126.73 | 0.35 | 40.91 |
| Block RC–10, Colombia | 0.21 | – | – | – | 14.33 | – | 150.08 | 0.49 | 38.39 |
| Block RC–9, Colombia | – | – | – | – | 0.09 | 0.24 | 7.59 | 0.26 | (13.91) |
| Block SSJN–7, Colombia | – | – | – | – | 2.20 | – | 50.93 | 0.07 | 260.33 |
| Blocks 25–29, 35 (Part) & 36, Cuba | 6.12 | – | 346.91 | 1,811.86 | 248.44 | – | 748.71 | – | 20.32 |
| Block A–1, Myanmar | 20.97 | – | 3,960.76 | 2,753.72 | 734.58 | 444.92 | 1,827.11 | 3.14 | 78.55 |
| Block A–3, Myanmar | 2.01 | – | 840.95 | 2,695.10 | 186.02 | 162.42 | 317.60 | 3.54 | 10.13 |
| CPO 5 Block | 0.24 | – | – | 15.20 | 67.06 | – | 219.11 | 1.16 | 166.43 |
| SHWE Offshore Pipeline Myanmar | – | – | 1,966.65 | – | 444.18 | 443.79 | 440.26 | 1.74 | (5.61) |
| **Total (C)** | **22,662.57** | **54,960.77** | **53,879.32** | **8,620.30** | **11,467.22** | **1,851.25** | **84,530.79** | **60,748.47** | **29,038.00** |
| **D. Unaudited** | | | | | | | | | |
| Block XXIV, Syria | 53.67 | (78.46) | – | 1,998.02 | 314.97 | – | 270.06 | 191.49 | 246.74 |
| Block 6 North Ramadan, Egypt+ | – | – | – | – | 50.96 | – | 60.82 | 0.80 | (68.50) |
| Block NC–189, Libya+ | – | – | – | – | 24.79 | 2.34 | 0.23 | – | (0.75) |
| Block NEMED, Egypt+ | – | – | – | – | – | – | (1.88) | – | 30.79 |
| Petro carabobo** | – | – | 300.76 | – | 250.41 | 121.70 | 246.83 | – | – |
| Satpayev Block, Kazakhstan | 2.30 | – | 4,753.53 | – | 18.66 | – | 646.57 | – | 703.45 |
| Block 279, Nigeria | – | – | – | – | – | – | – | – | 8.07 |
| Block 285, Nigeria | 22.55 | – | – | – | – | – | – | – | 79.29 |
| **Total (D )** | **78.52** | **(78.46)** | **5,054.29** | **1,998.02** | **659.79** | **124.04** | **1,222.63** | **192.29** | **999.09** |
| **Grand Total** | **31,365.90** | **114,790.51** | **68,900.31** | **25,468.30** | **58,297.60** | **4,519.65** | **129,647.25** | **203,054.84** | **128,972.59** |

*Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the Accounting Standard (AS) 27 viz. Financial Reporting of interests in Joint Ventures.
** Excludes signature bonus paid by subsidiary and classified under capital work in progress.
The Company's share of assets, liabilities, income and expenses has been converted into the reporting currency at the average exchange rate over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin–1, Russia Project, where the details are provided by the Operator on quarterly basis.

The Company's share of assets, liabilities, income and expenses incorporated in the financial statements in respect of Joint Venture Company – OMEL is given below:

| Particulars | Amount |
|---|---|
| a) Net Fixed Assets | 22.55 |
| b) Net Producing Property | – |
| c) Capital Work in Progress | 638.74 |
| d) Exploratory & Development Wells–in–Progress | – |
| e) Current Assets | 138.79 |
| f) Cash and Bank | 105.95 |
| g) Liabilities | 7,560.76 |
| h) Income | – |
| i) Expenditure | 2,887.67 |

### 45.1 Block 5A, Blocks 1,2 & 4 in Republic of South Sudan

The Company has 24.125% participating interest in Block 5A Republic of Sudan (ROS). South Sudan separated from ROS as an independent country effective from 9th July 2011. In view of the separation of South Sudan, the entire contract area of Block 5A is now situated in Republic of South Sudan (RSS), whereas the downstream crude oil transportation system and export terminal are situated in ROS.

The company signed a Transition Agreement (TA) with RSS on 13th January 2012 continuing its right for oil exploration and exploitation for contract area of Block 5A in Republic of South Sudan. Republic of South Sudan is a landlocked country. Government of Sudan and Government of South Sudan has been negotiating an agreement for the evacuation of crude produced from Republic of South Sudan concessional area through the processing and transportation facilities of Republic of Sudan and has yet to reach an agreement. As per the directives of Ministry of Petroleum & Mines, Government of South Sudan, petroleum operation has been temporarily shut down in concession area of Block 5A effective from 23rd January 2012. In view of the above, currently petroleum operations in the Block have been limited to the maintenance of the facilities to ensure integrity for timely resumption of production operation.

Due to the secession of South Sudan from ROS, the operator has been shifting office from Khartoum in ROS to Juba in RSS. Due to the shifting process the operator has not been able to provide the monthly expenditure statement for the month of February and March 2012. Hence the expenditure for the month of February and March are booked based on the cash call request for those two months amounting to USD 4.39 Million equivalent ₹218.24 Million. Necessary adjustments would be carried out in the accounts on receipt of the expenditure statement.

### 45.2 Satpayev Block, Kazakhstan:

Effective 12th October 2011, the Company has acquired 25% Subsoil use rights from National Company JSC Kaz Munai Gas (KMG) in the Contract for Exploration and Production of Hydrocarbon (Contract) in Satpayev Area which was signed on 15th June, 2010 between Ministry of Oil and Gas (MOG), Kazakhstan and KMG. KMG now holds subsoil use rights of 75% in the Block. The amounts paid toward initial payment and signature bonus aggregating to ₹4,753.53 Million are disclosed as Capital Work in Progress in Note 19.

### 45.3 AFPC, Syria

ONGC Nile Ganga BV (ONGBV) and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), hold 50% shareholding each in the Dutch joint venture company, named Himalaya Energy Syria B.V. (HESBV). HES B.V. in turn through three German entities i.e. HES Sham, HES Dez and HES Gas Syria hold 33.33% to 37.5% PI in four Production Sharing Contracts (PSCs) in Syria. The Syria business for the above PSC of ONGBV is structured as separate class business (Class C).

Effective 1st December 2011 Al Furat Petroleum Company (AFPC) an Operating Company jointly held by the Contractor and General Petroleum Company (GPC), which represents Govt. of Syria in the Operating Company, were included in the list of sanctioned enterprises by the European Union as part of the strengthening of the sanctions on Syria. Due to the sanctions, HESBV, as an EU company, has been forbidden to directly or indirectly make funds or resources available to or for the benefit of AFPC and GPC.

In December 2011, SSPD's nominee on the Board of Directors of AFPC communicated to the Chairman of AFPC, the Minister of Petroleum and the General Manager, GPC, Syria that at the moment circumstances (including EU sanctions) exist which are beyond the reasonable control of SSPD and HESBV, which prevents the parties from discharging their obligations under the Contract. He further informed in his letter that based on the opinion of an independent law firm, the restrictions that the Contractor face lead to a Force Majeure (FM) situation under the Contracts.

In an opinion obtained by ONGC Videsh Ltd. from an Independent law firm, nothing in the PSC would permit GPC to take, own or dispose of the Contractor's share in the event of force majeure being called. Further, once the sanctions have been lifted, the Contractor could then claim its share in production done during the period of the sanctions and pay for the expenditure of those operations if appropriate.

Post the Force Majeure, the operation of the project is continued to be carried out by AFPC. HESBV while preparing its accounts for the period ended 31st March 2012 has accounted for revenue and expenses based on the Joint Interest Billings received by HESBV up to the period November 2011 and has also accounted for its share of expenditure of SSPD for the period up to March 2012.

As per the financials prepared by HESBV for the period ended 31st March 2012, ONGBV's share of net fixed assets in HESBV is EURO 32.92 Mn and trade receivables of EURO 56.44 Mn. Due to the political situation in Syria and the EU sanction, this Cash Generating Unit (CGU), including the above mentioned assets and receivables was tested for impairment by comparing the carrying value with the recoverable value as at 31st March 2012. No impairment provision was required in view of the recoverable value being higher than the carrying value.

## 46. Disclosure pursuant to AS 19 – Leases

### a. Khartoum – Port Sudan Pipeline Project:

The Company had completed the 12"X741 Kms multi–product pipeline from Khartoum refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (GOS) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to GOS during the financial year 2005–06. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to USD 37.15 Million, Company's share being USD 33.43 Million (90%), which have not been accepted by the Company. The Company, in turn has filed a claim as per the contract with GOS for their approval of an aggregate amount of USD 46.18, Company's share being USD 41.56. The EPC Contractor has initiated arbitration with a claim for USD 25.49 Million plus interest against the Company. Pending settlement with the EPC Contractor, an amount of USD 22.94 Million, being the Company's 90% share out of total claim of USD 25.49 Million has been accounted as liability in the relevant year. No revenue in this respect has been recognized since the claim has not been accepted by GOS. ONGC Videsh Ltd. has served a pre–arbitral notice on GOS which is a requirement prior to initiating any legal proceedings in Sudan.

The payment under the contract with GOS would be received over a period of 10 years including a moratorium of one year from the date of the contract (30th June, 2004) in 18 equal semi–annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by GOS are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to GOS in proportion to the payments made by GOS against total payments due to Company under the contract. Further, subject to regular payments on due dates by GOS to the Company, GOS shall have the exclusive right to use and operate the pipeline system and the Company shall not assign, transfer, sub–let, sub–contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments MINUS Unearned Finance Income) is recognized and recorded as receivables under the lease. The finance income thereon has been recognized based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first 11 installments under the contract due till 30th December 2010 have been received. The 12th Installment due on 30th June 2011 and 13th installment due on 30th December 2011 have not yet been received. Company has taken a political risk insurance policy for 12th and 13th installments. As per the provisions of policy contract, the company has filed the claim for 12th and 13th installments with Export Credit Guarantee Corporation of India (ECGC).

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(₹ in Million)

| Particulars | | 31 March 2012 | | 31 March 2011 | |
|---|---|---|---|---|---|
| | | Gross | Net | Gross | Net |
| a) | Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end | | | | |
| – | Not later than one year | 2,581.50 | 2,427.35 | 1,129.15 | 975.68 |
| – | Later than one year and not later than five years | 1,936.13 | 1,846.25 | 2,822.89 | 2,567.91 |
| – | Later than five years | – | – | – | – |
| | Total | 4,517.63 | 4,273.60 | 3,952.04 | 3,543.59 |
| b) | Unearned Finance Income | 244.03 | | 408.45 | |
| c) | Unguaranteed residual value accruing to Company's benefit | Nil | | Nil | |
| d) | Accumulated provision for uncollectible minimum lease payments receivable | Nil | | Nil | |
| e) | Contingent rents recognised in the statement of profit and loss for the period | Nil | | Nil | |
| f) | General description of the significant leasing arrangement | As described in para above | | As described in para above | |
| g) | Accounting Policy followed in respect of initial direct costs | As per Accounting Policy O.1.2 | | As per Accounting Policy O.1.2 | |

### b. Financial Lease for BC–10 Project

ONGBV owns 15% equity shares in Tamba B.V. The Netherlands' with the balance held by Shell E and P Offshore Services B.V., The Netherlands ("SEPBV"), and Petrobras Netherlands B.V. The Netherlands ("PNBV"). Tamba B.V. has been established to facilitate the development and production of hydrocarbons in the BC–10 concession, Campos Basin area in Brazil. Tamba B.V. has a third party lease for a major oil field equipment (FPSO) and constructed other sub–sea assets for onwards lease to the BC–10 Project. Both finacial leases commenced on 31st December 2008. For the period, April 1, 2011 to March 31, 2012, the financial statements were reviewed by the auditors of Tamba BV.

Tamba BV leases part of its assets from a third party, Brazilian Deepwater and re–leased these to BC–10 joint venture operated by Shell Brasil Ltda. The risks and rewards incidental to ownership are largely transferred to the lessee. These assets are capitalised and recognised in the balance sheet of BC–10 as from the date the lease contract is concluded, at the lower of the fair value of the asset and the discounted value of the minimum lease installments. The lease installments payable are broken down into repayment and interest components, based on a fixed interest rate and installments as derived from the underlying agreement. The lease commitments are carried under long–term liabilities exclusive of interest. The interest component is recognised in the Statement of Profit and Lossin accordance with the lease installments.

Revenue of finance lease contracts represents the transfer of economic ownership from Tamba BV (lessor) to the lessee of the asset, being an affiliate. Cost of sales represents the costs associated with the finance lease contracts. The Company's share of the lease liability (at USD 1= ₹51.12) are tabulated below:

| Lease liability | (₹ in Million) |
|---|---|
| Opening balance as at 1 April 2011 | 4,021.60 |
| Interest | 396.40 |
| Lease Payments | (954.88) |
| Foreign Currency Translation Adjustment | 575.54 |
| Closing balance as at 31 March 2012 | **4,038.66** |

The Company's 15% share of future estimated minimum lease expenses in the year and their present values are scheduled to be as follows:

**(₹ in Million)**

| | < 1Year | 1–5 Years | >5Years | Total |
|---|---|---|---|---|
| Future minimum lease payments: | **950.31** | **2,649.73** | 2,035.52 | 5,635.57 |
| Present value of minimum lease payments | **913.68** | **2,073.20** | 1,051.77 | 4,038.66 |

Tamba B.V., JV company of ONGBV (15%) has entered into a 15–year lease contract for the supply of the FPSO with a third party. The lease contract contains priced termination options for each of the 15 years and priced extension options for the 4 years following the initial 15–year term. The Company can exercise a priced purchase option during the term of the lease. The interest rate implicit in the lease is 9.5% (Previous year 9.5%).

## 47. Details of Reserves: (As determined by the Reserves Estimation Committee):

### (a) Company's share of Proved Reserves in respect of different projects as on 31 March 2012 is as under:

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total (Million Tonne) |
|---|---|---|---|---|
| **GNOP, Sudan** | Opening | **17.425** | – | **17.425** |
| | Addition | 0.870 | – | 0.870 |
| | Ded/Adj | – | – | – |
| | Production | 1.324 | – | 1.324 |
| | Closing | **16.971** | – | **16.971** |
| **Block 5A, Sudan** | Opening | **6.627** | – | **6.627** |
| | Addition | –0.105 | – | –0.105 |
| | Ded/Adj | – | – | – |
| | Production | 0.174 | – | 0.174 |
| | Closing | **6.348** | – | **6.348** |
| **Sakhalin–1, Russia** | Opening | **35.501** | **71.537** | **107.038** |
| | Addition | 0.258 | 0.138 | 0.396 |
| | Ded/Adj | – | – | – |
| | Production | 1.498 | 0.494 | 1.992 |
| | Closing | **34.261** | 71.182 | **105.442** |
| **Block 06.1, Vietnam** | Opening | **0.672** | **10.540** | **11.212** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.036 | 2.023 | 2.059 |
| | Closing | **0.636** | **8.517** | **9.153** |
| **AFPC, Syria** | Opening | **3.210** | – | **3.210** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.503 | – | 0.503 |
| | Closing | **2.707** | – | **2.707** |
| **BC–10, Brazil** | Opening | **5.317** | **0.659** | **5.976** |
| | Addition | (0.089) | (0.244) | (0.333) |
| | Ded/Adj | – | – | – |
| | Production | 0.450 | 0.015 | 0.465 |
| | Closing | **4.778** | **0.400** | **5.178** |
| **MECL, Columbia** | Opening | **4.131** | – | **4.131** |
| | Addition | (0.065) | – | (0.065) |
| | Ded/Adj | 0.001 | – | 0.001 |
| | Production | 0.561 | – | 0.561 |
| | Closing | **3.504** | – | **3.504** |
| **IEC, Russia** | Opening | **17.181** | **5.309** | **22.491** |
| | Addition | (0.880) | (0.626) | (1.506) |
| | Ded/Adj | – | – | 0.000 |
| | Production | 0.771 | – | 0.771 |
| | Closing | **15.530** | **4.683** | **20.213** |
| **PIVSA, Venezuela** | Opening | **12.688** | – | **12.688** |
| | Addition | (0.030) | – | –0.030 |
| | Ded/Adj | (0.001) | – | (0.001) |
| | Production | 0.894 | – | 0.894 |
| | Closing | **11.765** | – | **11.765** |
| **BLOCK–24, Syria** | Opening | **1.813** | – | **1.813** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.010 | – | 0.010 |
| | Closing | **1.803** | – | **1.803** |

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total (Million Tonne) |
|---|---|---|---|---|
| **BLOCK–A1 & A3, Myanmar** | Opening | **–** | **10.297** | **10.297** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | – | – | – |
| | Closing | **–** | **10.297** | **10.297** |
| **Total Reserves, ONGC Videsh Ltd.** | Opening | **104.566** | **98.343** | **202.909** |
| | Addition | **(0.042)** | **(0.732)** | **(0.772)** |
| | Ded/Adj | **–** | **–** | **0.001** |
| | Production | **6.221** | **2.532** | **8.754** |
| | Closing | **98.303** | **95.079** | **193.383** |

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000M³ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

### (b) Company's share of Proved and Developed Reserves in respect of different projects as on 31 March 2012 is as under:

| Project | Details | Crude Oil* (Million Tonne) | Gas (Billion Cubic Meter) | Total (Million Tonne) |
|---|---|---|---|---|
| **GNOP, Sudan** | Opening | 7.831 | – | 7.831 |
| | Addition | 0.200 | – | 0.200 |
| | Ded/Adj | – | – | – |
| | Production | 1.324 | – | 1.324 |
| | Closing | **6.707** | – | **6.707** |
| **Block 5A, Sudan** | Opening | **2.467** | – | **2.467** |
| | Addition | 0.306 | – | 0.306 |
| | Ded/Adj | – | – | – |
| | Production | 0.174 | – | 0.174 |
| | Closing | **2.599** | – | **2.599** |
| **Sakhalin–1, Russia** | Opening | **10.620** | **11.288** | **21.908** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 1.498 | **0.494** | 1.992 |
| | Closing | **9.122** | **10.794** | **19.916** |
| **Block 06.1, Vietnam** | Opening | 0.663 | 6.985 | **7.648** |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.036 | 2.023 | 2.059 |
| | Closing | **0.627** | **4.962** | **5.589** |
| **AFPC, Syria** | Opening | 2.835 | – | 2.835 |
| | Addition | – | – | – |
| | Ded/Adj | – | – | – |
| | Production | 0.503 | – | 0.503 |
| | Closing | **2.332** | – | **2.332** |
| **BC–10, Brazil** | Opening | 1.931 | 0.443 | 2.374 |
| | Addition | (0.044) | (0.273) | (0.317) |
| | Ded/Adj | – | – | – |
| | Production | 0.450 | 0.015 | 0.465 |
| | Closing | **1.437** | **0.155** | **1.592** |
| **MECL, Columbia** | Opening | 3.240 | – | 3.240 |
| | Addition | 0.692 | – | 0.692 |
| | Ded/Adj | – | – | – |
| | Production | 0.561 | – | 0.561 |
| | Closing | **3.371** | – | **3.371** |
| **IEC, Russia** | Opening | 4.793 | – | 4.793 |
| | Addition | 1.369 | – | 1.369 |
| | Ded/Adj | – | – | – |
| | Production | 0.771 | – | 0.771 |
| | Closing | **5.391** | – | **5.391** |
| **PIVSA, Venezuela** | Opening | 1.901 | – | 1.901 |
| | Addition | 0.012 | – | 0.012 |
| | Ded/Adj | – | – | – |
| | Production | **0.894** | – | 0.894 |
| | Closing | **1.019** | – | **1.019** |
| **BLOCK–24, Syria** | Opening | 0.000 | – | – |
| | Addition | 0.060 | – | **0.060** |
| | Ded/Adj | – | – | – |
| | Production | 0.010 | – | 0.010 |
| | Closing | **0.050** | – | **0.050** |
| **Total Reserves, ONGC Videsh Ltd.** | Opening | **36.281** | **18.716** | **54.997** |
| | Addition | **2.595** | **(0.273)** | **2.322** |
| | Ded/Adj | **–** | **–** | **–** |
| | Production | **6.221** | **2.532** | **8.753** |
| | Closing | **32.655** | **15.911** | **48.566** |

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000 M³ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

(c ) The year end reserves of the company has been estimated by the Reserves Estimation Committee (REC) of the parent company ONGC, which follows international reservoir engineering procedures consistently.

## 48. Segment Information

(₹ in Million)

| Particulars | Asia | | FSU Countries | | Latin America | | Africa | | Unallocated | | Grand Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 | 2011–12 | 2010–11 |
| **Revenue** | | | | | | | | | | | | |
| **External sales** | **28,928.64** | 31,694.07 | **80,591.95** | 59,257.96 | **59,506.41** | 41,972.27 | **54,446.12** | 51,187.19 | – | – | **223,473.12** | 184,111.49 |
| **Inter Segment sales** | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total Revenue** | **28,928.64** | 31,694.07 | **80,591.95** | 59,257.96 | **59,506.41** | 41,972.27 | **54,446.12** | 51,187.19 | – | – | **223,473.12** | 184,111.49 |
| **Results** | **7,058.76** | 8,970.38 | **7,278.30** | 22,579.17 | **16,056.41** | 15,660.24 | **19,220.09** | 6,809.67 | – | – | **49,613.55** | 54,019.46 |
| **Segment results** | **7,058.76** | 8,970.38 | **7,278.30** | 22,579.17 | **16,056.41** | 15,660.24 | **19,220.09** | 6,809.67 | – | – | **49,613.55** | 54,019.46 |
| **Unallocated corporate Expenses (Net)** | – | – | – | – | – | – | – | – | **1,294.00** | (4,255.04) | **1,294.00** | (4,255.04) |
| **Operating profit or (Loss)** | **7,058.76** | 8,970.38 | **7,278.30** | 22,579.17 | **16,056.41** | 15,660.24 | **19,220.09** | 6,809.67 | **1,294.00** | (4,255.04) | **50,907.55** | 49,764.42 |
| **Interest expenses** | – | – | **858.18** | 786.15 | **1,308.18** | 496.10 | – | 2.75 | **803.44** | 2,246.05 | **2,969.80** | 3,531.05 |
| **Interest and other income** | **15.28** | 140.56 | **176.37** | 207.04 | **24.73** | 172.88 | **429.38** | 392.22 | **2,255.37** | 1,807.77 | **2,901.13** | 2,720.47 |
| **Income Tax** | – | 1,902.54 | **93.42** | 193.64 | **3,257.72** | 8,097.11 | – | 5,715.12 | **20,276.19** | 6,139.98 | **23,627.33** | 22,048.39 |
| **Profit / (loss) from ordinary activities** | **7,074.04** | 7,087.16 | **6,503.07** | 21,744.65 | **11,515.24** | 8,934.22 | **19,649.47** | 1,484.03 | **(17,530.26)** | (12,344.61) | **27,211.55** | 26,905.45 |
| **Extra–ordinary losses** | – | – | – | – | – | – | – | – | – | – | – | – |
| **Net profit / (Loss)** | **7,074.04** | 7,087.16 | **6,503.07** | 21,744.65 | **11,515.24** | 8,934.22 | **19,649.47** | 1,484.03 | **(17,530.26)** | (12,344.61) | **27,211.55** | 26,905.45 |
| **Other information** | | | | | | | | | | | | |
| **Segment Assets** | **48,886.65** | 31,338.88 | **250,372.50** | 157,088.25 | **74,558.94** | 67,616.96 | **89,106.75** | 47,064.18 | – | – | **462,924.83** | 303,108.27 |
| **Unallocated Corporate Assets** | – | – | – | – | – | – | – | – | **43,081.82** | 134,026.91 | **43,081.82** | 134,026.91 |
| **Total Assets** | **48,886.65** | 31,338.88 | **250,372.50** | **157,088.25** | **74,558.94** | **67,616.96** | **89,106.75** | **47,064.18** | **43,081.82** | **134,026.91** | **506,006.65** | **437,135.18** |
| **Segment Liabilities** | **19,355.89** | 19,761.01 | **101,065.82** | 102,218.69 | **55,919.73** | 14,709.65 | **10,710.02** | 20,512.11 | – | – | **187,051.45** | 157,201.46 |
| **Unallocated Corporate Liabilities** | – | – | – | – | – | – | – | – | **118,541.53** | 133,722.00 | **118,541.53** | 133,722.00 |
| **Total** | **19,355.89** | 19,761.01 | **101,065.82** | **102,218.69** | **55,919.73** | **14,709.65** | **10,710.02** | **20,512.11** | **118,541.53** | **133,722.00** | **305,592.98** | **290,923.46** |
| **Capital Expenditure** | **19,341.14** | 3,371.58 | **36,649.69** | 34,427.68 | **11,656.41** | 97.37 | **6,180.83** | (3,591.05) | **12,978.75** | 348.17 | **86,806.82** | 34,653.75 |
| **Recouped cost** | **2,516.27** | 1,603.48 | **15,772.85** | 14,256.15 | **14,159.60** | 15,690.75 | **7,890.68** | 10,216.93 | **1,530.38** | 915.19 | **41,869.78** | 42,682.50 |
| **Non cash Exp.** | | | | | | | | | | | | |

Information about Secondary Business Segments (Product–wise):

(₹ in Million)

| Revenue from | 2011–12 | 2010–11 |
|---|---|---|
| Crude Oil* and Natural Gas (Net of VAT) | **222,232.71** | 183,677.59 |
| Transportation Income | **1,240.41** | 433.90 |
| Lease Finance Income | **346.95** | 252.94 |

*Crude Oil includes Condensate.

**Notes:**

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These are organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated.

(ii) The segment revenue in the business segment (Product–wise) is revenue from sale of Crude Oil and Natural Gas, Crude Oil Transportation Income and Lease Finance Income.

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. "Unallocated" includes common expenditure incurred for all the segments and expenses incurred at corporate level.

(iv) Revenue figures are shown as net of VAT.

## 49. Capital Commitments

The Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations / commitments have not been completed as of the reporting date amounted to USD 121.02 Million equivalent to ₹6,186.61 Million (Previous year USD 131.52 Million equivalent to ₹5,881.62 Million). The Company is confident of meeting the obligations/ commitments.

Other Capital Commitments based upon the details provided by the operators: ₹29,252.78 Million (Previous year ₹31,168.63 Million).

Contracts remaining to be executed on capital account amounting to ₹1,570 Million ( Previous year ₹1,960.30 Million ) towards ONGC Videsh Ltd. share for building at Vasant Kunj, Delhi wherein the contracts have been awarded by parent company to various agencies and ONGC Videsh Ltd. is to share the costs.

Capital Commitments in respect of Subsidiaries is ₹11,537.44 Million eqvt of USD 225.69 Million) (Previous year ₹5,804.86 Million eqvt of USD 129.80 Million).

## 50. Contingent Liability

Liability for payment to contractual workers for regularization of their services is pending with Labor Court under civil suit. The amount of liability is not ascertainable.

Claims against the company not acknowledged as debt: USD 10.49 Million. (Refer note 43 above).

Disputed income–tax demands (excluding cases decided in favour of Company and addition made by the AO on protective basis): ₹7,145.56 Million (As on 31st March 2011: ₹4,967.43 million). Against disputed tax demands,₹9,438.08 Million (As on 31st March 2011: ₹5,714.31 million) has been paid by the Company or adjusted by the authorities against refunds due to the Company from time–to–time. Attention is invited to note 42 above.

The Service Tax Department has issued a demand cum show–cause notice dated 11th October 2011 requiring the Company to show cause why service tax amounting to ₹28,163.14 Million (including Education Cess and SHE cess), the interest on such amount and penalty should not be demanded and recovered from the Company. Service Tax Department has calculated these tax amounts based on foreign currency expenditure reported in the Company's financial statements covering the reporting periods from 1st April 2006 to 31st December 2010 and contending that these expenses represent business auxiliary services rendered by ONGC Videsh Ltd.'s foreign branches and operator of the Joint Venture/ Consortium to the Company. The Company is of the view that the said service tax is not payable and proposes to contest the same. No provision has been made on this account.

In respect of bank guarantees/standby letters of credit obtained from banks for performance guarantee/bid bonds: ₹4,861.23 Million (Previous Year ₹4,234.98 Million).

The Company has issued Performance Guarantee in respect of concessionary contract for Block BC–10, Brazil and Blocks BM–S–73 and BM–ES–42 on behalf of ONGC Campos Ltda (OCL). The Company is confident that OCL will be able to honor its obligations.

The Company has given a Performance Guarantee on behalf of Petro Carabobo Ganga B.V. to Government of Venezuela in respect of Carabobo 1 Project. The total investment commitment is estimated at USD 1,333 Million (₹68,142.96 Million).

ONGBV has given counter guarantee to the State Bank of India for the issue of performance bonds in favour of Nigerian National Petroleum Corporation, on behalf of ONGC Mittal Energy Limited, with a maximum of 51% of the guaranteed amounts. The outstanding guarantee obligation of the company was ₹3,910.68 Million (USD 76.50 million) (previous year ₹3,421.08 (USD 76.50 million)) as at March 31, 2012.

ONGBV has given performance guarantee to ANP, the regulatory authority in Brazil, favoring ONGC Campos Ltda (OCL) for BC–10 Project where OCL has a 15% participating interest and Shell Brazil is the operator.

Other contingent liability in respect of subsidiares is ₹4,295.12 Million eqvt to USD 84.03 Million (Previous year ₹3,394.70 Million eqvt to USD 75.91 Million).

All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint ventures, where the Company is the non–operator are not ascertainable except Sakhalin–1 where the Operator has intimated that the status of contingent liability is nil.

## 51. Derivative instruments and unhedged foreign currency exposure:

During the year, ONGC Videsh Ltd. has entered into cross currency swap transactions with various banks whereby it has swapped the principal and interest amounts payable towards Bonds issued in domestic markets into USD liability as follows:

| Underlying | Notional Principal Amount ( ₹/Mn) | Notional Principal Amount ( USD/Mn) | Termination Date |
|---|---|---|---|
| 8.40 % 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series I | 15000 | 299.23 | 23rd Dec 2014 |
| 8.54 % 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures– Series II | 3700 | 56.30 | 6th Jan 2020 |
| Total | 18700 | 355.53 | |

The business of the Company is carried out entirely outside India. The revenues of the Company are received entirely in foreign currency and substantially all the expenses are incurred in foreign currency. Accordingly, the Company has swapped the Bonds issued in Indian Rupees into USD so as to align the currency of its liabilities and assets, thereby hedging the resulting exposure.

The above swap positions were outstanding at 31 March 2012 and have been revalued on that date based on Mark–to–Market positions reported by counter–party banks. Mark–to–market loss amounting to ₹498.56 Million (previous year Nil) has been charged to foreign exchange gain/loss in statement of profit and loss.

Further, during the year, the Company had entered into foreign exchange forward transactions for hedging its underlying exposures which have settled during the year itself. The net gain on settlement of such transactions amounting to ₹222.45 Million (previous year Nil) has been charged to foreign exchange gain/loss in profit and loss account.

**52.** The figures in respect of Subsidiaries / Joint Venture Company have been regrouped / re–arranged based upon the details obtained from the managements of the Subsidiaries / Joint Venture Company, wherever their audited accounts did not provide the break up details required for the consolidated financial statements.

**53.** Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures is given below (excluding with State Controlled Entities):

**(₹ in Million)**

| | Joint ventures | Key Managerial personnel | Total 2011–12 | Total 2010–11 |
|---|---|---|---|---|
| Income from rendering services | 167.29 | – | 167.29 | 182.05 |
| Interest Income | 34.43 | – | 34.43 | 303.04 |
| Remuneration | – | 22.68 | 22.68 | 44.00 |
| Capital Contribution | – | – | – | – |

**Note:** Name of related parties and description of relationship (excluding State Controlled Entities):

| | |
|---|---|
| **Joint Ventures** | Block 06.1 Project, Vietnam |
| | Sakhalin–1 Project, Russia |
| | Block 1a, 1b, 2a, 2b & 4 Project, Sudan |
| | Block 5A Project, Sudan |
| | MECL, Colombia |
| | AFPC, Syria |
| | Block BC–10, Brazil |
| | Block BM–SEAL–4, Brazil |
| | Block BM–BAR–1, Brazil |
| | Block BM–S–73, Brazil |
| | Block BM–S–74, Brazil |
| | Block A–1 Project, Myanmar |
| | Block A–3 Project, Myanmar |
| | Farsi Block Project, Iran |
| | Block XXIV Project, Syria |
| | Block 2, JDZ, Nigeria / STP |
| | Block 25–29, 35 (Part) & 36 Project, Cuba |
| | Khartoum – Port Sudan Pipeline Project, Sudan |
| | ONGC Mittal Energy Limited, Cyprus |
| | Block RC–8, Colombia |
| | Block RC–9, Colombia |
| | Block RC–10, Colombia |
| | Block SSJN–7, Colombia |
| | Block CPO–5, Colombia |
| | San Cristobal Project, Venezuela |
| | Carabobo Project, Venezuela |
| | ONGC Nile Ganga B.V. , The Netherlands |
| | OOO Imperial Frac Service, Russian Federation |
| | Satpayev Project, Kazakhstan |

| | |
|---|---|
| **Key Management personnel (excludes Joint Venture Company)** | Mr D K Sarraf, Managing Director (with effect from September 16, 2011) |
| | Mr J Thomas, Managing Director (till September 15, 2011 ) and Director (Exploration) (till December 31, 2011) |
| | Mr S P Garg, Director (Finance) |
| | Mr S. Roychoudhary, Director (Operations) |
| | Mr N K Verma, Director (Exploration) (with effect from 1st January, 2012) |
| | Mr. A R Baron Mackay Holding B.V., Director, ONGC Nile Ganga B.V. |
| | Mr Costas Christoforou, Director, Jarpeno Limited |
| | Ms Arlene Nahikian, Director, Jarpeno Limited |
| | Ms. K. Antoniadou, Director, Jarpeno Limited |
| | Ms. E. Chrysanthou, Director, Jarpeno Limited |
| | Mr A. Loizou, Director, Jarpeno Limited |
| | Mr. Roland Göransson, Director, Carabobo One AB |
| | Mr. Richard Chindt, Director, Carabobo One AB |

| Sd/– (V Sreedher) Company Secretary | Sd/– (S P Garg) Director (Finance) | Sd/– (D K Sarraf) Managing Director | Sd/– (Sudhir Vasudeva) Chairman |
|---|---|---|---|

As per our report of even date attached

| | For S. Mann & Co. Chartered Accountants | For GSA & Associates Chartered Accountants |
|---|---|---|
| | Sd/– (Subhash Mann) Partner | Sd/– (Sunil Aggarwal) Partner |
| Place : New Delhi | M. No. 80500 | M. No. 83899 |
| Date : May 21, 2012 | Firm Regn No. 000075N | Firm Regn No. 000257N |

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31$^{ST}$ MARCH, 2012

(₹ in Million)

| | | Year Ended 31st March, 2012 | | Year Ended 31st March, 2011 | |
|---|---|---|---|---|---|
| A | CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| | **Net profit before tax and prior period items** | | 51,092.33 | | 49,066.54 |
| | Adjustments For: | | | | |
| | – Foreign Exchange Translation Reserve | 26,573.80 | | 2,181.46 | |
| | – Provision for Impairment | 19,533.69 | | – | |
| | – Provisions for Doubtful Debts/Claims | 2,269.42 | | 215.97 | |
| | – Provision for Non Moving Inventory | 740.62 | | 696.60 | |
| | – Other Provisions and Write Offs | 5,385.38 | | 2,535.68 | |
| | – Unrealized Foreign Exchange Loss/(Gain) | 1,473.54 | | (815.09) | |
| | – Hedging (Gain)/Loss | 48.52 | | 41.85 | |
| | – Provision for Mark to Market loss on Derivative Contracts | 498.56 | | – | |
| | – Depreciation on Tangible Assets (Net) | 3,137.40 | | 3,444.73 | |
| | – Amortisation – Intangibles | (12.75) | | 17.22 | |
| | – Amortisation of Goodwill | 5,145.55 | | 5,050.42 | |
| | – Depletion on Producing Properties | 21,607.06 | | 23,663.82 | |
| | – Interest Expenses | 2,960.65 | | 3,531.05 | |
| | – Foreign Exchange Fluctuation related to borrowing cost | 9.15 | | – | |
| | – Interest Income | (911.39) | | (1,002.81) | |
| | – Profit on Redemption/ Sale of Investment | – | | (0.57) | |
| | – Gain on Foreign Exchange Forward Contract | (222.45) | 88,236.74 | – | 39,560.33 |
| | **Operating Profit before Working Capital Changes** | | 139,329.07 | | 88,626.87 |
| | Adjustments for:– | | | | |
| | – Decrease/(Increase) in Inventories | (1,774.48) | | 1,501.81 | |
| | – Decrease/(Increase) in Trade Receivables | 10,428.96 | | (10,676.77) | |
| | – Decrease/(Increase) in Short Term Loans and Advances | (3,741.85) | | 94.20 | |
| | – Decrease/(Increase) in Long Term Loans and Advances | (636.32) | | – | |
| | – Decrease/(Increase) in Other Current Assets | (6,236.97) | | (37.77) | |
| | – Decrease/(Increase) in Other Non Current Assets | (16,961.83) | | – | |
| | – Decrease/(Increase) in Deferred Tax Assets (Net) | (4,018.47) | | 1,094.34 | |
| | – Decrease/(Increase) in Goodwill | (12,726.40) | | 5,456.89 | |
| | – Increase/(Decrease) in Short Term Borrowings | 291.64 | | (10,900.00) | |
| | – Increase/(Decrease) in Trade Payables | 6,054.22 | | 7,261.24 | |
| | – Increase/(Decrease) in Other current Liabilities | 12,027.81 | | – | |
| | – Increase/(Decrease) in Other Long Term Liabilities | (148.97) | | | |
| | – Increase/(Decrease) in Short Term Provisions | 173.39 | | 103.22 | |
| | – Increase/(Decrease) in Long Term Provisions | 37.88 | | – | |
| | – Increase/(Decrease) in Liability for Abandonment | 4,747.64 | | 12,277.47 | |
| | – Increase/(Decrease) in Deferred Tax Liabilities (Net) | 649.04 | | 374.00 | |
| | **Cash generated from/(used in) Operations** | (11,834.71) | 127,494.36 | 6,548.63 | 88,626.87 |
| | Direct Taxes Paid (net of refunds) | | (23,627.32) | | (22,048.39) |
| | **Net Cash Flow before Prior period items** | | 103,867.04 | | 66,578.48 |



| | | Year Ended 31st March, 2012 | | Year Ended 31st March, 2011 | |
|---|---|---|---|---|---|
| | Prior period items | | 73.48 | | 351.03 |
| | **Net Cash Flow from/(used in) Operating Activities (A)** | | 103,940.52 | | 66,929.51 |
| B | CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| | – Purchase of Tangible Assets (Net) | | (4,419.22) | | (6,386.46) |
| | – Purchase of Intangible Assets (Net) | | (76.74) | | (11.08) |
| | – Expenditure on Projects | | (71,136.90) | | (48,750.98) |
| | – Investment with Bank for Site Restoration | | (2,819.74) | | (0.05) |
| | – Interest Income | | 911.39 | | 1,002.81 |
| | – Profit on Redemption/ Sale of Investment | | – | | 0.57 |
| | – Hedging Gain/(Loss) | | (48.52) | | (41.85) |
| | – Gain on Foreign Exchange Forward Contract | | 222.45 | | – |
| | **Net Cash Flow from/(used in) Investing Activities (B)** | | (77,367.28) | | (54,187.04) |
| C | CASH FLOW FROM FINANCING ACTIVITIES: | | | | |
| | – Proceeds from Non Convertible Redeemable Bonds | | – | | – |
| | – Proceeds from Issue of Share Capital | | – | | – |
| | – Change in Minority Interest | | 320.54 | | 901.81 |
| | – Net Long Term Borrowings from ONGC | | (4,530.72) | | 10,063.58 |
| | – Change in Finance Lease Obligations (Unsecured) | | (216.90) | | |
| | – Change in Foreign Currency Loans | | (4,646.31) | | (239.38) |
| | – Interest Expenses | | (2,960.65) | | (2,960.65) |
| | – Foreign Exchange Fluctuation related to borrowing cost | | (9.15) | | – |
| | **Net Cash Flow from/(used in) Financing Activities (C)** | | (12,043.19) | | 7,765.36 |
| | Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | | 14,530.06 | | 20,507.83 |
| | Cash and Cash Equivalents as at 31 March, 2011 | | 36,998.27 | | 16,490.44 |
| | (Opening Balance) | | | | |
| | Cash and Cash Equivalents as at 31 March, 2012 | | 51,528.33 | | 36,998.27 |
| | (Closing Balance) | | | | |

Notes:

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard–3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

2. Bracket indicates cash outflow.

3. Previous year figures have been regrouped wherever necessary to confirm the current year's classification.

4 Adjustment have not been made to purchase of fixed assets etc. (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

| | | | |
|---|---|---|---|
| **Sd/–** | **Sd/–** | **Sd/–** | **Sd/–** |
| **(V Sreedher)** | **(S P Garg)** | **(D K Sarraf)** | **(Sudhir Vasudeva)** |
| **Company Secretary** | **Director (Finance)** | **Managing Director** | **Chairman** |

As per our report of even date attached

| | |
|---|---|
| **For S. Mann & Co.** | **For GSA & Associates** |
| **Chartered Accountants** | **Chartered Accountants** |
| **Sd/–** | **Sd/–** |
| **(Subhash Mann)** | **(Sunil Aggarwal)** |
| **Partner** | **Partner** |
| **M. No. 80500** | **M. No. 83899** |
| **Firm Regn No. 000075N** | **Firm Regn No. 000257N** |

Place : New Delhi
Date : May 21, 2012

# DETAILS OF SUBSIDIARIES OF ONGC VIDESH LIMITED

| | | (US$ in Million) | | | | | | | | | | (` in Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A s on 31.03.2012 | | | | | For the year 2011–12 | | | | | As on 31.03.2012 | | | | | For the year 2011–12 | | | | |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Sr. No. | Name of Subsidiary Company | Capital | Reserves | Total Assets | Total Liabilities | Details of Investment (except in case of investment in the subsidi–aries) | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend | Capital | Reserves | Total Assets | Total Liabilities | Details of Investment (except in case of investment in the subsidiaries) | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend |
| 1 | ONGC Nile Ganga B.V. | 0.09 | 2,119.63 | 2,774.87 | 655.15 | 1,136.33 | 1,068.44 | 375.18 | 112.39 | 262.80 | 42.74 | 4.45 | 108,355.54 | 141,851.42 | 33,491.43 | 58,089.05 | 51,161.16 | 17,965.40 | 5,381.53 | 12,583.88 | 2,046.62 |
| 2 | ONGC Narmada Limited | 0.16 | (30.32) | 2.00 | 32.16 | – | – | – | – | – | – | 8.18 | (1,549.96) | 102.24 | 1,644.02 | – | – | – | – | – | – |
| 3 | ONGC Amazon Alaknanda Limited | 368.01 | 384.34 | 874.50 | 122.15 | – | 342.18 | 218.09 | 68.03 | 150.06 | – | 18,812.67 | 19,647.46 | 44,704.44 | 6,244.31 | – | 16,385.02 | 10,443.07 | 3,257.56 | 7,185.50 | – |
| 4 | ONGC Campos Ltda. | 194.26 | (8.80) | 625.96 | 440.50 | – | 365.18 | (72.79) | (23.30) | (49.49) | – | 9,930.48 | (449.84) | 31,998.83 | 22,518.19 | – | 17,486.37 | (3,485.36) | (1,115.63) | (2,369.73) | – |
| 5 | ONGC Nile Ganga (Cyprus) Ltd. | 0.00 | 140.90 | 140.91 | 0.01 | – | – | 4.36 | 0.44 | 3.93 | – | 0.12 | 7,202.84 | 7,203.57 | 0.61 | – | – | 208.99 | 20.90 | 188.09 | – |
| 6 | ONGC Nile Ganga (San Cristobal) B.V. | 0.07 | 249.92 | 252.59 | 2.60 | 191.29 | 1.30 | 1.59 | – | 1.59 | – | 3.69 | 12,775.84 | 12,912.58 | 133.06 | 9,778.54 | 62.25 | 76.10 | – | 76.10 | – |
| 7 | ONGC Satpayev E&P B.V | 0.02 | (0.01) | 0.01 | – | – | – | (0.00) | – | (0.00) | – | 1.23 | (0.54) | 0.69 | – | – | – | (0.10) | – | (0.10) | – |
| 8 | ONGC Caspian E&P B.V | 0.05 | 43.06 | 43.11 | – | 0.04 | – | (0.00) | – | (0.00) | – | 2.46 | 2,201.24 | 2,203.69 | – | 2.08 | – | (0.15) | – | (0.15) | – |
| 9 | Jarpeno Limited | 0.19 | 2,284.91 | 3,503.47 | 1,218.37 | – | – | (408.99) | 1.92 | (410.91) | – | 9.71 | 116,804.60 | 179,097.39 | 62,283.07 | – | – | (19,584.16) | 91.94 | (19,676.10) | – |
| 10 | Biancus Holdings Limited | – | 17.81 | 137.87 | 120.06 | – | – | 0.44 | – | 0.44 | – | – | 910.45 | 7,047.91 | 6,137.47 | – | – | 21.07 | – | 21.07 | – |
| 11 | San Agio Investments Limited | – | (0.12) | 17.04 | 17.16 | – | – | 2.70 | 0.03 | 2.67 | – | – | (6.13) | 871.08 | 877.22 | – | – | 129.29 | 1.44 | 127.85 | – |
| 12 | Redcliffe Holdings Limited | – | 60.40 | 60.43 | 0.03 | – | – | (0.92) | – | (0.92) | – | – | 3,087.65 | 3,089.18 | 1.53 | – | – | (44.05) | – | (44.05) | – |
| 13 | Imperial Energy Nord Limited | 0.03 | 1,020.28 | 1,020.49 | 0.18 | – | – | (8.69) | – | (8.69) | – | 1.53 | 52,156.71 | 52,167.45 | 9.20 | – | – | (416.11) | – | (416.11) | – |
| 14 | Imperial Energy (Cyprus) Limited | 0.03 | 245.84 | 245.89 | 0.02 | – | – | (5.13) | – | (5.13) | – | 1.53 | 12,567.34 | 12,569.90 | 1.02 | – | – | (245.65) | – | (245.65) | – |
| 15 | Imperial Energy Tomsk Limited | – | (6.02) | 11.16 | 17.18 | – | – | (0.60) | – | (0.60) | – | – | (307.74) | 570.50 | 878.24 | – | – | (28.49) | – | (28.49) | – |
| 16 | Imperial Energy Gas Limited | – | (0.21) | 0.26 | 0.47 | – | – | (0.02) | – | (0.02) | – | – | (10.74) | 13.29 | 24.03 | – | – | (0.96) | – | (0.96) | – |
| 17 | Imperial Frac Services (Cyprus) Limited | – | (0.17) | – | 0.17 | – | – | (0.02) | – | (0.02) | – | – | (8.69) | – | 8.69 | – | – | (0.96) | – | (0.96) | – |
| 18 | Nefsilius Holdings Limited | – | 0.93 | 1.10 | 0.17 | – | – | (0.06) | – | (0.06) | – | – | 47.54 | 56.23 | 8.69 | – | – | (2.87) | – | (2.87) | – |
| 19 | Freshspring Investments Limited | – | (0.08) | 0.06 | 0.14 | – | – | (0.01) | – | (0.01) | – | – | (4.09) | 3.07 | 7.16 | – | – | (0.48) | – | (0.48) | – |
| 20 | RK Imperial Energy Kostanai Limited | – | (0.07) | 0.05 | 0.12 | – | – | (0.01) | – | (0.01) | – | – | (3.58) | 2.56 | 6.13 | – | – | (0.48) | – | (0.48) | – |
| 21 | LLC Nord Imperial | – | 469.19 | 560.79 | 91.60 | – | 58.53 | (97.33) | – | (97.33) | – | – | 23,984.99 | 28,667.58 | 4,682.59 | – | 2,802.47 | (4,660.57) | – | (4,660.57) | – |
| 22 | LLC Allianceneftegaz | – | 45.73 | 380.06 | 334.33 | – | 351.38 | (8.25) | – | (8.25) | – | – | 2,337.72 | 19,428.67 | 17,090.95 | – | 16,825.55 | (395.04) | – | (395.04) | – |
| 23 | LLC Sibinterneft | – | (20.89) | 0.12 | 21.01 | – | – | (1.05) | – | (1.05) | – | – | (1,067.90) | 6.13 | 1,074.03 | – | – | (50.49) | – | (50.49) | – |
| 24 | LLC Rus Imperial Group | – | 39.66 | 63.28 | 23.62 | – | – | (8.78) | – | (8.78) | – | – | 2,027.42 | 3,234.87 | 1,207.45 | – | – | (420.42) | – | (420.42) | – |
| 25 | LLC Imperial Trans Service | – | (0.32) | 3.68 | 4.00 | – | – | (0.01) | – | (0.01) | – | – | (16.36) | 188.12 | 204.48 | – | – | (0.48) | – | (0.48) | – |
| 26 | LLC Imperial Energy Tomsk Gas | – | – | – | – | – | – | (0.03) | – | (0.03) | – | – | – | – | – | – | – | (1.36) | – | (1.36) | – |
| 27 | LLC Stratum | – | (0.02) | – | 0.02 | – | – | – | – | – | – | – | (1.02) | – | 1.02 | – | – | – | – | – | – |
| 28 | Carabobo One AB | 5.71 | 109.76 | 123.28 | 7.81 | – | – | (3.01) | – | (3.01) | – | 291.90 | 5,610.93 | 6,302.07 | 399.25 | – | – | (144.13) | – | (144.13) | – |
| 29 | Petro Carabobo Ganga B.V. | 0.02 | 118.47 | 118.51 | 0.02 | 0.03 | – | (0.09) | – | (0.09) | – | 1.02 | 6,056.19 | 6,058.23 | 1.02 | 1.31 | – | (4.41) | – | (4.41) | – |

**Exchange Rate**

As on 31.03.2012 — 1 US$ = ₹51.1200

Average Rate for 2011–12 — 1 US$ = ₹47.8842

**Note : –**

In view of consent given by the Board pursuant to guidelines of Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 08th February 2011, copies of the Balance Sheet, Profit and Loss Account, Report of Directors and Auditors of the Subsidiary are not attached to the Balance Sheet of the Company. The annual accounts of the subsidiary and the related detailed information will be made available to the holding company and subsidiary investors, seeking such information at any point of time. The same are also available for inspection by any investor at the Registered Office of the Company as well as at the Registered Office of the Subsidiary.