

India's
energy
anchor



Exploring New Horizons



Oil and Natural Gas Corporation Ltd.
Jeevan Bharti, Tower-II, 124 Indira Chowk, New Delhi-110001,
Tel: 011- 23310156, Fax: 011-23316413
www.ongcindia.com facebook.com/ONGCLimited

Annual Report 2012-13

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ongc

is on a mission

To find more energy and to deliver energy for national growth.

The challenges are many.

But we have the Courage, the Knowledge, the Vision and the alchemy to transform uncertainty into value.

It has been a journey marked by uncommon grit, resilience and the power to turn adversity into opportunity. Starting from scratch, we have put India on the world energy map.

With our energy footprint in 16 countries, we are geared to anchor India's energy security.



CHAIRMAN'S MESSAGE

Dear Shareholders,

It is a matter of immense satisfaction for me to inform that despite operating in a turbulent economic environment and an uncertain business ecosystem, your Company, ONGC, has been able to demonstrate operational excellence, uphold high standard of corporate governance and bring in remarkable business growth in the reporting fiscal year 2012-13.

It is my privilege to share with you that your Company received 'Excellent' MoU Performance rating for the year 2011-12 with a score of 1.222 (which was declared during 2012-13); the highest since adoption of the MoU system in 1988.

In its core area of operations, with 22 discoveries during FY'13, your Company shored up its already dominant position in the Indian hydrocarbon space and retained its competitive advantage in what is now an extremely dynamic sector. In the process, the Company accreted 84.84 MMtoe of Ultimate Reserves in the domestic fields (ONGC operated); the highest in the last twenty two years. With this, it is the 8th consecutive year for your Company to have maintained the Reserve Replacement Ratio (RRR) of more than one.

We maintain our position as the largest producer of oil and gas in the country contributing 69% of oil production and 62% of natural gas production. Innovative technological solutions helped us to sustain production levels from domestic as well as overseas fields. Total production during FY'13 (including overseas assets) has been 58.71 MMtoe; slightly lower than the production during FY'12 (61.18 MMtoe) mainly on account of lower production from South Sudan and Syria; two countries badly affected by the geo-political unrest. Besides, the natural decline in domestic matured fields has also contributed a little to the overall dip in production.

The repercussions of the global economic turmoil continue to roil the economic fortunes of most of the major countries and the expected turnarounds have been slow to manifest. Considering this conservative and capital-strained macroeconomic ecosystem largely characterised by a mediocre growth outlook, we performed well, by most standards, registering the highest-ever turnover of ₹ 833.09 billion (up 8.35% from FY'12). The turnover of the ONGC Group at ₹ 1,658.49 billion has also been the highest-ever. The Net Profit stood at ₹ 209.257 billion. This was 16.7% less than previous year primarily due to sharing the highest-ever under-recovery burden of ₹ 494.21 billion which is 11.1% higher than the previous year. Payment of additional Cess of ₹ 42.14 billion was also another factor that contributed to the fall in our profit.

The dynamism of the oil & gas industry is its hallmark. It has always contested and surmounted challenges that it had to contend with throughout its significantly eventful history. Today, the industry is in a position to scale the inaccessible which was hard to visualize even a few years ago. Geologically and logistically challenging frontiers - like Deep & ultra-deep-waters, Arctic,



CHAIRMAN'S MESSAGE

unconventional - have now become the 'Hot Spots', abundant with opportunities. Your Company is also aggressively engaged in pursuing such opportunities to ensure its sustained growth.

We have undertaken structured initiatives towards deep-water exploration and have made 35 deep-water discoveries so far. Seven of these discoveries were made in NELP block KG-DWN-98/2 in the East Coast. During appraisal we have discovered substantial quantity of oil and gas which have given a fillip to our efforts towards monetizing the discoveries.

Your Company is developing 37 marginal fields through 13 projects with an estimated investment of ₹ 342.23 billion. Production from the fields under projects G-1&GS-15, B-22 Cluster, B-46 Cluster, C-Series, North Tapti and additional development of N.B.Prasad (D-1) field has already commenced. Seven out of these 13 projects are expected to be completed this year and the remaining five in subsequent years. Monetization of these fields is going to ramp up Oil and Gas production during the ensuing fiscal year.

Prudent reservoir management has been one of our strong areas of focus. Today, more than 70 per cent of ONGC's domestic production is contributed by 15 major fields which are 25 to 50 years vintage. Technology intensive Improved Oil Recovery (IOR), Enhanced Oil Recovery (EOR) and Redevelopment schemes have helped in achieving incremental oil and gas gain of 80 MMT (as of March 2013) against the targeted gain of around 172 MMT by 2030. Buoyed by this success, ONGC has adopted a policy of rolling redevelopment scheme for its major fields.

Committed to grow as an integrated energy company, we have prioritized exploration and development of unconventional sources and development of alternate sources of energy. Three pilots for shale gas exploration, one in Cambay Basin in 2013-14 and one each in KG Basin and Cauvery Basin in 2014-15, have been planned. We are also pursuing CBM and UCG opportunities.

Your Company is also pursuing green energy options. We are setting up another Wind Farm (102 MW) in Rajasthan which is likely to be commissioned in 2014. Alternate sources like - Geothermal energy and Kinetic hydro power generation projects are also being pursued.

Sustained growth remains the *mantra* for your Company. It is my privilege to inform you that we have progressed well against the milestones set as per the Perspective Plan 2030, which we adopted last year. Overseas growth has been the first shaping move of the Plan. We have made three big acquisition deals strengthening the position of your Company as one of the formidable global energy players. We finalised an acquisition of 2.72% stake in Azerbaijan's giant producing Azeri-Chirag-Guneshli (ACG) field (and 2.36% stake in Baku-Tbilisi-Ceyhan (BTC) pipeline in Azerbaijan in March 2013. We have also finalized definitive agreements for acquisition of 20% PI in Rovuma Area 1 Offshore block in Mozambique (with a potential of 35-65 tcf of gas reserves) in association with Oil India Limited.

As far as domestic exploration is concerned, your Company has identified six priority plays - conventional, HP-HT/Tight Reservoirs, Basement, Deep-water, Shale gas and CBM. We have established four Centers of Delivery (CoDs) to focus on identified areas of Basement, Shale gas, CBM and HP/HT. We have also identified 10 fields for accelerated redevelopment that will significantly contribute to production.

Integration in value-chain and creating a healthy mix of non-E&P business portfolio remains our commitment for integrated growth. Your Company is considering further expansion in petrochemicals at MRPL, LNG re-gasification, fertilizer, CGD, retail marketing, commercialization of stranded gas and building capacities in alternate energy like Solar, Wind and Nuclear.

We believe in meaningful cooperation for leveraging mutual strengths for growth. This year we inked cooperation agreements with industry majors like - ConocoPhillips, CNPC, Ecopetrol and Mitsui.

We have received widespread acknowledgement for our proven commitment towards sustained growth and strategically driven pursuits from leading peer-and-public evaluations. Your company is world's no. 3 E&P company, as per Platts ranking. Compared to last year, our position moved up 16 notches to 155th position in the 2013 Forbes Global 2000 list of world's biggest companies. ONGC is ranked 23rd among global oil and gas companies by Forbe's list. '2012 EU Industrial R&D Scoreboard' listed ONGC at 36th position in the list of oil & gas companies based on Research and Development (R&D) expenditure; the only company in this list from India.

As has been evidenced by the results, your Company, through an efficacious combination of aggressive business pursuits, deployment of cost-effective technology and human resource & strategic operational roadmaps, has not just grown in terms of business volume over the preceding financial year, but has also delivered significant shareholder value in the process; all with a clearly espoused corporate agenda of promoting sustainable energy practices. It has also displayed an uncompromising and exemplary commitment to industry benchmarks on Health, Safety & Environment (HSE) standards.

Moreover, your Company, as a pioneering practitioner of balancing business growth with meaningful social and environmental contributions, has further extended its outreach and impact in key focal areas through its well-considered CSR interventions. Our overall efforts and results are a worthy testament of centrality to the overarching national goals of inclusive growth and prosperity.

I believe corporate entities and industry must work in cohesion to build stakeholders' trust. Every new technological advancement and the accompanying opportunities come dovetailed with a renewed obligation to address concomitant concerns. That is why your Company continues to engage with its varied stakeholders on how to systematically mitigate risk in our operations, meaningfully enhance value of our business and foster a more rewarding and equitable energy universe.

Your continued support and confidence in us is a source of inspiration to propel the growth of your Company to new heights and create value for all stakeholders.

Sudhir Vasudeva
Chairman & Managing Director

Vision

To be the global leader in integrated energy business through sustainable growth, knowledge excellence and exemplary governance practices.

Mission

World Class

- Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people.
- Imbibe high standards of business ethics and organizational values.
- Abiding commitment to safety, health and environment to enrich quality of community life.
- Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.
- Strive for customer delight through quality products and services.

Integrated In Energy Business

- Focus on domestic and international oil and gas exploration and production business opportunities.
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximize shareholder value.

Dominant Indian Leadership

- Retain dominant position in Indian petroleum sector and enhance India's energy availability.





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Every Indian's Energy

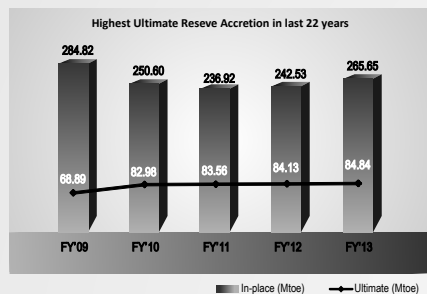
BOARD OF DIRECTORS

NOTICE

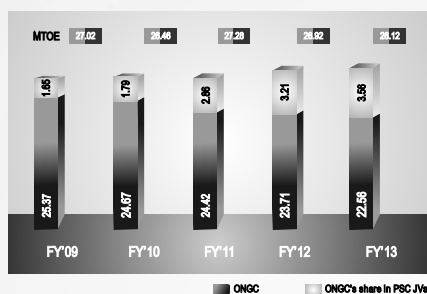
PERFORMANCE AT A GLANCE



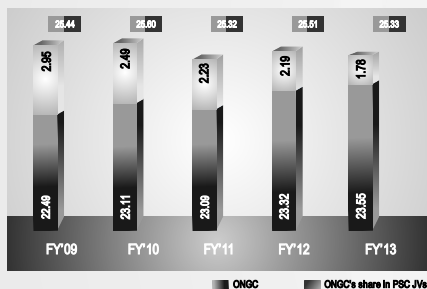
Highest Ultimate Reserve Accretion
in last 22 years



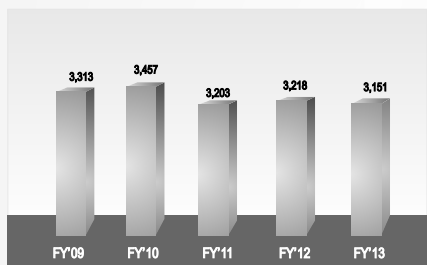
Oil & Gas Production (MMT)



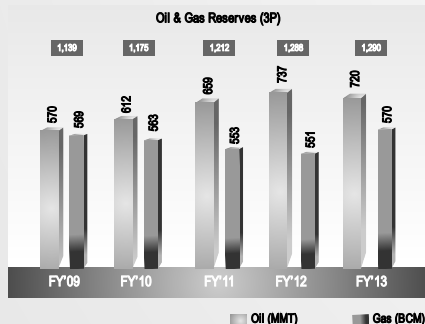
Oil & Gas Production (BCM)



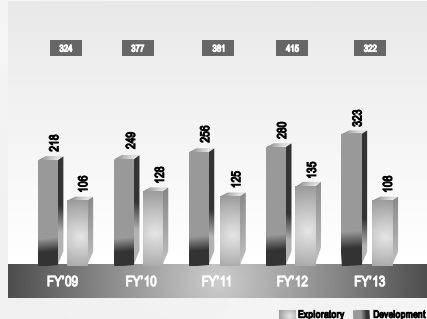
VAP Production (KT)



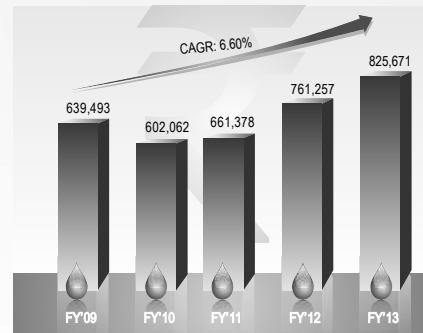
Wells Drilled (Nos.)



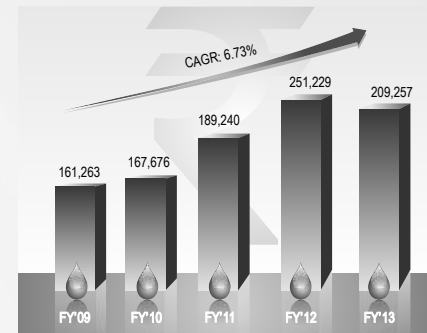
Wells Drilled (Nos.)



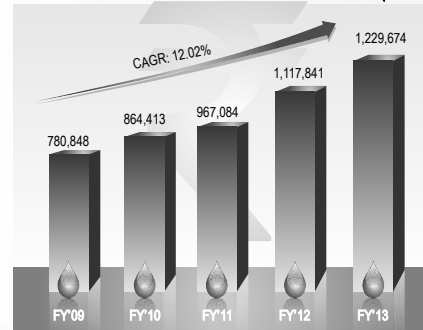
Sales Income (Million)



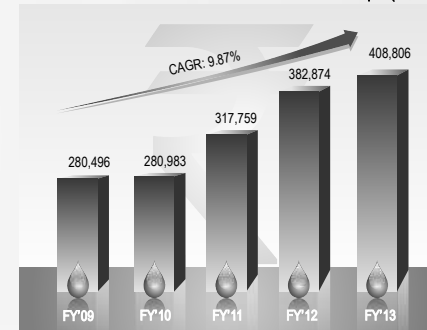
Net Profit (Million)



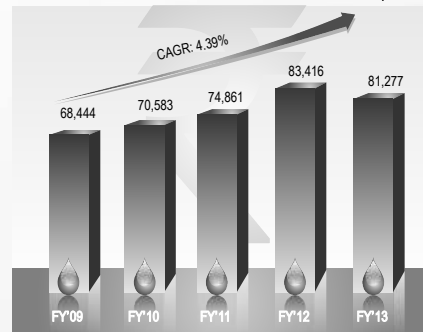
Net Worth (Million)



Contribution of exchequer (Million)



Dividend (Million)



Capex (₹ million)



Board of Directors

As on 31st July, 2013



K N Murthy O P Bhatt Arun Ramanathan Shaktikanta Das D K Sarraf Shashi Shanker K S Jamestin



Sudhir Vasudeva A K Banerjee P K Borthakur N K Verma A Giridhar D Chandrasekharam S K Barua Deepak Nayyar

Chairman & Managing Director



Shri Sudhir Vasudeva is the Chairman & Managing Director of Oil and Natural Gas Corporation Ltd (ONGC), India's most valuable Maharatna public sector enterprise and one of the most premier E&P companies in the world. ONGC is the highest Profit making and highest Dividend paying company of India; it is also one of the Fortune's Most Admired Companies.

He is also the Chairman of ONGC Videsh Limited (OVL) which is operating across 16 countries. He is also Chairman of Mangalore Refinery and Petrochemicals Ltd (MRPL) and four other ONGC Group companies (OPaL- ONGC Petro-additions Ltd, OMPL - ONGC Mangalore Petrochemicals Ltd, MSEZ- Mangalore SEZ Ltd, OTPC- ONGC Tripura Power Company Ltd.

Mr. Vasudeva, President of Global Compact Network, India is the first business leader from Indian Public Sector Enterprises to be a Member of the Board of the United Nations Global Compact.

Mr. Vasudeva, a Chemical Engineer with Advanced Diploma in Management, has been conferred with Distinguished Fellowship of Institute of Directors, CEPM-PMA Fellowship for Excellence in Project Management, Honorary Fellowship of the Indian Institute of Chemical Engineers (IICChE) and Fellowship of Indian National Academy of Engineering (FNAE).

He is the Chairperson of Indian Council of Society of Petroleum Engineers (SPE) as well as Director At-large in SPE International Board of Directors, a first by any Indian.

Mr. Vasudeva has charted and is driving a Perspective Plan 2030 to maintain ONGC's leadership position in Indian energy sector in coming decades. By this plan, it envisages, among other things, to double its production, treble its revenue and quadruple its market cap by 2030.

Mr. Vasudeva, Chairman of Petrotech Society, champions active Industry-Academia relationship through his various active associations with the academia. He is the Chairperson of the Board of Governors of NIT, Raipur; Special Invitee in the Board of Governors of Pandit Deendayal Petroleum University, Gujarat, Member in the Board of Doon University and a Member of the CSIR Society.

An enthusiastic supporter of sports, Mr. Vasudeva is also the President of All India Public Sector Sports Promotion Board.

Functional Directors

Shri K. S. Jamestin is the Director (HR), of your Company. He holds a Bachelors' degree in Electronics and Telecommunications Engineering from University of Kerala, MBA in Finance, Diploma in Operations Management and is a Certified Project Management Professional through PMI, USA. He has 36 years of experience to his credit in the petroleum and natural gas sector. He joined ONGC Board as Director (HR) on 25.05.2011. Prior to becoming Director (HR) of ONGC he served as Chief HRD where he re-engineered and e-enabled all HR processes in ONGC. He had also served as Head Regional Office, Mumbai and as Project leader for Project ICE, ONGC's award winning SAP-ERP implementation Project, rated as one of the biggest and most successful SAP implementations in the world.



Shri Aloke Kumar Banerjee is the Director (Finance) of your Company and joined the ONGC Board on 22.05.2012. He holds a Master's degree in Commerce from University of Calcutta. He is a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Company Secretaries of India and Associate Member of Institute of Cost Accountants of India. He has 31 years of diversified experience to his credit and rich knowledge in Financial Management and Strategic Planning in upstream Oil & Gas Industry with specialization in Corporate Accounts, Corporate Budget, Cost Management, Risk Analysis & Financial Planning, Procurement & Contracts, Performance Benchmarking & Evaluation, Audit, Corporate Governance, Insurance, etc. He had introduced & implemented Financial Benchmarking Concept and Zero-base Budgeting in ONGC. Prior to becoming Director (Finance) he served as ED- Chief Corporate Finance in ONGC.

Shri Pronip Kumar Borthakur, is the Director (Offshore) of your Company and joined the Board of the Company on 30th October, 2012. He has more than 35 years of experience in Oil Industry. He holds a degree in Mechanical Engineering from Guwahati University and has completed his General Management Training from IIM, Lucknow and Leadership Development Programme at ISB, Hyderabad. Prior to taking charge as Director (Offshore), he was the Asset Manager of Mumbai High Asset and was responsible for production, maintenance & development of biggest oil field in India located at Mumbai Offshore. Shri Borthakur has gained vast experience in the monetization of marginal assets with minimal facilities & cost with his exposure in developing satellite fields in Western Offshore. He has acquired operational experience from sub surface to surface activities of E&P business. He is also a distinguished member of the Society of Petroleum Engineers, an International society of over 75,000 professionals and is actively associated with its functioning.



Shri Shashi Shanker, is the Director (T&FS) of your Company and joined the Board of the Company on 1st December, 2012. He has more than 30 years of experience in Oil Industry.

He holds a B Tech degree in Petroleum Engineering from Indian School of Mines, Dhanbad and MBA with specialization in Financial Management from IGNOU. He undertook Management Development programme from IIM, Lucknow and Leadership Development Programme at ISB, Hyderabad.

Prior to appointment as Director (T&FS), ONGC, he was Head-Deep Water, MDT of Mumbai Region and was responsible for spearheading the deep/ultra-deep water drilling campaign of ONGC. He has wide exposure in diverse E&P activities in onshore & offshore operations and R&D activities.

Shri Narendra Kumar Verma is the Director (Exploration) of your Company and joined the Board of the Company on 1st April, 2013. He has more than 30 years of experience. He holds a Masters Degree in Applied Geology, an M. Tech degree in Petroleum Exploration and MBA in Finance. He has also completed One Year Global Manager's Program at IIM, Kolkata.

Recipient of many national awards and international commendations, the crowning moment of his technical career came with the prestigious 'National Mineral Award', the highest recognition by the Government of India in the field of geosciences, mining and allied areas, that was conferred upon him for his outstanding contribution to Petroleum Exploration in Mumbai Offshore.

Shri N K Verma has demonstrated remarkable competence in challenging roles in the domain of 'Exploration' and technological research, ranging from management of overseas exploration and Business Development as Director (Exploration), ONGC Videsh Limited; Management of exploration activities in Frontier Basin, Mumbai Offshore and Assam-Arakan Basin; and Head of Interpretation Group at the prestigious Geodata Processing and Interpretation Centre (GEOPIC) of ONGC.

He has worked extensively on Western Offshore, Assam & Assam-Arakan, NW Himalaya, Ganga, Rewa-Satpura and Vindhyan Basins in India. He was also involved in assessing the blocks / basins in Vietnam Offshore, Indonesian Offshore, Myanmar Offshore, Qatar, Iran Onland /Offshore, Middle and North Caspian.

