

Integrated Annual Report

2022-23



**NET
ZERO**
by 2038
Scope-1 and Scope-2



“ Recognizing the importance of Environmental, Social and Governance (ESG) aspects, **ONGC** has achieved substantial progress in reducing emissions. Integrating sustainable practices into operations have enabled **ONGC** to lower Scope-1 and Scope-2 emissions by 17% in last five years.

In FY'23, **ONGC** has reduced its emissions by 2.66% to 8.89 MMTCO₂e, from 9.14 MMTCO₂e in FY'22.

ONGC has set goals to achieve

**NET
ZERO**

emissions for Scope-1 and Scope-2 by 2038.”



“ I would like to present the five nectar elements ‘*Panchamrit*’, to deal with the Climate Change challenge:



India will reach its non-fossil energy capacity to 500 GW by 2030



India will meet 50 percent of its energy requirements from renewable energy by 2030



India will reduce the total projected carbon emissions by one billion tonnes from now onwards till 2030



By 2030, India will reduce the carbon intensity of its economy by less than 45 percent



By the year 2070, India will achieve the target of Net Zero

These ‘*Panchamrit*’ will be an unprecedented contribution of India to climate action.”

- Narendra Modi
Prime Minister

Image better, Drill deeper, Monetize faster.

Driven by India's vision of self-reliance in energy, **ongc** is intensively pursuing Exploration in Deepwaters, Enhancing Production and Greening its Processes.

ongc Jeetega
Toh Jeetega **India**



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Chairman's Message

Dear Shareholders,

It is my pleasure to present, on behalf of the Board of Directors of Oil & Natural Gas Corporation Ltd. (ONGC / the Company), the Integrated Report for the financial year 2022-23 (FY'23), highlighting the Company's performance.

Over the past 3-4 years, the global economy has faced significant challenges. Growth slowed down last year. Some major financial institutions collapsed. Intense geopolitical tensions have disturbed the energy ecosystem.

Despite these challenges, India's sustained economic growth exemplifies its fundamental

resilience. The depth and width of transformation in India is truly remarkable. IEA Chief Dr. Fatih Birol recently remarked, "India is at the 'center of global energy affairs' today". A growing young population and rapidly developing economy is boosting demand in the world's third-largest energy-consuming nation.

The structure of global energy demand is also undergoing a rapid change. This is catalyzed by climate-led challenges and emerging technologies. This transition is an inevitable evolution that the energy sector must embrace. India's climate adaptation and mitigation ambitions are profoundly transformative for our nation; it also carries immense



significance for the entire planet.

Amidst this mega transformation, the role of your Company, as the leading energy explorer in the country, becomes even more central. Notwithstanding the uncertainty in the oil and gas industry, we are continuously evolving and adapting to changed realities. While we continue to remain focused on operational excellence as an immediate goal, we are also building the ONGC of tomorrow that is resilient, agile and adaptable.

Recognizing the importance of Environmental, Social and Governance (ESG) aspects, we have achieved substantial progress in reducing emissions. Integrating sustainable practices into our operations have enabled us to lower our Scope-1 and Scope-2 emissions by 17% in last five years. In FY'23, your Company has reduced its emissions by 2.66% to 8.89 MMTCO_{2e}, from 9.14 MMTCO_{2e} in FY'22. We have set goals to achieve Net-Zero emissions for Scope-1 and Scope-2 by 2038.

Your Company is charting a roadmap for opportunities in renewable energy and low-carbon sectors. It is planning to scale up its renewable portfolio to 10 GW by 2030. We are committed to spend around ₹1 trillion by the end of this decade, on our multiple green initiatives. We are also actively exploring collaborations with leading players in the energy space on various low carbon energy opportunities including renewables, green hydrogen, green ammonia and other derivatives of green hydrogen

Energy Transition is a reality. However, cleaner fuels like natural gas will continue to play an important role for balancing variable renewable energy at scale, while reducing carbon emissions in the short term.

Petrochemicals demand is expected to remain strong and will continue to be a key driver of oil and gas demand in the future. With this objective, ONGC is collaborating with other entities to explore opportunities in the Oil to Chemical (O2C), refining, and petrochemicals. We are also planning to set up two greenfield O2C plants in India.

In our core Exploration & Production (E&P) business, we have significantly increased our efforts in the exploration and development of Indian sedimentary basins. India's basins are under-explored and offer significant opportunities. Under our 'Future Exploration Strategy', your Company

has set up an ambitious target to bring 500,000 sq. km of area under active exploration by 2025. A total of 809 LKM of 2D and 13,696 SKM of 3D seismic has been acquired in FY'23.

The Government of India has entrusted your Company to spearhead the efforts to expand the exploration acreage. A total of 70,000 LKM of state-of-the-art 2D high-fidelity broadband seismic data (API) was planned to be acquired in three sectors namely West Coast, East Coast and Andaman offshore which was subsequently revised to 82,353 LKM. During FY'23, a total of 65,271 LKM of 2D seismic data was acquired by us, which is 80% of the revised target.

Your Company is also creating a commercial play in newer and frontier areas to consolidate and realize reserves from unconventional reservoirs. We completed the drilling of 4 HPHT wells, spread over KG Basin (2 wells) and Mumbai Offshore (2 wells) and another 3 wells with Basement Play as an objective – one each in Cambay Basin, Assam Shelf and Mumbai Offshore. Of these, 3 wells bore hydrocarbons.

Over the past three years, pandemic and geopolitical crisis presented formidable hurdles, disrupted global supply chains and also slowed down our project execution. Despite the challenges, our flagship project KG-DWN-98/2 Cluster-II is progressing well. 'U' Field of this project has been fully monetized and oil production from 'M' field shall commence in the current fiscal.

ONGC's iconic 'Sagar Samrat' has been re-dedicated to the nation as Mobile Offshore Production Unit. It is expected to increase ONGC's oil production by 6,000 barrels per day over the next few years.

Hydrocarbon exploration is becoming increasingly challenging, with associated cost expected to go up. Leveraging the latest technologies and equipment is crucial for efficient operations. Your Company is upgrading itself to state-of-the-art level to stay ahead.

For robust growth in future, we are focusing on three key areas: Deepwater exploration, early monetization through faster project execution and enhancing production through IOR/EOR techniques. We have continued our stable CAPEX program and invested over ₹30,000 crore during FY'23. In this period, 5 major projects with an

investment of ₹8,118 crore were completed. During FY'23, five major projects have been approved with total cost of around ₹13,500 crore with envisaged life cycle gain of 27.64 MMTOE of oil and gas. As on 31 March 2023, twenty four major projects of over ₹100 crore were under implementation with a total cost of around ₹61,352 crore and envisaged lifecycle gain of ~94 MMTOE.

Our standalone crude oil production for FY'23 was 19.584 MMT, while standalone gas production was 20.628 BCM, as against 19.545 MMT and 20.907 BCM respectively in FY'22. ONGC's overall oil and gas production, including joint ventures, stood at 42.836 MMTOE, slightly lower than the previous fiscal year's 43.387 MMTOE. Additionally, our Value Added Products (VAPs) production in FY'23 was 2.598 MMT, compared to 3.089 MMT in FY'22.

In terms of financial performance, your Company logged a gross revenue of ₹1,55,517 crore in FY'23 against ₹1,10,345 crore in FY'22, registering an increase of 41%. The Company realized USD 91.90/bbl for crude sold in the domestic market in FY'23, compared to USD 76.62/bbl (FY'22).

During FY'23, we attained highest-ever standalone Profit before Tax (PBT) of ₹50,395 crore against ₹41,040 crore (FY'22) and Profit after Tax (PAT) of ₹38,829 crore as against ₹40,306 crore (FY'22). The PAT would have been higher but we have made a provision of ₹12,107 crore during Q4 of FY'23 on account of disputed ST/GST on royalty as a prudent accounting measure. However, the Company shall continue to contest such disputed matters before various forums. At the group level, we achieved an impressive revenue from operations of ₹6,84,829 crore and profit after tax of ₹32,777 crore.

The total dividend for FY'23 would be 225% (₹11.25 per share of face value ₹5) with total pay-out of ₹14,153 crore and pay-out ratio of 36.45%, which is one of the best in the industry. It is another testament of our sound business fundamentals, prudent capital management and deep investor friendliness.

FY'23 witnessed impressive performance in our core E&P business, with positive reserve replacement and significant discoveries. Your Company notified 8 new hydrocarbon discoveries, including first prospect discovery 'Amrit' in OALP Block MB-OSHP-2017/1 awarded under OALP-I bid round in Mumbai. Reserve accretion in terms of 2P

from ONGC-operated areas in India stood at 40.62 MMTOE.

Our Subsidiaries and Joint Ventures provide hedge against volatility in the energy industry and give stability to the ONGC Group. On consolidated basis, ONGC Group delivered a resilient performance in FY23, with 1,221 MMT of 2P reserves, 53 MMT of oil and gas production and 36.23 MMT of refinery output.

ONGC Videsh Limited (OVL), the overseas arm of your Company, holds immense significance, not only for the Company's long-term growth strategy but also for expanding influence of sovereign energy diplomacy. Today, ONGC Videsh is present in 15 countries across 32 projects of which 14 are producing properties. Some major highlights include a notable increase in production in the CPO-5 Block in Colombia, reaching joint venture production levels of 19,000 BOPD by the end of FY'23.

In FY'23, OVL production was impacted by several factors like force majeure in Sakhalin-1 project, FPSO shutdown in BC-10 and heavy floods in GPOC, South Sudan. Despite challenges, OVL delivered a healthy performance, producing 10.171 MMTOE vs 12.330 MMTOE in FY'22. The production is expected to increase in the current fiscal year. Gross consolidated revenue for FY'23 was ₹11,676 crore (against ₹17,322 crore during FY'22) and the PAT (attributable to owners) was ₹1,700 crore during FY'23 as against ₹1,589 crore during FY'22.

HPCL, another Maharatna subsidiary of your Company, registered a stellar Y-o-Y growth, posting highest-ever sales in all three major products – petrol, diesel and LPG. It achieved highest-ever sales volume of 43.45 MMT compared to previous year's sales of 39.14 MMT. Refining throughput increased by 36.7% to 19.09 MMT in FY'23 from 13.97 MMT (FY'22). Gross Refinery Margin (GRM) was USD 12.09/bbl against USD 7.19/bbl (FY'22). Due to exceptionally high international oil prices along with suppressed marketing margins during the year, HPCL recorded a loss of ₹8,974 crore. Revenue from operations was ₹4,66,192 crore as compared to ₹3,73,897 crore.

MRPL remains one of the most operationally efficient refineries in the country, capable to process a wide range of crude grades. MRPL showcased an impressive and sustained performance with



standalone turnover of ₹1,24,736 crore (₹86,094 crore in FY'22) and recorded profit of ₹2,638 crore during FY'23 versus profit of ₹2,955 crore (FY'22). Refining net throughput of MRPL during FY'23 increased 13.8% to 17.14 MMT against 15.05 MMT during FY'22. Gross Refinery Margin (GRM) for MRPL was USD 9.88 /bbl against USD 8.60/bbl (FY'22).

Your Company places utmost importance on Health, Safety and Environment management (HSE), ensuring the well-being of people and the environment. In May 2022, we launched Project 'Parivartan', to strengthen our safety culture and effectively pursue strategic HSE goals, further emphasizing our commitment to a safe and sustainable operating environment.

Our HR vision is to build and nurture world class human capital for leadership in energy business. Employees are our most valuable resource for driving excellence. ONGC was again recognized as one of the best employers in India among other nation-builders by Great Place to Work (GPTW).

Dedication to the Nation goes beyond mere profitability and expansion. Through CSR initiatives, your Company contributed for sustainable development of remote areas of the country. In FY'23, we exceeded our CSR charter by spending ₹476 crore with significant focus on healthcare and education.

Your Company is committed to conduct its business in a legal, ethical and transparent manner, observing the highest corporate governance standards. Corporate Governance Report forms part of Annual Report and details out governance practices along with Certificate of Compliance of Conditions of Corporate Governance.

While our operational and financial metrics

have been robust, we are committed to further strengthen them. We have recently undertaken organization-wide initiatives to make our processes more agile, decentralized and efficient. Your Company recognizes the key role of technology and digitalization as enablers to become future-ready. We have initiated several business process improvement initiatives in FY'23 including SCADA Upgrade Project and Common Analytics Platform. ONGC's ICE and SAP systems were successfully upgraded and moved to SAP-S/4 HANA digital platform.

I express my sincere gratitude to all our stakeholders for their invaluable contributions to our Company's success. I acknowledge the significant role played by our Board, customers, business partners, investors, regulators, and all others who have placed their faith in us. I register my deepest admiration for our employees, who have demonstrated unwavering dedication, resilience and fearlessness during these challenging times.

I sincerely express my heartfelt gratitude to Government of India, especially our administrative Ministry of Petroleum and Natural Gas for their invaluable strategic guidance and steadfast support.

On behalf of our entire team, I thank you, all our shareholders, for their continued guidance and support. I am sure that this lasting association will continue to gain strength and remain an invaluable asset for years to come.

Jai Hind!

Sd/-
Arun Kumar Singh
Chairman & CEO





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



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

Carbon Neutrality

- Strive to reduce CO₂ emissions across its activity chain with the objective of achieving carbon neutrality

