India's energy anchor

ONGC

ONGC ENERGY OF INDIA

Management Discussion & Analysis Report

Corporate Governance Report

Auditor's Certificate On Corporate Governance

A Group Gathering Station : Enhancing production

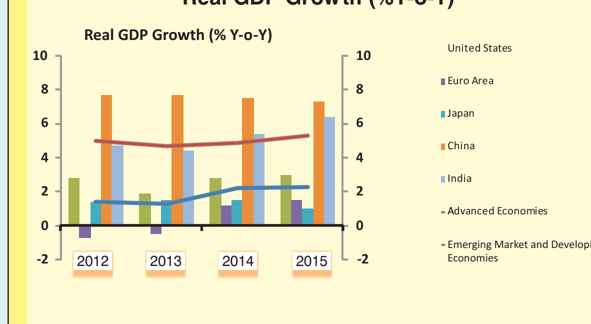
Management Discussion and Analysis Report

1. Global Economy

2013, globally, was a year of recovery, consolidation and fundamental resilience. The year and the early part of 2014 leading upto the first calendar quarter was marked by decidedly distinctive patterns of economic growth across the major economic blocks of the globe that contrasted with the growth trajectories observed in 2012 and early 2013.

If the world economy post-2008 right until 2012 was largely characterized by the robust growth in the emerging economies, achieved in an environment of economic rehabilitation in the more advanced countries, then 2013 marked the re-emergence of the high-income or developed economies as significant contributors to global growth and the recalibration of growth prospects of the emerging or developing economies to more realistic levels.

Real GDP Growth (%Y-o-Y)



The US and the Eurozone provided significant impetus to the global economy on the back of domestic demand, improved labour market conditions and favourable market policies as post-crisis remedial interventions made their impact on economic health. The global economy grew at a rate of 3 percent in 2013 backed by a stronger half growth at 3⅔ percent with much of the pickup, as already mentioned, being accounted for by advanced economies especially US whose economy grew 3¼ percent in the second half of 2013.

In contrast, the economic engines of countries like China and India decelerated, to an extent, on account of reshuffling of economic priorities, for the former, and domestic capacity constraints and an unflattering investment outlook which led to capital flight, for the latter. In emerging markets and developing economies growth for 2013 was flat at 4.7 percent, marking the second straight year of sub-5 percent growth. (Reference: IMF World Economic Outlook April 2014;World Bank Global Economic Prospect June 2014)

Looking ahead, global growth is projected to strengthen from 3 percent in 2013 to 3.6 percent in 2014 and 3.9 percent in 2015. In advanced economies, growth is expected to increase to about 2¼ percent in 2014–15, an improvement of about 1 percentage point compared with 2013 – with the US, EU and Japan set to expand in sync for the first time since 2010. (Reference: IMF World Economic Outlook April 2014)

Despite their relatively less buoyant and flatter growth profiles compared to the boom years, the emerging markets will continue to be the mainstay in terms of contributing to absolute growth and one of the critical indicators of global economic health. Growth in emerging markets and developing economies is projected to pick up gradually from 4.7 percent in 2013 to about 5 percent in 2014 and 5¼ percent in 2015, with growth in emerging Asia remaining the most robust.

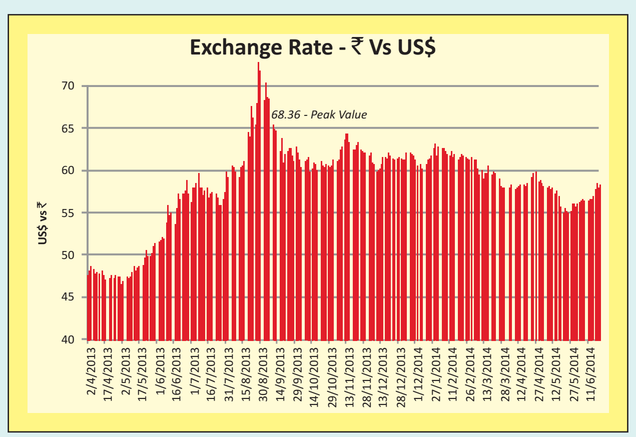
In China, growth is projected to remain at about 7½ percent in 2014 as the authorities seek to rein in credit and advance reforms while ensuring a gradual transition to a more balanced and sustainable growth path. China has been the lodestar for the global economy for the better part of the last decade; however, as we enter a period of more circumspect, conservative and internally-oriented (private led consumption instead of state-backed investment) Chinese economic growth, the outlook for Asian regional markets, and the world, by extension is likely to be less-exuberant than it would have been with a China on surge.(Reference: IMF World Economic Outlook April 2014)

India, for the second successive year, registered a below 5 percent GDP growth rate at 4.7 percent in 2013 – just a marginal improvement over the decadal low growth rate of 4.5 percent from the previous year. Decelerating growth compounded further by a depreciating rupee and acute inflationary pressures have combined to make the country's fiscal deficit situation a matter of serious concern. Since falling to an all-time low of 68.36 against the US dollar on August 28, 2013 the rupee has, in recent times, retraced to more manageable levels (at ₹ 60.12/USD on June 18, 2014) – but the currency is far from trading in a stable range as global macroeconomic climate, especially the fiscal and policy situation in the US is still discovering its right dynamic and balance.

Although the weak currency did benefit exporters, it was not enough to lift the overall economy. Also, the country's increasing reliance on energy imports, particularly crude oil, for its domestic energy needs has widened the current account deficit. However, the growth is expected to rise in the next couple of years; 5.4 percent in 2014 and 6.4 percent in 2015 – spurred by the rise in global demand, improvement in domestic consumption and a greater thrust on reforming and rejuvenating the country's business and economic parameters after two sub-optimal years. (Reference: www.rbi.gov.in, IMF World Economic Outlook April 2014)

Latin America and Caribbean is expected to register only moderate economic activity as GDP is anticipated to weaken to 2.5 percent in 2014 from an already subdued growth rate of 2.7 percent in 2013 before recovering to close to 3 percent growth in 2015. In the Middle East and North Africa, regional growth is projected to rise moderately in 2014–15. Most of the recovery is due to the oil-exporting economies, where high public spending contributes to buoyant non-oil activity in some economies and oil supply difficulties are expected to be partly alleviated in others. Near-term and medium term outlook for most of Russia and the CIS region has been dented by the strong geopolitical ramifications which were the results of the Russia-Ukraine stand-off over the annexation of Crimean region by the former.(Reference: IMF World Economic Outlook April 2014)

The emerging market economies have also suffered from the gradual normalization of monetary policies– most notably the easing of US $85 billion a month bond buying program in the US –and the waning of the recessionary strains in the developed markets. This has contributed to increased investor restraint in terms



of capital inflows to the developing markets as developed markets, as they get on a more assured recovery path, offer the investment community the comfort of reasonable returns in markets that are more business-friendly and have greater political stability.

Despite the identifiable contrasts in fortunes of the developed and emerging block of economies fortunes, the overall global economy appeared to be on a surer footing as 2013 ended. But the optimism that the economic revival of 2013 fostered was quickly weighed down by the Crimean crisis and then the civilian crisis in Iraq, both of which are ongoing concerns in the global arena. These events ensured the presence of strong countervailing geopolitical and regional forces which have resulted in a bumpy ride for the economy in 2014.

So, global economic conditions, while looking healthier on a more broad-based mend, courtesy the resurgence of the developed economies, will have to continue to contend with uncertainties and upheavals of many different stripes. Also, the flagging growth rates accompanied by the dampened investment climates in the emerging economies, which still are responsible for more than two-thirds of global growth, continue to weigh the future outlook down with a fair degree of uncertainty. As it stands, the road to complete recovery may be a more protracted one than may currently seem.

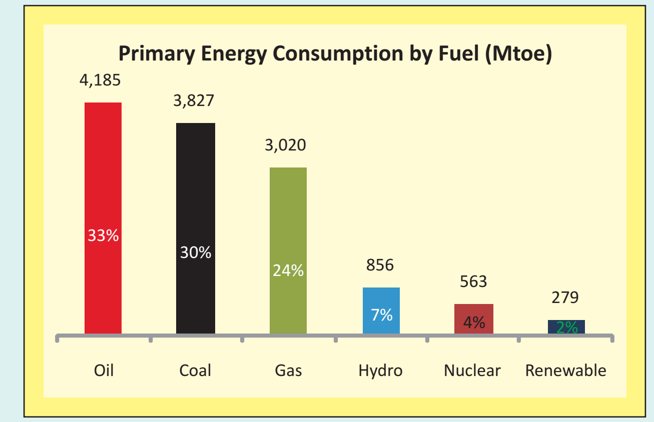
2. Global Energy Landscape:

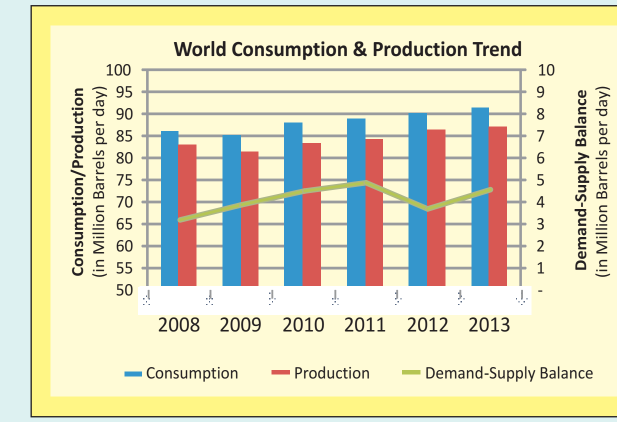
The global energy landscape too has developed its own distinctive strains to keep in step with the evolving patterns of overall economic growth. Emerging supply trends, growing centers of demand, technological revolution and ever-shifting geopolitical strains have come to define and even affect the energy landscape of 2013 and 2014. The industry has entered a period of increased dynamism even as energy consumption and production appear comfortably balanced, and average crude prices continue to settle sufficiently stably well over the high floor level of $100/bbl, supported mostly by geopolitical flare-ups, thus providing increased incentives for oil & gas companies across the world to bring more volumes to the global energy basket.

Primary Energy

Global primary energy consumption increased by 2.3% in 2013, an increase of 1.8% over 2012.Emerging economies accounted for 80% of the global increase in energy consumption – even though consumption growth in these countries was below average 3.1%. OECD consumption rose by an above-average 1.2%. Robust US growth (+2.9%) accounted for all of the net increase in the OECD and consumption in the EU and Japan fell by 0.3% and 0.6%, respectively. Natural gas, coal, and oil combined to meet 87 percent of global primary energy demand. Global gas demand grew less last year than did demand for competing fuels: it was up just 1.4% from 2012, while oil demand rose 1.4%, coal was up 3% and renewables were up more than 4%.

(Reference: BP Statistical Review of World Energy 2014)



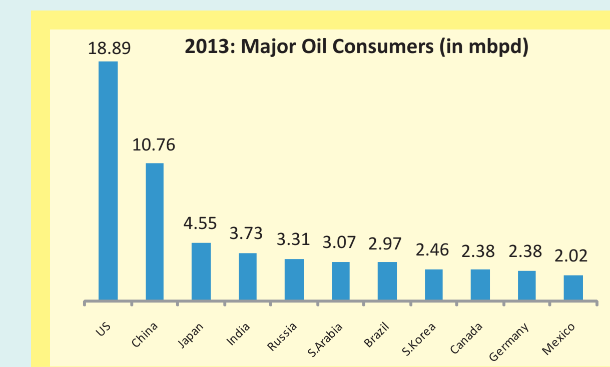


Supported by the now-unsurprising sizeable energy needs of the emerging block of economies and the steady improvement of macroeconomic conditions in key economic nerve centers of the OECD countries, world primary energy consumption picked up healthily in 2013, registering a growth of 2.3 percent over 2012, higher than the 1.8 percent increase in 2012, but below the 10-year average of 2.5 percent. However, despite the slight pickup in demand for the block of developed countries in the west notwithstanding, the locus of energy demand has decisively shifted eastward already with China as the world's largest energy consumer, ahead of the US. The surge in demand from China is followed in tandem by the likes of India, Japan, South Korea and Indonesia. The Middle-East, the traditional powerhouse and hub for global oil supply, has also experienced a significant rise in its domestic energy requirements.

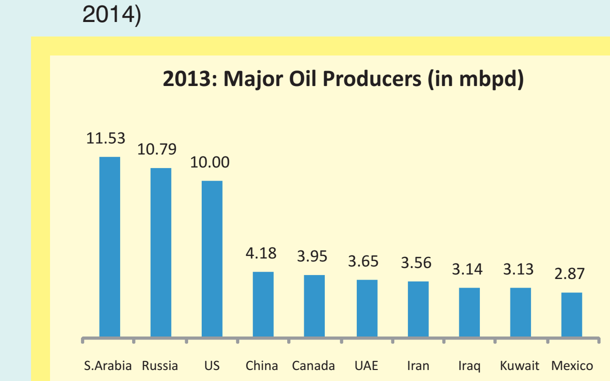
Global Oil Consumption and Production:

Global oil consumption grew by 1.4 million barrels per day, or 1.4% – this is just above the historical average. Countries outside the OECD now account for the majority (51%) of global oil consumption and they once again accounted for all of the net growth in global consumption. China's net imports of oil totalled 7 million barrels per day in 2013 - the largest net imports in the world, surpassing that of the United States. OECD consumption declined by 0.4%. The US (+400,000 bpd) recorded the largest increment to global oil consumption in 2013, outpacing Chinese growth (+390,000 bpd) for the first time since 1999.

Global oil production did not keep pace with the growth in global consumption, rising by just 560,000 b/d or 0.6%. The US accounted for nearly all (96%) of the non-OPEC output increase of 1.2 million b/d (the strongest since 2002). Non-OPEC reached a record 50 million b/d. Increases in Canada (+210,000 bpd) and Russia (+150,000 bpd) were other notable increases while Syria, the UK, Norway and Australia registered declines. OPEC output fell by 600,000 bpd, the first decline since 2009. Declines in Libya (-520,000 bpd), Iran (-190,000 bpd), Saudi Arabia (-110,000 bpd) and Nigeria (-100,000 bpd) outweighed an increase in the UAE (+250,000 bpd).



(Reference: BP Statistical Review of World Energy 2014)

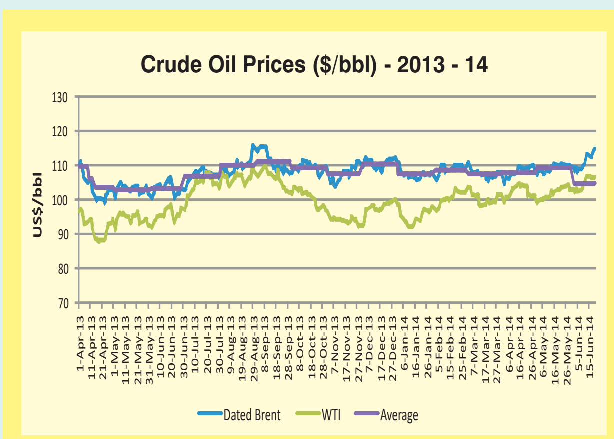


(Reference: BP Statistical Review of World Energy 2014)

But this era of consistent and substantial growth in energy demand is also one of robust energy supplies. And on the supply front, there is none more compelling a development than the remarkable revolution in the North American supply landscape brought on by the surge of unconventional oil and gas supplies in the US. And growing North American hydrocarbon output, in a period of gradually weakening or flattening local demand, is indicative of the possibility of strong exports from the region as well, for which action is already underway in the form of LNG export hubs in the US. Once realised, energy supplies from the continent has the potential to redefine, or even significantly alter, the global energy commodity flows.

Global Crude Prices

Dated Brent averaged $108.66 per barrel in 2013, a decline of $3.01 per barrel from the 2012 level. But they are likely to edge higher in 2014 as reported record-high levels of Chinese crude oil imports in recent



months, the ongoing tensions in Libya and Ukraine have exerted an upward pressure on Brent Crude prices. But it is the eruption of sectarian violence in OPEC's second largest producer, Iraq, which poses the most serious threat to the stability of global crude prices in 2014 as Brent prices hovered around nine-month high levels post the start of the turmoil in the Gulf nation. Although prices since then have weakened, the threat of sudden spikes remains in the system as the situation continues to remain uncomfortably unpredictable with no foreseeable resolution in the offing.

WTI, in 2013, continued to trade at a large discount to Brent ($10.67 per barrel), driven by growing US production. However, the discount of WTI crude oil to Brent crude oil, which averaged more than $13/bbl from November 2013 through January 2014, has since fallen to $7/bbl in May on the back of January 2014 start-up of Trans Canada's Marketlink pipeline, moving crude oil from Cushing to the Gulf Coast, strong refinery runs and continual declines in the storage hub at Cushing.

(Reference: BP Statistical Review of World Energy 2014)

The North American unconventional story is expected to remain strong and booming right through till 2020, beyond which, however, the tight oil supplies are expected to plateau. OPEC, meanwhile, will continue to remain a fundamental constituent of the global energy matrix with its abundant reserves of cheap conventional energy. Production from Iraq, currently at around 3.4 mbpd, is estimated to increase to as much as 8.4 mbpd in 2018 further reinforcing the cartel's industry reputation as the 'swing producer' the responsibility of which is now borne singly by the oil-rich kingdom of Saudi Arabia.

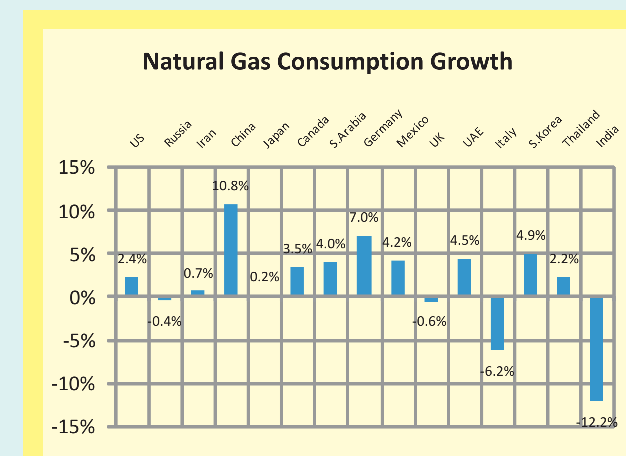
Coming to global oil supplies, energy markets currently look well supplied with liquids despite an anticipated rise of oil demand to 91 mbpd in 2014 from 89 mbpd in 2013. However, the fact that some of major producers of the world – Iran, Syria, Libya, Nigeria and, recently, Iraq – are also hotbeds of geopolitical instability and civilian turmoil, there is a constant downside risk to the global supply outlook. The tensions associated with these potential supply choke-points exert a strong upward pressure on crude prices. This was amply evident in Iraq as crude breached $115 per barrel cued by the militant operations of Islamic State of Syria and Iraq (ISIS) anti-state group that posed threats to the country's energy infrastructure despite higher production in North America (US & Canada). On the other hand, the North American oil production, along with other high cost supply sources, has provided a price floor for global oil prices and has simultaneously prevented oil prices from rising sharply when there are supply curtailments from other producers – for example, the removal of large supply volumes from Iran post. (Reference: Wood Mackenzie Energy View to 2030)

As fields begin to re-emerge after months of production shutdown due to civilian violence, there is a slight recovery in Libyan output from a low of 250,000 bpd but numbers continue to remain below the peak levels of 1.6 mbpd and production is still highly susceptible to disruptions. Syrian volumes continue to remain at historically low levels under 30,000 bpd as the ongoing political crisis takes its toll. However, supplies from Iran, which were constrained at 1 mbpd as a result of the Western sanctions, are now expected to rise and gradually ease into global markets as relations between the country and the western block of nations, led by the US, have improved reasonably as a result of their ongoing negotiations.(Reference: EIA Short Term Energy Outlook, June 10 2014)

Global Natural Gas Consumption and Production

Natural gas registered a relative slowdown in growth in 2013, growing at 1.4 percent, below the historical average of 2.6 percent, and accounted for 23.7 percent of world primary energy use in 2013. The slowdown can be attributed to the surge in demand for coal in the power generation sector of European and Asian economies. Essentially, in 2013, coal's cost competitiveness in a period of rising gas prices in the global gas market have trumped the environmental benefits associated with natural gas.

Growth was below average in all regions except Europe and Eurasia. The US (+1.3%)remained the world's leading producer, but both Russia (+2.4%) and China (+9.5%) recorded larger growth increments in 2013. Nigeria (-16.4%), India(-16.3%), and Norway (-5%) recorded the largest volumetric declines.



Consumption growth was above average in the OECD countries (+1.8%) and below average outside the OECD (+1.1%). China (+10.8%) and the US (+2.4%) recorded the largest growth increments in the world, together accounting for 81% of global growth. India (-12.2%) recorded the largest volumetric decline in the world, while EU gas consumption fell to the lowest level since 1999. Global natural gas production grew by 1.1%, which was well below the 10-year average of 2.6%. Growth was below average in all regions except Europe and Eurasia. The US (+1.3%) remained the world's leading producer, but both Russia (+2.4%) and China (+9.5%) recorded larger growth increments in 2013. Nigeria (-16.4%), India (-16.3%), and Norway (-5%) recorded the largest volumetric declines.

(Reference: BP Statistical Review of World Energy 2014)

With growing global consensus, among world leaders, environmentalists and consumers alike, and emphasis on shifting consumption to cleaner energy forms,natural gas, with its cleaner energy profile relative to coal and crude oil, has found just the right context for growth as a 'bridge fuel' in the interim before the world eventually manages its transition to green energy. And, with no immediate sight of commercially scalable renewable energy solutions and alternative sources like nuclear energy still vulnerable to widespread public or governmental aversion (or both), this 'interim period' could well turn out to be an 'era' in itself for natural gas. Besides, the huge impact of shale gas in the Northern Atlantic region on the back of which the US is estimated to become 'energy-independent' by 2018 and the continuing discoveries of huge reserves in recent times – be it the Sichuan Basin of China, Rovuma Offshore fields of Mozambique or Israel's Leviathan field –make gas an exciting and extremely vital energy proposition for the future. Of the new discoveries made in the last decade, gas accounted for 55 percent of the total number of finds. Global natural gas demand will reach 4,600 bcm in 2030, making gas the fastest-growing of the conventional hydrocarbon fuels. (Reference: Wood Mackenzie Energy View to 2030)

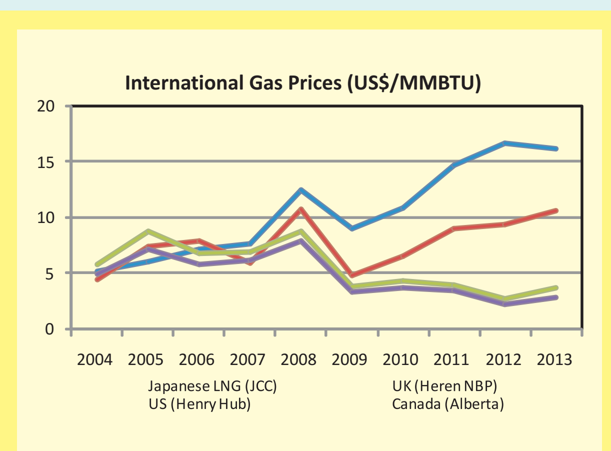
In further extending gas' reach and penetration across the map, the global Liquefied Natural Gas (LNG) industry has played a pivotal role and its participation in the global gas trade is only set to intensify with the advent of Australian and American LNG exports – LNG's share of global gas trade is expected to grow from 31.4 percent in 2013 to over 46 percent by 2035. (Reference: BP Energy Outlook 2035, January 2014)

The remarkable growth of gas has also threatened to upend the domain of gas price as suppliers come under increasing pressure to respond to market realities and eliminate oil-indexation in gas contracts. The prospect of plentiful gas supplies in the form of LNG, especially American supplies indexed to Henry Hub prices, has now placed importers in an advantageous position. The current tightness in the LNG markets is expected to eventually give way to more of a buyer's market in the long run as installed capacity looks all set to outweigh demand by as much as 9 MMT in 2015; this figure will balloon to 128 MMT by the end of the decade in 2020. Oil, which sold for as little as $10 a barrel in the 1990s, when some current contracts were agreed, now costs over $100 per barrel, while gas has come under downward pressure, not least from the development of shale gas in North America. (Reference: FG Energy, NY Times Special Report in Energy)

The significance and stature of gas in the global energy narrative has been, in recent memory, further amplified by the Ukraine-Russia standoff over the annexation of Crimea and the landmark 30 year gas deal that China signed with Russian gas major Gazprom.

Natural Gas Trade and Prices

Global natural gas trade grew by 1.8% in 2013, well below the historical average of 5.2%. Pipeline shipments grew by 2.3%, driven by a 12% increase in net Russian exports, which offset declines in Algeria (-17.9%), Norway (-4.5%) and Canada (-5.5%). Among importers, growth in Germany (+14%) and China (+32.4%) more than offset a continued decline in the US (-10.9%). Global LNG trade rebounded by 0.6% in 2013. However, LNG's share of the global natural gas trade declined slightly in 2013 to 31.4 percent as LNG trade grew by just 1.8 percent, below the historical average of 5.2 percent. Increased imports in South Korea (+10.7%), China (+22.9%), and South and Central American importers (+44.7%) were partially offset by lower imports in Spain (-35.6%), the UK (-31.9%) and France (-19.4%). Qatar remained the largest LNG exporter (32% of global exports), and accounted for the largest growth increment (+2.7%). LNG's share of global gas trade declined slightly to 31.4% – and international natural gas trade accounted for 30.9% of global consumption.



Natural gas prices at Henry Hub in 2013 averaged $3.71/mmBtu, increasing by close to 35 percent over 2012 prices. This spike in prices, actually, was more a rationalisation of the unsustainably low gas prices of 2012 which forced operators to move away from dry gas drilling than a worrying precursor to a trend of swift increase in gas prices in the US. Average UK NBP spot gas prices for 2013 were $10.63/mmBtu, rising by 12.36 percent over 2012 prices. This was largely due to an unusually cold weather in early 2013. Japanese LNG prices, for the first time in the last 4 years, registered a drop (3.46% over 2012), averaging $16.17/mmBtu in 2013.

(Reference: BP Statistical Review of World Energy 2014)

The Crimean crisis which started off as a show of Russian muscle-flexing in its 'near-abroad' soon escalated to a full-blown geopolitical standoff encompassing the EU and the US by virtue of the European region's extreme dependence on Russian gas imports of which Ukraine is a major conduit. In 2013, Russia supplied a third of Europe's gas requirements, half of which was transited via Ukraine. Russia, too, is majorly dependent on European export revenues - the 6.6% rise in total Russian gas exports (pipeline and LNG) in 2013 to 234 bcm was largely driven by a significant rise in Russian pipeline exports to Europe. (Reference: IHS Energy)

If the Crimean crisis has helped reinforce the criticality of existing relationships and arrangements in the ever-evolving spectrum of energy security, the 30 year $400 billion gas deal between China and Russia, two behemoths of the global energy order, is a watershed event in the current era of energy diplomacy and will most certainly introduce radically new strains in the global energy narrative. The deal is a key enabler for China in terms of its goal to increase the share of natural gas in the domestic energy mix. For Russia, this is part of its overall economic and geopolitical 'Pivot to the East' strategy which is aimed at mitigating the country's historically high degree of reliance on Western markets.

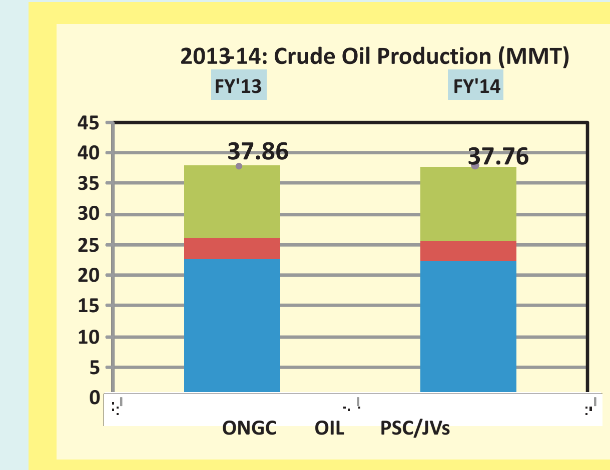
The current period in the oil & gas sector is also witness to a curious dichotomy. Most of the oil & gas projects with meaningful reserves come saddled with high break-evens and a massive capital expenditure regime. While the current reality of sufficiently high global energy prices does support these promising capital-intensive projects, investors have also become more vocal in their demands for greater economic recovery and they want to see upstream companies return more cash to the shareholders, in a clear espousal of a new mantra – "Value over Volume". In such a conflicting scenario, developments of new finds suffer as returns from frontier exploration (13%) have lagged those from mature (16%) and emerging basins (15%) over the past five years. In response, major oil companies are curtailing their spending growth.Investor wariness aside, spiralling costs, in combination with operational complexities, have threatened to derail some of the most talked-about projects of recent times – be it the huge Kashagan fields in Kazakhstan or the massive Gorgon LNG project in Australia.

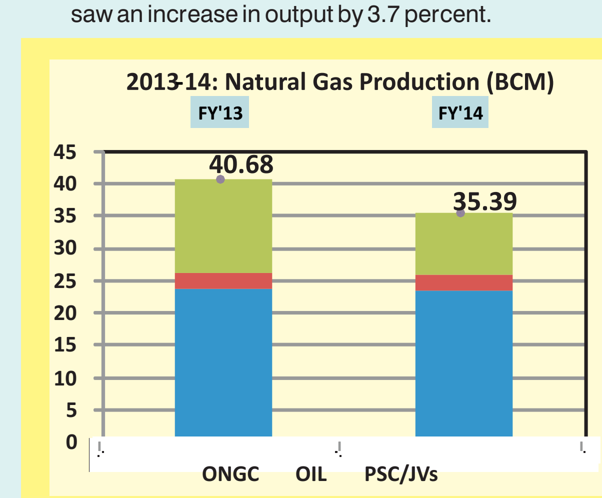
The mining industry, overall, is struggling with high costs. The shift from volume to value means a rebalancing towards a supply outlook more appropriate to a world in which demand growth, while still remarkable in the context of history, is somewhat softer than was expected only a few years ago. Needless to say, cost pressures will remain at the forefront of executive concerns. However the expansion of developing markets, the impact of new techniques and technology on the supply mix, and the increasingly interconnected character of global energy trade provide an endless spread of opportunities for growth over the long term.

3. **India: Oil & Gas Industry**

Crude Oil & Natural Gas production

Crude oil production in FY'2013-14 has remained almost flat at 37.77 million metric tonnes (MMT) compared to 37.86 MMT of the previous financial year on a sectoral basis. While there was a drop in production due to the natural decline of the matured fields, from which the majority of the output accrues, that ONGC and Oil India Limited (OIL) operate, production from Pvt Companies/PSC Joint Ventures saw an increase in output by 3.7 percent.

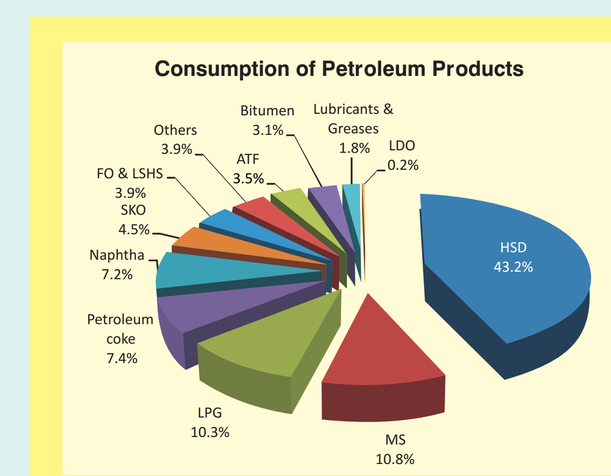




Natural Gas output in FY'2013-14 was 35.39 billion cubic metres (BCM), a 13 percent decrease from FY'2012-13 output of 40.68 BCM. Output of ONGC and OIL, compared to the previous fiscal, was largely flat, with volume decrements of 1.2 percent and 0.5 percent respectively, but significant fall in annual gas output from the East Coast field operated by a private consortium contributed to the shortfall in cumulative gas output of the country.

Consumption of Petroleum Products

With a total consumption of 158.20 MMT, the petroleum industry registered a volume growth of just 0.7 percent, the lowest it has grown for the past 12 years. Of the three sensitive petroleum products (products with price controls), only LPG registered a positive growth in consumption (+4.7 percent) while SKO consumption decreased by 4.5 percent and HSD plummeted by a percent over last year's volumes. It is the first time in 10 years that demand for the country's most consumed fuel has dropped. The drop could well be the combined effect of the periodic price hikes implemented by the government and the overall drop in activity of the industrial and commercial sector where its usage is the maximum, due to slowdown in



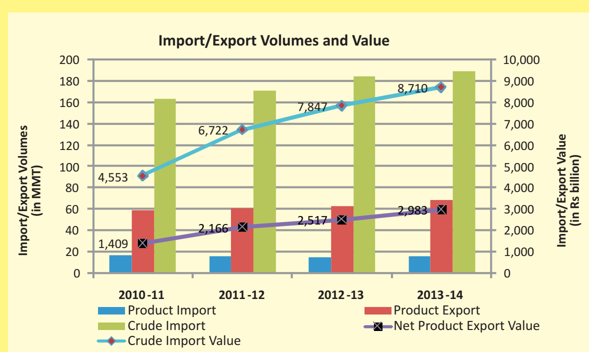
economic growth. However, Motor Spirit or petrol, a major decontrolled product and the primary fuel in the private automobile sector, managed a healthy increment of 8.8 percent in its total volumes over FY'2012-13.

Import and Export

Total crude oil import for FY'2013-14 was 189.24 MMT, rising by over 2 percentage points over FY'2012-13's volumes (184.79 MMT). This when combined with total products import of 16.72 MMT (+6.02 percent) and total products exports of 67.86 MMT (+7.01 percent) translates to net import volume of 138.1 MMT for FY' 2013-14.

Over the last five years (FY2008-09 to FY2013-14), product exports have grown from 38.94 MMT to 67.86 MMT (CAGR +11.78 percent) while product imports have come down from 18.59 MMT to 16.72 MMT (CAGR -2.10 percent).

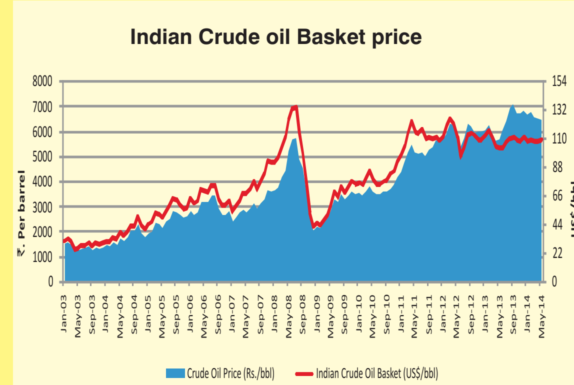
Net import bill for crude oil during FY'2013-14 was ₹8,710.16 billion (US$ 143.75 billion) against ₹7,846.52 billion (US$ 144.29 billion) of FY'2012-13 – an increase of 11 percent in terms of the Indian Rupee even as the dollar value of imports registered a



marginal decrease of 0.37 percent; this contrast in trends is basically the result of Rupee's steep slide against the US dollar in FY'2013-14 (from an average exchange rate of ₹54.45/US$ in FY'2012-13 the Indian currency depreciated by over 11 percent in FY'2013-14 to average ₹60.50 against the dollar).

Crude oil Price: Indian Basket

Crude oil price of the Indian basket averaged US$ 105.52 per barrel during FY'2013-14 compared to US$ 107.97 per barrel in the previous fiscal (FY'2012-13). Despite the drop in dollar value the steep depreciation of the rupee against the US



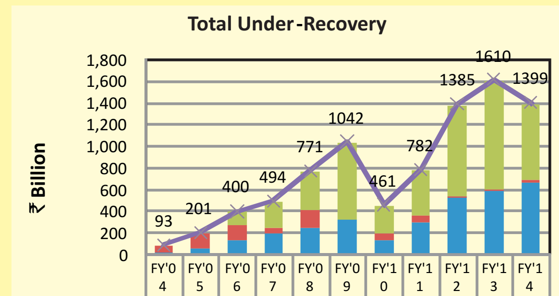
dollar ensured that value of the crude basket actually increased by 8.59 percent in rupee terms – ₹6383.96 in FY'2013-14 against ₹5878.97 in FY'2012-13. In fact, due to the depreciation of rupee value, crude currently, in rupee terms, is trading at a higher level as compared to the highest level of crude prices (in dollars) reached in July 2008 which was US$ 132.37/bbl.

In 2014, the crude oil prices have edged higher influenced by global geopolitical events, especially in Iraq and Ukraine. The international crude oil price of the Indian basket has averaged above $ 110 a barrel in the current financial year (till June 2014). Escalation in crude prices does not bode well for an energy-hungry import-dependent country like ours and can seriously compromise the delicate current account balance situation as well as the fiscal balance further.

Under Recoveries

The Government imposed price-control mechanism on specific petroleum products – High Speed Diesel (HSD), Liquefied Petroleum gas (LPG) & Superior Kerosene Oil (SKO) - has, over the last decade, resulted in mounting of severe under-recoveries for the OMCs, who retail these products,on non-realisation of Trade/Import Parity prices from their sale. And with the growing consumption of petroleum products in our country, the associated under-recoveries on the sale of the aforementioned sensitive products have grown exponentially– from ₹400 billion in FY'2005-06 under-recoveries has grown to ₹ 1,398.69 billion in the just concluded fiscal year 2013-14. However, what is encouraging is that the under-recoveries figure for last year has actually bucked the general trend with a 13 percent drop over the value for total under-recoveries in FY'2012-13 which was ₹1610.29 billion - this can be construed as the result of the Government's decision to initiate phased-deregulation of diesel, the most consumed fuel in the country, from early 2013.

Furthermore, to mitigate the impact of this on the OMCs, the total under-recoveries are shared primarily amongst the Upstream Companies and the



	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14
Govt.	0	0	115	241	353	713	260	410	835	1000	708
OMCs	62	142	145	48	161	0	56	69	0	10	21
Upstream	31	59	140	205	257	329	144	303	550	600	670
Total	93	201	400	494	771	1042	461	782	1385	1610	1399

Government of India (GoI) while a small portion is borne by the OMCs. However, as under-recoveries have risen considerably over the past few years, this under-recoveries sharing mechanism has only managed to dent the profitability and investment outlook of all major public sector oil companies more than cushioning the impact of deficit cashflow on OMCs. In fact, ironically, the burden for sharing the under-recoveries has only increased for the upstream companies in FY'2013-14 compared to the previous year even while total under-recoveries registered a dip– to ₹670 billion (out of ₹1398.69 billion or 47.9 percent of total) in FY'2013-14 from ₹601 billion (out of ₹1,610.29 billion or 37.3 percent of total)in FY'2012-13. The Government's contribution to sharing of under-recoveries for FY'2013-14 was ₹708 billion (or 50.61 percent of total under-recoveries compared to ₹1000 billion and 62.1 percent of the total in FY'2012-13) and OMC's contribution was ₹21 billion (or 1.48percent of total compared to ₹10 billion and 0.64 percent of total in FY'2012-13).

ONGC shared ₹563.84 billion towards the reported under-recoveries of OMCs in FY'2013-14 as per Government of India (GoI) instructions – an increase of 14.1 percent over its share in FY'2012-13 (₹494.21 billion). This translates to 40.31 percent of the total under-recoveries and 84.15 percent of the share for upstream companies.

The average gross price for ONGC's crude oil during FY'2013-14 has been US$ 106.72/bbl compared to US$ 110.74 in FY'2012-13, drop of 3.63 percent. However, as per the Government instructions pertaining to the subsidy-sharing mechanism, ONGC offered an effective discount of US$65.75/bbl (US$ 62.89/bbl in FY'2012-13) to OMCs on the sale of crude oil. As such, net realized price for every barrel of crude sold in FY'2013-14 for ONGC has been US$ 40.97, a decrease of 14 percent compared to FY'2012-13 (US$ 47.85) – a situation where discount offered to OMCs has gone up although the average gross price for a barrel of ONGC crude oil has swung lower compared to the previous year.

Diesel Price decontrol

In such a mix of fortunes, the government's persistence with the periodic diesel price hikes with an eye on eventual decontrol of the fuel is highly encouraging. This welcome initiative should provide relief to oil companies in the long run while heralding an era of efficient demand management. A competitive pricing scenario will also increase operational efficiencies and incentivize oil companies to truly leverage the market forces and hone their core competitive strengths.

The initiative has already started easing the burden of under-recoveries, especially diesel under-recoveries, to a significant extent. Under-recovery on diesel was ₹6.52 per litre on April 1, 2013; this has come down to ₹1.62 per litre on June 30, 2014. OMCs, at the end of June 2014, were incurring daily under-recovery of ₹2.49 billion compared to about ₹3.49 billion at the start of April 2013, of on the sale of Diesel, PDS Kerosene and Domestic LPG. In addition to the price hikes, the fact that demand for diesel also decreased in 2013-14, for the first time in 10 years, also contributed to diesel's lower contribution to overall under-recoveries. Minus the price hikes to diesel, the total under-recoveries, otherwise, would have dealt a body blow not only to the financials of oil companies but also the government's plans to salvage the country's fiscal deficit and current account deficit situation. Besides, the hikes also send across the right signals to the global investment and energy community about the country's oil & gas sector which, lately, has suffered from a worrying dearth of external interest.

But, considering the seemingly inter-connected nature of the global oil & gas business, the plans to completely deregulate the fuel is also dependent upon the stability of the global crude prices, to which India's retail fuels are pegged. And there is also the issue of tackling the under-recoveries associated with LPG and SKO, which have until now not been accorded sufficient policy time and bandwidth due to the more pressing demands concerning diesel. However, with results of the diesel price hikes in tow, it is expected that the government will continue to espouse its current temperament on minimizing under-recoveries through effective policy decisions and interventions of the right kind. The management of the Company is in constant dialogue with the Government to reduce the pressure of under-recovery on your Company.

Revision of Gas Prices

As an ongoing issue of relevance to the oil & gas sector and the national economy at large, no other subject has raked up as much interest and attracted such widespread participation as the issue of 'gas pricing'. The exercise of the revision of domestic gas prices, which was initiated by the previous government with the expiration of the existing gas pricing policy within sight, under the Rangarajan Committee resulted in the unveiling of a new formula for gas pricing in the country. The formula that incorporated gas pricing elements of US Henry Hub (for North America), UK's National Balancing Point (for continental Europe) and Japan's Custom Cleared rate (on netback basis) as well as costs of Indian LNG imports under long-term contracts (with removal of charges such as transportation) envisages new gas prices that are representative of current market realities in global gas trade.

The implementation of the new gas price, which was set to come into effect from April 1 2014, however, has been deferred as the new government which assumed power at the Centre is keen on reassessing the legitimacy of the revised gas prices as well the potential ramifications of such a price hike on the other sectors of the economy.

Notwithstanding the final decision on the eventual gas price, a more accommodative gas pricing policy with linkages to open market prices will hugely facilitate the opening up the domestic gas market with build-up of necessary infrastructure. Significantly, it will also incentivize production from new gas finds the development costs of which have steadily increased over the years given that most of the promising finds of recent times, world over, are located in frontier areas. It will attract greater investment and participation from international players for bringing state-of-the-art technology to aid in the endeavours for exploration and development of the domestic gas assets.Such a pricing system can also prepare the industry to move away from the existing multiple pricing regimes before it actually transitions to a completely market-linked uniform pricing regime.

According to a recent report by US-based consultancy IHS, if rates are allowed to increase to $8.5/mmbtu from the existing rate of $4.2/mmbtu (for APM gas), as set out in the gas pricing reforms recommended by Rangarajan Committee, an additional output of 1.95 Bcf per day could come in 10 years. Without reforms, at current prices, the production will stagnate at 3 bcf per day and India will need to import around 9.7 bcf per day of LNG to meet demand.

Shale Gas Policy

Buoyed by the amazing unconventional revolution in the US shale industry, India, too, joined a host of countries in its bid to tap the rich unconventional resource base with declaration of the Shale Gas and Oil exploration policy in September 2013. According to US Energy Information Administration, India is estimated to hold as much 96 tcf of recoverable shale gas reserves, equivalent to about 26 years of the country's gas demand. Although potential production from these reserves is still some distance away due to the markedly different set of technologies and expertise that shale oil or gas demands compared to conventional oil and gas, the policy, nonetheless, marks a strong start to India's quest for unconventional hydrocarbons. The government's policy initially permits your Company and Oil India Ltd to explore shale resources from onland blocks that were allotted to them on a nomination basis before the advent of the New Exploration Licensing Policy in 1999 - under which exploration blocks are offered on a bidding basis. As per available data, six basins have been identified to be the most prospective for shale exploitation - Cambay (in Gujarat), Assam-Arakan (in the North-East), Gondwana (in central India), KG onshore (in Andhra Pradesh), Cauvery onshore and Indo-Gangetic basins.

Keeping in view the country's encouraging potential in shale gas, your company has taken structured initiatives towards shale gas exploration and exploitation. In what can be termed as a positive development in this front for the country's incipient shale gas industry, your Company drilled the first shale well under the Shale pilot project – Jambusar-55, under its shale pilot programme in its Gujarat block (Ankleshwar). Overall, during FY'2013-14, ONGC drilled 7 wells and has, in the process, established the presence of shale gas as well.

Exploration in developed areas and OALP

The government, in a move intended to remove delays associated with processes and permitting that usually hobble the start of promising exploratory opportunities, also formally allowed oil & gas companies to explore oil and gas within the producing fields subject to certain conditions. However, recovery of costs associated with such new exploratory initiatives will be deemed feasible only upon establishment of commerciality of the Mining Lease (ML) area. This essentially means that cost of drilling any well that does not lead to a discovery, or a small find that could not be independently produced, will not be allowed.

This is an important development not just in terms of supplementing current production volumes from the area but also that it enables seamless, continuous and extensive exploration in the area owned by the operator considering the uncertainty and variation associated with geological parameters within a particular area. By allowing cost recovery only upon commerciality it will also preclude not only any possibility of diminishing the government's share of profit due to loading of more costs into cost-recovery calculations but also restrains operators from committing to infructuous expenditures.

Greater exploratory work, that the move aims to foster, will also contribute to augmenting the limited database on the Indian basins. On the matter of limited availability of data for the Indian E&P space, a policy with exclusive emphasis on geo-scientific data generation for Indian sedimentary basins has been launched which, when realised, would smoothen the switch from the current time-consuming and delay-prone NELP award process to a faster vehicle of awarding blocks such as Open Acreage Licensing Policy (OALP) by offering relevant data to the interested companies to make it convenient for them to submit their bids/ interest on fast-track. The creation of the National Data Repository (NDR), under the supervision of DGH, is one of the founding blocks of the intended move towards OALP regime.

Coming back to the approval of additional exploration in current blocks, this initiative is in alignment with the proposed Uniform Licensing Framework for the country's oil & gas industry which aims at the removal of the attendant conflicts and discrepancies arising in the due process of enforcement and execution of separate contractual regimes (such as NELP and CBM blocks with overlapping resources), review of the fiscal frameworks of the current PSC regime and reinstate the government to its more strategic role of ensuring energy security through expeditious development of hydrocarbon resources available in the country instead of having it micro-monitor projects to detect operator profligacy in allocating costs as part of the Cost-recovery model of PSCs.

4. Operational performance

FY'14 saw yet again the improved performance in bringing the planned and anticipated oil & gas volume on the surface. Continuing its dominant position since all those long years, this year too, your Company has been the largest producer of oil and gas in the country (from its domestic operations) contributing 69 per cent of oil and 70 per cent of natural gas production.

Oil & Gas production of ONGC Group, including PSC-JVs and from overseas Assets for FY'14 has been 59.21 MMToe (against 58.71 MMToe during FY'13). The major upsid came from overseas asset at Ajerbaijan and also from resumption of production from Sudan & South Sudan where productions were suspended owing to geopolitical situations.

Out of the total crude oil production of 31.49 MMT, 70.6 per cent production came from the ONGC operated domestic fields, 17.4 per cent from the overseas assets and balance 12 per cent from domestic joint ventures. As far as natural gas production is concerned majority of production (84 per cent) came from ONGC operated domestic fields and of the remaining, 10.4 per cent came from overseas assets and 5.6 per cent from domestic joint ventures.

Oil and gas production profile from domestic as well as overseas assets during last five years are as given below:

Oil and gas production	FY'14	FY'13	FY'12	FY'11	Fy'10
Crude Oil Production (MMT)	**31.49**	**30.47**	**33.13**	**34.04**	**32.95**
ONGC	22.25	22.56	23.71	24.42	24.67
ONGC's share in JV	3.75	3.57	3.21	2.86	1.79
OVL	5.49	4.34	6.21	6.76	6.49
Natural Gas Production (BCM)	**27.72**	**28.25**	**28.05**	**28.01**	**27.98**
ONGC	2.87	23.55	23.32	23.09	23.11
ONGC's share in JV	1.56	1.78	2.19	2.23	2.49
OVL	23.29	2.92	2.54	2.69	2.38

Proved reserves

During the year, your Company made 14 oil and gas discoveries in domestic fields (operated by ONGC). Out of 14, 7 discoveries are there in Offshore area and 7 in Onshore area. 06 discoveries were made in the new prospects whereas 08 were new pool discoveries. Four discoveries were made in NELP blocks and ten in the nomination blocks. Out of the discoveries made this year, 2 discoveries are oil bearing, 9 discoveries are gas bearing and 3 discoveries are both oil & gas bearing. Position of proved reserves of your company is as below:

Proved Reserves (MMToe)	FY'14	FY'13	FY'12	FY'11	Fy'10
Estimated Net Proved O+OEG Reserves	**961.91**	**968.81**	**963.86**	**961.27**	**962.90**
ONGC	724.13	741.00	737.36	723.56	737.31
JV share	30.65	31.39	33.12	34.80	39.60
OVL	207.13	196.42	193.38	202.91	185.99

5. **Financial performance: ONGC (Standalone)**

(₹ Million)

Particulars	FY'14	FY'13	% Increase/ (Decrease)
Revenue:			
Crude Oil	525,734	533,269	(1.41)
Natural Gas	183,291	165,400	10.82
Value Added Products	125,672	127,046	(1.08)
Other Operating revenue	7,331	7,375	(0.60)
Total Revenue from Operations:	**842,028**	**833,090**	**1.07**
Other Income	67,132	54,367	23.48
EBIDTA	433,582	389,455	11.33
PBT	324,319	305,443	6.18
PAT	**220,948**	**209,257**	**5.59**
EPS	25.83	24.46	5.60
Dividend per share	9.50	9.50	NIL
Net Worth	1,356,311	1,229,674	10.30
% Return on net worth	16.29	17.02	(4.29)
Capital Employed	1,094,412	1,017,636	7.54
% Return on capital employed	39.62	38.27	3.53
Capital Expenditure	324,695	295,079	10.03

ONGC Group

Particulars	FY'14	FY'13	% Increase/ (Decrease)
Revenue:			
Crude Oil	654,451	621,576	5.29
Natural Gas	194,172	174,558	11.24
Value Added Products	921,107	852,983	7.98
Other Operating revenue	12,321	9,365	31.56
Total Revenue from Operations:	**1,782,051**	**1,658,482**	**7.45**
Other Income	68,937	54,907	25.55
EBIDTA	566,186	489,892	15.57
PBT	394,134	367,421	7.27
PAT	**265,065**	**242,196**	**9.44**
EPS	30.98	28.31	9.43
Net Worth	1,710,550	1,510,417	13.25
% Return on net worth	15.50	16.04	(3.36)
Capital Employed	1,447,992	1,183,203	22.38
% Return on capital employed	39.10	41.40	(5.55)

6. **Opportunities & Threats**

Despite the intensifying scramble for resources globally, there still exists a vast spread of opportunities for oil and gas players to tap into in the inter-connected arena of world energy. And Indian oil & gas Companies, including your Company, is an active participant in this exciting landscape.

Energy being the prime mover of the economy in every part of the world, making that energy accessible to every citizen of the world at affordable prices, in requisite quantities and acceptable quality for ensuring their prosperity, development and well-being is a big challenge. This presents a big opportunity to all the players involved with this industry.

With a projected increase in primary energy demand by 41% between 2012 and 2035, the opportunity available can well be understood by all the stakeholders (Source: IEA database). The task is huge for Indian companies and even moresignificant for your company, ONGC being the flagship company of this highly strategic and nationally critical sector.

India being the 4th largest consumer of energy at present after USA, China & Japan is projected to overtake Japan and occupy the third slot in the very near future given recent trends of India's energy demand growth. The country will require an additional 271 MMT of oil and 97 MMToe of gas per annum by 2030 (as per IEA estimates) if it wishes to have an average GDP growth rate of 4.6% between 2000 to 2030, the period in which energy consumption requirement is expected to increase @ 3.5% per annum. This huge demand-supply gap offers an enormous opportunity for all the stakeholders in the energy sector in India, particularly to your Company.

BP Energy Outlook 2035, in its January 2014 edition, also brought out the same urgency of demand that the world, including India, is expected to face in the coming years. Interestingly, the energy matrix will continue to be dominated by fossil fuels in distant future, giving the business of hydrocarbons an ample boost and enormous opportunities. In the 2035 outlook, coal, oil & natural gas together will account for 81% share (each having around 27% share) as compared to 87% combined share in 2013.

Giving further fillip to the oil and gas opportunities, global liquid demand (including crude oil, bio-fuels & other liquids) is expected to rise substantially by 19 mbpd to reach 109 mbpd by 2035, with largest demand growth coming from rapidly growing non-OECD economies like China, India & Middle East accounting for nearly all the net global increase in liquid demand.

The same is true with natural gas which is expected to grow the fastest among the fossil fuels @1.9% per annum as compared to growth in oil which stands at 0.8% per annum during the same period of 2012-2035. Once again, the huge demand in natural gas is expected to come from non-OECD economies like India & China.

The facts given above augur well for the oil and gas industry given their critical role in steering the economy forward. Add to this, newer technologies and innovations have made it possible to scale the inaccessible, hard to visualize, geologically complex and challenging frontiers like Deep & ultra-deep-waters, Arctic and the unconventional – such developments definitely fit well within the optimistic outlook for the industry in the long term.

Providing greater substance to the opportunity is the fact that E&P industry continues to offer relatively high return. Over the last five years, the industry has witnessed returns from frontier exploration @13%, from mature fields @ 16% and from emerging basins @15%. Adding to these good returns is the fact that though world remains oversupplied with liquids, oil prices remain range-bound – US$ 110-100/bbl thereby amply reflecting that oil prices are not governed by supply-demand equation. The acceptance of high oil price regime, even by developing nations which rely mostly on imports, provides a major push for this trend.

This good price realisation is pushing all major players for recasting their portfolio with substantial portion of core E&P reserves and acreages. As a matter of fact, "Value over Volume" has emerged as the new mantra for E&P industries wherein now they are adjusting their course after the steady march undertaken in last few years towards high-impact frontiers. These high-impact frontiers continued to remain a threat in the sense that break evens for new projects remains very high. Around 1/3rd of new oil projects (~3.5 mbpd) need break-even of US$ 60-80/bbl. However, some analysts believe that crude oil price may decrease to a level of US$80-90/bbl.

In low oil price regime new oil projects may be vulnerable. So this shift in paradigm is happening with all major players in the world. This adjustment in portfolio has come due to the pressure from the investors chasing economic recovery which want to see upstream companies return more cash to shareholders. (Source: Wood Mackenzie)

In this emerging backdrop, industry will see upstream operators focusing on harvesting value from recent discoveries and acquisitions through more efficient operations and the application of new technologies. Oil & Gas companies that have acquired large-acreage positions are now focused on optimizing production, streamlining operations and maximizing the return on their assets. Natural gas prices have also firmed over the past year, giving potential sellers incentive to hold on to their assets and focus on production.

Having said so, fossil fuels are expected to face good threat from renewable in medium to long term. Renewables percentage in total energy supply continues to rise growing at the rate of 6.4 % per annum thereby registering a share of 7% by 2035 as compared to around 2% today. Nuclear energy will keep growing @ 1.9% per annum and hydro-electric growing @ 1.8% per annum. All these taken together (39%) will be responsible for much larger contributor of growth during 2025-35 periods as compared to those from liquid or natural gas. As in longer run, this higher percentage of renewable, owing to continued greener push, offers a good threat to fossil fuel based industries like that of ours.

One discerning threat is coming from the emerging trend wherein the power sector in certain South-East Asian countries is shifting away from gas to coal to cut costs to meet soaring electricity needs largely due to the huge price differential between coal and LNG favouring coal for generating power -one megawatt of LNG-fired power is currently around twice as expensive as coal-fired power in Asia, according to the IEA. Power generation capacity in Southeast Asia is set to rise by 50 per cent during the current decade, of which more than half may be coal-fired and only about a quarter may be gas-fired.

The other engaging factor in recent times, for all importing nations including India, has been the threat arising out of resource nationalism in reserve-rich nations at the same time geopolitics across the globe has taken a disturbing dimension. Oil diplomacy will continue to be a key determinant for oil markets dynamics.

Though good hydrocarbon assets have been located in East Coast Africa and Latin America, clarity on key issues of energy policies, fiscal and regulatory regimes are yet to evolve there hampering the investments besides the rise of soft resource nationalism that is slowly gathering enough momentum to come in the way of getting concessionaire in host nations and this continue to remain a threat.

Industry is facing substantial threat because of low-volume discoveries in recent times despite huge spends on conventional exploration & appraisal, around a record figure of US$94 billion as per one study conducted by Wood Mackenzie. Further, among the limited discoveries being made, it is only the deep-water discoveries that carry reserves of the magnitude that merit commercial consideration. But,in the absence of technology and innovations at remunerative prices, converting these deep-water reserves into production remains a challenge.

Sub-Sahara Africa turned out to be the dominant region recording 39% of the new resources discovered in the region during 2013. Mozambique again tops the list in terms of resource additions, followed by Egypt, Nigeria, Angola and Tanzania. Monetizing reserves found there still hangs in balance owing to not so supportive policies and regulations.

Further, though LNG offers big opportunity, huge capacity augmentation that is planned and is coming on stream, with Asia-Pacific (Australia), leading the way is rather an area of concern. The concern is that LNG capacity may overshoot the demand and prices of LNG may witness strain if unconventional volumes rises up and climbs the energy chart. On study points out that by 2030 LNG capacity of 663 MMTPA may be on stream was LNG demand is likely to remain at 468 MMTPA; a surplus capacity of 195 MMTPA. This surplus capacity will rather start from the beginning of 2020 where Industry will have surplus capacity of over 128 MMTPA after meeting the expected demand of 353 MMTPA in 2020. This may not augur well for new LNG projects which require huge capital investment and commensurate returns.

Talking specifically for India, huge potential still lies with Indian oil and gas explorers and producers. With more than 28 billion tonnes of prognosticated reserves, Indian sedimentary basins have good potential. However, with 12% areas still unexplored and 22% areas which are poorly explored, huge pools of prognosticated resources are waiting to be converted into in-place volume.

In India, only 7 basins are producing (out of 26) and exploration is yet to be initiated in 11 basins. This provides a huge opportunity for all explorers, like your Company, to convert these remaining basins into a producible proposition.

On production front, so far our recovery factor has been quite low (around 30% or so on average) as compared to matured fields of similar vintage having recovery factor around 45% plus. This offers a huge opportunity as a lot of oil is still left in those reservoirs. ONGC is increasingly pursuing the agenda of improving recovery factor through technology and capital intensive interventions, and aims to increase recovery factor to 40% by 2020. World over, existing assets are getting a new life. Majority of global oil production comes from matured fields; but, the question remains how much we can invest to extract that marginal barrel of oil from the existing assets. Development of new, specific and affordable technology is steering this dynamism further forward.

Unconventional like shale gas continues to provide good opportunity as many nations are pursuing active programs to replicate shale gas successes of USA. In fact, 2014 and 2015 are expected to be the most active years for international shale drilling. Though it may be difficult to replicate similar success in other geographies owing to a host of regulatory and environmental regulations but it is not impossible and future may see some more big successes. Hence, a big opportunity is waiting to be unlocked.

7. Risks and Concerns

New risks and concerns emerged in the industry during the year and this has going to have wide ramifications for the industry players; putting them on uncomfortable propositions in years to come.

Leading the new risks and concern is the lack of securing talent ahead of an expected wave of retirements. By 2020, significant crew change is expected in Indian oil & gas sector. ONGC has also been witnessing a large number of retirements over the last few years and significant numbers will be retiring in next 3-4 years. And this phenomenon is being witnessed worldwide. In USA, as per U.S. Department of Labour estimates, 50% of the oil and gas industry's workforce will be eligible for retirement within the next five to ten years. This will lead to industry facing a shrinking pool of talents who have expertise in the area, which in turn is leading to widening of the knowledge gap between new employees and experienced industry leaders. This knowledge gap may affect the efficiency, efficacy and deliverability for the company.

The fall out of this will be that there will be mad rush for hiring of expert & skilled talents which will lead to upward pressure on wages and hence affecting the profit margins of the company. Handling this big "shift change" keeping margins in profitable limits will continue to remain a big area of concern. Though it is very difficult to replace such a huge pool of experience, your Company has taken it as a challenge and has been taking all-out efforts to address the

situation through redeployment of its manpower and also through induction of sizeable number of young executives and training them to take future positions.

The other important concern and risk emerged off-late is the threat arising out of the cyber-security. Last few years have seen many a sabotages in many a companies across the world on the back of cyber threats like hacking or making operations standstill. With such a huge network in which oil & gas companies are operating and with such a wide and open technology supply chain involving so many players and without much of the checks & balances w.r.t their credentials & intentions , threat of cyber risk and hence the cyber-sabotage through hacking etc., is quite high.

Digitisation becoming order of the day in the industry to improve upon efficiency, managing this cyber risk has not only become imperative but costly too. Normally, companies opt for one-size-fits-all approach but in practicality it requires shoes of many a sizes to keep check on varied vulnerabilities that come with varied business propositions. Another concern area here will be how to synergise cyber-check measures with the prevailing governmental regulations and with the company's expected profitability. Though India so far has been immune from such threat, one cannot rule out it being a big area of concern in the era of huge digitisation & automation.

Building upon regulatory confidence continues to be a big area of concern. Despite the failed (no breakthrough) Copenhagen summit of 2009, Climate change, Green initiatives, sustainability, environmental issues continue to remain a big area of concern and a big risk as well in fetching good enough investment to explore and operate. In some cases, these are coming in a big way for survival of the industry. BP Deepwater Horizon oil spill in the Gulf of Mexico has rather turned out to be great game changer leading to enforcing tighter safety and environmental guidelines which then requires huge investments and hence a pinch on profit margins.

Adding to our concern is the health, safety and environmental issues arising out of matured fields operation which poses significantly good risk and complex operational challenges. The frontier areas like deep-water and ultra-deep-water have its own risks and concerns because of extreme weather conditions like hurricanes and tropical storms and challenging logistics. Following the regulations and statutory stipulations in place and ensuring a hundred percent compliance is turning out to be very costly propositions thereby slowing down the expansion plans of several oil and gas players, with your company not an exception.

Though the world appears to be committed towards greener options of energy, the cost and affordability in terms of grid-price parity will continue to be areas of concern as no path-breaking technologies that offer mass-solution appear in the pipeline. Though a lot of research and development are underway, their applicability and commercial success will continue to be an area of concern. Inherent risks are associated with oil and gas field operations like – spillage, rupture, blowout of wells, earthquake, tsunami, terrorist activities, etc. These risks are being mitigated right from design stage; however probability of emergency situations cannot be totally eliminated. In the event of any such unfortunate events the risk of significant liabilities increases manifold. However, ONGC has implemented improved OISD Standards to improve contingency combat capabilities. ONGC offshore assets have been rated under 'acceptable risk' by international underwriters, enabling a lower-than-peer insurance premium for these assets.

Accreting good quality reserves has turned out to be a major area of concern. Rather, industry has now entered in such a phase where reserves are harder to find as these are now left out to find only in challenging areas like Arctic or in other ecologically sensitive areas having a number of environmental issues. Adding to the concern are the myriad political interventions, constraining regulations, unstable fiscal & regulatory regimes & inadequate or half-cooked energy policies in new reserve destination countries. Besides, the huge competition now-a-days is being witnessed for proven conventional reserves.

Acknowledging these hard facts, nevertheless, your company has intensified its exploratory efforts in challenging areas and is also pursuing emerging opportunities in identified plays particularly High Pressure/ High Temperature (HP/HT) plays. Improving seismic imaging and reservoir characterization remains a challenge particularly for the deep-water, ultra deep-water, basement plays and HP/HT reservoirs and subtle traps. As such, viable price realisation is central to economic success of exploration and development in these areas. Economic viability of the small to medium sized discoveries, which have become almost the trend of the new discoveries made in the Indian basins, remains a concern.

Financing Upstream E&P pursuits is turning out to be good hindrance now-a-days owing to a host of factors, both globally as well as in India. For the industry, as of now, stiff competition is being witnessed as far as financing of new projects and completing megaprojects that is taking out huge annual cash flows, is concerned. Adding to the many factors that influence investment decisions in oil & gas projects is the uncertain government and regulatory landscape which might come in the way of maximizing the investments made by the financiers.

Capital investments in upstream E&P are remaining more or less flat though it is seeing good upward trend in downstream & midstream sectors. For your company too, financing its new projects, particularly in matured fields to get remaining oil and in new & marginal fields and also in deep-water areas, is turning out to be a big task. These pursuits are technology driven, cost intensive and fraught with certain uncertainty as well. A good remunerative pricing regime and a stable fiscal regime is a must to exploit these potentials and finance these big projects.

Returns on investment remain an abiding concerns; particularly adhoc under recovery sharing mechanism. Increasing under-recovery, reducing net realization and increasing cost of production for crude oil remain the biggest stumbling blocks on the road to an equitable and transparent regime, much necessary in a risk-prone industry. The depreciation of the Rupee is a current concern of the Company as it increases the quantum of under-recoveries and may lead to higher share of under-recoveries for your Company. Furthermore, 'uncertainty' is an industry characteristic in the global oil market and it is an area that your Company closely tracks gauge well any possible ramifications on the business on account of market events and trends.

Land acquisition for exploration and development projects and particularly for new sources of energy like CBM, UCG, Shale gas, etc., remains an area of major concern. Further, overlapping of CBM blocks with the mining blocks remain a concern. Your Company is waiting for the award of mining lease (ML) for its UCG pilot project in 'Vastan block' for the last three years. As such, policy framework for exploration and exploitation of new sources of energy remains a concern and it is affecting ONGC's endeavours for unconventional sources.

8. Outlook

a. Exploration acreage & mining Lease

Your Company holds the largest exploration acreage in India as an operator. Despite deregulation and increasing private participation, your Company is still the largest exploration acreage and mining lease holder in India.

As on 1st July 2014, your Company has 12 nomination blocks and is presently operating 56 NELP blocks covering a total area of 200,370 Sq. Km. Besides that ONGC 2 Pre-NELP blocks covering an area of 1,996 Sq.Km has and 4 CBM blocks covering an area of 875 Sq.Km. In addition, ONGC has participative interest in 10 NELP blocks awarded under various NELP rounds wherein other consortia partners are the operator.

ONGC holds 337 Mining Leases (Mls); covering an area of 55,673 Sq.Km. Out of these 337 PML, total 223 PMLs (40,781.53 Sq.Km) have been granted; 103 PMLs (13,074 Sq.Km) have been approved by GoI and are awaiting grant from State Governments; 1 PML (172.24 Sq.Km) has been recommended by DGH for approval of Government of India and 10 PMLs (646 Sq.Km.) are under consideration with DGH for recommendation/grant.

b. Exploration

During the year, your Company made 14 oil and gas discoveries in domestic fields (operated by ONGC). In addition to these discoveries, 25 more exploratory wells drilled for delineation/appraisal of known pays in existing fields were found to be hydrocarbon bearing and have resulted in field growth. Out of 7 on-land discoveries made during 2013-14, four discoveries (Gandhar-686, Sobhasan-300, Nandasan-111 & Geddanapalli-3) have already been put on production and efforts are on for bringing the other discoveries on production as early as possible. Five discoveries in NELP blocks (one in onland and four in offshore) are governed by the PSC guidelines and appraisal/development activities will be taken up keeping in view the time lines of the respective blocks.

c. Deep-water exploration

As on 31st March 2014, your company is holding18 deep-water blocks in India in water depth ranging from 400 meters to 3,200 meters both at East Coast and at West Coast. Out of these 18 blocks, 14 blocks are from NELP (1-VIII) regime and 4 blocks are from Nomination blocks. Besides this, your company also holds 2 deep-water blocks in PML area. These 18 deep-water blocks represents 67% of the total exploration area which your company has in its fold.

Pursuing these efforts, your company since inception (till 31st March 2014), has drilled a total of 121 deep water exploratory wells (108 exploratory wells in Eastern Offshore deep-waters and 13 exploratory wells in Western offshore deep-waters). In FY'14 alone, your company has drilled 9 deep water wells: 1 in Kerala-Konkan; 6 wells in KG and 2 wells in Mahanadi deep water areas. All these efforts led to your company making 24 deep-water discoveries, all in Eastern Offshore deep-water fields. Out of these 24 deep-water discoveries, 17 discoveries are in Krishna-Godavari deep-waters, 5 in Mahanadi deep-waters and 2 are in Andaman deep-water basins. The fiscal further saw your company completing and successfully putting on production its first deep water sub-sea well G1-11 in Eastern Offshore through an Early Production System (EPS).

d. Development of new fields

At present (as on July 01, 2014) your Company is developing 33 new fields through 11 projects with an estimated investment of ` 362.85billion. G-1 & GS-15 fields, off Eastern offshore, are being developed in an integrated manner. Production from both the fields GS-15 & G-1 has already commenced.During FY'14, your Company completed three projects i.e., development of North Tapti, Development of BHE and Development of SB-14. In addition, development of B-46 was completed during May 2014; thus, monetizing 8 new fields. Production from the fields under projects B-22 Cluster, B-46 Cluster, C-Series, North Tapti and additional development of N.B.Prasad (D-1) field has already commenced. Four out of eleven projects are expected to be completed this year and the remaining six in FY'16 and one (development of Vasistha (VA) and S-1 fields)in FY'17.

Considering the potential of C-23, C-26 and B-12 fields (Daman project) ONGC revisited the development schedule of the project and prioritized it to put the field on stream three years earlier than scheduled and now it is expected to come on stream by 2015-16.

e. IOR/EOR and Redevelopment projects

More than 70 per cent of ONGC's domestic production coming from 15 major fields which are of vintage of 25 to 50 years. Technology intensive Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) through Redevelopment schemes have been adopted for these 15 major fields since 2000 with the objective to maintain production levels and improve recovery factor.

By the end of FY'14, 19 out of 24 IOR/EOR and redevelopment projects have been completed. During FY'14 IOR/EOR projects contributed an incremental oil gain of 7.52 MMT. Cumulative incremental gain so far (till FY'14) has been 87.46 MMT against the envisaged cumulative gain of 170 MMT over the life cycle of these projects. As of March 31, 2014 your Company has invested ` 332.32 billion in these schemes against planned investment of ₹ 413.16 billion.

Buoyed by the success of Mumbai High Redevelopment plans, ONGC has adopted a policy of rolling redevelopment scheme for the major fields. Under this, Mumbai high field itself is planned to undergo third phase of redevelopment. Besides that, continuous efforts in the areas of MEOR (Microbial Enhanced Oil Recovery) application in high temperature reservoirs, development of reservoir specific and crude oil specific thermophilic, anaerobic bacterial culture bank for enhanced oil recovery, exploitation of basement reservoirs, exploitation of tight plays, cyclic steam stimulation to strengthen In-situ combustion process, MEOR flooding, etc., are being made towards improving the recovery factor significantly.

f. Infrastructure creation

Acknowledging the significance of its existing infrastructure and production pursuits, your company is also investing towards improving the integrity of existing facilities and creating new facilities as well to handle additional production volumes. At present your company is implementing 21 projects with an investment of ₹ 223.91 billion.

g. Unconventional & alternate sources of energy

Results of recent exploration activities clearly shows that even well explored basins have provided unexpected positive surprises. Among these are HP-HT/Deeper plays and Basement Plays. ONGC plans to continue its endeavour for exploration of Unconventional & other resources like CBM, HP/HT, Fractured Basement plays etc.

i. Exploration of shale plays

Your Company has the distinction of establishing the first flow of shale gas in the country in Durgapur. ONGC is planning to explore for shale gas in the identified basins such as - Cambay, Krishna-Godavari, Cauvery and Bengal basins.

During the year 2013-14, Government of India notified New Shale Gas Policy for the NOCs on 14.10.2013 according to it, ONGC and OIL to initiate the shale gas and oil exploration activities in their nomination blocks in phased manner. ONGC has identified 50 nomination blocks. Out of the 50 blocks identified in these basins, 28 blocks are in Cambay basin, 10 in KG basin, 9 in Cauvery basin and 3 in Assam Shelf.

Following the notification of the policy, your company drilled its first pilot Shale gas well JMSGA(DD-3305 m) in Cambay basin. Extensive coring (139 m) was carried out in this well and studies on cores and analysis of wire-line logs are in progress which will help in assessing the shale gas and oil potential of Cambay Shale, main source rock in the basin. Identification of prospective shale gas blocks in different basins has been completed and ONGC plans to take up shale gas activities proactively in these basins. Similar pilot wells around 20 are planned to be drilled in Cambay, KG, Cauvery and A&AA basins in 2014-15.

ii. Coal Bed Methane (CBM)

Your Company has taken concrete steps to discover Coal Bed Methane (CBM) in the country and currently operating in four CBM Blocks i.e., Jharia, Bokaro, North Karanpura and Raniganj. The Development Plans for all the four blocks has been submitted and approved by the Steering Committees. Nearly 400 wells and 2,000 hydro-fracturing jobs have to be carried out in the coming 4-5 years as per timelines of the CBM Contract. In view of the mammoth and time bound task, ONGC has decided to farm-in experienced partners to execute the operations, process for which is in advanced stage.

iii. Underground Coal Gasification (UCG)

ONGC has selected Vastan Mine block in Surat district,Gujarat for UCG Pilot project. All the ground work and inputs for pilot construction have been finalized for implementation of UCG pilot at Vastan. Gazette notification from GoI for UCG block allocation in the form of Notice Inviting Application(NIA) had been issued on July 29, 2013. The Mining Lease forthe block is awaited. The Pilot construction and erection of surface facilities shall be taken up only after the allocation of the Vastan Mine block.

In order to make a dent on the energy front through use of UCG Technology, a number of sites were jointly identified by ONGC & Neyveli Lignite Corporation Limited (NLC) for studying their suitability to UCG. These are Tadkeshwar in

Gujarat and Hodu-Sindhari & East Kurla in Rajasthan. One more site was jointly identified by ONGC & GMDC viz. Surkha in Bhavnagar district, Gujarat. The data of all the fields have already been analysed for evaluating the suitability of these sites for UCG and all the sites have been found suitable for UCG.

h. Other exploration initiatives

i. HP-HT /Tight/Deeper plays

ONGC has prioritized HP-HT/Tight/Deeper plays in KG onland and shallow water offshore, Cauvery onland and AAFB areas. Good potential has already been established in Bhuvnagiri, Malleswaram, Periyakudi, Kottalanka, Bantimulli South, Yanam shallow offshore, GS-OSN-2004 and G-4-6. All these fields are expected to have large growth components to be established and vast potential area remains unexplored.

Your Company has hired services of M/S Blade Energy Partners,USA to study the six discovered HP-HT/Tight Reservoir Fields. The study includes G&G, Petrophysics drilling,testing,hydro-fracturing and completion of HP-HT wells.

ii. Basement Exploration

In India, there is established hydrocarbon potential in Basement in Western Offshore (Archean Basement,Deccan Basalt). In the east Borholla-Champang field are well known basement producers. Commercial presence of hydrocarbons has been established in prospects like Padra,Karjan,Halisa,Chadra and Mansa in Cambay basin. Hydrocarbon occurrences in basement in Mattur,Pundi,Vadatheru and Pondichery Offshore, and recent commercial discoveries around Mandam and Portonova highs have rejuvenated exploration thrusts on Basement exploration.

Future plan of action with regard to Basement exploration work to be extended in the known occurrences of Basement. This would cover Mumbai High, Heera, Neelam, Bassein and North Tapti areas of Western Offshore, Padra, Mansa, Chadra areas of Western Onshore, Mandam and Pandanallur and surrounding areas in Cauvery Basin. The basement would be probed for deeper accumulations.

i. Unconventional & alternate sources of energy

Your Company has taken step to evaluate various forms of energy to fulfil the country's growing energy needs. ONGC, through ONGC Energy Center(OEC), a trust setup by ONGC is actively pursuing alternate energy opportunities. Some of the significant initiatives in developing alternate sources of energy are:

I. Generation of Hydrogen through Thermochemical Processes:

OEC is working on development of high temperature thermochemical processes for decomposition of water, utilizing waste nuclear and/or solar heat. The initial design and fabrication of indigenous reactor has been completed. The complete close loop process is likely to be demonstrated by August, 2014.

ii. Geothermal Power Project in Cambay Basin

OEC has contemplated a pilot scale Geothermal collaborative Pilot Project in Cambay Basin, Western India with M/s. Talboom, Belgium (as technology partner). The subsurface heat modelling has estimated high geothermal gradient. The initial result of the modelling has also estimated about 2.1MWe geothermal power generation capacity can be set up in Phase-I. OEC has started preliminary work to evaluate feasibility of geothermal power generation using single well with a view to utilize abandoned / non-flowing high temperature wells.

iii. Kinetic Hydro Power Project

ONGC Energy Center has entered into an agreement with M/S Natural Power Concepts(NPC), Hawaii, USA for the project on Kinetic Hydro Power Generation in Rivers/Water Channels/Tail races of Dams. Floating turbines can be used to harness the kinetic energy of flowing streams or tail race of existing dams to generate electricity.

iv. Bioconversion of Coal to Methane Project

OEC had taken the initiative to undertake research on development of biotechnological process for conversion of lignite/coal to methane gas and produce humic acid as a by-product which can act as a soil nutrient. A collaborative project with IIT Kharagpur to generate methane and humic acid from lignite in surface conditions as well as in-situ is recently concluded.

v. Uranium Exploration Project

ONGC Energy Center is currently engaged in an exploration program for identification of uranium prospects, suitable for exploitation by "In Situ Leaching" (ISL) in collaboration with Atomic Minerals Directorate for Exploration and Research (AMD). OEC has initially identified four regions, with the presence of Uranium. ONGC has successfully completed 10 parametric wells in Cauvery and KG basins at identified locations for confirmations of the presence of Uranium.

During 2013-14 OEC started a project to drill 7 parametric wells in Suket region in Rajasthan. Five wells were completed during the year. Initial results indicate Uranium concentration.

j. Non-E&P Business

i. Refining

Mangalore Refinery and Petrochemicals Ltd (MRPL), subsidiary of your Company, commissioned its SPM (Single Point Mooring) facility (in August 2013), Delayed Coker Unit, Coker Hydro Treater Unit and one SRU (Sulfur Recovery Unit) in April/May 2013. Commissioning of PFCC (Petro Fluid Catalytic Cracking) is in advanced stage and is expected to be commissioned by July 2014.

Polypropylene unit is expected to be commissioned subsequently. Total capital expenditure incurred for expansion project so far has been ₹117.43 billion. With this capacity will enhance to 15MMTPA. MRPL is further considering upgrading capacity to 18 MMTPA.

ii. Petrochemicals

The two petrochemical plants ONGC Petro-additions Limited (OPaL) and ONGC Mangalore Petrochemicals Limited (OMPL) promoted by your Company are progressing well and are expected to become operational in Jan 2015 and December'2014 respectively. These projects have basically been promoted for value-multiplication of in-house produced Naphtha at Uran, Hazira, and Mangalore and C2-C3 components at C2-C3 extraction plant at Dahej. On August 23, 2013, your Company signed a Product Sale Agreements with OPaL for supply of feed-stocks (expected from Q2 2014-15).

iii. Gas based power plant

726.6 MW (363.3 x 2) gas based Combined Cycle Power Plant (CCPP) is being set up by ONGC Tripura Power Company Ltd. (OTPC), an SPV promoted by your Company, at Pallatana, Tripura. The project aims to monetize idle gas assets in the state of Tripura. The commercial operation of first unit (363.3 MW)commenced from 4th Jan 2014 and second unit is expected to be commissioned by October'2014.

iv. Nuclear power plant

Your Company in association with Nuclear Power Corporation of India Limited (NPCIL) is studying the feasibility to setting up 1400 MW nuclear power plant.

v. Gas & LNG

ONGC along with Mitsui and BPCL is considering setting up a 2.5 MMTPA LNG regasification terminal (expandable to 5 MMTPA) at Mangalore and is aiming to sourc LNG from Mozambique. Your Company has signed an MOU with BPCL for CGD (City Gas Distribution) and aims for organic growth. Your Company is also pursuing Greenfield or Brownfield opportunities for participation in LNG value chain projects in several countries like - Mozambique, Russia, Canada, USA, Papua New Guinea etc.

vi. Fertilizer

Your Company has signed a Memorandum of Understanding (MoU) with M/s Chambal Fertilizers and Chemicals Ltd (CFCL) and the Government of Tripura for setting up a 1.3 MMTPA capacity urea fertilizer plant in Tripura which aims to monetize recent gas discovery in Tripura.

9. Internal Control Systems

Energy business, particularly oil & gas, has always been a very dynamic business, not just because of its fundamental economic and strategic significance to the nations of the world but also because of the high-risk nature of the business. The business is challenged by uncertainties, geological surprises, volatile markets and number of external factors like – geo-political uncertainties, fiscal & regulatory regime, etc.

In such scenario, where the uncertainties are the rule, it becomes imperative to have a balanced portfolio. Keeping these in view, your Company adopted the vision to grow as an integrated global energy company. Exploration and production of oil and gas remains the core business of your Company; however, keeping in view the business imperatives, ONGC has meaningfully integrated itself in the hydrocarbon value chain. Now the portfolio of your Company (including overseas assets) is large, diversified and assuring.

To manage this large portfolio, your Company has institutionalized robust internal control systems to continuously monitor critical businesses, functions and operations; particularly field operations.

The top management of your Company monitors and reviews the various activities on continuous basis. A set of standardised procedures and guidelines have been issued for all the facets of activities to ensure that best practices are adopted even up to ground level. Performance of every business unit is monitored by the respective directorates for suitable corrective measures, if any, in time.

Your Company has a dedicated Performance Management and Benchmarking Group (PMBG) which monitors the performance of each business unit against the Key Performance Indicators (KPIs) defined in the Performance Contracts between the top management and the Key Executives. These performance contracts are aligned to the goals and objectives of the organization.

Occupational health, safety and environmental protection are the adopted motto of your Company. Achieving highest standards in these areas remains a priority objective for your Company. Internal and external audits have been institutionalised and are conducted on a continuous basis to ensure compliance to various industry norms and benchmarks.

Your Company has dedicated Internal Audit (IA) group which carries out audits in-house. At the same time, based on requirement, specialized agencies are engaged to carry out audit in the identified areas. Statutory auditors are appointed by Comptroller and Auditor General (CAG) of India for fixed tenures. Audit, Ethics and Financial Management committee of the Board oversees the functioning of Internal Audit and control systems.

Third party safety audits are conducted regularly for offshore and onshore installations by established national and international HSE agencies such as Oil Industry Safety Directorate ("OISD"), an organization under the control of the MoPNG, which issues safety guidelines. Further, subject to the safety regulations prescribed by the Directorate General of Mines and Safety (DGMS), each work center has teams dedicated to HSE, which execute the safety guidelines prescribed by OISD as well as DGMS. HSE teams are also responsible for obtaining necessary licenses and clearances from the State Pollution Control Boards.

All transactions in the company are carried out on SAP R/3 ERP based business portal. Proper and adequate system of internal control exists to ensure that all aspects are safeguarded and protected against loss from unauthorized use or disposition and that each transaction is authorized, recorded and reported. The system further ensures that financial and other records are fact-based and reliable for preparing the financial statements.

10. Human Resource Development

As on April 1st 2014, a total of 33,988 ONGCians are engaged in realizing your company's vision, mission and objective of securing for the country, year after year, the much needed volumes of oil & gas, as the energy soldiers of the country to steer its developmental and growth goals.

The workforce intake strategy pursued by your Company caters to meeting the demands of maintaining a steady flow of talent, in a business which is characterized by high risks and uncertainties, enormous costs, fast changing technology, physically challenging work environment, fluctuating product prices and growing competition. Your Company has in place a scientific manpower induction plan aligned to the business plans as well factoring the manpower profile of the Company.

During the year, HR ensured that adequate numbers with requisite skills-sets were inducted to meet the requirements of the Company as well as replenish the manpower loss on account of high superannuation. Understanding that Skill up-gradation is a very vital component for driving excellence through its Human Resource pool, ONGC has branded the spectrum of its training activities as 'EXPONENT', a comprehensive programme which is nurturing the energy leaders of tomorrow.

Your company believes that continuous development of its human resource fosters engagement and drive competitive advantage. Towards that end, during the year, your Company conducted Business Games to hone the business acumen of its executives. Your Company also conducted the Assessment Development Centre (ADC) for approximately 300 DGM level executives and provided them developmental inputs. Your Company has partnered with global HR consulting firms to create a pool of accredited mentors in the organization. These mentors will support organization's effort to hone young minds to successfully respond to the emerging business needs of your Company. Further to this, on continued basis, Training Institutes of your company have organized training in all dimensions - Technical as well as non-technical and Managerial that is relevant to Petroleum Industry. As a Global player, it is imperative to benchmark our strengths with the world's best. To achieve this company has organized many International Certification Programs benchmarked to global standards.

Keeping the morale and motivation of our esteemed workforce is continued to be the prime focus of your company. And towards this, your company is providing them (inclusive of their family members) the industry-best comprehensive & inclusive employee welfare benefits in the areas of medical care, education, housing, and social security, suitably revising the terms of engagements thereby keeping benefits abreast with changing business environment and changing times.

Continuing its best maintained tradition of pursuing operations & field/office activities through best of Industrial Relations on Pan-India Pan-Organisation basis, this year also your company did exceedingly well and reported "no" man-days loss due to internal industrial actions. Some of the in-built employer-employee relationship mechanism has helped your company in maintaining the harmony throughout the organisation.

The endeavours of your Company, towards Human Resource development, are well recognized in the industry. This year also, your company has been bestowed with the "Most Attractive Employer" in the energy sector in India, Award instituted by Ma Foi Randstad, in acknowledgement of its sustained efforts to encourage best practices and of building the "Employer Brand".

11. Corporate Governance

The initiatives taken by your Company are detailed in the Corporate Governance report, a part of the Annual report.

12. Corporate Social Responsibility (CSR)

Initiatives taken by your Company towards CSR are detailed in Directors' Report.

13. Cautionary Statement

Statements in the Management Discussion and Analysis and Directors Report describing the Company's strengths, strategies, projections and estimates, are forward-looking statements and progressive within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental factors. Readers are cautioned not to place undue reliance on the forward looking statements.

Your company is cognizant of the potential benefits of unlocking the 'unconventional resource base' of the country and has taken structured initiatives towards shale gas exploration and exploitation. India has good shale potential in her fold. In FY'13-14 your company drilled a total of 7 wells for shale exploration. 20 wells have been planned in Cambay, Assam-Arakan, KG and Cauvery Basins in FY'14-15 with a further commitment of 50 shale gas wells by 2016-17.

CORPORATE GOVERNANCE REPORT

Corporate Governance is a term that refers broadly to compliance of rules, processes, or laws by which businesses are operated, regulated, and controlled. Good Corporate Governance helps to create a healthy culture and climate of Consistency, Responsibility, Accountability, Fairness, Transparency, and Effectiveness throughout the organisation.

The presence of strong governance standards creates awareness among stakeholders about the Company and helps them to access capital and aids in economic growth. Corporate Governance also has broader social and institutional dimensions.

At ONGC, Corporate Governance has moved beyond mere compliance. It ensures trustworthy relations between the Company and its stakeholders. With a view to percolate the values of fairness, transparency, accountability and responsibility among the stakeholders, ONGC has endeavoured to adopt best industry practices.

The main objectives that drive Corporate Governance in ONGC are:

- Adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders, (shareholders, customers, employees and society at large)
- A sound system of internal control to mitigate risks associated with achievement of business objectives, both short term and long term
- Compliance of laws, rules & regulations
- Maintenance of highest standards with reference to Company's financial reporting
- Strategic supervision by the Board of Directors having appropriate composition, size, varied experience, competence and commitment
- Timely and balanced disclosure of all material information to all the stakeholders
- Clearly defined standards against which performance of responsibilities are measured
- A clear delineation of shareholders' rights
- Accuracy and transparency in disclosures regarding operations, performance, risk and financial status

Based on the aforesaid objectives and in compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges as well as the Guidelines on Corporate Governance for Public Sector Enterprises, issued by the Department of Public Enterprises (DPE), the detailed Corporate Governance Report of ONGC is as follows:

1. Corporate Governance Recognitions

ONGC's Corporate Governance practices have secured many accolades, some of which are:

- 'ICSI National Award for Excellence in Corporate Governance for 2013'- Certificate of Recognition by the Institute of Company Secretaries of India. **This is the fourth year in a row that ONGC has bagged this award.**
- 'Best Corporate Governance Award-2012' by the Indian Chamber of Commerce;
- 'Golden Peacock Global Award' for Corporate Governance by World Council for Corporate Governance, U.K. in the years 2005, 2007, 2008, 2009 and 2013

2. BOARD OF DIRECTORS

2.1 COMPOSITION

The Company is managed by a Board of Directors, which formulates strategies, policies and reviews its performance periodically. The Chairman & Managing Director (CMD) and Six Whole-Time Directors viz. Director (Human Resource), Director (Finance), Director(Technology & Field Services), Director (Exploration), Director (Offshore) and Director (Onshore), manage the business of the Company under the overall supervision, control and guidance of the Board.

The Board of Directors has an adequate combination of Executive (Functional) and Non-executive Directors. As on 31st March, 2014, the Board of Directors had 14 members, comprising of 6 Functional Directors (including the Chairman & Managing Director) and 8 Non-Executive Directors (comprising 1 part-time official nominee Director and 7 part-time non-official Directors) nominated by the Government of India. To share the global experience and business strategies, Managing Director, ONGC Videsh Limited (OVL) is a permanent invitee to the meetings of the Board.

Except for the period from 29th November, 2013 to 31st March, 2014, the composition of the Board of Directors of the Company during the year 2013-14, did not comply with the provisions of Clause 49 of the Listing Agreement i.e., the Board of Directors did not comprise of the required number of Independent Directors as per the terms of the above mentioned Listing Agreement. This was due to the fact that in terms of Article 104 (I) of Articles of Association of the Company, the power to appoint directors on the Board of ONGC vests with the Government of India that has to take necessary action.

2.2 Board/ Committee Meetings and Procedures

(A) Institutionalised decision making process

The Company has defined guidelines for the meetings of the Board of Directors and Committees. These guidelines seek to institutionalise the decision making process at meetings of Board/ Committees, in an informed and efficient manner. Company's guidelines relating to Board Meetings are applicable to Committee Meetings as far as practicable.

(B) Scheduling and selection of Agenda items for Board / Committee Meetings

(i) A tentative schedule of the Board Meetings to be held during the ensuing financial year is drawn up and after seeking convenience of the Directors and after approval of the Board, the same is circulated among all the Directors. This helps the management in ensuring that the various agenda items are kept ready in advance and facilitates the Directors to plan their schedule for participation in Board/Committee meetings well in advance. The meetings of the Committees of the Board are held prior to the Board Meeting after seeking convenience of members.

(ii) The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board/ Committee. To address specific urgent needs, meetings are also called at a shorter notice. In case of any exigency, resolutions are passed by circulation.

(iii) Detailed agenda containing management reports and other explanatory statements are circulated in advance in the agenda format amongst members for facilitating meaningful, informed and focused delibrations and decisions at meetings. Document or agenda of confidential nature, are tabled with the prior approval of CMD. Sensitive subject matters are discussed at the meeting without circulation of written material. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted.

(iv) The agenda papers are prepared by concerned officials, sponsored by the concerned functional Directors and approved by the CMD. Duly approved agenda papers are circulated amongst members of the Board/ Committee by the Company Secretary.

(v) The meetings of the Board/ Committees are generally held at the Company's Registered Office at New Delhi.

(vi) Presentations are made to the Board/ Committee covering Finance, Production, Operations, major Business Segments, Human Resources, Marketing, Joint Venture operations, whenever required.

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

(viii) Each Committee has the authority to engage outside experts, advisers and counsels to the extent it considers appropriate to assist the Committee in its work.

Safety Snapshots

ONGC is in the hydrocarbon business, therefore, safety is paramount for continued operations. To apprise the Board regarding various safety measures being taken and to seek their guidance on implementation of these measures, periodic presentations are made to the Board of Directors in the form of Safety Snapshots which include all the major incidences related to safety.

Industry Updates & Presentation

With a view to keep the members of the Board apprised with latest developments in the Industry, Industry updates are tabled and presentations on the subjects relevant to E&P business are made periodically to the Board. This also ensures that the Directors are constantly in touch with the problems being faced by the Industry in general and ONGC in particular in its operations.

(C) Recording minutes of proceedings at the Board Meeting

Minutes of the proceedings of each Board/Committee meeting are recorded with all necessary details. Draft minutes are circulated amongst all members of the Board/Committee for their appreciation and comments that are incorporated in the minutes, that are finally approved by the Chairman of the Board/ Committee. These minutes are confirmed in the next Board/ Committee Meeting. Minutes of the meetings of the Committees are also noted by the Board in its next meeting. The finalized minutes are entered in the Minutes Book.

(D) Follow-up mechanism

The guidelines/decision of the Board/Committee meetings provide for an effective post-meeting follow-up, review and reporting process for the action taken on decisions/instructions/directions of the Board and Committee. As per the Board's decision, the Company Secretary intimates the 'Action Points' arising from deliberation during the meeting to the concerned Functional Directors who in turn provide updates to be apprised to the Board on areas of their responsibilities in the next meeting. Functional Directors provide follow-up Action Taken Report (ATR) once in a quarter.

(E) Compliance

Functional Directors are responsible towards ensuring adherence to all applicable provisions of law, rules, guidelines. A Quarterly Compliance Report (collected from all work centres) confirming adherence to all applicable laws, rules, guidelines and internal instructions/ manuals, including Corporate Governance, is reviewed by the Audit & Ethics Committee and the Board.

(F) Training and Evaluation of non-executive Board members

(a) In line with Clause 3.7 of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, issued by Government of India, Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises and requirement of Listing Agreement with regard to Training of Directors, the Board of Directors have approved a three tier training policy for Independent Directors:

- **Induction Training;**
- **External Training;**
- **Board Presentation.**

Non-executive Board members are eminent personalities having wide experience in the field of business, education, industry, commerce and administration. Their presence on the Board is advantageous and fruitful in taking business decisions.

(b) Policy on Performance Evaluation of Directors

The draft Policy on Performance Evaluation of Directors shall be reviewed in light of the provisions of the Companies Act, 2013 as well as the revised Guidelines of Corporate Governance.

(G) Board Charter

As per Clause 3.5 of the guidelines on corporate governance for CPSEs, a clear definition of the roles and the division of responsibilities between the Board and the management is necessary to enable the Board to effectively perform its role.

The Board of ONGC has approved in principle a Board Charter and that has been finalised by Independent Directors. However, to incorporate the amendments in the Responsibilities of the Board as well as provisions for Role & Responsibilities of Directors under the Companies Act, 2013, the Board Charter is under review.

2.3 BOARD MEETINGS

During 1st April, 2013 to 31st March, 2014, Thirteen Board meetings were held on 30th April, 29th May, 10th June, 5th July, 12th August, 10th September, 25th September, 31st October, 13th November, 6th December, 2013, 31st January, 13th February and 24th March, 2014.

The minimum and maximum interval between any two Board meetings was 12 days and 56 days respectively.

The details of number of Board Meetings attended by Directors, attendance at the last Annual General Meeting, Number of other Directorship/Committee Membership in various companies held by them during the year 2013-14 are tabulated below:-

Attendance:

Names & Designation	No. of Board meetings attended out of 13 meetings held	Whether attended last AGM held on 25.09.2013	As on 31.03.2014		
			No. of Directorships in other companies#	No. of Committee memberships in companies*	
				Chairman	Member
a) Executive Directors					
Shri Sudhir Vasudeva (Chairman & Managing Director) also holding Additional Charge of Director (Onshore) (up to 28.02.2014)	12	Yes	7	Nil	Nil
Shri Dinesh Kumar Sarraf (Chairman & Managing Director) also holding Additional Charge of Director (Onshore) from 01.03.2014)	1	N.A.	7	Nil	Nil
Shri P.K. Borthakur Director (Offshore) (up to 31.01.2014)	11	Yes	2	Nil	Nil
Shri K. S. Jamestin Director (HR)	13	Yes	6	Nil	2
Shri A. K. Banerjee Director (Finance)	13	Yes	1	Nil	Nil
Shri Shashi Shanker Director (T&FS)	13	Yes	1	Nil	Nil
Shri N. K. Verma Director (Exploration) (from 01.04.2013)	11	Yes	1	Nil	Nil
Shri T. K. Sengupta Director (Offshore) (from 01.02.2014)	2	N.A.	2		
(i) Part-time Official Directors- Govt. Nominees					
Shri Shaktikanta Das, Addl. Secretary, MoP&NG (up to 29.12.2013)	6	No	1	Nil	Nil
Shri Aramane Giridhar Jt. Secretary (E), MoP&NG	6	No	Nil	Nil	Nil
(ii) Part-time Non official Independent Directors					
Dr D. Chandrasekharam (up to 10.03.2014)	10	Yes	3	Nil	1
Prof. Deepak Nayyar	9	No	2	1	5
Shri Arun Ramanathan	7	No	6	4	4
Prof. S.K.Barua	11	Yes	4	1	4
Shri O.P. Bhatt	10	Yes	4	Nil	8
Shri K.N. Murthy	12	Yes	7	5	3
Shri P Umashankar (From 29.11.2013)	4	N.A.	Nil	Nil	2
Shri S Ravi (From 29.11.2013)	4	N.A.	7	5	5

Does not include Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

*Chairmanship/ Membership of the Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievance Committee of Public Limited Companies (including ONGC).

Notes:

(i) The Company being a PSU, all Directors are appointed/ nominated by the President of India;

(ii) Directors are not per se related to each other;

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

(iv) The Directorships/Committee Memberships are based on the latest disclosure received;

(v) 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.

3 STRATEGY MEET

A Strategy Meet is organised each year at which all members of the Board and senior officials of the Ministry of Petroleum & Natural Gas participate. Intense discussion and deliberation takes place covering areas of concerns and growth for ONGC.

4. CONCLAVE

To benefit from cumulative knowledge and experience of seniors of ONGC, an assembly of the past and present members of the Board of the Company is organized each year. To focus on action plan for Perspective Plans and future growth strategies. The **12th ONGC Conclave** was organized from **21-23rd February, 2014 at Khajuraho, Madhya Pradesh.**

5. KEY EXECUTIVES' MEET (VICHAR VISHLESHAN)

Key Executives are managers placed just below the Directors of the Board and run day- to-day operations of the Company under the direction and supervision of the Directors. While Key Executives, jointly or severally meet CMD and functional directors as when required, an annual meet of all Key Executives with CMD & Directors is held to discuss issues of Management and operations implementation strategies of Strategic Plans are also discussed to find solutions for them.

6. CHANGE AGENTS' MEET

To connect with Gen-next ONGCians, billed as 'Change Agents' and engaging and preparing them for future challenges and for realization of Perspective Plan - 2030, the Change Agent Meet is organized. The last meet was held on 22nd March, 2013 at Jaipur.

7. RESUME OF DIRECTORS PROPOSED TO BE RE-APPOINTED

The brief resume of Directors retiring by rotation and Additional Director seeking appointment including nature of their experience in specific functional areas, names of companies in which they hold directorship and membership/ chairmanship of Board/ Committee is appended to the notice of the 21st Annual General Meeting.

8. BOARD COMMITTEES

The Company has the following Committees of the Board:

8.1 AUDIT & ETHICS COMMITTEE (Audit, Ethics and Financial Management Committee w.e.f. 13.02.2014)

The terms of reference of the Audit & Ethics Committee are in accordance with Section 292A of the Companies Act, 1956, guidelines set out in Clause 49(II) of the Listing Agreement and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises in May, 2010.

Composition

The committee is headed by Shri Arun Ramanathan, an Independent Director. Dr. D. Chandrasekharam, Shri O. P. Bhatt, Shri S. K. Barua, Shri K. N. Murthy, Shri P. Uma Shankar and Shri S. Ravi, Independent Directors, were/are the other members of the Committee.

All members of the Committee have requisite financial and management experience and have held or hold senior positions in other reputed organizations.

Director (Finance) and Chief Internal Audit are permanent invitees. Representatives of Statutory Auditors and Cost Auditors are invited to participate in the meetings whenever required. Functional Directors, Executives of Finance and other departments are invited, if required.

Due to the inability of Shri Arun Ramanathan, Chairman A&EC to attend the 20th AGM of the Company, Dr. D. Chandrasekharam, senior most Independent Director and member of the A&EC, was unanimously elected by the other members of A&EC, present at the aforesaid AGM, as Interim Chairman to address Investor queries in the 20th AGM.

Company Secretary acts as the Secretary to the Committee.

The role of the Audit & Ethics Committee includes the following:

(i) Overseeing company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

(ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of their fees.

(iii) Approval of payment to statutory auditors for any other services rendered by them.

(iv) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2A A) of section 217 of the Companies Act, 1956
- Changes, if any, in accounting policies and practices and reasons for the same
- Major accounting entries involving estimates based on the exercise of judgment by management
- Significant adjustments made in the financial statements arising out of audit findings
- Compliance with listing and other legal requirements relating to financial statements
- Disclosure of any related party transactions
- Qualifications in the draft audit report.

(v) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

(vi) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

(vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

(viii) Reviewing the adequacy of internal audit function, if 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.

(ix) Discussion with internal auditors on any significant findings and follow up there on.

(x) Reviewing the findings of any internal investigations by the internal auditors 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.

(xi) 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.

(xii) To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors.

(xiii) To review the functioning of the Whistle Blower Mechanism.

(xiii) Discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

(xiv) To review the Audit paras referred to A&EC by the Internal Audit / Board and / or Govt. of India and to provide its suggestions / guidance / comments on the issues referred to it.

(xvi) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

(xvii) The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary company

Audit & Ethics Committee Meetings

During 1st April, 2013 to 31st March, 2014, **eight** meetings of Audit & Ethics Committee were held on 17th May, 29th May, 05th July, 12th August, 10th September, 13th November, 2013 and 23rd January and 13th February, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Attendance:

Members	No. of Meetings held during the tenure	No. of Meetings Attended
Shri Arun Ramanathan	8	7
Dr. D. Chandrasekharam (up to 10.03.2014)	8	7
Shri O. P. Bhatt	8	6
Prof. S. K. Barua	8	7
Shri K. N. Murthy	8	7
Shri P. Uma Shankar (from 13.02.2014)	Nil	Nil
Shri S. Ravi (from 13.02.2014)	Nil	Nil
Permanent Invitees:		
Shri A. K. Banerjee, Director (Finance)	8	7
Shri Pradeep Prasad, Chief I.A.	8	8

8.2 REMUNERATION COMMITTEE

ONGC, being a Central Public Sector Undertaking, the appointment, tenure and remuneration of directors are decided by the Government of India. However, as per the DPE Guidelines, a Remuneration Committee was constituted to decide the annual bonus/variable pay pool and policy for its distribution within the prescribed limits. The Remuneration Committee of ONGC was headed by Dr. D. Chandrasekharam, Independent Director up to 10.03.2014.

Prof. Deepak Nayyar, Shri Arun Ramanathan, Shri K. N. Murthy and Shri P Uma Shankar, Independent Directors, are the other members of the Committee.

Director (HR) and Director (Finance) are the permanent Invitees.

One meeting of the above Committee was held on 23rd December, 2013.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings Attended
Dr. D. Chandrasekharam (up to 10.03.2014)	1	1
Prof. Deepak Nayyar	1	1
Shri Arun Ramanathan	1	1
Shri K. N. Murthy	1	1
Shri P. Uma Shankar (from 13.02.2014)	Nil	Nil
Permanent Invitees:		
Shri A. K. Banerjee, Director (Finance)	1	1
Shri K.S.Jamestin, Director (HR)	1	1

8.2.1 DIRECTORS' REMUNERATION

ONGC being a Government Company, terms and conditions of appointment and remuneration of Whole-time Functional Directors are determined by the Government through administrative ministry, the Ministry of Petroleum & Natural Gas. Non-executive (part-time official) Directors do not draw any remuneration. The Non-executive (part-time non-official) or Independent Directors are paid sitting fees@ 20,000/- for each Board/ Committee meeting attended by them.

Remuneration of Directors during 1st April 2013 to 31st March, 2014 was as follows:

(a) Executive Directors

(₹ in Million)

Sl. No.	Names	Salary including DA	Other benefits & perks	Performance Incentives	Contribution to PF & other Funds	Provision for Leave, Gratuity & PRBS as per AS- 15	Grand Total	Term
1.	Shri Sudhir Vasudeva*	1.71	0.87	3.03	0.23	0.00	5.84	28.02.2014
2.	Shri D.K.Sarraf (from 01.03.2014)	0.17	0.08	0.17	0.02	0.03	0.47	30.09.2017
3.	Shri K. S. Jamestin	1.90	0.89	2.85	0.25	0.53	6.42	31.07.2014
4.	Shri A. K. Banerjee	1.80	0.87	2.78	0.24	0.45	6.13	30.04.2015
5.	Shri P.K. Borthakur*	1.53	0.70	1.21	0.20	0.00	3.64	31.01.2014
6.	Shri Shashi Shanker	1.68	0.85	2.14	0.22	0.42	5.31	30.11.2017
7.	Shri T.K.Sengupta (from 01.02.2014)	0.29	0.10	0.22	0.04	0.05	0.71	31.01.2019
8.	Shri N. K. Verma (from 01.04.2013)	1.71	0.83	2.16	0.23	0.31	5.24	31.03.2018

* Superannuated.

Note:

1. Performance related pay of Functional Directors (including CMD) is paid as per DPE norms.
2. Notice period of 3 months or salary in lieu thereof is required for severance of service.

(b) Non-Executive Directors (Part-time non-official)

Non-Executive non-official Directors were paid sitting fee@ ₹20,000/-for attending each meeting of the Board/ Committees thereof. Details of sitting fees paid during the period of 1st April, 2013 to 31st March, 2014 under review is as follows:

Names	Sitting fees (₹In Million)
Dr D.Chandrasekharam	0.70
Shri Arun Ramanathan	0.68
Prof Deepak Nayyar	0.64
Prof. S.K.Barua	0.88
Shri O.P. Bhatt	0.76
Shri K. N. Murthy	0.84
Shri P. Uma Shankar	0.14
Shri S. Ravi	0.18
Total	**4.82**

8.2.2 STOCK OPTIONS

The Company has not issued any Stock Options to its Directors/ Employees.

8.2.3 EQUITY SHARES HELD BY DIRECTORS

Except as stated hereunder, none of the Directors, hold any Equity Shares in the Company as per the declarations made by them to the Company:

Name of Directors	No. Of Shares held
Shri Sudhir Vasudeva (up to 28.02.2014)	2,580
Shri D. K. Sarraf (from 01.03.2014)	3,192
Shri K. S. Jamestin	3,600
Shri A. K. Banerjee	3,172
Shri P.K. Borthakur (up to 31.01.2014)	6,228
Shri T. K. Sengupta (from 01.02.2014)	3,672
Shri Shashi Shanker	3,712
Prof. Deepak Nayyar	200

8.3 SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/ Investors' Grievance Committee, renamed as Stakeholders' Relationship Committee w.e.f. 13th February, 2014, specifically looks into redressal of complaints/ grievances of Shareholders and Investors, pertaining to transfer/transmission of shares, non-receipt of annual reports, dividend payments, issue of duplicate share certificates and other miscellaneous complaints. The Committee oversees and reviews performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of Company's Code of Conduct for Prevention of Insider Trading in ONGC's securities.

Prof. Deepak Nayyar, an Independent Director, was the Chairman of the Committee up to 12.02.2014. Thereafter, The Committee has been headed by Shri K. N. Murthy, an Independent Director.

Shri K. N. Murthy became the Member of the Committee from 13.02.2014. Other Members of the Committee were/are Shri Arun Ramanathan, Prof. S.K. Barua, Shri O.P.Bhatt and Shri S. Ravi.

Director (HR) & Director (Finance) are the permanent invitees of the Committee. The Company Secretary acts as a Convener of the Committee.

During the year 2013-14, four meetings were held on 29th May, 12th August and 06th December, 2013 and 24th March, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Attendance:-

Members	Meetings held during the tenure	Meetings attended
Prof. Deepak Nayyar (up to 12.02.2014)	4	4
Shri K. N. Murthy (from 13.02.2014)	1	1
Shri Arun Ramanathan	4	4
Prof. S. K. Barua (up to 12.02.2014)	3	2
Shri O. P. Bhatt	4	3
Shri S. Ravi (from 13.02.2014)	1	1
Permanent Invitees		
Director (HR)	4	4
Director (Finance)	4	4

8.3.1 COMPLIANCE OFFICER

Shri N. K. Sinha, Company Secretary is the Compliance Officer and is primarily responsible to ensure compliance with applicable statutory requirements. He is the interface between the management and the regulatory authorities on governance matters.

8.3.2 REDRESSAL OF INVESTORS' GRIEVANCE

The Company addresses all complaints, suggestions and grievances of the investors expeditiously and usually resolves them within 7 days except in case of dispute over facts or other legal constraints.

Except for the complaints pertaining to 'ONGC Offer for Sale - 2004' by Government of India, the Company received 30 shareholders' complaints from Stock Exchanges/ SEBI which inter-alia includes non-receipt of dividend/ annual report, issue of Bonus Shares amongst others. The complaints were duly attended to and the Company/ RTA have furnished necessary documents / information to the shareholders. As far as the Investors' Grievances on "ONGC Offer for Sale-2004" is concerned, considerable progress has been made by constant interaction with SEBI, department of Disinvestment and MCS.

No request for share transfer is pending beyond 30 days except those that are disputed or sub-judice. All requests for de-materialization of shares are likewise processed and confirmation communicated to investors and Depository Participants within 10 working days.

The total number of complaints/ queries/ correspondence received and replied/ attended to the satisfaction of the shareholders was 2493. The numbers of complaints pending as on 31.03.2014 were NIL.

8.3.3 SETTLEMENT OF GRIEVANCES

Investors may register their complaints in the manner stated below:

Sl. No.	Nature of Complaint	Contact Office	Action to be taken
1.	Complaint regarding allocation of Shares, Refund order under Offer for Sale, 2004 by Govt. of India	MCS Limited, F-65, Okhla Industrial Area, Phase-I, Delhi- 110020. PhoneNos.011-41406149,51-52 Fax Nos. 011-41709881. e-mail: admin@mcsdel.com	Application giving details of Application No, No. of shares applied, No. of Shares allotted, DP ID, Client ID, Nature of complaint, Applicant Name(s) and complete postal address.
2.	Dividend from financial years 2006-07 (final) to 2013-14 (2nd interim) and all matters pertaining to Bonus Shares and shares held in Physical mode; **For Physical Shares-** Change of address, status, Bank account, mandate, ECS mandate etc.	M/s Karvy Computershare Private Ltd., Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081. Phone Nos. 040- 4465150, 040- 44655155, Fax No: 040- 44655024. e-mail: mailmanager@karvy.com	Letter on plain paper stating the nature of complaint, Folio/ DPID/ Client ID No; lodging of original shares and other documents/ instruments as the case may be. Members are requested to apply for renewal or issue of duplicate dividend warrants for the Final Dividend 2006-07 and Interim Dividend 2007-08 before 18th October, 2014 and 21st January, 2015 respectively as the same will be transferred by the Company to the Investor Education & Protection Fund (IEPF) set up by Govt. of India and no claim will lie against IEPF or the Company.
3.	**For Dematted Shares-** Change of address, status, Bank account, mandate, ECS mandate etc.	Concerned Depository Participant (DP) where the Shareholder is maintaining his/her account	As per instructions of DP
4.	All complaints except of Sl. no.1 & 3.	Company Secretary Oil and Natural Gas Corporation Ltd., 124, Indira Chowk, New Delhi-110001 Phone: 011-23301299 & 23301257 e-mail: secretariat@ongc.co.in	On plain paper stating nature of complaint, folio/DPID/Client ID No., Name and address.

8.3.4 INVESTOR RELATIONS CELL

In line with global practices, the Company is committed towards maintaining, the highest standards of Corporate Governance, reinforcing the relationship between the Company and its Shareholders. **'Investor Service Center'** with information frequently required by investors and analysis is available on the Company's corporate website **www.ongcindia.com.** This website provides updates on financial statements, investor-related events and presentations, annual reports, dividend information and shareholding pattern along with media releases, company overview and report on Corporate Governance etc. Existing and potential investors are able to interact with the Company through this link for their queries and for seeking information.

A Core Team comprising of senior, experienced officials, headed by Director (Finance) have been assigned the responsibility of up-keep of the said link and to serve as a platform for the shareholders to express their opinions, views, suggestions, to understand the influencing factors in their investment decision-making process. Besides, this, the team is also instrumental in maintaining close liaison and to share information through periodic meets including tele-conferencing in India and abroad, regular interactions with investment bankers, research analysts and institutional investors. The Company is committed to take such additional steps as may be necessary to fulfil the expectations of the stakeholders.

8.4 HUMAN RESOURCE MANAGEMENT COMMITTEE

The terms of reference include consideration of all issues/ areas concerning Human Resource

Planning & Management, HR policies & initiatives and Promotions for the post of Group General Manager (GGM) and Executive Director (ED) and appeals of officers in terms of CDA Rules of ONGC.

Prof. S. K. Barua is the Chairman of the Committee. Shri A. Giridhar, Dr. D. Chandrasekharam, Prof. Deepak Nayyar, Shri K. N. Murthy, Shri P. Uma Shankar, Shri S. Ravi, CMD and all Functional Directors were/are the members of the Committee. Director (HR) is the Member-Convener of the Committee.

During 1st April, 2013 to 31st March, 2014, five meetings were held on 29th April, 24th August, 6th and 23rd December, 2013 and 24th March, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Prof. S. K. Barua (Chairman)	5	4
Shri A. Giridhar	5	1
Dr. D Chandrasekharam (Upto 10.03.2014)	4	3
Prof. Deepak Nayyar	5	4
Shri K. N. Murthy	4	4
Shri Sudhir Vasudeva (upto 28.02.2014)	4	4
Shri D. K. Sarraf (from 01.03.2014)	1	1
Shri K. S. Jamestin	5	5
Shri A. K. Banerjee	5	4
Shri P.K. Borthakur (upto 31.01.2014)	4	4
Shri T. K. Sengupta	1	1
Shri Shashi Shanker	5	5
Shri N. K. Verma (from 01.04.2013)	5	4
Shri P. Umashankar (from 13.02.2014)	1	1
Shri S. Ravi (from 13.02.2014)	1	1

8.5 PROJECT APPRAISAL COMMITTEE

The Project Appraisal Committee examines and makes recommendations to the Board on projects/ capital investment exceeding ₹2500 million. Proposals upto ₹2500 million are appraised in-house, while the proposals exceeding ₹2500 million are first appraised by Financial Institutions and thereafter considered by the Project Appraisal Committee which recommends the proposal to the Board with its views. The Project Appraisal Committee also monitors IOR/ EOR Schemes.

Shri O.P. Bhatt, an Independent Director, is Chairman of this Committee. Shri A. Giridhar, Dr. D. Chandrasekharam, Shri Arun Ramanathan, Prof. S.K. Barua, Shri K. N. Murthy, Shri P. Uma Shankar, Shri S. Ravi, Shri A. K. Banerjee, Shri P. K. Borthakur, Shri T. K. Sengupta & Concerned Functional Director were/are the members of the Committee. Director (Offshore) is the Member-Convener of the Committee.

During 1st April, 2013 to 31st March, 2014, **Nine** meetings were held on: 30th April, 29th May, 10th June, 05th July, 24th August, 31st October, 6th December, 2013 and 31st January and 24th March, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Shri O. P. Bhatt	9	8
Shri A. Giridhar	9	3
Dr. D Chandrasekharam (Upto 10.03.2014)	8	7
Shri Arun Ramanathan	9	7
Prof. S. K. Barua	9	7
Shri K. N. Murthy	9	8
Shri A. K. Banerjee	9	8
Shri P.K. Borthakur (up to 31.01.2014)	8	8
Shri T. K. Sengupta (from 01.02.2014)	1	1
Shri Shashi Shanker*	2	2
Shri N. K. Verma*	1	1
Shri P. Umashankar (from 13.02.2014)	1	1
Shri S. Ravi (from 13.02.2014)	1	1

*These Directors attended the meetings as member concerning the Projects of their responsibilities.

8.6 HEALTH SAFETY & ENVIRONMENT COMMITTEE (HSE)

The terms of reference includes review of policy, processes and systems on Safety, Health, Environment and Ecology aspects.

Dr. D. Chandrasekharam, an Independent Director, was the Chairman of the Committee up to 12.02.2014. Thereafter, w.e.f 13.02.2014, the Committee was headed by Shri P. Uma Shankar, an Independent Director. The other members of the Committee were/are Shri A. Giridhar, Prof. Deepak Nayyar, Prof. S.K.Barua, Shri O.P. Bhatt, Dr. D. Chandrasekharam, CMD and all functional Directors. Director (I/C-HSE) acts as a Member-Convener

During 1st April, 2013 to 31st March, 2014, one meeting was held on 19th June, 2013.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Dr. D Chandrasekharam (upto 10.03.2014)	1	1
Shri A. Giridhar	1	-
Prof. Deepak Nayyar	1	-
Prof. S. K. Barua	1	1
Shri O. P. Bhatt	1	-
Shri Sudhir Vasudeva (upto 28.02.2014)	1	1
Shri K. S. Jamestin	1	1
Shri A. K. Banerjee	1	1
Shri P.K. Borthakur (upto 31.01.2014)	1	1
Shri Shashi Shanker	1	1
Shri N. K. Verma	1	1
Shri P. Uma Shankar (from 13.02.2014)	-	-
Shri D. K. Sarraf (from 01.03.2014)	-	-
Shri T. K. Sengupta (from 01.02.2014)	-	-

8.7 FINANACIAL MANAGEMENT COMMITTEE

Mandate of the Committee includes examining into the matters pertaining to Budget, Delegation of Powers (Empowerment), Commercial Issues, Forex and Treasury Management, Investments, Risk Management, Capital Structure, Issue of Securities, Short and Long Term Loans.

Shri Arun Ramanathan, an Independent Director was the Chairman of the Committee, Prof. Deepak Nayyar, Prof. S.K. Barua, Shri O.P. Bhatt, Shri K. N. Murthy, Director (Finance) and Concerned Functional Director were the members and Company Secretary was the Member –Convener.

During 1st April, 2013 to 31st March, 2014, **five** meetings of the Committee were held on 5th July, 31st October, 13th November, 6th December, 2013 and 31st January, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Shri Arun Ramanathan	5	4
Prof Deepak Nayyar	5	4
Prof. S. K. Barua	5	5
Shri O. P. Bhatt	5	4
Shri K. N. Murthy (from 22.04.2013)	5	4
Shri A. K. Banerjee	5	5

On reconstitution of the Committees of the Board w.e.f 13.02.2014, the Financial Management Committee was merged with Audit & Ethics Committee and rechristened as Audit, Ethics and Financial Management Committee.

8.8 COMMITTEE ON DISPUTE RESOLUTION

The Committee has been constituted to review the dispute between ONGC and its vendors / contractors for suitable redressal.

Prof. Deepak Nayyar, an Independent Director, was Chairman of the Committee up to 12.02.2014. Thereafter, Prof. S. Ravi became the Chairman of the Committee w.e.f 13.02.2014. Other members of the Committee were / are Dr. D. Chandrasekharam, Shri Arun Ramanathan, Shri O. P. Bhatt, Shri K. N. Murthy, Director (Finance), Director (Onshore), Director

(T&FS) and Concerned Functional Director. Director (T&FS) is the Member-Convener of the Committee.

During 1st April, 2013 to 31st March, 2014, **Six** meetings of the committee were held on 29th April, 27th August, 25th September, 31st October, 6th December, 2013 and 13th February, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Dr. D. Chandrasekharam (up to 10.03.2014)	6	5
Prof. Deepak Nayyar (up to 13.02.2014)	6	5
Shri Arun Ramanathan	6	4
Shri O. P. Bhatt	6	5
Shri K. N. Murthy	6	4
Shri Sudhir Vasudeva as Member - also holding additional charge of Director (Onshore) up to 28.02.2014	6	2
Shri A. K. Banerjee	6	6
Shri Shashi Shanker	6	6
Shri P. K. Borthakur*	3	3
Shri D. K. Sarraf as Member -also holding additional charge of Director (Onshore) w.e.f 01.03.2014	-	-
Shri S. Ravi (from 13.02.2014)	-	-

*Attended the meetings as member concerning the Projects of their responsibilities.

8.9 Corporate Social Responsibility and Sustainability Development

The Board in its 246th Meeting held on 12th August, 2013 approved formation of a Committee on Corporate Social Responsibility and Sustainability Development consisting of CMD, Director (HR), Director (F) and two Independent Directors, namely, Prof. Deepak Nayyar and Prof. S. K. Barua.

Prof. Deepak Nayyar, an Independent Director, is the Chairman of the Committee. Shri Sudhir Vasudeva, Shri D.K.Sarraf, Shri K. S. Jamestin, Shri A. K. Banerjee, Prof. S.K. Barua, were/are the members the Committee.

The role of the Committee, which is under finalisation, shall inter – alia include the following:

1. To oversee the company's activities relating to Corporate Social Responsibility in line with (i) CSR Policy of the Company, (ii) Guidelines of Department of Public Enterprises and (iii) the provisions of Section 135 of the Companies Act, 2013 and schedule VII.
2. To Review from time to time and recommend to the Board for the modification in the CSR Policy of ONGC, if any.
3. To Recommend Guidelines for implementation of the CSR Policy by ONGC Trust to be formed for the purpose, including and not limited to recommending the powers to be exercised at each level of the management with regard to various CSR activities, from time to time.
4. To Recommend formation of Trust(s) to the Board for implementation of the activities of CSR and SD activities of ONGC. This shall include activities relating to:
   (i) Incorporation of the Trust
   (ii) Finalisation of the Trust Deed and its review from time to time
   (iii) Nomination of Trustees
   (iv) Nomination of Nodal Officer(s) on the Trust

4.1 To recommend, if necessary, (i) amendments in the Trust Deed (ii) winding up of the Trust etc.

5. To oversee the activities of the CSR Foundation Trust through periodic review of its functioning to ensure effective and appropriate utilization of the funds of ONGC.
6. To consider and if thought fit, design suitable projects based on identified focus and / or geographical areas related to CSR for implementation by ONGC / Foundation Trust.
7. To approve Annual work plan for CSR of ONGC taking into account:
   (I) Need Assessment studies
   (ii) Footprint Study
   (iii) Projects / Targeted interventions under CSR
   (iv) Impact Assessment Studies / Social Audits of the CSR initiatives
8. Based on the Annual Work plan, to work out the Annual Budget for CSR and recommend the same to the Board
9. To approve / Ratify / recommend Project / non-project activities of CSR
10. To Review the Report of the CSR activities of ONGC to be submitted by the Foundation Trust / CSR group on a quarterly basis (within 30 days of the end of first second and third quarter) and on Annual basis (including evaluation report) within 3 months of the end of the Financial Year and recommend the same to the Board.

During 1st April, 2013 to 31st March, 2014, **five** meetings were held on 25th September, 12th November, 23rd December, 2013 and 1st and 13th February, 2014.

The details of meetings attended by the members and their tenure as member of the above Committee is reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Shri Sudhir Vasudeva (up to 28.02.2014)	5	5
Shri D. K. Sarraf (from 01.03.2014)	Nil	Nil
Shri K. S. Jamestin	5	5
Shri A. K. Banerjee	5	5
Prof. Deepak Nayyar	5	4
Prof. S. K. Barua	5	5

8.10 OTHER FUNCTIONAL COMMITTEES

Apart from the above, the Board, from time to time, constitutes Functional Committees with specific terms of reference as it may deem fit. Meetings of such Committees are held as and when the need arises. Time schedule for holding the meetings of such Committees is finalized in consultation with Committee members.

MEETINGS OF INDEPENDENT DIRECTORS

Shri Arun Ramanathan is the Lead Independent Director.

During 1st April, 2013 to 31st March, 2014, **one** meeting of the Independent Directors was held on 13.02.2014.

The details of meeting attended by the Independent Directors are reflected in the table below:-

Members	No. of Meetings held during the tenure	No. of Meetings attended
Shri Arun Ramanathan	1	Nil
Dr. D. Chandrasekharam (up to 10.03.2014)	1	1
Prof. Deepak Nayyar	1	1
Shri O. P. Bhatt	1	1
Prof. S. K. Barua	1	1
Shri K. N. Murthy	1	1
Shri P. Uma Shankar (from 13.02.2014)	1	1
Shri S. Ravi (from 13.02.2014)	1	1

9.0 CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT

The Company is committed towards conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. A code of conduct, evolved in line with the industry practices was adopted by the Board on the recommendations of Audit and Ethics Committee. A copy of the Code has been placed on the Company's website **www.ongcindia.com.**

All members of the Board and Senior Management i.e. 'Key Executives' have confirmed compliance with the Code of Conduct for the year under review. A declaration signed by Chairman & Managing Director is given below:

Code of Conduct – Compliance affirmation
(Pursuant to Clause 49-I(D)(ii) of the Listing Agreement)

"I hereby confirm that the Company has obtained from the members of the Board and senior management (Key Executives), affirmation that they have complied with the Code of Conduct for Directors and senior management in respect of the financial year 2013-14"

Sd/-
(Dinesh Kumar Sarraf)
Chairman & Managing Director
New Delhi
12th June,2014

9.1 ONGC' CODE ON INSIDER TRADING

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board has approved the "The Code of Internal Procedures and Conduct in dealing with the Securities of ONGC". The objective of the Code is to prevent purchase and/ or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Insiders (Directors, Advisors, Key Executives, Designated Employees and other concerned persons) are prohibited to deal in the Company's shares/derivatives of the Company during the closure of Trading Window and other specified period(s). To deal in securities, beyond specified limit, permission of Compliance Officer is required. All Directors/ Advisors/ Officers/ designated employees are also required to disclose related information periodically as defined in the Code.

9.2 CEO/ CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, the certification by the CEO and CFO on the financial statement and internal controls relating to financial reporting for the year 2013-14 was submitted to the Board in its meeting held on 29th May, 2014.

10.0 FINANCE MANUAL

ONGC's Finance Manual is a compendium based on existing practices and systems, comprehensively covering various finance activities such as accounting, budgeting, costing, pre-audit and treasury management. This manual provides the users with existing practices, processes, finance policies & procedures, and guides Finance officers while ensuring consistency and uniformity across locations in terms of processes and methodologies. This manual also helps new incumbents' and Finance officers to enlighten them as well as outside agencies such as Statutory Auditors, Government Auditors associated with ONGC.

11.0 SUBSIDIARY MONITORING FRAMEWORK

The Company has two direct subsidiary companies, Mangalore Refinery & Petrochemicals Ltd. (MRPL, listed, material) and ONGC Videsh Ltd. (OVL, unlisted, non-material). The list of subsidiaries of MRPL and OVL is given in the consolidated accounts of ONGC, which forms part of the Annual Report.

All subsidiaries of the Company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. CMD, ONGC is the Chairman of MRPL and OVL.

In terms of Clause 49.III (ii) and (iii) of the Listing Agreement and DPE guidelines, performance of the listed and unlisted subsidiary companies is reviewed by the Audit and Ethics Committee and the Board of ONGC as under:

a) Financial Statements of the listed and unlisted subsidiary companies, are reviewed by the Audit and Ethics Committee;

b) Minutes of the meetings of the Board of Directors are placed before the Company's Board, periodically;

c) A statement of all significant transactions and arrangements entered into by the Subsidiary Company are also reviewed by the Company.

The Company does not have any material unlisted subsidiary company in terms of the clause 49 of the Listing Agreement.

12. ANNUAL GENERAL MEETINGS

Location, date and time of the AGMs held during the preceding 3 years are as under:

Year	Location	Date	Time (IST)
2010-11	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	30.08.2011	10.00 a.m
2011-12	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	24.09.2012	10.00 a.m
2012-13	NDMC Indoor Stadium, Talkatora Garden, New Delhi-110001	25.09.2013	10.00 a.m

There was no special resolution passed by the Company at the last **Three** Annual General Meetings. No resolution requiring Postal Ballot is proposed at the ensuing AGM

13. DISCLOSURES

13.1 MATERIAL CONTRACTS/ RELATED PARTY TRANSACTIONS

The Company has not entered into any material financial or commercial transactions with the Directors or the Management 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 shareholdings. The Company has obtained declarations from all concerned in this regard, which were noted by the Board.

The details of transactions with related parties are disclosed in Note No. 37 of the Notes to Financial Statements for the year ended 31st March, 2014. 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-18 on Related Party Transactions.

13.2 COMPLIANCES

The Company has complied with applicable rules and the requirement of regulatory authorities on capital market and no penalties or strictures were imposed on the Company during last three years.

All returns/ reports were filed within stipulated time with stock exchanges/ other authorities.

14. MEANS OF COMMUNICATION

- **Quarterly/ Annual Results:** The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges, immediately after these are approved. These financial results are normally published in the leading English and vernacular dailies having wide circulation across the country. The results are also displayed on the website of the Company **www.ongcindia.com.** The results are not sent individually to the shareholders.
- **News Release, Presentation etc.:** The official news releases, detailed presentations made to media, institutional investors, financial analysts etc. are displayed on the Company's website **www.ongcindia.com.**
- **Website:** The Company's website **www.ongcindia.com** contains separate dedicated section 'Investor Relations' where the information for shareholders is available. Full Annual Report, Shareholding Pattern and Corporate Governance Report etc. are also available on the web-site in a user-friendly manner.
- **Annual Report:** Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Management Discussion and Analysis (MD&A) Report, Auditors' Report, Corporate Governance Report including Information for the Shareholders and other important information is circulated to the members and others entitled thereto.

15. SHAREHOLDERS' INFORMATION

15.1 ANNUAL GENERAL MEETING

Date Friday, 19th September, 2014.

Time 10:00 Hrs.

Venue NDMC Indoor Stadium, Talkatora Garden, New Delhi – 110001.

15.2 FINANCIAL CALENDER

Adoption of Quarterly Results for the Quarter ending	Tentative date of the meeting of the Board
June 30, 2014 (with limited review by Statutory Auditors)	Wednesday, August 13, 2014
September 30, 2014 (with limited review by Statutory Auditors)	Friday, November 14, 2014
December 31, 2014 (with limited review by Statutory Auditors)	Friday, February 13, 2015
March 31, 2015 (audited)	Friday, May 29, 2015

These dates are tentative and subject to change and the last date for submission of the unaudited quarterly and year to date financial results to the stock exchange is within forty-five days of end of each quarter (except the last quarter). The last date for submission of the financial results of the last quarter is within sixty days from the end of the financial year.

15.3 Book Closure Period

The Book Closure period is from Saturday, the 13th September, 2014 to Friday, the 19th September, 2014 (both days inclusive) for the payment of Final Dividend.

15.4 DIVIDEND PAYMENT DATE

Final Dividend would be paid on or after 19th September, 2014.

15.5 LISTING ON STOCK EXCHANGES:

The equity shares of the Company are part of the Sensex and S&P CNX Nifty Index and are listed on the following Stock Exchanges:

Name & Address	Telephone/Fax/ E-mail ID/Website ID	Trading Symbol
Bombay Stock Exchange (BSE) P.J.Towers, Dalal Street, Fort Mumbai-400001	Telephone:022-22721233/4 Fax: 022-22721919 E-mail: **info@bseindia.com** Website:www.bseindia.com	500312 ONGC
National Stock Exchange of India Ltd. (NSE) Exchange Plaza,C-1, G Block, Bandra-Kurla Complex, Bandra(E), Mumbai-400051	Telephone: 022-26598100-8114 Fax: 022-26598120 E-mail: **cc_nse@nse.co.in** Website:www.nseindia.com	ONGC

15.6 LISTING FEES

Annual listing fees for the year 2013-14, as applicable, have been paid to the above Stock Exchanges.

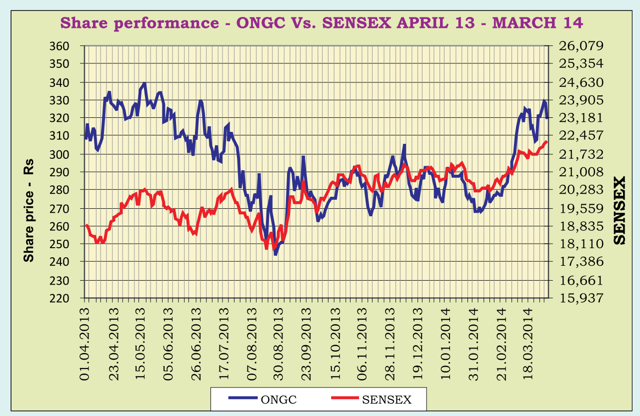
15.7 DEMAT ISIN NUMBERS IN NSDL & CDSL

(Stock Code): INE213A01029

Custody Fee of NSDL and CDSL has been paid for the Financial Year 2013-14

15.8 STOCK MARKET INFORMATION

The stock price performance of ONGC scrip during the period 1st April, 2013 to 31st March, 2014 in comparison to BSE is plotted below:



15.8.1 MARKET PRICE DATA: HIGH, LOW DURING EACH MONTH IN LAST FINANCIAL YEAR

Month	Bombay Stock Exchange			National Stock Exchange		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April'13	336.7	295.8	5405833	336.5	295.65	67367160
May'13	345	317.15	7634474	345.2	318.5	78821666
June'13	353	296.15	6409835	353.05	297.06	78971277
July'13	339.25	265.4	6865094	339.25	265.45	81813110
August'13	296.5	234.4	11063225	296.75	244.1	109184929
September'13	302.25	246	7927139	302.5	247.6	82800078
October'13	299.9	261	4715066	300.8	260.8	58663440
November'13	299	263.3	4870089	299.8	263.5	51645013
December'13	307	271.5	4999780	307.45	273.8	60200816
January'14	294.45	270.2	5088537	294.8	270.1	66967918
February'14	292.85	264	3383379	292.75	264.15	50788375
March'14	335.2	287.15	7173637	335.4	287	96751797

Source: Web-sites of BSE and NSE

16. SHARE TRANSFER SYSTEM

Karvy Computershare Private Ltd. (Karvy) is the Registrar and Share Transfer Agent (RTA) for physical shares. Karvy is also the depository interface of the Company with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL)

The transfer of shares received in physical form is overseen by an Officers Committee (constituted by the Board of Directors) which usually meets once in a fortnight to ratify the shares received for transfer, transmission, re-materialization and dematerialization etc. The shares for transfer received in physical form are transferred expeditiously, provided the documents are complete and the share transfer is not under any dispute. The Minutes of the aforesaid Committee are placed to the Shareholders'/ Investors' Grievance Committee now renamed as Stakeholders' Relationship Committee. A summary of transfer/ transmission of securities so approved by the aforesaid Committee are placed at Board Meetings. The share certificates duly endorsed are sent to the shareholders by RTA. Confirmation in respect to the requests for dematerialization of shares is sent to the respective depositories i.e. NSDL and CDSL, expeditiously.

With a view to further expedite the process of transfer and transmission of shares in physical mode, the Board of Directors have authorised the Share Transfer Agent to process the transfer / transmission. The details of the transfers etc shall henceforth be placed before the Committee of Officers for ratification.

Pursuant to the Clause 47-C of the Listing Agreement, certificates on half yearly basis confirming due compliance of share transfer formalities by the Company, certificate for timely dematerialization of the shares as per SEBI (Depositories and Participants) Regulations, 1996 are sent to the stock exchanges.

In addition, as a part of the capital integrity audit, a Reconciliation of Share Capital Audit confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the stock exchanges.

The total number of transfer deeds processed and shares transferred during the last three years are as under:

Years	No. of transfer deeds processed	No. of shares transferred
2013-14	1722	23884
2012-13	1,178	24,633
2011-12	2,628	51,931

17. SHAREHOLDING PATTERN AS ON 31st MARCH, 2014

Category	No. of Shares held	Percentage of Shareholding
President of India	5,897,760,333	68.94
Banks, Financial Institutions and Insurance Companies	819,802,594	9.58
Foreign Institutional Investors	569,897,010	6.66
Mutual Funds & UTI	109,513,269	1.28
NRIs	3,179,698	0.04
Qualified Foreign Investor	100	0.00
Bodies Corporate:		
• Government Companies	863,524,496	10.09
• Others	148,534,012	1.73
Employees	5,692,606	0.07
Public	137,586,002	1.61
Total	**8,555,490,120**	**100.00**

17.1 TOP 10 SHAREHOLDERS AS ON 31st MARCH, 2014

S. No	Name	No. of Shares held	% of total Shareholding
1	President of India	5897760333	68.94
2	Life Insurance Corporation Of India	666702623	7.79
3	Indian Oil Corporation Limited	657923428	7.69
4	GAIL (India) Limited	205601068	2.40
5	Franklin Templeton Investment Funds	76805580	0.90
6	ICICI Prudential Life Insurance Company Limited	46964274	0.55
7	Vanguard Emerging Markets Stock Index Fund, ASERIES of Vanguard International Equity Index Fund	36013384	0.42
8	LIC of India Market Plus 1 Growth Fund	27723200	0.32
9	HSBC GLOBAL INVESTMENT FUNDS A/C HSBC GIF MAURITIUS LIMITED	26352684	0.31
10	CPSE ETF	24786189	0.29

17.2 Distribution of Shareholding by Size as on 31st March, 2014

Category	Number of Shareholders	% of Shareholders	Total number of Shares	% of Shareholding
1-500	417513	89.61	52244301	0.61
501-1000	22271	4.78	16190443	0.19
1001-2000	11286	2.42	16425359	0.19
2001-3000	5562	1.19	13889246	0.16
3001-4000	5167	1.11	18377610	0.21
4001-5000	1551	0.33	6888694	0.08
5001-10000	1214	0.26	7921507	0.09
10001 and above	1347	0.29	8423552960	98.46
Total	465911	100.00	8555490120	100.00

17.3 Geographical Distribution of Shareholders as on 31st March, 2014

S. No	City	Shareholders		Shareholding	
		Nos	% age	No of shares	%age of Shareholding
1	MUMBAI	110198	23.65	2329769095	27.23
2	NEW DELHI	52465	11.26	6118175725	71.51
3	CHENNAI	17256	3.71	17493349	0.21
4	CALCUTTA	26150	5.61	11931855	0.14
5	AHMEDABAD	28350	6.09	10201999	0.12
6	VADODARA	15110	3.24	6959216	0.08
7	DEHRADUN	5414	1.16	5445316	0.06
8	BANGALORE	20589	4.42	4454656	0.05
9	JORHAT	3953	0.85	4173998	0.05
10	OTHERS	186426	40.01	46884911	0.55
		465911	**100**	**8555490120**	**100**

17.4 History of Paid-up Equity Share Capital (Face value of 5 each)

Year	No. of Shares	Cumulative	Details
1993-94	10	10	Initial Subscription to the Memorandum of Association on 23rd June, 1993.
1993-94	34,28,53,716	34,28,53,726	Issued to the President of India on 1st February, 1994 on transfer of Undertaking of Oil and Natural Gas Commission in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993.
1994-95	66,39,300	34,94,93,026	Issued to the Employees at a premium of 260 per Share (includes 600 shares issued in 1995-96).
1995-96	107,64,40,966	142,59,33,992	Issue of Bonus Shares in ratio of 3.08: 1 on 24.04.1995 by Capitalization of General Reserve.
2006-07	(-)18,972	142,59,15,020	Forfeiture of Shares on 12.04.2006.
	71,29,57,510	213,88,72,530	Issue of Bonus Shares in ratio of 1:2 on 08.11.2006 by Capitalization of General Reserve.
2010-11	-	8,555,490,120	Each equity Share of ONGC was split from the face value of ₹10 into two equity shares of the face value of ₹5 each. Bonus Shares were issued in the ratio of 1:1 by Capitalization of Reserves to the shareholders as on 09.02.2011 (Record Date).
2011-12	-	8,555,490,120	President of India (PoI) acting through Ministry of Petroleum & Natural Gas, Govt. of India on 05.03.2012 has sold 420,416,170 number of equity shares (4.91% shares) in ONGC through the offer for sale through Stock Exchange Mechanism.
2012-13	-	8,555,490,120	-
2013-14	-	8,555,490,120	President of India (PoI) acting through Ministry of Petroleum & Natural Gas, Govt. of India on 27.03.2014 has sold 24,786,189 number of equity shares (0.29% shares) in ONGC through Off Market Transaction to Central Public Sector Enterprises Exchange Traded Fund.

18. CORPORATE BENEFITS

DIVIDEND HISTORY

Years	Rate (%)	Per Share(₹)	Amount (₹in million)
2008-09			
• Interim	180	18	38,499.66
• Final	140	14	29,944.22
2009-10			
• Interim	180	18	38,499.66
• Final	150	15	32,083.09
2010-11			
• Interim	320	32	68,443.92
• Final	15	0.75	6,416.62
2011-12			
• First Interim	125	6.25	53,471.84
• Second Interim	30	1.50	12,833.23
• Final	40	2.00	17,110.98
2012-13			
• First Interim	100	5.00	42,777.45
• Second Interim	80	4.00	34,221.96
• Final (Proposed)	10	0.50	4,277.75
2013-14			
• First Interim	100%	5.00	42,777.45
• Second Interim	85%	4.25	36,360.83
• Final (Proposed)	5%	0.25	2138.87

19. TRANSFER OF UNPAID/ UNCLAIMED DIVIDEND AMOUNT TO INVESTOR EDUCATION & PROTECTION FUND (IEPF)

During the year under report, an amount of 12,187,220.00 and 16,491,906.00 pertaining to unpaid dividend for the financial year 2005-06 (Final) and 2006-07 (Interim) respectively was transferred to the Investor Education & Protection Fund (IEPF) set up by the Central Government. This is in accordance with the sections 205A and 205C of the Companies Act, 1956 requiring transfer of dividend remaining unclaimed and unpaid for a period of 7 years from the due date to the IEPF.

The unpaid/unclaimed amount of Final Dividend declared on 19th September, 2007 for the financial year 2006-07 and interim dividend declared on 19th December, 2007 for the financial year 2007-08 will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government by 18th October, 2014 and 18th January, 2015 respectively. Members who have not encashed their dividend warrants pertaining to the said years may approach the Company or its Registrar & Share Transfer Agent for obtaining payment thereof.

Given below are the proposed dates for transfer of the unclaimed dividend to IEPF by the Company:-

Financial Year	Date of Declaration	Proposed Date for transfer to IEPF*
2006-07- Final	19.09.2007	18.10.2014
2007-08-Interim	19.12.2007	21.01.2015

*Indicative dates, actual dates may vary.

20. DEMATERIALIZATION OF SHARES AND LIQUIDITY

S. No.	Description	No. of Share Holders	Shares	% of Equity
1.	CDSL	102,949	6,785,490,159	79.31
2.	NSDL	351,429	1,763,400,613	20.61
3.	PHYSICAL	11,533	6,599,348	0.08
	Total	**465,911**	**8,555,490,120**	**100.00**

The shares of the Company are in compulsory dematerialized segment and are available for trading in depository system of both National Securities Depository Limited and Central Depository Services (India) Limited.

21. OUTSTANDING GDRs/ ADRs / WARRANTS OR CONVERTIBLE INSTRUMENTS

No GDRs/ ADRs/ Warrants or Convertible Instruments have been issued by the Company during the year.

22. ASSETS/ BASINS/ PLANTS/ INSTITUTES/CODs

A. ASSETS

1. Mumbai High Asset, Mumbai\
2. Neelam & Heera Asset, Mumbai
3. Bassein & Satellite Asset, Mumbai
4. Ahmedabad Asset, Ahmedabad
5. Ankleshwar Asset, Ankleshwar
6. Mehsana Asset, Mehsana
7. Rajahmundry Asset, Rajahmundry
8. Karaikal Asset, Karaikal
9. Assam Asset, Nazira
10. Tripura Asset, Agartala
11. Eastern Offshore Asset, Kakinada, Andhra Pradesh

B. BASINS

1. Western Offshore Basin, Mumbai
2. Western Onshore Basin, Vadodara
3. KG-PG Basin, Chennai
4. Cauvery Basin, Chennai
5. Assam & Assam-Arakan Basin, Jorhat
6. MBA Basin and CBM Development Project, Kolkata/Bokaro
7. Frontier Basin, Dehradun

C. PLANTS

1. Uran Plant, Uran
2. Hazira Plant, Hazira
3. $C_2C_3C_4$ Plant, Dahej, Gujarat

D. INSTITUTES

1. Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE), Dehradun
2. Institute of Drilling Technology (IDT), Dehradun
3. Institute of Reservoir Studies, (IRS) Ahmedabad
4. Institute of Oil & Gas Production Technology (IOGPT) Navi Mumbai
5. Institute of Engineering & Ocean Technology (IEOT) Navi Mumbai
6. Geo- data Processing & Interpretation Center (GEOPIC), Dehradun
7. ONGC Academy, Dehradun
8. Institute of Petroleum Safety, Health & Environment Management (IPSHEM),Goa
9. Institute of Biotechnology & Geotectonics Studies (INBIGS), Jorhat
10. School of Maintenance Practices (SMP), Vadodara
11. Centre for Excellence in Well Logging (CEWL), Vadodara
12. Regional Training Institutes (RTIs) Navi Mumbai, Chennai, Sivasagar & Vadodara
13. ONGC Energy Centre

E. Centres of Deliveries

1. CBM, New Delhi
2. Shale Gas, Vadodara
3. Deep water, Mumbai
4. High Temperature/ High Pressure, Chennai

23. **INVESTOR SERVICES AND ADDRESSES FOR SHAREHOLDERS' CORRESPONDENCE.**

These have been given at 8.3.3 and 8.3.4 above

24. **RISK MANAGEMENT**

The Risk Management Policy has been rolled out across the organization in all Assets, Basins, Plants, Institutes and offices. The Risk Management Committee reviews various types of risks whether present or future and apprises the same to the management

25. **COMPLIANCE CERTIFICATE OF THE AUDITORS**

Certificate from the Auditors of the Company, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed to the Directors' Report forming part of the Annual Report. The Certificate has also been forwarded to the stock exchanges where the securities of the Company are listed.

26. **ADOPTION OF NON-MANDATORY REQUIREMENTS OF CLAUSE - 49**

Beside the mandatory requirement of Clause 49 of the Listing Agreement, the following non-mandatory requirements have been implemented and reflected elsewhere in this report:-

- The Company has constituted a Remuneration Committee (refer para 8.2).
- With regard to Shareholders' Rights, communication of financial results are being published widely and also hosted on the Company's website (refer para 14)
- As far as Audit Qualifications are concerned, the Company has not received any qualification on its financial statements.
- A Board Charter has been formulated to define the role of the Board. (2.2(G))

The Policy on Performance of Evaluation of Directors has been formulated and the same shall be finalised by the Independent Directors. (2.2(F)(b)).

WHISTLE BLOWER POLICY

In terms of revised Clause 49 of the Listing Agreement, The company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. Accordingly ONGC has implemented Whistle Blower Policy on 30th November, 2009.

ONGC has provided ample opportunities to encourage the employees to become whistle blowers (employees who voluntarily and confidentially want to bring the unethical practices, actual or suspected fraudulent transactions in the organization to the notice of the competent authority for the greater interest of the organization and the nation). It has also ensured a very robust mechanism within the same framework to protect them (whistle blowers) from any kind of harm. It is hereby affirmed that no personnel has been denied access to the Audit Committee.

27. **GUIDELINES ON CORPORATE GOVERNANCE BY DPE**

In May, 2010, the Department of Public Enterprises has come out with Guidelines on Corporate Governance for Central Public Sector Enterprises which have replaced the Guidelines issued in 2007. The fresh guidelines of 2010 are now mandatory in nature. ONGC is complying with these guidelines.

No Presidential Directives have been issued during the period 1st April to 31st March, 2014.

No items of expenditure have been debited in books of accounts, which are not for the purpose of business. No expenses, which are personal in nature, have been incurred for the Board of Directors and top management.

The General Administrative expenses were 6.57% of total expenses during 2013-14 as against 5.74% during the previous year.

28. **SECRETARIAL COMPLIANCE REPORT**

Secretarial Compliance Report confirming compliance to the applicable provisions of Companies Act, 1956, Listing Agreement, SEBI guidelines, DPE Guidelines and all other related rules and regulations relating to capital market, though not mandatory, obtained from a practicing Company Secretary, was noted by the Board and forms part of the Directors' Report.

29. **FEE TO STATUTORY AUDITORS**

The fee paid/payable to the Statutory Auditors for the year was ₹22.92 million (previous year ₹20.21 million) including ₹1.01 million (previous year ₹1.01 million) as fee for certification of Corporate Governance Report and ₹5.06 million (previous year ₹4.21 million) for limited review report plus reasonable travelling and out of pocket expenses actually incurred / reimbursable.

Auditors' Certificate on Compliance of Conditions of Corporate Governance

M/s S Bhandari & Co.
Chartered Accountants
P-7, Tilak Marg, C-Scheme
Jaipur - 302 005

M/s Ray & Ray
Chartered Accountants
6, Church Lane
Kolkata - 700 001

M/s Mehra Goel & Co.
Chartered Accountants
505, Chiranjiv Tower
43, Nehru Place
New Delhi - 110 019

M/s Varma &Varma
Chartered Accountants
Sreela Terrace, Level - 4
Unit - D, No. 105 First Main Road
Gandhi Nagar, Adayar
Chennai - 600 020

M/s G. D.Apte & Co.
Chartered Accountants
9, Kamer Building
Cawasji Patel Street
Mumbai - 400 001

To

The Members

Oil And Natural Gas Corporation Limited

1. We have examined the compliance of conditions of Corporate Governance by **Oil And Natural Gas Corporation Limited** ("the company")for the year ended 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance issued by The Institute of Chartered Accountants of India and was limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement). It is neither an audit nor an expression of an opinion on financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, **"except that, the Board of Directors did not comprise of the required number of Independent Directors during the period from 1st April, 2013 to 28th November, 2013 and the vacancies caused due to retirement of the Independent Directors have not been filled within 180 days as per terms of the Listing Agreement"**, we certify that the Company, has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Varma & Varma
Chartered Accountants
FR No. 004532S

P R Prasanna Varma
Partner
Membership No. 025854

For S Bhandari & Co.
Chartered Accountants
FR No. 000560C

P P Pareek
Partner
Membership No. 071213

For Ray & Ray
Chartered Accountants
FR No. 301072E

B K Ghosh
Partner
Membership No. 051028

For Mehra Goel & Co.
Chartered Accountants
FR No. 000517N

R K Mehra Partner
Membership No. 006102

For G. D. Apte & Co.
Chartered Accountants
FR No. 100515W

C M Dixit Partner
Membership No. 017532

Date : July 15,2014
Place : New Delhi