

OIL AND NATURAL GAS CORPORATION LIMITED

CIN No. L74899DL1993GOI054155

Regd. Office : Plot No. 5A- 5B, Nelson Mandela Road, Vasant Kunj, New Delhi, South West Delhi – 110070

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STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31ST DECEMBER, 2019

(₹ in Crore unless otherwise stated)

Sl. No.	Particulars	Financial results for					
		Quarter ended 31.12.2019	Quarter ended [^] 30.09.2019	Quarter ended [^] 31.12.2018	Nine Months ended 31.12.2019	Nine Months ended [^] 31.12.2018	Year ended [^] 31.03.2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
I	Revenue from operations	23,710.05	24,492.62	27,694.09	74,757.41	82,896.09	1,09,654.55
II	Other income	1,402.50	2,659.92	2,194.12	4,780.80	5,206.53	7,436.95
III	Total income (I+II)	25,112.55	27,152.54	29,888.21	79,538.21	88,102.62	1,17,091.50
IV	EXPENSES						
	Cost of materials consumed*	668.12	693.18	574.00	1,999.95	1,591.99	2,217.80
	Purchase of stock-in-trade	-	-	-	-	-	-
	Changes in inventories of finished goods, stock-in-trade and work in progress	(204.74)	(3.82)	25.13	(222.61)	(196.49)	(166.27)
	Employee benefits expense**	667.38	633.18	677.50	1,908.80	1,923.30	2,706.12
	Statutory levies	5,667.06	5,860.64	5,973.23	17,763.81	19,312.55	26,500.42
	Exploration costs written off						
	a. Survey Costs	233.05	182.00	285.94	1,292.89	904.85	1,851.39
	b. Exploratory well Costs	1,484.59	1,415.86	2,388.42	4,352.38	4,226.69	6,905.48
	Finance costs	626.36	681.76	580.73	1,954.20	1,958.46	2,492.14
	Depreciation, depletion, amortisation and impairment	5,358.22	4,632.02	3,451.90	13,788.13	10,838.41	15,702.59
	Other expenses	4,613.94	4,019.42	3,868.37	12,606.62	13,168.08	18,927.80
	Total expenses (IV)	19,113.98	18,114.24	17,825.22	55,444.17	53,727.84	77,137.47
V	Profit before exceptional items and tax (III-IV)	5,998.57	9,038.30	12,062.99	24,094.04	34,374.78	39,954.03
VI	Exceptional items	-	-	-	-	-	-
VII	Profit before tax (V+VI)	5,998.57	9,038.30	12,062.99	24,094.04	34,374.78	39,954.03
VIII	Tax expense:						
	(a) Current tax relating to:						
	- current year	1,670.00	2,665.00	3,231.00	6,672.00	9,923.00	11,142.00
	- earlier years	(459.08)	-	0.05	(472.80)	0.05	0.23
	(b) Deferred tax	636.02	110.17	569.24	1,575.83	1,780.54	2,096.01
	Total tax expense (VIII)	1,846.94	2,775.17	3,800.29	7,775.03	11,703.59	13,238.24
IX	Profit for the period (VII-VIII)	4,151.63	6,263.13	8,262.70	16,319.01	22,671.19	26,715.79
X	Other comprehensive income (OCI)						
	(a) Items that will not be reclassified to profit or loss						
	(i) Re-measurement of the defined benefit obligations	(197.50)	(221.12)	98.11	(530.24)	310.72	(452.88)
	- Deferred Tax	69.02	77.27	(34.29)	185.29	(108.58)	158.25
	(ii) Equity instruments through other comprehensive income	(3,214.77)	(1,604.38)	(2,383.31)	(6,137.31)	(4,942.91)	(1,630.66)
	- Deferred Tax	240.45	(29.10)	169.40	292.37	381.25	126.53
	Total other comprehensive income (X)	(3,102.80)	(1,777.33)	(2,150.09)	(6,189.89)	(4,359.52)	(1,798.76)
XI	Total comprehensive income for the period (IX+X)	1,048.83	4,485.80	6,112.61	10,129.12	18,311.67	24,917.03
XII	Paid-up Equity Share Capital (Face value of ₹ 5/- each)	6,290.15	6,290.15	6,416.63	6,290.15	6,416.63	6,290.15
XIII	Other equity						1,96,702.40
XIV	Earnings Per Share (Face value of ₹ 5/- each) - not annualised #						
	(a) Basic (₹)	3.30	4.98	6.44	12.97	17.67	20.86
	(b) Diluted (₹)	3.30	4.98	6.44	12.97	17.67	20.86

* Represents consumption of raw materials and stores & spares. ** Employee benefits expense shown above is net of allocation to different activities. ^ Refer Note No.6

Earnings per share for the Year ended March 31, 2019 have been computed on the basis of weighted average number of shares outstanding during the period considering buy back of 25,29,55,974 number of fully paid up equity shares completed on February 22, 2019.

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STANDALONE SEGMENT WISE REVENUE, RESULTS, ASSETS & LIABILITIES

(₹ in Crore)

Sl. No.	Particulars	Quarter ended 31.12.2019	Quarter ended [^] 30.09.2019	Quarter ended [^] 31.12.2018	Nine Months ended 31.12.2019	Nine Months ended [^] 31.12.2018	Year ended [^] 31.03.2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Segment Revenue						
	Revenue from Operations						
	a) Offshore	15,764.66	16,013.85	18,955.86	49,083.45	56,036.95	73,015.47
	b) Onshore	7,945.39	8,478.77	8,738.23	25,673.96	26,859.14	36,639.08
	Total	23,710.05	24,492.62	27,694.09	74,757.41	82,896.09	1,09,654.55
	Less: Inter Segment Operating Revenue	-	-	-	-	-	-
	Revenue from operations	23,710.05	24,492.62	27,694.09	74,757.41	82,896.09	1,09,654.55
2	Segment Result Profit(+)/Loss(-) before tax and interest from each segment						
	a) Offshore	5,819.89	6,495.08	8,089.32	19,832.39	26,548.05	31,028.95
	b) Onshore	848.46	1,787.70	3,258.42	4,765.88	8,031.86	8,494.00
	Total	6,668.35	8,282.78	11,347.74	24,598.27	34,579.91	39,522.95
	Less:						
	i. Finance Cost	626.36	681.76	580.73	1,954.20	1,958.46	2,492.14
	ii. Other unallocable expenditure net of unallocable income.	43.42	(1,437.28)	(1,295.98)	(1,449.97)	(1,753.33)	(2,923.22)
	Profit before Tax	5,998.57	9,038.30	12,062.99	24,094.04	34,374.78	39,954.03
3	Segment Assets						
	a) Offshore	1,49,560.84	1,35,946.11	1,24,351.81	1,49,560.84	1,24,351.81	1,25,406.74
	b) Onshore	72,307.91	68,199.88	60,173.13	72,307.91	60,173.13	63,800.43
	c) Other Unallocated	1,08,830.43	1,08,699.70	1,08,093.88	1,08,830.43	1,08,093.88	1,12,348.12
	Total	3,30,699.18	3,12,845.69	2,92,618.82	3,30,699.18	2,92,618.82	3,01,555.29
4	Segment Liabilities						
	a) Offshore	54,390.62	41,311.82	29,354.88	54,390.62	29,354.88	30,328.04
	b) Onshore	19,439.39	15,793.45	11,343.34	19,439.39	11,343.34	12,877.00
	c) Other Unallocated	44,691.03	44,611.11	42,132.98	44,691.03	42,132.98	55,357.70
	Total	1,18,521.04	1,01,716.38	82,831.20	1,18,521.04	82,831.20	98,562.74

[^] Refer Note No.6

Note:- Above segment information has been classified based on Geographical Segment.

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Notes:

1. The above financial results have been reviewed and recommended by the Audit Committee and approved by the Board of Directors in their respective meetings held on February 14, 2020.
2. The financial results for the quarter and nine months ended December 31, 2019 have been reviewed by the Statutory Auditors as required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
3. Effective April 1, 2019, the Company has adopted Ind AS 116 “Leases”, applied to all lease contracts existing on April 1, 2019 using modified retrospective transition method. Accordingly, the comparative information for earlier periods is not restated. On transition, the adoption of the standard resulted in recognition of Right-of-Use assets with corresponding equivalent lease liabilities amounting to ₹ 9,539 Crore as at April 1, 2019. Application of this standard has also resulted in a net decrease in Profit before tax of quarter and nine months ended December 31, 2019 by ₹ 40 Crore and ₹ 346 Crore respectively.
4. The Company, with 40% Participating Interest (PI), was a Joint Operator in Panna-Mukta and Mid and South Tapti Fields alongwith Reliance Industries Limited (RIL) and BG Exploration and Production India Limited (BGEPIIL), each having 30% PI, (all three together referred to as “Contractors”) signed two Production sharing Contracts (PSCs) with Government of India (Union of India) on December 22, 1994 for a period of 25 years. The PSCs for Panna Mukta and Mid & South Tapti have expired on December 21, 2019. In December 2010, RIL & BGEPIIL (JV Partners) invoked an international arbitration proceeding against the Union of India in respect of certain disputes, differences and claims arising out of and in connection with both the PSCs pursuant to the provisions of Article 33 of the PSCs and UNCITRAL Rules, 1976. The Ministry of Petroleum and Natural Gas (MoP&NG), vide their letter dated July 4, 2011, had directed the Company not to participate in the arbitration initiated by the JV Partners. MoP&NG has also stated that in case of an arbitral award, the same will be applicable to the Company also as a constituent of the contractor for both the PSCs .

Directorate General of Hydrocarbons (DGH), vide letters dated May 25, 2017 has informed the Company that on October 12, 2016, a Final Partial Award (FPA) was pronounced by the Tribunal in the said arbitrations. However, details of proceedings of the FPA are not available with the Company. DGH, vide their letter dated May 25, 2017 and June 4, 2018, marked to the Contractors, has directed the payment of differential Government of India share of Profit Petroleum and Royalty alleged to be payable by Contractors pursuant to Governments interpretation of the FPA (40% share of the Company amounting to US\$ 1,624.05 million, including interest upto November 30, 2016) based on demand received from DGH equivalent to ₹ 11,579 Crore. In response to the letters of DGH, the JV partners (with a copy marked to all Joint Venture Partners) have stated that demand of DGH is premature as the FPA does not make any money award in favour of Government of India as quantification of liabilities are to be determined during the final proceedings of the arbitration. Further the award has also been challenged before the English Commercial Court (London High Court). Based on the above facts, the Company has also responded to the letters of DGH stating that pending the finality of the order, the amount due and payable by the Company is not quantifiable.

The English Court has delivered its final verdict on May 2, 2018 following which the Arbitral Tribunal re-considered some of its earlier findings from the 2016 FPA (Revised Award). The Government of India, BGEPIIL and RIL have challenged parts of the Revised Award.

In January 2018 the Company along with the JV partners has filed an application with Management Committee (MC) for increase in CRL in terms of the PSCs. The application has been rejected by MC. Pursuant to the rejection, the JV partners have filed a claim with Arbitral Tribunal.

DGH vide letter dated January 14, 2019 has advised to the contractors to re-cast the accounts for Panna-Mukta and Mid and South Tapti Fields for the year 2017-18. Pending finalization of the decision of the Arbitral Tribunal, the JV partners and the Company have indicated in their letters to DGH that the final recasting of the accounts is premature and the issues raised by DGH may be kept in abeyance.

Pending finality by Arbitration Tribunal on various issues raised above, re-casting of the financial statements and final quantification of liabilities, no provision has been accounted in the financial statements. The demand raised by DGH, amounting to USD 1624.05 million equivalent to ₹ 11,579 Crore has been considered as contingent liability.

The PSCs for Panna Mukta and Mid & South Tapti have expired on December 21, 2019. In terms of the Panna Mukta Field Asset Handover Agreement, the Contractors of PMT JV are liable for this pre-existing liability.

5. The Company had received demand orders from Service Tax Department at various work centres on account of Service Tax on Royalty on crude oil and natural gas, appeals against such orders have been filed before the Tribunal. The Company had also obtained legal opinion as per which the Service Tax/GST on Royalty is not applicable. Meanwhile, the Company also received demand order dated January 1, 2019 on account of GST on Royalty in the State of Rajasthan against which the Company filed writ (4919/2019) before Hon'ble High Court of Rajasthan. The Hon'ble High Court of Rajasthan heard the matter on April 3, 2019 and issued notice to Department with a direction that no coercive action shall be taken against the Company. On February 3, 2020, Hon. Rajasthan HC listed the matter for hearing on March 23, 2020 and directed the interim order to continue.

The Company also filed writ of mandamus (9961/2019) before Hon'ble High Court of Madras seeking stay on the levy of GST on royalty. The Hon'ble High Court of Madras heard the matter on April 3, 2019. The Central Govt. has filed their counter affidavit on August 26, 2019. The company has filed additional grounds to the writ petition and filed rejoinder to the counter of the Central Government before Hon. Madras High Court on January 24, 2020. The next date of hearing is not scheduled as yet. The total estimated amount (including penalty and interest up to December 31, 2019) works out towards Service Tax is ₹ 3,907 Crore and GST is ₹ 5,576 Crore. Since the Company is contesting the demand, it has been considered as contingent liability. Further, as an abundant caution, the Company has deposited Service Tax and GST along-with interest under-protest amounting to ₹ 1,373 Crore and ₹ 4,156 Crore respectively.

6. Pursuant to the amendment in Ind AS 20 'Accounting for Government Grants and Disclosure of Government Assistance' vide Companies (Indian Accounting Standards) Second Amendment Rules, 2018 (the 'Rules'), the Company has now opted to recognize the non-monetary government grant at nominal value. Accordingly the Company has changed the accounting policy of recognizing the non-monetary government grant from fair value to nominal value as it accord better presentation with certain broad concepts of accounting, viz. more accurate reflection of assets and liabilities, better matching of costs and revenues, more accurate allocation of costs of physical assets and therefore provides reliable and more relevant information about the effects of transactions and conditions on the entity's financial position, financial performance and cash flows.

This change in accounting policy has resulted in reversal of carrying value of assets received in earlier years as non-monetary grant and recognized at fair value with corresponding reversal of liabilities. There is no impact of the said change in accounting policy on the profit before tax, profit after tax, and earning per share, however, the impact on the line items of the financial results are as under:


(₹ in Crore)

Particulars	Quarter ended	Quarter ended	Nine months ended	Year ended
	30.09.2019	31.12.2018	31.12.2018	31.03.2019
Assets	(624.99)	(699.37)	(699.37)	(679.52)
Liabilities	(624.99)	(699.37)	(699.37)	(679.52)
Revenue	(25.41)	(30.50)	(62.20)	(82.06)
Cost of material Consumed	-	(5.03)	(5.03)	(6.03)
Depreciation, Depletion amortization and impairment	(25.41)	(25.47)	(57.17)	(76.03)

Government of India vide letter dated 31st May, 2019 has assigned the Panna-Mukta fields w.e.f. December 22, 2019 on nomination basis to the Company on expiry of present PSC without any cost to ensure continuity of operation. Being a non-monetary grant, the Company has recorded these assets and grant at a nominal value.

7. Government of India through Taxation Laws (Amendment) Ordinance, 2019, has inserted Section 115BAA of the Income Tax Act, 1961 where by company has an irrevocable option of shifting to a lower tax rate along with consequent reduction in certain tax incentives including lapse of the accumulated MAT credit. The company continues to recognize the taxes on income for the quarter and nine months ended December 31, 2019 as per the earlier provisions.
8. Previous period's figures have been regrouped by the Company, wherever necessary, to conform to current quarter's classification.

By order of the Board


(Subhash Kumar)
Director (Finance)

Place: New Delhi

Date: February 14, 2020