

2007 FORTUNE MOST ADMIRABLE COMPANIES

Oil and Natural Gas Corporation Limited

Report  junction.com



Indian Essence. Global Presence

Annual Report
2007-08

www.reportjunction.com

2007 FORTUNE MOST ADMIRABLE COMPANIES

The FORTUNE Most Admired Companies study surveys over 16,000 senior executives, outside directors, and industry analysts for enlisting 'World's Most Admired Companies', rated on nine attributes viz. Ability to attract and retain talented people, Quality of management, Social responsibility to the community and the environment, Innovativeness, Quality of products or services, Wise use of corporate assets, Financial soundness, Long-term investment value and Effectiveness in doing business globally.

ONGC is the first-ever and only Indian company to have featured in this list.

Report  junction.com

Keshava Deva Malaviya - realized the importance of an indigenous petroleum industry in India and laid the foundation of ONGC in August 1956. The scientists and engineers of ONGC, fuelled by his pioneering spirit, have made ONGC the *Numero Uno* Exploration & Production Company of Asia today.



Report  Junction.com

A photograph of a middle-aged man with glasses, wearing a light brown suit, white shirt, and a patterned tie. He is sitting in a white chair, looking directly at the camera. Behind him is a colorful abstract painting with red, green, and blue tones. A watermark "Report Junction.com" is visible across the center of the image.

chairman's message

Dear Shareholder,

Let me at the outset greet you with the pleasant news that your Company has come out with laudable improved performance, despite various odds against it. The highest ever Sales Revenue of Rs. 601,370 million and Net Profit of Rs. 167,016 million during 2007-08 reflect an increase of 5.7% and 6.8% respectively as compared to the previous financial year. We are pleased to share these upsides with you and accordingly a final dividend of Rs. 14 per share (140%), has been recommended making it the highest aggregate dividend at Rs 32 per share (320%).

The fundamentals of the global oil and gas industry have changed radically during the last one year. Demand growth for oil and gas has outstripped supply growth largely on account of the unrelenting appetite of growing economies. As a consequence, the demand-supply axis is getting skewed lending momentum to the north-bound crude prices. This is a major concern that the economies need to address on first priority.

The positive side of this situation is that the industry is now poised to invest substantially in exploration and development of new oil and gas assets. The hunt for 'new' oil is headed towards unconventional sources and new frontiers, like deepwater, ultra-deepwater and even the frigid Arctic environs. Sizeable success has come from Brazil, West Africa and East Coast of India. These results are substantiating the hope that large pools of hydrocarbon are yet to be discovered subject to commitment of adequate investment and technology to exploration.

In this context, your Company has also moved ahead towards seeking new E&P solutions. In recent years we intensified exploratory efforts and have made significant discoveries in Deepwater and Ultra-deepwater provinces in the East coast. This focus has enabled us to maintain a Reserve Replacement Ratio (RRR) of more than one consistently for the past four years. Our overseas acquisitions have also increased to 38 projects in 18 countries.

Production of your Company including that from Joint Ventures and overseas assets now stands at an all-time high of 61.85 MTOE. This is a result of our constant endeavour to adopt best reservoir management practices and systematically bringing new assets on-stream in the shortest possible time. Our proactive approach towards reservoir management has

enabled us to arrest the decline in domestic mature fields through innovative technological solutions for our Improved Oil Recovery (IOR) / Enhanced Oil Recovery (EOR) schemes. Fast-track monetization of new and marginal fields has also begun to pay-off.

We are making systematic investment to fuel growth, not only in our core operations of Exploration and Production, but also for opening up new revenue streams from other energy sources such as Coal Bed Methane (CBM) and Underground Coal Gasification (UCG). As you are aware, the ONGC Energy Centre is dedicated to holistic research on alternate energy sources. A number of projects are in incubation and have the potential to open up new avenues of growth beyond hydrocarbons. Our investments in value multiplier projects in petrochemicals, LNG, SEZ and power will also provide substantial upside to the revenue stream in the future.

It may be appreciated that your Company is the torchbearer in seeking energy security for the nation and in providing affordable energy to fuel our growth. We attach great importance to this national duty and are constantly seeking new opportunities domestically and overseas to meet this objective. Of course, as a responsible Corporate, your Company is ensuring that this objective is met through environmentally sustainable solutions. You will be pleased to learn that your Company received the Earth Care Award for excellence in climate change mitigation and adaptation. It is also the only PSU Company that has four CDM projects registered with the United Nations Framework Convention on Climate Change (UNFCCC).

With a view to ensuring sustained growth and meeting the future energy needs of the country, your Company has adopted a multi-pronged approach. It is investing in new and marginal fields so that these are brought into production at the earliest. As per the initial reports, your Company may get 20 blocks out of 27 blocks for which it submitted bids for the VII round of the NELP for which bids were closed on 30th June, 2007. Your company is investing heavily in Mumbai High South redevelopment - Rs. 63,392 million (USD 1,584 million) and envisages to invest in deep water and ultra-deepwater province in the East Coast in excess of Rs. 200,000 million (USD 5 billion). Through its subsidiary OVL, the Company is aggressively scouting and taking up acreages overseas to increase the footprint of brand ONGC as well as to increase overall profitability.

In addition, through IOR and EOR measures an investment of Rs. 85,630 million is planned in the near future. Moreover development of Mangala, Aishwariya, Raageshwari and Saraswati fields in Barmer Basin of Rajasthan, in which your Company has 30% share, is also on the anvil with an estimated investment of USD 450 million (Rs. 18,000 million) apart from revamping the aged surface facilities of North-Eastern state of Assam through Assam Renewal Project (ARP). These are apart from its forays in Underground Coal Gasification (UCG), Coal Bed Methane (CBM), Wind Farms and Helium recovery from Natural Gas. Technological collaboration, wherever necessary, is being sourced from the best in the world.

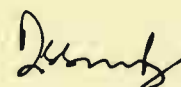
The Company is about to sign an MoU with Uranium Corporation of India Ltd, so that the traces of uranium discovered by ONGC during its E&P activities are pursued as a formal exploration venture to address the energy security concerns of the economy.

Some major financial highlights of 2007-08 which are worth noting are :

- The aggregate sales revenue of the ONGC Group of companies crossed Rs. One Trillion mark during the year- an increase of 18% (Rs. 1018,349 million in 2007-08 against Rs. 862,762 million in 2006-07) and Net Profit of the Group registered a growth of 11.8% (Rs. 198,723 million in 2007-08 against Rs. 177,696 million in 2006-07).
- These results are inspite of the fact that your Company continues to absorb the under-recovery of Oil Marketing Companies (OMCs) through discount on Crude Oil, LPG and SKO, which was of the order of Rs. 220,009 million for the year.

As we look to the future, it is strewn with opportunities. Even though your Company is committed to concentrate into its core business area of E&P, it shall continue to capture growth opportunities in the integration projects and retain its leadership position in the Energy Sector of the country.

Your consistent support gives us the confidence to live upto our motto - Courage to Explore, Knowledge to Exceed, Technology to Excel.

A handwritten signature in black ink, appearing to read 'R S Sharma', is positioned above the name and title.

R S Sharma
Chairman & Managing Director

Board of Directors..... 06

Notice..... 09

Performance at a Glance..... 14

Directors' Report..... 32

contents

Report  junction.com

Annexures to Directors' Report..... 61

Comments of C&AG..... 71

Human Resource Value..... 72

Auditors' Report..... 76



80Balance Sheet, Profit and Loss Account and Schedules

118Cash Flow Statement

120Balance Sheet abstract and Company's General Business Profile

122Statement Pursuant to Section 212 of the Companies Act, 1956

Report  **junction.com**

124Management Discussion & Analysis Report

136Corporate Governance Report

158Secretarial Compliance Report

162Consolidated Financial Statements of ONGC Group

board of directors



R S Sharma
Chairman & Managing Director



Dr. A K Balyan
Director (Human Resource)



A K Hazarika
Director (Onshore)



N K Mitra
Director (Offshore)



D K Pande
Director (Exploration)



U N Bose
Director (Technology &
Field Services)



D K Sarraf
Director (Finance)
(from 27th December, 2007)



S Sundareshan



Sindhushree Khullar



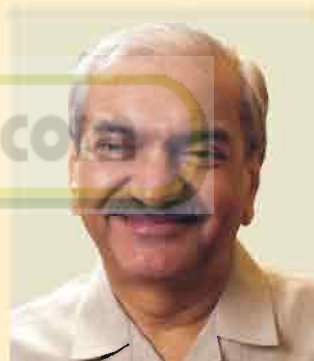
Dr. R K Pachauri



P K Choudhury



V P Singh



Dr. Bakul H Dholakia

special invitees to the board



R S Butola
Managing Director
ONGC Videsh Limited



M R Pasrija
Chairman & Managing Director
Oil India Limited

directors - part of the year



A K Jain
(from 10th April to
10th May, 2007)



A M Uplenchwar
(upto 31st July, 2007)

reference information

Registered Office

Jeevan Bharti Building, Tower-II,
124, Indira Chowk, New Delhi-110001

Corporate Office

Tel Bhavan Dehradun - 248003
Uttarakhand

Statutory Auditors

K K Soni & Co.
S C Ajmera & Co.
PSD Associates
Singhi & Co.
Padmanabhan Ramani & Ramanujam

Cost Auditors

Dhananjay V. Joshi & Associates
K.G Goyal & Associates
Rao Murthy & Associates
Mani & Co.,
Shome & Banerjee
R.Nanabhoy & Co.
R.J Goel & Co.

Bankers

State Bank of India

Subsidiaries

ONGC Videsh Limited
Mangalore Refinery & Petrochemicals Limited
ONGC Nile Ganga B.V
ONGC Nile Ganga (Cyprus) Limited
ONGC Campos Ltda
ONGC Narmada Limited
ONGC Do Brasil Exploracao Petrolifera Ltda
ONGC Nile Ganga (San Cristobal) B.V.
ONGC Amazon Alaknanda Limited

Registrar & Share Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24
Vittal Rao Nagar, Madhapur
Hyderabad-500081 (A.P.)

105-108, 1st Floor
Arunachal Building
19, Barakhamba Road
New Delhi-110001

Listed at

Bombay Stock Exchange
National Stock Exchange

Depositories

National Securities Depository Limited
Central Depository Services (India) Limited

Company Secretary

S.P.Garg