

## Annual Report 2011-12



ONE WORLD. ONE WORD.





From its first oil discovery in Gujarat in 1958, **ONGC** has come a long way to place India on the world oil map. ONGC's exploratory efforts have resulted in discovery of all six producing Basins; the 7th Basin was discovered in pre-ONGC era. The World's Number 2 Exploration & Production (E&P) Company, ONGC has always focused on good corporate governance which is the key driver of sustainable corporate growth and long-term value-creation.

ONGC's enduring value system of stakeholder engagement is being increasingly noticed by the global industry. ONGC is the only Indian energy major to be in 'Fortune's Most Admired List 2012' under 'Mining, Crude Oil Production' category. ONGC's wholly-owned subsidiary ONGC Videsh Limited (OVL) is the biggest Indian energy multinational, managing 30 properties worth US\$ 12 billion in 15 countries.

With its structural spread of high-end E&P capabilities, progressive count of quality hydrocarbon properties and committed management to deliver enduring value, there is sustainable wealth to be created by this Indian Maharatna.







## Chairman's Message

Dear Shareholder,

As you are aware, your Company, ONGC, has reinforced its position as one of the most valuable Indian companies through a balanced mix of consistent upstream sector growth and value-integration projects in refining, power and petrochemicals. In addition to robust business growth and operational excellence, your Company has also substantially enhanced its social investment through focused CSR activities, sustainability engagement through Carbon Management initiatives, unstinted investment in Health, Safety and Environment, sports promotion and employee welfare measures. Such 'all-inclusive' structural maturity is targeted at delivering exceptional value to our esteemed shareholders over the long term.

During the year, we made 23 oil and gas discoveries in domestic fields, adding 242.50 MTOE of Initial In-place hydrocarbon. This translates into 84.13 MTOE of Ultimate Reserves (85.44 MTOE including our share in joint ventures), which is the highest in last two decades. Our Reserve Replacement Ratio of 1.79 marks the 7th consecutive fiscal that it has exceeded 1; establishing the strength and sustainability of our business model.

The total production of ONGC Group in FY-12 (including OVL and ONGC's share in Production Sharing Contracts-JVs) has been 61.18 MTOE. This has inched down from the all-time high FY-11 figure of 62.05 MTOE, mainly on account of lower last-quarter overseas production from geo-politically affected Sudan, South Sudan and Syrian fields. The four assets in these affected countries comprise around one-third of ONGC's overseas production volume.

Despite continuing global economic distress, we delivered yet another stellar financial performance in FY-12 by registering the highest-ever Gross Revenue of ₹ 788.87 billion (up 12 per cent from FY-11). It also posted the highest-ever Profit-After-Tax of ₹ 251.23 billion (up 32.8 per cent). This enabled us to pay-out the highest-ever dividend of ₹ 83.42 billion (195 per cent). Over the past five fiscals, we have paid over ₹ 365.75 billion in dividend to our valued shareholders, excluding dividend tax. The average dividend pay-out ratio is again an industry-leading 40 per cent. In addition, we delivered the highest-ever EPS (Earnings Per Share) of ₹ 29.36 [almost six times the face value of ₹ 5] and investor-cheering 51.4 per cent ROCE.

This was facilitated principally by strong cash-flow generation model that enables your Company sharing earnings generously with valued shareholders in addition to providing adequate fiscal comfort to pursue attractive business opportunities. We invested a record ₹1205.52 billion in capital expenditures during XI five-year Plan period.

Thanks to support from the Indian Government, OVL now manages 30 hydrocarbon properties in 15 countries with a cumulative investment of around USD 15 billion. Despite attenuated production from

## Chairman's Message

Syrian and Sudan assets, OVL achieved the highest-ever revenue of ₹ 228.37 billion during FY-12. This translates to 21.2 per cent growth over FY-11 revenue of ₹ 188.71 billion.

It is a global phenomenon that mature oil and gas assets enter a natural declining production phase on account of their vintage. Our major producing fields too are similarly affected, but we have been proactive in arresting this decline through Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) projects. These efforts will become more intensive through further technology interventions and we expect rich dividends to accrue over the life of these producing assets.

With significant success in new exploration plays, ONGC has accumulated a large inventory of oil and gas finds with substantial development opportunities. The frontier areas and new plays entail significant investment in high-end technology and a concomitant increase in production costs. ONGC is continuously pursuing a framework of opportunities for their economic development and cost-effective monetization, within the next five years.

As large tracts of Indian Sedimentary Basins remain to be intensively explored, there are significant opportunities to discover and develop these un-explored or partly-explored areas. Around four lakh square kilometers of these areas are expected to be offered for exploration in the next 5 years and ONGC is well-positioned to participate aggressively in such future bidding rounds after careful assessment of risk-reward profiles of such unexplored territories.

Government of India divested 420,416,170 equity shares (4.91 per cent) of ONGC on 1<sup>st</sup> March, 2012 through Stock Exchanges using the "Offer for Sale"(OFS) Mechanism. With this, the Government holding of ONGC has come down from 74.14 to 69.23 per cent and public holding has gone up by the same percentage enhancing our accountability to increased number of shareholders.

To sustain growth in the emerging business paradigm, your Company has chalked out an ambitious 'Perspective Plan 2030', mapping the long-term growth model of ONGC as an energy major. Under this Plan, we intend to double our production by 2030; with nearly 46 per cent contribution expected to come from overseas assets. We also have plans to strengthen our downstream linkages in refinery, LNG, petrochemicals and other emerging areas of opportunities. We are also aggressively looking for opportunities in unconventional energy sources and alternate sources of energy including nuclear.

Your Company implements best-in-class governance practices through a robust corporate governance structure due to which Transparency International has evaluated ONGC as the most 'Transparent' company



## Chairman's Message

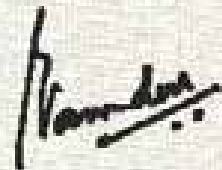
from India as per their recent report on 105 largest listed global companies. Your Company is a pioneer in adopting Sustainability Development as a mainstream activity and is issuing its third 'Corporate Sustainability Report' under GRI – G3 reporting standards this year. We have also made significant strides in engaging our operational communities through our structured Corporate Social Responsibility (CSR) programmes.

Your Company continues to feature among top-ranked global performers and is the only Indian energy giant to have featured in 'Fortune's Most Admired List 2012' under 'Mining, Crude Oil Production' category. It is also ranked the Number two Exploration & Production Company in Platts Top 250 Global Energy Company Ranking 2011 and 171st in Forbes Global 2000 list 2012 of the world's biggest companies among several other recognitions.

Your continued support and confidence in our capability to deliver results as per your expectations motivate us to constantly refine our operational models, induct best-in-class technology and devise new business and management templates to deliver stellar performance Year on Year.

We derive strength from your faith and belief in us and we pledge to constantly meet with and even exceed your expectations.

Stay Invested.



Sudhir Vasudeva  
Chairman & Managing Director





# VISION

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



FIRST OIL WELL,  
CAMBAY BASIN  
LUNEJ-1  
25th JULY, 1958





# 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**

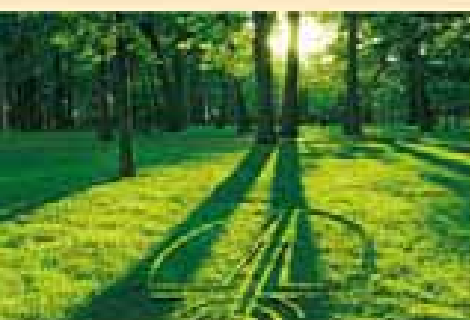
- Focus on domestic and international oil and gas exploration and production business opportunities.
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximize shareholder value.

## **Dominant Indian Leadership**

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



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