2007 FORTUNE MOST ADMIRED COMPANIES

Oil and Natural Gas Corporation Limited

ओएनजीसी
ONGC

Indian Essence. Global Presence

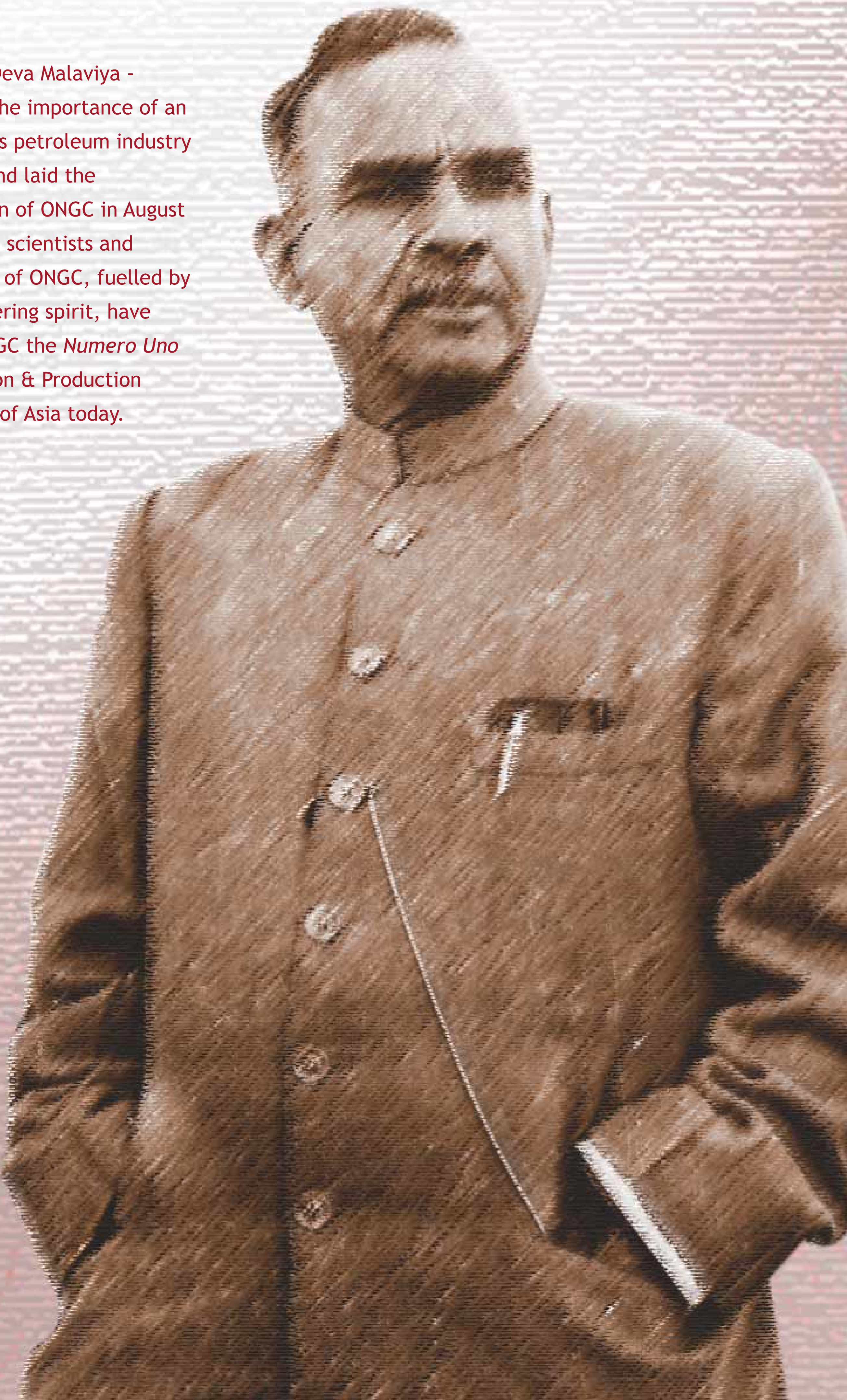
Annual Report
2007-08

2007 FORTUNE MOST ADMIRED COMPANIES

The FORTUNE Most Admired Companies study surveys over 16,000 senior executives, outside directors, and industry analysts for enlisting 'World's Most Admired Companies', rated on nine attributes viz. Ability to attract and retain talented people, Quality of management, Social responsibility to the community and the environment, Innovativeness, Quality of products or services, Wise use of corporate assets, Financial soundness, Long-term investment value and Effectiveness in doing business globally.

ONGC is the first-ever and only Indian company to have featured in this list.

Keshava Deva Malaviya - realized the importance of an indigenous petroleum industry in India and laid the foundation of ONGC in August 1956. The scientists and engineers of ONGC, fuelled by his pioneering spirit, have made ONGC the *Numero Uno* Exploration & Production Company of Asia today.



chairman's message

Dear Shareholder,

Let me at the outset greet you with the pleasant news that your Company has come out with laudable improved performance, despite various odds against it. The highest ever Sales Revenue of Rs. 601,370 million and Net Profit of Rs. 167,016 million during 2007-08 reflect an increase of 5.7% and 6.8% respectively as compared to the previous financial year. We are pleased to share these upsides with you and accordingly a final dividend of Rs. 14 per share (140%), has been recommended making it the highest aggregate dividend at Rs 32 per share (320%).

The fundamentals of the global oil and gas industry have changed radically during the last one year. Demand growth for oil and gas has outstripped supply growth largely on account of the unrelenting appetite of growing economies. As a consequence, the demand-supply axis is getting skewed lending momentum to the north-bound crude prices. This is a major concern that the economies need to address on first priority.

The positive side of this situation is that the industry is now poised to invest substantially in exploration and development of new oil and gas assets. The hunt for 'new' oil is headed towards unconventional sources and new frontiers, like deepwater, ultra-deepwater and even the frigid Arctic environs. Sizeable success has come from Brazil, West Africa and East Coast of India. These results are substantiating the hope that large pools of hydrocarbon are yet to be discovered subject to commitment of adequate investment and technology to exploration.

In this context, your Company has also moved ahead towards seeking new E&P solutions. In recent years we intensified exploratory efforts and have made significant discoveries in Deepwater and Ultra-deepwater provinces in the East coast. This focus has enabled us to maintain a Reserve Replacement Ratio (RRR) of more than one consistently for the past four years. Our overseas acquisitions have also increased to 38 projects in 18 countries.

Production of your Company including that from Joint Ventures and overseas assets now stands at an all-time high of 61.85 MTOE. This is a result of our constant endeavour to adopt best reservoir management practices and systematically bringing new assets on-stream in the shortest possible time. Our proactive approach towards reservoir management has enabled us to arrest the decline in domestic mature fields through innovative technological solutions for our Improved Oil Recovery (IOR) / Enhanced Oil Recovery (EOR) schemes. Fast-track monetization of new and marginal fields has also begun to pay-off.

We are making systematic investment to fuel growth, not only in our core operations of Exploration and Production, but also for opening up new revenue streams from other energy sources such as Coal Bed Methane (CBM) and Underground Coal Gasification (UCG). As you are aware, the ONGC Energy Centre is dedicated to holistic research on alternate energy sources. A number of projects are in incubation and have the potential to open up new avenues of growth beyond hydrocarbons. Our investments in value multiplier projects in petrochemicals, LNG, SEZ and power will also provide substantial upside to the revenue stream in the future.

It may be appreciated that your Company is the torchbearer in seeking energy security for the nation and in providing affordable energy to fuel our growth. We attach great importance to this national duty and are constantly seeking new opportunities domestically and overseas to meet this objective. Of course, as a responsible Corporate, your Company is ensuring that this objective is met through environmentally sustainable solutions. You will be pleased to learn that your Company received the Earth Care Award for excellence in climate change mitigation and adaptation. It is also the only PSU Company that has four CDM projects registered with the United Nations Framework Convention on Climate Change (UNFCCC).

With a view to ensuring sustained growth and meeting the future energy needs of the country, your Company has adopted a multi-pronged approach. It is investing in new and marginal fields so that these are brought into production at the earliest. As per the initial reports, your Company may get 20 blocks out of 27 blocks for which it submitted bids for the VII round of the NELP for which bids were closed on 30th June, 2007. Your company is investing heavily in Mumbai High South redevelopment - Rs. 63,392 million (USD 1,584 million) and envisages to invest in deep water and ultra-deepwater province in the East Coast in excess of Rs. 200,000 million (USD 5 billion). Through its subsidiary OVL, the Company is aggressively scouting and taking up acreages overseas to increase the footprint of brand ONGC as well as to increase overall profitability.

In addition, through IOR and EOR measures an investment of Rs. 85,630 million is planned in the near future. Moreover development of Mangala, Aishwariya, Raageshwari and Saraswati fields in Barmer Basin of Rajasthan, in which your Company has 30% share, is also on the anvil with an estimated investment of USD 450 million(Rs. 18,000 million) apart from revamping the aged surface facilities of North-Eastern state of Assam through Assam Renewal Project (ARP). These are apart from its forays in Underground Coal Gasification (UCG), Coal Bed Methane (CBM), Wind Farms and Helium recovery from Natural Gas. Technological collaboration, wherever necessary, is being sourced from the best in the world.

The Company is about to sign an MoU with Uranium Corporation of India Ltd, so that the traces of uranium discovered by ONGC during its E&P activities are pursued as a formal exploration venture to address the energy security concerns of the economy.

Some major financial highlights of 2007-08 which are worth noting are :

- The aggregate sales revenue of the ONGC Group of companies crossed Rs. One Trillion mark during the year- an increase of 18% (Rs.1018,349 million in 2007-08 against Rs. 862,762 million in 2006-07) and Net Profit of the Group registered a growth of 11.8% (Rs.198,723 million in 2007-08 against Rs. 177,696 million in 2006-07).

- These results are inspite of the fact that your Company continues to absorb the under-recovery of Oil Marketing Companies (OMCs) through discount on Crude Oil, LPG and SKO, which was of the order of Rs. 220,009 million for the year.

As we look to the future, it is strewn with opportunities. Even though your Company is committed to concentrate into its core business area of E&P, it shall continue to capture growth opportunities in the integration projects and retain its leadership position in the Energy Sector of the country.

Your consistent support gives us the confidence to live upto our motto – Courage to Explore, Knowledge to Exceed, Technology to Excel.

R S Sharma
Chairman & Managing Director

contents

board of directors

R S Sharma
Chairman & Managing Director

Dr. A K Balyan
Director (Human Resource)

A K Hazarika
Director (Onshore)

N K Mitra
Director (Offshore)

D K Pande
Director (Exploration)

U N Bose
Director (Technology & Field Services)

D K Sarraf
Director (Finance)
(from 27th December, 2007)

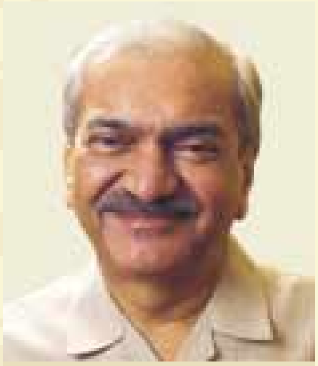
S Sundareshan

Sindhushree Khullar

Dr. R K Pachauri

P K Choudhury

V P Singh



Dr. Bakul H Dholakia

special invitees to the board

R S Butola
Managing Director
ONGC Videsh Limited

M R Pasrija
Chairman & Managing Director
Oil India Limited

directors - part of the year

A K Jain
(from 10th April to
10th May, 2007)

A M Uplenchwar
(upto 31st July, 2007)

reference information

Registered Office
Jeevan Bharti Building,Tower-II,
124, Indira Chowk, New Delhi-110001

Corporate Office
Tel Bhavan Dehradun - 248003
Uttarakhand

Statuory Auditors
K K Soni & Co.
S C Ajmera & Co.
PSD Associates
Singhi & Co.
Padmanabhan Ramani & Ramanujam

Cost Auditors
Dhananjay V. Joshi & Associates
K.G Goyal & Associates
Rao Murthy & Associaes
Mani & Co.,
Shome & Banerjee
R.Nanabhoy & Co.
R.J Goel & Co.

Bankers
State Bank of India

Subsidiaries
ONGC Videsh Limited
Mangalore Refinery & Petrochemicals Limited
ONGC Nile Ganga B.V
ONGC Nile Ganga (Cyprus) Limited
ONGC Campos Ltda
ONGC Narmada Limited
ONGC Do Brasil Exploracao Petrolifera Ltda
ONGC Nile Ganga (San Cristobal) B.V.
ONGC Amazon Alaknanda Limited

Registrar & Share Transfer Agent
Karvy Computershare Private Limited
Plot No.17-24
Vittal Rao Nagar, Madhapur
Hyderabad-500081 (A.P.)

105-108, 1st Floor
Arunachal Building
19, Barakhamba Road
New Delhi-110001

Listed at
Bombay Stock Exchange
National Stock Exchange

Depositories
National Securities Depository Limited
Central Depository Services (India) Limited

Company Secretary
S.P.Garg

Chairman's AGM Speech

Dear Members

On behalf of the Board of Directors of your Company, it is my proud privilege to greet you all and extend a very warm welcome at the **15th Annual General Meeting** of the Company. Your presence, dear Shareowners, in such a large strength, motivate us to raise our confidence level to further excel and meet your expectations with greater resolve. The Annual Report for the Financial Year ending 31st March 2008, along with the Director's report, Audited Annual Accounts and Auditors' Report of your Company are with you for some time, and I assume them to be taken as read.

Fiscal 2007-08 has been another landmark year of success for ONGC and the Group companies. Physical and financial performance has maintained a positive trend and we have excelled in all areas of activity:

Significantly

- **In-place reserve accretion from ONGC operated domestic fields was the highest in last 10 years,**
- **Reserve Replacement Ratio (RRR) during the year was more than one; consecutively more than one since last four years.**
- **Oil and Oil Equivalent Gas (O+OEG) production, along with the production share from our domestic joint ventures and overseas assets, recorded the highest ever level.**
- **Turnover, profits and dividend payout also achieved new peaks.**

You'll appreciate that these are highly significant achievements for any E&P Company. We have been able to attain these landmarks through best-in-class operational practices, an enlarged global E&P portfolio, a committed management, and highly motivated and dedicated workforce.

Before I discuss these efforts in detail, let me briefly apprise you on the industry dynamics so that you are in a better position to understand and appreciate commendable results of your Company in a volatile business scenario.

The Industry Scenario

Oil price has remained the hottest topic throughout the year for all economies; developed or developing. Crude oil price breached the psychological barrier of US$ 100 per barrel on 2nd January 2008; not stopping thereafter, it zoomed in less than 12 months, from US$ 67 per barrel (Dated Brent) in August 2007 to US$ 147 per barrel in July 2008.

This sudden rise in oil prices, with an alarming gradient, stunned the oil addicted petro-civilization. Consequent distortions in the basic traits of the industry have been a cause of serious concern. Price volatility persists and is acutely sensitive to even trivial market events. The downward trend, in recent weeks, has been a great relief and now it is aligning more with the fundamentals.

The unprecedented growth led by the emerging and developing economies has largely been attributed for causing the supply demand differential and the consequent price rise. Circumspect supply centres and speculative activity are also alleged to be responsible for this distortion, besides exchange rate variations. Significantly, most forecasts, for the next quarter-century, project more than 60% increase in energy demand mainly from emerging consumption centres.

So, the biggest challenge for the industry is to respond to faltering conventional energy supplies. It is heartening that the industry has responded well and there is an unprecedented level of E&P activity the world over. However, on the flipside, there is scarcity of resources; scarcity of technology to deal with new frontiers like deep waters or Gas hydrates or Heavy oils; and scarcity of trained manpower. Multiple scarcities have translated into multifold premium on resources; pushing up exploration, development and production costs to new highs.

New Paradigms

The first priority for the industry remains managing existing oil & gas assets in an optimum manner. As fields mature further and decline sets in, technology and skills would rule the business.

Exploration now requires renewed thrust for locating new assets. As logistically easy areas have been mostly explored, the focus is shifting to difficult areas like deep waters, ultra deep waters and the tar sands. The single most important issue is the availability of suitable rigs and their exorbitant hiring rates. The industry will have to be more accurate, cost effective and precise. Failure rates have to be minimized. Technologies for developing such logistically difficult areas also become imperative. The second dimension under this scenario is prudence in fiscal management, project management and innovative work practices.

The third important dimension, for the industry, is establishing meaningful collaborative efforts in all pursuits. E&P industry needs to strengthen the basics of its business partners and service providers for ensuring availability of sufficient resources and rationalization of costs. “Synergy of efforts” is of utmost importance. Only collaborative efforts can help in unlocking the potential of existing assets and locating new ones.

The other dimensions are enabling and stable regulations and commercial policies to facilitate the E&P companies in developing cost effective energy solutions.

Strategic Pursuits

You will appreciate the fact that your Company's strategic pursuits focus on these priorities with renewed vigour. True to long-term strategy, **your Company remains focused on strengthening its core activities i.e., Exploration and Production (E&P) of oil & gas**. In this endeavour, improving the Reserve Replacement Ratio (RRR), by intensifying exploratory efforts is your Company's first priority. Improving recovery factor, arresting decline in mature fields and expeditious development of discovered fields are the other priorities. Enlarging portfolio of overseas oil and gas assets is an equally pressing priority.

Your Company is systematically leveraging its strengths to unleash the potential of new energy sources like Coal Bed Methane (CBM), Underground Coal Gasification (UCG), Wind, Nuclear and Solar energy. The ONGC Energy Centre Trust is chalking out a road map for holistic research and development on large scale alternate energy sources.

Performance Appraisals

1. Exploration

During fiscal 2007-08, your Company made 35 hydrocarbon discoveries spread across Indian sedimentary basins; with initial in-place accretion of 182.23 million tonnes of oil equivalent; the highest during the decade. Success ratio for exploratory wells at 1:2 was also the best during the last seven years.

2. Production

As I mentioned earlier, the oil and oil equivalent gas (O+OEG) production of your Company, along with the production share from its domestic joint ventures and overseas assets recorded the highest ever at 61.85 million tonnes of oil equivalent. This could be achieved mainly on account of a three pronged strategy; first, arresting decline from mature fields; second, bringing new and marginal fields on stream; and third, enlarging portfolio of overseas assets.

a. Arresting decline

Improved Oil Recovery and Enhanced Oil Recovery (IOR/EOR) schemes have helped to arrest production decline in 15 major fields. **Twelve IOR/ EOR schemes with an investment of Rs. 11,836 Crore have already been completed in the last 5 years**, and six projects are under implementation, with an estimated investment of Rs. 8,563 Crore.

b. Marginal fields

A fast track approach to monetize New & Marginal fields has resulted in bringing **40 such fields on stream contributing about 3% of total oil and 2% of gas production** in 2007-08.

Out of 165 new & marginal fields, 143 are either monetized or under delineation or under monetization through service contracts. Remaining 22 fields will be put on production under the new marginal field policy to be approved by the Government.

3. ONGC Videsh Ltd. (OVL)

Enlarged overseas portfolio

The oil and oil-equivalent gas production share of OVL increased from 7.95 million tonnes of oil equivalent last fiscal to **8.80 million tonnes of oil equivalent in 2007-08, up by 10.7%.**

OVL enlarged its portfolio of oil & gas assets by acquiring 11 more E&P projects in 6 countries during the year. Presently OVL has participation in 37 projects in 17 countries. With highest ever production, consolidated gross revenue of OVL increased from Rs. 11,861 Crore to Rs. 16,954 Crore, up by 43% and consolidated **net profit increased from Rs. 1,663 Crore to Rs. 2,397 Crore**, up by 44%.

4. Mangalore Refinery & Petrochemicals Ltd. (MRPL)

With **highest ever capacity utilization (130%)**, MRPL registered its **highest ever profit of Rs. 1,272 Crore** and the **highest ever turnover of Rs. 37,339 Crore**. MRPL declared a **dividend of 12% for the fiscal 2007-08**; again the highest ever. For the fourth consecutive year, the refinery has been awarded the **Jawaharlal Nehru Centenary award for energy conservation and efficiency.**

5. Financials

Supported by all round excellence, your Company scaled a new high to record a **Net Profit of Rs. 16,702 Crore; up 6.8% from Rs. 15,643 Crore in 2006-07**. Your Company registered **gross revenue of Rs. 61,543 Crore in year 2007-08, up 4.2% from Rs. 59,058 Crore; this is despite sharing under recoveries of Rs. 22,001 Crore** by way of discounts in the price of Crude Oil, LPG and Kerosene.

You will be pleased to know that Gross revenue of ONGC Group of companies crossed the Rupee One Trillion mark during the year. In precise terms, the group turnover was at Rs.103,717 Crore in 2007-08 against Rs.89,993 Crore in 2006-07; an increase of 15%. Net Profit of the Group registered a growth of 11.8% at Rs.19,872 Crore in 2007-08 against Rs. 17,770 Crore in 2006-07.

It goes to the credit of well established accounting systems and procedures that your Company achieved the distinction of getting "NIL" comments from Statutory Auditors as well as C&AG Audit for the Financial Year 2007-08; consecutively for the second year; and for the fourth time in the last five years.

Plan Expenditure

Your Company's Plan Expenditure of Rs. 17,651 Crore during the year was also the highest-ever. The budgeted Capex for the current fiscal 2008-09 is Rs. 19,338 Crore; about 10% more than the last year actuals.

Dividend

As you would appreciate, your Company has embarked upon ambitious growth plans. For the sake of prudent fiscal management as also sustaining strong financials, it is desirable to retain substantial funds for Capex investments and growth to address the aspirations of the esteemed shareholders.

You may recall that your Company had paid an interim dividend of Rs. 18 per share (180%) in December 2007. After your approval, in this AGM, the final dividend of Rs.14 per share (140%) shall be paid in the next few days; making an aggregate dividend payout of Rs. 32 per share (320%); totaling to Rs. 6,844 Crore. This is besides Rs. 1,163 Crore payable as tax on dividend. Your Company holds the distinction of retaining the status of the highest dividend paying company in India - Public or Private.

Steering Growth

Your Company's total Oil And Oil Equivalent Gas production target for the eleventh five year plan is 3% more than the actuals for the tenth plan period. OVL has also set an ambitious production target of 39.47 million tonnes of oil equivalent in the eleventh plan compared to its production of 23.5 million tonnes of oil equivalent during the tenth plan. To achieve this target, your Company has enhanced its E&P outlay by about 52% for eleventh plan period compared to the actual expenditure in the 10th plan period.

Your Company has the distinction of having the largest exploration acreage in the country. We have maintained this pace during NELP-VII round as well. Against 57 blocks on offer and 45 blocks going to be awarded, your Company submitted bids for 27 blocks and as per early indications **your Company is likely to get about 20 blocks.**

Your Company's **appraisal plan for development of deepwater block KG-DWN-98/2 and KG-OS-DW-IV has been cleared by the Directorate General of Hydrocarbon (DGH)**, and is at the final stage of approval by the Ministry. **Your Company envisages an investment of over USD 5 billion on these projects and is optimistic to begin production by 2013**.

You will appreciate that in recent years OVL has emerged as the growth vehicle for your Company. Through OVL, we continue to aggressively pursue equity oil and gas abroad.

MRPL's expansion of refining capacity to 15 MMTPA is well on track. This expansion will help increase distillate yield by about 10%; and introduce ability to process high TAN and high sulphur crude oils.

New & Alternate sources of energy

In conformity to the company's vision of being an energy company we have signed the **first contract to supply CBM gas in July 2008**. The supply is expected to commence by the end of 2008. Further, your Company has already commissioned a 50 MW wind farm in Gujarat.

Through ONGC Energy Centre Trust, we are looking for energy avenues in Thermo-chemical reactors, Geo-bio reactors and Fuel Cells. We have also started pursuing Uranium mining and Solar as other options.

Value-multiplier projects

Value-multiplier projects in sectors like refining, petrochemicals, LNG, SEZs, Power, etc., have huge potential towards inclusive and integrated growth of your Company. All these projects are progressing well and will be on stream soon; bringing additional revenues.

Human Resource

Your Company has taken a structured initiative to retain talent. To ensure uninterrupted supply of quality human resource for the oil & gas industry of the nation, ONGC is actively promoting Geosciences and Petroleum engineering in various institutes in India. Your Company is the prime sponsor of the Rajiv Gandhi Institute of Petroleum Technology at Rae Bareily which has already been bestowed with the IIT status.

Commitment to environment

Your Company has undertaken a mega-project of **eco-forestation in Uttarakhand through plantation of about 3 Lakh saplings of Ringal bamboo**. Process of arresting land erosion in the coastal areas by planting about 5 Lakh mangroves is in progress. All our work centres are ISO-14001 compliant.

You will appreciate the fact that your Company has taken programmed initiatives towards climate change mitigation and is pursuing development of Clean Development Mechanism (CDM) projects. Already, **4 CDM projects of your Company have been registered with UNFCCC**; we being the only PSU to have done so.

Corporate Governance

Corporate governance practices in your Company focus on transparency, integrity, professionalism and accountability. The basic objectives revolve around ensuring healthy relationship with all stakeholders and provide them desired comforts to be partners in the Company's growth and prosperity. Through our comprehensive reports, and also direct and indirect communications, we ensure that your Company meets the aspirations of all the stakeholders. Forums like, Investors Meet, Vendors Meet, and regular Media interactions have been enriched further. The web portal of your Company is updated regularly.

You'll be delighted to know that recognizing the endeavours of your Company towards Corporate Governance, **Standing Conference of Public Enterprises (SCOPE), the apex body of Public Enterprises, has selected your Company for the "Gold Trophy" for SCOPE Meritorious Award** for Good Corporate Governance for the year 2006-07. The award is going to be conferred soon.

Today happens to be another red-letter day for your Company as it is going to be conferred **"Golden Peacock Global Award - 2008" for excellence in Corporate Governance at London**. The award instituted by the World Council for Corporate Governance.

Corporate Social Responsibility (CSR)

Your Company is spearheading the United Nations Global Compact – World's biggest corporate citizenship initiative to bring Industry, UN bodies, NGOs, Civil societies and corporates on the same platform. Being a responsible corporate citizen **your Company has made sizeable contributions towards flood relief in Bihar and Assam**.

Sports

Your Company won the Petroleum Minister's PSPB Trophy for Overall Best Performance in 2007-08 for the fifth year in succession. Your Company is the home for around 150 eminent sportspersons, including 10 Arjuna Awardees. The most recent accolade has come through **ONGCian Pankaj Advani, who won the ONGC-IBSF World billiards championship**; retaining his position as world champion. Your Company is also the sole sponsor of the National Football League.

ONGCians

Inclusive strength of any organization comes from its people; who devote themselves to excellence. ONGC's saga of success is the story of technical and professional competence of its people whom you have always encouraged and motivated. On your behalf I take the opportunity to convey sincere thanks to the employees.

Acknowledgements

Your unstinted support and continued confidence inspires us in all our endeavours for excellence and, on behalf of the Board of Directors of your Company, I wish to convey sincere thanks to you, our valued shareholders. Ministry of Petroleum & Natural Gas, Government of India has always provided us guidance and encouragement in all our pursuits. I acknowledge the support of the Government of India, the State Governments and all other concerned Authorities and Agencies. We also place on record our appreciation to all the authorities in various countries who perceive us as their partner in progress.

Thank you,

Jai Hind.

R. S. Sharma

Chairman & Managing Director

New Delhi, 19th September, 2008

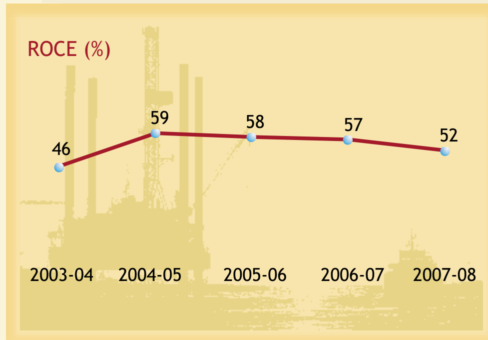
performance at a glance

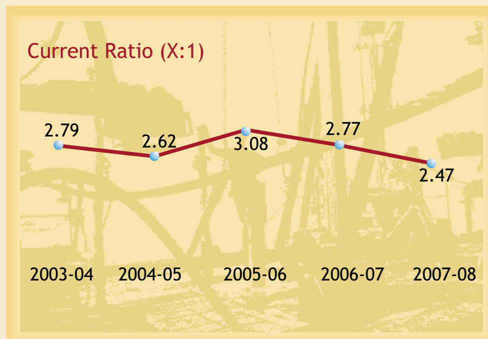
(Rupees in million unless otherwise stated)	2007-08	2006-07	2005-06	2004-05
PHYSICAL				
Quantity Sold (Other than Trading)				
- Crude Oil (MMT)	**24.08**	24.42	22.45	24.09
- Natural Gas (MMM3)	**20,432**	20,306	20,500	20,644
- LPG (000'Tonnes)	**1,037**	1,033	1,084	1,086
- Naphtha/ARN (000'Tonnes)	**1,442**	1,442	1,578	1,567
- Ethane/Propane (000'Tonnes)	**520**	548	535	528
- Superior Kerosene Oil (000'Tonnes)	**168**	156	176	177
Quantity Sold (Trading)				
- Superior Kerosene Oil (000'KL)	**308**	563	432	970
- HSD (000'KL)	**1,539**	1,394	874	1,538
- Motor Spirit (000'KL)	**232**	121	110	262
FINANCIAL				
Income from Operations (Turnover)	**615,426**	590,575	494,397	472,454
Statutory Levies	**129,768**	122,516	99,738	103,258
Operating Expenses	**106,823**	102,016	76,762	71,397
Exchange Loss	**(1,070)**	177	(172)	2
Purchases (Trading)	**65,115**	59,401	34,338	51,013
Profit Before Interest Depreciation & Tax (PBIDT)	**314,790**	306,465	283,731	246,784
Recouped Costs	**97,979**	94,994	84,573	62,016
Operating Income (PBIT)	**216,811**	211,471	199,158	184,768
Interest (Net)	**(35,535)**	(20,480)	(12,808)	(11,887)
Profit before Tax and Extraordinary Items	**252,346**	231,951	211,966	196,655
Extraordinary Items	**0**	4,751	6,405	0
Profit before Tax	**252,346**	236,702	218,371	196,655
Corporate Tax	**85,330**	80,273	74,063	66,825
Net Profit (PAT)	**167,016**	156,429	144,308	129,830
Dividend	**68,444**	66,305	64,167	57,037
Tax on Dividend	**11,632**	10,125	9,000	7,763
Share Capital	**21,389**	21,389	14,259	14,259
Net Worth	**699,435**	614,099	535,934	463,142
Borrowings	**369**	696	1,069	1,490
Working Capital	**322,248**	304,021	265,664	212,895
Capital Employed	**604,844**	540,744	493,763	419,926
Internal Resources Generation	**185,158**	242,253	142,847	117,120
Plan Expenditure	**176,510**	133,050	114,210	106,813
Contribution to Exchequer	**300,200**	286,596	234,086	228,117
Expenditure on Employees	**60,484**	48,833	30,147	27,465
Number of Employees	**32,996**	33,810	34,722	36,185
FINANCIAL PERFORMANCE RATIOS				
PBIDT to Turnover (%)	**51.2**	51.9	57.4	52.2
PBDT to Turnover (%)	**56.9**	55.4	60	54.8
Profit Margin (%)	**27.1**	26.5	29.2	27.5
Contribution to Exchequer to Turnover (%)	**48.8**	48.5	47.3	48.3
ROCE(PBIDT to Capital Employed) (%)	**52.0**	56.7	57.5	58.8
Net Profit to Equity (%)	**23.9**	25.5	26.9	28.0
BALANCE SHEET RATIOS				
Current Ratio	**2.47:1**	2.77:1	3.08:1	2.62:1
Debt Equity Ratio	**0.001:1**	0.001:1	0.002:1	0.003:1
Debtors Turnover Ratio (Days)	**26**	17	27	29
PER SHARE DATA				
Earning Per Share (Rs.)- before extraordinary items	**78.09**	71.66*	98.22	91.05
Earning Per Share (Rs.)- after extraordinary items	**78.09**	73.14*	101.20	91.05
Dividend (%)	**320**	310*	450	400
Book Value Per Share (Rs.)	**327**	287*	376	325

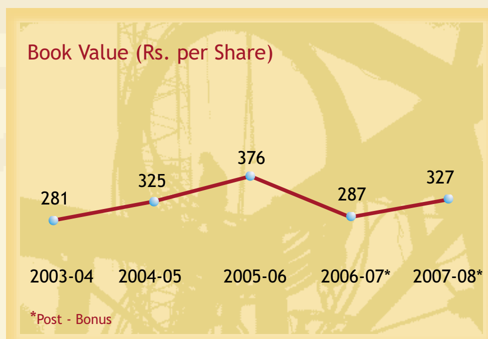
*Post - bonus

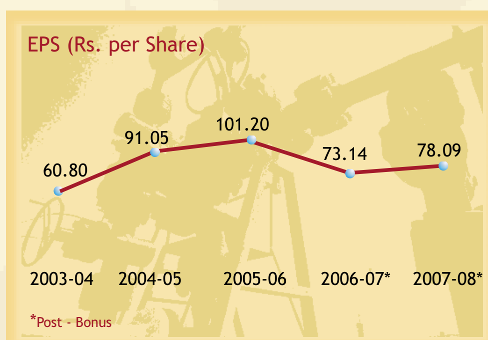
2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
23.94	23.90	22.86	23.38	23.39	24.45
21,103	21,110	20,446	20,501	20,064	19,386
1,161	1,198	1,157	1,211	1,208	1,180
1,656	1,642	1,681	1,514	1,393	1,451
534	619	528	570	557	506
218	234	231	221	228	177
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
329,270	353,872	238,574	242,704	203,236	151,029
89,156	92,334	59,742	55,515	51,592	46,676
58,848	70,855	49,084	51,594	48,025	30,946
36	191	469	1,269	3,542	5,912
0	0	0	0	0	0
181,230	190,492	129,279	134,326	100,077	67,495
55,881	41,439	38,399	47,394	42,523	31,912
125,349	149,053	90,880	86,932	57,554	35,583
(10,741)	(12,185)	(7,672)	(4,636)	(1,751)	(163)
136,090	161,238	98,552	91,568	59,305	35,746
0	0	0	0	0	0
136,090	161,238	98,552	91,568	59,305	35,746
49,446	55,945	36,573	39,280	23,010	8,201
86,644	105,293	61,979	52,288	36,295	27,545
34,222	42,778	19,963	15,685	9,268	7,842
4,385	2,375	0	1,600	1,412	863
14,259	14,259	14,259	14,259	14,259	14,259
400,024	356,081	295,119	301,478	267,368	241,712
2,118	3,627	30,381	41,911	68,501	79,560
191,535	127,132	109,249	91,386	68,485	43,189
395,299	352,170	329,061	310,331	293,185	267,256
93,069	81,735	68,448	50,020	44,747	41,942
68,520	50,890	40,403	36,072	40,687	44,679
168,582	191,016	108,799	111,428	87,032	64,173
25,619	25,921	21,847	23,184	23,678	13,431
38,033	39,352	40,280	40,226	40,021	41,040
55.0	53.8	54.1	54.2	49.2	44.7
58.3	57.2	57.3	56.1	50.1	44.8
26.3	29.8	26.0	21.5	17.9	18.2
51.2	54.0	45.6	45.9	42.8	42.5
45.8	54.0	39.2	42.4	34.1	25.3
21.7	29.6	21.0	17.3	13.6	11.4
2.79:1	2.45:1	2.62:1	2.89:1	2.36:1	1.82:1
0.01:1	0.01:1	0.10:1	0.14:1	0.26:1	0.33:1
26	41	34	26	31	27
60.8	73.8	43.5	36.7	25.5	19.3
60.8	73.8	43.5	36.7	25.5	19.3
240	300	140	110	65	55
281	250	207	211	188	170

financial ratios: trend









statement of income and retained earnings

(Rupees in million)	2007-08	2006-07	2005-06
REVENUES			
Sales			
Crude Oil	**386,805**	372,090	317,357
Natural Gas	**71,780**	72,113	66,701
LPG	**20,168**	14,866	16,293
Naphtha/Aromatic Rich Naphtha	**43,849**	37,907	35,679
Ethane/Propane	**9,291**	9,095	7,401
Superior Kerosene Oil	**10,775**	15,754	10,605
HSD	**48,621**	42,037	23,403
Motor Spirit	**9,159**	4,530	3,797
Others	**925**	634	617
Price Revision Arrears	**-**	11	156
Sub- Total	**601,373**	569,037	482,009
Pipeline Revenue	**1,522**	82	15
Other Receipts	**11,390**	21,653	10,257
Accretion / (Decretion) in stock	**1,141**	(197)	2,116
Total Income from Operations	**615,426**	590,575	494,397
COST & EXPENSES			
Operating, Selling & General			
(a) Royalty	**60,707**	53,428	46,181
(b) Cess/ Excise Duty	**61,106**	62,024	44,302
(c) Natural Calamity Contingent Duty	**1,127**	1,149	1,081
(d) Sales Tax	**772**	1,380	5,727
(e) Education Cess *	**1,861**	1,303	
(f) Octroi & Port Trust Charges	**4,195**	3,232	2,447
Sub-total (a to f)	**129,768**	122,516	99,738
Pipeline Operations (Excluding Depreciation)	**7,318**	6,460	5,907
Other Operational Costs	**99,505**	95,556	70,855
Exchange Loss	**(1,070)**	177	(172)
Purchases	**65,115**	59,401	34,338
Recouped Costs			
(a) Depletion	**36,776**	33,849	29,702
(b) Depreciation	**14,060**	16,249	23,759
(c) Amortisation	**47,580**	43,167	31,437
(d) Impairment	**(437)**	1,729	(325)
Sub-Total (a to d)	**97,979**	94,994	84,573
Total Cost & Expenses	**398,615**	379,104	295,239
Operating Income Before Interest &Tax	**216,811**	211,471	199,158
Interest			
- Payments	**590**	215	470
- Receipts	**36,125**	20,695	13,278
- Net	**(35,535)**	(20,480)	(12,808)
Profit before Tax and Extraordinary Items	**252,346**	231,951	211,966
Extraordinary Items		4,751	6,405
Profit before Tax	**252,346**	236,702	218,371
Corporate Tax (Net)	**85,330**	80,273	74,063
Net Profit	**167,016**	156,429	144,308
Dividend	**68,444**	66,305	64,167
Tax on Dividend	**11,632**	10,125	9,000
Retained Earnings For The Year	**86,940**	79,999	71,141

* Upto 2005-06, education cess is included in respective heads of levies.

2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
311,824	222,124	244,131	137,115	141,538	115,614	88,610
53,206	52,039	49,986	49,446	49,756	47,147	37,319
12,066	16,352	19,087	11,473	14,161	9,279	7,581
29,260	22,538	22,035	18,782	18,554	14,063	7,680
5,705	4,779	5,837	4,082	4,359	3,844	2,077
16,896	2,658	3,188	1,731	1,616	1,028	580
29,277	85	80	0	0	0	0
6,846	0	0	0	0	0	0
1,434	1,060	995	766	522	451	236
584	3,461	1,568	5,017	1,355	8,400	3,409
467,098	325,096	346,907	228,412	231,861	199,826	147,492
23	24	478	3,966	4,612	1,110	2,136
5,034	4,262	6,276	6,194	5,784	2,148	1,399
299	(112)	211	2	447	152	2
472,454	329,270	353,872	238,574	242,704	203,236	151,029
37,911	28,451	30,002	25,142	23,024	21,018	17,699
46,498	46,302	46,994	25,660	23,833	23,499	23,745
1,138	1,117	98				
14,580	11,050	12,561	7,713	7,439	6,453	4,671
3,131	2,236	2,679	1,227	1,219	622	561
103,258	89,156	92,334	59,742	55,515	51,592	46,676
8,982	5,717	5,452	4,951	4,965	5,727	3,654
62,415	53,131	65,403	44,133	46,629	42,298	27,292
2	36	191	469	1,269	3,542	5,912
51,013						
24,851	23,323	17,497	15,638	15,759	14,099	15,254
5,437	6,057	7,599	8,286	10,602	16,224	6,955
31,588	26,339	16,181	14,228	18,172	12,200	9,703
140	162	162	247	2,861		
62,016	55,881	41,439	38,399	47,394	42,523	31,912
287,686	203,921	204,819	147,694	155,772	145,682	115,446
184,768	125,349	149,053	90,880	86,932	57,554	35,583
377	468	1,132	2,469	3,984	6,003	8,342
12,264	11,209	13,317	10,141	8,620	7,754	8,505
(11,887)	(10,741)	(12,185)	(7,672)	(4,636)	(1,751)	(163)
196,655	136,090	161,238	98,552	91,568	59,305	35,746
196,655	136,090	161,238	98,552	91,568	59,305	35,746
66,825	49,446	55,945	36,573	39,280	23,010	8,201
129,830	86,644	105,293	61,979	52,288	36,295	27,545
57,037	34,222	42,778	19,963	15,685	9,268	7,842
7,763	4,385	2,375	0	1,600	1,412	863
65,030	48,037	60,140	42,016	35,003	25,615	18,840

statement of financial position

(Rupees in million)	As at 31st March, 2008	As at 31st March, 2007	As at 31st March, 2006
RESOURCES			
A. Own			
1. Net Worth			
(a) Equity			
i) Share Capital	**21,389**	21,389	14,259
ii) Reserves & Surplus	**684,785**	597,851	525,338
Sub-Total	**706,174**	619,240	539,597
(b) Less Intangible Assets	**6,739**	5,141	3,663
Net Worth	**699,435**	614,099	535,934
2. Long Term Liabilities			
Deferred Tax Liability	**73,708**	65,227	63,551
Provision For Gratuity & Abandonment *			
Total Own Funds (1 + 2)	**773,143**	679,326	599,485
B. Outside			
1. Unsecured Loans			
a) Indian Loans	**-**	202	404
b) Foreign Loans	**369**	494	665
Total Unsecured Loans	**369**	696	1,069
2. Deferred Credits (Principal Only)			
Total Outside Resources	**369**	696	1,069
TOTAL RESOURCES (A+ B)	**773,512**	680,022	600,554
DISPOSITION OF RESOURCES			
A. Block Capital			
1. Fixed Assets	**105,180**	88,391	78,422
2. Producing Properties (Net)	**301,874**	295,685	275,833
less: Liability for Abandonment Cost	**124,458**	147,353	126,156
Total Block Capital	**282,596**	236,723	228,099
B. Working Capital			
a) Current Assets			
i) Inventories	**34,806**	30,338	30,385
ii) Debtors (Net of Provision)	**43,604**	27,594	37,043
iii) Cash & Bank Balances	**160,143**	136,704	42,792
iv) Deposit with Bank Under Site Restoration Fund Scheme#	**64,033**	56,103	45,336
v) Loans & Advances and Others	**195,745**	193,214	216,059
Sub-Total	**498,331**	443,953	371,615
Less			
(b) Current Liabilities and Provisions and Short Term Loans (excl. Prov. for Gratuity, Abandonment & Impairment)*	**176,083**	139,932	105,951
Working Capital	**322,248**	304,021	265,664
C. Capital Employed	**604,844**	540,744	493,763
D. Investments	**58,995**	57,021	48,885
E. Capital Works in Progress	**70,745**	48,251	28,303
F. Exploratory/Development Wells in Progress	**38,928**	34,006	29,603
TOTAL DISPOSITION	**773,512**	680,022	600,554

* For the Year 2002-03 & 2001-02 Provision for Gratuity & Abandonment are included in Current Liabilities. From the Year 2003-04, Provision for Gratuity is included in Current Liabilities and Liability for Abandonment has been deducted from Producing Properties.

\# Excluded for Current Ratio.

	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2002	As at 31st March, 2001	As at 31st March, 2000	As at 31st March, 1999
	14,259	14,259	14,259	14,259	14,259	14,259	14,259
	454,195	391,172	343,130	282,963	288,854	253,843	228,229
	468,454	405,431	357,389	297,222	303,113	268,102	242,488
	5,312	5,407	1,308	2,103	1,635	734	776
	463,142	400,024	356,081	295,119	301,478	267,368	241,712
	54,438	58,420	52,348	53,471			
					7,181	4,183	2,167
	517,580	458,444	408,429	348,590	308,659	271,551	243,879
	607	809	1,011	1,213	1,415	2,263	2,809
	883	1,309	2,616	29,168	38,411	62,557	71,808
	1,490	2,118	3,627	30,381	39,826	64,820	74,617
					2,085	3,681	4,943
	1,490	2,118	3,627	30,381	41,911	68,501	79,560
	519,070	460,562	412,056	378,971	350,570	340,052	323,439
	58,365	56,684	53,928	56,008	58,893	64,001	74,114
	229,607	227,372	171,110	163,804	160,052	160,699	149,953
	80,941	80,292					
	207,031	203,764	225,038	219,812	218,945	224,700	224,067
	25,692	24,057	15,710	14,526	15,369	15,649	15,718
	37,293	23,178	39,359	22,514	17,338	17,245	11,086
	58,488	55,735	36,309	49,105	20,545	33,554	18,960
	36,181	31,682	24,781	6,350			
	164,004	145,963	98,811	84,164	86,463	52,471	50,422
	321,658	280,615	214,970	176,659	139,715	118,919	96,186
	108,763	89,080	87,838	67,410	48,329	50,434	52,997
	212,895	191,535	127,132	109,249	91,386	68,485	43,189
	419,926	395,299	352,170	329,061	310,331	293,185	267,256
	40,367	44,217	39,826	33,232	23,607	22,857	27,115
	41,419	9,826	9,329	6,903	7,283	9,757	16,684
	17,358	11,220	10,731	9,775	9,349	14,253	12,384
	519,070	460,562	412,056	378,971	350,570	340,052	323,439

(Rupees in million)	2007-08	2006-07	2005-06
DETAILS OF DEPRECIATION ALLOCATED TO:			
Survey	**1,029**	863	722
Exploratory Drilling	**2,151**	1,672	1,885
Development	**21,924**	14,251	13,605
Profit & Loss Account	**13,984**	16,094	22,226
Others	**70**	48	89
Total	**39,158**	32,928	38,527
CONTRIBUTION TO EXCHEQUER			
CENTRAL			
1. Cess/Excise Duty	**61,103**	62,028	44,302
2. Natural Calamity Contingent Duty	**1,127**	1,149	1,081
3. Royalty	**30,631**	27,920	23,056
4. Education Cess *	**1,863**	1,303	
5. Corporate Tax			
a) On ONGC's Account	**80,720**	78,403	64,025
b) For Foreign Contractors	**32**	34	3
6. Dividend	**50,744**	49,159	47,573
7. Tax on Dividend	**11,632**	10,125	8,999
8. Customs Duties	**815**	1,441	888
9. Mumbai Port Trust Charges	**742**	691	710
Sub Total	**239,409**	232,253	190,637
STATE			
1. Sales Tax/VAT	**26,899**	25,998	18,263
2. Royalty	**30,078**	25,513	23,126
3. Octroi Duties etc.	**3,814**	2,832	2,060
Sub Total	**60,791**	54,343	43,449
Grand Total	**300,200**	286,596	234,086

* Upto 2005-06, education cess is included in respective heads of levies.

2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
575	760	712	370	463	376	347
1,503	1,517	1,590	1,748	1,680	1,708	1,598
10,623	9,322	9,587	9,725	9,000	15,933	14,597
5,435	6,056	7,594	7,865	10,602	16,224	6,955
106	25	55	0	8	31	57
18,242	17,680	19,538	19,708	21,753	34,272	23,554
46,501	46,314	47,008	25,662	23,862	23,501	23,746
1,138	1,117	98				
21,811	16,202	17,380	16,602	15,615	14,586	12,446
69,817	43,516	58,850	31,012	39,280	23,010	8,202
23	20	24	32	76	126	142
42,287	27,364	35,981	16,791	13,193	7,796	6,596
7,763	4,385	2,375	0	1,600	1,412	863
2,423	4,114	1,432	1,213	1,741	2,984	1,695
2,999	364	345	260	185	188	221
194,762	143,396	163,493	91,572	95,552	73,603	53,911
14,581	11,060	12,561	7,719	7,430	6,472	4,673
16,103	12,249	12,623	8,541	7,412	6,524	5,257
2,671	1,877	2,339	967	1,034	433	332
33,355	25,186	27,523	17,227	15,876	13,429	10,262
228,117	168,582	191,016	108,799	111,428	87,032	64,173

ONGC group performance at a glance

(Rupees in million unless otherwise stated)	2007-08	2006-07
FINANCIAL		
Income from Operations (Turnover)	**1,037,168**	899,935
Statutory Levies	**240,710**	217,474
Operating Expenses	**374,290**	307,502
Exchange Loss	**800**	(2,675)
Profit Before Interest Depreciation & Tax (PBIDT)	**421,368**	377,634
Recouped Costs	**139,533**	124,154
Operating Income (PBIT)	**281,835**	253,480
Interest (Net)	**(27,375)**	(19,241)
Profit before Tax and Extraordinary Items	**309,210**	272,721
Extraordinary Items		4,751
Profit before Tax	**309,210**	277,472
Corporate Tax	**106,999**	98,454
Profit after Tax (PAT)	**202,211**	179,018
Share in Associates for the year	**21**	102
Profit relating to minority	**3,509**	1,424
Group Profit after Tax	**198,723**	177,696
Dividend	**68,444**	66,305
Tax on Dividend	**12,014**	10,383
Share Capital	**21,535***	21,416*
Net Worth (Equity)	**774,127**	661,994
Borrowings	**9,427**	12,964
Working Capital	**240,202**	202,408
Capital Employed	**693,329**	618,263
FINANCIAL PERFORMANCE RATIOS		
PBIDT to Turnover (%)	**40.6**	42.0
PBDT to Turnover (%)	**43.3**	44.1
Profit Margin (%)	**19.2**	19.7
ROCE(PBIDT to Capital Employed) (%)	**60.8**	61.1
Net Profit to Equity (%)	**25.7**	26.8
BALANCE SHEET RATIOS		
Current Ratio	**1.76:1**	1.76:1
Debt Equity Ratio	**0.01**	0.02
Debtors Turnover Ratio (Days)	**25**	20
PER SHARE DATA		
Earning Per Share (Rs.)- before extraordinary items	**92.91**	81.61**
Earning Per Share (Rs.)- after extraordinary items	**92.91**	83.08**
Dividend (%)	**320**	310**
Book Value Per Share (Rs.)	**362**	310**

* Including call money in respect of JV companies

** Post - Bonus

2005-06	2004-05	2003-04	2002-03	2001-2002
756,781	631,073	465,435	355,082	238,679
176,750	156,332	119,214	93,177	59,742
255,258	186,967	139,374	72,330	49,161
(463)	203	61	356	118
325,236	287,571	206,786	189,219	129,658
103,549	73,940	65,797	41,681	38,743
221,687	213,631	140,989	147,538	90,915
(11,715)	(10,991)	(7,772)	(12,671)	(7,894)
233,402	224,622	148,761	160,209	98,809
6,405				
239,807	224,622	148,761	160,209	98,809
84,932	79,416	53,880	55,785	36,593
154,875	145,206	94,881	104,424	62,216
107	114	156	(8)	
1,006	1,930	1,234	(259)	
153,976	143,390	93,803	104,675	62,216
64,167	57,535	34,222	42,778	19,963
9,172	8,156	4,385	2,375	
14,259	14,259	14,259	14,259	14,259
564,017	480,583	407,397	356,388	296,357
22,342	23,870	29,073	55,527	32,644
173,164	135,348	107,709	91,928	95,400
513,037	430,333	405,765	389,478	311,787
43.0	45.6	44.4	53.3	54.3
44.5	47.3	46.1	56.9	57.6
20.3	22.7	20.2	29.5	26.1
63.4	66.8	51.0	48.6	41.6
27.3	29.8	23.0	29.4	21.0
1.93:1	1.71:1	1.66:1	1.67:1	2.32:1
0.04	0.05	0.07	0.16	0.11
21	27	23	44	34
105.00	100.56	65.78	73.41	43.63
107.98	100.56	65.78	73.41	43.63
450	400	240	300	140
396	337	286	250	208

statement of income and retained earnings of ONGC group

(Rupees in million)	2007-08	2006-07
REVENUES		
Sales		
Crude Oil	**544,316**	476,358
Natural Gas	**78,560**	80,117
LPG	**20,169**	14,867
Naphtha/Aromatic Rich Naphtha	**43,848**	37,907
Ethane/Propane	**9,291**	9,095
Superior Kerosene Oil	**10,775**	15,754
HSD	**48,621**	42,037
Motor Spirit	**9,159**	4,530
Others	**254,297**	183,064
Price Revision Arrears		11
Sub- Total	**1019,036**	863,740
Pipeline Revenue	**4,644**	3,351
Other Receipts	**12,387**	23,029
Accretion / (Decretion) in stock	**1,101**	9,815
Total Income from Operations	**1037,168**	899,935
COST & EXPENSES		
Operating, Selling & General		
(a) Royalty	**121,057**	104,558
(b) Cess/ Excise Duty	**108,838**	100,160
(c) Natural Calamity Contingent Duty	**1,127**	1,149
(d) Sales Tax	**2,947**	6,009
(e) Education Cess*	**1,861**	1,303
(f) Octroi & Port Trust Charges	**4,195**	3,232
(g) VAT	**685**	1,063
Sub-total (a to g)	**240,710**	217,474
Pipeline Operations (Excluding Depreciation)	**10343**	9122
Other Operational Costs	**363,947**	298,380
Exchange Loss	**800**	(2675)
Recouped Costs		
(a) Depletion	**49,259**	46,439
(b) Depreciation	**27,874**	29,060
(c) Amortisation	**62,837**	46,925
(d) Impairment	**(437)**	1,730
Sub-Total (a to d)	**139,533**	124,154
Total Cost & Expenses	**755,333**	646,455
Operating Income Before Interest &Tax	**281,835**	253,480
Interest		
- Payments	**1,135**	1,906
- Receipts	**28,510**	21,147
- Net	**(27,375)**	(19,241)
Profit before Tax and Extraordinary Items	**309,210**	272,721
Extraordinary Items	**0**	4,751
Profit before Tax	**309,210**	277,472
Corporate Tax (Net)	**106,999**	98,454
Profit after Tax	**202,211**	179,018
Share in Associates for the year	**21**	102
Profit relating to minority	**3,509**	1,424
Group Profit after Tax	**198,723**	177,696
Profit & Loss Account Balance b/f	**28,795**	8,848
Dividend	**68,444**	66,305
Tax on Dividend	**12,014**	10,383
Retained Earnings For The Year	**147,060**	109,856

* Upto 2005-06, education cess is included in respective heads of levies.

2005-06	2004-05	2003-04	2002-03	2001-2002
383,238	300,175	222,582	245,049	137,155
73,383	57,759	53,508	50,858	49,446
16,279	12,066	16,352	19,087	11,473
35,679	29,260	22,538	22,035	18,782
7,401	5,705	4,779	5,837	4,082
10,605	16,896	2,658	3,189	1,731
23,403	29,277	85	80	
3,797	6,846			
188,892	164,217	127,037	1,748	725
156	584	3,461	1,568	5,017
742,833	622,785	453,000	349,451	228,411
3,214	23	24	478	3,966
11,279	6,989	11,028	6,268	6,300
(545)	1276	1,383	(1115)	2
756,781	631,073	465,435	355,082	238,679
85,242	65,692	44,740	30,762	25,141
76,755	68,556	58,647	47,057	25,660
1,080	1,138	1,117	98	
10,299	17,405	12,239	12,572	7,714
0				
2,447	3,131	2,236	2688	1227
927	410	235		
176,750	156,332	119,214	93,177	59,742
7,732	10,320	6,095	5,500	4,951
247,526	176,647	133,279	66,830	44,210
(463)	203	61	356	118
34,318	27,802	25,748	17,637	15,961
28,556	10,223	10,758	7,651	8,288
41,001	35,774	29,129	16,231	14,247
(326)	141	162	162	247
103,549	73,940	65,797	41,681	38,743
535,094	417,442	324,446	207,544	147,764
221,687	213,631	140,989	147,538	90,915
1,597	1,644	3,785	1,183	2,493
13,312	12,635	11,557	13,854	10,387
(11,715)	(10,991)	(7,772)	(12,671)	(7,894)
233,402	224,622	148,761	160,209	98,809
6,405				
239,807	224,622	148,761	160,209	98,809
84,932	79,416	53,880	55,785	36,593
154,875	145,206	94,881	104424	62,216
107	114	156	(8)	
1,006	1,930	1,234	(259)	
153,976	143,390	93,803	104,675	62,216
1	1		58	(179)
64,167	57,535	34,222	42,778	19,963
9,172	8,156	4,385	2,375	
80,638	77,700	55,196	59,580	42,074

statement of financial position of ONGC group

(Rupees in million)	2007-08	2006-07
RESOURCES		
A. Own		
1. Net Worth		
(a) Equity		
i) Share Capital	**21,535***	21,416*
ii) Reserves & Surplus	**759,331**	645,719
Sub-Total	**780,866**	667,135
(b) Less Intangible Assets	**6,739**	5,141
Net Worth	**774,127**	661,994
2. Long Term Liabilities		
Deferred Tax Liability	**87,376**	81,119
Total Own Funds (1 + 2)	**861,503**	743,113
B. Minority Interest	**11,448**	8,321
C. Outside		
1. Unsecured Loans		
a) Indian Loans	**2,079**	1,881
b) Foreign Loans	**1,458**	4,526
Total Unsecured Loans	**3,537**	6,407
2. Secured Loans	**5,890**	6,557
Total Outside Resources	**9,427**	12,964
TOTAL RESOURCES (A+ B+C)	**882,378**	764,398
DISPOSITION OF RESOURCES		
A. Goodwill on consolidation	**25,777**	30,616
B. Block Capital		
1. Fixed Assets	**193,961**	185,355
2. Producing Properties (Net)	**362,714**	351,741
Less: Liability for Abandonment Cost	**129,325**	151,857
Total Block Capital	**427,350**	385,239
C. Working Capital		
a) Current Assets		
i) Inventories	**72,985**	58,744
ii) Debtors (Net of Provision)	**70,469**	48,167
iii) Cash & Bank Balances	**186,525**	150,653
iv) Deposit with Bank Under Site Restoration Fund Scheme#	**64,034**	56,103
v) Loans & Advances and Others	**81,332**	74,738
Sub-Total	**475,345**	388,405
Less		
(b) Current Liabilities and Provisions and Short Term Loans (excl. Prov. for Gratuity, Abandonment & Impairment)	**235,143**	185,997
Working Capital	**240,202**	202,408
D. Capital Employed	**693,329**	618,263
E. Investments	**44,821**	35,832
F. Capital Works in Progress	**86,351**	64,055
G. Exploratory/Development Wells in Progress	**57,877**	46,248
TOTAL DISPOSITION	**882,378**	764,398

* Including call money in respect of JV companies

\# Excluded for Current Ratio.

2005-06	2004-05	2003-04	2002-03	2001-2002
14,259	14,259	14,259	14,259	14,259
553,421	471,941	399,158	344,433	284,289
567,680	486,200	413,417	358,692	298,548
3,663	5,617	6,020	2,304	2,191
564,017	480,583	407,397	356,388	296,357
71,633	57,894	54,250	47,116	53,471
635,650	538,477	461,647	403,504	349,828
7,230	6,204	4,274	5,029	
1,745	1,643	1,541	5,729	1,658
13,181	11,718	8,431	5,488	30,986
14,926	13,361	9,972	11,217	32,644
7,416	10,509	19,101	44,310	
22,342	23,870	29,073	55,527	32,644
665,222	568,551	494,994	464,060	382,472
17,103	13,683	14,591	12,790	
138,806	116,689	117,049	119,932	56,013
312,639	245,554	246,708	190,493	166,913
128,675	80,941	80,292	25,665	6,539
322,770	281,302	283,465	284,760	216,387
49,432	43,730	35,529	25,635	14,526
44,271	47,091	29,310	42,843	22,514
45,721	66,035	64,564	40,035	50,845
45,336	36,180	31,682	24,781	6,350
120,683	77,192	60,835	40,456	65,315
305,443	270,228	221,920	173,750	159,550
132,279	134,880	114,211	81,822	64,150
173,164	135,348	107,709	91,928	95,400
513,037	430,333	405,765	389,478	311,787
35,579	26,555	30,307	30,603	30,232
76,292	87,775	13,520	9,338	6,903
40,314	23,888	45,402	34,641	33,550
665,222	568,551	494,994	464,060	382,472

glossary of energy & financial terms

Recouped Cost
It refers to Depreciation, Depletion, Impairment and Amortisation charged in accounts. These are non-cash costs.

a) **Depreciation**
A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux of time or obsolescence through technology and market changes. It is provided for and allocated as mentioned in para 13 of the Significant Accounting Policies.

b) **Depletion**
A measure of exhaustion of a wasting asset (Producing Properties) represented by periodic write off of cost. It is computed with reference to the amortisation base by taking the related capital cost incurred divided by hydrocarbon reserves and multiplied by production.

c) **Impairment**
An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Impairment Loss is recognized in the accounts as per para 7 of the Significant Accounting Policies.

d) **Amortisation**
It refers to the Dry wells and Survey expenditure expensed in the accounts in line with para 13 of the Significant Accounting Policies.

Royalty
It is a levy imposed under The Petroleum and Natural Gas Rules, 1959 payable to the respective State or Central Government granting the lease (Central Government in case of offshore) on crude oil and natural gas.

Cess
It is a levy imposed under The Oil Industry (Development) Act, 1974 on crude oil produced and payable to the Central Government.

Exploration Costs
Costs incurred in exploring property. Exploration involves identifying areas that may warrant examination and examining specific areas, including drilling exploratory wells.

Development Costs
Costs incurred in preparing proved reserves for production i.e. costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas.

Production Costs
Costs incurred in lifting the oil and gas to the surface and in gathering, treating and storing the oil and gas.

Abandonment Cost
Abandonment costs are the costs incurred on discontinuation of all operations and surrendering the property back to the owner. These costs relate to plugging and abandoning of wells, dismantling of wellheads, production and transport facilities and to restoration of producing areas. Abandonment Cost is recognized in the accounts as per para 8 of the Significant Accounting Policies.

Development Well
A well drilled within the proved area of an Oil and Gas reservoir to the depth of a horizon known to be productive.

Exploratory Well
A well that is not a development well, a service well, or a stratigraphic test well i.e. well drilled in an unproved area for the purpose of finding and producing Oil or Gas.

Producing Property
These may be defined as the value assigned to crude oil or gas reserves which can be produced from existing facilities.

Net Present Value
NPV is the present (discounted) value of future cash inflows minus the present value of the cash outflows.

Participating Interest
The share expressed as a percentage in the rights and obligations of each party to a Production Sharing Contract (PSC).

Unit of Production Method
The method of depreciation (depletion) under which depreciation (depletion) is calculated on the basis of the number of production or similar units expected to be obtained from the asset by the enterprise.

Condensates
Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

Development
Following discovery, drilling and related activities necessary to begin production of oil or natural gas.

Enhanced Recovery
Techniques used to increase or prolong production from oil and natural gas fields.

Exploration
Searching for oil and/or natural gas, including topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells.

Integrated Petroleum Company
A company engaged in all aspects of the industry from exploration and production of crude oil and natural gas (upstream) to refining, marketing and transporting products (downstream).

Liquefied Natural Gas (LNG)
Gas that is liquefied under extremely low temperatures and high pressure to facilitate storage or transportation in specially designed vessels.

Liquefied Petroleum Gas (LPG)
Gases, such as butane and propane that can be maintained as liquids at normal temperature while under pressure.

Natural Gas Liquids (NGL)
Separated from natural gas, these include ethane, propane, butane and natural gasoline.

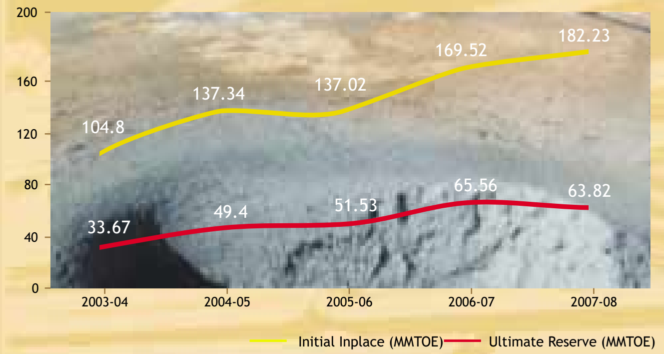
Heavy Cut
These are heavier hydrocarbons obtained in fractionation unit of Kerosene Recovery Process, where NGL is processed to yield Aromatic Rich Naphtha and Superior Kerosene Oil.

Oil Equivalent Gas (OEG)
The volume of natural gas that can be burnt to give the same amount of heat as a barrel of oil (1,000 cubic meters of gas equals one metric ton of oil).

Reserves
Oil and Natural Gas are contained in underground rock formations called reservoirs. Proved reserves are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Reserve estimates change as additional information becomes available. Recoverable reserves are those that can be produced using all known primary and enhanced recovery methods.

operational highlights:
FY '08

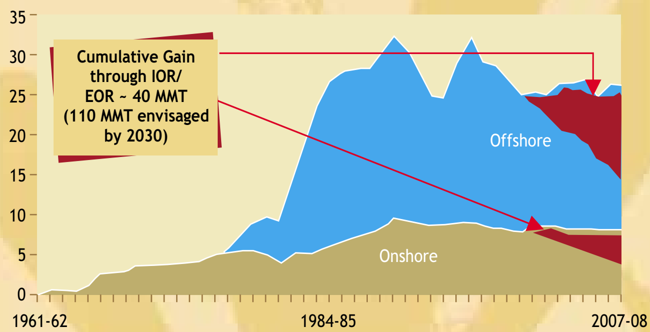
Initial In-place hydrocarbon find was highest among the last decade



Oil & Gas Production

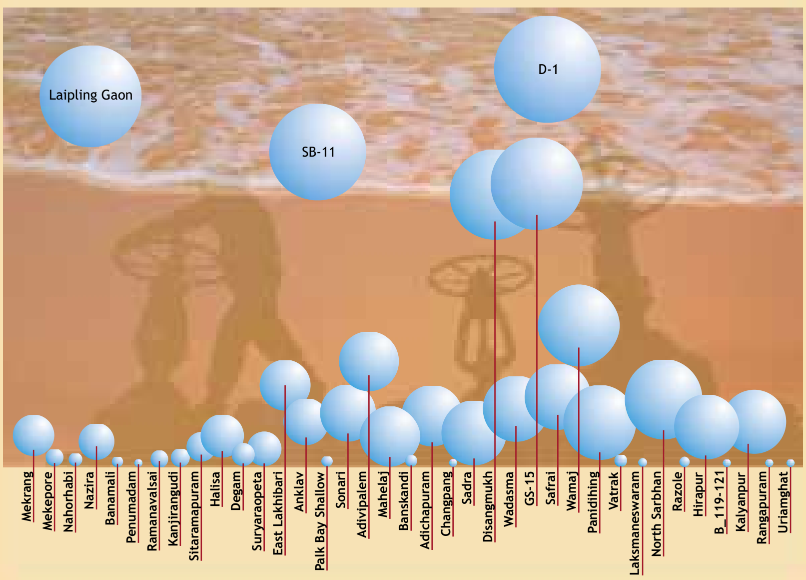
VAP Production (MMT)

IOR/ EOR Campaign yielding results

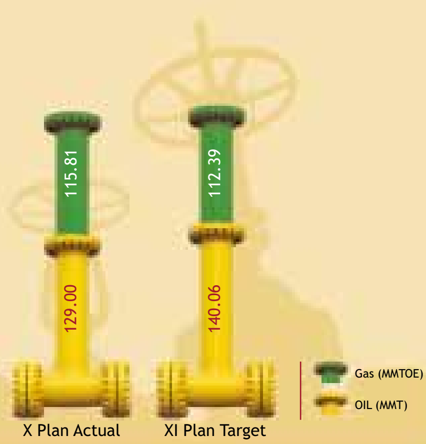


Fast track monetization of New & Marginal Fields

(40 fields are already producing)

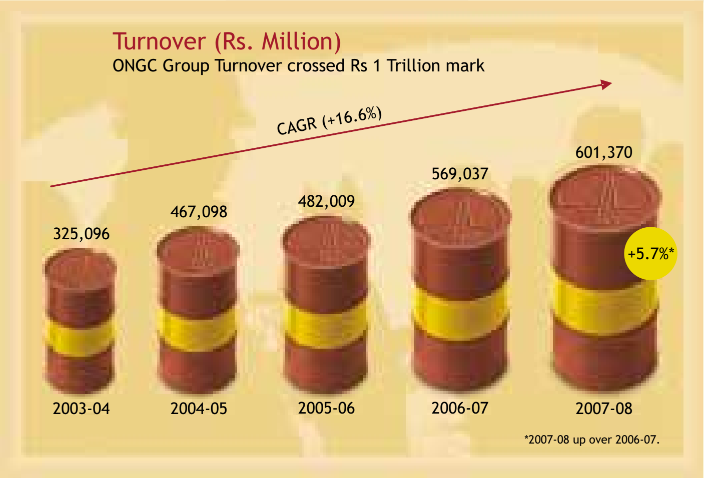


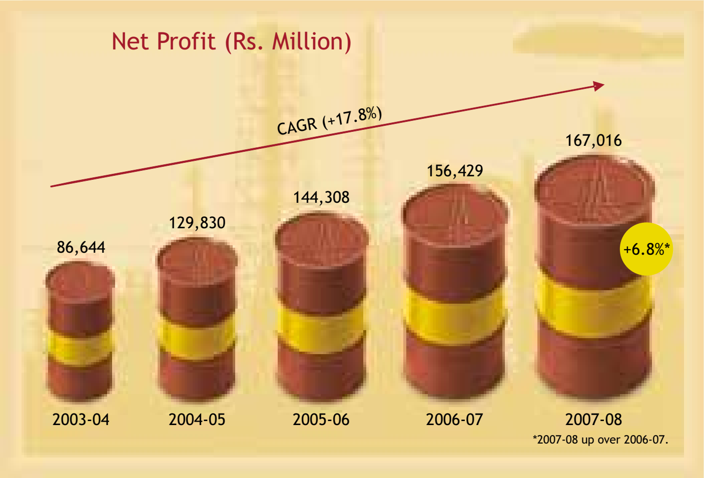
The Way Forward:

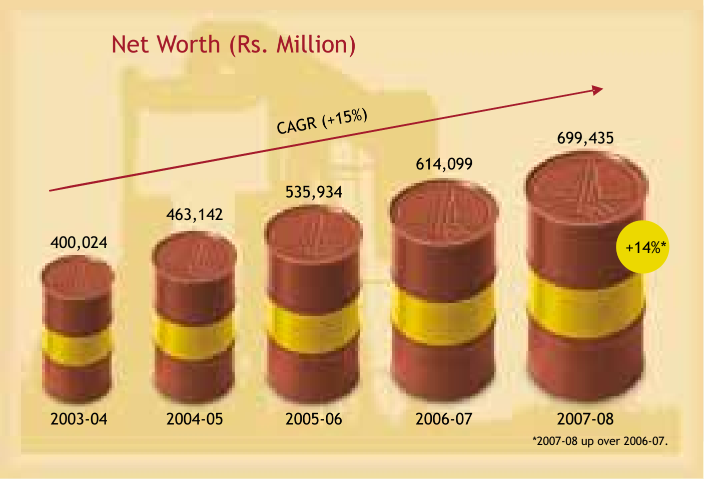


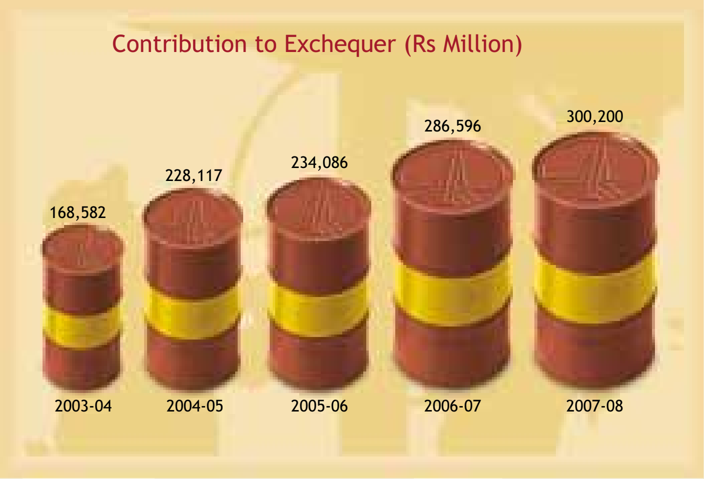
Compared to X five year plan actual, XI plan targets 3 per cent more production.

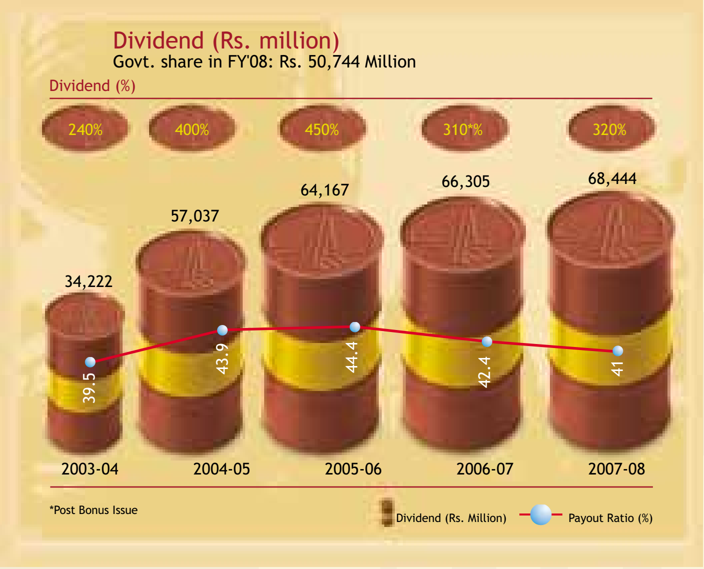
financial highlights: FY '08

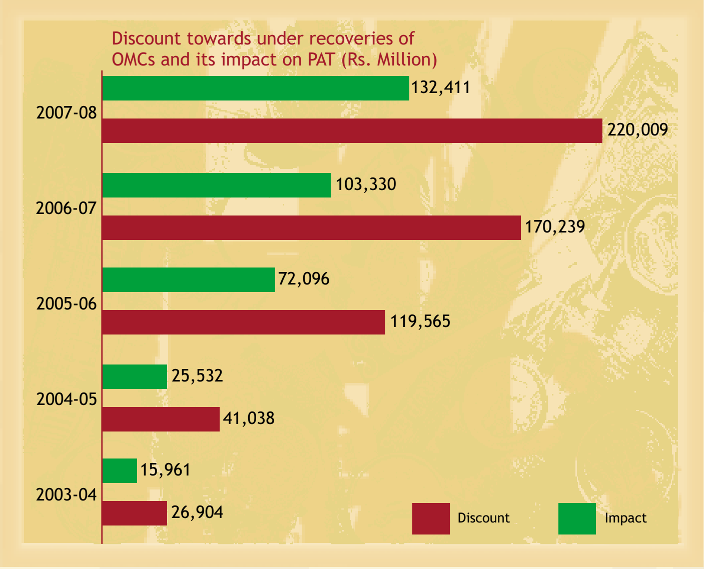













2007
FORTUNE
MOST ADMIRED
COMPANIES
ओएनजी

directors' report

Dear Members,

On behalf of the Board of Directors of your Company, it is my privilege to present the 15th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2008, together with the Auditors' Report and Comments on the Accounts by the Comptroller and Auditor General (C&AG) of India.

At the outset, I must congratulate you as your Company has been the first and only Indian company to be enlisted in Fortune's 'Most Admired Companies 2007'. The 'Fortune Global 500', 2008 list has ranked your Company at 335, 34 notches higher than the previous year.

The fiscal 2007-08 was yet another year of growth and success for your Company, which along with other group companies, excelled in all its endeavours; particularly in the core activity of Exploration and Production (E&P) of Crude Oil and Natural Gas. Your Company maintained a Reserve Replacement Ratio (RRR) of more than one, for the fourth consecutive year. During the year, your Company registered RRR at 1.32, with Ultimate reserve accretion (3P reserves) of 63.82 Million Metric Tonnes (MMT) against production of 48.28 MMT of Oil & Oil Equivalent Gas (O+OEG).

Your Company accreted 182.23 MMT of Initial In-place reserves, the highest in last decade and 7% more than the last year's accretion of 169.52 MMT, with 33 discoveries (Oil: 13, Gas: 20) spread across Indian sedimentary basins against 22 discoveries during 2006-07. Exploratory performance during ensuing fiscal 2008-09 also started on a high note with 11 discoveries in the first quarter of current fiscal.

During the year, O+OEG production of your Company, including the production from domestic joint ventures and overseas assets, was the highest-ever at 61.85 MMT, 1.84% more than the previous year. ONGC maintained the O+OEG production level at 48.28 MMT, marginally (0.4%) lower than last year, against the natural decline of mature fields. However, the oil and gas production from overseas assets increased by 10.7% and O+OEG production from domestic joint ventures also increased by 11.2%.

The augmenting and enhancing efforts taken up by your Company, through Improved Oil Recovery and Enhanced Oil Recovery (IOR/EOR) schemes, implemented since 2001, have helped to arrest production decline in the mature fields. Twelve IOR/ EOR schemes have been completed and six projects are under implementation with an investment of Rs. 85,630 million. Out of the 165 marginal fields, 143 are either monetized or under delineation or under monetization on service contract. Remaining 22 fields will be put on production by offer under new marginal field policy. The new field Vasai East discovered in Western Offshore has commenced production from 7th July, 2008.

Your Company launched the second phase of Mumbai High South redevelopment on 19th April, 2008, with an investment of Rs. 63,392 million (USD 1,584 million).

Your Company is the first and only Indian company to feature in Fortune's 'Most Admired Companies, 2007' list.

Fig.1 Reserve Replacement Ratio (RRR):
More than one for last four consecutive years

Last year, your Company had opened up ultra-deepwater province in the country by making first discovery at a water-depth of 2,841 metres in NELP block KG-DWN-98/2. So far, your Company has made 10 discoveries in the NELP Block KG-DWN-98/2 and 3 (Fig.3) discoveries in the adjoining PEL acreage KG-OS-DW4. Appraisal plan for development of these blocks, which was submitted in October, 2007, has now been approved by Director General of Hydrocarbons (DGH). Your Company will develop these fields with an approximate investment of over Rs. 200,000 million (USD 5 billion); production is expected to commence from 2013.

Your Company is also participating with M/s Cairn Energy India Pty. Ltd. (CEIL) for development of Mangala, Aishwariya, Raageshwari and Saraswati fields in Barmer Basin of Rajasthan, in which your Company has 30% share, with estimated investment of USD 450 million(Rs. 18,000 million). Your Company has also launched Assam Renewal Project (ARP) for revamping of aged surface facilities of brown fields in the north-eastern state of Assam.

Your Company is setting up a 3,000 bopd 'Mini Refinery' at Gandhar in Gujarat with an estimated investment of Rs. 640 million (USD 16 million) which is expected to be commissioned by August 2009.

The foundation stone for 'Rajiv Gandhi Urja Bhavan' which will house 'ONGC Energy Centre', a state-of-the-art R&D centre for holistic research in alternate energy sources beyond hydrocarbons, was laid by Hon'ble Prime Minister Dr. Manmohan Singh on 20th August, 2007 at New Delhi.

Your Company appointed DeGolyer and MacNaughton (D&M) Canada Ltd. during May 2007 for Post Drill Analysis of 579 exploratory wells drilled during Xth Five Year Plan period (2002-07). D&M has submitted its interim report for first 350 wells drilled during 2002-05. Out of these 350 wells, 348 wells have been validated as having satisfactory exploration process.

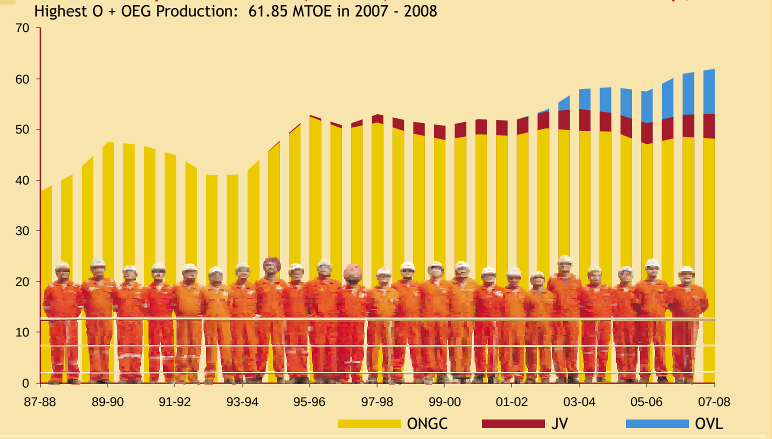
Government launched the VII round of the NELP on 13th December, 2007, offering 57 blocks (19 Deep-water, 9 Shallow-water and 29 On-land blocks). As per early indications your Company may get 20 blocks out of 27 blocks for which it submitted bids.

New sources

Your Company is setting up a 50 MW Wind Farm in Gujarat consisting of 34 wheeling units with an investment of Rs. 3,070 million. Power will be utilized in nearby ONGC installations. All 34 units have been erected, 10 have started wheeling power.

The first CBM development well for CBM was spudded in Parbatpur pilot area on 1st December, 2007 near Bokaro Steel City of Jharkhand; production is likely to commence from April 2009.

Fig.2 Oil & Oil Equivalent Gas (O+OEG) Production of ONGC Group;
Highest O + OEG Production: 61.85 MTOE in 2007 - 2008



Under UCG exploration, data from fifteen different sites were sent to Skochinsky Institute of Mining, Russia for comprehensive study. Based on that study, Vastan Mine in Gujarat has been selected as pilot project. 18 bore holes were drilled to know the extension of lignite which helped in preparing detailed geological maps and Hydro geological studies. Finalization of agency for engineering and construction of UCG pilot is in process.

National Gas Hydrate Core Repository has been established at ONGC's Institute of Engineering and Ocean Technology (IEOT) near Mumbai for long-term preservation of both hydrate and non-hydrate bearing cores under cryogenic and refrigerated conditions.

Your Company, in association with Saha Institute of Nuclear Physics and Department of Science and Technology, has installed India's first pilot plant for Helium recovery from natural gas at Kuthalam, Tamil Nadu.

Your Company will develop Krishna Godawari fields with an approximate investment of over Rs. 200,000 million (USD 5 billion)

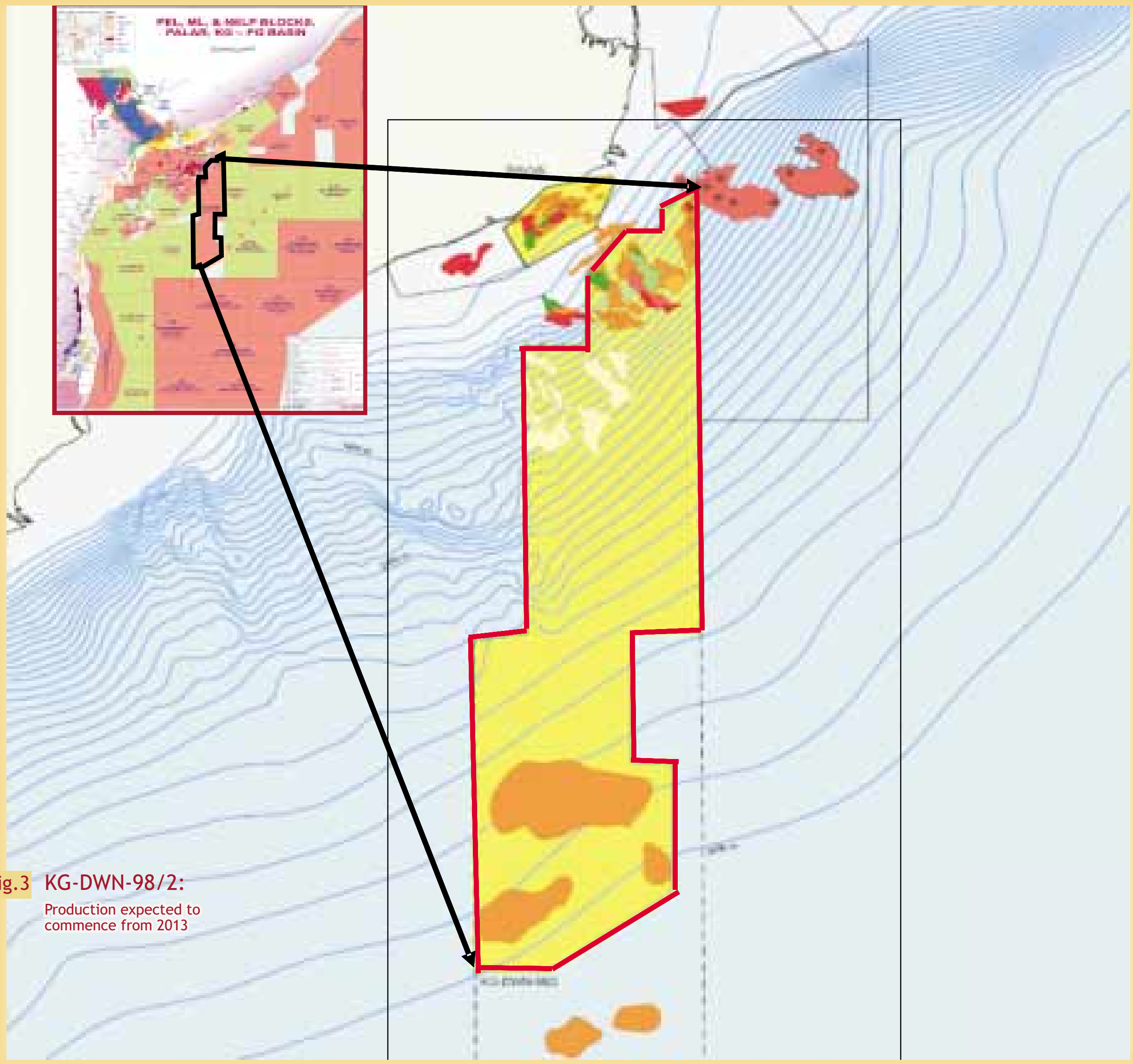


Fig.3 KG-DWN-98/2:

Production expected to commence from 2013

Highlights

Sales Turnover	Rs. 601,370 Million
Profit after Tax (PAT)	Rs. 167,016 Million
Contribution to Exchequer	Rs. 300,200 Million
Return on Capital Employed	52.04%
Debt-Equity Ratio	0.001:1
Earning Per Share (Rs.)	78.09
Book Value Per Share (Rs.)	327

Mumbai High South redevelopment (Ph-II) to produce 20.4 MMT additional oil

1. Financial Results

Your Company scaled a new milestone to record a **Net Profit** of **Rs. 167,016 million** (up 6.77% from Rs. 156,429 million in 2006-07).

During the year under review, your Company registered a gross revenue of Rs. 615,426 million, (up 4.21% from Rs. 590,575 million in year 2006-07) despite sharing under recoveries of Rs. 220,009 million (Rs. 170,239 million in 2006-07) of the Public Sector Oil Marketing Companies by way of discounts in the price of Crude Oil, Domestic LPG and PDS Kerosene (SKO), on administrative instructions of the Government of India.

Summary

(Rs. in million)

	2007-08		2006-07	
Gross Revenue		**615,426**		590,575
Gross Profit		**351,912**		335,431
Less :				
Interest	**590**		215	
Exchange variation	**(1,070)**		177	
Depreciation, Depletion & Amortisation	**98,416**		93265	
Impairment	**(437)**		1,730	
Provision/write offs	**2,067**		3,342	
Provision for Taxation (including deferred tax liability of Rs. 8,481 million)	**85,330**	**184,896**	80,273	179,002
Profit after tax		**167,016**		156,429
Appropriations				
Interim Dividend		**38,500**		38,500
Proposed Final Dividend		**29,944**		27,805
Tax on Dividend		**11,632**		10,125
Transfer to General Reserve		**86,940**		79,999
Total		**167,016**		156,429

2. Dividend

Your Company declared an interim dividend of Rs. 18 per share (180%) in December, 2007. The Board of Directors have now recommended the final dividend of Rs. 14 per share (140%), making the aggregate dividend at Rs. 32 per share (320%), against previous year's Rs. 31 per share (310%). The total dividend will absorb Rs. 68,444 million besides Rs. 11,632 million as tax on dividend.

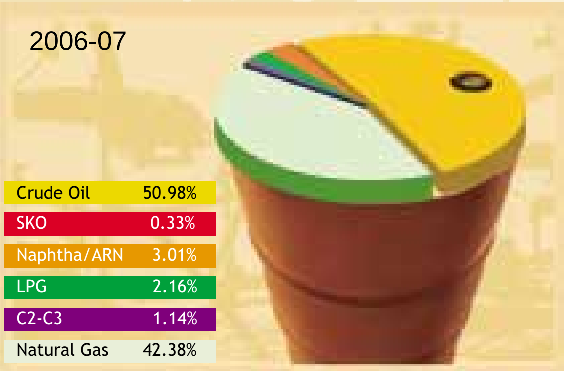
3. Production & Sales

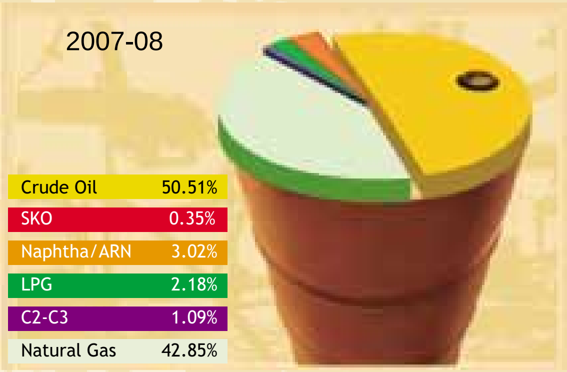
Highlights of production and sales of Crude Oil, Natural Gas and Value-added Products:

	Unit	Production		Sales		Value (Rs. in million)	
		2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07
Direct							
Crude Oil	MMT	**27.93***	27.94*	**24.08**	24.42	**386,803**	372,212
Natural Gas	BCM	**25.12****	24.88**	**20.43**	20.30	**71,780**	72,078
C2-C3	'000 MT	**520**	549	**520**	548	**9,291**	9,095
LPG	'000 MT	**1035**	1023	**1037**	1033	**20,169**	14,866
Naphtha/ARN	'000 MT	**1469**	1450	**1442**	1442	**43,848**	37,907
SKO	'000 MT	**167**	155	**168**	156	**3,374**	2,827
Others						**937**	654
Sub-total						**536,202**	509,639
Trading							
Motor Spirit	'000 KL			**232**	121	**9,159**	4,530
SKO	'000 KL			**308**	563	**7,401**	12,926
HSD	'000 KL			**1539**	1394	**48,608**	42,017
Sub-total						**65,168**	59,473
Total						**601,370**	5,69,112

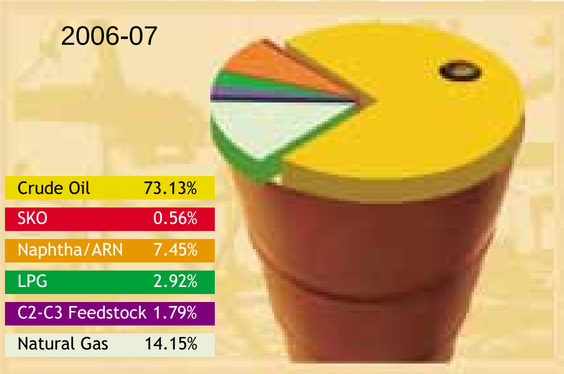
*includes 1.99 MMT (Previous year 1.89 MMT) from Joint ventures.
**includes of 2.79 BCM (Previous year 2.44 BCM) from Joint ventures

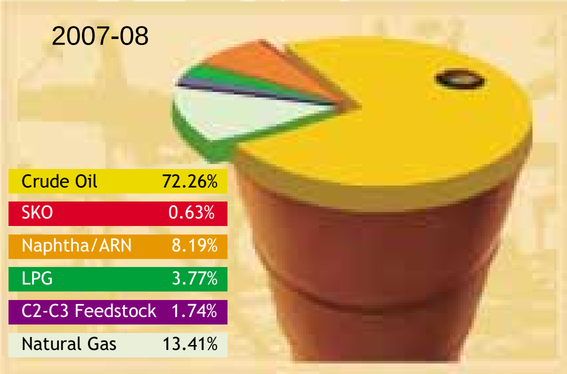
Sales Volume





Sales Value





4. Oil & Gas Reserves

ONGC has made voluntary disclosures in respect of Oil & Gas Reserves, conforming to SPE classification 1994 and US Financial Accounting Standards Board (FASB-69). ONGC has added 110.21 Million Metric Tonnes (MMT) of ultimate reserves of oil and oil-equivalent gas (O+OEG) during the year under review from its domestic and overseas assets (OVL).

Ultimate Reserve Accretion O+OEG (in MMT)

Year	Domestic Assets	Domestic JVs (ONGC's Share)	Total Domestic Reserve	Foreign Assets (OVL's Share)	Total
	(1)	(2)	(3)= (1)+(2)	(4)	(5)=(3)+(4)
2005-06	51.53	0.12	51.65	16.72	68.37
2006-07	65.56	4.77	70.33	9.96	80.29
2007-08	63.82	-0.34	63.48	46.73	110.21

5. Statement of Reserve Recognition Accounting

1. The Concept of Reserve Recognition Accounting attempts to recognize income at the point of discovery of reserves, and seeks to demonstrate the intrinsic strength of an organization with reference to its future earning capacity in terms of current prices for income as well as expenditure. This information is based on the estimated net proved reserves (developed and undeveloped) as determined by the Reserves Estimates Committee.

2. As per FASB-69 on disclosure about Oil and Gas producing activities, publicly traded enterprises that have significant Oil and Gas producing activities are to disclose with complete set of annual financial statements, the following information, considered to be supplemental information:

a) Proved Oil and Gas reserve quantities

b) Capitalized costs relating to Oil and Gas producing activities

c) Cost incurred for property acquisition, exploration and development activities

d) Results of operations for Oil and Gas producing activities

e) A standardized measure of discounted future net cash flows relating to proved Oil and Gas reserve quantities.

3. Your Company has disclosed information in respect of (a) and (d) above in the Annual Financial Statements.

In respect of item (e) above, your Company has made voluntary disclosure on standardized measure of discounted future net cash flows relating to proved Oil and Gas reserves at **annexure-b**

6. Financial Accounting

The Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and in compliance with all applicable Accounting Standards (AS-1 to AS-29) and Successful Efforts Method as per the Guidance Note on Accounting for Oil & Gas Producing Activities issued by The Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act, 1956.

7. Internal Control System

The Company has well established and efficient internal control system and procedures. Your Company has already implemented SAP R/3 system for integration of various business processes across the organization. The Company also has well defined financial powers of various executives in its Book of Delegated Powers. The Company has in-house Internal Audit Department commensurate with its size. Audit observations are periodically reviewed by the Audit & Ethics Committee of the Board and necessary directions are issued wherever required.

OVL - the international growth vehicle of ONGC

38* Projects in 18 Countries							
	24 Exploration	6 Development	7 Producing		24 Exploration	6 Development	7 Producing
1. Venezuela			1	10. Egypt		2	
2. Cuba	2			11. Russia			1
3. Colombia	3		1	12. Myanmar	3	2	
4. Brazil	2	1		13. Vietnam	2		1
5. Libya	3			14. Turkmenistan	1		
6. Nigeria	2			15. Iran	1		
7. Nigeria JDZ	1			16. Qatar		1	
8. Congo Br	1			17. Iraq	1		
9. Sudan	1		2	18. Syria	1		1

*38th project is Sudan's 741 km long completed Pipeline.

8. Subsidiaries

(i) ONGC Videsh Limited (OVL)

ONGC Videsh Limited (OVL), the wholly-owned subsidiary of your Company engaged in overseas E&P activities, continued to maintain robust growth during 2007-08. It acquired 11 E&P projects in 6 countries during the year.

ONGC Videsh Ltd. (OVL) signed a joint venture agreement with Petroleous de Venezuela SA (PdVSA) on 8th April, 2008 at Caracus to take 40% stake in the San Cristobal oilfield located in Orinoco Heavy Oil belt of Venezuela; PdVSA will hold the remaining 60% stake. The agreement was signed by Mr. R.S.Butola, MD, OVL and Mr. Eleogao Del Pino, MD, PdVSA during the visit of Mr. Murli Deora, Hon'ble Minister of P&NG, GOI. Under the agreement OVL and PdVSA will develop the field from its current production level of 20,000 bbl/d to 40,000 bbl/d.

The company now has participation in 38 projects in 18 countries. Of the projects acquired, NEMED Block in Egypt offshore is under appraisal phase; Blocks AD-2, AD-3 and AD-9 in Myanmar offshore; Blocks RC-8, RC-9 and RC-10 in Colombia offshore; Block ES-M-470 and Block SM-1413 in Brazil offshore; MTPN Block in Congo offshore and Block 11-12 in Turkmenistan offshore are under exploration phase. The Turkmenistan Block is held through ONGC Mittal Energy Limited (OMEL), a joint venture of OVL and Mittal Investment Sarl.

Out of 38 projects, OVL is operator in 18 projects and joint operator in 2 projects in 11 countries. OVL is currently producing oil and gas from Greater Nile Oil Project and Block 5A in Sudan, Block 6.1 in Vietnam, Al Furat Project in Syria, Sakhalin-I Project in Russia and Mansarovar Energy Project in Colombia. Block BC-10 in Brazil is currently under development with production expected to begin in 2009-10. Block A-1 and A-3 in Myanmar, North Ramadan Block and NEMED in Egypt and Farsi Offshore Block in Iran have discoveries and appraisal work is being carried out. The remaining projects are in exploration phase.

OVL's share in production of oil and oil-equivalent gas (O+OEG), together with its wholly-owned subsidiaries ONGC Nile Ganga B.V. and ONGC Amazon Alaknanda Limited, increased from 7.95 MMTOE to 8.80 MMTOE, up 10.7%. Consolidated gross revenue of OVL increased from Rs. 118,610 million to Rs. 169,540 million, up 42.93% and consolidated net profit from Rs. 16,633 million to Rs. 23,971 million, up 44.12%.

Direct Subsidiaries of OVL:

a) ONGC Nile Ganga B.V. (ONGBV):

ONGC Nile Ganga B.V. (ONGBV) is engaged in E&P activities in Sudan, Syria and Brazil. ONGBV holds 25% Participating Interest (PI) in Greater Nile Oil Project (GNOP), Sudan; the other partners in this project are National Oil Company (NOC) of China (with 40% PI), a Malaysian NOC (with 30% PI) and a NOC of Sudan (with 5% PI). ONGBV's share in oil production from GNOP was 2.969 MMT during 2007-08. Besides, ONGBV also holds PI in AFPC Syrian producing asset and deepwater discovered Block BC-10 and exploratory Blocks ES-M-470 and Block SM-1413 in Brazil.

b) ONGC Narmada Limited (ONL):

ONGC Narmada Limited (ONL), a wholly-owned subsidiary of OVL is engaged in E&P activities in Nigeria. ONL holds 13.5% PI in deep water exploration Block-2 in Nigeria-São Tomé & Principe, Joint Development Zone (JDZ). The Chinese NOC, Sinopec is operator with 28.67% PI.

c) ONGC Amazon Alaknanda Limited (OAAL):

ONGC Amazon Alaknanda Limited (OAAL), a wholly-owned subsidiary of OVL incorporated in Bermuda, is engaged in E&P activities and holds stake in E&P projects in Colombia, through Mansarovar Energy Colombia Limited (MECL), a 50:50 JV company with Sinopec of China. MECL is currently producing oil at 24,000 bbls/d. During 2007-08, OVL's share of production was about 0.349 MMT of oil.

Joint Venture of OVL

d) ONGC Mittal Energy Limited (OMEL)

OVL along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. OVL and MIS holds 98% shares of OMEL in the ratio of 51(OVL): 49(MIS) with 2% shares held by SBI Capital. OMEL holds PI in the AFPC Syrian Assets through ONGBV, exploration Blocks OPL 279 and OPL 285 in Nigeria and Block 11-12 in Turkmenistan.

MD of OVL R S Butola (extreme left) seen with Petroleum Minister Murli Deora (middle) and Venezuelan Energy Minister, President of PDVSA Rafael Ramirez during the signing of San Cristobal Project at Venezuela

Sakhalin produced 2.51 MTOE for OVL in 2007-08

MRPL (2007-08)

• Highest-ever capacity utilization	130%
• Highest-ever Refinery crude thruput	12.55 MMT
• Highest-ever Turnover	Rs. 373,391 million
• Highest-ever Profit	Rs. 12,722 million
• Lowest Specific Energy Consumption	61.55 mbtu/bbl/NRGF

ONGC Group exceeded 8% of India's total refining throughput in FY-08

(ii) **Mangalore Refinery & Petrochemicals Limited (MRPL)**

Your Company continues to hold 71.62% equity stake in MRPL, which has achieved new heights in excellence in both financial and operational performance during the year.

In view of the improved performance MRPL Board has recommended the dividend of 12%.

MRPL's launched its brand 'HiQ' through its first retail outlet at Maddur, Karanataka.

MRPL Refinery was awarded prestigious **Jawaharlal Nehru Centenary Award**, for Energy conservation in refinery for the year 2006-07, instituted by the Ministry of Petroleum and Natural Gas, for the fourth consecutive year.

MRPL continues to be a major exporter of petroleum products with exports valuing Rs. 111,410 million during 2007-08 which is 41% of total dispatches. MRPL has been granted status of a Premier Trading House by DGFT, Govt. of India.

MRPL and Shell Gas B.V., Netherland entered into an agreement on 5th February, 2008 to form a joint venture company "Shell MRPL Aviation Fuel and Services Private Limited" for marketing of Aviation Turbine Fuel to both Domestic and International airlines at Indian Airports.

Product supply agreement with STC, Mauritius for export of Petrol, Diesel, Aviation Turbine Fuel and Fuel Oil valuing US$ 2,000 million (approx.) has been renewed for a further period of three years starting from August 2007.

MRPL's Phase III Refinery Project is progressing as per schedule.

MRPL has acquired the Nitrogen manufacturing facilities from Essel Mining Industries Limited (formerly, Hindustan Gas Industries Ltd.), located in the close proximity of refinery at Mangalore, so as to ensure self sufficiency for this critical input.

Joint Ventures of MRPL

Kakinada SEZ Pvt. Ltd. (KSEZ) and Kakinada Refinery and Petro-chemicals Pvt. Ltd (KRPL) Considering all circumstances and factors affecting the steering of these two projects, ONGC and MRPL have decided not to continue as equity partners in these two Joint Ventures and have accordingly withdrawn with effect from 23rd June, 2008. ONGC's proposed equity participation, through MRPL, was 46% in KRPL and 26% in KSEZ.

MRPL MD R. Rajamani (left), Director (Finance) L.K. Gupta (middle), Vice President Shell Aviation Sjoerd Post during the signing of JV agreement on ATF

9. Exemption in respect of Annual Report of Subsidiaries and Consolidated Financial Statement

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956 copy of the Balance Sheets, Profit and Loss Accounts, Reports of the Board of the Directors and Reports of the Auditors of the Subsidiary Companies have not been attached to the Accounts of the Company. The Company will make these documents/details available upon request by any member of the Company interested in obtaining the same. Annual Reports of MRPL and OVL are available on website www.mrpl.co.in and www.ongcvidesh.com respectively.

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates and with Accounting Standard AS-27 on Financial Reporting of Interests in Joint Ventures, Audited Consolidated Financial Statements for the year ended 31st March, 2008 of the Company and its subsidiaries form part of the Annual Report and Accounts.

10. Joint Ventures/ Associates

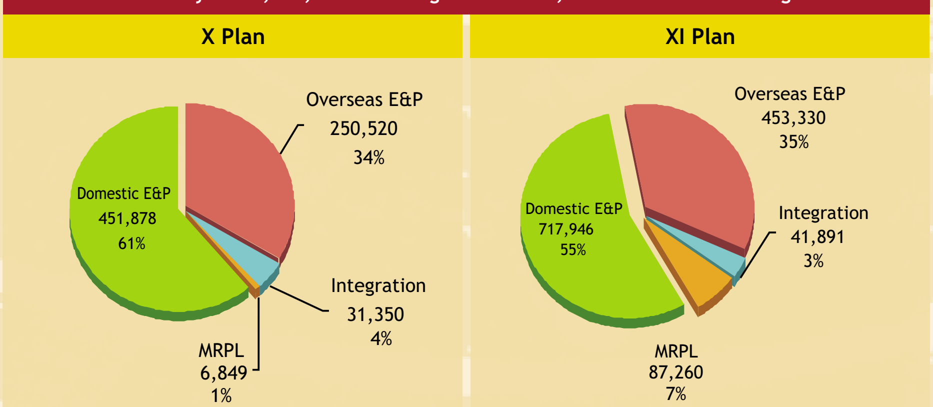
(i) Petronet LNG Ltd. (PLL)

ONGC has 12.5% equity stake in PLL. PLL has started expansion of Dahej LNG terminal to 10.0 MMTPA capacity and also setting up LNG Receiving and Re-gasification Terminal of 5.0 MMTPA at Kochi. The turnover of PLL during 2007-08 is Rs. 65,553 million (previous year Rs. 55,089 million) and net profit is Rs. 4,747 million (previous year Rs. 3,133 million) PLL has declared a dividend of 15% (previous year 12.5%).

(ii) ONGC Tripura Power Company Pvt. Ltd. (OTPC)

Your Company has promoted "ONGC Tripura Power Company Pvt. Ltd." (OTPC) which is setting up a 726.6 MW (363.3x2) Combined Cycle Gas Turbine based Power Generation project . This would facilitate monetization of the idle gas reserves of ONGC in Tripura. ONGC has 50% share in OTPC along with Government of Tripura (0.5%), IL&FS (26%) and balance 23.5% by Financial Institutions (FI) and other investors. Your Company placed Notice of Award on 23rd June, 2008 to M/s BHEL for generation project.

XI Plan outlay: Rs. 1,300,428 million against Rs. 740,596 million actual during X Plan



Domestic E&P includes ONGC investment for PSC JVs

Rs. 418,910 million envisaged in XI plan for Integration projects.

MRPL - an ISO-14001:2004 Company : 75% treated effluent is recycled

(iii) Pawan Hans Helicopters Ltd. (PHHL)

Your Company, ONGC, has 21.5% equity stake in PHHL, which provides helicopter support for its offshore operations. PHHL has an operational fleet of 36 helicopters. The PHHL was successful in providing all the 12 Dauphin N & N3 helicopters fully compliant with AS-4 as per the new contract with ONGC by December 2007. PHHL earned a net profit of Rs.95.2 million in the year 2006-07 (previous year Rs. 473.9 million).

(iv) Petronet MHB Ltd. (PMHBL)

ONGC has equity stake of 28.76% in PMHBL, which owns and operates a pipeline between Mangalore – Hassan – Bangalore and provides direct evacuation facility of MRPL products. The company has achieved a throughput of 2.141 MMT which is 50% higher than that in 2006-07. The total revenue of Rs 57,640 million is 48.91% higher as compared to 2006-07. As per audited results for the year 2007-08, the company has made a net profit of Rs. 3.841 million, for the first time since inception.

(v) Dahez SEZ Ltd. (DSL)

Your Company with 23% equity stake along with GIDC (26%) is promoting a Special Economic Zone (SEZ) at Dahej in the coastal Gujarat. SEZ has been formally approved by Ministry of Commerce and Industry and Gazette notification issued. Master Plan for the SEZ has also been finalized. ONGC, as the anchor tenant, is implementing its C2+ extraction plant, the product of which will be utilized as feedstock to OPaL.

(vi) ONGC Petro-additions Ltd. (OPaL)

OPaL, an SPV promoted by ONGC, with 26% stake and management control, and GSPC with 5% holding, is implementing a mega petrochemical complex as an anchor industry in Dahej SEZ. The project has been reconfigured according to current market demand-supply dynamics with estimated investment of Rs. 124,400 million. Contract for site infrastructure development has already been awarded. Tenders for Dual Feed Cracker unit and Project Management Consultancy are under finalization. Project office has been established at Vadodara on 28th June, 2008.

(vii) Mangalore SEZ Ltd. (MSEZ)

MSEZ was incorporated to develop the Special Economic Zone at Mangalore through a SPV. As per the proposed equity structure ONGC will hold 26%, KIADB 23% and IL&FS + KCCI 51%. Formal approval for Sector Specific SEZ (Petro-Chemical) has been received from Ministry of Commerce and Industry on 6th November, 2007. Nearly 2,262 acres of land is under acquisition

(viii) ONGC Managalore Petrochemicals Ltd. (OMPL)

An aromatic petrochemical complex is being set up for 0.92 MMTPA Para-xylene and 0.14 MMTPA Benzene manufacturing facilities based on MRPL's aromatic rich Naphtha. The project is being implemented through a SPV - ONGC Mangalore Petrochemicals Ltd. (OMPL) with following equity participation: ONGC 46%, MRPL 3% and balance from Banks, Financial institutions & strategic partners. 454 acres of land has been allotted by Mangalore Special Economic Zone. Site grading job is in progress.

(ix) ONGC TERI Biotech Ltd. (OTBL)

ONGC formed a Joint Venture in association with The Energy Research Institute (TERI) for addressing the requirement of Bioremediation, Microbial Enhanced Oil Recovery and prevention of wax deposition in tubular for its E&P operations. The JV has been incorporated on 26th March, 2007.

11. Other Business Initiatives

a. Memorandum of Understanding:

ONGC signed various MOUs during the year for cooperation and collaboration in various areas of activities as follows:

i. MoU with Institute for Energy Technology, (IFE) Norway on 11th March, 2008

To emphasizes Indo-Norwegian collaboration in areas of Trace Study Multiphase Flow and Corrosion Studies.

ii. MoU with HPCL on 18th July, 2007

For sale of products and for sharing of HPCL's marketing infrastructure predominantly for MRPL products.

iii. MoU with GAIL on 24th July, 2007

For co-operation in purchase of gas from new sources to be developed by ONGC in KG & Mahanadi Basins and its transportation, distribution & marketing.

iv. MoU with Ashok Leyland Project Services Ltd (ALPS) on 4th November, 2008

For sourcing of LNG on long term basis at a competitive price and pursuing integrated E&P & downstream opportunities.

v. MoU with Shell on 23rd January, 2008

For co-operation in various areas of exploration & production hydrocarbon, coal gasification, oil products, HSE, technology and business consulting services.

b. C2-C3-C4 Extraction Plant

ONGC is setting up a C2-C3-C4 (Ethane, Propane and Butane) Extraction Plant at Dahej using LNG from PLL as feed stock. Overall progress of the project is 89.07% as on 31st March, 2008. The project is expected to be commissioned in 2009.

12. Information Technology

Entire 3D seismic data and original logs of more than 9,000 wells were computerized under Project EPINET. Supervisory Control and Data Acquisition (SCADA) is being implemented covering entire production and drilling facilities.

The e-procurement process along with reverse auctioning has gone live and centralised electronic processing of vendors payment has been started for payment through National Electronic Fund Transfer (NEFT). All Welfare Trusts of your Company went on-line.

ONGC subsidiary MRPL entered aviation fuel business by forming a Joint Venture 'Shell MRPL Aviation Fuel and Service Pvt Ltd.'. From left: ONGC Director (Finance) D K Sarraf, Director (Exploration) D K Pande, Director (Offshore) N K Mitra, Director (T & FS) U N Bose, Director (Onshore) A K Hazarika, CMD R S Sharma, Director (HR) Dr. A K Balyan, MRPL MD R Rajamani, Director (Finance) L K Gupta, Vice President Shell Aviation Sjoerd Post and Chairman, Shell Group of Companies in India Vikram S Mehta

ONGC inked an MOU with Norway's Statoil Hydro in Feb'08 to develop projects on CO2 sequestration, Clean Development Mechanism and other projects related to Climate Change and Sustainable Development. From left: ONGC's Head Carbon Management A B Chakraborty, Director (Offshore) N K Mitra, Director (Onshore) A K Hazarika, Statoil's Sr. VP Ms. Alexandra Bech Gjov and Manager Michel Myhre Neilsen. Back from left: Norway's Prime Minister Jens Stoltenberg and Noble Laureate Dr. R K Pachauri Director, ONGC

Hon'ble Prime Minister Dr. Manmohan Singh (extreme right) keenly observing a model of 'Rajiv Gandhi Urja Bhavan' being set up by ONGC for holistic research on Alternate Energy Sources. Delhi Lt. Governor Tejinder Khanna, UPA Chairperson Ms. Sonia Gandhi, Minister of Petroleum & Natural Gas (P&NG) Murli Deora, Delhi Chief Minister Ms. Sheila Dikshit and Minister of State (P&NG) Dinsha Patel are also seen wih ONGC CMD R S Sharma (back, 2nd from right), and MD of OVL R S Butola (extreme left)

For Providing Urban amenities in Rural Areas (PURA), ONGC has plans to set up a PURA in each of the states where it operates. The picture shows a village in north-eastern state of Tripura, where the first PURA is being set up by ONGC

13. Health, Safety and Environment (HSE)

HSE occupies an elevated position in the business agenda of your Company. While all work centres are certified with ISO 9001, OHSAS 18001 and ISO 14001, extensive training is provided to the work force for ensuring the maintenance of HSE practices

Your Company has undertaken Mangrove plantation at Gulf of Khambat and implemented Bioremediation of oily sludge at various onshore installations.

Your Company has renewed "Participant Agreement" with OSRL (Oil Spill Response and East Asia Response Limited) to combat major oil spills.

14. Clean Development Mechanism (CDM)

Your Company has formalized its corporate policy on Climate Change and Sustainability, thereby becoming, once again the first PSU to have this policy. It has got registered four CDM projects with United Nations Framework Convention on Climate Change (UNFCCC), with expected annual Certified Emission Reductions (CERs) of 119, 865. 19 more CDM projects are identified for development.

Your Company has signed an MoU with the United States Environment Protection Agency (US EPA) for identifying and capturing fugitive methane emission from various operations. It has also entered into an MoU with StatoilHydro, Norway to develop Carbon Dioxide Capture and Sequestration (CCS), CDM and Carbon Management projects. Your Company has joined the global initiative on Carbon Disclosure Project (CDP) giving it access to the technologies adapted by different signatory companies in achieving sustainable development.

OILZAPPER in action at Lanwa GGS-II, Mehsana, Gujarat

Before application | After 8 months of application | After 10 months of application

Dr. A.K. Balyan, Director (HR) with the underprivileged children of Himjyoti Foundation, Uttarakhand. ONGC patronizes the foundation

15. Human Resource

Your Company believes that its human resource is its greatest wealth. Therefore, it is the endeavour of your Company to nurture and develop this wealth.

Your Company continues to extend several welfare benefits to its employees and their dependants by way of comprehensive medical care, education, housing, and social security. During the year 2007-08 your Company implemented 84 new and revised welfare polices for its employees.
During the year, 60 employees were released under the Voluntary Retirement Scheme.

16. Human Resource Accounting

The organisational knowledge in your Company is the sum total of information and experience in the minds of our people, well as the cumulative knowledge in the organisational systems. This is a priceless asset, and therefore, beyond the mechanics of accounting.

There are, however, methods to measure the potential ability of all employees across the ranks, to produce value out of their knowledge and skills. The standard "Lev and Schwartz" model equates the anticipated future earnings as the surrogate of the "value" of an employee. This model has been used as per the details given in **annexure-d.**

Based on these assumptions, your Company's Human Resource has been valued at Rs. 290,528.9 million as on 31st March, 2008.
These are unaudited figures.

17. Welfare Trusts

Employees Contributory Provident Fund (ECPF) Trust, managing Provident Fund accounts of employees of your Company, has settled 1,639 cases of final withdrawal and 2,029 cases for non-refundable withdrawals during the year.

The Post Retirement Benefit Scheme (PRBS) Trust of your Company, set up to provide financial security to superannuating employees separating on or after 01.04.2007, is to enhance the pension amount by almost 45%.

The Composite Social Security Scheme (CSSS) formulated by your Company provides an assured ex-gratia payment in the event of unfortunate death or permanent disability of an employee in service. Families of deceased employees get a financial assistance under the scheme ranging between Rs. 1.5 million to Rs. 2.0 million. During the year, 61 bereaved families were supported through this Scheme.

ONGC Sahayog Trust has been created for welfare of secondary workforce or their heirs, who are in financial distress. Approximately Rs. one million was disbursed during 2007-08 amongst 23 such beneficiaries.

Your Company implemented the Employees Pension Scheme (EPS-1995) retrospectively w.e.f. 16th November, 1995 and remitted Rs. 215.09 million as employer's contribution.

Your Company complies with the Government guidelines on reservation for SC and ST. The percentage of SC and ST employees, as on 1st April, 2008 was 15.9% and 8.4% respectively. During the year 2007-08, Rs. 12.50 million was spent for welfare of the SC and ST communities.

18. Industrial Relations

During the year, harmonious industrial relations were maintained in your Company and no man days were lost due to internal factors.

19. Grievance Management System

Your Company provides an easily accessible machinery to the employees for redressal of their grievances, either through informal channel (open hearing day) or through formal channel. All Key Executives of your Company have designated a publicized time slot thrice a week to meet public representatives for speedy redressal of their grievances.

20. Medical Services

Your Company has a comprehensive health care scheme for all serving employees and their dependants. Retired employees and their spouse are availing Company's medical facilities. In addition serving employees of CISF and KV (along with their dependents), posted at the Company's work centres, are eligible for the Company's medical facilities.

21. Human Resource Development (HRD)

Many HRD initiatives were taken like; comprehensive review of the performance incentive scheme, skill mapping for various disciplines, Assessment and Development Centre workshops for Surface Managers, Block Managers and Sub-surface Managers.

During the year, ONGC Academy organised 242 training programmes for 7,427 executives (86,840 training days). The Regional Training Institutes conducted 243 training programmes for 4,496 non-executives.
Two unique qualification upgradation programs, one for Diploma holders (Unnati Prayas) and the other for Degree holders (Super Unnati Prayas) have been continuing.

We need a committed flight: R.S. Sharma, CMD, ONGC addressing Graduate Trainees at ONGC Academy, Dehradun

An intense Leadership Development Programme for senior level (E7) Executives was launched from 17th January, 2008 at ISB Hyderabad.

The details of awards and recognitions to your Company are placed at **Annexure-e.**

22. Sports

Around 150 sportspersons including 95 international level performers are on the rolls of ONGC representing your Company in 15 different games.

Your Company's basketball team won the National Federation Cup.

Your Company hosted the ONGC Nehru Cup International Invitational Tournament during the year.

Chess Queen Koneru Humpy was conferred with Padmashri and Badminton ace Chetan Anand received the Arjuna Award.
Reigning World Billiards Champion Pankaj Advani retained his title after an 'all ONGC Final' in which Dhruv Sitwala was the Runner-up.

Arjuna Awardee Virender Sehwag became the first Indian and third cricketer to score two triple Test centuries.

Your Company won the Petroleum Minister's PSPB Trophy for Overall Best Performance in 2007-08 for the fifth year in succession.

CMD felicitated ONGCians of T-20 World Cup winning team: Virender Sehwag, Gautam Gambhir, Munaf Patel, Ishant Sharma & Praveen Kumar

23. Corporate Social Responsibility (CSR)

ONGC is spearheading the United Nations Global Compact - World's biggest corporate citizenship initiative to bring Industry, UN bodies, NGOs, Civil societies and corporates on the same platform.

Education is the most important of ONGC CSR verticals

During the year, your Company has undertaken various CSR projects at its work centres and Corporate level.

24. Official Language

During the year, a series of initiatives were undertaken for promotion and propagation of Rajbhasha. Literary works in official language continued to be financially supported by your Company. In addition, all inductees at the executive level were exposed to the Official Language Policy of the Govt. of India.

25. Right to Information Act, 2005 (RTI Act)

An appropriate mechanism has been set up across the company in line with the RTI Act. During the year, 318 applications were received under RTI Act, out of which information has been supplied to 283 applicants, 3 cases have been transferred to other public authorities and 32 requests have been rejected. In addition, 90 first appeals were filed and 17 appeals were filed before Central Information Commission.

26. Women Empowerment

Women employees constituted about 5% of ONGC's workforce. Various programmes for empowerment and development, including programme on gender sensitization were organized.

27. Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

(i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures from the same;

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year ended on that date;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

28. Corporate Governance

A report on Corporate Governance as stipulated as per Clause 49 of the Listing Agreement, together with Management Discussion and Analysis Report supported by a certificate from the Company's Auditors confirming compliance of conditions, form part of this Report.

ONGC won Golden Peacock Global Award for Excellence in Corporate Governance for the 3rd time, conferred by the World Council for Corporate Governance (WCFCG), London. Former Prime Minister of Sweden Ola Ullsten (2nd from left) handed over the Award to ONGC's Executive Director (Finance) B L Ghasolia (2nd from right) in Sept. 2007.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a 'Secretarial Compliance Report' for the financial year ended 31st March, 2008 from M/s A.N. Kukreja & Co., Company Secretaries in whole-time practice, which is annexed to this Report.
In line with global practices, your Company has made all information, required by investors, available on the Company's corporate website www.ongcindia.com.

29. Statutory Disclosures

Section 274(1)(g) of the Companies Act, 1956 is not applicable to the Government Companies. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement. The information required under section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended is annexed as **annexure-a.**

None of the employees of your Company is drawing remuneration exceeding the limits laid down under provisions of section 217(2A) of the Act read with Companies (Particulars of Employees) Rules, 1975 as amended.

30. Auditors

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). M/s K K Soni & Co., M/s S C Ajmera & Co., M/s PSD & Associates, M/s. Padmanabhan Ramani & Ramanujam and M/s Singhi & Co. Chartered Accountants were appointed as joint Statutory Auditors for the financial year 2007-08. **There is no qualification in the Statutory Auditors' Report.**

The review by C&AG forms part of this report as **annexure-c.**

Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

Cost Audit

Pursuant to the direction of the Central Government for Audit of Cost Accounts, your Company appointed Cost Accountants, for auditing the cost accounts of your Company for the year ended 31st March, 2008.

31. Directors

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Clause 104(l) of Articles of Association of the Company, Dr. R.K.Pachauri, Shri V.P.Singh , Shri P.K.Choudhury and Dr. Bakul H. Dholakia, retire by rotation at this AGM and being eligible offer themselves for reappointment.

Shri D. K. Sarraf was appointed as an Additional Director and designated as Director (Finance) effective from 27th December, 2007 and holds office up to the 15th Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing his name for appointment as a Director of the Company, subject to retirement by rotation under the Articles of Association of the Company.

Brief resume of the Directors seeking re-appointment, together with the nature of their expertise in specific functional areas and names of the companies in which they hold the directorship, number of shares held and the membership/chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in notice convening the 15th Annual General Meeting of the Company, and form part of the Annual Report.

Leading from the front: CMD & Directors with the ONGCians at an offshore installation.

32. Acknowledgement

Your Directors acknowledge the involvement of the Government of India in the Ministry of Petroleum and Natural Gas and the support from the Ministry of Finance, the Reserve Bank of India and other agencies in Central and State Governments.

Your Directors recognise all shareholders, business partners, and members of the ONGC Family for their sustained support.

Your Directors wish to place on record their sincere appreciation for the dedicated contribution by the ONGCians in the remarkable performance and impressive results of your Company.

On behalf of the Board of Directors

(R.S. Sharma)
Chairman & Managing Director

New Delhi
22nd July, 2008

A. Energy Conservation

1. Energy Conservation Measures taken

Your Company always gives emphasis to energy conservation measures and efficient use of energy in its entire venture of operation. Executive Committee in its 307th meeting had approved the training of ONGC Executives on Energy conservation techniques by PCRA.

Your Company has replaced old type filament lamps with CFL in most of its work centres and institutes. Old fixtures have also been replaced with modern energy efficient fittings. It has installed fuel efficient K-50 emergency generator engines, soft starter at E-1400-19 rig for motors above 30 HP, auto transformer starter for 100 HP motor at CW#1, bi-fuel (CBM gas & diesel) kit in 200 KVA Gen set in Bokaro, energy-efficient top drive system on all offshore rigs.

Your Company has also installed solar water heaters at many work centres, solar panels at well heads at Bokar- Jharkhand and has started installing the 50 MW Wind power project at Gujarat

2. Energy Conservation measures taken earlier which are contributing to Energy savings

Your Company's proactive steps in energy conservation measures are paying off. Waste heat recovery systems, turbo-expanders, natural gas geysers are successfully running at various installations. Reduced loss of thermal energy through sustained maintenance of steam traps and inter-fuel substitutions are paying off.

3. Impact of Measures on reduction of energy consumption and consequent impact on the cost of production of the goods.

Above measures taken by your Company have resulted in reduction of significant quantity of fuel consumption (HSD, Natural gas and electricity) valuing about Rs. 1,570 million during the financial year 2007-08.

B. Research and Development

1. Specific areas in which R & D was carried out

Your Company has always focussed on technology-driven growth. Its eleven institutes spread over the country incessantly explore the latest technologies and alternative means to the ever surfacing challenges of E&P industry.

A Nobel Laureate in the board:
R S Sharma, CMD, ONGC felicitating Dr. R K Pachauri for winning Noble Prize as the Chairman of IPCC. Dr. Pachauri is a member of ONGC Board

In Geology and Geophysics front, hybrid inversion of the pre-stack seismic reflection data with optimized source wavelet, reservoir modeling for enhanced oil recovery using fractals and 4D-4C Seismic, study of microbial, palynological and geochemical proxies for biogenic gas exploration, shale gas desorption studies on Cambay Basin and South Karanpura sub-Basin and study for prediction of oil production rate using the low frequency behaviour of the reflection coefficient from seismic data are among the prominent areas of R&D activities.

Human resource is the most valuable resource in ONGC

In microbial front, ONGC has undertaken studying paraffin control using indigenously developed PDS-10 bacterial consortium, improving flow efficiency in flow lines using FIB-19 bacterial system, enhancing oil recovery through microbial system for high temperature reservoirs (90^{o}C), implementing MEOR technique using S2 bacterial consortium for improving production from stripper wells. ONGC Energy Centre has outsourced projects to Indian biotechnical institutions (TERI Delhi, BHU Varanasi, ARI Pune, MCRC Chennai) for research and developing selective microbes.

You Company, ONGC, has also undertaken development of Visco-elastic surfactant based self-diverting acid (VSDA), a polymer free surfactant based acid system, for stimulation of heterogeneous / multilayered carbonate reservoirs, fracturing fluid for high temperature (149^{o}C) reservoirs, venturi type surface chokes for stabilized flow in gas wells, water shut-off technique for gravel packed wells using cross linking polymer and using sodium thio-sulphate instead of thio-urea for water shut-off formulation (for PDO, Oman).

ONGC has also undertaken research on formulating polyamines enhanced High Performance Water based Mud (HPWBM) systems, evaluating the suitability of ordinary Portland Non API Cements for use in oil well cementation and formulating a new Low Toxic Mineral Oil (LTMO) package as a substitute for Synthetic Oil base mud.

In the new energy source front, ONGC Energy Centre has established a research project with leading research institutions like IIT, Delhi, UICT, Mumbai and CECRI, Karaikudi for conducting research on thermo-chemical processes for water decomposition. It has also undertaken a project to examine the archived well logs to identify potential uranium rich zones and generate geological models to predict uranium occurrence. Designing of leaching agents for in-situ leaching of uranium from sedimentary rocks is also planned.

2. Benefits derived as a result of the R & D projects

Critical evaluation of all the geoscientific data coupled with overpressure modeling in Kavitam and surrounding area of Krishna-Godavari basin clearly indicate ample scope for exploration and exploitation of two major unconventional gas systems. Bacterial activity zonation - Aerobic, Sulfate reductive and Anaerobic zones have been established in KG onland and offshore area. The results of shale gas desoprtion study has led to evolving a methodology for deliberate search for hydrocarbons within basement rocks. Stochastic Inversion approach has demonstrated the efficacy of the technique in delineating thin pay sands. Various works on microbial front is helping in better flow management and environment friendly sludge disposal.

R&D in the area of drilling by your Company has come out with ceramic microspheres based high performance light weight cement slurry, cross linked stiff rubbery gel and synthetic fiber cement slurry for loss control solutions.

Application of selective dispersant and solvent that has been implemented in four wells of Heera field and one well of MH resulting in an additional oil gain of about 201 BOPD. Residue free Visco-elastic surfactant based self-diverting acid (VSDA) implemented in six wells of Heera field gaining about 714 BOPD. Formulation & technique developed for Multistage Acid Frac job has been implemented in seven wells of Heera Field gaining about 701 BOPD. Thio-sulfate based water shut-off formulation was applied in three wells of PDO, Oman.

Application of cross linked biopolymer gel system for limiting water production in gravel packed well of Mehsana field to avoid deployment of work over rig resulted in good savings.

3. Future Plan of Action

You Company has plan to induct Low Frequency Acoustic Passive Seismic DHI (IPDS) technology for direct detection of hydrocarbons using low frequency acoustic waves, passive seismic tomography in Frontier Basin for providing a detailed 3-D seismic velocity and Poisson ratio model of upper few km of the crust. Plans are there for developing software for Seismic Imaging of Oil Production rates.

ONGC has developed polymer gel formulations for Nandasan, North Kadi fields of Mehsana and L-II and L -III reservoirs of Mumbai High Asset. The process for field implementation of findings is planned to be undertaken soon. Plan is also afoot for identifying suitable chemical additive for the flow assurance of problematic crude oil belonging to Gopavaram field, Rahjamundary and Sobhasan field, Mehsana.

Two R&D projects on microbial front are being taken up; microbial conversion of heavy oil to methane gas and investigations on biogenic gas source and entrapment styles in Krishna-Godavari Basin.

ONGC organized the 7th international Conference & Exhibition of The Society of Petroleum Geophysicists (SPG) in January 2008. Seen inaugurating the Conference is ONGC CMD R S Sharma (extreme left), Petroleum Secretary M S Srinivasan (3rd from left) and Petroleum Minister Murli Deora (middle).

In drilling front, ONGC has plan to undertake study of managed pressure drilling and its application, development and evaluation of suitable enzymatic breaker and a non acidic precursor formulation for effective clean up of filter cake, optimization of chemical composition of PHPA mud system with respect to Potassium chloride and amine based high performance water base mud system to stabilize troublesome BCS and Kopili shale.

Field trials HGS based drilling fluid at Mumbai High, high temperature polymeric drilling fluid for HTHP wells of KG Asset, mud loss pill in Mumbai Western offshore and amine based high performance water based mud system are also planned.

In production front, application of high temperature frac-fluid formulation in hydro- frac jobs in high temperature reservoir of GS-3A sand of Gandhar field to enhance the productivity is planned. It is also planned to develop suitable fracturing fluid for high temperature (165°C) reservoirs, implement multi-stage acid fracturing in low permeable wells for improvement in productivity and undertake study on gas exploitation from isolated gas pools.

Your Company has also plan for undertaking study on application of composite materials for various useful purposes at offshore installations, gas hydrate induced corrosion, analysis and design of Deep-water foundation and riser systems, developing Electro-less Nickel Phosphorous (ENP) coating and many other projects related to deep-water, gas hydrates and offshore structural engineering.

4. Technology Absorption and Adaptation

ONGC has absorbed and adapted quite a number of new technologies. Structural Geology Software by M/S Midland Valley Exploration (MVE), 3D Basin Modelling technology - the PetroMod Software System and Petrobank Master Data Store (MDS) have helped in better data interpretation and storage. A new state-of-the-art data acquisition system with 24 bit delta sigma technology and Multi-component seismic survey, 3D-3C technology, inducted in A&AA Basin area are adding value in data acquisition. SAR technology for imaging surface oil seeps that originate by slow leakage from oil and gas-filled traps has also been adapted for faster information gathering on prospective areas.

A Rapid Solvent Extraction Unit (Soxtherm System) for quick and efficient extraction of bitumen and removal of polyglycol contamination from sedimentary rock samples for detailed geochemical evaluation has been inducted.

In the area of Drilling, in addition to already existing hi-technologies, two new technologies, Twister technology and Extended Reach Technology (ERT), have been added.

5. Collaborative projects with Foreign Institutes / Domain Experts/ MoU

Following collaborations and collaborative projects are noteworthy during the preceding year:

- Heads of Agreement signed with Petrobras for swapping of interests in deepwater blocks in India and Brazil on 4th May, 2007.
- Board accorded approval for assignment of 30% PI in block KG-DWN-98/4 and 25% in MN-DWN-2002/2 to BG subject to GOI approval.
- Engaged Dr. Ben E Law Consultant, USA, for Basin Center Gas and Shale gas.
- Dr. C. D. Johnston seismic interpreter hired for integrated study of Mahanadi Offshore basin.
- Engagement of Dr. G. Keller for study of subsurface samples for KT boundary sediments of KG basin.
- Participation of ONGC as sponsor in developing Action Learning Plans (ALPS) on Exploration topics with IHRDC, Boston, USA.
- Membership of Fold Fault Research Project (FRP) consortium, University of Calgary, with the objective of availing expertise in seismic imaging in structurally complex areas.
- A Geophysics SIG being formed under Energistics to promote collaborative development and improvement of industry geophysical standards.
- A research agreement has been signed between Royal Holloway and Bedford New College, University of London and ONGC for their collaborative program between the Fault Dynamics Research Group at Royal Holloway University of London and ten other sponsoring E&P companies like BP, Shell, Statoil, PDVSA etc. The outcome of the project will enhance the interpretation skills, strengthen the research capability and wider access to the international talent pools.
- Collaborative research projects undertaken with UPG Romania for outer Himalayan belt.
- Collaborative research project with University of California, Utah on Ganga basin.
- Collaboration with University of New South Wales, Australia - for establishment of micro CT scan centre.
- Long term collaboration with University of Calgary, Canada for participation, maintenance and service of High Pressure Air Injection set-up for studying EOR processes in heavy, medium and light oil reservoirs.

- Collaboration with TERI, New Delhi for isolation, identification and development of methanogens for in-situ generation of methane from coal seams and for Microbial system for improving flow efficiency of oil in surface flow lines.

- A collaborative job was taken up with M/S IKON Sciences, UK to determine a method to delineate thin pay sands in Tapti-Daman area which otherwise could not be mapped through conventional seismic techniques.

- An MOU was signed for the collaborative project with C-DAC, Pune on "Hybrid Inversion of the Pre-stack Seismic Reflection Data with Optimized Source Wavelet".

- Strategic alliance was entered into M/s Canoro Resources Ltd for carrying out exploration and development activities in the northeast.

- A long term technical consultancy for Structural Geology Modelling is being taken up with Midland Valley Exploration for 3 years at the cost of 42.7 million.

- Pilot project for 4C-4D study in Vasai East for using fractal theory under MOU signed between NGRI, NTNU (Norwegian University of Science & Technology), Norway and ONGC.

- MOU with M/S Fugro Geoscience India Private Limited (FGIPL) was signed for alliances in the areas of airborne geophysical surveys, seismic API, reservoir characterization, data solution and setting of Joint study centre (HUB).

- MOU with M/s Petroleum Geo-Services ASA (PGS), Oslo, Norway for gaining access to a whole range of seismic solutions and services which are unique and represent the cutting edge of the technology, management processes and unique services like HD3D®, Multi-Transient EM, PGS MegaSurveys, Ramform offshore Seismic survey Vessel Design and Building, Fiber Optic Technology and setting up of Joint study centre.

A 50 MW wind power farm commissioned at Gujarat

- MOU was signed with global oil major British Petroleum (Alpha) Limited to collaborate in Exploration & Production (E&P) business in India and abroad, which includes sharing of knowledge in Coal Bed Methane (CBM) and Deepwater exploration.

- ONGC signed MOU with Norsk Hydro in the area of offshore exploration, development of Vasai field and KG-98/2 block.

Oil and Tea flow in sync at Assam

- ONGC has entered into an MOU with M/s Rocksource ASA, of Norway on for cooperation in E&P sector on Indian and international projects which include the use of Rocksource EM technology for exploration prospect evaluation.

- MOU was signed with M/s MOL Hungarian Oil and Gas for alliance in hydrocarbon sector has been signed. Also approved assignment of 35% PI in HF-ONN-2001/1 block.

- The ONGC Energy Centre has entered into a MOU with BARC to research thermochemical processes for water decomposition.

- ONGC has signed an Agreement of Collaboration (AOC) with Skochinsky Institute of Mining (SIM-NMRC), on 25th November, 2004 for Underground Coal Gasification.

6. Information Regarding Imported Technology:

Information Regarding Imported Technology (Imported during the last five years from the beginning of the Financial Year)

S.No.	Technology Imported	Year of Import
(i)	• 3D Integrated Quantitative Inversion & Modelling (My Bench software from M/S Jason Geosystems) • Network Enhancement Gigabit • Two suits of Additional Licenses for G & G application of M/s Landmark. • 18 TB RAID 5 Storage system, N/W & RAM Upgradation of Origin 2000 server, Hard disk for octane workstations for processing and & 5 TB RAID 1 Disk for INTEG. • RCCFA (Reservoir Condition Core Flow Apparatus). • Fully automated capillary pressure and resistivity system. • Mercury free PVT package. • SEM with EDX system, model 6460 LV. • SGI Origin 300 - 4 CPU Machine + Octane 2. • Network Access System (NAS). • Automated LTO Backup System. • New Layer 3 Switch for Network Upgradation. • Forgas Software. • PAL/ RAVE/ FZAP/ RFB/ Openvision and EMERGE - Software for Enhancing 2D/ 3D Interpretation and Reservoir Characterisation. • 3 Additional Licenses for Open Works of M/s Landmark Graphics. • 1 Additional License for ZMAP (Mapping) of Landmark Graphics.	2003-04

(ii)	• 8 CPU based P690 server and 3590E tape drive with Robotic tape library - up-gradation of Petrobank server. • SUN Fire 15K Unified interpretation Data server, 30 SUN Blade150 X Terminals, one SUN Blade 2000 & one SUN Blade 2500, • GEOPROBE software from M/s LANDMARK Graphics. • 4 Suites of Licenses from M/s Landmark Graphics. • SGI-350 server and SGI TEZERO workstation OS-IRIX 6.5 with LANDMARK application software (Openworks, Seisworks 2D & 3D and Earth Cube) • Stand Alone System (96 CPU) Regetta with time and depth domain processing software 'GEOPDEPTH'. • Stand Alone System (32 CPU) Regetta with time and depth domain processing software 'GEODEPTH'. • 64CPU cluster system having 4TB disk space and time and depth processing software for MV Sagar Sandhani. • 10 Nos of 408-UL seismic data acquisition systems. • 17 Field processing units for 3D field crew to monitor online data quality. • DGPS-RTK Differential Global Positioning System for accurate positioning in topographic surveys.	2004-05
(iii)	• "StrataBug" software for Bio-stratigraphy. • Log data processing software - GEOFRAME containing ELAN PLUS, dip-meter, image processing and interpretation package along with hardware. • State of Art digital micro gravitymeter, Proton Precession magnetometer together with DGPS, Total station and Auto level for topographical survey to meet the requirements of precision GM survey. • ISO Prime GC-IRMS • Sun servers and work-stations for EPINET (Exploration & Production Information Network) • Suit of 2D/3D Move Software of Mid land valley • Three Numbers PC based software from Geographix. • Geosec2D Paradigm software installed in F15K server • Configured five sun blade 150 systems with PCI cards and installed windows XP so as to work both as workstation and PC. • IBM P690 (8CPU) Petrobank server upgraded to 32 CPU for supplementing seismic data processing • 3 No's of Mobile Processing Units (MPU) for reducing API cycle time. • PC based Seismic Interpretation system with matching hardware and software. • High temperature anaerobic bio-reactor. • Microscope with image analyser. • Refrigerated centrifuge. • Incubated shaker. • High temperature incubator. • High precision metering pump. • End Face grinder.	2005-06
(iv)	• Data Station (DASTA - 720) • GV Isoprime Continuous Flow Isotope Ratio Mass Spectrometry (CF-IRMS) • Varian CP3800 Natural Gas Analyzer • GC-MS-MS(Varian) • Latest releases of Landmark / Hampson Russell / Jason / GeoQuest Interpretation Software installed as part of regular M&S. • Geo-Vision Centre (Virtual Reality Centre) with SGI Onyx 3900 Server (16 CPU, 64 GB RAM) installed for 3 Pipe, Curved screen, immersive volume visualization using the software from M/s Paradigm.	2006-07

	• Petrel Suite of Software along with Interactive Petrophysics from M/s GeoQuest Systems Installed. • Latest release of Solaris Operating System version 10 installed and configured for future migration of Landmark Application Software. • Netvault Backup Software for Lanfree / SAN backup installed. • ZFS (Zeta Byte file system) was created on one SUN machine with Solaris 10 for performance evaluation with respect to existing UFS file system. • BigIron Foundry Gigabit Ethernet switch upgraded to 120 gigabit fiber ports along with redundant power module to provide seamless gigabit network connectivity to all servers and clients throughout GEOPIC. • EPOS3SE upgraded to RFC (Rock & Fluid Canvas) • Q - Marine. • Sea bed logging. • GX Technology. • Digital Multilevel Vertical seismic profiling (VSP). • Air borne Electromagnetic Survey. • Multi Transient Electro Magnetic (MTEM) technique. • Virtual Drilling Technology.	
(v)	• Rapid Solvent Extraction Unit (Soxtherm System). • Petrobank Master Data Store (MDS), from M/S Halliburton Offshore Services Inc.-a multi-client solution for the management of E&P technical data. • 64 CPUs SGI ALTIX machine. • 48 node IBM PC Cluster system with dual CPU per node equipped with Geocluster4.1 application software of M/S CGG. • 272 node IBM PC Cluster system with dual CPU per node equipped with OMEGA application software of M/S Western Geco • Corporate Licensing of Interpretation software from M/s Hampson Russel, M/s Landmark, M/s Geoquest and M/s Paradigm. • CGG Geocluster application software for processing. • WGC Omega: application software for processing. • StatMod MC and EarthMod FT modules added to Fugro-Jason's MyBench software suite. • LWD / Geosteering with Laterolog tool. • Compact combo LWD tool. • FPWD- Formation Pressure While Drilling tool. • "Air Injection Laboratory" for identifying candidate reservoirs for air injection as a part of EOR efforts. • Cluster Computing capabilities have been established, which will reduce significant run-time of various G&G applications and reservoir simulation processes. • Four licenses for G&G modules (OpenWorks-2, SeisWorks-1 and StratWorks-1 of M/s Landmark Graphic Corporation). • Three licenses for Reservoir Simulation (Model Builder-3 of M/s Computer Modeling Group Limited). • PC Cluster technology, both Hardware and Software, for seismic data processing. • 3D - 3C Multi-Component Seismic Survey. • Four numbers of State-of-the-art multi component digital VSP equipment. • 14 new state-of-art data acquisition system with 24 bit delta sigma technology.	2007-08
B	**Has the technology been fully absorbed?**	**Yes**
C	**If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action**	**Not applicable**

7. Expenditure on Research & Development

(Rs. in million)

Sr.No.	Heads	2007-08	2006-07
1	Capital	**93.42**	482.71
2	Recurring	**1,753.32**	863.56
3	Total R&D Expenditure	**1,846.74**	1,346.27
4	Total R&D Expenditure as a percentage of Total Turnover	**0.30%**	0.23%

8. Information on Foreign Exchange Earnings and Outgo

(Rs. in million)

Sr.No.	Heads	2007-08	2006-07
1	Foreign Exchange Earnings	**37,947.22**	29,906.56
2	Foreign Exchange Outgo	**74,009.98**	87,761.69

Caring Green amidst the blue

statement of reserve recognition accounting

Standardised measure of Discounted Future Net Cash Flows relating to Proved Oil and Gas Reserve quantities as on 31st March, 2008.

(Rs. in million)

Particulars	Gross Value as at		Present value (Discounted at 10%) as at	
	31st March 2008	31st March 2007	**31st March 2008**	31st March 2007
Revenues				
Oil	6,596,884.02	6,104,400.92	3,060,469.75	3,039,324.43
Gas	1,122,791.68	1,089,576.71	490,299.24	521,645.01
Total Revenues	**7,719,675.70**	**7,193,977.63**	**3,550,768.99**	**3,560,969.44**
Costs				
Operating, Selling & General	3,096,451.55	3,035,075.19	1,422,352.50	1,501,831.31
Corporate Tax	1,030,614.89	1,025,459.00	474,884.82	488,610.98
Sub-total	**4,127,066.44**	**4,060,534.19**	**1,897,237.32**	**1,990,442.29**
Evaluated Cost of Acquisition of Assets, Development and Abandonment				
a) Assets	755,244.21	369,623.75	406,247.75	276,278.43
b) Development	261,147.88	179,031.55	167,629.32	131,176.02
c) Abandonment	149,457.70	169,632.50	1,936.71	2,113.12
Sub-total	**1,165,849.79**	**718,287.80**	**575,813.78**	**409,567.57**
Total Cost	**5,292,916.23**	**4,778,821.99**	**2,473,051.10**	**2,400,009.86**
Net future earnings from Proved Reserves	**2,426,759.47**	**2,415,155.64**	**1,077,717.89**	**1,160,959.58**

Notes

1) The Revenues on account of crude oil and gas have been worked out on the basis of average price for the year 2007-08. The average price for crude oil is net of Subsidy Discount.

2) Expenditure on Development, Acquisition of capital assets, Abandonment costs and Operating Expenditure have been considered at current costs i.e as on on 31st March, 2008. Taxes and Levies have been considered at prevailing rates as on 31st March, 2008.

3) The reserves have been estimated by ONGC's Reserve Estimates Committee following the standard international reservoir engineering practices.

4) Only Proved reserves have been considered. Probable or Possible reserves have not been considered. These reserves exclude ONGC's share of foreign JV Assets.

5) Both revenues and costs have been discounted to present value using 10% discounting factor. The Net future earnings, therefore, represent the net expected future cash inflows from production of recoverable reserves of crude oil and gas.

6) However, neither the estimated net reserves nor the related present value should be taken as a forecast of future cash flows or value of these reserves because (a) future estimated production schedules used in the valuation process are subject to change, (b) up-gradation of Probable and Possible reserves would significantly affects the gross and net present value of the expected future cash inflows, (c) future crude oil and natural gas prices are subject to change and (d) future expenditure on production (operating), development, acquisition cost of capital assets, abandonment costs and rates of taxes and levies, which may be at variance from those assumed herein.

Comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the accounts of Oil and Natural Gas Corporation Limited for the year ended 31st March, 2008

annexure-c

The preparation of financial statements of Oil and Natural Gas Corporation Limited for the year ended 31st March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done vide their Audit Report dated 25th June, 2008.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Oil and Natural Gas Corporation Limited for the year ended 31st March, 2008. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

For and behalf of the
Comptroller and Auditor General of India

Sd/-
K P Sasidharan
Principal Director of Commercial Audit
& ex-officio Member, Audit Board II Mumbai

Place: Mumbai
Date: 11th July 2008

ONGC Museum, Dehra Dun:
The first oil museum in the country depicting the history of oil; preserving history to draw strength from it

human resource value

annexure-d

Employees as on 31st March, 2008

Employee Group	Age Distribution				Total	
	<31	31-40	41-50	51-60	2007-08	2006-07
(A) Technical						
Executive	564	1494	9703	6618	**18379**	18305
Non-Executive	42	762	2571	622	**3997**	5072
Total (A)	606	2256	12274	7240	**22376**	23377
(B) Non-Technical						
Executive	154	435	1912	2137	**4638**	4365
Non-Executive	86	876	2945	2075	**5982**	6068
Total (B)	240	1311	4857	4212	**10620**	10433
Grand Total (A+B)	**846**	**3567**	**17131**	**11452**	**32996**	**33810**

Note : Whole time Directors excluded

Valuation as on 31st March, 2008

(Rs. in million)

Employee Group	Age Distribution				Total	Value per employee	
	<31	31-40	41-50	51-60		2007-08	2006-07
(A) Technical							
Executive	10,091.9	23,745.9	107,673.4	36,973.8	178,485.1	**9.7**	9.4
Non-Executive	455.7	7,669.7	22,484.0	2,781.0	33,390.4	**8.4**	7.7
Total (A)	10,547.5	31,415.6	130,157.4	39,754.8	211,875.4	**9.5**	9.0
(B) Non-Technical							
Executive	2,670.1	6,689.8	19,720.1	11,344.5	40,424.5	**8.7**	8.3
Non-Executive	894.5	8,104.8	21,742.4	7,487.2	38,228.9	**6.4**	6.2
Total (B)	3,564.6	14,794.6	41,462.5	18,831.7	78,653.5	**7.4**	7.1
Grand Total (A+B)	**14,112.2**	**46,210.3**	**171,619.9**	**58,586.6**	**290,528.9**	**8.8**	**8.4**

- * Valuation based on most widely used " Lev & Schwartz" model.
- * Aggregate future earnings during remaining employment period of employees, discounted @ 8% p.a., provides present valuation
- * Future earnings based on current emoluments with normal incremental profile.

recognitions, awards and accreditions

1. Global Rankings/ Recognitions

- The ***Numero Uno* E&P** Company in Asia, as per the ranking of the top **"Platts 250 Global Energy Companies list for the year 2007"** based on Assets, revenues, profits and Return on Invested Capital (ROIC) (September 2007)
- Ranked 20th among the **Global publicly-listed Energy companies** as per "**PFC Energy 50"** (Jan 2008).
- **Occupies 198th rank in "Forbes Global 2000"** 2008 list (up 42 notches than last year) of the elite companies across the World; based on sales, profits, assets and market valuation during the last fiscal. In terms of Profits, ONGC maintains its top rank from India.
- Ranked **335th position as per Fortune Global 500** 2008 list; up from 369th rank last year, based on Revenues, Profits, Assets and Shareholder's equity. ONGC maintains top rank in terms of profits among seven companies from India in the list.
- The first and only Indian Company to be enlisted in Fortune's **'Most admired Companies 2007'**.

2. Indian Rankings/ Recognitions

- **Ranked as the most respected Public Enterprises in India in 2007 "Business World Survey,"** with **19th position** in the league of the most-respected Indian Corporates.
- **Rated 'Excellent' in MOU Performance Rating** for 2006-07 by the Department of Public Enterprises, Ministry of Heavy Industries in Public Enterprises, GOI.
- **Oil Industry Safety Directorate (OISD)** has selected **Ahmedabad Asset and MRPL** for the year 2006-07 (as number one in Group-4 category (Oil & Gas Assets) and second in Group-1 Refinery category respectively).
- **Topped the visibility metrics in Indian Oil and Gas Sector;** the only PSU in the top 10 of the list of Indian Corporate Newsmakers.

3. Awards & Accreditations

- **"Golden Peacock Global Award 2007 for Excellence in Corporate Governance 2007",** for the 3rd consecutive time, conferred by **World Council for Corporate Governance.**

ONGC secured FICCI's Corporate Social Responsibility Award, 2007 for the Oil major's impeccable record in social responsiveness.
The award was handed over by Finance Minister P Chidambaram to ONGC's Group General Manager M R Rao.

- Bagged the coveted winner's trophy of the maiden **"Earth Care Award for excellence in climate change mitigation and adaptation"** under the category of GHG mitigation in the small/medium and large enterprises.
- Secured the **"Jury's Special Appreciation Award"** under **"Employer Branding Awards 2007"**, for being considered by the jury as the only organization in PSU that is considered an Employer Brand.
- ONGC was awarded **"Petroleum Minister's Trophy for 2006-07"** in recognition of its best overall performance in 15 sports disciplines under the Petroleum Sports Promotion Board (PSPB), for the fourth consecutive year in a row. ONGC also received the overall **"Excellence Trophy"** for **corporate contribution towards promoting sports** in the country
- Conferred with **"Partners in Progress' Award"**, **instituted by the "Legends of India"**, an independent endeavour to promote Indian Art and Cultural within the country and abroad, for its support and contribution in the field of Art and Cultural.
- Conferred with **"Infraline Energy Excellence Award"** for its services to the Nation in Oil & Gas Exploration and Production category.
- Bestowed with **"Amity Award for Excellence"** in Cost Management.

4. Awards to ONGC's Business Units

Ahmedabad Asset

- **Golden Peacock Environment Management Award - 2007** - instituted by **World Environment Foundation.**
- **Safety Innovation Award - 2007** from Safety and quality Forum - instituted by the Institution of Engineers India.
- **Oil Industry Safety Award - 2006** - instituted by Ministry of Petroleum & Natural Gas, Govt. of India.

Ankleshwar Asset

- **Safety Innovation Award** for the year 2006-07.
- **Green Tech "Silver Award -2008".**

About 4250 flowing wells are there in Onshore assets of ONGC

Tripura Asset

- **Longest Accident Free Period** to Tripura Asset from Director General of Mines, Dhanbad.

Rajamundry Assets

- **Green Tech Environment Excellence Silver Award-2006** for Mandapeta GCS.
- Certificate of Appreciation for Ponnamanda Gas Compression Station for outstanding achievement for "Environment Management" during the year 2006 from the **Greentech Foundation.**
- **Greentech Safety Silver Excellence Award-2007** to the Drilling Rig E-1400-16
- **Greentech Safety Gold Excellence Award-2007** to the Lingala Group Gathering Station
- Certificate of Appreciation for **Excellent performance in Safety** for the year 2007 from **Greentech Foundation** to Mori Gas Compression Station.

Cauvery Asset

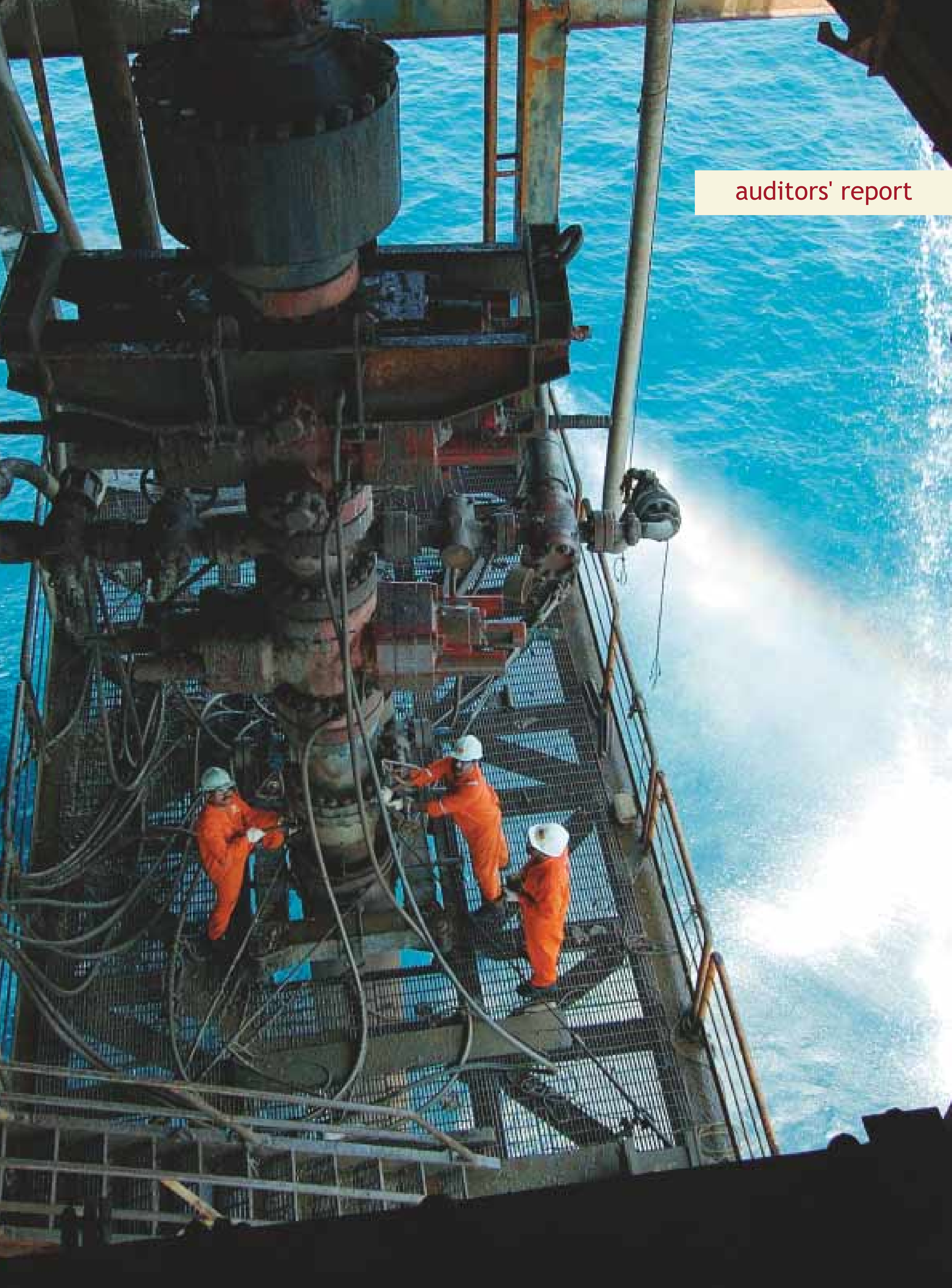
- **Greentech Award for Environment Excellence for the year 2006** in Petroleum Sector to Narimanam Group Gather Station.
- **Best Technical Audit Performance Award** for the year 2007 to Kuthalam Group Gathering Station.
- **Greentech Safety Award 2008** in petroleum sector to Cauvery Asset, Tripura Asset, Rajahmundry Asset, Ahmedabad Asset, Offshore Engineering Services and to Hazira Plant for the sixth time.
- **Golden Peacock Awards** instituted by Institute of Director (IOD) under the categories of 'Training and Innovation'. Institute of Drilling Technology (IDT) received the award for Excellence in Training and Cauvery Asset for Excellence in Innovation.

5. Awards to CMD & Directors

- **Mr. R S Sharma, CMD,** ONGC has been conferred the **"CNBC-TV18 Award 2007"** for excellence in the Oil and Allied Services category.
- **Mr. R S Sharma, CMD,** ONGC has been conferred with the **"CNBC-2007 CFO Award"** for **Excellence in Financial Management** in the category of Best performing CFO in the Oil, Gas and Chemicals sector, for the third time in a row.
- **Mr. R S Sharma, CMD,** ONGC has been coffered **"Distinguished Fellowship"** of the Institute of Directors (IOD) in recognition for dedicated public service i.e. commendable performance in management.
- **Dr. A K Balyan, Director (HR)** has been conferred the award of **"Best HR-Head"** by Amity International Business school.
- **Dr. A K Balyan, Director (HR)** was conferred with **"Lifetime Achievement Award in Human Resource"** during the 9th Convention on Leadership in Mumbai on 28th September, 2007. The award was presented to Dr. Balyan for his remarkable achievements in the area of managing Human Resource of the best PSU in the country.
- **Dr. A K Balyan, Director (HR)** was conferred the **"Exemplary Leader Award"** under **"Employer Branding Awards 2007".**
- **Dr. A K Balyan, Director (HR)**, conferred with fellowship **of World Academy of Productivity Science**.

The Nobel Peace Prize 2007 has been conferred jointly **to Intergovernmental Panel on Climate Change-headed by Padma Bhushan Dr. R K Pachauri** who is on the Board of ONGC and to Mr. Al Gore, former Vice-President, USA for efforts to build up and disseminate greater knowledge about man-made climate change, and to lay the foundations for the measures that are needed to counteract such change.

auditors' report



ONGC is only the 2nd operator in the world to drill to water depth over 3,000 meters

To the Members of Oil and Natural Gas Corporation Limited

1. We have audited the attached Balance Sheet of OIL AND NATURAL GAS CORPORATION LIMITED (the Company) as at 31 March, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto in which are incorporated the Company's share in the total value of assets, liabilities, expenditure, income and net profit of 103 blocks under New Exploration Licensing Policy (NELPs) / Joint Venture (JVs) accounts for exploration and production out of which 91 NELPs / JVs accounts have been certified by other firms of Chartered Accountants and remaining 12 NELPs/JVs as certified by the management (Refer Note 21.1.1 to 21.1.4 of Schedule 28 of the financial statements). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have placed reliance on technical/commercial evaluation by the management in respect of categorization of wells as exploratory, development and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbons reserves, liability for abandonment costs, liabilities under NELP for under performance against agreed Minimum Work Programme and allocation of depreciation on process platforms to transportation and facilities.

4. As required by the Statement on the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure (read with paragraph 1 above) a statement on the matters specified in paragraph 4 and 5 of the said Order.

5. Further to our comments referred to in paragraph 4 above we report as follows:

5.1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

5.2. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

5.3. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

5.4. In our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

5.5. Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per notification number GSR 829(E) dated 21st October, 2003 issued by the Department of Company Affairs.

5.6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes to accounts and in particular Note 2 of Schedule 28 in respect of recognition of Sales Revenue in respect of crude oil and natural gas, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

b) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For K. K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem. No. 07737)

For S. C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem. No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem.No. 50773)

For P. S. D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem. No. 13216)

New Delhi
25th June, 2008

annexure to the auditors' report

(Referred to in paragraph 4 of our report of even date)

1. a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   b) We are informed that the fixed assets other than those which are underground/ submerged/ under joint venture, having substantial value have been physically verified by the management in phased manner. The reconciliation of physically verified assets with the book records is in progress. Discrepancies noticed on physical verification and consequential adjustments with regard to discrepancies are carried out on completion of reconciliation. According to the information and explanations given by the management, in our opinion, the same is not material.

   c) The Company has not disposed off substantial parts of fixed assets during the year.

2. a) The inventory has been physically verified (excluding inventory lying with third parties, at some of the site-locations, inventory with joint ventures and material in transit) during the year by the management. In our opinion, the frequency of verification is reasonable.

   b) The procedures of physical verification of inventory followed by the management to the extent verified were generally reasonable and adequate in relation to the size of the Company and nature of its business.

   c) The Company has generally maintained proper records of inventory except for recording of consumption at a few of its site- locations. The discrepancies noticed on verification between the physical stock and book records were not material having regard to the size of the operations of the Company. In case where discrepancies noticed on physical verification have been identified with inventory records, necessary adjustments have been carried out in the books. In respect of those cases where the reconciliation is not complete, the management has stated that the same would be adjusted in due course.

3. The Company has not taken nor granted any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses 4 (iii)(a), (b) (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

4. In our opinion, and according to the information and explanations given to us, the internal control procedures are generally adequate and commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weakness in internal controls.

5. a) According to the information and explanations given to us, there is no contract or arrangement referred to in section 301 of the Companies Act, which are required to be entered in the register maintained under the section.

   b) Accordingly, the provisions of clause 4 v (b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

6. The Company has not accepted any deposits from the public.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rule made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. There are no such material outstanding statutory dues accrued in accounts as of the last date of the financial year concerned for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the disputed statutory dues are as under:

Name of the statute	Nature of the dues	Amount (Rs. in million)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income tax Act, 1961	Income tax	38,971.81	1996-2008	ITAT/ CCIT/ CIT(A), High Court
Central Excise Act, 1944	Central Excise duty/ Interest/Penalty	3,195.75	1981-2008	CEGAT/Director of Central Excise/ Commisioner/Asst. Comm. of Central Excise
The Customs Act, 1962	Customs duty/ Penalty/Interest	6,622.59	1995-2008	Supreme Court/High Court/ CBEC/Comm. Customs
Oilfields (Regulation & Development Act, 1948)/ AP Mines and Geology Act	Royalty/Surface rent/Interest/Penalty	381.43	1992-2008	Director, Mines & Geology/ Dept. of Geology and Mining, A.P. High Court
AP Mineral Bearing Lands (Infrastructure) Cess	Cess	726.96	2005-2008	Dept.of Geology & Mining, A.P. High Court
Oil Industries (Development) Act, 1974	Cess/Interest	8.93	2000-2008	CEGAT/Supdt./Comm.(A)
Central Sales Tax Act, 1956 and respective States' SalesTax Act	Sales tax/ Turnover Tax/ Penalty/Interest	2,827.88	1977-2008	Supreme Court/High Court/ Tribunal/Asst.Comm/Dy.Comm./ Suptd. of Taxes/Commercial Tax Officer
Municipal Corporation of Greater Mumbai Act (Octroi Rules, 1965)	Octroi Duty	66.89	1977-2008	Supreme Court
Assam Specified Land Taxation Act	Tax on Crude oil and Natural Gas	1,354.36	2004-2008	Guwahati High Court

10. The Company has no accumulated losses at the end of the current financial year and has not incurred cash losses either during the year or during the immediately preceding financial year.

11. The Company has not issued any debentures and not defaulted in repayment of dues to financial institutions or banks.

12. In our opinion and as per the information and explanation given by the management, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/ society. Accordingly, the provision of clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. In our opinion and as per the information and explanation given by the management, the Company is not dealing in or trading in shares, securities, debentures and other investments.

15. In our opinion and as per the information and explanation given by the management, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company, since these guarantees are given for the subsidiary/ company promoted by the Company.

16. In our opinion, the term loans have been applied for the purpose for which they were raised.

17. On an overall examination of the balance sheet of the Company, we report that no funds raised on short terms basis have been used for long term investment.

18. The Company has not issued any preferential allotment of shares during the year.

19. The Company has not issued any debentures during the year.

20. The Company has not raised any money by way of public issue during the year.

21. According to the information and explanations given to us, no fraud on or by the company which is material in amount and nature has been noticed or reported during the course of our audit.

For K. K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem. No. 07737)

For S. C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem. No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem.No. 50773)

For P. S. D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem. No. 13216)

New Delhi
25th June , 2008

balance sheet as at 31st march, 2008

(Rupees in million)

	Schedule		As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	21,388.87		21,388.87
Reserves and Surplus	2	684,785.12		597,850.39
			706,173.99	619,239.26
LOAN FUNDS				
Unsecured Loans	3		369.42	3,737.39
DEFERRED TAX LIABILITY (NET)			73,707.99	65,227.44
LIABILITY FOR ABANDONMENT COST			124,457.67	147,353.27
TOTAL			904,709.07	835,557.36
APPLICATION OF FUNDS				
FIXED ASSETS	4			
Gross Block		574,637.76		520,380.67
Less: Depreciation and Impairment		469,457.68		431,989.53
		105,180.08		88,391.14
CAPITAL WORKS-IN-PROGRESS (NET)	5	70,744.68		48,250.99
NET BLOCK			175,924.76	136,642.13
PRODUCING PROPERTIES	6			
Gross Cost		657,547.27		614,943.21
Less: Depletion and Impairment		355,673.65		319,258.54
NET PRODUCING PROPERTIES			301,873.62	295,684.67
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (NET)	7		38,927.99	34,005.98
INVESTMENTS	8		58,994.98	57,020.51
CURRENT ASSETS, LOANS AND ADVANCES				
Interest Accrued	9	13,254.77		7,268.63
Inventories	10	34,806.37		30,337.58
Sundry Debtors	11	43,603.66		27,594.40
Cash and Bank Balances	12A	160,143.04		136,705.08
Deposit with Scheduled Bank Under Site Restoration Fund Scheme	12B	64,033.51		56,102.86
Loans and Advances	13	182,467.09		185,945.25
Other Current Assets	14	22.93		0.35
		498,331.37		443,954.15
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	15	109,151.42		88,169.70
Provisions	16	66,931.25		48,721.02
		176,082.67		136,890.72
NET CURRENT ASSETS			322,248.70	307,063.43
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	17		6,739.02	5,140.64
TOTAL			904,709.07	835,557.36
SIGNIFICANT ACCOUNTING POLICIES	27			
NOTES TO ACCOUNTS	28			

Schedules referred to above form an integral part of the Accounts

For and on behalf of Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S. Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem No. 07737)

For S.C.Ajmera & Co.
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Partner (Mem. No. 50773)

For P.S.D. & Associates
Chartered Accountants

D.D.Dadhich
Partner (Mem. No. 71909)

For Padmanabhan, Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem No. 13216)

New Delhi
25th June, 2008

profit and loss account for the year ended 31st march, 2008

(Rupees in million)

	Schedule	2007-08	2006-07
INCOME			
Gross Sales	18	601,370.23	569,123.06
Less: Excise Duty		2,887.44	2,708.93
Net Sales		598,482.79	566,414.13
Other Income	19	49,976.71	42,112.18
		648,459.50	608,526.31
EXPENDITURE			
(Increase)/Decrease in stock	20	(1,141.09)	197.26
Purchases		65,115.31	59,401.05
Production, Transportation, Selling and Distribution Expenditure	21	231,285.11	210,901.30
Depreciation, Depletion, Amortisation and Impairment	22	98,196.21	94,666.79
Financing Costs	23	589.62	214.98
Provisions and Write-offs (Net)	24	2,067.33	3,342.34
		396,112.49	368,723.72
Profit before Tax, Prior Period and Extraordinary Items		252,347.01	239,802.59
Adjustments relating to Prior Period (Net)	25	(1.10)	(7,851.08)
Extraordinary Items		0.00	4,750.61
Profit before Tax		252,345.91	236,702.12
Provision for Taxation			
- Current Tax (including Wealth Tax Rs. 20.00 million, Previous year Rs. 20.00 million)		80,120.00	77,870.00
- For Earlier years		(3,871.11)	0.00
- Deferred Tax		8,480.55	1,869.65
- For Fringe Benefit Tax		600.00	533.30
Profit after Taxation		167,016.47	156,429.17
Surplus at the beginning		0.45	0.43
BALANCE AVAILABLE FOR APPROPRIATION		167,016.92	156,429.60
APPROPRIATIONS			
Proposed Dividend		29,944.22	27,805.34
Tax on Proposed Dividend		5,089.02	4,725.52
Interim Dividend		38,499.71	38,499.71
Tax on Interim Dividend		6,543.02	5,399.58
Transfer to General Reserve		86,940.00	79,999.00
Balance carried to Balance Sheet		0.95	0.45
		167,016.92	156,429.60
EARNINGS PER EQUITY SHARE - BASIC AND DILUTED (RS.)	26		
(Face Value Rs. 10/-Per Share)			
- before extraordinary items (net of tax)		78.09	71.66
- after extraordinary items		78.09	73.14
SIGNIFICANT ACCOUNTING POLICIES	27		
NOTES TO ACCOUNTS	28		

Schedules referred to above form an integral part of the Accounts

For and on behalf of Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S. Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem No. 07737)

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Partner (Mem. No. 50773)

For P.S.D. & Associates
Chartered Accountants

D.D.Dadhich
Partner (Mem. No. 71909)

For Padmanabhan, Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem No. 13216)

New Delhi
25th June, 2008

schedule 1

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SHARE CAPITAL		
Authorised :		
15000,000,000 Equity Shares of Rs.10 each	**150,000.00**	150,000.00
Issued and Subscribed :		
2138,891,502 Equity Shares of Rs.10 each	**21,388.92**	21,388.92
Paid up :		
2138,872,530 Equity Shares of Rs.10 each	**21,388.73**	21,388.73
Add : Shares forfeited	**0.14**	0.14
TOTAL	**21,388.87**	21,388.87

Notes : The above includes:

(i) 342,853,716 Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993.

(ii) 1,789,397,876 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve and Securities Premium.

(iii) Shares forefeited during the year NIL (Previous year 18,972 Equity Shares)

schedule 2

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
RESERVES AND SURPLUS			
Capital Reserve *		**159.44**	159.44
(As per last year Balance Sheet)			
Deferred Government Grant			
a) Opening Balance	**57.52**		38.11
b) Addition during the year	**6.14**		25.97
c) Less: Deduction during the year **	**11.91**		6.56
		51.75	57.52
Securities Premium Account ***			
a) Opening Balance	**0.00**		1,725.32
b) Less: Capitalisation by issue of bonus shares	**0.00**		1,725.32
	0.00		0.00
Premium on Foreign Currency Bonds	**168.12**		168.12
		168.12	168.12
Insurance Reserve		**2,500.00**	2,500.00
(As per last year Balance Sheet)			
General Reserve			
a) Opening Balance	**594,964.86**		520,745.97
b) Less: Adjustment for Post Retirement Benefits as on 01.04.2006	**0.00**		375.86
c) Less: Capitalisation by issue of bonus shares	**0.00**		5,404.25
d) Add: Transferred from Profit and Loss Account	**86,940.00**		79,999.00
		681,904.86	594,964.86
Profit and Loss Account		**0.95**	0.45
TOTAL		**684,785.12**	597,850.39

* Represents assessed value of assets received as gift.

** Represents the amount equivalent to Depreciation transferred to Profit & Loss Account.

*** Securities premium account is credited only on receipt basis.

schedule 3

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
UNSECURED LOANS		
(a) Long Term		
From Oil Industry Development Board	**0.00**	202.18
Foreign Currency Loans :		
- From Banks	**369.42**	493.73
(b) Cash Credit		
- From Bank	**0.00**	3,041.48
TOTAL	**369.42**	3,737.39
Long term includes repayable within one year	**164.17**	354.08

schedule 4

FIXED ASSETS

(Rupees in million)

	GROSS BLOCK				DEPRECIATION AND IMPAIRMENT						NET BLOCK	
	As at 1st April, 2007	Additions during the year	Deletions/ Adjustments during the year	**As at 31st March, 2008**	Upto 31st March, 2007	For the year: Depreciation	Impairment Loss: Charged	Impairment Loss: Reversed	Deletions/ Adjustments during the year	**Upto 31st March, 2008**	**As at 31st March, 2008**	As at 31st March, 2007
Land												
i) Freehold	1,546.91	395.34	0.26	**1,941.99**	38.06	0.00	0.00	0.00	0.26	**37.80**	**1,904.19**	1,508.85
ii) Leasehold	2,939.16	287.58	0.00	**3,226.74**	220.24	32.52	0.00	0.00	0.00	**252.76**	**2,973.98**	2,718.92
Buildings and Bunk Houses	10,957.97	279.38	(0.42)	**11,237.77**	6,075.92	308.60	0.00	0.00	3.25	**6,381.27**	**4,856.50**	4,882.05
Railway Sidings	89.95	0.00	0.00	**89.95**	79.30	1.48	0.00	0.00	0.00	**80.78**	**9.17**	10.65
Plant and Machinery	492,070.55	54,087.03	1,734.80	**544,422.78**	416,627.32	37,535.45	44.75	15.27	1,636.85	**452,555.40**	**91,867.38**	75,443.23
Furniture and Fittings	4,464.08	331.19	207.08	**4,588.19**	2,885.63	303.92	1.00	0.00	35.24	**3,155.31**	**1,432.88**	1,578.45
Vehicles, Survey Ships, Crew Boats and Helicopters	4,944.83	483.61	120.42	**5,308.02**	3,928.97	461.11	0.00	0.00	116.73	**4,273.35**	**1,034.67**	1,015.86
	517,013.45	**55,864.13**	**2,062.14**	**570,815.44**	**429,855.44**	**38,643.08**	**45.75**	**15.27**	**1,792.33**	**466,736.67**	**104,078.77**	87,158.01
Intangibles - Software	3,367.22	463.61	8.51	**3,822.32**	2,134.09	590.67	0.00	0.00	3.75	**2,721.01**	**1,101.31**	1,233.13
TOTAL	**520,380.67**	**56,327.74**	**2,070.65**	**574,637.76**	**431,989.53**	**39,233.75**	**45.75**	**15.27**	**1,796.08**	**469,457.68**	**105,180.08**	88,391.14
Previous year	478,823.45	43,312.51	1,755.29	**520,380.67**	400,401.48	33,082.66	382.61	211.19	1,666.03	**431,989.53**	**88,391.14**	
The above includes the Corporation's share in Joint Venture Assets	22,013.61	7,783.84	9.37	**29,788.08**	16,034.69	3,845.91	0.00	15.27	6.06	**19,859.27**	**9,928.81**	
Previous year	17,948.98	4,122.41	57.78	**22,013.61**	14,675.49	1,608.21	15.27	210.46	53.82	**16,034.69**	**5,978.92**	

Notes
1. Intangibles - Software are amortised @ of 40% on Written Down Value (WDV) Method.
2. Additions to Plant and Machinery on account of gain on exchange variation is Rs. Nil (Previous Year Rs. 5.02 million).
3. Land includes lands in respect of certain projects for which execution of lease/conveyance deeds are in process.
4. Registration of title deeds in respect of certain Buildings is pending execution.
5. Depreciation for the year includes Rs. 76.10 million taken to prior period (Previous year Rs. 154.66 million).

schedule 5

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
CAPITAL WORKS-IN-PROGRESS				
Buildings		**2,441.53**		67.07
Plant and Machinery		**67,242.09**		45,119.53
Advances for Capital Works and Progress Payments		**176.47**		1,523.36
Capital Stores (including in transit)	**1,346.34**		2,182.00	
Less : Provision for Non-Moving Items	**56.60**		81.97	
		1,289.74		2,100.03
TOTAL		**71,149.83**		48,809.99
Less : Impairment				
Opening Balance		**559.00**		99.16
Provided for the year		**39.15**		460.35
Less : Transfer to Fixed Assets		**160.10**		0.51
Other adjustments		**(32.90)**		0.00
TOTAL		**405.15**		559.00
NET CAPITAL WORKS-IN-PROGRESS		**70,744.68**		48,250.99

schedule 6

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	**614,943.21**	560,896.49
Transfer from Exploratory Wells-in-Progress	**3,215.02**	1,732.95
Transfer from Development Wells-in-Progress	**44,705.69**	24,048.44
Depreciation on Facilities	**17,147.91**	11,313.74
Estimated Abandonment costs	**(22,464.56)**	18,476.14
Deletion/ Adjustments	**0.00**	(1,524.55)
TOTAL	**657,547.27**	614,943.21
Less : Depletion & Impairment		
Opening Balance	**319,258.54**	285,063.12
Depletion for the year	**36,776.33**	33,848.79
Transfer of Impairment from Development Wells in Progress	**145.44**	0.00
Impairment provided for the year	**0.00**	859.15
Write back of Impairment	**(506.51)**	(131.84)
Deletion/ Adjustments	**(0.15)**	(380.68)
TOTAL	**355,673.65**	319,258.54
NET PRODUCING PROPERTIES	**301,873.62**	295,684.67

schedule 7

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
A) EXPLORATORY WELLS-IN-PROGRESS				
Gross Cost				
Opening Balance		**25,303.76**		22,797.53
Expenditure during the year	**26,195.50**		26,335.58	
Less : Sale proceeds of Oil and Gas (Net of levies)	**13.63**	**26,181.87**	19.90	26,315.68
		51,485.63		49,113.21
Less :				
Transfer to Producing Properties		**3,215.02**		1,732.95
Wells written off during the year		**16,060.38**		22,076.50
Other adjustments		**325.53**		0.00
		31,884.70		25,303.76
Less : Provision for Dry Wells (Refer Note 12 of Sch-28)		**6,104.80**		0.00
EXPLORATORY WELLS-IN-PROGRESS		**25,779.90**		25,303.76
B) DEVELOPMENT WELLS-IN-PROGRESS				
Opening Balance		**9,107.88**		6,840.52
Expenditure during the year		**48,734.10**		26,315.80
Other adjustments		**272.02**		0.00
Less: Transfer to Producing Properties		**44,705.69**		24,048.44
TOTAL		**13,408.31**		9,107.88
Less: Impairment				
Opening Balance		**405.66**		35.22
Transfer to Producing Properties		**(145.44)**		0.00
Provision for the year		**0.00**		370.44
TOTAL		**260.22**		405.66
NET DEVELOPMENT WELLS-IN-PROGRESS		**13,148.09**		8,702.22
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)		**38,927.99**		34,005.98

schedule 8

(Rupees in million)

	No. of Shares/ Bonds/ Units	Face Value per Share/Bond/ Unit (in Rs.)	**As at 31st March, 2008**	As at 31st March, 2007
INVESTMENTS (AT COST)				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1. Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	**13,720.49**	13,720.49
ii) GAIL (India) Limited	40,839,549	10	**2,451.06**	2,451.06
iii) Mangalore Refinery and Petrochemicals Limited (Subsidiary)	1,255,354,097	10	**10,405.73**	10,405.73
iv) Petronet LNG Limited	93,750,000	10	**987.50**	987.50
2. Equity Shares (Unquoted)				
i) Pawan Hans Helicopters Limited	24,500	10,000	**245.00**	245.00
ii) Petronet MHB Limited	157,841,000	10	**1,578.41**	1,578.41
iii) Oil Spill Response Limited	100	*	**0.01**	0.01
iv) In wholly owned subsidiary ONGC-Videsh Limited	100,000,000	100	**10,000.00**	10,000.00
v) Mangalore SEZ Limited	258,800	10	**2.59**	2.59
vi) ONGC Mangalore Petrochemicals Limited	23,000	10	**0.23**	0.23
vii) ONGC Petro Additions Limited	20,967	10	**0.21**	0.21
viii) ONGC Teri Biotech Limited	24,990 (0)	10	**0.25**	0.00
ix) ONGC Tripura Power Company Pvt. Limited	52,000 (0)	10	**0.52**	0.00
3. Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 5% Oil Companies' Govt. of India Special Bonds 2009	257,600	10,000	**2,576.00**	2,576.00
ii) 6.96% Govt. of India Transferable Special Bonds 2009	698,037	10,000	**6,980.37**	6,980.37
iii) 7% Govt. of India Special Bonds 2012	851,907	10,000	**8,519.07**	8,519.07
iv) 8.40% Oil Companies' Govt. of India Special Bonds 2025	197,370 (0)	10,000	**1,973.70**	0.00
TOTAL TRADE INVESTMENTS			**59,441.14**	57,466.67
Less : Provision for Dimunition (Petronet MHB Limited)			**446.66**	446.66
			58,994.48	57,020.01
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan-2011	1	500,000	**0.50**	0.50
TOTAL NON TRADE INVESTMENTS			**0.50**	0.50
GRAND TOTAL			**58,994.98**	57,020.51
Total Quoted Investments			**27,564.78**	27,564.78
Total Unquoted Investments			**31,430.20**	29,455.73
			58,994.98	57,020.51
Total Market value of Quoted Investments			**169,439.14**	99,798.07

* UKP one each, total value Rs. 6,885/-

Figures in the ( ) relate to previous year.

schedule 9

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
INTEREST ACCRUED			
(Unsecured, Considered Good unless otherwise stated)			
Interest Accrued On			
- Investments		**42.20**	40.81
- Deposits with Banks/Financial Institutions		**7,533.11**	4,430.58
- Others			
- Considered Good		**5,679.46**	2,797.24
- Considered Doubtful		**1.34**	101.54
		13,256.11	7,370.17
Less : Provision		**1.34**	101.54
TOTAL		**13,254.77**	7,268.63

schedule 10

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
INVENTORIES			
(Valuation as per Accounting Policy no. 11, as certified by the Management)			
Finished Goods		**4,776.69**	3,635.60
Stores and spare parts			
- on hand	**31,276.95**		27,112.73
- in transit (including inter-project transfers)	**2,546.99**		2,995.49
	33,823.94		30,108.22
Less : Provision for Non-Moving Inventory and Material in transit	**3,942.65**		3,567.21
		29,881.29	26,541.01
Unserviceable Items		**148.39**	160.97
TOTAL		**34,806.37**	30,337.58

schedule 11

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SUNDRY DEBTORS (Unsecured, Considered Good unless otherwise stated)		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	**2,522.00**	3,286.09
- Considered Doubtful	**2,987.99**	2,935.10
Other debts :		
- Considered Good	**41,081.66**	24,308.31
- Considered Doubtful	**24.96**	215.40
	46,616.61	30,744.90
Less : Provision for Doubtful Debts	**3,012.95**	3,150.50
TOTAL	**43,603.66**	27,594.40

schedule 12

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
A) CASH AND BANK BALANCES		
Cash balance on hand	**12.55**	12.61
Balances with Scheduled Banks in :		
Current Accounts	**2,490.83**	216.59
Fixed Deposits	**157,450.83**	136,430.87
Balances with Non-Scheduled Banks in :		
Current Account with Commerz Bank - Frankfurt (Maximum balance outstanding at any time during the year Rs. 3.17 million Previous year Rs. 2.97 million)	**2.97**	2.97
Current Account with Citi Bank- London (Maximum balance outstanding at any time during the year Rs. 185.86 million Previous year Rs. 397.73 million)	**185.86**	42.04
TOTAL	**160,143.04**	136,705.08
B) DEPOSIT WITH SCHEDULED BANK UNDER SITE RESTORATION FUND SCHEME *	**64,033.51**	56,102.86

* Deposited u/s 33ABA of the Income Tax Act, 1961 and can be withdrawn only for the purposes specified in the Scheme.

schedule 13

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
LOANS AND ADVANCES				
Loans to Public Sector Undertakings and Other Bodies Corporate		**2,015.94**		529.92
Loans and Advances to Subsidiaries		**127,755.48**		145,998.90
Advance against Equity pending allotment		**3,543.43**		0.94
Loans and Advances to Employees*		**9,555.55**		7,316.72
Advances Recoverable in Cash or in Kind or for Value to be received		**12,132.23**		15,094.50
Recoverable from Petroleum Planning & Analysis Cell (PPAC)		**6.36**		476.81
Insurance Claims		**349.29**		286.89
Deposits :				
a) With Customs/Port Trusts etc.		**36.39**		97.76
b) Others		**4,840.43**		6,136.14
		160,235.10		175,938.58
Less : Provision for Doubtful Claims/Advances		**2,298.85**		2,383.52
		157,936.25		173,555.06
Income Tax :				
Advance payment of Income Tax (Including Advance payment of Wealth Tax Rs. 27.34 million Previous year Rs. 24.54 million)	**175,881.33**		361,321.12	
Less : Provision (Including provision for Wealth Tax Rs. 71.00 million Previous year Rs. 68.00 million)	**151,350.49**	**24,530.84**	348,930.93	12,390.19
TOTAL		**182,467.09**		185,945.25
Particulars of loans and advances :				
Secured		**6,449.64**		6,651.12
Unsecured - Considered Good		**176,017.45**		179,294.13
- Considered Doubtful		**2,298.85**		2,383.52
		184,765.94		188,328.77
Less : Considered Doubtful and provided for		**2,298.85**		2,383.52
TOTAL		**182,467.09**		185,945.25

* Loans and advances to employees include an amount of Rs. 1.13 million (Previous year Rs. 0.99 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 1.79 million (Previous year Rs. 1.34 million).

schedule 14

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
OTHER CURRENT ASSETS				
(Unsecured, Considered Good unless otherwise stated)				
Other Accounts pending adjustments				
- Considered Good	**22.93**			0.35
- Considered Doubtful	**968.31**			1,052.97
	991.24			1,053.32
Less : Provision for Doubtful Accounts	**968.31**			1,052.97
		22.93		0.35
TOTAL		**22.93**		0.35

schedule 15

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
- Micro, Small & Medium Enterprises	**13.85**	0.00
- Other than Micro, Small & Medium Enterprises *	**49,740.30**	39,957.77
Liability for Royalty/Cess/Sales tax etc.	**13,698.71**	14,556.08
Deposits from Suppliers, Contractors	**13,929.95**	13,984.42
Other Liabilities	**31,636.93**	19,551.43
Unclaimed Dividend **	**131.68**	119.40
Interest Accrued but not due on loans	**0.00**	0.60
TOTAL	**109,151.42**	88,169.70

* Previous year figure includes Rs. 4.63 million dues of SSI units.

** No amount is due for payment to Investor Education and Protection Fund

schedule 16

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PROVISIONS		
Gratuity	**9,311.50**	376.24
Leave	**10,961.58**	6,215.87
Post Retirement Medical & Terminal Benefits	**11,134.55**	9,085.45
Others	**490.38**	512.60
Proposed Dividend	**29,944.22**	27,805.34
Tax on Proposed Dividend	**5,089.02**	4,725.52
TOTAL	**66,931.25**	48,721.02

schedule 17

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Dry Docking Charges	**5,901.42**	4,741.90
Other Expenditure	**837.60**	398.74
TOTAL	**6,739.02**	5,140.64

schedule 18

(Rupees in million)

		2007-08		2006-07
SALES				
Sales		**617,352.04**		582,481.73
Less :				
Transfer to Exploratory Wells in Progress	**16.30**		28.61	
Government of India's share in Profit Petroleum	**15,965.51**	**15,981.81**	13,340.87	13,369.48
		601,370.23		569,112.25
Price Revision Arrears		**0.00**		10.81
TOTAL		**601,370.23**		569,123.06

schedule 19

(Rupees in million)

		2007-08		2006-07
OTHER INCOME				
Contractual Short Lifted Gas Receipts		**49.98**		56.52
Pipeline Transportation Receipts		**1,521.57**		82.13
Surplus from Gas Pool Account		**885.22**		11,597.86
Other Contractual Receipts		**1,773.01**		2,696.46
Income from Trade Investments :				
Dividend on Long term Investments				
- From subsidiaries	**1,004.28**		878.75	
- Others	**1,876.87**		2,384.69	
	2,881.15		3,263.44	
Interest on Long Term Investments	**1,212.35**	**4,093.50**	1,210.97	4,474.41
Income from Non Trade Investments :				
Interest on Long Term Investments		**0.06**		0.06
Interest Income on :				
Deposits with Banks/Financial Institutions	**16,969.39**		9,755.29	
(Tax deducted at source Rs. 4,114.24 million Previous year Rs. 1,986.56 million)				
Loans and Advances to Subsidiaries	**8,431.76**		1,197.39	
(Tax deducted at source Rs. 1,910.64 million Previous year Rs. 268.69 million)				
Loans and Advances to Employees	**312.75**		338.01	
Income Tax Refund	**787.67**		436.72	
Site Restoration Fund Deposit	**4,930.65**		3,767.30	
Delayed Payment from Customers and Others	**599.32**	**32,031.54**	725.02	16,219.73
(Tax deducted at source Rs. 85.04 million Previous year Rs. 103.11 million)				
Exchange Variation		**1,069.44**		(179.81)
Excess Provisions written back		**954.97**		1,188.47
Liabilities no longer required written back		**1,247.54**		1,019.89
Miscellaneous Receipts		**6,349.88**		4,956.46
TOTAL		**49,976.71**		42,112.18

schedule 20

(Rupees in million)

	2007-08	2006-07
(INCREASE)/DECREASE IN STOCK (FINISHED GOODS)		
Closing Stock	**4,776.69**	3,635.60
Opening Stock	**3,635.60**	3,832.86
NET (INCREASE)/DECREASE IN STOCK	**(1,141.09)**	197.26

schedule 21

(Rupees in million)

	2007-08	2006-07
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Royalty	**60,692.11**	53,349.10
Cess	**58,214.57**	59,257.08
Natural Calamity Contingent Duty	**1,126.62**	1,148.92
Excise Duty on stock (Net)	**3.29**	58.38
Sales Tax	**772.10**	1,378.00
Service Tax	**199.65**	123.37
Education cess	**1,861.09**	1,303.44
Octroi and Port Trust Charges	**4,194.78**	3,231.71
Staff Expenditure	**11,455.16**	22,918.26
Workover Operations	**16,448.48**	14,020.05
Water Injection, Desalting and Demulsification	**7,085.74**	4,161.99
Consumption of Raw materials, Stores and Spares	**6,816.83**	3,927.44
Pollution Control	**2,900.02**	2,770.97
Transport Expenses	**3,251.36**	2,243.62
Insurance	**896.70**	1,325.80
Power and Fuel	**1,874.34**	1,953.81
Repairs and Maintenance	**9,415.99**	7,430.07
Contractual payments including Hire charges etc.	**5,772.27**	4,573.72
Other Production Expenditure	**3,097.96**	1,737.17
Transportation and Freight of Products	**7,317.71**	6,459.49
Research and Development	**1,753.32**	863.56
General Administrative Expenses	**21,603.43**	13,016.66
Other Expenditure	**4,531.59**	3,648.69
TOTAL	**231,285.11**	210,901.30

Note: The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 26 of Schedule 28.

schedule 22

(Rupees in million)

		2007-08		2006-07
DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT				
Survey		**25,760.80**		21,118.98
Dry Wells		**22,111.85**		21,927.06
Depletion		**36,776.33**		33,868.75
Depreciation	**39,157.65**		32,927.99	
Less : Allocated to :				
Survey	**1,028.66**		862.96	
Exploratory Drilling	**2,150.52**		1,672.16	
Development	**21,924.15**		14,250.56	
Others	**70.21**		47.99	
	25,173.54	**13,984.11**	16,833.67	16,094.32
Impairment Loss				
During the year	**84.90**		2,000.71	
Less: Reversal during the year	**521.78**	**(436.88)**	343.03	1,657.68
TOTAL		**98,196.21**		94,666.79

schedule 23

(Rupees in million)

	2007-08	2006-07
FINANCING COSTS		
INTEREST		
I) On Fixed Loans		
- From Oil Industry Development Board	**4.53**	14.65
- Foreign Currency Loans	**12.24**	16.34
ii) On Cash Credit	**139.32**	43.28
iii) Others	**433.53**	140.71
TOTAL	**589.62**	214.98

schedule 24

(Rupees in million)

		2007-08		2006-07
PROVISIONS AND WRITE-OFFS				
PROVISIONS				
Provision for Doubtful Debts		**328.37**		381.13
Provision for Doubtful Claims/Advances		**185.24**		530.41
Provision for Dimunition in value of Investment		**0.00**		446.66
Provision against Non-Moving Inventory		**402.99**		835.04
Provision for Others		**164.09**		471.39
Sub-Total		**1,080.69**		2,664.63
WRITE-OFFS				
Loss on Disposal/Condemnation of Fixed Assets (Net)		**40.22**		33.69
Claims/Advances Written Off	**87.46**		133.74	
Less : Provisions	**73.86**		130.07	
		13.60		3.67
Inventory Written Off		**135.31**		404.49
Bad debts Written Off		**592.19**		153.38
Investments and Other Write Offs		**205.32**		82.48
Sub-Total		**986.64**		677.71
TOTAL		**2,067.33**		3,342.34

schedule 25

(Rupees in million)

	2007-08	2006-07
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Statutory levies *	15.51	80.53
Other production, selling & distribution expenditure *	334.68	595.24
Interest -Others	0.16	0.00
Provision for Post Retirement Employee Benefits	0.00	6,903.13
Exchange fluctuation	0.00	(2.48)
Depletion	0.00	(19.96)
Survey	(346.40)	(28.43)
Dry Wells	53.33	149.44
Impairment	0.00	71.85
Depreciation	76.10	154.66
TOTAL DEBIT	133.38	7,903.98
Sales	2.41	(86.07)
Interest -Others	0.00	1.31
Other Income	129.87	137.66
TOTAL CREDIT	132.28	52.90
NET DEBIT	1.10	7,851.08

* The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 26 of Schedule 28.

schedule 26

(Rupees in million)

	2007-08	2006-07
EARNINGS PER EQUITY SHARE		
A) Net Profit after Tax	167,016.47	156,429.17
Less :		
B) Extraordinary items	0.00	4,750.61
C) Tax impact on Extraordinary items	0.00	(1,599.06)
D) Net Profit before Extraordinary items (net of tax)	167,016.47	153,277.62
E) Number of Shares	2,138,872,530	2,138,872,530
		(Amount in Rupees)
Basic & Diluted earnings per equity share		
- Before extraordinary items (net of tax)- (D/E)	78.09	71.66
- After extraordinary items- (A/E)	78.09	73.14

1. Accounting Conventions

The financial statements are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India and Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006 and provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3. Government Grants

Government grants for acquisition of fixed assets are initially treated as Capital Reserve and are subsequently recognized as income in the Profit & Loss Statement on a systematic basis over the useful life of the assets in the proportion in which depreciation on those assets is charged.

4. Fixed Assets

4.1 Fixed assets are stated at historical cost less accumulated depreciation and Impairment. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.

4.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

5. Intangible Assets

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

6. Exploration, Development and Production Costs

6.1 Acquisition Cost

Acquisition cost of an oil and gas property in exploration/ development stage is taken to acquisition cost under the respective category. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment, such costs are expensed. Acquisition cost of a producing oil and gas property is capitalized as Producing Property.

6.2 Survey Cost

Cost of Survey and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

6.3 Exploratory/ Development Wells in Progress

6.3.1 All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratigraphic test wells are initially capitalised as Exploratory Wells in Progress till the time these are either transferred to Producing Properties on completion as per policy no. 6.4.1 or expensed in the year when determined to be dry or of no further use, as the case may be.

6.3.2 All wells under "Exploratory Wells in Progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells where it could be reasonably demonstrated that the well has proved reserves and the development of the field in which the wells are located has been planned.

6.3.3 All costs relating to Development Wells are initially capitalized as Development Wells in Progress and transferred to Producing Properties on completion as per policy no. 6.4.1

6.4 **Producing Properties**

6.4.1 Producing Properties are created in respect of an area/field having proved developed oil and gas reserves, when the well in the area/field is ready to commence commercial production.

6.4.2 Cost of temporary occupation of land, successful exploratory wells, all development wells, depreciation on related equipment, facilities and estimated future abandonment costs are capitalised and reflected as Producing Properties.

6.4.3 **Depletion of Producing Properties**

Producing Properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to an area covered by individual lease/licence/asset/amortization base by considering the proved developed reserves and related capital costs incurred including estimated future abandonment costs. In case of acquisition, cost of Producing Properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

6.5 **Production Costs**

Production costs include pre-well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

6.6 **Side tracking**

6.6.1 The cost of abandoned portion of side tracked exploratory wells is charged to Profit and Loss Account as dry wells.

6.6.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.

6.6.3 The cost of sidetracking in respect of existing producing wells is capitalized if it increases the Proved Developed Reserves otherwise, charged to Profit and Loss Account as workover expenditure.

7. Impairment

Producing Properties, Development Wells in Progress (DWIP) and Fixed Assets (incl. Capital Works in Progress) of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case, events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets and from its disposal at the end of its useful life are discounted to their present value at appropriate rate.

An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life.

8. Abandonment Cost

8.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company. The same is reviewed annually.

8.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

9. Joint Ventures

The Company has Joint Ventures in the nature of Production Sharing Contracts (PSC) with the Government of India and various bodies corporate for exploration, development and production activities.

9.1 The income, expenditure, assets and liabilities of the Jointly Controlled Assets are merged on line by line basis according to the participating interest with the similar items in the Financial Statements of the Company and adjusted for depreciation, depletion, survey, dry wells, abandonment, impairment and sidetracking in accordance with the accounting policies of the Company.

9.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/ exploratory wells in progress.

9 .3 The hydrocarbon reserves in such areas are taken in proportion to the participating interest of the Company.

10. Investments

Long-term investments are valued at cost. Bonds are carried at lower of face value or cost. Provision is made for any diminution, other than temporary, in the value of such investments.

11. Inventories

11.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Cost or net realisable value whichever is lower. Cost of finished goods is determined on absorption costing method. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.

11.2 Crude Oil in unfinished condition in flow lines/Group Gathering Stations and Natural Gas in Pipelines are not valued.

11.3 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower. Provisions are made for obsolete and non moving inventories.

11.4 Unserviceable items, when determined, are valued at estimated net realizable value.

12. Revenue Recognition

12.1 Revenue from sale of products is recognized on transfer of custody to customers.

12.2 Sale of crude oil and gas produced from Exploratory Wells in Progress is deducted from expenditure on such wells.

12.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.

12.4 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:

a. Short lifted quantity of gas.
b. Gas pipeline transportation charges & statutory duties thereon.
c. Reimbursable subsidies & grants.
d. Interest on delayed realization from customers
e. Liquidated damages from contractors/suppliers

13. Depreciation and Amortisation

13.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956.

13.2 Depreciation on additions/ deletions during the year is provided on pro rata basis with reference to the date of additions/deletions except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition.

13.3 Leasehold land is amortised over the lease period.

13.4 Depreciation on subsequent changes to fixed assets arising on account of capital improvement, price variation or other factors, is provided for prospectively.

13.5 Depreciation on fixed assets (including support equipment and facilities) used for exploration, drilling activities and on related equipment and facilities is initially capitalised as part of exploration cost, development cost or producing properties and expensed/depleted as stated in policy 6 above.

14. Foreign Exchange Transactions

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using mean exchange rate prevailing on the last day of the financial year. The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1st April,2004 in which case, these are adjusted to the cost of respective fixed assets.

15. Employee Benefits

15.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

15.2 Employee benefits under defined contribution plans comprising provident fund are recognized based on the undiscounted obligations of the company to contribute to the plan. The same is paid to a fund administered through a separate trust.

15.3 Employee benefits under defined benefit plans comprising of gratuity, leave encashment, compensated absences, post retirement medical benefits and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit Method. Actuarial Liability in excess of respective plan assets is recognized during the year.

15.4 Provision for gratuity as per actuarial valuation is funded with a separate trust.

16. Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account.

17. General Administrative Expenses

General administrative expenses which are directly identifiable to Assets, Basins & Services are allocated to activities and the balance are charged to Profit and Loss Account. Such expenses at Headquarters are charged to Profit and Loss Account.

18. Insurance claims

The company accounts for insurance claims as under :-

18.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head "Claims Recoverable-Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

18.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as "Claims Recoverable-Insurance". Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.

18.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is adjusted to Profit and Loss Account.

19. Research and Development

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged to Profit and Loss Account, when incurred.

20. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

21. Borrowing Costs

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

22. Rig Days Costs

Rig movement costs are normally booked to the next location planned for drilling. Abnormal Rig days' costs are considered as unallocable and charged to Profit and Loss Account.

23. Deferred Revenue Expenditure

Dry docking charges of Rigs/Multipurpose Supply Vessels (MSVs), Geo Technical Vessels (GTVs), Well Stimulation Vessels, Rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure and amortized over the period of use not exceeding five years.

24. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes to accounts.

1. In terms of the decision of Government of India (GOI), the Company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2007-08 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis to the tune of Rs. 220,008.79 million (Previous Year Rs. 170,238.79 million). The net impact after adjustment of Value Added Tax (VAT) on sales revenue on the above products is Rs. 212,169.60 million (Previous year Rs. 164,281.80 million). The company does not foresee any material impact on finalization of discount rates.

2.1 Sales revenue in respect of Crude Oil is based on the pricing formula agreed with the customers for the period from 01.04.2002 to 31.03.2004. Pending finalization of fresh Memorandum of Understanding with the customers, the same pricing formula has been provisionally applied from 01.04.2004 onwards.

2.2 Sales revenue in respect of Natural Gas under Administered Price Mechanism (APM) is based on the gas prices fixed on provisional basis as per directives of the GOI, Ministry of Petroleum and Natural Gas (MoP&NG) dated 20th June, 2005 and 5th June, 2006.

2.3 Adjustments, if any, on account of para 2.1 and 2.2 above shall be carried out on finalization of agreement/ directives. However, Company does not foresee any material impact on current year's results.

3. Claim for compensation towards payment of way leave fees and loss of revenue by the Company in earlier years due to laying of crude pipelines during 1978 to 2002 has been accepted by MoP&NG and a sum of Rs. 1,973.70 million has been received by way of 8.40% Oil Marketing Companies Government of India Special Bonds, 2025 which has been recognized as Other Income during the year.

4. Sales revenue and Purchases include Rs. 65,168.60 million (Previous Year Rs. 59,473.48 million) and Rs. 65,115.31 million (Previous Year Rs. 59,401.05 million) respectively on account of trading of products of a subsidiary i.e. Mangalore Refinery and Petrochemicals Limited (MRPL).

5. **Capital Commitment**

a. Estimated amount of Contracts remaining to be executed on capital account and not provided for.
   i) In respect of Company - Rs. 78,903.63 million (Previous year Rs. 71,742.32 million).
   ii) In respect of Joint Ventures - Rs. 6,886.90 million (Previous year Rs. 5,328.68 million).

b. Minimum Work Programme Committed under various Production Sharing Contracts with Govt. of India.
   i) In respect of NELP blocks in which the company has 100% participating interest - Rs. 32,773.98 million (Previous year Rs. 7,346.30 million).
   ii) In respect of others - Rs. 40,545.16 million (Previous year Rs. 2,526.31 million).

6. **Contingent Liabilities**

a) **Claims against the company/disputed demands not acknowledged as debts :**

(Rs. in million)

		As at 31st March, 2008	As at 31st March, 2007
I	**In respect of Company**		
	i. Income Tax matters	**38,962.90**	18,363.94
	ii. Excise Duty matters	**3,195.75**	2,939.30
	iii. Custom Duty matters	**1,437.48**	1,437.47
	iv. Royalty	**360.39**	360.39
	v. Cess	**0.22**	1.49
	vi. AP Mineral bearing Lands (Infrastructure) Cess	**726.96**	364.02
	vii. Sales Tax	**799.09**	831.49
	viii. Municipal Corporation	**66.89**	80.80
	ix. Specified Land Tax (Assam)	**1,354.36**	1,046.38
	x. Claims of contractors in Arbitration/Court *	**50,817.26**	17,230.61
	xi. In respect of other matters	**5,913.95**	6,170.59
	Sub Total (A)	**103,635.25**	48,826.48
II	**In respect of Joint Ventures**		
	i. Income Tax matters*	**8.91**	8.91
	ii. Custom Duty matters	**5,185.11**	5,027.82
	iii. Royalty	**21.04**	240.04
	iv. Cess	**8.71**	7.76
	v. Sales Tax	**2,028.79**	1,926.80
	vi. Claim of GOI for additional Profit Petroleum	**4,531.52**	4,946.89
	vii. In respect of other matters	**737.61**	1,307.11
	Sub Total (B)	**12,521.69**	13,465.33
	TOTAL (A + B)	**116,156.94**	62,291.81

In the opinion of the Company, the above claims/demands are not tenable and are at various stages of appeal.

* Includes a contract for carrying out certain works relating to G-1 and GS-15 fields in Godavari Basin awarded to a contractor which was terminated due to non performance by the contractor. During the course of arbitration, contractor has put forward a claim for USD 869.50 million (equivalent to Rs. 34,623.49 million) as compensation for termination of contract, which is contested by the Company.

b) **Bank Guarantees given by the Company:**

(i) Rs. 1,175.08 million (Previous year Rs. 4,834.70 million) including Rs. 1,154.13 million (Previous year Rs. 3,803.70 million) for NELP Blocks where the Company has 100% participating interest.

(ii) In respect of Joint Ventures - Rs. 1,697.51 million (Previous year Rs. 573.20 million).

c) **Corporate Guarantees executed by the company on behalf of its wholly owned subsidiary, ONGC Videsh Limited (OVL) and ONGC Nile Ganga BV (wholly owned subsidiary of OVL):**

A. **Guarantees executed for financial obligations:**

(i) Amount of Guarantee Rs. 32,233.25 million (Previous year Rs. 33,353.41 million).

(ii) Amount Outstanding Rs. 3,082.86 million (Previous year Rs. 2,312.57 million).

B. **Performance Guarantees executed under the contracts:**

(i) Guarantee executed jointly with CNPC in favour of Petro Canada Germany GmBH (Seller) for the performance of obligation under sale agreement for acquiring seller share in Petro Canada Nina GmBH for acquisition of interest in Syrian operations, without any financial ceiling.

(ii) Guarantee executed in favour of Petrobras & Shell Brazil as a part of acquisition of 15% Participating Interest in Block BC-10 Brazil by ONGBV, a subsidiary of OVL for fulfillment of obligation under concession contract and joint venture documents without any financial ceiling.

(iii) Guarantee in respect of Sakhalin Project in favour of Exxonneftgas Ltd., M/s. Roseneft-S, SMNG-S and RN-Astra towards performance of Company's obligation under assignment agreement, carry finance agreement and JOA without any financial ceiling.

(iv) Guarantee executed in favour of Govt. of State of Qatar for Najwat Najem Oil Structure, Qatar without any financial ceiling.

d) **Corporate Guarantees executed by the company on behalf of its subsidiary, MRPL:**

(i) Amount of Guarantee Rs. 14,335.20 million (Previous year Rs. 13,475.70 million).

(ii) Amount Outstanding Rs. 8,468.52 million (Previous year Rs. 5,273.35 million).

7. **Disclosures required by Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets".**

A) **Movement in Provisions**

(Rs. in million)

Sr. No	Particulars of Disclosure	Provision for Contingencies
1	Balance as at April 1, 2007	465.79
2	Provision made during the period	165.80
3	Provision written back/ reclassified/reduction during the period	190.63
4	Balance as at March 31, 2008	440.96

B) **Nature of Provision**

The contingencies consisted of provision for liability in respect of a contractor arising out of Arbitration.

8. The Company has reviewed and revised the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities based on the advice of the outside consultant who has suggested cost effective rigless methodology for plugging and abandonment in respect of wells. Accordingly, there is a reduction in liability for abandonment cost by Rs. 33,165.96 million with corresponding decrease in producing properties. This has resulted in decrease in depletion for the year with corresponding increase in profit before tax by Rs. 3,829.33 million.

9. The Company is mainly in the oil and gas exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 15.64% (Previous year 15.07%) for Rupee transactions and 11.13% (Previous year 11.59%) for crude oil and value added products revenue measured in USD as on 31st March, 2008.

During the year, Rs. 84.89 million (Previous year Rs. 2,072.56 million) has been provided as additional impairment loss in respect of Jodhpur and Silchar CGUs (Previous year six CGUs). Further, impairment loss to the extent of Rs. 521.78 million (Previous year Rs. 343.03 million) has been reversed in respect of Ratna and CB-ON-7 fields due to decrease in abandonment liability and increase in price of crude oil respectively.

10. The Company had changed the rate of depreciation in 2005-06 on all Trunk Pipelines and Onshore Flow lines (assets below ground) from 27.82% to 100% based on technical assessment by the management. The Company has

made a reference to the Ministry of Corporate Affairs in 2006-07 for confirmation of the rate of depreciation. Pending clarification by the Ministry, the Company continues to charge depreciation at 100% on such assets.

11. Till the year 2006-07, the company had been charging certain employee benefits (CPF, Gratuity, Leave Encashment, Annual Incentive, Additional Annual Incentive and Post Retirement Death in Service Benefit Scheme expenses and Post Retirement Medical Benefits) and general administrative expenses at Assets, Basins, Services, Regions and Head quarters to 'Production, Transportation, Selling & Distribution Expenditure'. The Company has reviewed and rationalized its allocation policy during the year w.e.f.1st April, 2007. Accordingly, the above employee benefits and directly identifiable general administrative expenses at Assets, Basins and Services have been allocated to Exploration, Development and Production activities etc. As a result of this change, Profit before tax is higher by Rs. 6,308.24 million approximately.

12. The Company had acquired 90% Participating Interest in Exploration Block KG-DWN-98/2 from M/s. Cairn Energy India Ltd., in 2004-05 for a lump sum consideration of Rs. 3,711.22 million, which was capitalized under Exploratory wells in Progress as per Accounting Policy no. 6.1.

Subsequently drilling of three wells has been completed in this block till March 2006 at a cost of Rs. 2,393.58 million and included in Exploratory wells in Progress. There are Initial-in-Place-Reserves in this block and also conceptual development plan is under way. The block is located in deep waters needing more time for completion of appraisal programme. However, the company as an abundant prudence has made a provision of Rs. 6,104. 80 million, in respect of above costs.

13. **The breakup of Deferred Tax Liability/Asset is as under :**

(Rs. in million)

	Particulars	As on 31st March, 2008	As on 31st March, 2007
(i)	**Liabilities**		
	Depletion of Producing Properties	**102,115.36**	100,242.78
	Depreciation Allocated to Wells in Progress & expenses relating to NELP	**5,081.03**	4,405.43
	Deferred Revenue Expenditure written off	**2,290.59**	1,747.30
	Development Wells-in-Progress	**4,469.04**	2,957.89
	Others	**1,721.98**	836.75
	Total (i)	**115,678.00**	110,190.15
(ii)	**Assets**		
	Depreciation	**2,943.86**	1,420.18
	Dry wells written off	**2,838.94**	2,769.03
	Provision for Non Moving Inventories	**3,451.16**	1,408.09
	Provision for Doubtful Debts/Claims/Advances/ Interest	**2,121.08**	2,071.36
	Provision for Abandonment	**19,759.89**	30,415.13
	Provision for Leave Encashment	**3,725.84**	2,112.78
	Provision for Post Retirement Medical & Terminal benefits	**0.00**	3,088.14
	Statutory duties unpaid u/s 43B	**3,221.38**	0.00
	Others	**3,907.86**	1,678.00
	Total (ii)	**41,970.01**	44,962.71
	Deferred Tax Liability (Net)(i - ii)	**73,707.99**	65,227.44

14. **Disclosures pursuant to the clause 32 of the Listing Agreement :**

(Rs. in million)

		Loans & Advances in the Nature of Loans	
		Outstanding as on 31st March, 2008	**Maximum Amount Outstanding during the year**
a)	**Loans to Subsidiaries**		
	ONGC Videsh Limited (OVL) -Wholly owned subsidiary	112,648.44 (130,941.59)	131,016.56 (176,312.86)
	Mangalore Refinery & Petrochemicals Ltd. (MRPL)	15,000.00 (15,000.00)	15,000.00 (15,000.00)
b)	Loans to employees having repayment schedule of more than seven years	6,449.64 (6,651.12)	6,651.12 (6,824.80)

Notes :

1. Loans to OVL – wholly owned subsidiary carries interest @ 6% p.a. w.e.f. 1st April, 2007 and repayable with a notice period of minimum one year.

2. ONGC Videsh Limited (OVL) - Wholly owned subsidiary has made the following investments in its subsidiaries :

Name of Subsidiary	No of Shares	Rs. in million
a) ONGC Nile Ganga BV	Class A - 40 Class B - 100	8,536.32 21,340.82
b) ONGC Narmada Ltd.	20000000	6.94
c) ONGC Amazon Alaknanda Ltd.	Equity Shares - 12000 Preference Shares - 437488000	0.56 20,190.07

3. Loan to MRPL carries interest @ 7% per annum repayable at quarterly intervals. In view of the prepayment of loan installments in earlier years, balance loan is repayable over a period of 5 years in quarterly installments, commencing from 2009-10. However, Company can recall this loan on a notice of 90 days and MRPL can also prepay whole or part of the loan, as per their convenience.

4. The Company has not advanced any money to its employees for the purposes of investment in the securities of the Company.

5. The Company had made a loan of Rs. 1,500 million to Bharat Pumps and Compressors Ltd in two installments carrying interest @ 6% p.a. Out of which a sum of Rs. 88.87 million was repaid during the year. The repayment schedule is in the process of finalization (Maximum amount outstanding during the year Rs. 1,411.13 million).

15. In order to comply with the requirement of the Micro, Small and Medium Enterprises Development Act, 2006, company has sought confirmation from the vendors whether they are falling in the category of Micro/ Small/Medium Enterprises. Based on the information available, the required disclosures are given below:

(Rs. in million)

Particulars	2007-08
a) Principal amount remaining unpaid as on 31st March	13.85
b) Interest due thereon as on 31st March.	0.00
c) Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	0.00
d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	0.00
e) Interest accrued and remaining unpaid as at 31st March.	0.00
f) Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	0.00

Figures for the year 2006-07 were not ascertained for want of information.

16. Since the Company has prepared the Consolidated Financial Statements as per Accounting Standard (AS-21), segment information has been presented in the Consolidated Financial Statements.

17. The Company has a system of physical verification of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals with general ledger balances. Adjustment of differences, if any, is carried out in books of account after examination of these differences.

18. Some of the balances of Debtors, Creditors and Loans & Advances are subject to confirmation/reconciliation. Adjustments, if any, will be accounted for on receipt / confirmation of the same after examination.

19. (a) As per the Production Sharing Contracts signed by the company with the GOI, the company is required to complete Minimum Work Programme (MWP) within stipulated time. In case of delay in completion of the MWP, Liquidated Damages (LD) are payable for extension of time. Further in case of inability to complete MWP or surrender of block without completing the MWP, the estimated cost of completing balance work programme is to be paid to the GOI. The LD amounting to Rs. 498.51 million (Previous year Rs. 683 million) and cost of unfinished MWP net of reversal is Rs. 97.89 (credit) million (Previous year Rs. 3,844.80 million) paid/payable for the year to the GOI has been included in survey expenditure and drywells respectively under recouped cost in Schedule 22.

(b) In respect of NELP Block CY-DWN-2001/1 and KK-DWN-2001/3, LD amounting to Rs. 449.28 million (company's share) has not been provided, since the moratorium proposal for exploration in deepwater blocks is under active consideration of the GOI.

20. Pay Revision of Officers and Unionized category is due w.e.f. 1.1.2007. Pending finalization, the company has provided for a sum of Rs.10,500.47 million as estimated by the Management. The same has been allocated to activities as per the policy of the Company.

21. Joint Venture Accounting :

21.1 Jointly Controlled Assets

The Company has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these PSCs/JVs are as under :

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
A	**Jointly Operated JVs**		
1	Mid & South Tapti	40% (40%)	BGEPIL-30%, RIL-30%
2	Panna & Mukta	40% (40%)	BGEPIL-30%, RIL-30%
B	**Non-Operated JVs**		
3	Ravva	40% (40%)	CEIL **(Operator)**-22.5% Petrocon India Ltd.-25% Ravva Oil (Singapore) Pte. Ltd.-12.5%
4	CY-OS-90/1 (PY3)	40%(40%)	Hardy Exploration & Production (India) Inc. **(Operator)-**18% HOEC-21%, TPL-21%
5	RJ-ON-90/1	30% (30%)	CEIL **(Operator)**-35% Cairn Energy Hydrocarbons Ltd.-35%
6	CB-OS/2 - Expl. Phase	25%(25%)	Cairn Energy Group **(Operator)**-60%, TPL-15%
	CB-OS/2 -Dev. Phase	50%(50%)	Cairn Energy Group **(Operator)**-40%, TPL-10%
7	CB-ON/7	30%(30%)	HOEC **(Operator)**-35%, GSPC-35%
8	GK-OSJ-3	25%(25%)	RIL **(Operator)**-60%, OIL-15%
9	MN-ONN-2000/1	20%(20%)	OIL **(Operator)**-25%, GAIL-20%, IOC-20%, SUNTERA-15%
10	RJ-ONN-2001/1	30%(30%)	OIL **(Operator)**-70%
11	RJ-ONN-2002/1	40%(40%)	OIL **(Operator)**-60%
12	AA-ONN-2002/3	70%(70%)	OIL **(Operator)**-30%
13	GV-ONN-2003/1	51%(51%)	CEIL **(Operator)**-49%
14	VN-ONN-2003/1	51%(51%)	CEIL **(Operator)**-49%
15	RJ-ONN-2003/1	36%(36%)	ENI **(Operator)**-34%, Cairn Exploration-30%
16	AN-DWN-2003/2	45%(45%)	ENI **(Operator)**-40%, GAIL-15%
17	PR-OSN-2004/1	35% (35%)	Cairn Energy **(Operator)**-10%, Cairn India-25%, Tata-30%
18	KG-ONN-2003/1	51% (-)	Cairn **(Operator)**-49%
C	**ONGC Operated JVs**		
19	Jharia (JH)	90% (90%)	CIL-10%
20	Raniganj (JG)	74% (74%)	CIL-26%
21	CB-OS/1	32.89%(32.89%)	TPL-10%, HOEC-57.11%
22	GV-ONN-97/1	40% (40%)	IOC-30%, CEIL-30%
23	KG-DWN-98/4	85% (85%)	OIL-15%
24	MN-OSN-97/3	85% (85%)	GAIL-15%
25	KG-DWN-98/2	90% (90%)	CEIL-10%
26	MB-OSN-2000/1	75% (75%)	IOC-15%, GSPC-10%
27	MN-OSN-2000/2	40% (40%)	GAIL-20%, IOC-20%, OIL-20%
28	WB-OSN-2000/1	85% (85%)	IOC-15%
29	AA-ONN-2001/2	80% (80%)	IOC-20%
30	AA-ONN-2001/3	85% (85%)	OIL-15%
31	CY-DWN-2001/1	80% (80%)	OIL-20%
32	NK-CBM-2001/1(JE)	80% (80%)	IOC-20%
33	MN-DWN-2002/1	36% (70%)	OIL-20% , BPCL-10%, ENI-34%
34	CB-ONN-2002/1	70% (70%)	CEIL-30%
35	BK-CBM-2001/1	80% (80%)	IOC-20%
36	KK-DWN-2002/2	80% (80%)	HPCL-20%
37	KK-DWN-2002/3	80% (80%)	HPCL-20%
38	KG-DWN-2002/1	70% (70%)	OIL-20%, BPCL-10%

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
39	CY-ONN-2002/2	60% (60%)	BPCL-40%
40	BS(3)-CBM-2003/II (NU)	70% (70%)	GSPC-30%
41	AA-ONN-2002/4	90% (90%)	OIL-10%
42	GS-OSN-2003/1	51% (51%)	CEIL-49%
43	CY-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
44	CY-DWN-2004/2	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
45	CY-DWN-2004/3	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
46	CY-DWN-2004/4	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
47	CY-PR-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
48	CY-PR-DWN-2004/2	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
49	KG-OSN-2004/1	55% (55%)	BGEPI-45%
50	KG-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
51	KG-DWN-2004/2	60% (60%)	GSPC-10%, HPCL-10%, GAIL-10%, BPCL-10%
52	KG-DWN-2004/3	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
53	KG-DWN-2004/5	50% (50%)	GSPC-10%, HPCL-10%, GAIL-10%, OIL-10%, BPCL-10%
54	KG-DWN-2004/6	60% (60%)	GSPC-10%, HPCL-10%, GAIL-10%, OIL-10%
55	CY-ONN-2004/1	80% (80%)	BPCL-20%
56	CY-ONN-2004/2	80% (80%)	BPCL-20%
57	KK-DWN-2004/1	45% (45%)	CAIRN-40%, TATA-15%
58	CB-ONN-2004/1	50% (50%)	GSPC-40%, HERA-MEC-10%
59	CB-ONN-2004/2	50% (50%)	GSPC-40%, SUNTERA RES.-10%
60	CB-ONN-2004/3	40% (40%)	GSPC-35%, ENSEARCH-25%
61	CB-ONN-2004/4	50% (50%)	GSPC-40%, HERA-MEC-10%

* PI - Participating Interest

** There is no change in previous years figures unless otherwise stated. When previous years figures are nil in company's PI, the previous years figures of other partners PI is also nil.

Abbreviations:- BGEPIL- British Gas Exploration & Production India Ltd., BPCL-Bharat Petroleum Corporation Ltd., CEIL-Cairn Energy India Ltd., CIL-Coal India Ltd., GAIL -Gail India Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd., OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd.

21.1.1 The Company has 61 joint ventures (Previous year 61) for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of above joint ventures amounts to Rs. 58,580.95 million (Previous year Rs. 51,873.85 million), Rs. 24,180.80 million (Previous year Rs. 17,546.89 million), Rs. 51,857.66 million (Previous year Rs. 46,479.07 million), Rs. 38,879.84 million (Previous year Rs. 31,320.52 million) and Rs. 12,977.82 million (Previous year Rs. 15,158.55 million) respectively.

21.1.2 The Company has entered into Production Sharing Contracts with Govt. of India in respect of 30 New Exploration Licensing Policy (NELP) blocks (Previous year 29) where the Company has 100% participating Interest. The total value of assets, liabilities, income, expenditure and loss before tax of these NELP blocks amounts to Rs. 760.43 million (Previous year Rs. 519.23 million), Rs. 361.87 million (Previous year Rs. 146.87 million), Rs. 22.48 million (Previous year Rs. 0.10 million), Rs. 8,921.43 million (Previous year Rs. 6,906.50 million) and Rs. 8,898.95 million (Previous year Rs. 6,906.40 million) respectively.

21.1.3 Total value of assets, liabilities, income, expenditure and loss before tax in respect of 12 blocks (Previous Year 12 blocks) surrendered till the end of the year amounts to Rs. 8.44 million (Previous Year Rs. 46.00 million), Rs. 572.72 million (Previous Year Rs. 882.86 million), Rs. 0.23 million, (Previous Year Rs. 1.89 million) Rs. 38.04

million (Previous Year Rs. 2,632.74 million) and Rs. 37.81 million (Previous Year Rs. 2,630.85 million) respectively. List of the blocks surrendered is given below:

Sl. No.	Joint Ventures / PSCs	Company's PI	Operatorship/ Others Partners' PI
1	KK-OSN-2000/1	100%	
2	KK-DWN-2000/2	85% (85%)	GAIL-15%
3	KK-DWN-2000/4	100%	
4	GS-DWN-2000/1	100%	
5	GS-DWN-2000/2	85% (85%)	GAIL-15%
6	MB-OSN-97/4	70% (70%)	IOC-30%
7	MB-DWN-2000/1	85% (85%)	IOC-15%
8	MB-DWN-2000/2	50% (50%)	IOC-15%, GAIL-15%, OIL-10%, GSPC-10%
9	CY-OSN-2000/1	100%	
10	CY-OSN-2000/2	100%	
11	MN-OSN-2000/1	100%	
12	GK-OSJ-1	25% (25%)	RIL-50%, Tullow India Operations Ltd. -25%

21.1.4 The financial statements of 91 out of 103 JVs/NELP as per para no. 21.1.1 to 21.1.3 have been incorporated in the accounts by the company to the extent of company's participating interest in assets, liabilities, expenditure, income and profit (loss) before tax on the basis of statements certified in accordance with production sharing contract and the same has been adjusted for changes as per accounting policy no. 9.1

In respect of balance 12 (Previous year 27) JVs/NELP assets, liabilities, Income and expenditure amountingto Rs. 163.18 million (Previous year Rs. 11.20 million), Rs. 48.41 million (Previous year Rs. 15.18 million), Rs. 0.19 million (Previous year Nil) and Rs. 962.74 million (Previous year Rs. 112.51 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts.

21.1.5 The Company has entered into Farm Out agreements for assigning PI in respect of NELP blocks as detailed below subject to approval by Government of India:

Block	Company's present interest	Assigned PI	Farmee	Effective date
KG-DWN-98/2	90%	15 % 10%	PetroBras International Braspetro-PIB BV Hydro Oil & Energy India BV	04.06.2007 02.07.2007
CY-DWN-2001/1	80%	25%	PetroBras International Braspetro-PIB BV	04.06.2007
MN-DWN-98/3	100 %	40 %	PetroBras International Braspetro-PIB BV	04.06.2007

As per agreement, Farmees have to share all costs (including exploration cost) from the effective date. Necessary accounting adjustments will be carried out on receipt of approval.

21.2 **Jointly Controlled Entities:**

(a) The Company has following jointly controlled entities:

Name	Country of Incorporation	Ownership Interest (%)	
		31.03.08	31.03.07
Petronet LNG Ltd.	India	**12.50**	12.50
Petronet MHB Ltd.	India	**28.766**	28.766
Mangalore SEZ Ltd.	India	**26.00**	26.00
ONGC Mangalore Petrochemicals Ltd.	India	**46.00**	46.00
ONGC Petro Additions Ltd.	India	**41.93**	41.93
ONGC Tripura Power Co. Pvt. Ltd.	India	**26.00**	-
ONGC Teri Biotech Ltd.	India	**49.98**	-

(b) The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities are as under:

(Rs. in million)

	Description	31.03.08	31.03.07
i)	**Assets**		
	- Long Term assets	**5,683.62**	4,061.50
	- Investments	**1,237.35**	347.51
	- Current assets	**2,614.82**	1,486.39
	- Deferred Tax Assets	**188.02**	188.65
ii)	**Liabilities**		
	- Current liabilities & provisions	**2,020.79**	787.61
	- Other liabilities	**2,388.30**	2,178.46
iii)	Income	**8,427.00**	7,040.49
iv)	Expenses	**7,531.13**	6,500.73
v)	Contingent liabilities	**1,999.85**	11,218.58
vi)	Capital commitments	**4,944.56**	738.31
vii)	Deferred Tax Liabilities	**336.51**	309.00

22. Information as per Accounting Standard (AS-18) on Related Party Disclosures is given below:

1. Name of Related parties and description of relationship (excluding with State Controlled Entities):

Joint Ventures:

Sl.No	Name of the Joint Venture	Sl.No	Name of the Joint Venture
i)	Ravva	xiii)	ONGC Teri Biotech Ltd.
ii)	PY-3	xiv)	GK-OSJ-3
iii)	Panna, Mukta & Tapti	xv)	GV-ONN-97/1
iv)	CB-OS-1	xvi)	KG-DWN-98/2
v)	CB-OS-2	xvii)	CB-ONN-2001/1
vi)	CB-ON/7	xviii)	CB-ONN-2002/1
vii)	VN-ONN-2003/1	xix)	RJ-ON-90/1
viii)	AN-DWN-2003/II	xx)	GV-ONN-2003/1
ix)	KK-DWN-2004/1	xxi)	RJ-ONN-2003/1
x)	ONGC Mangalore Petrochemicals Ltd.	xxii)	GS-OSN-2003/1
xi)	ONGC Tripura Power Co. Pvt. Ltd.	xxiii)	Mangalore SEZ Ltd.
xii)	Petronet LNG Ltd.	xxiv)	ONGC Petro Additions Ltd.

2. Key Management Personnel:

Functional Directors:

i) Shri R.S. Sharma, CMD [holding additional charge of Director (Finance) upto 26th December, 2007]
ii) Dr. A.K. Balyan
iii) Shri A.K. Hazarika
iv) Shri N.K. Mitra
v) Shri U.N. Bose
vi) Shri D.K. Pande
vii) Shri D.K. Sarraf w.e.f. 27th December, 2007

Details of Transactions (Rs. in million)

Particulars	Joint Ventures	Associates	Key Management Personnel	Total
Amount paid /payable for Oil Transfer Services (Ravva)	46.98 (Nil)			46.98 (Nil)
Amount received for use of Drill Site Accommodation (Ravva)	11.26 (46.68)			11.26 (46.68)
Receipt towards Processing Charges (Panna Mukta)	463.12 (425.98)			463.12 (425.98)
Receipt towards transportation Charges (Panna Mukta Tapti Tpt. Charges)	1,411.60 (1,004.05)			1,411.60 (1,004.05)
Amount paid for purchase of Tapti Condensate	6,637.11 (2,944.82)			6,637.11 (2,944.82)
Amount received towards charges for Gas Metering Station from Panna Mukta JV	83.19 (34.50)			83.19 (34.50)
Pre operative Expenditure on behalf of ONGC Petro Additions Ltd., (OPAL)	27.69 (123.52)			27.69 (123.52)

Particulars	Joint Ventures	Associates	Key Management Personnel	Total
Expenditure incurred on salary of ONGC employee deputed in Petronet LNG Ltd. (PLL)	11.36 (Nil)			11.36 (Nil)
Remuneration to Directors (As per '2' above)			15.46 (9.05)	15.46 (9.05)
Loan given -OTPC	93.90 (Nil)			93.90 (Nil)
Amount Outstanding - Panna Mukta JV/OPAL	27.70 (105.03)			27.70 (105.03)
Amount Outstanding			1.13 (0.99)	1.13 (0.99)

23. **The year end foreign currency exposures that have not been hedged by derivative instrument or otherwise are given below:-**

(Figures in million)

Sl No.	Particulars	Amount in Foreign Currency		Equivalent Rupees	
		31.03.08	31.03.07	**31.03.08**	31.03.07
1	Loans- SBI-New York (JPY)	**926.10**	1,337.66	**369.42**	493.73
2	Import Creditors				
	AUD	**0.33**	0.31	**12.30**	10.83
	CHF	**0.00**	0.05	**0.00**	1.83
	DKK	**0.00**	0.00	**0.00**	0.02
	EUR	**3.32**	6.16	**207.28**	357.29
	GBP	**2.30**	0.94	**186.26**	80.80
	JPY	**22.26**	34.94	**8.30**	12.90
	NOK	**0.67**	0.64	**4.99**	4.55
	SGD	**0.00**	0.27	**0.05**	7.86
	USD	**357.55**	273.84	**14,483.76**	11,903.98
	TOTAL			**14,902.94**	12,380.06
3	Export Receivables				
	USD	**28.85**	44.61	**1,148.86**	1,939.19

24. **The required disclosure under the Revised Accounting Standard 15 is given below:**

(A) Brief Description: A general description of the type of Defined Benefit Plans is as follows:

(i) Earned Leave (EL) Benefit

Accrual - 30 days per year

Encashment while in service - 75% of Earned Leave balance subject to a maximum of 90 days per calendar year

Encashment on retirement - maximum 300 days

(ii) Good Health Reward (Half pay leave)

Accrual - 20 days per year

Encashment while in service - Nil

Encashment on retirement - 25% of Half Pay Leave balance subject to a minimum balance of 120 days, restricted to maximum 480 days

(iii) Gratuity

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 10 lakhs (Rs. 3.5 lakhs previous year)

(iv) Post Retirement Medical Benefits

Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age

(v) Terminal Benefits

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque also depending upon their level

(B) The amount recognized in Financial statements for defined contribution plans are as under:

(Rs. in million)

Defined Contribution Plan	Amount Recognised during 2007-08	Contribution for Key Management Personnel
Contributory Provident Fund	1,355.95	0.49
Employee Pension Scheme-95	209.87	0.04
Composite Social Security Scheme	211.80	0.04

(C) The amount recognized in the balance sheet for post employment benefit plans are as under:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Present Value of Funded Obligation	16,318.38 (7,253.89)	-	-	-
2	Fair Value of Plan Assets	7,466.63 (6,877.64)	-	-	-
3	Present Value of Unfunded Obligation	-	10,861.95 (6,215.87)	10,699.42 (8,685.93)	435.13 (399.52)
4	Unrecognised Past Service Cost	-	-	-	-
5	Net Liability	8,851.75 (376.24)	10,861.95 (6,215.87)	10,699.42 (8,685.93)	435.13 (399.52)
6	Liability for Retired employees	459.75 (Nil)	99.63 (Nil)	-	-
7	Total Provision (Sch-16)	9,311.50 (376.24)	10,961.58 (6,215.87)	10,699.42 (8,685.93)	435.13 (399.52)

(D) The amount included in the fair value of plan assets of gratuity fund are as follows:

(Rs. in million)

Defined Contribution Plan	During 2007-08
Reporting Enterprise's own financial instruments	Nil (Nil)
Any Property occupied by, or other assets used by the reporting enterprise.	Nil (Nil)

(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Opening defined benefit obligation	7,253.89 (6,894.90)	6,215.87 (4,962.32)	8,685.93 (6,216.40)	399.52 (216.14)
2	Current Service Cost	729.92 (332.30)	832.71 (362.12)	221.40 (202.69)	18.86 (18.09)
3	Past Service Cost	2,660.19 (-)	- (-)	- (-)	- (-)
4	Interest Cost	580.31 (551.59)	464.76 (371.54)	694.87 (497.31)	31.96 (17.30)
5	Actuarial losses (gains)	5,482.90 (-159.09)	4,258.63 (1,289.07)	1,475.20 (2,053.97)	(1.10) (159.21)
6	Exchange differences on foreign plans	- (-)	- (-)	- (-)	- (-)
7	Benefits paid	388.83 (365.83)	910.02 (769.18)	377.98 (284.44)	14.10 (11.22)
8	Closing defined benefit obligation	16,318.38 (7,253.87)	10,861.95 (6,215.87)	10,699.42 (8,685.93)	435.14 (399.52)

(F) The total amount recognized in the Financial statements before allocation is as follows: (Refer Note 11 above)

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Current Service Cost	729.92 (332.30)	832.71 (362.12)	221.40 (202.69)	18.86 (18.09)
2	Interest on Obligation	580.31 (551.59)	464.76 (371.54)	694.87 (497.31)	31.96 (17.30)
3	Expected return on plan assets	598.44 (510.39)	- (-)	- (-)	- (-)
4	Net actuarial Losses / (Gains) recognized in year	5,526.53 (149.89)	4,258.63 (1,289.07)	1,475.20 (2,053.97)	(1.10) (159.21)
5	Past Service Cost	2,660.19 (-)	- (-)	- (-)	- (-)
6	Losses (Gains) on curtailments and settlement	- (-)	- (-)	- (-)	- (-)
7	Total included in 'employee benefit expense'.	8,898.51 (223.61)	5,556.10 (2,022.73)	2,391.47 (2,753.97)	49.72 (194.60)
8	Actual return on plan assets	554.82 (501.20)	- (-)	- (-)	- (-)

Investments of Gratuity Trust

Particulars	% of Investment
Central Govt. Securities	46.67
State Govt. Securities	19.62
PSU Bonds	33.71
	100.00

(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Discount rate	8% (8%)	8% (8%)	8% (8%)	8% (8%)
2	Expected return on plan assets	8.25% (7.57%)	- (-)	- (-)	- (-)
3	Annual increase in healthcare costs	- (-)	- (-)	5.50 % (5.50%)	- (-)
4	Annual Increase in Salary	5.50 % (5.50%)	5.50 % (5.50%)	- (-)	- (-)

Note : Figures in parenthesis represents last year's figure.

25. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

a. Company's share of Proved Reserves on the geographical basis is as under:-

Details		Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MTOE)**	
		As on 31st March, 2008	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007
Offshore	**Opening**	**221.740**	211.750	**185.401**	160.530	**407.141**	372.280
	Addition	**24.560**	29.900	**31.955**	43.932	**56.515**	73.832
	Deduction						
	Adjustment	**-0.060**	-	**0.039**	-	**-0.021**	-
	Production	**19.940**	19.910	**19.306**	19.061	**39.246**	38.971
	Closing	**226.420**	221.740	**198.011**	185.401	**424.431**	407.141
Onshore	**Opening**	**186.150**	191.550	**150.905**	153.315	**337.055**	344.865
	Addition	**12.100**	2.630	**4.136**	3.408	**16.236**	6.038
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Production	**7.910**	8.030	**5.835**	5.818	**13.745**	13.848
	Closing	**190.340**	186.150	**149.206**	150.905	**339.546**	337.055
Total	**Opening**	**407.890**	403.300	**336.306**	313.845	**744.196**	717.145
	Addition	**36.660**	32.530	**36.091**	47.340	**72.751**	79.870
	Deduction						
	Adjustment	**-0.060**	-	**0.039**	-	**-0.021**	-
	Production	**27.850**	27.940	**25.141**	24.879	**52.991**	52.819
	Closing	**416.760**	407.890	**347.217**	336.306	**763.977**	744.196

b. Company's share of Proved and Developed Reserves on the geographical basis is as under:-

Details		Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MTOE)**	
		As on 31st March, 2008	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007
Offshore	**Opening**	**191.350**	192.850	**128.753**	113.592	**320.103**	306.442
	Addition	**11.440**	18.410	**13.520**	34.185	**24.960**	52.573
	Adjustment#	**-**	-	**-0.006**	-	**-0.006**	-
	Deduction						
	Adjustment	**-0.050**	-	**0.069**	-	**0.019**	-
	Production	**19.940**	19.910	**19.306**	19.024	**39.246**	38.934
	Closing	**182.900**	191.350	**122.892**	128.753	**305.792**	320.103
Onshore	**Opening**	**144.990**	148.870	**114.392**	117.435	**259.382**	266.305
	Addition	**13.160**	4.030	**4.342**	2.585	**17.502**	6.615
	Adjustment#	**-2.100**	-	**-0.582**	-	**-2.682**	-
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Production	**7.910**	7.910	**5.835**	5.628	**13.745**	13.538
	Closing	**148.140**	144.990	**112.317**	114.392	**260.457**	259.382
Total	**Opening**	**336.340**	341.720	**243.145**	231.027	**579.485**	572.747
	Addition	**24.600**	22.440	**17.862**	36.749	**42.462**	59.189
	Adjustment#	**-2.100**	-	**-0.588**	-	**-2.688**	-
	Deduction						
	Adjustment	**-0.050**	-	**0.069**	-	**0.019**	-
	Production	**27.850**	27.820	**25.141**	24.652	**52.991**	52.472
	Closing	**331.040**	336.340	**235.209**	243.145	**566.249**	579.485

* Crude includes oil condensate

** For calculating OEG 1000 M3 of Gas has been taken to be equal to 1 MT of Crude Oil. Variations in totals, if any, are due to internal summation and rounding off.

\# Adjustment due to upgradation of production from proved undeveloped to proved developed from previous years.
MTOE - million tonne oil equivalent.

26. Details of Expenditure

Details of expenditure incurred on natural heads and its allocation is as under :

(Rupees in million)

		2007-08	2006-07
Manpower Cost :			
(a) Salaries, Wages, Ex-gratia etc.	38,346.35		32,411,69
(b) Contribution to Provident and other funds	1,779.25		2,008.42
(c) Provision for gratuity	9,311.50		376.24
(d) Provision for leave	5,655.73		2,340.70
(e) Provision for Post Retirement Medical & Terminal Benefits	2,051.69		9,085.45
(f) Staff welfare expenses	3,339.88	60,484.40	2,610.84
Consumption of Raw materials, Stores and Spares		19,127.90	16,111.57
Cess		58,215.31	59,260.31
Natural Calamity Contingent Duty - Crude Oil		1,126.63	1,149.09
Excise Duty		2,887.21	2,767.32
Royalty		60,708.04	53,434.80
Sales Tax		772.20	1,378.10
Octroi/BPT		4,556.48	3,523.17
Service Tax		217.97	137.29
Education cess		1,863.56	1,303.41
Rent		1,116.68	925.55
Rates and taxes		478.42	570.68
Hire charges of equipments and vehicles		49,579.14	37,033.10
Power, fuel and water charges		3,171.49	3,202.82
Contractual drilling, logging, workover etc.		50,116.25	45,860.65
Contractual security		1,931.71	1,250.38
Repairs to building		471.02	369.50
Repairs to plant and machinery		1,545.38	1,392.94
Other repairs		8,584.00	8,206.85
Insurance		1,880.59	2,664.28
Expenditure on Tour / Travel		2,305.66	2,264.23
Contribution		965.45	618.10
Miscellaneous expenditure		9,684.35	9,090.11
		341,789.84	301,347.59
Less:			
Allocated to exploration, development drilling, capital jobs recoverables etc.		107,267.10	80,158.47
Excise duty adjusted against sales revenue		2,887.44	2,708.93
Prior Period Adjustment		350.19	7,578.89
Production, Transportation, Selling and Distribution Expenditure etc.		231,285.11	210,901.30

27. Information under Schedule VI to the Companies Act, 1956

i) Sales

Product	Unit	2007-08 Quantity	2007-08 Value (Rs. in million)		2006-07 Quantity	2006-07 Value (Rs. in million)	
Crude Oil*	MT	24,076,527	401,166.85		24,419,739	384,601.44	
Less: From Exploratory Fields		286	5.27		1,293	10.14	
Less: Government of India's share in Profit Petroleum			14,358.89	386,802.69		12,379.38	372,211.92
Natural Gas*	000M^3	20,431,511	73,397.69		20,305,869	73,057.96	
Less: From Exploratory Fields		3,801	11.03		6,348	18.47	
Less: Government of India's share in Profit Petroleum			1,606.62	71,780.04		961.48	72,078.01
Liquified Petroleum Gas	MT	1,036,773		20,168.60	1,032,662		14,866.31
Naphtha	MT	1,442,019		43,848.59	1,442,282		37,906.94
Ethane/Propane	MT	519,957		9,290.73	548,058		9,094.79
Superior Kerosene Oil	MT	168,454		3,373.83	155,644		2,827.07
Superior Kerosene Oil - (Trading)	KL	308,164		7,400.82	562,557		12,926.48
LSHS	MT	17,544		418.34	26,321		512.78
HSD	MT	379		12.79	644		20.84
HSD incl. ULS (HSD) (Trading)	KL	1,539,370		48,608.25	1,394,440		42,016.56
Motor Spirit (Trading)	KL	231,758		9,159.00	120,620		4,529.74
Aviation Turbine Fuel (ATF)	MT	10,093		393.61	-		-
Others				112.94			120.82
				601,370.23			569,112.26
Price Revision Arrears				-			10.80
				601,370.23			569,123.06

ii) Opening and Closing Stock of Goods Produced:

	Unit	As at 31st March, 2008 Quantity	As at 31st March, 2008 Value (Rs. in million)	As at 31st March, 2007 Quantity	As at 31st March, 2007 Value (Rs. in million)
Opening stock					
Crude Oil*	MT	816,199	3,248.49	874,616	3,543.43
Liquefied Petroleum Gas	MT	9,698	35.56	19,543	55.70
Naphtha	MT	81,847	298.88	73,574	199.21
Ethane/Propane	MT	1,057	7.74	581	4.41
Superior Kerosene Oil	MT	5,640	12.71	5,777	10.50
Aviation Turbine Fuel	MT	533	1.03	0	0.00
Low Sulphur Heavy Stock (LSHS)	MT	479	5.47	176	1.81
High Speed Diesel (HSD)	MT	1,395	12.61	1,947	12.64
High Speed Diesel (HSD)**	KL	60	1.65	66	1.85
Motor Spirit**	KL	8	0.31	4	0.13
Others			11.15		3.18
			3,635.60		3,832.86
Closing stock					
Crude Oil*	MT	920,280	4,217.23	816,199	3,248.49
Liquefied Petroleum Gas	MT	7,633	30.08	9,698	35.56
Naphtha	MT	108,292	461.34	81,847	298.88
Ethane/Propane	MT	766	5.67	1,057	7.74
Superior Kerosene Oil	MT	5,632	22.10	5,640	12.71
Aviation Turbine Fuel (ATF)	MT	859	5.58	533	1.03
Low Sulphur Heavy Stock(LSHS)	MT	122	1.80	479	5.47
High Speed Diesel (HSD)	MT	3,122	29.84	1,395	12.61
High Speed Diesel (HSD)**	KL	48	1.45	60	1.65
Motor Spirit**	KL	6	0.25	8	0.31
Others			1.35		11.15
			4,776.69		3,635.60

*Includes Company's share in stock of Joint Ventures
** Purchased for trading

iii) Licensed Capacity, Installed Capacity and Actual Production

(Capacity as Certified by the Management)

	Unit	2007-08		2006-07	
		Installed Capacity per annum	Actual Production Quantity	Installed Capacity per annum	Actual Production Quantity
Crude Oil*	MT	NA	27,931,576	NA	27,941,088
Natural Gas*	000 M^3	NA	25,121,504	NA	24,878,932
Liquified Petroleum Gas	MT	1,158,000	1,034,611	1,158,000	1,022,564
Ethane/Propane	MT	570,000	519,711	570,000	548,708
Naphtha	MT	1,468,228	1,469,429	1,468,228	1,450,182
SKO	MT	304,400	167,399	304,400	155,183
ATF	MT		16,498	-	-
LSHS	MT	16,270	17,187	16,270	26,624
HSD	MT	42,637	31,865	42,637	33,838

* Licensed Capacities not applicable for the above products

Notes :

1. Production includes internal consumption and intermediary losses
2. Crude Oil includes condensate 2.007 MMT (Previous year 1.887 MMT)
3. Production of ATF commenced from the SKO plant in 2007-08

iv) Purchases

	Unit	2007-08		2006-07	
		Quantity	Value (Rs. in million)	Quantity	Value (Rs. in million)
Superior Kerosene Oil	KL	308,164	7,397.74	562,557	12,921.03
HSD	KL	43,757	1,472.26	31,694	868.53
ULS HSD	KL	1,495,625	47,094.67	1,362,739	41,090.24
Motor Spirit	KL	231,762	9,150.14	120,627	4,520.71
Others		-	0.50	-	0.54
Total			65,115.31		59,401.05

v) Raw Material Consumed

	Unit	2007-08		2006-07	
		Quantity	Value at cost (Rs. in million)	Quantity	Value at cost (Rs. in million)
(For production of Liquefied Petroleum Gas, Ethane/ Propane,Naphtha, SKO, LSHS, ATF & HSD)					
Out of own production:					
Crude Oil	MT	118,880	709.72	162,587	832.46
Natural Gas	$000M^3$	777,655	2,321.48	788,787	2,905.79
Gas Equivalent Condensate	$000M^3$	518,037	684.47	534,025	732.15
Purchases					
Gas Equivalent Condensate	MT	138,846	3,978.35	74,619	1,789.17

vi) Consumption of Raw Materials, Stores and Spare Parts

	2007-08		2006-07	
	Amount (Rs. in million)	%	Amount (Rs. in million)	%
Imported	3,330.71	17.41	3,240.63	20.11
Indigenous	15,797.19	82.59	12,870.94	79.89
Total	19,127.90	100.00	16,111.57	100.00

vii) Value of Imports on CIF Basis

(Rs. in million)

	2007-08	2006-07
Capital items *	**42,547.49**	34,309.56
Stores and Spare Parts	**4,044.40**	2,431.30
Total	**46,591.89**	36,740.86

*Includes stage payments made against capital works.

viii) Expenditure in Foreign Currency

(Rs. in million)

	2007-08	2006-07
Interest	**12.24**	15.53
Services	**46,726.08**	49,143.28
Others	**7,198.96**	5,863.55
Total	**53,937.28**	55,022.36

ix) Earnings in Foreign Currency

(Rs. in million)

	2007-08	2006-07
Services	**8.25**	1.93
FOB value of Sales	**36,151.14**	29,813.45
Others	**1,787.83**	91.18
Total	**37,947.22**	29,906.56

x) Managerial Remuneration (included in 26 above)

(Rs. in million)

	2007-08	2006-07
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Functional Directors:		
Salaries and Allowances	**5.52**#	4.60
Contribution to Provident & Other Funds	**0.57**	0.58
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Company's own medical facilities as the amount is not determinable)	**2.47**	3.37*
Leave Encashment and Gratuity on retirement of Directors	**0.00**	0.50
Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15	**6.90**	*
Independent Directors:		
Sitting Fees	**1.18**	1.09
Total	**16.64**	10.14

Includes adhoc advance paid on account of pay revision due from 1st January, 2007.

* The remuneration did not include Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15 since the same were not ascertained for individual employees.

xi) **Auditors' Remuneration (included in 26 above)**

(Rs. in million)

	2007-08	2006-07
Audit Fees	**6.61***	4.71
For Certification work etc.	**5.15***	3.76
Travelling and Out of Pocket Expenses	**13.57**	10.73
Total	**25.33**	19.20

* Includes Fees of Rs. 1.48 million for 2006-07 due to increase in fee.

28. Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

29. Figures in bracket as given in Notes to the Accounts relate to previous year.

cash flow statement for the year ended 31st march, 2008

(Rupees in million)

		Year ended 31st March, 2008		Year ended 31st March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax, prior period and extraordinary items		252,347.01		239,802.59
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	98,196.21		94,666.79	
Actual expenditure	(35,428.07)		(36,235.42)	
Non-cash Recouped Costs	62,768.14		58,431.37	
- Interest on Borrowings	589.62		214.98	
- Foreign Exchange Loss/(Gain) on revaluation	(629.96)		(12.58)	
- Provision for Gratuity	7,301.07		223.61	
- Provision for Leave Encashment	3,677.92		1,253.56	
- Provision for Pay Revision	7,953.01		-	
- Provision for AS-15 Benefits	1,588.05		2,652.91	
- Other Provision and Write offs	1,112.36		2,153.87	
- Interest Income	(33,243.95)		(17,430.76)	
- Excess Liability written Back	(1,247.54)		(1,019.89)	
- Deferred Government Grant	(11.91)		(6.56)	
- Dividend Income	(2,881.15)	46,975.66	(3,263.44)	43,197.07
Operating Profit before Working Capital Changes		299,322.67		282,999.66
Adjustments for:-				
- Debtors	(16,463.90)		9,159.47	
- Loans and Advances	988.95		(7,213.05)	
- Other Current Assets	62.08		(0.24)	
- Deferred Revenue Expenditure	(1,803.70)		(1,477.29)	
- Inventories	(4,979.54)		(3,924.37)	
- Trade Payable and Other Liabilities	21,636.39	(559.72)	22,416.92	18,961.44
Cash generated from Operations		298,762.95		301,961.10
Direct Taxes Paid (Net of tax refund)		(83,561.66)		(72,119.46)
Cash Flow before prior period		215,201.29		229,841.64
Prior period items (Cash items)		75.00		(741.40)
Net Cash Flow from Operating Activities 'A'		215,276.29		229,100.24
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		(78,495.65)		(63,792.43)
Exploratory and Development Drilling		(57,565.30)		(32,043.11)
Investments (Net)		(5,516.96)		(1,115.99)
Loans and advances to Subsidiary		18,243.42		26,977.13
Dividend Received from Subsidiary		1,004.28		878.75
Dividend Received from Associates		49.00		-
Dividend Received from Others		1,827.87		2,384.69
Extraordinary Item-Insurance Claims Received for BHN		-		8,684.32
Tax paid on Excess of insurance Claim over book value		-		(1,599.06)
Interest Received		27,358.01		13,801.68
Tax paid on Interest Income		(9,298.99)		(4,645.65)
Net Cash Flow from Investing Activities 'B'		(102,394.32)		(50,469.67)

(Rupees in million)

	Year ended 31st March, 2008	Year ended 31st March, 2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Government Grants	**6.14**	25.97
Repayment of Short Term Borrowings	**(124.31)**	(171.68)
Repayment of Long Term Borrowings	**(202.18)**	(202.17)
Cash Credit	**(3,041.48)**	3,041.48
Dividend Paid	**(66,292.77)**	(67,029.93)
Tax on Dividend	**(11,268.54)**	(9,399.32)
Interest Paid	**(590.22)**	(215.19)
Net Cash Flow from Financing Activities 'C'	**(81,513.36)**	(73,950.84)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**31,368.61**	104,679.73
Cash and Cash Equivalents as at 1st April, 2007 (Opening Balance)	**192,807.94**	88,128.21
Cash and Cash Equivalents as at 31st March, 2008 (Closing Balance)	**224,176.55**	192,807.94

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
3. Cash and Cash equivalents represent:-

(Rupees in million)

	2007-08	2006-07
a) Cash and Bank Balances	**160,143.04**	136,705.08
b) Deposits with Bank under Site Restoration Fund Scheme *	**64,033.51**	56,102.86
Total	**224,176.55**	192,807.94

4. Brackets indicate cash outflow/ deduction.

* Deposited u/s 33ABA of the Income Tax Act, 1961 and can be withdrawn only for the purposes specified in the scheme.

For and on behalf of Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S. Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem No. 07737)

For S.C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem. No. 50773)

For P.S.D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan, Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem No. 13216)

New Delhi
25th June, 2008

balance sheet abstract and company's general business profile

I. Registration Details

Registration No.	55-54155	State Code	55
Balance Sheet Date	31-03-2008		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
-	-

Bonus Issue	Private Placement (Issued to employees only)
-	-

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
904709077	904709077

Source of Funds

Paid-up Capital	Reserves & Surplus
21388873	684785132

Secured Loans	Unsecured Loans
-	369420

Deferred Tax Liability	Liability For Abandonment Cost
73707986	124457666

Application of Funds

Net Fixed Assets	Investments
516726374	58994980

Net Current Assets	Misc. Expenditure
322248707	6739016

Accumulated Losses
-

IV. Performance of Company (Amount in Rs. Thousands)

Turnover(Gross Revenue)	Total Expenditure
648459505	396113588
Profit / (Loss) Before Tax	**Profit / (Loss) After Tax**
252345917	167016470
Earning per Share in Rs.	**Dividend Rate %**
78.09	320%

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.	27090000
Product Description	Crude Oil
Item Code No.	27112100
Product Description	Natural Gas
Item Code No.	27111900
Product Description	Liquified Petroleum Gas

S.P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S. Sharma
Chairman & Managing Director

New Delhi
25th June, 2008

statement pursuant to section 212 of the Companies Act, 1956, relating

Name of the Subsidiary Company	ONGC Videsh Limited	Mangalore Refinery and Petrochemicals Limited	ONGC Nile Ganga B.V.	ONGC Campos Holdings Limitada
1. The Financial Year of the Subsidiary Company ended on	31st March, 2008	31st March 2008	31st December, 2007	31st December, 2007
2. Date from which it became Subsidiary Company	1st February, 1994	30th March, 2003	12th March, 2003	16th March, 2007
3. a) Number of shares held by Oil and Natural Gas Corporation Limited alongwith its nominees in the Subsidiary at the end of the financial year of the Subsidiary Company.	10,00,00,000 Equity shares of Rs. 100 each	1,25,53,54,097 Equity shares of Rs. 10 each	40 Class "A" & 100 Class "B" shares of Euro 453.78 each	
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company.	100%	71.62%	100%	100%
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company.				
a) Not dealt with in the Holding Company's accounts:				
i) For the financial year ended 31st March, 2008 (Rs. in million)	8,494.18	9,111.70	14,927.55	30.99
ii) For the previous financial year(s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million).	21,204.19	12,675.12	20,626.82	(745.13)
b) Dealt with in the Holding Company's accounts:				
i) For the financial year ended 31st March, 2008 (Rs. in million)	-	1004.28	-	
ii) For the previous financial year(s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million).	1,050.00	2134.10	14098.77	

*The first financial year as subsidiary would end on 31st December, 2008 to company's interest in the subsidiary companies

ONGC Do Brasil Exploranco Petrolifera Limitada	ONGC Narmada Limited	ONGC Amazon Alakhnanda Limited	ONGC Nile Ganga (Cyprus) Limited	ONGC Nile Ganga (San Cristobal) B.V.
31st December, 2007	31st March, 2008	31st March, 2008	31st December, 2008*	31st December, 2008*
7th July, 2006	7th December, 2005	8th August, 2006	26th November, 2007	29th February, 2008
	20 milion shares of one Naira each	12000 Equity & 437488000 Preference shares of one USD each	100,000 shares of 0.01 USD each	18,000 shares of Euro 1 each
100%	100%	100%	100%	100%
	(93.68)	2723.42	(0.49)	(0.01)
	(193.58)	649.02	-	-

S.P. Garg
Company Secretary

D.K. Sarraf
Director(Finance)

R.S. Sharma
Chairman & Managing Director

New Delhi
25th June, 2008

Running towards a Greener Tomorrow

management discussion and analysis report

The Economy

India's progressive emergence as one of the world's more stable and dynamic economies has fuelled widespread confidence in the BRIC thesis, which forecasts that along with Brazil, Russia and China, India is on its way to the top four slots in global economic hierarchy.

One milestone to the coveted journey was crossed on 25th April 2007, when India moved into the Trillion Dollar Economy Club of the ten economies (The Times of India, New Delhi edition, 26th April 2007). However, the caveats on the path of onward journey became loud and clear on 1st July 2008, when the same daily reported “With the dollar breaching the Rs. 43 mark, the economy is down to $995 billion. High oil prices have triggered a domino effect that has ultimately robbed India of the trillion-dollar tag”.

The concern is neither specific to India, nor Asian economies. The issue of high crude oil prices snowballing into wider economic slowdown is a global one. Though non-fundamental factors like speculation and weak dollar may also have played a role in crude price increase, it is largely the traditional fundamentals of demand and supply which are the major reasons. Demand for petroleum has been growing globally, whereas supply of this finite resource remained under pressure.

Industry Structure and Developments

- **Crude Oil Price**

  The average spot price of the WTI crude was just $66.05/barrel in 2006. The crude oil price touched a ceiling of $77/barrel (Source: EIA) in last fiscal while pitching tent in the 60s for a major part of the year and even going down to 50s for some time.

  Arrival of fiscal 2008 showed no indication of the coming storm till August 2007; the prices remained within 70s, but thereafter the climbing started and finally zoomed past the psychological barrier of $100/barrel soon. Since then it has not looked back, and crossing new milestones almost every day, even crossing $147/barrel for a day before cooling down to about $ 125 / barrel in July 2008.

- **Skewed demand-supply axis**

  According to the World Economic Outlook, April 2008, the global GDP rate, at constant prices, has grown by an average 4.59% annually in the last five years. The growth is led by developing economies with an average annual growth of 7.28% in the last five years. China and India lead with a five-year average annual growth rate of 10.6% and 8.57%, respectively.

  This growth has translated into growing demand for oil. On the contrary, the supply had lagged behind this rising demand. For long, the FSU (Former Soviet Union) countries and OPEC bailed out such crisis despite dwindling supplies from other major oil producers. But now, according to the BP Statistical Review of World Energy 2008, even OPEC has registered a fall in oil production by 1.2% in 2007 as compared to last year. The global oil production too has declined marginally by 0.2% and every other producer, namely the European Union (EU), OECD, OPEC and non-OPEC, except Former Soviet Union (FSU) countries, have registered a decline.

- **Opportunities & Threats**

The Scientific American, in an article published in April 2008, has described the last decade as 'The Lost Decade'. It points out that when the oil price collapsed from $25 to $12 per barrel at the end of 1990s, E&P companies slashed their technical and scientific staff. Secondly, in spite of the booming markets of the early to mid 2000, E&P industry failed to invest in infrastructure and equipment to sustain profitability. The situation orchestrated the biggest failure in sharpening the E&P edge to locate new oil and gas sources.

However, high oil price regime has now encouraged the industry to invest in developing oil and gas capacity and monetizing them. There is unprecedented level of E&P activities the world over. The E&P companies are now stretching themselves beyond conventional resource centres, exploring frontier areas including deepwater and ultra-deepwater provinces. Finally, there is a genuine effort to recover 'The Lost Decade'.

According to Cambridge Energy Research Associates (CERA) and United States Geological Survey (USGS), a large pool of hydrocarbon still lies undiscovered. The three big oil field finds in Brazil, namely Carioca, Tupi and Jupiter, fuelled these theories. Your Company's discoveries in Indian East coast in well UD-1, opening up the ultra-deep regime in India and finds by few other companies have given us cause for optimism.

However, the increased E&P activities have a flip side, the steep rise in the cost of hiring services and equipment. According to IHS Energy, costs have more than doubled in last four years worldwide. An ultra-deepwater drill ship which your Company hired at a day rate of US$ 192,000 in 2003 is available in 2008 for US$ 525,000 per day for mobilization end-2010. Nonetheless, the industry believes that these costs are viable going by the hopes from yet-to-be-discovered assets.

- **The Priorities**

Locating new oil & gas assets and bringing them to stream remains the immediate and top priority. Simultaneously, the industry will have to be more accurate and cost effective to ensure adequate supplies of oil and natural gas at an affordable price. Developing technologies for tomorrow becomes imperative.

Gas is gaining prominence as the bridge fuel and efforts are on to exploit India's natural endowment in gas in all its dimensions; like Coal Bed Methane (CBM), Underground Coal Gasification (UCG) and Gas Hydrates. These require technology and capital infusion.

Demand management through conservation and by enhancing efficiency of automobiles, electrical and household appliances, through Green buildings and introducing Mass Rapid Transport Systems are also priorities for which industry will have to extend a helping hand to synchronize these efforts. At

To secure energy, 32000 plus ONGCians work 24x7 in the remotest locations.

Sky is the limit for ONGC's ambition and achievements

the same time, the industry needs to collaborate in efforts looking for supplements beyond hydrocarbons.

- **Strategic Pursuits**

Your Company's long-term strategy focuses on strengthening the core Exploration and Production (E&P) activities in oil & gas. Improving Reserve Replacement Ratio by intensifying exploration is your Company's first priority. Increasing production, arresting decline in matured fields and expeditious development of discovered fields are the other priorities. The desired level of investment to create new infrastructure, to maintain the old ones to support enhanced levels of E&P activities are also on our strategic agenda. Your Company has taken structured initiatives in these priorities as detailed in the Directors' Report.

Deepwater oil & gas provinces hold lot of promise. Your Company made significant discoveries in deepwater and ultra-deepwater provinces in Krishna-Godavari (KG) and Mahanadi basins. These prospects have been assigned priority for expeditious development. Technologically, ONGC has achieved a number of milestones in deepwater exploration, which have been adopted as standard by many global operators.

Besides its focus on Oil & Gas E&P, your Company, mandated to secure Energy Independence of India by diversifying sourcing of energy, is also investing to leverage the natural endowment of the country of having one of the largest Coal Reserves in the world. Pilots on Clean Coal Technologies like Coal Bed Methane (CBM), Underground Coal Gasification (UCG) are being run. It has also brought up ONGC Energy Centre Trust for holistic research on alternate energy sources.

ONGC is committed to sourcing equity Oil & Gas through its wholly-owned subsidiary ONGC Videsh Ltd. (OVL), which is being seen as the growth vehicle of the ONGC Group. Currently OVL has 38 Oil & Gas projects in 18 countries and is one of the biggest Indian multinationals with an overseas investment of around 5 billion dollars.

Capacity expansion of Mangalore Refinery Petrochemicals Ltd.(MRPL), a subsidiary of ONGC from 9.69 to 15 MMTPA (Million Tonne Per Annum) is under implementation and this expansion will further strengthen your Company's efforts towards value-chain integration.

Value-multiplier projects in sectors like, Refining, Petrochemicals, LNG, SEZs, Power, have huge potential towards inclusive and integrated growth for your Company. All these projects are in time and will be on stream soon, bringing additional revenue. Your Company, after detailed feasibility studies, has decided to come out of the earlier proposed refinery and SEZ projects at Kakinada, Andhra Pradesh.

Physical Performance

- **Reserve Accretion**

Your Company had struck 35 new discoveries (13 new prospects and 22 pools) in the concluding fiscal of 2007-08. Initial In-place (IIP) hydrocarbon accretion in 2007-08 was 182.23 Million Tonne Oil Equivalent (MMTOE), which is highest in last ten years, against IIP accretion of 169.52 MMTOE last year. The Ultimate reserve (UR) was 63.82 MMTOE as against 65.56 MMTOE in last year.

ONGC: Synergising team effort to its technological success

- **Seismic Survey**

  This year your Company acquired 8,158 Km of 2D seismic survey and 19,360 Sq. Km of 3D data.

- **Drilling**

  Out of the 322 wells, that your Company drilled in 2007-08, 98 were Exploratory Wells (against 87 in 2006-07) and 224 Development Wells (against 178 in 2006-07). This year 90 wells were drilled in offshore, which is highest since last fourteen years.

  Your Company is always focused on quality and new technology. This year, all the development wells in Offshore (57 nos.) were hi-tech wells with a record cycle speed of 1,407 Mtrs/ RM (highest since last fourteen years). At the same time, 30 hi-tech wells were drilled in onshore during the year as against 17 in the last fiscal.

- **Production (Excluding JVs)**

  Crude oil production during the year (2007-08) was 25.945 Million Tonne (MMT) as against 26.051 MMT in the previous fiscal.

  Natural Gas production was 22.334 Billion Cubic Meter (BCM) as against 22.442 BCM in the previous fiscal.

  Marginal shortfall in oil (0.4%) and gas (0.48%) production is primarily due to the gas leakage incident at Balol area of Mehsana and deferment in G1 & GS-15 project completion.

  Gas sales in 2007-08 was 17.822 BCM as compared to 17.989 BCM during 2006-07.

  VAP production during the year was 3.257 MMT as against 3.238 MMT in the previous year.

Outlook

Your Company has set an ambitious outlook for the XI five year plan (2007-12). It has envisaged 3% higher production from its existing mature fields producing for over thirty years. To achieve this target, your company has enhanced its E&P outlay by about 52% for XI plan period compared to X plan period actual expenditure. In the first fiscal of XI five year plan period the result is encouraging as far as drilling, reserve accretion and production are concerned.

Your Company's structured initiatives and planned investment in the area of IOR (Improved Oil Recovery) and EOR (Enhanced Oil Recovery) schemes have already yielded more than 40 MMT of oil and envisages to produce cumulatively 110 MMT by 2030. 12 projects are already complete and 7 are under implementation. The Mumbai High-North Phase-II Redevelopment plan has also been launched.

Your Company is determined to bring new and Marginal fields to production on fast track. Out of 109 marginal fields, 87 fields are already monetized and balance 22 fields are prioritized for development as per the new marginal field policy of the Government.

40 new and marginal fields of different sizes that are already put on production have produced 0.75 MMT oil and 454 MMSCM of gas this year (2007-08). From its new & marginal fields ONGC envisages oil and gas production at a rate of 12,550 Ton and 16.5 MMSCM per day respectively at the end of XI Plan.

Your Company's appraisal plan for development of Deepwater Block KG-DWN-98/2 and KG-OS-DW4 has been cleared by Directorate General of Hydrocarbon (DGH), and is at the final stage of approval by the Government. Investment of over USD 5 billion is envisaged on these projects which are scheduled to begin production by 2013.

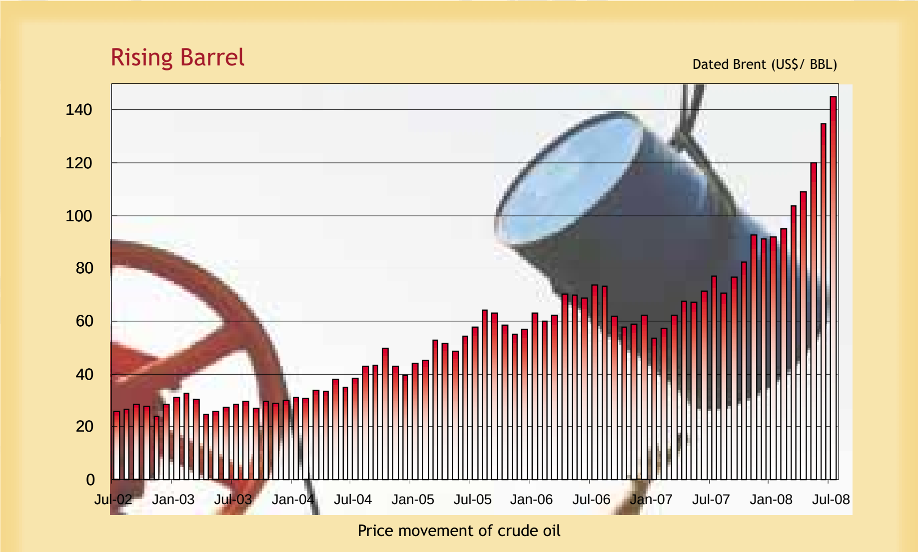
Shallow gas exploration is being pursued by your Company at Cambay and Krishna Godavari basins. Olpad field yielded shallow gas from a depth of about 200 metres of Kand reservoir. The well OLPAD-28 flowed gas @ 21,400 cubic metres per day. Encouraging results have also been obtained from the shallow Ankleshwar and Kosamba fields. Extensive work is in progress for the shallow gas at KG-Basin.

To meet various exploration & production targets, availability of sufficient number of drilling rigs equipped with latest technologies is important. Your Company has chalked out a drilling plan for XI five year plan period, which envisages 11% more wells (1,651 against 1,485 drilled during X Plan). Now-a-days almost all offshore development wells are Hi-tech (in place of conventional vertical wells), and count of hi-tech wells in onshore area is also rapidly increasing.

To meet this increasing requirement, your Company has undertaken a structured programme to upgrade its ageing fleet of drilling rigs in two phases to ensure availability of quality resources equipped with latest technologies.

Your Company has hired one deepwater drilling rig that would be available from 2010. It also plans to purchase ten onshore rigs, four jack-up rigs and an ultra-deepwater rig.

Renewal and replacement of old installations, facilities and pipelines of your Company is in progress in most of the Assets. Rs. 22,300 million is being invested in Assam Asset for revamping its old installations and pipeline network to reduce surface bottlenecks.



Price movement of crude oil

Precision and grit are major elements in Oil & Gas business

Your Company has 30% share in the upcoming development project of MARS (Mangala, Aishwariya, Rageshawari & Saraswati) fields in Rajasthan project of Cairn Energy Limited. Your Company is to invest Rs. 18,040 million for this, which is to produce around 175000 bopd at its peak rate (ONGC's share being 30%).

Risks and Concerns

E&P business, per se, is capital intensive with high risk.

Crude as well as gas pricing continues to be controlled by the Government, formally or informally. Your Company is required, under the prevailing Government directives, to subsidize the burden of Oil Marketing Companies having adverse impact on its revenue and profit.

Security of personnel and property, especially crude oil, continues to be a cause of concern in certain areas.

A meeting on-board an offshore installation

There are inherent Health, Safety and Environment risks involved in Oil & Gas business.

The volatility of oil price and the increasing input prices like those on hiring rig resources and field services also figure among important risk factors.

Internal Control Systems

The internal control systems and procedures of your Company ensure an effective and gainful utilization of resources. The ISO-9001:2000 certified Internal Audit department of your Company regularly audits various operational and financial matters. Significant audit observations are periodically reviewed by the Audit and Ethics Committee of the Board of Directors and necessary directions are issued whenever required.

Financial Performance

1. The Turnover and Profit After Tax of your Company during 2007-08 registered an increase of 5.7% and 6.8% respectively.

   - Turnover: Rs. 601,370 million (up from Rs. 569,123 million in 2006-07)

   - Profit After Tax: Rs. 167,016 million (up from Rs.156,429 million in 2006-07)

2. The total Turnover of the ONGC Group of companies crossed Rs. One Trillion mark during the year (Rs.1018,349 million in 2007-08 against Rs. 862,762 million in 2006-07); increase of 18%. Net Profit of the Group registered a growth of 11.8% (Rs.198,723 million in 2007-08 against Rs. 177,696 million in 2006-07).

3. Discount of Rs. 220,009 million was given to Oil Marketing Companies (OMCs) on Crude Oil, LPG and Superior Kerosene Oil (SKO). Impact of this discount on Profit After Tax was Rs. 132,410 million.

4. Average crude price during 2007-08 was \$52.90/bbl (after discount of \$32.64/bbl) against \$44.22/bbl during 2006-07; an increase of 20%. However, due to appreciation of Rupee against Dollar, percentage increase in realization in Rupee terms was only 6% over last fiscal.

Human Resources/ Industrial Relations

Within the given mandate, your Company crafted ample welfare measures for its employees. These measures, aimed at retaining talent, helped in restricting attrition that had assumed alarming proportion. In 2007-08, 261 resignation cases were accepted against 361 during 2006-07.

Your Company focuses on maintaining competitive competence of its employees and invests extensively to augment human resource capacity and quality through tailored training and development programmes.

The pay-roll strength as on 31st March, 2008 was 32,996.

Health, Safety & Environment (HSE)

Your Company has adopted integrated QHSE (Quality, Health, Safety & Environment) management systems at its installations and facilities. As on 31st March, 2008 total 471 installations (including operational facilities, offices & colonies) have been certified conforming to international standard requirements. All these installations & facilities have successfully sustained the re-certifications during annual surveillance audits.

Corporate Social Responsibility

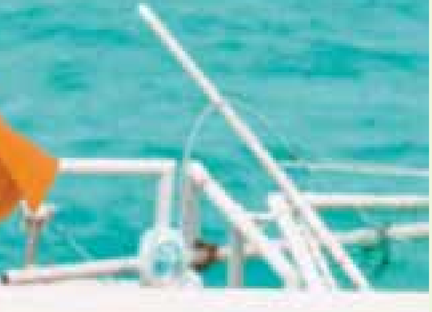
Corporate Social Responsibility (CSR) initiatives of your Company aim to strengthen the societal fabric by promoting education, healthcare, infrastructure development, entrepreneurship in the community, water management etc. 'Project Saraswati' and ONGC-Pura are the landmark initiatives by your Company. It extends its helping hand during Disaster Relief measures, as and when required. Your Company earmarks 0.75% of its Profit After Tax of previous year for its CSR projects.

Cautionary Statement

These discussions are “forward looking” within the meaning of the applicable laws and regulations. Actual performance may deviate from the explicit or implicit expectations.

The corporate social responsiveness of ONGC has strengthened the social fabric in all its work centres

ONGC is the first Indian Corporate to adopt Integrity Pact to bring in business transparency



corporate governance report

ONGC views Corporate Governance in its widest sense as trusteeship, a philosophy to be pursued, a value to be imbibed and an ideology to be ingrained into the corporate culture. Company's philosophy on corporate governance is led by strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct. This enables customers and all stakeholders to be partners in the Company's growth and prosperity. It revolves around values based on transparency, integrity, professionalism and accountability.

The Company constantly endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

In view of Company's size, complexity of operations and corporate tradition, the main objectives featuring the Corporate Governance framework include :

- Transparency, openness and accountability;
- Adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders;
- A sound system of internal control to mitigate the risks;
- Compliance of laws, rules & regulations in true letter and spirit;
- Independent verification of the Company's financial reporting;
- Strategic supervision by the Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities;
- Timely and balanced disclosure of all material information to all the stakeholders;
- Equitable and fair treatment to all its stakeholders including employees, customers, vendors, shareholders and investors.

1.1 Corporate Governance Recognitions

In recognition of excellence in Corporate Governance, the following accolades have been conferred on ONGC in recent years:

(i) 'Golden Peacock Award for Excellence in Corporate Governance -2002' by the Institute of Directors;

(ii) 'ICSI National Award for Excellence in Corporate Governance-2003'- by the Institute of Company Secretaries of India;

(iii) 'Golden Peacock Global Award' for Corporate Governance in Emerging Economies -2005' by World Council for Corporate Governance, U.K.;

(iv) 'Golden Peacock Award for Excellence in Corporate Governance – 2005' by the Institute of Directors;

(v) 'Golden Peacock Award for Excellence in Corporate Social Responsibility in Emerging Economies– 2006' by World Council for Corporate Governance, U.K.;

(vi) 'Golden Peacock Award for Excellence in Corporate Governance - 2006' by Institute of Directors; and

(vii) 'Golden Peacock Global Award for Corporate Governance in Emerging Economies-2007' by World Council for Corporate Governance, U.K.

2. Board Of Directors

2.1 Composition, Meetings And Attendance

The Company is managed by the 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 (Onshore), Director (Offshore), Director (Exploration), Director (Technology & Field Services) and Director (Finance), manage the business of the Company under the overall supervision, control and guidance of the Board.

2.2 **Composition**

The Board of Directors has an adequate combination of Executive (Functional) and Non-executive Directors. The Board has 13 members, comprising of 7 Functional Directors (including the Chairman & Managing Director) and 6 Non-executive Directors (comprising of 2 part-time official nominee Directors and 4 part-time non-official Directors – all nominated by the Government of India). To share the experience and business strategies, CMD, Oil India Limited and Managing Director, ONGC Videsh Limited are permanent invitees to the meetings of the Board.

Shri R.S. Sharma was formally elevated to the position of CMD w.e.f. 4th July, 2007. Earlier in his capacity as Director (Finance), he was holding the additional charge of the CMD with effect from 25th May, 2006. After his appointment as CMD, he continued to hold the additional charge of Director (Finance) till 26th December, 2007. Shri D.K. Sarraf took over as Director (Finance) on 27th December, 2007.

Padma Bhushan, Dr. R.K. Pachauri, Director General, The Energy Research Institute (TERI), Shri V.P.Singh, former C&MD, IFCI, Shri P.K.Choudhury, Vice Chairman and Group CEO, ICRA Ltd. and Padma Shree Dr. Bakul H. Dholakia, former Director, IIM (Ahmedabad) and Adviser, Adani Group are independent Directors on the Board w.e.f. 26th June, 2006.

Shri A.K.Jain, Joint Secretary (E), MoP&NG was appointed as Govt. nominee Director, as an interim arrangement on 10th April, 2007 in place of Shri Anil Razdan, Special Secretary, MoP&NG who ceased to be a director w.e.f. 8th March, 2007. Shri S. Sundareshan, Additional Secretary, MoP&NG and Smt Sindhushree Khullar, Additional Secretary, Department of Economic Affairs, MoF were appointed as Directors in place of Shri A.K.Jain and Shri Ashok Chawla, respectively w.e.f. 5th May, 2007.

2.3 **Board/ Committee Meetings and Procedures**

(A) Institutionalised decision making process

With a view to institutionalize all corporate affairs and setting up systems and procedures for advance planning of matters requiring discussion/ decisions by the Board, the Company has defined guidelines for the meetings of the Board of Directors and Committees thereof. These guidelines seek to systematize the decision making process at the 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) The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board/ Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance in the defined agenda format amongst the members for facilitating meaningful, informed and focussed decisions at the meetings. To address specific urgent need, meetings are also being called at a shorter notice. In case of exigencies or urgency, resolutions are passed by circulation.

(ii) Where it is not practicable to attach any document or if the agenda is of confidential nature, the same is tabled with the approval of CMD. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted. Sensitive subject matters are discussed at the meeting without written material being circulated.

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

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

(v) The Board/ Committee is given presentations covering Finance, Production, Operations, major Business Segments, Human Resources, Marketing, Joint Venture operations etc. and for taking on record quarterly/ annual financial statements at the pre-scheduled Board/ Committee meetings.

A silent beginning to a hard day's work on an offshore platform

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

(vii) 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.

(C) Recording minutes of proceedings at the Board Meeting

Minutes of the proceedings of each Board/ Committee meeting are recorded. Draft minutes are circulated amongst all members of the Board/ Committee for their critical appreciation and comments. The comments are incorporated in the minutes, which are finally approved by the Chairman of the Board/ Committee. The final minutes of the proceedings of the meetings are entered in the Minutes Book.

(D) Follow-up mechanism

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

(E) Compliance

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

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

No specific training programmes were arranged for Board members. However, at the Board/ Committee/ other meetings, detailed presentations are made by senior executives/professionals/ consultants on business related issues, risk assessment, impact of regulatory changes on strategy etc. The Company has not adopted any mechanism for evaluating individual performance of non-executive Board members.

The daily drill of ONGCians

2.4 **Board Meetings**

During the year 2007-08, twelve Board meetings were held on 10th April, 10th May, 7th & 25th June, 25th July, 24th August, 3rd & 30th October, 14th November, 22nd December, 2007 and 21st January and 25th February, 2008.

The minimum and maximum interval between any two Board meetings was 14 days and 39 days respectively.

Attendance:

a) Executive Directors

Name & Designation	Attendance			As on 30.06.08			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (19.09.07)	No. of other Directorships #		No. of Committee memberships*	
				Listed	Others	Chairman	Member
Shri R S Sharma Chairman & Managing Director (from 4.07.07)	12	12	Yes	1	5	Nil	Nil
Dr. A K Balyan Director (Human Resources)	12	12	Yes	1	5	Nil	Nil
Shri A K Hazarika Director (Onshore)	12	10	Yes	Nil	2	Nil	Nil
Shri N K Mitra Director (Offshore)	12	12	Yes	2	3	Nil	2
Shri D K Pande Director (Exploration)	12	11	Yes	Nil	1	Nil	Nil
Shri U N Bose Director (T&FS)	12	11	Yes	1	1	1	Nil
Shri D K Sarraf Director (Finance) (from 27.12.07)	2	2	NA	Nil	2	Nil	2

a) Non-Executive Directors

Name & Designation	Attendance			As on 30.06.08			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (19.09.07)	No. of other Directorships #		No. of Committee memberships*	
				Listed	Others	Chairman	Member
(i) Part-time official Directors- Govt. nominees.							
Shri S Sundareshan Addl. Secretary, MoP&NG (from 10.05.07)	11	11	Yes	2	1	Nil	Nil
Smt. Sindhushree Khullar Addl.Secretary, MoF (from 10.05.07)	11	8	Yes	Nil	Nil	Nil	1
Shri A K Jain, Joint Secretary, MoP&NG @ (from 10.04.07 to 10.05.07)	1	1	NA	2	Nil	Nil	1
(ii) Part-time independent Directors							
Dr. R K Pachauri	12	2	No	1	Nil	Nil	3
Shri V P Singh	12	12	Yes	3	Nil	Nil	4
Shri P K Choudhury	12	11	Yes	2	5	4	3
Dr. Bakul H Dholakia	12	11	No	5	1	4	4
Shri A M Uplenchwar (upto 25.07.07)@	5	4	NA	3	3	Nil	Nil

Number of other Directorships do not include Directorships of Foreign Companies, Section 25 Companies and private limited companies.

* In accordance with Clause 49 of the Listing Agreement, Chairmanship/ Membership of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all public limited companies (including ONGC) have been considered.

@ Membership during their tenure in ONGC.

Notes:

(i) The Company being a PSU, all Directors are appointed/ nominated by the President of India;
(ii) Directors are not related to each other inter se;
(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 Meets

The Company has a practice of periodic retreats where all members of the Board and senior officials of the Ministry of Petroleum & Natural Gas discuss issues of Corporate Strategy and Policy. The 6th Strategy Meet was held on 25-26th August, 2007 at Agra.

4. Conclaves

To have the benefit of cumulative knowledge and experience of the elders of the ONGC family, an assembly of the past and present members of the erstwhile Oil & Natural Gas Commission and Board is organized every year. The 6th Conclave was held on 29-30th September, 2007 at Amby Valley City, Lonawala.

5. Vichar Vishleshan

The Key Executives in-charge of Assets, Basins, Services and Institutes meet periodically with the Executive Committee consisting of the CMD and the functional Directors to review performance and to formulate future plans. During the year under review, 7th 'Key Executive Meet' was held at the ONGC Academy, Dehradun on 18-19 November, 2007

Crude oil: the produce of ONGC energizes the economy

6. Resume Of Directors Proposed To Be Re-appointed

The brief resume of Directors retiring by rotation & 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 for calling Annual General Meeting.

7. Board Committees

The Company has the following Committees of the Board:

7.1 Audit & Ethics Committee

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 of the Listing Agreement and the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) dated 22nd June, 2007 issued by the Department of Public Enterprises.

Composition

The Committee is headed by Shri P.K. Choudhury, an Independent non-executive Director w.e.f. 11th Sept. 2006. Shri P.K. Choudhury is a Chartered Accountant, Post graduate diploma in Advance Finance Management with distinction from Maastricht School of Management, Netherlands, CAIIB, CAIB (London) and Post graduate in Commerce from Calcutta University. Shri Choudhury has multifarious and enriched experience of more than 35 years in Finance and Banking. All members of the Committee have requisite financial and management experience and have held or hold senior positions in other reputed organizations.

Director (Finance), ED-Chief-Corporate Finance and Head-Corporate Internal Audit are the permanent invitees. Representatives of Statutory Auditors and Cost Auditors are invited to attend and participate in the meetings. Functional Directors, Executives of Finance and other departments are invited on need basis.

The Chairman of the Audit & Ethics Committee was present at the last AGM of the Company.

Company Secretary acts as the Secretary to the Committee.

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

a. Overseeing financial reporting processes and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible;

b. Recommending to the Board, audit fees payable to Statutory Auditors appointed by C & AG and approving payments for any other services;

c. Reviewing with management the periodic financial statements/results before submission to the Board, focusing primarily on

- matters required to be included in the Directors' Responsibility Statement ;
- any changes in accounting policies and practices;
- major accounting entries based on exercise of judgement by the management;
- qualifications in draft audit report;
- significant adjustments arising out of audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with listing agreement and legal requirements concerning financial statements;
- any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc that may have potential conflict with the interest of the company at large;

d. Reviewing with the management, Statutory Auditors, Govt. Audit and Internal audit reports, adequacy of internal control systems and recommending improvements to the management;

e. Reviewing the adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits;

f. Discussion with internal auditors on any significant findings and follow-up thereon;

g. Reviewing the findings of any internal investigations by the internal auditors into the 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;

h. Discussion with the Statutory Auditors before the audit commences, the nature and scope of audit, as well as post-audit discussion including their observations to ascertain any area of concern;

i. Reviewing the Company's financial and risk management policies;

j. Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals including those pertaining to Corporate Governance principles;

k. Reviewing the management discussion and analysis of financial condition and results of operations, statement of significant related party transactions, management letters/letter of internal control weaknesses issued by the statutory auditors, internal audit reports;

l. Reviewing the financial statements and in particular the investments made by unlisted and listed subsidiaries of the Company;

m. Matters relating to Corporate Governance including Ethics in business;

n. Appointment and removal of the Chief Internal Auditor;

o. Certification/declaration of financial statements by the Chief Executive and Chief Finance Officer;

During the year 2007-08, eight meetings of Audit & Ethics Committee were held on 10th April, 25th June, 25th July, 24th August, 30th October, 22nd December, 2007 and 21st January &25th February, 2008.

Attendance:

Members	No. of Meetings held during the tenure	Meetings Attended
Shri P K Choudhury, Chairman	8	8
Dr. Bakul H Dholakia	8	8
Dr. R K Pachuari	8	-
Shri VP Singh	8	8
Smt. Sindhushree Khullar (from 10.05.07)	7	-
Permanent Invitees:		
Shri R S Sharma as Director(Finance) (upto 26.12.07)	6	6
Shri B L Ghasolia, ED-Chief Corporate Finance	8	8
Shri D P Mukherjee-Head Corporate Internal Audit	8	8
Shri D K Sarraf, Director (Finance) (from 27.12.07)	2	2

7.2 Remuneration Committee

ONGC being a Government Company, appointment and terms and conditions of remuneration of Executive (whole-time) 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 part-time non-official Directors received sitting fees of Rs. 10000 till 29th February, 2008 and Rs 20,000 w.e.f. 1st March, 2008 for each Board/ Committee meeting attended by them.

The Remuneration Committee of ONGC is headed by Shri S. Sundareshan, Addl. Secretary, MoP&NG from 10th May, 2007, prior to that Shri Anil Razdan, Special Secretary, MoP&NG was heading the Committee upto 8th March, 2007. Dr. Bakul H. Dholakia, a part-time Independent Director, Dr. A.K. Balyan, Director (Human Resource) and Shri D.K.Sarraf, Director (Finance) are the members of the Committee.

One meeting of the above Committee was held on 25th February, 2008. All members were present.

7.2.1 Directors' Remuneration

Remuneration of Directors for the year ended 31st March, 2008 was as follows:

a) Executive Directors (Rs. in lacs)

Sl. No.	Names	Salary including DA	Other benefits & perks	Performance Incentives	Contribution to PF & other Funds	Total	Term up to
1.	Shri R S Sharma	6.96	2.70	1.75	0.89	12.30	31.01.2011
2.	Dr. A K Balyan	8.09	3.81	1.74	0.97	14.61	31.07.2011
3.	Shri N K Mitra	7.87	2.85	1.73	0.87	13.32	31.01.2009
4.	Shri A K Hazarika	8.24	4.19	1.74	0.94	15.11	08.09.2009
5.	Shri D K Pande	7.27	3.10	1.73	0.87	12.97	22.09.2010
6.	Shri U N Bose	7.71	4.29	1.73	0.97	14.70	26.09.2010
7.	Shri D K Sarraf (w.e.f. 27.12.2007)	1.86	0.59	-	0.21	2.66	26.12.2012

Notes:

1. The remuneration does not include cost of medical treatment availed from the Company's owned medical facilities, provision/ payment for gratuity and leave encashment.
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 at the rate of Rs.10000 till 29th February, 2008 and Rs. 20000 w.e.f 1st March, 2008 for attending each meeting of the Board/ Committees thereof. Details of sitting fees paid during the year under review are as follows:

(Rs. in lacs)

Names	Sitting fees
Shri V P Singh	4.30
Shri P K Choudhury	3.90
Dr. R K Pachauri	0.40
Dr. Bakul H Dholakia	3.40

There were no other pecuniary relationships or transactions of the non-executive Directors vis-à-vis the Company.

7.2.2 Stock Options

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

7.2.3 Equity Shares Held By Directors (as On 31st March, 2008)

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:

Names of Directors	No. of Shares held
Shri R S Sharma	1075
Dr. A K Balyan	600
Shri A K Hazarika	1160
Shri N K Mitra	993
Shri D K Pande	1350
Shri U N Bose	298
Shri D K Sarraf	798
Shri V P Singh	100

7.3 Shareholders'/ Investors' Grievance Committee

The Shareholders'/ Investors' Grievances Committee specifically looks into redressing of Shareholders' and Investors' complaints/ grievances pertaining to share transfers, non receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares 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 securities.

The Committee is headed by Shri P.K.Choudhury, an independent non-official Director. The Company Secretary acts as Secretary to the Committee.

During the year 2007-08, three meetings were held on 30th June, 19th October, 2007 and 15th February, 2008. The attendance particulars are as under:

Members	No. of Meetings held during the tenure	Meetings Attended
Shri P K Choudhury, Chairman	3	3
Dr R K Pachauri	3	0
Shri R S Sharma (upto 26.12.2007)	2	2
Dr. A K Balyan	3	2
Shri D K Sarraf (from 27.12.2007)	1	1

7.3.1 Redressal of Investors' Grievances

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

Except for the complaints pertaining to 'Offer for Sale', the Company received 19 shareholders' complaints from Stock Exchanges/ SEBI which inter-alia includes non receipt of dividend/ annual report, issue of Bonus Shares, payment for fraction Bonus Shares etc. The complaints were duly attended to and the Company/ RTA have furnished necessary documents / information to the shareholders.

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 3056. There were 7 outstanding complaints as on 31st March, 2008, which have since been settled.

Barring complaints relating allocation of shares in the Offer for Sale 2004, 763 complaints / queries / correspondence were received from 1st April to 15th June, 2008, which have been resolved.

7.3.2 Settlement Of Grievances

Investors may register the 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	Shri Aniruddha Mitra, Vice-President MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, Delhi - 110020 Phone Nos.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 2000-01 (final) to 2007-08 (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- 23420815-819. Fax No: 040- 23420814. e-mail: mailmanager@karvy.com OR Karvy Computershare Private Ltd., 105-108 Arunachal Building, Ist floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-41036370 (tele-fax) & 43528522 e-mail: delhi@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 2000-01 before 30th September, 2008. After 30th September, 2008, the unpaid dividend amount for the year 2000-01 will be transferred by the Company to the Investor Education & Protection Fund (IEPF) set up by Govt. of India and no claim will lie neither against IEPF nor against 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.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.

7.3.3 **Investor Relations Cell**

In line with global practices, the Company is committed to maintain 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 **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 seeking information.

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

7.4 **Share Transfer Committee**

In order to expedite the process of share transfers and other related activities, the Share Transfer Committee has been empowered to approve the requests received for share transfer/ transmission/ transposition, issue of duplicate share certificates, sub-division, consolidation, re-materialization, change of status etc. These requests are processed through the Registrar & Share Transfer Agent, M/s Karvy Computershare Private Ltd. generally once in a fortnight. The details of transfers are reported to the Board of Directors at the ensuing meeting. The Committee is headed by Shri P.K. Choudhury, an independent Director. The Company Secretary acts as a Convener to the Committee. Effective from 10th April, 2007 the Committee has delegated the power of approving transfer of securities etc. to an Officers' Committee.

The triumph of accomplishment is worth the hard work behind it

The above Committee was merged with Shareholders'/ Investors' Grievance Committee w.e.f. 5th April, 2008.

During the year 2007-08, three meetings were held on 25th July, 19th October, 2007 and 15th February, 2008. These meetings were attended by the members of the Committee, as under:

Members	No. of Meetings held during the tenure	Meetings Attended
Shri P K Choudhury, Chairman	3	3
Dr R K Pachauri	3	1
Shri R S Sharma (as Director (Finance) upto 26.12.2007)	2	2
Dr. A K Balyan	3	3
Shri D K Sarraf (from 27.12.2007)	1	1

7.5 **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 GGM and ED.

During the year 2007-08, seven meetings were held on 10th & 17th April, 10th May, 24th July, 30th October, 2007, 25th February and 8th March, 2008. These meetings were attended by the members of the Committee, as under:

Members	No. of Meetings held during the tenure	Meetings Attended
Dr. Bakul H Dholakia, Chairman	7	7
Shri P K Choudhury	7	4
Shri R S Sharma	7	7
Shri S Sundareshan (from 10.05.07)	5	4
Dr. A K Balyan	7	7
Shri A K Hazarika	7	6
Shri N K Mitra	7	7
Shri D K Pande	7	6
Shri U N Bose	7	6
Shri D K Sarraf (from 27.12.07)	2	2

7.6 **Project Appraisal Committee**

The Project Appraisal Committee examines and makes recommendations to the Board on projects/ capital investments exceeding Rs.150 Crore. Proposals exceeding Rs.150 Crore and up to Rs.250 Crore are appraised in-house, while the proposals exceeding Rs.250 Crore are first appraised by established Merchant Bankers/ Financial Institutions/Consultants. It monitors IOR/ EOR Schemes.

Shri V.P. Singh, an independent Director is the Chairman of the Committee. Director (T&FS) was a Member-Convener of the Committee till 2nd November, 2007. Consequent upon rationalization of the responsibilities of functional Directors, Director (Offshore) became the Member-Convener of the Committee thereafter.

During the year 2007-08, thirteen meetings were held on: 9th April, 10th & 30th May, 7th & 20th June, 24th July, 10th September, 3rd & 30th October, 14th November, 22nd December, 2007 and 25th February and 2nd March, 2008. These meetings were attended by the members of the Committee, as under:

Members	No. of Meetings held during the tenure	Meetings Attended
Shri V P Singh, Chairman	13	13
Shri R S Sharma (upto 26.12.07)	11	11
Shri P K Choudhury	13	9
Shri S Sundareshan (from 10.05.07)	12	11
Smt.Sindhushree Khullar (from 10.05.07)	11	2
Dr. A K Balyan*	13	6
Shri A K Hazarika*	13	10
Shri N K Mitra*	13	13
Shri D K Pande*	13	12
Shri U N Bose *	13	12
Shri A K Jain (10.04.07 to 10.05.07)	01	-
Shri D K Sarraf (from 27.12.2007)	02	02

*These Directors attended only those meetings concerning the Projects of their responsibilities.

7.7 **Health, Safety & Environment Committee**

The terms of reference includes review of policy, processes and systems on Safety, Health, Environment and Ecology aspects. Dr R.K. Pachauri, an independent Director is the Chairman of the Committee. Director (Onshore) acts as a Member-Convener.

The other members of the Committee are Shri S. Sundareshan (from 10.05.07), Shri V.P. Singh, Dr Bakul H.Dholakia, Shri R.S. Sharma (upto 26th December, 2007), Dr. A.K. Balyan, S/ Shri N.K. Mitra, D.K. Pande, U. N. Bose and D.K. Sarraf (from 27th December, 2007).

One meeting of the Committee was held during the year on 19th April, 2007.

7.8 **Financial Management Committee**

Mandate of the Committee includes looking 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.

The Committee is headed by Dr Bakul H. Dholakia, an independent Director. Director (Finance) is the Member - Convener.

S/Shri V.P.Singh, P.K.Choudhury, Smt Sindhushree Khullar (from 10.05.07), Director (Finance) and concerned functional Directors are the members.

During the year 2007-08, six meetings of the Committee were held on 4th April, 10th May, 24th July, 3rd & 30th October and 22nd December, 2007. These meetings were attended by the members of the Committee, as under:

Members	No. of Meetings held during the tenure	Meetings Attended
Dr Bakul H Dholakia, Chairman	6	5
Shri R S Sharma (upto 26.12.2007)	6	6
Shri V P Singh	6	6
Shri P K Choudhury	6	4
Smt Sindhushree Khullar (from 10.05.07)	5	-
Shri D K Sarraf (from 27.12.2007)	-	-

7.9 **Other Functional Committees**

Apart from the above, the Board also 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 for discussing the matter concerning the purpose arises. Time schedule for holding the meetings of such Committees are finalized in consultation with the Committee members.

8. Code of Conduct for Members of the Board and Senior Management

The Company is committed to 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 and 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 copy of the Code has been placed on the Company's website www.ongcindia.com.

A declaration signed by Chairman & Managing Director is given below:

“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 2007-08."

8.1 **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 “Code of Conduct for Prevention of Insider Trading”. 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 during the closure of Trading Window. To deal in securities, beyond specified limit, permission of Compliance Officer is also required. All Directors/ Advisors/ Officers/ designated employees are also required to disclose related information periodically as defined in the Code.

Dedicated to the service of the nation

8.2 **CEO/ CFO Certification**

In terms of revised Clause 49 of the Listing Agreement, the certification by the CEO/ CFO on the financial statements and internal controls relating to financial reporting for year 2007-08 was submitted to the Board on 25th June, 2008.

9. Subsidiary Monitoring Framework

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. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies periodically.

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 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.

Brief of the Company's subsidiary companies as on 31st March, 2008 :

Sl.	Name of the subsidiary	Date of incorporation	Country in which incorporated	Material / Non-material/ Listed/Unlisted
1	Mangalore Refinery & Petrochemicals Ltd.	07.03.88	India	Listed (Material)
2	ONGC Videsh Ltd.	05.03.65	India	Non-material/Unlisted
3	ONGC Nile Ganga BV	12.03.03	The Netherlands	-do-
4	ONGC Narmada Ltd	07.12.05	Nigeria	-do-
5.	ONGC Do Brasil Exploracao Petrolifera Ltda.	07.07.06	Brazil	-do-
6.	ONGC Amazon Alaknanda Ltd.	08.08.06	Bermuda	-do-
7.	ONGC Campos Ltda.	16.03.07	Brazil	-do-
8.	ONGC Nile Ganga (Cyprus) Ltd.	26.11.07	Cyprus	-do-
9.	ONGC Nile Ganga (San Cristobal) B.V.	29.02.08	The Netherlands	-do-

10. Compliance Officer

The Company Secretary has been nominated as the Compliance Officer.

11. Annual General Meetings

Location, date and time, where the AGMs were held during the preceding 3 years:

Year	Location	Date	Time (IST)
2004-05	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	21.09.05	11:00 a.m.
2005-06	Air Force Auditorium, Subroto Park, New Delhi-110010.	19.09.06	10:30 a.m.
2006-07	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	19.09.07	10:30 a.m.

There was no special resolution passed by the Company at the last AGM, nor any Resolution was passed by the Company's members through postal ballot. At the ensuing AGM also, there is no Resolution proposed to be passed through postal ballot.

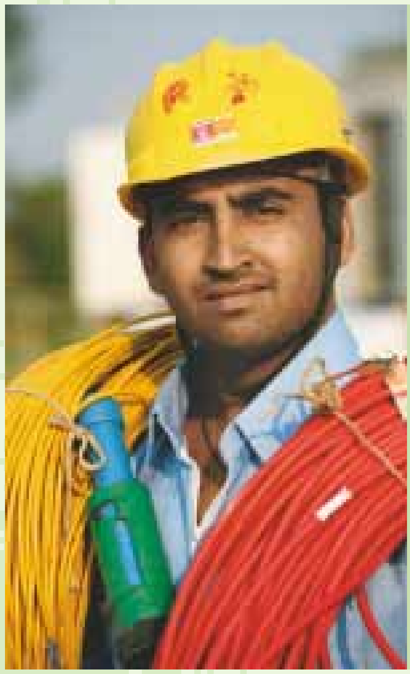
Greeting the toughness of oil business with a smile

12. Disclosures

12.1 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.

Transactions with related parties are disclosed in Note No. 22 of Schedule 28 to the Accounts in the Annual Report. 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.



We will overcome, one day

12.2 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 with in stipulated time with stock exchanges/ other authorities. .

13. 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 taken on record/ approved. These financial results are normally published in the leading English and vernacular dailies having wide circulation across the country. The results are not sent individually to the shareholders. The results are also displayed on the web site of the Company www.ongcindia.com.
- **News Release, Presentation etc.:** The official news releases, detailed presentations made to media, institutional investors, financial analysis 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 shareholders information 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.

14. Shareholders' Information

14.1 Annual General Meeting

Date : 19th September, 2008

Time : 10:00 Hrs

Venue : Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi-110049

14.2 Financial Calender

Adoption of Quarterly Results for the Quarter ending	3rd /4th Week of
30.06.08	July, 2008
30.09.08	October, 2008
31.12.08	January, 2009
31.03.09 (audited)	June, 2009

14.3 Book Closure Period

The Book Closure period is from Wednesday, 10th September to Friday, 19th September, 2008 (both days inclusive) for the payment of Final Dividend.

14.4 Dividend Payment Date

The Dividend payment date will be on or after 20th September, 2008

14.5 Listing on Stock Exchanges:

The equity shares of the Company are part of the 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, Mumbai-400001	Telephone:022-22721233/4, Fax: 022-22721919 **E-mail: info@bseindia.com** Website:www.bseindia.com	500312 ONG CORP. LTD.
National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra(E), Mumbai-400051	Telephone: 022-26598100-8114 Facsimile: 022-26598120, **E-mail: cc_nse@nse.co.in** Website:www.nseindia.com	ONGC

14.6 Listing Fees

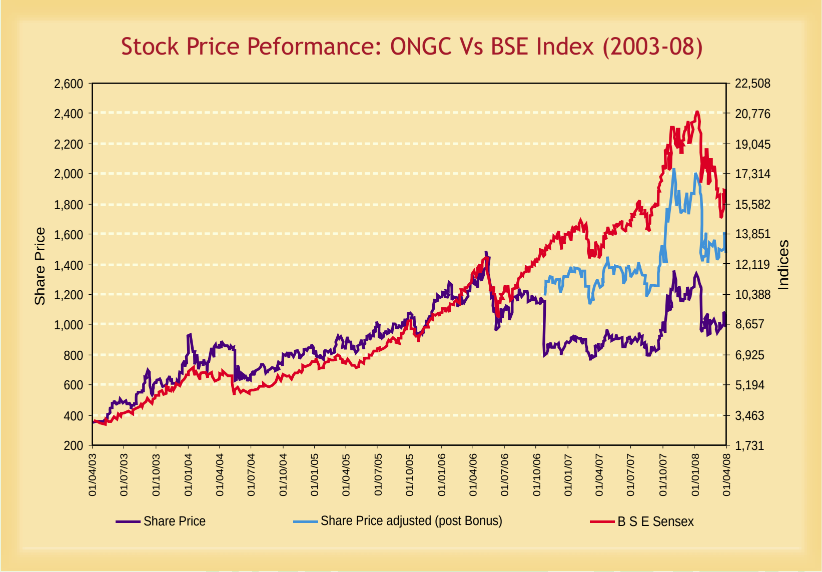
Annual listing fees for the year 2007-08, as applicable have been paid to the above Stock Exchanges.

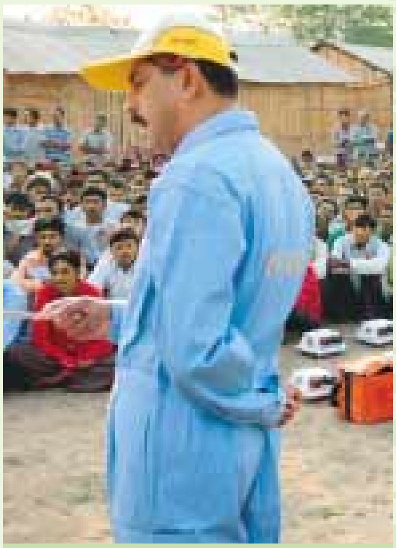
14.7 Demat ISIN Numbers In NSDL & CDSL

(Stock Code): INE213A01011

14.8 Stock Market Information

The stock price performance of ONGC scrip during the past 5 years in comparison to BSE indices and S&P CNX Nifty are plotted as under:





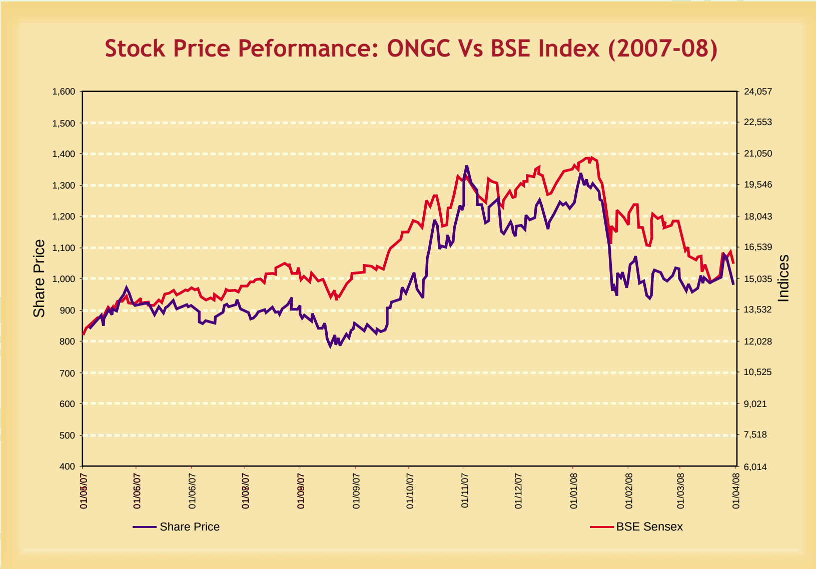
Beginning of a long and disciplined day

14.8.1 Stock Market Data

Month	Bombay Stock Exchange			National Stock Exchange		
	High(Rs.)	Low(Rs.)	Volume	High(Rs.)	Low(Rs.)	Volume
Apr '07	972.80	841.10	3,741,193	972.55	826.10	21,827,541
May '07	933.60	886.80	4,733,624	932.60	883.10	21,089,863
Jun '07	935.90	854.70	3,888,067	943.10	852.90	20,047,509
Jul '07	945.95	874.25	4,025,686	949.30	872.00	20,844,345
Aug '07	888.10	782.70	4,004,323	888.10	783.95	21,396,788
Sep '07	971.65	827.85	6,888,098	972.75	827.70	22,328,633
Oct '07	1247.90	939.70	10,323,258	1246.35	939.65	45,323,974
Nov '07	1366.10	1141.20	6,623,116	1366.25	1137.30	35,727,969
Dec '07	1255.75	1150.00	9,745,301	1254.35	1150.45	30,918,470
Jan '08	1343.80	944.25	9,202,271	1343.10	947.25	43,621,669
Feb '08	1074.30	937.45	5,170,163	1074.70	937.25	24,105,056
Mar '08	1074.95	955.20	6,806,580	1074.05	953.65	31,901,065

Source: Web-sites of BSE & NSE

14.8.2 **Performance in Comparison to broad based indices for 2007-08**



Proud to wear an ONGC hat

14.9 Registrar and Transfer Agents (RTA)

Karvy Computershare Private Ltd. (Karvy) Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081, Phone Nos 040-23420815-819.Fax No. 040-23420814 e-mail: mailmanager@karvy.com are the Registrar and Share Transfer Agent 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)

Keeping in view the convenience of the shareholders, documents relating to shares and any other documents are accepted at Karvy, 105-108 Arunachal Building, 1st Floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-41036370 (tele-fax) and 011-43528522 e-mail : delhi@karvy.com and at the registered office of the Company at 8th Floor, Jeevan Bharti Tower-II,124 Indira Chowk, New Delhi-110001, Phone Nos. 011-23301257 & 23301277, e-mail: secretariat@ongc.co.in

15. Share Transfer System

With a view to expedite the process of share transfer which are received in physical form, the Board had constituted a 'Share Transfer Committee' which usually meets every fortnight to consider and approve the shares received for transfer, transmission, re-materiali-zation and dematerialization etc. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the share transfer is not under any dispute. Effective from 10th April, 2007, the authority for approving transfer, transmission etc. have been delegated to an Officers Committee. A summary of transfer/ transmission of securities so approved by the Officers Committee are placed periodically 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.

Pursuant to Clause 47C of the Listing Agreement, certificates on quarterly 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 Secretarial Audit Report for reconciliation of the share capital 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.

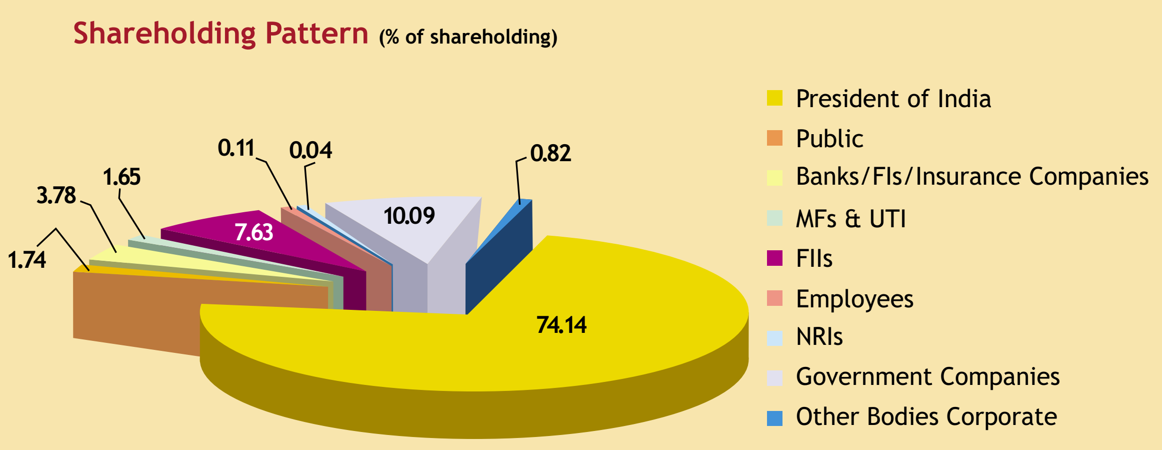
The total number of transfer deeds processed and shares transferred during the last three years are as under:

Years	No. of transfer deeds processed	No. of shares transferred
2007-08	561	25,023
2006-07	216	36,943
2005-06	563	71,319

As on 31st March, 2008, 4 requests involving transfer of 670 shares were under process. The requests were less than 15 days old and have since been processed.

16. Shareholding Pattern as on 31st March, 2008

Category	No. of Shares held	% of Shareholding
President of India	1,585,740,673	74.14
Banks, Financial Institutions and Insurance Companies	80,976,638	3.78
Foreign Institutional Investors	163,093,588	7.63
Mutual Funds & UTI	35,193,551	1.65
NRIs	872,592	0.04
Bodies Corporate:		
• Government Companies	215,881,124	10.09
• Others	17,439,818	0.82
Employees	2,427,619	0.11
Public	37,246,927	1.74
Total	2,138,872,530	**100.00**



16.1 Top 10 Shareholders as on 31st March, 2008

S.No.	Name	No. of Shares held	% of Shareholding
1	President of India	1,585,740,673	74.14
2	Indian Oil Corporation Limited	164,480,857	7.69
3	Gail (India) Limited	51,400,267	2.40
4	Life Insurance Corporation of India	67,513,844	3.15
5	Europacific Growth Fund	22,557,739	1.05
6	Franklin Templeton Investment Funds	17,949,352	0.84
7	Capital World Growth and Income Fund	10,101,500	0.47
8	Lazard Asset Management LLC A/C Lazard Emerging MA	7,184,160	0.34
9	New World Fund Inc	4,850,889	0.23
10	Bajaj Allianz Life Insurance Company Ltd.	4,035,015	0.19

16.2 Distribution of Shareholding by size as on 31st March, 2008

Category	Number of Shareholders	% of Shareholders	Total number of Shares	% of Amount
1 - 500	3,95,161	95.60	23,572,024	1.09
501 - 1000	13,627	3.30	10,308,315	0.49
1001 - 2000	3,159	0.76	4,045,581	0.19
2001 - 3000	307	0.07	763,312	0.04
3001 - 4000	151	0.04	527,197	0.02
4001 - 5000	75	0.02	338,459	0.02
5001 - 10000	203	0.05	1,433,342	0.06
10001 & Above	667	0.16	2,097,884,300	98.09
Total	**4,13,350**	**100.00**	**2,138,872,530**	**100.00**

16.3 Geographical Distribution of Shareholders as on 31st March, 2008

S. No.	City	Shareholders		Shareholding	
		Nos	% age	No of shares	% age of holding
1	New Delhi	31,057	7.51	1,641,069,756	76.72
2	Mumbai	98,889	23.93	466,027,633	21.79
3	Kolkatta	27,419	6.63	3,870,441	0.18
4	Chennai	16,252	3.93	3,801,977	0.18
5	Vadodara	17,986	4.35	3,411,144	0.16
6	Ahmedabad	29,468	7.13	3,197,197	0.15
7	Guwahati	6,545	1.58	1,664,690	0.08
8	Bangalore	17,504	4.24	1,232,769	0.06
9	Hyderabad	9,156	2.21	669,085	0.03
10	Pune	9,135	2.21	656,339	0.03
11	Others	149,939	36.28	13,271,499	0.62
	Total	**413,350**	**100.00**	**2,138,872,530**	**100.00**

17. Corporate Benefits

Dividend History

Years	Rate (%)	Per Share (Rs.)	Amount (Rs. in million)
2003-04			
• Interim	140	14	19,963.08
• Final	100	10	14,259.34
2004-05			
• Interim	200	20	28,518.68
• Final	200	20	28,518.68
2005-06			
• Interim	250	25	35,648.35
• Final	200	20	28,518.68
2006-07			
• Interim	180	18	38,499.66
• Final	130	13	27,805.31
2007-08			
• Interim	180	18	38,499.66
• Final (proposed)	140	14	29,944.22

Apart from the above, the Company had issued Bonus Shares in 2006 in the ratio of 1 bonus share for every 2 shares held.

18. Transfer of Unpaid/ Unclaimed Dividend Amount to Investor Education & Protection Fund (IEPF)

During the year under report, an amount of Rs.1,022,844 pertaining to unpaid dividend for the financial year 1999-2000 was transferred to the Investor Education & Protection Fund (IEPF) set up by the Central Government. This is in accordance with 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.

Unclaimed final dividend for the year 2000-2001 is due for transfer to IEPF on or before 26th October 2008. All Shareholders, whose dividend is unpaid, are requested to lodge their claim with M/s Karvy, the RTA by submitting an application before 30th September, 2008 since no claim will lie against the Company or the IEPF once the dividend amount is deposited in IEPF.

Members who have not encashed their dividend warrants within their validity period may write to the Company at its Registered office or M/s Karvy, the RTA, for revalidating or obtaining duplicate warrant.

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*
2000-01	27.09.01	26.10.08
2001-02	20.09.02	19.10.09
2002-03		
• Interim	31.01.03	28.02.10
• Final	29.09.03	28.10.10
2003-04		
• Interim	04.02.04	03.03.11
• Final	29.09.04	28.10.11
2004-05		
• Interim	24.12.04	23.01.12
• Final	21.09.05	20.10.12
2005-06		
• Interim	23.12.05	22.01.13
• Final	19.09.06	18 .10.13
2006-07		
• Interim	28.12.06	27.01.14
• Final	19.09.07	18.10.14
2007-08		
• Interim	22.12.07	21.01.15
• Final	19.09.08	18.10.15

*Indicative dates, actual dates may vary

19. Dematerialization Of Shares And Liquidity

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. As on 31st March, 2008, 521,008,195 Equity shares forming 99.51% of divested shareholding, stood dematerialized. Small shareholders can approach separate window at Stock Exchange to sell up to 500 shares in physical form.

20. Outstanding GDRs/ ADRs/ Warrants Or Convertible Instruments

No GDR / ADR / Warrant or Convertible Instrument has been issued by the Company.

21. Legal Proceedings

No case and/ or suit of any material or substantial nature have been pending against the Company.

The High Seas: natural habitat of many ONGCians

22. Assets/ Basins/ Plants/ Institutes

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. Rajamundry Asset, Rajamundry
8. Karaikal Asset, Karaikal
9. Assam Asset, Nazira
10. Tripura Asset, Agartala

Managing oil installations is a 24x7 job

B. Basins

1. Western Offshore Basin, Mumbai
2. Western Onshore Basin, Baroda
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

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.

23. Investor Services

The Company serves its investors through its own Investors' Service Cell and Registrar & Transfer Agent, M/s. Karvy Computershare Pvt. Ltd. who have adequate computer hardware & software and VSAT connectivity with both the depositories, which facilitate better and faster service to the investors.

Other facilities, such as remittance of dividend through Electronic Clearing Services (ECS), Bank mandate, incorporation of Bank details on dividend warrants, direct deposit of dividends, reminders for unclaimed dividends, nomination facility, issue of Public Notice for lost share certificate, issue of duplicate share certificate, etc. are also extended.

23.1 Addresses for Shareholders' Correspondence

- ***Investor Correspondence:*** For transfer/transmission/dematerialisation of shares, payments of dividend, bonus shares and other query relating to shares of the Company:
- ***For Shares held in Physical Form***
  M/s Karvy Computershare Private Ltd.
  Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081.
  Telephone: 040- 23420815-819; Fax: 040-23420814.
  email:mailmanager@karvy.com
- ***For Shares held in Demat Form***
  To the Investors' Depository Participant(s) and/ or Karvy Computershare Private Limited.
- ***For Offer for Sale made by Govt. in 2004***
  MCS Limited
  SRI VENKATESH BHAWAN W-40, Okhla Industrial Area, Phase II, Delhi - 110020
  Phone Nos.011-41406149,51-52 Fax Nos. 011-41709881.
  e-mail: admin@mcsdel.com

24. Risk Management

The framework for risk assessment and minimization thereto has been evaluated and further improvements, if any, suggested by experts shall be incorporated.

25. Compliance Certificate of the Auditors

Certificate from the Auditors of the Company on 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.

26. Adoption of Non-mandatory Requirements of Clause 49

The following non-mandatory requirements have already been implemented and have been reflected elsewhere in this report:

- The Company has constituted a **Remuneration Committee** and the information has been reflected in para 7.2.
- With regard to **Shareholders' Rights,** communication of financial results are being published widely and also hosted on the Company's website (refer para 13)
- As far as **Audit Qualifications** are concerned, the Company is in the regime of unqualified financial statements.
- With regard to **Whistle Blower Policy**, since ONGC is a PSU, the guidelines of CVC are applicable which also provide adequate safeguards against victimisation of employees who avail of the mechanism. No person is denied access to the Audit and Ethics Committee (or it's Chairman in exceptional cases).
- The guidelines issued by DPE on Corporate Governance are being followed.
- No Presidential Directive has been issued during 2007-08 and in the last three years.
- 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 administrative and office expenses were 5.45 % of total expenses during 2007-08 as against 3.53% during the previous year. The increase is on account of pay revision due from 01.01.2007 which has been provided for in the accounts of 2007-08.

27. Secretarial Compliance Report

Secretarial Compliance Report on compliance to the applicable provisions of Companies Act, 1956, Listing Agreement, SEBI 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.

28. Fee to Statutory Auditors

The fee paid/payable to the Statutory Auditors for the year was Rs. 6.75 milion (previous year Rs. 6.75 million) including Rs. 0.5 million (previous year Rs. 0.5 million) as fee for certification of Corporate Governance Report, and Rs. 2.4 million (previous year 1.875 million) for limited review report.

Every eighth cylinder of LPG (cooking gas) is produced by ONGC - Panoramic view of Hazira plant

To
The Members
Oil and Natural Gas Corporation Ltd.

auditors' certificate on compliance of conditions of corporate governance

We have examined the Compliance of conditions of Corporate Governance by **Oil And Natural Gas Corporation Limited** for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination as carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and was limited to review the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company, except that the Board of Directors does not comprise of the required number of Independent Directors and Non-Executive Directors as per the terms of provisions of Clause 49 of the Listing Agreement, has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that except for grievances relating to offer for sale of up to 10% equity shares by Government of India made in 2004 and few other investor grievances constrained by incomplete documentation and/or legal impediments, all complaints were settled within a period of one month as per the records maintained by the Shareholders'/ Investors' Grievance Committee.

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 K K Soni & Co.
Chartered Accountants

(S. S. Soni)
Partner (Mem. No. 94227)

For S C Ajmera & Co.
Chartered Accountants

(Arun Sarupria)
Partner (Mem. No. 78398)

For PSD & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem.No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
22nd July, 2008

The Board of Directors,
Oil and Natural Gas Corporation Ltd.
Regd. Office: Jeevan Bharti, Tower-II
124, Indira Chowk
New Delhi-110001.

secretarial compliance report

We have examined the registers, records and documents of Oil and Natural Gas Corporation Ltd. (the Company) for the financial year ended on 31st March, 2008 according to the provisions of:

The Companies Act, 1956 and Rules made under the Act;

The Depositories Act, 1996 and the Regulations and Bye laws framed under the Act;

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

The Securities and Exchange Board of India (Prohibition of Insider Trading (Regulations), 1992; and

The Equity Listing Agreement with the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd.

Based on our examination and verification of records produced to us and according to the information and explanations given to us by the Company, in our opinion, the Company has complied with the provisions of the Companies Act, 1956 ("the Act") and Rules made under the Act and the Memorandum and Articles of Association of the Company with regard to:

(a) Maintenance of statutory registers and documents and making necessary entries therein;

(b) Filing of the requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana within the time prescribed under the Act and the Rules;

(c) Service of documents by the Company on its members and the Registrar of Companies;

(d) Closure of Register of Members and Share Transfer Books of the Company from 12th September, 2007 to 19th September, 2007 (both days inclusive);

(e) Notice of Board Meetings and Committee meetings of Directors;

(f) Convening and holding of the meetings of Directors and Committees of Directors including passing of resolutions by circulation;

(g) The 14th Annual General Meeting held on 19th September, 2007;

(h) Minutes of proceedings of General Meeting and meetings of Board and its committees;

(i) Constitution of Board of Directors and appointment, retirement and re- appointment of directors;

(j) Appointment of Chairman and Managing Director, Whole Time Directors and Non-Executive Directors and their remuneration;

(k) The Directors disclosed their interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities and their disclosures have been noted and recorded by the Board;

(l) Transfers and transmission of shares and issue and delivery of original and duplicate certificates of shares, dematerialization / rematerialization of shares;

(m) Declaration and payment of dividend including interim dividend;

(n) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;

(o) Investment of Company's funds including inter corporate loans and investments;

(p) Appointment and remuneration of Auditors;

(q) Appointment of Cost Auditors under Section 233B of the Act;

(r) The Company made application to the Central Government seeking exemption from provisions of Section 212 of the Act in relation to its subsidiary companies for the year 2007-08. Approval of Central Government has been received vide letter No. 47 / 333 / 2008-CL-III dated 30th May, 2008;

(s) The Company wherever necessary has kept in abeyance rights to dividend declared at the Annual General Meeting held on19th September, 2007 and interim dividend declared on 22nd December, 2007, pending registration of transfer of shares in compliance with the provisions of the Act;

(t) The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year;

(u) The Company has not made any secured borrowings during the financial year ended on 31st March, 2008;

(v) The Company has not bought back any shares during the financial year;

(w) The Company has not altered any provisions of its Memorandum of Association or Articles of Association during the financial year;

(x) The Company has created a trust, namely, the ONGC Employees Contributory Provident Fund Trust for its employees. TheCompany has deposited both the employees' and employer's contribution with the above Trust within the prescribed time pursuant to Section 418 of the Act;

(y) There was no prosecution initiated against or show cause notice received by the Company and no fines or any other punishment was imposed on the Company, its Directors and officers during the financial year for any offences under the Act;

2. We further report that the Company has complied with the provisions of the Depositories Act, 1996 and Regulations framed thereunder with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.

3. We further report that:

(i) The Company has complied with the requirements of Equity Listing Agreements entered into with the Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd. except that the Board of Directors does not comprise of the required number of Independent Directors as per clause 49 (I) (A) of the Listing Agreement.

(ii) The Company has complied with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to disclosures and maintenance of records required under the Regulations.

(iii) The Company has complied with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the Regulations.

For A.N.Kukreja & Co.
Company Secretaries.

(A.N.Kukreja)
Proprietor
CP No.2318

New Delhi
10th July, 2008

details of the subsidiary companies

Name of Subsidiary Company	ONGC Videsh Ltd.	ONGC Nile Ganga B.V.*		ONGC Campos Ltda.		ONGC Do Brasil Explorancao Petrolifera Ltda.		ONGC Narmada Limited		ONGC Amazon Alaknanda Limited		Mangalore Refinery and Petrochemicals Limited
	(Rs. in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)
(a) Capital	10,000.00	3.98	0.10	4,775.21	119.92	0.04	0.00	6.37	0.16	17,421.25	437.50	17,618.21
(b) Reserves	30,568.90	50,473.04	1,267.53	(2,337.04)	(58.69)	-	-	(262.81)	(6.60)	3,189.18	80.09	20,211.22
(c) Total Assets	176,233.95	71,013.40	1,783.36	5,057.14	127.00	0.04	0.00	536.77	13.48	22,220.75	558.03	115,369.09
(d) Total Liabilities	135,665.05	20,536.37	515.73	2,618.96	65.77	-	-	793.21	19.92	1,610.32	40.44	115,369.09
(e) Details of Investment (except in case of investment in the subsidiaries)	2,129.26	-	-	-	-	-	-	-	-	-	-	6,451.36
(f) Turnover	69,087.12	96,822.28	2,403.88	-	-	-	-	-	-	5,004.08	124.24	325,751.28
(g) Profit before Taxation	15,309.36	25,340.19	629.14	31.01	0.77	-	-	(93.85)	(2.33)	3,463.87	86.00	17,331.83
(h) Provision for Taxation	6,815.18	9,753.20	242.15	-	-	-	-	-	-	740.30	18.38	4,609.55
(i) Profit after Taxation	8,494.18	15,586.99	386.99	31.01	0.77	-	-	(93.85)	(2.33)	2,723.57	67.62	12,722.28
(j) Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	2,103.49

*Including figures in respect of Subsidiaries & JV Companies.

Exchange Rate
As on 31st March, 2008 — 1 US$ = Rs. 39.8200
Average Rate for 2007-08 — 1 US$ = Rs. 40.2775

Note:
In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Report of Directors and Auditors of the Subsidiary Companies are not attached to the Balance Sheet of the Company. The annual accounts of the subsidiary companies and the related detailed information will be made available to the investors, seeking such information at any point of time. The same are also available for inspection by any investor at the Registered Office of the Company as well as at the Registered Office of the Subsidiary.

ONGCians on deck of an offshore vessel

ONGC VIDESH LIMITED

ओएनजीसी विदेश

ONGC VIDESH

board of directors

R S Sharma
Chairman

R S Butola
Managing Director

D K Sarraf
Director (Finance) upto 27^{th} December, 2007, rejoined as Part-time Director on 2^{nd} January, 2008

Anupam Mathur
Director (Commercial)

Joeman Thomas
Director (Exploration)

Arvind Mayaram

Sunil Jain
(from 6th February, 2008)

Dr. A K Balyan

N K Mitra

A K Hazarika

D K Pande

U N Bose

P K Choudhury
(from 15th October, 2007)

director - part of the year

A K Jain
(upto 1st January, 2008)

reference information

Registered Office

ONGC Videsh Limited
601, "Kailash"
26, Kasturba Gandhi Marg,
New Delhi - 110 001 (India)

Statutory Auditors

M/s Batra Sapra & Co.

Bankers

State Bank of India

Subsidiaries

ONGC Nile Ganga BV
ONGC Narmada Limited
ONGC Amazon Alaknanda Limited
ONGC Do Brasil Exploracao Petrolifera Ltda.
ONGC Compos Ltda.
ONGC Nile Ganga (Cyprus) Ltd.
ONGC Nile Ganga (San Cristobal) BV

Company Secretary

Shri Jagdish Prasad

Web Site

www.ongcvidesh.com

consolidated performance at a glance

(Rupees in million, Unless otherwise Stated)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
PHYSICAL						
Crude Oil (MMT) (including Condensate)	**6.840**	5.804	4.584	3.714	3.345	0.183
Gas (BCM)	**1.962**	2.148	1.755	1.349	0.523	0.070
FINANCIAL						
Income from Operations (Turnover)	**169,342**	119,010	81,707	60,258	35,023	2,328
Statutory Levies	**61,059**	52,509	39,997	28,191	16,524	770
Operating Expenses	**20,070**	18,107	14,534	9,709	3,821	406
Profit Before Interest Deprication & Tax (PBIDT)	**88,213**	48,394	27,176	22,358	14,678	1,152
Recouped Costs	**36,650**	21,335	11,204	7,670	6,134	231
Operating Income (PBIT)	**51,563**	27,059	15,972	14,688	8,544	921
Exchange Loss / (Gain)	**3,243**	(2,527)	(1,005)	264	913	164
Interest Payment	**7,373**	318	40	13	64	30
Hedging Cost	**217**	-	-	-	-	-
Profit Before Tax	**40,730**	29,268	16,937	14,411	7,567	727
Corporate Tax	**16,759**	12,635	8,234	6,797	3,283	137
Net Profit	**23,971**	16,633	8,703	7,614	4,284	590
Less: Share of Profit / (Loss)- Minority Interest (ONGC)	**-**	-	(309)	-	-	-
Group Profit After Tax (PAT)	**23,971**	**16,633**	**9,012**	**7,614**	**4,284**	**590**
Dividend	**-**	-	-	1,050	-	-
Tax on Dividend	**-**	-	-	147	-	-
Share Capital	**10,000**	10,000	3,000	3,000	3,000	3,000
Net Worth (Equity)	**63,059**	43,736	21,977	12,227	8,720	5,022
Borrowings	**113,738**	132,347	159,242	116,610	87,581	70,534
Working Capital	**29,592**	29,438	74,399	42,371	23,364	11,372
Capital Employed	**153,556**	159,451	140,105	81,084	63,645	52,853
Internal Resources Generation	**36,733**	41,774	21,158	6,275	4,887	835
Plan Expenditure	**45,293**	71,519	63,306	43,101	23,422	49,683
Expenditure on Employees	**628**	666	602	346	322	71
Number of Employees	**190**	110	90	85	63	51
FINANCIAL PERFROMANCE RATIOS						
PBIDT to Turnover (%)	**52.09**	40.66	33.26	37.10	41.91	49.48
PBDT to Turnover (%)	**45.69**	42.52	34.44	36.64	39.12	41.15
Profit Margin (%)	**14.16**	13.98	11.03	12.64	12.23	25.34
ROCE (PBIDT to Capital Employed) (%)	**57.45**	30.35	19.40	27.57	23.06	2.18
Net Profit to Equity (%)	**38.01**	38.03	41.01	62.27	49.13	11.75
BALANCE SHEET RATIOS						
Current Ratio	**2.23:1**	2.56:1	7.27:1	5.30:1	3.63:1	2.99:1
Debt Equity Ratio	**1.80:1**	3.03:1	7.25:1	9.54:1	10.04:1	14.05:1
Debtors Turnover Ratio (Days)	**33**	34	18	46	13	267
PER SHARE DATA						
Earning Per Share (Rs.)	**239.71**	224.44	300.40	253.79	142.82	19.66
Dividend (%)	**-**	-	-	35	-	-
Book Value Per Share (Rs.)	**631**	437	733	408	291	167

statement of consolidated income & retained earnings

(Rupees in million)

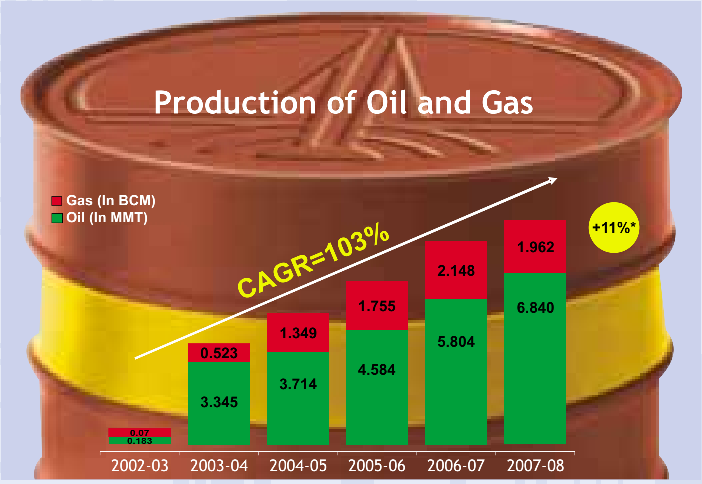
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
REVENUES						
Sales						
Crude Oil	**155,430**	102,426	64,415	47,696	30,881	1,690
Gas	**6,780**	8,004	6,668	4,552	1,469	99
Condensate	**2,081**	1,841	1,466	833	97	-
Construction Contract Revenue	**-**	-	2,174	5,430	-	-
Transportation and Other Services	**3,122**	3,269	3,199	-	-	-
Sub Total	**167,413**	**115,540**	**77,922**	**58,511**	**32,447**	**1,789**
Other Income						
Interest Income	**1,442**	2,273	3,127	1,418	814	366
Lease Income	**352**	435	271	-	-	-
Other Income	**333**	365	373	332	1,720	165
Increase/(Decrease) in Stock	**(198)**	397	14	(3)	42	8
Total Income from operations	**169,342**	**119,010**	**81,707**	**60,258**	**35,023**	**2,328**
COST & EXPENSES						
Operating, Selling & General						
(a) Production, Transportation & other Operating Expenses	**13,554**	12,531	7,256	5,060	3,824	404
(b) Royalities	**60,350**	51,130	39,061	27,781	16,289	761
(c) Value Added Tax & other Taxes	**709**	1,379	936	410	235	9
(d) Construction Contract Expenditure	**-**	-	2,699	4,253	-	-
(e) Provisions & Write Offs	**5,595**	1,409	394	13	-	-
(f) Prior Period Adjustments (Net)	**921**	4,167	4,185	383	(3)	2
Sub Total (a to f)	**81,129**	**70,616**	**54,531**	**37,900**	**20,345**	**1,176**
Depletion, Deprication & Amortisation						
(a) Depletion	**11,777**	12,590	4,615	2,952	2,424	140
(b) Deprication	**9,894**	2,678	1,170	883	919	41
(c) Amortisation	**13,654**	5,275	4,272	3,769	1,119	-
(d) Others	**1,325**	792	1,147	66	1,672	50
Sub Total (a to d)	**36,650**	**21,335**	**11,204**	**7,670**	**6,134**	**231**
TOTAL COST & EXPENSES	**117,779**	**91,951**	**65,735**	**45,570**	**26,479**	**1,407**
Operating Income Before Financial Cost & Tax	**51,563**	**27,059**	**15,972**	**14,688**	**8,544**	**921**
Financial Costs						
Exchange Loss / (Gain)	**3,243**	(2,527)	(1,005)	264	913	164
Interest Payments	**7,373**	318	40	13	64	30
Hedging Cost	**217**	-	-	-	-	-
Sub Total	**10,833**	**(2,209)**	**(965)**	**277**	**977**	**194**
Profit Before Tax	**40,730**	**29,268**	**16,937**	**14,411**	**7,567**	**727**
Corporate Tax (Net)	**16,759**	12,635	8,234	6,797	3,283	137
Net Profit	**23,971**	**16,633**	**8,703**	**7,614**	**4,284**	**590**
Less: Share of Profit / (Loss)- Minority Interest (ONGC)	**-**	-	(309)	-	-	-
Group Profit after Tax	**23,971**	**16,633**	**9,012**	**7,614**	**4,284**	**590**
Dividend	**-**	-	-	1,050	-	-
Tax on Dividend	**-**	-	-	147	-	-
Retained Earnings for the Year	**23,971**	**16,633**	**9,012**	**6,417**	**4,284**	**590**

statement of consolidated financial position

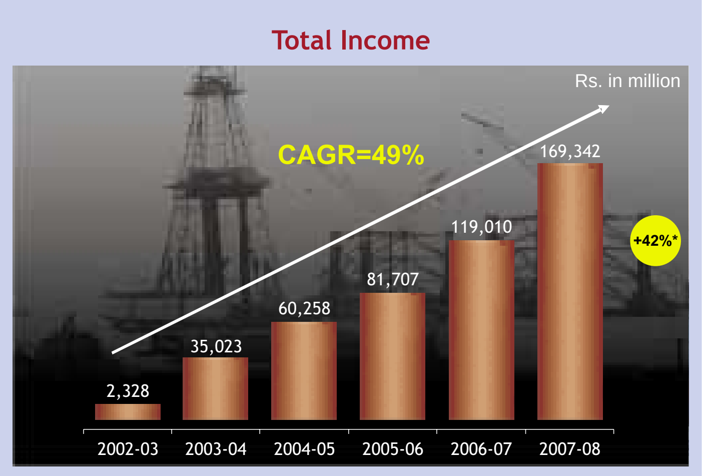
(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2003
RESOURCES						
A. Own						
1. Net worth						
(a) Equity						
i) Share Capital	**10,000**	10,000	3,000	3,000	3,000	3,000
ii) Reserves & Surplus	**53,059**	33,736	18,977	9,227	5,720	2,096
Sub Total	**63,059**	**43,736**	**21,977**	**12,227**	**8,720**	**5,096**
(b) Less: Intangible Assets	-	-	-	-	-	74
Net Worth	**63,059**	**43,736**	**21,977**	**12,227**	**8,720**	**5,022**
2. Minority Interest (ONGC)	-	-	6,708	-	-	-
3. Long Term Liability- Deferred Tax Liability	**8,211**	9,759	6,635	4,253	1,734	1,822
Total Own Funds (1 + 2+ 3)	**71,270**	**53,495**	**35,320**	**16,480**	**10,454**	**6,844**
B. Outside						
Loans						
Oil Industry Devleopment Board	**-**	-	61	157	253	349
Oil and Natural Gas Corporation Limited	**112,649**	130,941	157,618	115,469	84,849	67,313
Non Recourse Deferred Credit	1,089	1,406	1,519	984	-	-
Bank Loans / Overdraft	-	-	44	-	2,479	2,872
Total Outside Resources	**113,738**	**132,347**	**159,242**	**116,610**	**87,581**	**70,534**
TOTAL RESOURCES (A + B)	**185,008**	**185,842**	**194,562**	**133,090**	**98,035**	**77,378**
DISPOSITION OF RESOURCES						
A. Block Capital						
1. Fixed Assets	**45,144**	50,774	17,247	12,013	12,716	14,323
2. Producing Properties (Net of Depletion)	**60,840**	56,056	36,806	15,947	15,904	15,497
Less: Liability for Abandonment Cost	**4,867**	4,503	2,519	-	-	-
Net Producing Property	**55,973**	51,553	34,287	15,947	15,904	15,497
3. Goodwill	**22,847**	27,686	14,172	10,753	11,661	11,661
Total Block Capital (1+2+3)	**123,964**	**130,013**	**65,706**	**38,713**	**40,281**	**41,481**
B. Working Capital						
(a) Current Assets						
i) Inventories	**3,200**	3,649	2,163	1,175	885	882
ii) Debtors (Net of Provision)	**15,222**	11,203	3,944	7,566	1,211	1,701
iii) Cash & Bank Balances	**21,564**	12,125	2,563	7,083	8,267	3,627
iv) Loans & Advances and Others	**13,669**	21,306	77,599	36,402	21,901	10,869
Sub Total	**53,655**	**48,283**	**86,269**	**52,226**	**32,264**	**17,079**
Less:						
(b) Current Liabilites and Provisions	**24,063**	18,845	11,870	9,855	8,900	5,707
Working Capital (a - b)	**29,592**	**29,438**	**74,399**	**42,371**	**23,364**	**11,372**
C. Capital Employed (A + B)	**153,556**	159,451	140,105	81,084	63,645	52,853
D. Capital Works In Progress	**12,503**	14,149	43,746	45,476	30,770	23,910
E. Exploratory/Development Wells In Progress	**18,949**	12,242	10,711	6,530	3,620	615
TOTAL DISPOSITION (C TO E)	**185,008**	**185,842**	**194,562**	**133,090**	**98,035**	**77,378**

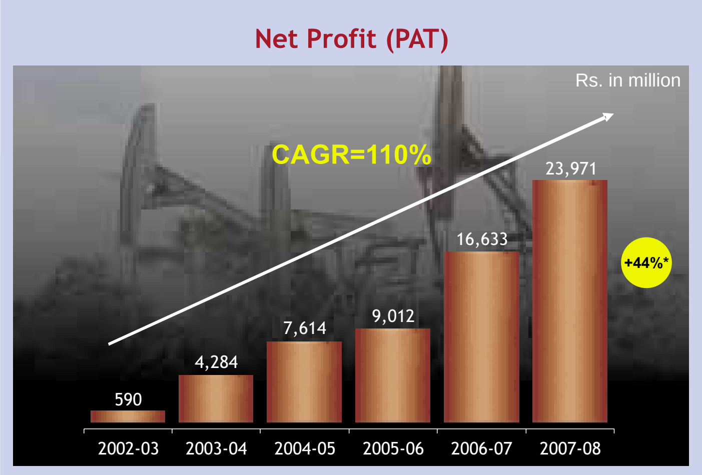
operational & financial highlights: FY '08



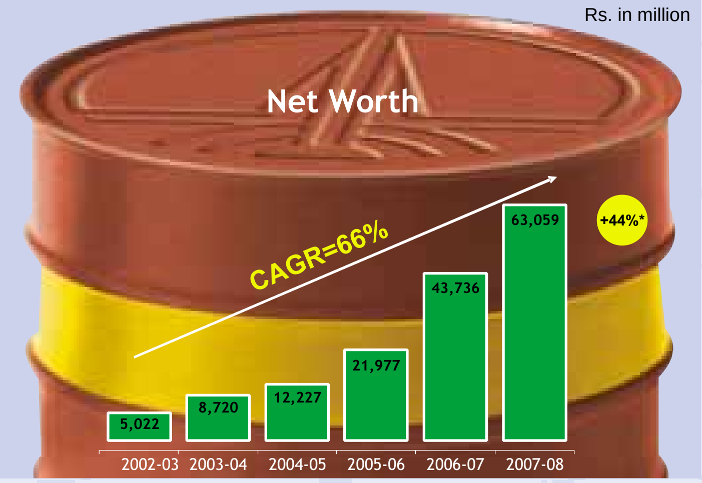
* 2007- 08 up over 2006 - 07



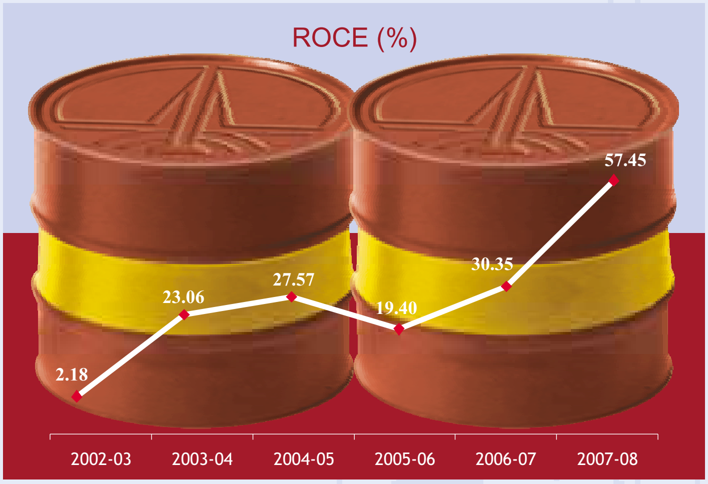
* 2007- 08 up over 2006 - 07

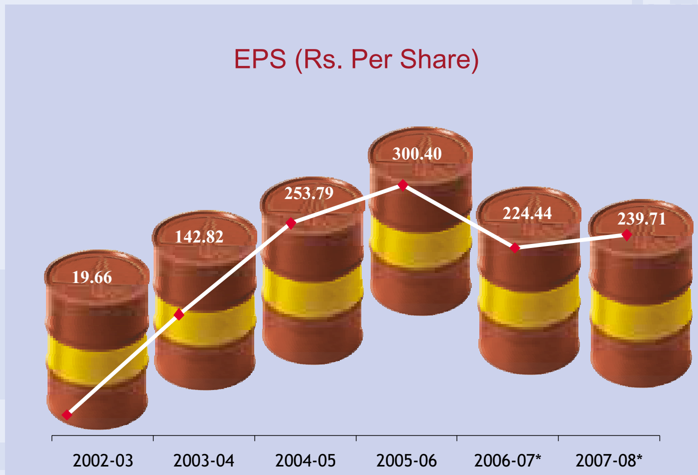


* 2007- 08 up over 2006 - 07

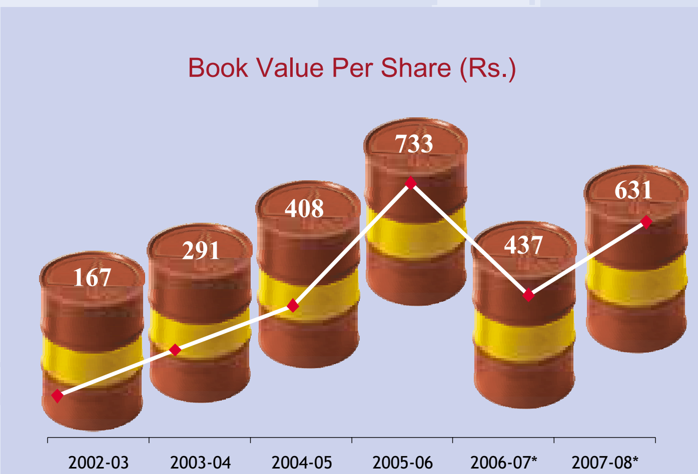


* 2007- 08 up over 2006 - 07

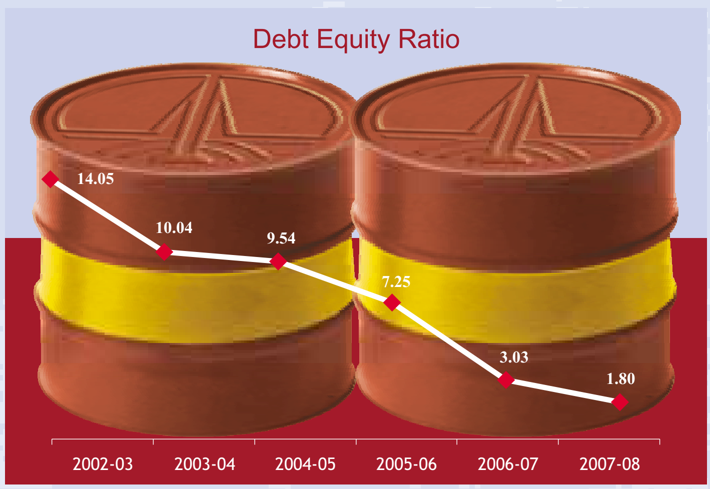




* Post increase in share capital



* Post increase in share capital



Mr. R.S. Butola, Managing Director at Lan Tay Platform, Block 06.1 Vietnam

directors' report

Dear Members,

On behalf of the Board of Directors of your Company, I take immense pleasure in presenting to you the 43rd Annual Report on the working of the Company for the financial year ended 31st March, 2008, together with the Audited Statements of Accounts, the Auditors' Report and the Comments on the Accounts by the Comptroller and Auditor General of India.

1. Performance Highlights

Your Company has completed yet another successful year, which brought an overall growth in financial and physical performances. Major performance highlights of the year are as below:

- Company secured equity participation in 11 oil and gas projects in 6 countries.
- Company's consolidated production of Oil plus Oil-Equivalent Gas (O+OEG) increased from 7.952 MMTOE to 8.802 MMTOE, up 11%.
- Company's consolidated gross revenue increased from Rs. 119,009.55 million to Rs. 169,342.38 million, up 42%.
- Company earned consolidated net profit of Rs. 23,971.35 million, up 44% from Rs. 16,632.87 million.

2. Financial Results

a) Consolidated Accounts

The Consolidated Accounts incorporate accounts of ONGC Nile Ganga BV-Consolidated (Subsidiary), ONGC Narmada Limited (Subsidiary), ONGC Amazon Alaknanda Limited (Subsidiary) and ONGC Mittal Energy Limited (Jointly Controlled Entity) and form parts of the Annual Report and Accounts.

(Rs. in million)

Particulars	**2007-08**	**2006-07**
Total Income	**169,342.38**	119,009.55
Expenditure	**128,611.98**	89,741.58
Profit Before Tax	**40,730.40**	29,267.97
Provision for Tax (including Deferred Tax)	**16,759.05**	12,635.10
Profit After Tax	**23,971.35**	**16,632.87**
Paid-up Equity Share Capital	**10,000.00**	10,000.00
Net Worth	**63,059.03**	43,735.65
Earning Per Share of Rs. 100 each (Rs.)	**239.71**	224.44

b) ONGC Videsh Limited

(Rs. in million)

Particulars	**2007-08**	**2006-07**
Total Income	**70,045.08**	31,791.81
Expenditure	**54,735.72**	17,386.76
Profit Before Tax	**15,309.36**	14,405.05
Provision for Tax (including Deferred Tax)	**6815.18**	3,879.49
Profit After Tax	**8494.18**	**10,525.56**
Transfer to General Reserve	**849.41**	1,052.55
Paid-up Equity Share Capital	**10,000.00**	10,000.00
Net Worth	**40,568.90**	31,993.47
Earning Per Share of Rs. 100 each (Rs.)	**84.94**	142.03

c) **Dividend**

No dividend has been proposed for the financial year 2007-08, as the Company has decided to keep its internal resources for funding of its growing operations requirements.

3. Reserves

Details of balance proven Oil and Gas reserves held by your Company, including that of the subsidiaries are placed at Note-15 of Schedule '25' to Consolidated Accounts. In brief, your Company's balance reserves holding under different categories are as under:

(Rs. in million)

		As on 31st March, 2008	As on 31st March, 2007
1.	**1P Reserves (Proved)**		
	Oil (including Condensate) (In MMT)	**75.742**	95.744
	Gas (In BCM)	**84.000**	98.886
	Total 1P Reserves (In MMTOE)	**159.742**	**194.630**
2.	**2P Reserves (Proved + Probable)**		
	Oil (including Condensate) (In MMT)	**105.660**	115.881
	Gas (In BCM)	**138.766**	104.785
	Total 2P Reserves (In MMTOE)	**244.426**	**220.661**
3.	**3P Reserves (Proved + Probable + Possible)**		
	Oil (including Condensate) (In MMT)	**117.651**	131.861
	Gas (In BCM)	**162.817**	110.680
	Total 3P Reserves (In MMTOE)	**280.468**	**242.541**

4. New Acquisitions

4.1 Block NEMED, Egypt

During the year, your Company acquired 33% Participating Interest (PI) in the North East Mediterranean Deepwater Concession (NEMED), in Egypt Mediterranean Sea. The acquisition was completed on 23rd June, 2007 with effective date of PI holding as 1st October, 2006. The concession at present measures about 20,750 sq km. The other partners in the Block are Shell with 51% PI as operator and Petronas with 16% PI. The third phase of exploration period of the Block has started in March 2008 for three years. Four wells were drilled in the second exploration phase. Two wells produced hydrocarbons and two wells went dry. The discovered volume of Gas Initially In Place (GIIP) has been estimated to be approximately 1.5 tcf. As per current estimates, OVL's investment during exploration phase would be approx USD 380 million, against which the Company has invested approx USD 227.55 million till 31st March, 2008.

4.2 Blocks RC-8, RC-9 and RC-10, Colombia

Your Company secured PI in exploration blocks RC-8, RC-9 and RC-10 in deepwater offshore Colombia through participation in Caribbean Bid Round 2007 held on 18th September, 2007. In block RC-8, your Company as operator holds 40% PI with Ecopetrol and Petrobras holding 40% PI and 20% PI respectively. In blocks RC-9 and RC-10, your Company and Ecopetrol hold 50% PI each with your Company as operator in RC-10 block and Ecopetrol as operator in RC-9 block. The contracts for the Blocks were signed on 30th November, 2007. The blocks RC-8, RC-9 and RC-10 extend over an area of 2,770 sq km, 2,120 sq km and 2,680 sq km respectively with water depths of 70 to 1,500 meters in offshore Colombia. As per current estimates, your Company's share of minimum financial commitment for all the three blocks during Phase I of the exploration program would be approx. USD 9.36 million. The exploration activities in the Blocks are expected to start soon.

4.3 Blocks AD-2, AD-3 and AD-9, Myanmar

Your Company signed Production Sharing Contracts (PSCs) with the Myanmar Oil and Gas Enterprise (MOGE), the Government of the Union of Myanmar for three offshore deepwater exploration Blocks i.e. AD-2, AD-3 and AD-9 on 23rd September, 2007. Your Company is the operator with 100% PI in all the three Blocks. The Blocks have been awarded on the basis of mutual understanding and cooperation between India and Myanmar in the hydrocarbon sector. The blocks AD-2, AD-3 and AD-9 extend over an area of 8,100 sq km, 9,900 sq km and 7,800 sq km respectively with water depths of 1,500 to 3,000 meters in the Rakhine Coast in Myanmar. The exploration period spread over four phases extends to 5 years for AD-2; and 7 years for AD-3 and AD-9. The investment of your Company on account of minimum work commitment in the three

Blocks for all exploration phases taken together would be about USD 150 million, against which the Company has invested approx USD 22.20 million till 31st March, 2008.

4.4 Block BM-S-73 and Block BM-ES-42, Brazil

Production Sharing Contracts signed with Myanmar on 23rd September 2007 for offshore (deepwater) Blocks AD-2, AD-3 and AD-9, Myanmar

During the year, your Company participated in the 9th open bidding round in Brazil and was awarded two offshore Blocks i.e. BM-S-73 (formerly SM-1413) and BM-ES-42 (formerly ES-470) with 100% PI and operatorship. The concession contracts for the Blocks were signed with ANP, the Brazilian Regulatory Authority on 12th March, 2008 in Rio de Janeiro, Brazil through ONGC Campos Limitada, a wholly owned subsidiary of your Company. The blocks BM-S-73 and BM-ES-42 are spread over an area of 160 sq km and 720 sq km respectively with water depths of around 200 meters and 1,800 meters respectively in offshore Brazil. Your Company's share of investment in the first exploration phase is currently estimated at about USD 137 million in respect of block BM-S-73 and USD 145 million in the block BM-ES-42. The exploration activities in the Blocks are expected to start soon.

4.5 MTPN Block, Congo

During the year, your Company acquired 20% PI in offshore exploration Block MTPN in Congo from ENI under a swapping arrangement between ENI and ONGC. Effective date of PI holding is 1st August, 2006. Other partners in the Block are ENI with 40% PI as operator and Exxon Mobil with 40% PI. The Block covers an area of approx 2,849 sq km. Your Company's share of minimum expenditure as per current estimates would be approx USD 12 million against which the Company has invested approx USD 3.9 million till 31st March, 2008.

4.6 Block 11-12, Turkmenistan

ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated by OVL along with Mittal Investments Sarl in Cyprus, has acquired 30% PI in an exploration Block 11 & 12, Offshore Turkmenistan in the Caspian Sea from Maersk Oil. Covering an area of 5,663 sq km, the Block is located close to discovered and producing fields. The other partners in the Block are Wintershall, a German company with 34% PI as operator and Maersk Oil, a Denmark company with 36% PI. Earlier, Wintershall and Maersk Oil had acquired seismic data and drilled one exploratory well in the Block. The well had provided indications of hydrocarbons. Another well is planned to be drilled by the new consortium soon. OMEL's share of investment in the project would be approximately USD 29.34 million against which OMEL has invested approx USD 0.47 million till 31st March, 2008.

5. Existing Projects

5.1 Block 06.1, Vietnam

Block 06.1 is an offshore Block located 370 km south-east of Vung Tau on the southern Vietnamese coast with an area of 955 sq km. The exploration License for Block 06.1 was acquired by your Company in 1988; later British Petroleum and PetroVietnam were farmed in as partners. Your Company with 45% PI, British Petroleum (Operator) with 35% PI and PetroVietnam, a Vietnamese Government-owned entity with 20% PI, have developed the Lan Tay field in the Block. The field started commercial production in January, 2003. Your Company's share of the development expenditure was estimated at USD 228 million, against which about USD 215.29 million has been invested till 31st March, 2008. As part of Phase II development, a

Dekastri Oil Terminal, Sakhalin-1 Project, Russia

compression module was installed on the Lan Tay Platform during the year. During 2007-08, your Company's share of production from the project was about 1.617 BCM of gas and 0.029 MMT of condensate as compared to production of 1.842 BCM of gas and 0.030 MMT of condensate during 2006-07. The production of gas was lower mainly on account of shut-down for about 25 days to install the compression module and lower off-take by the buyers.

5.2 Sakhalin-I, Russia

Sakhalin-1 is a large oil and gas field in Far East offshore in Russia, spread over an area of approx 1,146 sq km. Your Company acquired stake in the field in July, 2001. Your Company holds 20% PI in the field; a subsidiary of Exxon-Mobil as operator holds 30% PI; Sodeco, a consortium of Japanese companies holds 30% PI and balance 20% PI is held by two subsidiaries of Rosneft, a Russian Government entity. Your Company's net cash outflow in this project was approved at USD 1,556 million (excluding carry finance), which has been invested by the company. With the start of exports of Sakhalin -1 crude oil from September, 2006, the project started to generate a positive cash flow. During 2007-08, your Company's share of production was 2.234 MMT of oil and 0.345 BCM of gas as compared to production of 0.955 MMT of oil and 0.306 BCM of gas during 2006-07.

5.3 Exploration Block-8, Iraq

Your Company is the sole licensee of Block-8, a large onland exploration Block in Western Desert, Iraq spread over 10,500 sq km. The Exploration & Development Contract (EDC) for the Block was signed on 28th November, 2000. The contract was ratified by the Government of Iraq on 22nd April, 2001 and was effective from 15th May, 2001. Though, the work relating to archival, reprocessing and interpretation of the existing seismic data was completed, due to prevailing conditions in Iraq, your Company notified the force majeure situation to the Ministry of Oil, Iraq in April, 2003. Recently, your Company was informed that Government of Iraq had decided to re-negotiate the Block-8 contract in line with the provisions of the new oil & gas law which is expected to be promulgated soon. Accordingly, Block-8 contract is being renegotiated with the Government of Iraq. Till 31st March, 2008, your Company has invested approx USD 1.6 million in the project.

5.4 Exploration Block A-1, Myanmar

Block A-1 extends over an area of 3,885 sq km of Rakhine Coast in Arakan offshore in north-western Myanmar. Your Company acquired stake in the Block in April, 2002. Your Company holds 20% PI in the Block, GAIL (India) Limited, another Indian PSU holds 10% PI, Daewoo International Corporation of Korea as the operator holds 60% PI and KOGAS of Korea holds the balance 10% PI. Your Company's share of investment in the Block up to 31st October, 2008 is estimated to be approx USD 73.09 million out of which about USD 47.29 million has been invested till 31st March, 2008. The Block is currently under second year of the 5 Year Extension Period (November 2007-October 2008). Commercial quantity of natural gas has been discovered in two of the fields, Shwe and Shwe Phyu, in the Block. The Shwe and Shwe Phyu field appraisals have been completed by the consortium and the Initially In-Place reserves certified by an independent firm, for the Shwe and Shwe Phyu gas fields are 3.83 TCF. The feasibility study and met ocean survey required for development of fields have been carried out. Further, Environmental Impact Analysis (EIA) and Social Impact Analysis (SIA) study were also being conducted. So far, a total of 15 wells have been drilled in the block, out of which 9 wells have been gas bearing. As decided by the

Government of Myanmar, the Gas from the Block would be exported to China. Accordingly, the consortium is currently negotiating with China National Petroleum Corporation for export of gas to China and signed an MOU for the same on 20th June, 2008.

Mr. J. Thomas, Director (Exploration) at MOU signing ceremony at Myanmar

5.5 Farsi Offshore Exploration Block, Iran

Farsi is an offshore exploration Block spread over 3,500 sq km in Persian Gulf Iran with a water depth of 20-90 meters. The contract for the Block was signed on 25th December, 2002. Your Company holds 40% PI as operator and the remaining PI is held by Indian Oil Corporation Limited (40% PI) and Oil India Limited (20% PI). Against your Company's currently estimated share of investment of approx. USD 35.60 million in the exploration phase, actual expenditure of approx. USD 33.76 million has been incurred till 31st March, 2008 mainly on reprocessing and interpretation of historical seismic data, acquisition of new 2D and 3D seismic data and drilling of four wells. The oil and gas has been discovered in the Block. The project being under Exploration Service Contract, your Company is required to establish the commerciality of the discovery and if accepted, submit a proposal for entering into contract for the development phase. The commerciality report for the gas discovery has been submitted on 23rd December, 2007 to National Iranian Oil Company (NIOC), Iran. Assessment of the oil find of Farsi Block is under progress.

5.6 Exploration Blocks NC-188 and NC-189, Libya

Block NC-188, measuring an area of 6,558 sq km is falling in the east-central part of the Ghadames Basin in Libya. Block NC-189, measuring an area of 2,088 sq km is located in west-central part of the Sirte Basin in Libya. Your Company acquired stake in the two onland Blocks in June, 2003. Your Company holds 49% PI in exploration Blocks NC-188 and NC-189 in Libya with Turkish Petroleum Overseas Company (TPOC), a subsidiary of National Oil Company of Turkey, holding the remaining 51% PI with Operatorship. Your Company's share of investment in the exploration phase is currently estimated at about USD 46 million, out of which about USD 21.72 million has been invested till 31st March, 2008. As exploration phase of five years was completed on 21st February, 2005, the Government of Libya had granted its approval for further extension of exploration period by three years w.e.f. 12th June, 2006 and also allowed the shifting of the remaining one well to be drilled under minimum work program in block NC-188 to block NC-189 which was in addition to the existing commitment of two wells. The first well in block NC-189 was drilled in the last quarter of 2007 and as the well produced formation water, it was plugged and abandoned. Currently, the operator is planning to drill two remaining wells in Block NC-189. Recently, in view of high exploration risks, your Company and TPOC have decided to relinquish Block NC-188.

5.7 Exploration Block-XXIV, Syria

Block-XXIV, measuring about 3,853 sq km is an onland Block located in the central eastern part of Syria. The contract for the Block was signed on 15th January, 2004 and was effective from 29th May, 2004. Your Company holds 60% PI in the Block with IPR Mediterranean Exploration Ltd. (operator) holding the remaining 40% PI. Your Company's share of investment in the exploration phase is estimated at about USD 35.95 million, against which about USD 15.78 million has been invested till 31st March, 2008. During the initial exploration period of three years till 31st March, 2008, the consortium acquired seismic data and drilled two exploratory well which were not successful. Subsequently, permission was sought for entering into 1st extension period of two years which was granted w.e.f. 29th November, 2007. Currently, as part of minimum commitment, the plan is to acquire 300 sq km 3D seismic data and drill one well.

5.8 Block 5A, Sudan

Block 5A is located in the prolific Muglad basin in Sudan and spread over an area of about 20,917 sq km. Your Company acquired stake in the Block from OMV Aktiengesellschaft, Austria on 12th May, 2004. Your Company holds 24.125% PI in the Block along with Malaysian National Oil Company, Petronas (67.875% PI) and Sudanese Government Company, Sudapet (8% PI). The Block is jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. Thar Jath, Mala and Mala Satellites fields have been put on production in Block 5A. Further, extensive exploration is also going on in the Block. 4 Exploratory wells were planned for drilling during 2008, out of which 3 exploratory wells have been drilled and found to be oil bearing. Your Company's share of production, during the year 2007-08 was 0.294 MMT of oil as compared to production of 0.270 MMT of oil in 2006-07. As per current estimates, your Company's share of investment in the Block would be approx USD 424 million, out of which USD 400.25 million has been invested till 31st March, 2008.

5.9 Block 5B, Sudan

Block 5B is located in the prolific Muglad basin in Sudan and spread over an area of about 20,120 sq km. Your Company acquired stake in the Block from OMV Aktiengesellschaft, Austria on 12th May, 2004. Your Company holds 23.5% PI in the Block along with Malaysian National Oil Company, Petronas (39% PI), Sudanese Government Company, Sudapet (13% PI) and Swedish oil company Lundin Petroleum AB (24.5% PI) as partners. The Block is jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. The consortium has acquired seismic data in the Block and drilled two wells till June, 2008, however, both the wells proved dry. As per current estimates, your Company's share of investment in the Block would be approx USD 81.09 million, out of which USD 58.44 million has been invested till 31st March, 2008.

5.10 Najwat Najem Structure, Qatar


Mr. Abduljabar from Qatar Petroleum welcoming Mr. M.S. Srinivasan,
Ex. Petroleum Secretary, Govt. of India at Qatar

Najwat Najem structure is located offshore North East Qatar, spread over an area of about 120 sq km. Your Company holds 100% stake in the Block as operator under the Appraisal, Development and Production Sharing Agreement with the Government of the State of Qatar signed on 2nd March, 2005. As planned, two wells were drilled to appraise the NN structure. The results of appraisal were not as expected and the actual reserves were much lower than the reserves estimated earlier making the project commercially unviable. Accordingly, your Company has decided to relinquish the area. Your Company's has invested approx USD 90.19 million in the project till 31st March, 2008 as against the estimated investment of USD 100.50 million.

5.11 North Ramadan Block, Egypt

North Ramadan Block (Block 6) is an offshore Block located in the Gulf of Suez with an area of about 290 sq km. The contract for the Block was signed on 8th August, 2005. Your Company holds 70% PI in the Block with the remaining 30% PI being held by IPR Energy Red Sea Inc (IPR). Your Company and IPR will jointly develop the Block with IPR taking the lead during exploration phase. Your Company's share of investment in the first exploration phase of three years would be about USD 31.41 million, against which about USD 21.99 million has been invested till 31st March, 2008. The consortium had made discovery of oil in the first exploration well drilled in the Block. Further appraisal of the discovery and completion of remaining work programme is currently under progress.

5.12 Block 81-1, Libya

Block 81-1 measuring 1,809 sq km is an onshore exploration Block located in Ghadames Basin in south-west Libya. The Exploration and Production Sharing Agreement (EPSA) for the Block is effective from 10th December 2005. Your Company holds 100% PI with operatorship in the Block. Your Company's estimated investment

Tanker Loading at Sakhalin-1 Project, Russia

during exploration phase is approx USD 32.10 million, out of which USD 15.12 million has been invested till 31st March, 2008. The interpretation of the existing seismic data has been completed. Further, 811 LKM of new 2D data has been acquired. Acquisition of 3D seismic data is currently under progress. The drilling of committed exploratory well is being planned based on interpretation of 2D and 3D seismic data.

5.13 Block A-3, Myanmar

Block A-3, the adjacent block of Block A-1, covers an area of 6,780 sq km with bathymetry up to 1,500 meters in the Rakhine offshore. Your Company acquired 20% PI in the Block on 24th March, 2006. Your Company is participating in the Block along with Daewoo International Corporation who is the operator with 60% PI, GAIL with 10% PI and KOGAS with 10% PI. Your Company's share of investment in the Block up to 31st October, 2008 is estimated to be approx USD 45.86 million out of which about USD 37.77 million has been invested till 31st March, 2008. The Block is currently in the second one year extension of exploration period from 1st November, 2007 until 31st October, 2008. So far, a total of 5 wells have been drilled in the block, out of which 3 wells have been proved to be gas bearing. Commercial quantity of natural gas has been discovered in the Block in Mya field. The Mya field appraisals have been completed by the consortium and the Initially In-Place reserves certified by an independent firm, for the Mya gas field is 1.52 TCF. Currently a joint development plan of Mya Gas field along with the Shwe and Shwe Phyu gas fields in Block A-1 is in progress. As decided by the Government of Myanmar, the Gas from the Block would be exported to China.

5.14 Blocks 25, 26, 27, 28, 29, 35A and 36, Cuba

Blocks 25, 26, 27, 28, 29, 35A and 36 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) with an area of approx 11,231 sq km. The agreement for acquisition of 30% PI in the Blocks from Repsol-YPF of Spain was signed on 23rd May, 2006. The other partners in the Blocks are Repsol-YPF with 40% PI as operator and Norsk Hydro with 30% PI. Your Company's share of investment in the Blocks as per current estimates would be about USD 32 million, against which the Company has invested approx USD 17.33 million till 31st March, 2008. The consortium has entered into fourth exploration period having a commitment of drilling of one well.

5.15 Block 127, Vietnam

Block 127 is an offshore deepwater Block, located at water depth of more than 400 meters with 9,246 sq km area in Vietnam. The PSC for the Block was signed on 24th May, 2006. Your Company holds 100% PI in the Block with Operatorship. Your Company's investments during the 3-year first exploration period would be about USD 63.37 million, against which the Company has invested approx USD 25.20 million till 31st March, 2008 in the Block. Your Company has acquired 1,150 sq km 3D seismic data in the Block. Currently, the interpretation of the seismic data is in progress.

5.16 Block 128, Vietnam

Block 128 is an offshore deepwater Block, located at water depth of more than 400 meters with 7,058 sq km area in Vietnam. The PSC for the Block was signed on 24th May, 2006. Your Company holds 100% PI in the Block with Operatorship. As per current estimates, Your Company's investment during the 3-years first exploration period would be about USD 49.70 million against which the Company has invested approx USD 11.44 million till 31st March, 2008 in the Block. Your Company is presently acquiring 3D seismic data in the Block.

5.17 Block 34 and 35, Cuba

Blocks 34 and 35 are deep water offshore exploration Blocks located in Cuba's Exclusive Economic Zone (EEZ) with an area of approx 4,300 sq km. The PSC for the Blocs was signed on 10th September, 2006. Your Company holds 100% PI in the Blocks with Operatorship. As per current estimates, your Company's investment would be approx USD 50.45 million during the 24-month first exploration period for deepwater Blocks 34 and 35, against which the Company has invested approx USD 3.89 million till 31st March, 2008. Acquisition, processing and interpretation of 2D seismic data have been completed and currently acquisition and processing of 3D seismic data is under progress.

5.18 Contract Area 43, Libya

The Contract Area 43 in Libya consists of four blocks measuring total area of 7,449 sq km and located in Cyrenaica offshore in the Mediterranean Sea. The Block boundaries extend from the coastline to the water depth of about 2,200 meters. The Exploration and Production Sharing Agreement (EPSA) for the Block was signed on 5th March, 2007. Your Company holds 100 % PI in the Contract Area with operatorship. As per current estimates, your Company's investment would be approx USD 71 million during the exploration phase, against which the Company has invested approx USD 10.14 million till 31st March, 2008. Currently, tendering for Environment Impact Assessment (EIA) studies is being done prior to seismic acquisition.

5.19 Pipeline Project, Sudan


Laying of 12", 741-km multi-product pipeline at Sudan

An agreement was signed byyour Company with the Ministry of Energy & Mining,Government of Sudan (GOS) on 30th June, 2004, forfinancing & construction of a 12”, 741-km multi-product pipeline from Khartoum refinery to Port Sudan. The project was executed at a base lump sum price of USD 194 million and was completed 2 months ahead of the scheduled 16 months completion period. The pipeline was handed over to GOS in October, 2005. Oil India Limited, the other partner in the project, has 10% PI in the project. All the due repayments till now have been received by your company from GOS.

6. Subsidiary Companies

6.1 ONGC Nile Ganga BV (ONGBV)

6.1.1 Greater Nile Oil Project (GNOP), Sudan


Drilling Rig at Greater Nile Oil Project, Sudan

Greater Nile Oil Project (GNOP), Sudan is located in the Muglad Basin, around 700 km South-West of the Capital Khartoum and consist of onland blocks 1, 2 & 4 spread over 49,500 sq km. Your Company holds 25% stake in the project through its subsidiary company ONGC Nile Ganga BV (ONGBV) which was acquired on 12th March, 2003 with investment of USD 669 million towards cost of acquisition. Other partners in this project are China National Petroleum Corporation (40% PI), Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian National Oil Company, Petronas (30% PI) and Sudapet, the National Oil Company of Sudan (5% PI). ONGBV's share in oil production from GNOP was 2.981 MMT during 2007-08 as compared to production of 3.157 MMT of oil in 2006-07.

6.1.2 Al Furat Project, Syria

ONGBV and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), hold 33.33% to 37.5% PI in four Production Sharing Contracts (PSCs) comprising 36 producing fields in Syria. The acquisition was completed on 31st January, 2006 which was effective from 1st July, 2005. The project is being managed through a Dutch joint venture company, named Himalaya Energy (Syria) B.V., wherein ONGBV and Fulin Investments Sarl, hold 50% shareholding each. ONGBV has been funded by your Company and OMEL, in the ratio of 55:45. Your Company had advanced approx USD 223 million toward cost of acquisition part of which had been returned by ONGBV. In respect of balance amount advanced by your Company and OMEL, on 4th April, 2008, ONGBV has issued 26,000 Class C ordinary Shares i.e. 14,300 shares to your Company and 11,700 shares to OMEL of face value Euro 1 per share at issue price of Euro 4,000 per shares for aggregate issue consideration of Euro 104 million. OMEL currently hold 13.07% share in ONGBV through Class C ordinary Shares which are entitled only and exclusively to the results of the business relating to Al Furat Project, Syria. Your Company continue to hold 100% interest in other businesses of ONGBV. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company, the National Oil Company of Syria, and Shell, the other partner in the fields. OVL's share in the production of crude oil during 2007-08 was 0.951 MMT of oil as compared to production of 1.095 MMT of oil in 2006-07.

6.1.3 Block BC-10, Brazil

Block BC-10 is a deepwater offshore Block located in the Campos Basin approximately 120 km southwest from the city of Vitoria off the coast of Brazil with a water depth of around 1800 meters spread over 600 sq km. ONGBV acquired 15% PI in the project on 25th April, 2006 through its wholly owned subsidiary ONGC Campos Ltda. Other partners in the Block are Shell with 50% PI as operator and Petrobras with 35% PI. As per current estimates, OVL's net cash outflow in this project till first oil production from the project would be approx USD 478 million. The Block is currently being developed using sub-sea wells which will be connected via sub-sea manifolds, flowlines, and risers to a Floating Production, Storage and Offloading Vessel (FPSO). The production of oil from the project is expected to begin in 2009-10.

6.1.4 Blocks BM-S-73 and Block BM-ES-42, Brazil

ONGBV holds 100% PI in the deepwater offshore Blocks BM-S-73 and Block BM-ES-42 through its wholly owned subsidiary ONGC Campos Ltda. Other details about the Block have been mentioned at Para 4.4 above.

Further, during the year, ONGBV has incorporated two wholly owned subsidiary companies i.e. ONGC Nile Ganga (Cyprus) Ltd. and ONGC Nile Ganga (San Cristobal) BV. ONGC Nile Ganga (Cyprus) Ltd. has been incorporated for financing of your Company's share of investment in Nigerian Blocks of OMEL. ONGC Nile Ganga (San Cristobal) BV has been incorporated for acquisition of stake in San Cristobal project in Venezuela.

6.2 ONGC Narmada Limited – Wholly owned Subsidiary

6.2.1 Block-2, Nigeria-São Tomé & Principe, JDZ

Block-2 is a deep water exploration Block located in Nigeria-São Tomé & Principe Joint Development Zone (JDZ) with an area of approx 1,034 sq km. ONGC Narmada Limited (ONL), Company's 100% subsidiary incorporated in Nigeria, holds 13.5% PI in the Block. Other partners in the Block include Sinopec (28.67% PI), Addex Petroleum (14.33% PI), ERHC Energy Inc. (22% PI), Equator Exploration (9% PI), Amber (5% PI), Foby (5% PI) and A & Hatman (2.5% PI) with Sinopec as the operator. ONL's share of investment, inclusive of the carry obligations to A & Hatman, till March, 2008 was approx USD 16.51 million. The exploration work in the Block is currently under progress.

6.3 ONGC Amazon Alaknanda Limited – Wholly owned Subsidiary

6.3.1 Mansarovar Energy Project, Colombia

Mansarovar Energy Colombia Limited (MECL) is a 50:50 joint venture comprising a wholly owned subsidiary of your Company i.e. ONGC Amazon Alaknanda Limited (OAAL) and a subsidiary of Sinopec International

Mr. R.S. Butola, Managing Director at Lan Tay Platform, Block 06.1 Vietnam

Petroleum Exploration and Production Corporation (SIPC). MECL's assets constitute a 100% interest in the light oil Velasquez fee mineral property and a 50% interest in the Nare and Cocorna association contracts where the Colombian national oil company, Ecopetrol S.A. (Ecopetrol) holds the remaining 50%. MECL also owns 100% of the Velasquez-Galan pipeline, which runs 189 km from the Velasquez property to Ecopetrol's Barrancabermeja refinery. The acquisition was done on 20th September, 2006 which was effective from 1st April, 2006. MECL is currently producing oil at 25,000 bbls/d. Your Company has invested approx USD 437.5 million toward cost of acquisition. During 2007-08, your Company's share of production was 0.351 MMT of oil as compared to production of 0.297 MMT of oil in 2006-07.

In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956 (Act), the annual accounts of OVL's subsidiaries i.e. ONGC Nile Ganga BV, ONGC Narmada Ltd., ONGC Amazon Alaknanda Ltd., ONGC Do Brasil Exploracao Petrolifera Ltda. and ONGC Compos Ltda. as required under Section 212(1) of the Act have not been attached with the accounts of the Company. As per the terms of exemption, the requisite information in respect of subsidiaries is attached to the Annual Accounts.

7. Joint Venture Company - ONGC Mittal Energy Limited

Your Company along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. Your Company and MIS holds 98% shares of OMEL in the ratio of 51(OVL): 49(MIS) with 2% shares held by SBI Capital. OMEL holds PI in the AFPC Syrian Assets through ONGBV, exploration Blocks OPL 279 and OPL 285 in Nigeria and Block 11-12 in Turkmenistan.

7.1 OPL 279, Nigeria

OPL 279 is a deepwater offshore exploration Block in Nigeria with an area of 1,125 sq km. The effective date of the PSC was 23rd February, 2007. During the year, OMEL farmed-out 14.5% PI in the Block to TOTAL. Currently, OMEL through its wholly owned subsidiary company OMEL Exploration & Production Nigeria Ltd. holds 45.5% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 40% PI and TOTAL with 14.5% PI. The Block is operated by OMEL. As per terms of the agreement, EMO is carried by other participants in their respective share of participation. The estimated OVL's share of investment through OMEL would be approx USD 195 million in the Block during the exploration phase.

7.2 OPL 285, Nigeria

OPL 285 is a deepwater offshore exploration Block in Nigeria with an area of 1,167 sq km. The effective date of the PSC was 23rd February, 2007. During the year, OMEL farmed-out 25.67% PI in the Block to TOTAL. Currently, OMEL through its wholly owned subsidiary company OMEL Energy Nigeria Ltd. holds 64.33% PI in the Block. Other partners in the Block are EMO, a local Nigerian company with 10% PI and TOTAL with 25.67% PI. The Block is operated by OMEL. As per terms of the agreement, EMO is carried by other participants in their respective share of participation. The estimated OVL's share of investment through OMEL would be approx USD 164 million in the Block during the exploration phase.

7.3 Blocks 11-12, Turkmenistan

OMEL holds 30% PI in an exploration Block 11 & 12, Offshore Turkmenistan. Other details about the Block have been mentioned at Para 4.6 above.

8. Overseas Offices

Facilities at Mansarover Energy Project, Colombia

The overseas offices of your Company are located in Ho Chi Minh City (Vietnam), Dubai (UAE), Yuzhno Sakhalinsk (Russia), Baghdad (Iraq), Tehran (Iran), Tripoli (Libya), Doha (Qatar) Havana (Cuba), Caracas (Venezuela), Astana (Kazakhstan), Rio de Janeiro (Brazil) and Bogota (Colombia). ONGC Nile Ganga BV has its registered office in Amsterdam (The Netherlands), and its offices in Khartoum (Sudan) and Damascus (Syria). ONGC Narmada Limited and ONGC Amazon Alaknanda Limited have their registered offices in Lagos (Nigeria) and Bermuda respectively.

9. Information Technology

Your Company keeps itself abreast of the advancements in the field of information technology so as to adopt them to the extent required in its pursuit of achieving operational excellence.

As part of ongoing efforts to augment the infrastructure related to Data Interpretation, hardware and software for G&G work has been installed in the corporate data centre at New Delhi. Advanced IT and Telecommunications systems including Multi-site Videoconferencing systems have been installed on the recently commissioned Corporate Floor at New Delhi which utilizes the best in class technologies for corporate use.

10. Human Resource Development

Your Company has been operating with optimally required manpower provided by the parent company. The total manpower of your Company was 190 as on 31st March, 2008 as compared to 110 as on 31st March, 2007. As on 31st March, 2008, 56 executives were posted to various overseas projects.

11. Board of Directors

Shri P. K. Choudhury, Vice Chairman & Group CEO, ICRA Limited, an independent Director on the Board of parent Company ONGC, joined as an independent Director on the Board of your Company on 15th October, 2007.

Shri D. K. Sarraf on appointment as Director (Finance), ONGC, relinquished the charge of the office of Director (Finance), OVL on 27th December, 2007. He again joined as part time Director on the Board of your Company on 2nd January, 2008.

Shri R. S. Butola, Managing Director is holding additional charge of the post of Director (Finance), OVL with effect from 28th December, 2007.

Shri A. K. Jain, Joint Secretary, Ministry of Petroleum and Natural Gas, resigned from the office of Director of your Company w.e.f. 2nd January, 2008.

Shri Sunil Jain, Joint Secretary(IC), Ministry of Petroleum and Natural Gas, joined as a Government nominee Director on the board of your Company on 6th February, 2008.

Your Directors place on record their sincere appreciation for the excellent contribution made by Shri D. K. Sarraf during his tenure as Director (Finance) and Shri A. K. Jain. Your Directors extend a warm welcome to Shri P. K. Choudhury, Shri D. K. Sarraf and Shri Sunil Jain.

As required under Section 255 and 256 of the Companies Act, 1956, Shri Arvind Mayaram, Director, Dr. A. K. Balyan, Director and Shri N. K. Mitra, Director retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment at the said meeting.

12. Auditors

M/s Batra Sapra & Co., Chartered Accountants, New Delhi were re-appointed as the Statutory Auditors of your Company by the Comptroller & Auditor General (C&AG) of India for the financial year 2007-08. The Notes on Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments. The Comments of the C&AG forms part of this report.

Chairman ONGC Group of Companies, Mr. R S Sharma inaugurating the corporate floor of ONGC Videsh

13. Cost Records

As clarified by the Cost Audit Branch of Ministry of Corporate Affairs vide letter no. F.No. 52/21/CAB/2007 dated 26th May, 2008, the Company has maintained cost records under Section 209(1)(d) of the Companies Act, 1956 for the year 2007-08. Though OVL has not been notified under Section 233B of the Companies Act, 1956 for audit of cost records by Cost Auditors as maintained under Cost Accounting Records (Petroleum Industry) Rules, 2002, however, to obtain assurance about compliance with the requirement of the record rules, the Company has got its cost records certified by M/s Jugal K. Puri & Associates, Cost Accountants.

14. Statutory Disclosures

(i) Information required to be given pursuant to the provision of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed and forms part of the Directors' Report.

(ii) None of the Directors of your Company is disqualified under the provisions of Section 274 (1) (g) of the Companies Act, 1956.

(iii) Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo during the financial year 2007-08 is given below:

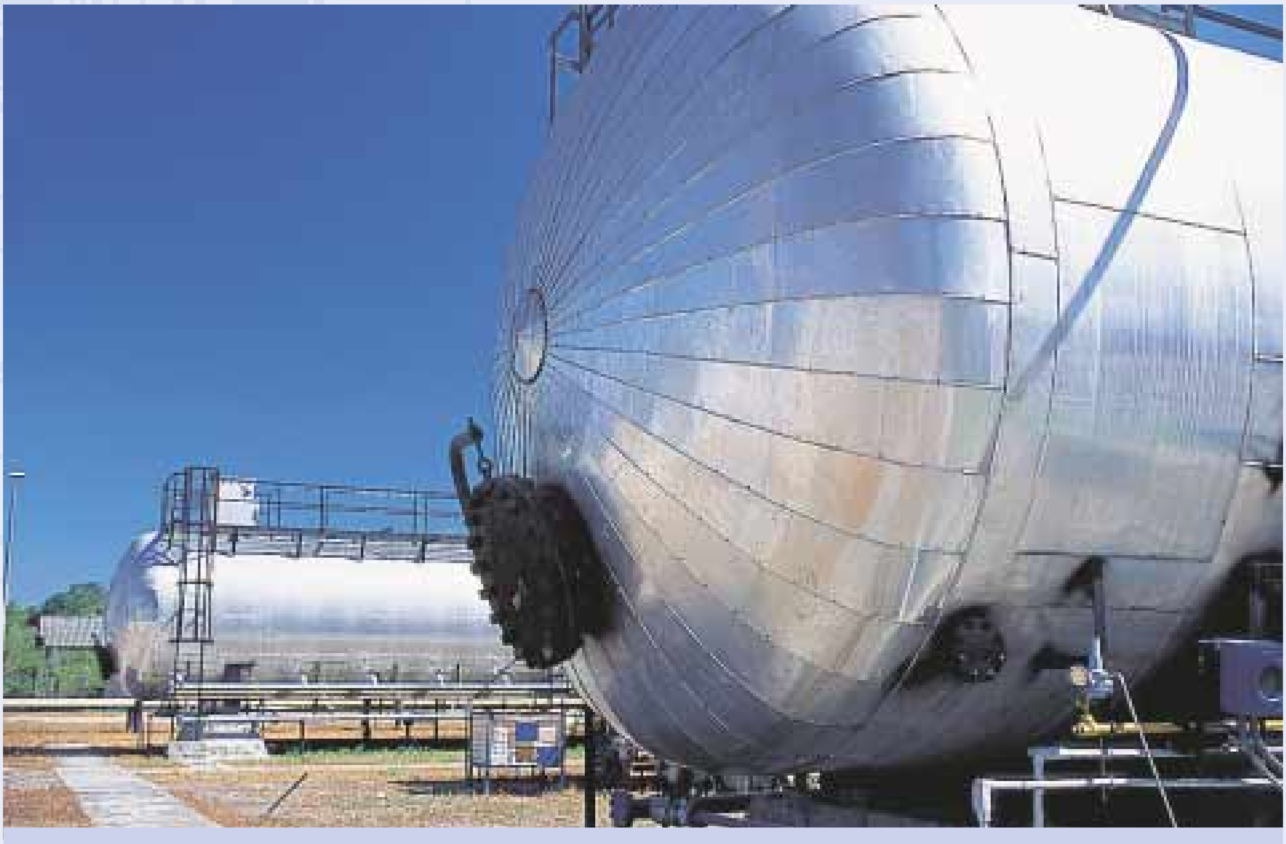
a) that the sources of energy used by the Company are Electricity and Motor Spirit(Petrol);

b) that the Board, as part of its existing internal control measures, is striving for the conservation of electricity and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company in India; and

c) the provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company.

d)

	(Rs. in million)
• Foreign Exchange earned	64354.90
• Foreign Exchange outgo	48307.33



Facilities at Mansarover Energy Project, Colombia

15. **Secretarial Compliance Report**

Secretarial Compliance Report confirming compliance to the applicable provisions of Companies Act, 1956 and applicable rules thereunder, though not mandatory, obtained from a practicing Company Secretary, is annexed and forms part of the Directors' Report.

16. **Management Discussion and Analysis Report**

The Management Discussion and Analysis Report, is annexed and forms part of the Directors' Report.

17. **Corporate Governance Report**

The Company strives to attain high standards of corporate governance. A separate section on Corporate Governance is annexed and forms part of the Directors' Report.

18. **Directors' Responsibility Statement**

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, the following statement relating to Annual Accounts for the financial year ended 31st March, 2008 is made:

(i) in the preparation of the annual accounts for the financial year 2007-08, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and that there are no material departures from the same;

(ii) the Directors have selected such accounting policies as described in Schedule-25 to the annual accounts and applied them consistently as stated in the annual accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year ended on that date;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

(iv) the Directors had prepared the annual accounts on a "going concern" basis.

19. Audit Committee

The details of Audit Committee are given separately in the Corporate Governance Report.

20. Acknowledgement

Your Directors would like to acknowledge with deep appreciation the valuable guidance and support extended by the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Indian Embassies / High Commissions abroad and the Reserve Bank of India etc. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the employees of the Company. Your Directors recognize that the achievements of your Company would not have been possible without the unstinted and total support from the Parent Company, Oil and Natural Gas Corporation Limited.

On behalf of the Board of Directors

(R. S. Sharma)
Chairman

New Delhi,
22nd August, 2008

Block 06.1 Vietnam

management discussion and analysis report

1. Introduction

ONGC Videsh Limited (OVL) is a wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC), a Public Sector Enterprise/Undertaking (PSE/PSU) of the Government of India, under the administrative control of the Ministry of Petroleum & Natural Gas (MOP&NG). OVL is engaged in exploration and production of oil and gas outside India. OVL was incorporated as Hydrocarbons India Private Limited, on March 5, 1965 with registered office in New Delhi to perform international exploration and production business. The Company was rechristened as ONGC Videsh Limited w.e.f. 15th June, 1989. With the widening of the energy supply gap from domestic production, participation in overseas oil and gas assets for equity oil was revived in the mid ninety's. OVL participated in few exploration projects, which could not bear good results.

In January 2000, OVL was granted special empowerment by the Government. The special empowerment facilitated better and smooth functioning of the Company in the international environment as evidenced by a string of successful acquisitions post January, 2000. OVL as on 31st March, 2008 has participation either directly or through wholly owned subsidiaries/joint venture company in 37 E&P projects in 17 countries namely Vietnam (3 projects), Russia (1 project), Sudan (4 projects), Iran (1 project), Iraq (1 project), Libya (3 projects), Myanmar (5 projects), Syria (2 projects), Qatar (1 project), Egypt (2 project), Cuba (2 projects), Nigeria Sao Tome Principe JDZ (1 project), Brazil (3 project), Nigeria (2 projects), Colombia (4 project), Turkmenistan (1 project) and Congo (1 project) and is actively seeking more opportunities across the world. Out of 37 projects, OVL is operator in 18 projects and joint operator in 2 projects in 11 countries.

2. Industry Structure and Developments

Energy security is fast rising to be part of the sovereign agenda of nations. Rise in oil process during the last year, was attributed to concern that global supply growth may not keep pace with demand growth over the near term. The global oil economy, on the estimates of demand projections saw higher than ever involvement of speculative surge in oil prices. Additionally, geo-political inclinations to ensure energy security prevailed throughout the year. Though the non-OPEC supplies grew during the last financial year, OPEC supplies were similar to the previous years. The year (sixth in a row) also witnessed sustained high oil prices and consequently high priced oil acquisitions. OVL is mandated by Government of India and is identified as the nodal agency to acquire equity oil & gas overseas. OVL continued to maintain robust growth during 2007-08 by acquiring 11 E&P projects in 6 countries during the year. Of the projects acquired, NEMED Block in offshore Egypt, is under appraisal phase; Blocks AD-2, AD-3 and AD-9 in offshore Myanmar; Blocks RC-8, RC-9 and RC-10 in offshore Colombia; Block BM-S-73 and Block BM-ES-42 in offshore Brazil; MTPN Block in offshore Congo and Block 11-12 in offshore Turkmenistan are under exploration phase. The Turkmenistan Blocks were acquired in the name of ONGC Mittal Energy Limited (OMEL), a joint venture of OVL and Mittal Investment Sarl.

2.1 Global Oil & Gas Demand/ M&A activities in 2007

The global oil demand is expected to be approx 87 million barrels per day by end 2008 and it is projected that it may reach 120 million barrels per day by end 2030. The realistic demand in future may surpass the projections as significant demand growth in China, India, Middle East, and Latin America are expected to continue to exert demand pressure on oil markets. Countries in Africa and Middle East, in their economic growth processes engage commercial energy in their rapid urbanisation drive, resulting in market forces to draw new dimension of returns and deal making. Through there was a credit crunch in the market, the mergers and acquisitions in the market valued nearly the same as during 2006. Oil and gas sector accounted for USD 292 billion worth of transactions in M&A, where upstream transactions, though being the highest in last 7 years has a slight dip in transaction value; close to USD 155 billion. The asset transaction in 2007 valued USD 88 billion and was the highest in the last 7 years. No single deal in 2007 touched USD 10 billion mark and USD 34 billion was transacted on deals ranging between USD 5 to 10 billion. The biggest was the Rosneft-Yukos merger. North America was witness to over 60% of the transactions in E&P sector and NOCs from Middle East and Africa took centre stage in the international acquisitions market. For the first time private equity investors were seen aggressive in the oil and gas acquisitions market and 3 of the top 10 deals were clinched by them. High activity was seen in Canada, in oil sands and coal bed methane transactions and one of the top two deals of 2007 was involving Canadian oil sand.

*Sources: PWC and Herold

2.2 International Industry Environment

The effect of high oil prices was prominent on cost of inputs. This has an imprint on the services market also, and mergers and tie-ups in the services sector driven by both the growth in demand and utilisation rates for rigs and the need for service companies to scale-up globally in a consolidating market. Factor inputs in the E&P industry became even costly during 2007-08 in case of services and equipment. There was an increase of over 200% in finding cost and 100% increase in the finding and development cost, mainly due to steep rise in rig hiring charges. The rig demand and availability saw large spread, which was propelled by higher interest in exploration by industry players. These had a bearing on the operations of the Company as well.

During the last year majority (67%) transactions involved oil, thereby reflecting a higher interest of the players in the international market to anchor future production and resultant revenues. The opportunity spread and rising expectations of the sellers also saw increase in the Government take significantly. Africa and Asia were large proportion of transaction in the assets acquisition, as more and more industry players are gearing to operate in these areas. NOCs in upstream became richer during the year, even though some of them shared the burden of controlled prices in their economies. Middle East, allowed a large amount of sovereign wealth to be deployed by NOCs in open market activities. The unit cost of acquisition moved closer to that of 2006-07, mainly due to hesitation of the buyers to offer more as the Government takes were revised upwards.

3. Strength and Weakness

Your Company has now presence in 17 countries out of which 6 projects in 5 countries have oil and gas production, therefore setting a diverse set of supplies. The well balanced array of portfolio shall be instrumental to maintain a steady stream of oil and gas production in future, if the exploration efforts in some of the exploration projects succeed.

A fair degree of risk mitigation has already been exercised by your Company by forged alliances with some of the leading oil and gas companies like Total, ENI, Ecopetrol thus adding to existing alliances and partnerships with BP, Shell, Exxon, Rosneft, Norsk Hydro, Repsol, TPOC, Petrobras, PDVSA, PetroVietnam, CNPC, Sinopec and Petronas. Your Company's attempts in exploration ventures as operator shall be on the strength that the company can sustain allocation towards these from internal sources itself.

Further, being a Public Sector Undertaking, there are some limitations for the Company, in terms of decision making process, attracting the best talent in the industry. The Company is also pursuing with MOP&NG for enhancement of empowerment of its Board.

4. Opportunities and Threats

OVL has been participating in opportunities for acquisition through various routes, like bidding rounds, direct negotiations, advised acquisitions and through all of them, it has won some acreages. The Company expects good results out of the exploration prospects over the next couple of years. If proved successful in these ventures, the Company shall be adding reserves through drill-bit thereby reducing its overall cost considerably. In the last few years, many countries like Libya, Nigeria, Vietnam, Syria, Yemen, Angola, Brazil, Colombia have offered acreages through bidding rounds. Your Company has been participating in nearly all of them, therefore increasing its chances of adding portfolio of assets.

The performance of the Company hinges to oil prices on the revenue side and factor cost of raw material, equipment, services etc. on the input side. High volatility in oil price and scarcity or high input costs of factor inputs could materially affect the performance of the Company. Though most of the projects are under production sharing contracts, the entitlement and cost oil recoveries may be altered by host Government in attempt to net the windfall profits emerging from high oil process.

5. Outlook

Based on the robust economic outlook of various economies and strengths and current financial performance, your company has multiple opportunities for growth. Key priorities going forward include the following:

5.1 New Ventures

The Company, in last few years has adopted a balanced portfolio approach, by maintaining a combination of producing, discovered and exploration assets. The exploration assets are expected to add to Company's reserves and production in future beside acquisition of attractive assets. Your Company intends to maintain this trend and shall focus on all the three types of assets.

5.2 Exploration

Your Company has set up a state-of-the-art data center and has constituted a knowledge team to scan and identify value in the existing exploration assets, assets with discovery and in new opportunities so as to enhance the reserve base of the Company.

5.3 International Alliances

The Company has also forged alliances to attain a collaborative approach on value creation and knowledge sharing. The Company shall continue to engage more and more in such alliances through agreements and Joint Ventures.

5.4 Geographic spread

The Company has presence in 17 countries and in some it has been able to enhance participation in more than one project. The Company shall endeavor to strengthen its presence in some of the attractive oil and gas rich countries and would also attempt to mark entry in other hydrocarbon rich countries.

5.5 Economic Packaging

Your Company through its JV with Mittal Investment Sarl i.e. OMEL, has acquired two attractive exploration blocks in Nigeria bundled with an economic package, where in return for oil and gas acreage, the JV shall also invest a calibrated sum in the downstream project.

6. Risks and Concerns

The Company participates and operates in varied environments, both politically & geographically, where exploration, production and development is more challenging technologically, operationally and financially. The strengthening of rupee when it gives comfort on purchase of assets, adversely affect the earnings in rupee terms. In the projects and countries where your Company has large investments, the risks and losses due to expropriation, change in fiscal regime, additional taxes and increase in Government share or restrictions on exports of oil could materially affect the performance. However, due to prime importance of oil and gas industry in these countries, their Governments would not in their own interest like to destabilize the oil companies. Most of the international investments in the past had been in the form of joint ventures where your Company was not the operator. In the course of such investments, your Company was dependent to an extent on the operating partner, including for the success of the joint venture. The Company may sometime disagree with actions proposed to be taken by the operating partner. However, this is the format in which international E&P industry works to take care of sharing of exploration risks. Further, of late, the Company is acting as operator in several projects.


Sakhalin-1 Project, Russia

Some of the projects are in countries where there are unresolved unrests and larger issues of governance and territorial /ethnic divisions; some also have terrorism and reactionary protests on continued basis. Though your Company has not been the target, yet in future it may face the threat from these as closely as any one operating in such hostile environments. Further, the business involves high exploration and technology risks and there are inherent HSE risks in the oil & gas business.

7. Internal Control Systems and their Adequacy

The Company has adequate internal audit and internal control systems to ensure that all transactions adhere to procedure and meet statutory requirements. The Company has already implemented SAP R/3 system for integration of various business processes. The internal control system consists of regular operative performance evaluation and devising corrective measures thereof and comprehensive internal and external audit including audit by C&AG. The Internal Auditors for the year 2007-08 i.e. M/s KPMG, independently evaluated adequacy of internal control system. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors and necessary directions are issued wherever required.

8. Physical Performance

8.1 Reserve Accretion

OVL share of total reserves (3P) of oil and oil equivalent gas as on 01.04.2008 was 280.47 MMTOE. During the year, the Company had net accretion of 46.73 MMTOE reserves towards its share in the projects. The gas reserves from newly established gas fields from Blocks A1 & A3 in Myanmar and oil reserves in North Ramadan block in Egypt were reported for the first time. The accretion of reserves has also been reported from GNOP project in Sudan, Sakhalin-1 project in Russia and AFPC project Syria. The ultimate reserve for Block 06.1 in Vietnam remained unchanged. There was slight reduction in the ultimate reserves of Block 5A in Sudan mainly due to minor changes in recovery factor of the undeveloped discoveries. Further, there was deletion in reserves of MECL project in Colombia mainly due to the auditing process as per SPE standards and new data acquired through drilling of wells / analysis of the production performance of the fields. The reserves of NN structure, Qatar have also been deleted due to commercially unviable finding.

8.2 Production

Crude oil production during the year was 6.840 MMT as against 5.804 MMT in the previous year. Gas production during the year was 1.962 BCM as against 2.148 BCM in the previous year. The detail of production for the last six years is given below:

Particulars	**YE Mar'08**	**YE Mar'07**	**YE Mar'06**	**YE Mar'05**	**YE Mar'04**	**YE Mar'03**
Crude Oil (MMT)*	**6.840**	5.804	4.584	3.714	3.345	0.183
Gas (BCM)	**1.962**	2.148	1.755	1.349	0.523	0.070
Total (O+OEG) (MMTOE)	**8.802**	**7.952**	**6.339**	**5.063**	**3.868**	**0.253**

* Including Condensate

8.3 11th Five Year Plan

During 11th Plan period (2007-08 to 20011-12), the Company has a target of production of 43.57 MMTOE oil and gas from abroad. The year-wise break-up is as below:

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Total Expected Production of Oil and Gas in MMTOE	7.99	8.65	8.48	8.92	9.53	**43.57**

In the first year of 11th Plan period i.e. 2007-08, the actual production of oil and gas from abroad was 8.802 MMTOE as compared to the plan target of 7.99 MMTOE, up 10%.

The 11th plan outlay for the Company has been worked out to Rs. 453,340 million. The year-wise break-up is as below:

(Rs. in million)

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Total Plan outlay	52,890	87,230	115,950	108,860	88,410	**453,340**

During the year 2007-08, the actual planned expenditure was Rs 45,293 million against the Plan outlay of Rs. 52,890 million.

9. Financial Performance

The consolidated gross revenues of the Company increased from Rs. 119,009.55 million to Rs. 169,342.38 million, up 42% during the year. The consolidated net profit of the Company also increased to Rs. 23,971.35 million, up 44% from Rs. 16,632.87 million.

The Consolidated financial results of OVL, including wholly owned subsidiary companies viz. ONGBV(consolidated), ONL, OAAL and jointly controlled entity viz. OMEL, for the year 2007-08 as compared to 2006-07 and the position of major items in the Consolidated Balance Sheet as at 31st March, 2008 and 31st March, 2007 is given below:

(Rs. in million)

Particulars			YE Mar'08	YE Mar'07	Change %
Income					
Sales Revenue			**167,413.37**	115,539.95	45 %
Others			**1,929.01**	3,469.60	-44 %
Total			**169,342.38**	**119,009.55**	**42 %**
Expenditure					
Royalty			**60,349.66**	51,130.17	18 %
Operating Expenses			**14,480.71**	13,909.33	4 %
Recouped Cost			**36,649.44**	21,335.02	72 %
Interest & Exchange Loss and Provisions			**16,210.83**	-800.22	-
Total			**127,690.64**	**85,574.30**	**49 %**
Profit Before Tax			**41,651.74**	33,435.25	25 %
Prior Period Adjustment			**921.34**	4,167.28	-78 %
Provision for Tax	-	Current Tax	**18,086.55**	9,858.89	83 %
	-	Deferred Tax	**-1,327.50**	2,776.21	-
Profit After Tax			**23,971.35**	**16,632.87**	**44 %**

(Rs. in million)

Particulars	YE Mar'08	YE Mar'07	Change %
Sources of Funds			
Share Capital	**10,000.00**	10,000.00	0 %
Reserves and Surplus	**53,059.03**	33,735.65	57 %
Loans: From ONGC	**112,648.44**	130,941.59	-14 %
From Others	**1,089.32**	1,405.98	-23 %
Deferred Tax Liability	**8,211.23**	9,781.21	-16 %
Liability for Abandonment	**4,867.05**	4,503.49	8 %
Total	**189,875.07**	**190,367.92**	**-0.3 %**
Application of Funds			
Fixed Assets (Net)	**45,143.79**	50,774.72	-11 %
Producing Property	**60,840.43**	56,056.26	9 %
Expenditure on Wells in progress & Capital WIP	**31,451.43**	26,390.56	19 %
Goodwill	**22,846.83**	27,685.89	-17 %
Current Assets (Net)	**29,592.59**	29,438.27	0.5 %
Deferred Colombian Taxes	**0.00**	22.22	100%
Total	**189,875.07**	**190,367.92**	**-0.3 %**

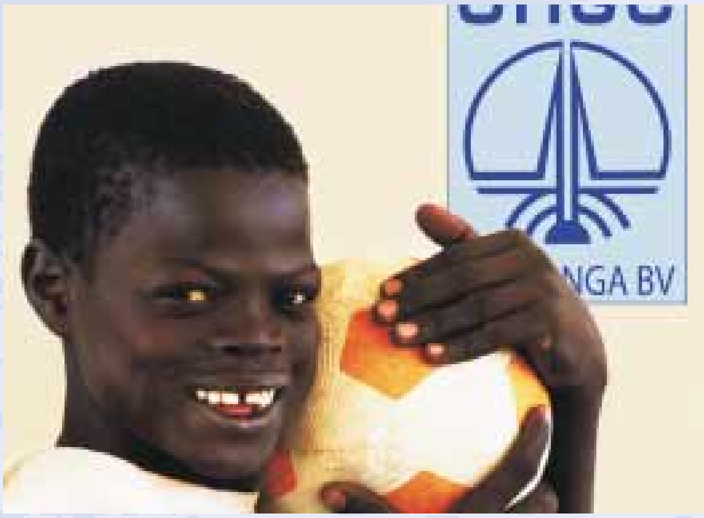
Important Ratio

	2007-08	2006-07
Net Profit to Revenue (%)	**14.16**	13.98
Net Profit to Capital Employed (%)	**15.61**	10.43
Net Profit to Net Worth (%)	**38.01**	38.03
Debt Equity	**1.80:1**	3.03:1
EPS (Rs.)	**239.71**	224.44

10. Human Resources / Industrial Relations

The Company follows the HR policies of its parent company ONGC. However, being international operator, the Company provides necessary training / conducts development programmes to imbibe the necessary skills required to operate in the international environment. Further, the Company deputes its personnel along with other international experts, in joint venture projects with major oil and gas companies which enable them to upgrade their skills in terms of new technologies, working in international environment etc. The Company has been operating with optimally required manpower provided by the parent company. The total manpower of the Company was 190 as on 31st March, 2008 as compared to 110 as on 31st March, 2007. As on 31st March, 2008, 56 executives were posted to various overseas projects.

11. Environment



As per HSE policy of the Company adopted during the year, it is committed to maintain highest standards of Occupational Health, Safety and Environment protection and comply with all applicable Laws & requirements. The Company conducts its business in a manner that is compatible with the environmental and economic needs of the societies in which it operates. In the projects operated by the Company, it complies with all applicable environmental laws and regulations. The major non-operated projects, in which OVL is a partner, are operated by global companies like Exxon Mobli, BP, Shell etc. who maintain very high HSE standards.

Artificial Limb Camp organized by OVL at Sudan

12. Corporate Social Responsibility

The Company, being operating overseas, understands its responsibility to contribute to the communities and economies of the countries in which it operates. The Company is committed to create a positive and lasting social impact by developing successful partnerships built on mutual trust and respect, ultimately, raising the standard of living and the stability of the communities of the countries in which the Company operates. The Company makes valuable contribution in many ways: through payment of tax revenues to governments; by investing in education and training and improving employment opportunities for nationals; providing medical / sports / agricultural facilities to the local community etc. During the year, the Company had also contributed USD 100,000 to the relief fund of the local authorities of Sakhalin, Russia to support relief efforts for victims of the devastating earthquakes in Nevelsk.

Further, with the objective to ensure access by every citizen to information under the control of the Company and in order to bring in transparency and accountability, an appropriate mechanism has been set up at registered office of the Company in New Delhi in line with the requirements of Right to Information Act, 2005.

13. Cautionary Statement

Statements in this management discussion and analysis may be 'forward looking' within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

Centre Processing Facilities Heglig, Sudan

corporate governance report

OVL continues to make efforts towards achieving good governance and responsible management practices. The details of compliance on Corporate Governance by the company are provided in the following sections:

1. Company's Philosophy on Guidelines on Corporate Governance

The Company's vision is to be a world class E&P Company having an Organization & Culture committed towards Sustainable Growth & Superior Profitability through pursuit of International Opportunities & Excellence in Execution. Its corporate philosophy on Corporate Governance is to conduct its business in an efficient, transparent, ethical and responsible manner. The Company believes that good corporate governance goes beyond compliance of the provisions of various laws and therefore incorporates it in its conduct all across.

2. Board of Directors

2.1 Composition of the Board

The Company is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically. As per Articles of Association (AOA) of the Company, the number of Directors shall not be less than three and more than fifteen. As per AOA, ONGC, the parent company appoints the Chairman and all part time Directors and the President of India appoints all whole-time Directors including Managing Director on the Board of the Company.

The Chairman & Managing Director of ONGC, the parent company, is also the Chairman of the Company. The Managing Director who is the Chief Executive Officer of the Company, and three whole-time Directors i.e. Director (Finance), Director (Commercial) and Director (Exploration), manage the business of the Company under the overall superintendence, control and guidance of the Board. All whole-time Directors of ONGC are part-time Directors on the Board of the Company. During the year Shri P. K. Choudhury, Vice Chairman & Group CEO, ICRA Limited, an independent Director on the Board of parent Company ONGC, joined as an independent Director on the Board of the Company. In addition, Joint Secretary, Department of Economic Affairs, Ministry of Finance and Joint Secretary (International Cooperation), Ministry of Petroleum and Natural Gas, Government of India, are part-time Directors on the Board of the Company.

2.2 Scheduling and selection of Agenda items for Board / Committee Meetings

The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board / Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance in the defined agenda format amongst the members for facilitating meaningful, informed and focused decisions at the meetings. To address specific urgent need, meetings are also being called at a shorter notice. In case of exigencies resolutions are also sometimes passed by circulation.

Where it is not practicable to attach any document or the agenda is of confidential nature, the same is tabled with the approval of Managing Director. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted with the permission of the Chairman. Sensitive subject matters are discussed at the meeting without written material being circulated.

The agenda papers are prepared by the concerned officials, sponsored by the concerned functional Directors and submitted for obtaining approval of the Managing Director, well in advance. Duly approved agenda papers are circulated amongst the Board members by the Company Secretary. The meetings of the Board /Committee are generally held in New Delhi.

The Board/Committee is given presentations covering Exploration, Production, Operations, Financial, Human Resources, Marketing, and operations of Joint Ventures / Subsidiaries of the Company etc. at the pre-scheduled Board/Committee meetings.

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

2.3 Recording minutes of proceedings at the Board / Committee Meeting

Minutes of the proceedings of each Board / Committee meeting are recorded. Draft minutes are approved by the Chairman of the Board/Committee. These minutes are confirmed in the next meeting of the Board/Committee. The finalized minutes of the proceedings of the meetings are entered in the Minutes Book.

2.4 Follow-up mechanism

The guidelines for the Board/Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the action taken on decisions of the Board and Committee. The follow-up Action Taken Report (ATR) on the decisions / instructions / directions of the Board / Committee is submitted to the Board/Committee regularly.

2.5 Board Meetings

Thirteen Board Meetings were held during the financial year on the following dates:

27th April, 2007	21st May, 2007	14th June, 2007	21st June, 2007	31st July, 2007
10th Sep., 2007	18th Sep., 2007	19th Oct., 2007	2nd Nov., 2007	5th Dec., 2007
2nd Jan., 2008	6th Feb., 2008	24th March, 2008		

The minimum and maximum interval between any two Board meetings was 7 days and 47 days, respectively.

Senior Management Meeting of OVL

2.6 Composition and Attendance

The composition of the Board, details of attendance etc. are as under:

Name of the Directors	Designation	Academic Qualifications	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Attendance at the last AGM (18th Sept., 2007)	Details of Directorship held in other Companies *	Membership held in Committees including OVL**
Whole-Time Directors							
Shri R. S. Butola	Managing Director	-MBA -CAIIB	13	13	Yes	-	-
Shri Anupam Mathur	Director (Commercial)	-B.E. (Mech.)	13	11	Yes	-	-
Shri Joeman Thomas	Director (Exploration)	-M.Sc. in Applied Geology	13	13	Yes	-	-
Non-Executive Part-Time Directors							
Shri R.S. Sharma, Chairman & Managing Director, ONGC	Chairman	-FICWA -CAIIB -Advance Financial Management Programme in Oil and Gas from University of Texas, Dallas (USA)	13	13	Yes	6	-
Shri Arvind Mayaram, Joint Secretary, DEA, Ministry of Finance	Director	- IAS - Master's Degree in Political Science	13	10	Yes	2	1
Shri Sunil Jain, Joint Secretary (IC), Ministry of Petroleum & Natural Gas	Director (w.e.f. 6th February, 2008)	-IFS -B. Tech. (IIT Delhi) -MPP (Princeton)	2	2	N.A.	-	-
Shri A. K. Jain, Joint Secretary, Ministry of Petroleum & Natural Gas	Director (upto 1st January, 2008)	-IAS -P.G. in Business Administration -Diploma in International Trade	10	8	No	N.A.	N.A.
Dr. A.K. Balyan, Director (Human Resource), ONGC	Director	-M.Sc. in Chemistry -M. Tec. from IIT Delhi -PHD in Chemistry from Germany	13	10	Yes	7	-
Shri N. K. Mitra, Director (Offshore), ONGC	Director	-B.Sc. (Hons.) -Petroleum Engineering	13	11	Yes	5	1
Shri A. K. Hazarika, Director (Onshore), ONGC	Director	-B.E. (Mech.)	13	10	Yes	2	-
Shri D. K. Pande, Director (Exploration), ONGC	Director	-B.Sc. (Hons.), Gold Medallist -M.Sc. (Hons.) in Geology	13	9	Yes	1	-
Shri U. N. Bose, Director (T&FS), ONGC	Director	-B.E (Mech.)	13	11	Yes	2	-

Shri D. K. Sarraf, Director (Finance), ONGC	-Whole Time Director up to 27th December, 2008 as Director (Finance) - Non-Executive Part-Time Directors w.e.f. 2nd January, 2008	-B. Com (Hons.) -M. Com -AICWA -ACS	13	13	Yes	2	2
Independent Non-Executive Part-Time Director							
Shri P. K. Choudhury	Director (w.e.f. 15th October, 2007)	-PG in Commerce from Calcutta University -FCA -PG diploma in Advance Finance Management with distinction from Maastricht School of Management, Netherlands -CAIIB	6	5	N.A.	7	7

* The other directorships do not include directorships of Companies registered under Section 25 of the Companies Act, 1956, Foreign Companies and Private Limited Companies.

** Membership of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public Limited Companies have been considered.

Notes:

(i) Directors are not related to each other;

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

(iii) The Directorships/Committee memberships are based on the latest disclosure received from Directors;

(iv) 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.

2.7 Resume of Directors proposed to be Re-appointed

The brief resume of Directors including nature of their experience in specific functional areas and names of companies in which they hold directorship and membership/chairmanship of Board/ Committee, who have been appointed during the year or are retiring by rotation and seeking re-appointment are as below:

Name	Shri P. K. Choudhury	Shri D. K. Sarraf	Shri Sunil Jain
Date of Birth & Age	January 22, 1947, 61 years	September 3, 1957, 50 years	October 19, 1957, 50 years
Date of Appointment	October 15, 2007	January 2, 2008	February 6, 2008
Qualification	- PG in Commerce from Calcutta University -FCA - PG diploma in Advance Finance Management with distinction from Maastricht School of Management, Netherlands - CAIIB - CAIB(London)	- B. Com (Hons.) - M. Com - AICWA - ACS	- Indian Foreign Services (IFS) - B. Tech (IIT Delhi) - MPP (Princeton)
No. of Shares held	Nil	Nil	Nil

Experience in specific Functional Areas	Currently holding the position of Vice Chairman & Group CEO, ICRA Ltd., New Delhi. Has been associated with the Financial Sector for the past 35 years in various managerial positions. These include, UCO Bank and IFCI. Has been involved in Project Appraisal, monitoring and Merchant Banking. ICRA is an associate of Moody's Investors Service, USA.	Experience of over 25 years in the oil and gas industry. Working with ONGC since September 1991. Worked with Oil India Limited during 1983-1991 besides working for about 6 years in a well known private sector group (1976-1982). He also possesses rich experience of working in the Oil Coordination Committee on deputation for 3 years (1997-2000). He was holding the position of Director (Finance) OVL for about 3 years before elevating to the position of Director (Finance) in ONGC.	Currently holding the position of Joint Secretary (International Cooperation) in the Ministry of Petroleum and Natural Gas. Previously served on various positions in the Government.
Directorship held in other Companies	- ICRA Limited - ICRA Management Consulting Services Limited - ICRA Online Limited - ICRA Techno Analtics Limited - Oil and Natural Gas Corporation Limited - Neyveli Lignite Corporation Limited - ICRA Techno Analytics Inc. (USA) - Peerless Securities Limited	- Oil and Natural Gas Corporation Limited - Mangalore SEZ Ltd. - ONGC Tripura Power Company Pvt. Ltd.	Nil
Membership/Chairmanship of Committees including OVL*	Chairman Audit Committee: - ONGC Videsh Limited - ICRA Techno Analytics Ltd - Oil and Natural Gas Corporation Limited - ICRA Online Ltd. Member Audit Committee: - Neyveli Lignite Corporation Limited Chairman Investors Grievance Committee: - ICRA Limited - Oil and Natural Gas Corporation Limited	Member Audit Committee: - ONGC Videsh Limited Member Investors Grievance Committee: - Oil and Natural Gas Corporation Limited	Nil

Name	Shri Arvind Mayaram	Dr. A. K. Balyan	Shri N. K. Mitra
Date of Birth & Age	October 23, 1955, 52 years	July 2, 1951, 57 years	January 14, 1949, 59 years
Date of Appointment	March 3, 2006	September 15, 2003	October 18, 2004
Qualification	- Indian Administrative Services (IAS) - Master's Degree in Political Science	- M.Sc. in Chemistry - M.Tec. from IIT Delhi - PHD in Chemistry from Germany	-B.Sc. (Hons.) -Petroleum Engineering
No. of Shares held	Nil	One (As nominee of ONGC)	One (As nominee of ONGC)
Experience in specific Functional Areas	Currently holding the position of Joint Secretary in the Department of Economic Affairs, Ministry of Finance. Previously served on various positions in the Government	Over 34 years of experience including several field and staff assignments in various disciplines ranging from Mud Engineering to Head of Exploration in ONGC. He currently holds the full time post of Director (HR) and In-charge Business Development & Joint Ventures in ONGC.	Over 33 years of multifarious experience in ONGC and has been involved in engineering and commissioning of first sour gas platform at South Basin field of Western Offshore; instrumental in commissioning of first sea water processing and water injection platforms; Hazira gas terminal and by-pass line over river Mindola for gas supply production. He currently holds the full time post of Director (Offshore) in ONGC.
Directorship held in other Companies	- Security Printing and Minting Corporation of India Ltd. - Indian Railway Finance Corporation	- Oil and Natural Gas Corporation Ltd. - Mangalore Refinery & Petrochemicals Ltd. - Dahej SEZ Ltd. - ONGC Tripura Power Company Pvt. Ltd. - Mangalore SEZ Ltd. - ONGC Petro-additions Ltd. - ONGC Mangalore Petrochemicals Ltd. - Petronet MHB Ltd.	- Oil and Natural Gas Corporation Ltd. - Mangalore Refinery & Petrochemicals Ltd. - Pawan Hans Helicopters Ltd. - Petronet LNG Ltd. - ONGC Petro-additions Ltd.
Membership/Chairmanship of Committees including OVL*	Member Audit Committee - ONGC Videsh Limited	Nil	Member Audit Committee - ONGC Videsh Limited

* Membership/Chairmanship of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public limited companies have been considered.

3. Audit Committee

3.1 Composition of the Audit Committee

The present composition of the Audit Committee is as follows:

Shri P. K. Choudhury - Chairman
Shri Arvind Mayaram - Member
Shri N. K. Mitra - Member
Shri D. K. Sarraf - Member

The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the Department of Public Enterprises guidelines on Corporate Governance. Chairman of the Committee, Shri P. K. Choudhury, an Independent Director on the Board w.e.f. 15th October, 2007, is a Chartered Accountant, Post Graduate diploma in Advance Finance Management with distinction from Maastricht School of Management, Netherlands, CAIIB, CAIB(London) and Post Graduate in Commerce from Calcutta University. Shri Choudhury has multifarious and enriched experience of more than 36 years in Finance and Banking. Prior to him, the Committee was headed by Shri Arvind Mayaram, an IAS officer, Joint Secretary in the Department of Economic Affairs, Ministry of Finance, Government of India. All members of the Committee have requisite financial and management experience. Director (Finance) and Internal Auditor are the permanent invitees to Committee's meetings. Representatives of Statutory Auditors were invited to attend and participate in the meetings. Functional Directors, Executives of Finance and other departments are invited on need basis. The Chairman of the Audit Committee was present at the last AGM of the Company. Company Secretary acts as the Secretary to the Committee.

3.2 Role of the Audit Committee

The role of the Audit Committee includes the following:

3.2.1 Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

3.2.2 Recommending to the Board the fixation of audit fees.

3.2.3 Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

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

a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

b. Changes, if any, in accounting policies and practices and reasons for the same.

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with legal requirements relating to financial statements;

f. Disclosure of any related party transactions; and

g. Qualifications in the draft audit report.

3.2.5 Reviewing, with the management, the quarterly/half yearly financial statements as may be required before submission to the Board for approval.

3.2.6 Reviewing, with the management, performance of internal auditors and adequacy of the internal control systems.

3.2.7 Reviewing the adequacy of internal audit function, it 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.

3.2.8 Discussion with internal auditors and/ or auditors any significant findings and follow up there on.

3.2.9 Reviewing the findings of any internal investigations by the internal auditors/ auditors/ agencies 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.

3.2.10 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.

3.2.11 To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors if any.

3.2.12 To review the functioning of the Whistle Blower Mechanism.

3.2.13 To review the follow up action on the audit observations of the C&AG audit.

3.2.14 Review / check the contracts on nomination basis as per CVC guidelines.

3.2.15 To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.

3.2.16 Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors.

3.2.17 Review and pre-approve all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions.

3.2.18 Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.

3.2.19 Consider and review the following with the independent auditor and the management:

- The adequacy of internal controls including computerized information system controls and security, and
- Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

3.2.20 Consider and review the following with the management, internal auditor and the independent auditor:

- Significant findings during the year, including the status of previous audit recommendations.
- Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

3.3 Minutes of the Audit Committee

Minutes of the meetings of the Audit Committee are approved by the Chairman of the Committee and are noted by the Board of Directors in the subsequent meeting.

3.4 Meetings

Six meetings of the Audit Committee were held during the financial year on the following dates:

27th April, 2007	14th June, 2007	21st June, 2007
22nd August, 2007	19th October, 2007	5th December, 2007

3.5 Attendance

Members	Meetings held during the tenure	Meetings attended
Shri P. K. Choudhury, Chairman (from 9th May, 2008), Member (from 19th October, 2007)	1	1
Shri Arvind Mayaram, Chairman (up to 8th May, 2008), Member (from 9th May, 2008)	6	5
Shri R. S. Sharma, Member (up to 8th May, 2008)	6	6
Shri N. K. Mitra, Member	6	5
Shri D. K. Sarraf, Member (from 9th May, 2008)	-	-

4. Equity Shares held by Directors (as on 31st March, 2008)

Shri R.S. Sharma, Shri R.S. Butola, Dr. A.K. Balyan, Shri N.K. Mitra, Shri A.K. Hazarika, Shri D.K. Pande and Shri U.N. Bose hold one share each of the Company as nominee of Oil and Natural Gas Corporation Limited.

5. Code of Conduct for Members of the Board and Senior Management

The Company is committed to conduct its business in accordance with the highest standards of business ethics and comply with applicable laws, rules and regulations. A code of conduct, evolved in line with the parent Company ONGC was adopted by the Board applicable to all Members of the Board and Senior Management who have confirmed compliance with the Code of Conduct for the year under review. A copy of the Code has been placed on the Company's website www.ongcvidesh.com.

A declaration signed by Chairman is given below:

"I hereby confirm that:

The Company has obtained from the Members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2007-08."

(R. S. Sharma)
Chairman

6. Subsidiary Monitoring Framework

All subsidiaries of the Company, except two subsidiaries in Brazil, are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. Brazilian companies being having limited activities are managed through administrators as permitted under the local laws. Being 100% shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of its subsidiaries periodically.

List of the Company's direct and indirect subsidiary companies as on 31st March, 2008 is given below:

Sl. No.	Name of the Subsidiary	Date of incorporation/ acquisition	Country in which incorporated
1.	ONGC Nile Ganga BV	12.03.2003	Netherlands
2.	ONGC Narmada Limited	07.12.2005	Nigeria
3.	ONGC Do Brasil Exploracao Petrolifera Ltda.	07.07.2006	Brazil
4.	ONGC Amazon Alaknanda Limited	08.08.2006	Bermuda
5.	ONGC Compos Ltda.	16.03.2007	Brazil
6.	ONGC Nile Ganga (Cyprus) Ltd.	26.11.2007	Cyprus
7.	ONGC Nile Ganga (San Cristobal) BV	29.02.2008	Netherlands

7. Annual General Meetings

Location, date and time, where the AGMs were held during the preceding 3 years:

Year	Location	Date	Time (IST)
2004-05	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	19th September, 2005	05:00 p.m.
2005-06	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	18th September, 2006	04.00 p.m.
2006-07	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	18th September, 2007	12.00 p.m.

8. Disclosures

8.1 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.

Transactions with related parties are disclosed in Note No. 25 of Schedule 26 to the Accounts in the Annual Report. 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 (AS) 18 on Related Party Disclosures.

8.2 The Company has not incurred any expenditure during the year 2007-08, which was not for the purpose of the business of the Company or which was of personal in nature and incurred for the Board of Directors and Senior Management.

8.3 Details of administrative and office expenses as a percentage of total expenses and reasons for increase:

(Rs. in million)

Particulars	2007-08	2006-07	Reasons for increase
Total expenses *	19,036.42	10,389.07	Though in absolute terms administrative and office expenses have increased mainly due to increase in the business activities of the Company, in percentage terms, the administrative and office expenses have reduced.
Administrative and office expenses	1,089.34	787.14	
Administrative and office expenses as a percentage of total expenses	5.72%	7.58%	

*Includes Production, Transportation, Selling & Distribution Expenditure and Provisions & Write Off (Net).

9. Compliances

The Company has complied with applicable rules and the requirement of regulatory authorities and no penalties or strictures were imposed on the Company during last three years. All statutory fillings were within stipulated time with various authorities.

10. Means of Communication

- **Annual Report:** Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms parts of the Directors' Report in Annual Report.
- **News Release, Presentation etc.:** The official news releases are displayed on the Company's website www.ongcvidesh.com.
- **Website:** The Company's website is www.ongcvidesh.com. Full Annual Report is also available on the web-site in a user-friendly manner.

11. Annual General Meeting

- Date : 18th September, 2008
- Time : 12.00 Noon
- Venue : 4th Floor, Kailash Building, 26, K.G. Marg, New Delhi - 110001

12. Share Ownership Pattern as on 31st March, 2008

Category	No. of shares held of Rs. 100 each	Percentage of shareholding
Oil and Natural Gas Corporation Limited and its nominees	100,000,000	100%

13. Legal Proceedings

No case and/or suit of any material or substantial nature is pending against the Company.

14. Major Projects

The list of projects of OVL, including held through subsidiaries / joint venture company, as on 31st March, 2008 is as below:

1. Block 06.1, Vietnam
2. Block 127, Vietnam
3. Block 128, Vietnam
4. Block 8, Iraq
5. Sakhalin-1, Russia
6. Block A-1, Myanmar
7. Block A-3, Myanmar
8. Block AD-2, Myanmar
9. Block AD-3, Myanmar

10. Block AD-9, Myanmar
11. Farsi Offshore Block, Iran
12. Block NC-188 & NC-189, Libya
13. Block 81-1, Libya
14. Block 43, Libya
15. GNOP Block 1, 2 & 4, Sudan
16. Block 5A, Sudan
17. Block 5B, Sudan
18. Pipeline Project, Sudan
19. Block 24, Syria
20. Al Furat (4 PSAs), Syria
21. Block-2, Nigeria Sao Tome & Principe, JDZ
22. Block 6, Egypt
23. Block NEMED, Egypt
24. Najwat Najem Structure, Qatar
25. Block BC-10, Brazil
26. Block BM-S-73, Brazil
27. Block BM-ES-42, Brazil
28. Block 25, 26, 27, 28, 29, 35A & 36, Cuba
29. Block 34 & 35, Cuba
30. Mansarovar Energy Project, Colombia
31. Block RC-8, Colombia
32. Block RC-9, Colombia
33. Block RC-10, Colombia
34. OPL - 279, Nigeria
35. OPL - 285, Nigeria
36. MTPN Block, Congo
37. Block 11 – 12, Turkmenistan

15. Risk Management

The framework for risk assessment and minimization thereto has been evaluated and further improvements, if any, suggested by experts shall be incorporated.

16. CEO/CFO Certification

In terms of Department of Public Enterprises guidelines on Corporate Governance, the certification by the CEO/CFO on the financial statement and internal controls relating to financial reporting for the financial year 2007-08 was submitted to the Board of Directors on 12th June, 2008.

17. Compliance Certificate

Certificate from M/s A. N. Kukreja & Co. a practicing Company Secretary, confirming compliance of Guidelines on Corporate Governance of the Department of Public Enterprises, Government of India, is annexed to the Directors' Report forming part of the Annual Report.

18. Audit Qualification

The auditors' observations have been suitably replied / explained in the Annual Report. The Company is pursuing towards the regime of unqualified financial statements.

19. Training of Board Members

Functional Directors have attended training programmes. Though, no specific training programmes were arranged for part-time Board members, at the Board / Committee meetings, detailed presentations are made by senior executives / professionals/ consultants on business related issues, risk assessment, strategy effect of regulatory changes etc.

20. Whistle Blower Policy

Being a PSU, the guidelines of CVC are applicable; therefore no separate mechanism has been formulated.

21. Fee to Statutory Auditors

The fee paid / payable to the Statutory Auditors for the year was Rs. 0.7 million (previous year Rs. 0.6 million), plus Rs. 0.185 million (previous year Rs. 0.15 million) as fee for review of half yearly accounts.

comments of the comptroller & auditor general of India under section 619(4) of the companies act, 1956 on the accounts of ONGC Videsh Limited for the year ended 31st march, 2008

The preparation of financial statements of ONGC Videsh Limited for the year ended 31st March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Reports dated 12.06.2008.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of ONGC Videsh Limited for the year ended 31.03.2008. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to the inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors Report under section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

(Saroj Punhani)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-II, New Delhi

New Delhi
July 15, 2008

To,
The Members,
ONGC Videsh Ltd.
New Delhi.

certificate on compliance of guidelines on corporate governance

1. We have examined the compliance of Guidelines on Corporate Governance by ONGC Videsh Ltd. (non-listed public sector enterprise) for the year ended 31st March, 2008 as stipulated in O.M. No. 18(8)/2005-GM dated 22.6.2007 of the Ministry of Heavy Industries and Public Enterprises, Department of Public enterprises.

2. The compliance of Guidelines on Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the Guidelines on Corporate Governance. It is neither an audit nor an expression of 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 by the management, we certify that, except the composition of the Board of Directors and Audit Committee with regard to independent Directors, the Company has complied with the guidelines on Corporate Governance as stipulated in the OM mentioned above.

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 A.N.Kukreja & Co.
Company Secretaries

(A.N. Kukreja)
Proprietor
CP 2318

New Delhi
July 19, 2008

secretarial compliance report for the financial year ended march 31, 2008.

To,
The Board of Directors,
ONGC Videsh Ltd.,
601 "Kailash",
26, Kasturba Gandhi Marg,
New Delhi-110001.

We have examined the registers, records and documents of ONGC Videsh Ltd. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, and the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2008 (financial year). In our opinion and according to the information and explanations given to us by the Company, we report that in respect of the aforesaid financial year:

1. The Company is a "Government Company" as defined in Section 617 of the Act. It is an unlisted public company.

2. The Company has kept and maintained all registers as required to be maintained under the provisions of the Act and the rules made there under and all entries have been duly recorded.

3. The Company has duly filed the requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana, under the Act and the rules made there under.

4. The Board of Directors duly met 13 times in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.

5. The Board has constituted an Audit Committee as required under Section 292A of the Act. The Audit Committee met 6 times in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.

6. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

7. The Annual General Meeting of the Company for the financial year ended on March 31, 2007 was held on 18.9.2007. The resolutions passed thereat were duly recorded in minutes book maintained for the purpose.

8. The Board of Directors of the Company is duly constituted and the appointments of Directors including Managing Director and whole time Directors have been duly made in accordance with the provisions of Articles of Association of the Company read with relevant provisions of the Act.

9. The Company has not altered the provisions of Memorandum of Association and Articles of Association during the year under report.

10. The Company has :
    a) duly complied with requirements of Section 217 of the Act.

    b) made application under Section 212(8) of the Act to the Central Government seeking exemption from provisions of Section 212 of the Act in relation to its subsidiary companies. The approval/directions of the Central Government under Section 212(8) of the Act have been received vide letter No. 47/282/2008-CL-III dated 30th May, 2008.

11. The Company has not received any money as security from any of its employees during the financial year as envisaged under Section 417 of the Act.

12. The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year.

13. The Company has complied with the provisions of the Act and the rules made there under in regard to investment of funds including inter-corporate loans, guarantees and investments.

14. The Company has not made any secured borrowings during the financial year ended on 31th March, 2008.

15. The Company was not required to appoint Cost Auditor under Section 233B of the Act.

16. The Company has deposited both employees and employer's contribution with the ONGC Employees Contributory Provident Fund Trust within the prescribed time pursuant to section 418 of the Act.

17. The Company being a "Government Company" is exempt from the provisions of Section 295 of the Act. An amount of Rs. 0.77 million on accounts of loans/advances was, however, outstanding from the whole time Directors at the end of financial year.

18. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company, its Directors and Officers during the financial year for offences under the Act.

For A.N.Kukreja & Co.
Company Secretaries

(A.N. Kukreja)
Proprietor
CP 2318

New Delhi
July 19, 2008

Sakahlin-1 Project, Russia

auditors' report

THE MEMBERS
ONGC VIDESH LIMITED
601, Kailash Building
26, Kasturba Gandhi Marg
New Delhi 110001

1. We have audited the attached Balance Sheet of "ONGC VIDESH LIMITED", New Delhi as at 31st March, 2008 the Profit & Loss Account and the Cash Flow Statement for the year ended as on 31st March, 2008 annexed thereto in which are incorporated, the company's share in the total value of assets, liabilities, expenses and net profit of 17 International Joint Ventures out of which 10 Joint ventures accounts have been certified under respective local laws / Production Sharing Contract / Joint Operating Agreement by the local audit firm appointed by the management of the respective Joint Ventures and remaining 7 have been certified by the management. (Refer Note No. 3 of Schedule 26). These financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

   Considering the fact that actual operations are performed outside India and operator is responsible for maintaining the original books of accounts on behalf of all the members as per Joint operating agreement, we have conducted our audit by relying on such information furnished by the operator.

   An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable to the Company, is annexed.

4. Categorization of expenditure on project in Development & Exploratory Wells in Progress, Producing Properties, and Capital Work in Progress, allocation of cost incurred on them, depletion of producing properties on the basis of proved developed hydrocarbon reserve, provision for abandonment cost and impairment, allocation of depreciation on fixed assets (including support equipment and facilities) are made according to evaluation by the management, technical and/or otherwise on which, we have placed reliance.

5 Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

5.1 Attention is invited to Note No. 17(ii) of Schedule-26 regarding expense head-wise details as required by Schedule VI to the Companies Act, 1956.

6.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary, for the purposes of our audit.

6.2 In our opinion, proper books of account as required by law have been kept by the Company at head office so far as appears from our examination of the books.

6.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

6.4 In our opinion and based on the information given to us, the Profit and Loss Account and Balance Sheet and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

6.5 Based on the written representation made by all the Directors of the Company which was taken on record by the Board of Directors of the Company and the information and explanations as made available, none of the Directors of the Company is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

6.6 **Subject to above and other comments in Para 3 and Para 5 above,** in our opinion and to the best of our information and according to the explanations given to us, said Balance Sheet and Profit and Loss Account and Cash Flow Statement read together with significant accounting policies and notes to accounts as required by the Companies Act, 1956 give a true and fair view and are in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008; and

(b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and

(c) In the case of Cash Flow Statement for the cash flow of the Company for the year ended on that date.

FOR BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS

(K.S.KAMATH)
Partner
M.No. 44492

New Delhi
June 12, 2008

annexure to the auditor's report

(Referred to in Paragraph 3 of our report of even date of ONGC Videsh Limited, New Delhi as at 31st March, 2008)

1) **In respect of fixed assets:**

a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets in India and in respect of ventures outside India, except fixed assets of non-operated Joint Ventures situated outside India in respect of which the details are maintained as per the information made available by the respective operators.

b) The management has carried out the physical verification of fixed assets situated in India and operated ventures outside India during the year. Periodic physical verification of fixed assets is being carried out by the operators of the respective non-operated Joint Ventures which appear to be reasonable. According to the information and explanation given to us, the reconciliation of the physically verified assets with the book records is in progress. Discrepancies noticed on physical verification and consequential adjustment with regard to discrepancies will be carried out on completion of reconciliation. As per the information and explanations given to us, the same is not material.

c) In our opinion, and according to information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year and thus going concern status of company is not affected.

2) **In respect of its inventories:**

a) The company does not have any inventory in India. As informed and reported to us, physical verification of inventory has been performed by the management in respect of the operated Joint Ventures. According to the information and explanations given to us, no discrepancy was observed on such physical verification. In our opinion, the physical verification has been carried out by the management at reasonable intervals in respect of operated Joint Ventures. The inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts on the basis of information provided by the respective operators. However, physical verification of such inventory has been performed by the operators of the respective non-operated projects.

b) In our opinion, the procedures of physical verification of inventory followed by the management in respect of operated Joint Ventures are reasonable and adequate in relation to the size of the company and the nature of its business. However, as informed by the management, physical verification of the inventory in respect of non-operated projects has been performed by the operators of the respective non-operated projects.

c) The Company is generally maintaining proper records of inventory. According to the information and explanations given to us, no discrepancy was observed on physical verification of inventory performed by the management in respect of operated Joint Ventures. However, the inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts of the company on the basis of information provided by respective operators.

3) **According to the information and explanations given to us in respect of loans:**

a) The company has not granted any loan secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence the provisions of clause (iii) (b), (c) and (d) of the paragraph 4 of the order as amended are not applicable to the company.

b) The company has not taken any loan secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of clause (iii) (f) and (g) of the paragraph 4 of the Order, as amended, are not applicable to the company. The loans taken from Oil and Natural Gas Corporation Limited, the 100% holding company, is not covered under the provisions of this clause.

4) According to information and explanations given to us, the internal control system in respect of inventory and fixed assets purchased by the company for the operated ventures outside India is commensurate with the nature and size of its business. Certain sales are made by the parent company through proper procedure laid down by the company. Based on information and explanations given to us, the company's internal control system with respect to purchase of inventory, fixed assets and sales is commensurate with the nature and size of its business. However, all purchases of fixed assets and inventory in respect of the non-operated Joint Ventures are made outside India by the respective operators. Since it is not practically viable or appropriate to check the internal control system being prevalent at respective project sites, we are unable to comment on the adequacy of such internal control system with respect to the nature and size of business.

5) a) According to information and explanations given to us, there are no transactions during the year, which are required to be entered in the register maintained in pursuance of Section 301 of the Companies Act,1956.

   b) Accordingly the provisions of the clause v (b) of paragraph 4 of the order (as amended) are not applicable to the company.

6) The company has not accepted any deposits from the public. Consequently, the provisions of Section 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company.

7) As per the information and explanations provided to us, though the company has a system of internal audit, carried out through an outside agency for its corporate office which is generally commensurate with the size and nature of its business, the system needs to be further strengthened.

8) We have broadly reviewed the books of accounts of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 as clarified by the Cost Audit Branch of Ministry of Corporate Affairs vide letter No. F.No. 52/21/CAB/2007 dated 26th May, 2008 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9) a) Provident fund contributions are transferred by the company to its parent company, ONGC. ONGC is responsible for depositing the same with appropriate authority. According to the information given to us, there are no undisputed statutory dues pending as on last day of current financial year.

   b) As per information and explanations provided to us, no dues of income tax/ sales tax/ wealth tax/ custom duty/ excise duty/ cess are pending on account of any dispute.

10) The company has no accumulated losses at the end of the current financial year and has not incurred cash losses during the current and in the immediately preceding financial year.

11) As per the information and explanation given by the management, we are of the opinion that company has not defaulted in the repayment of dues to any financial institution, banks and debenture holders.

12) According to information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly paragraph 4 (xii) of the Order is not applicable.

13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, clause 4 (xiii) of the Order is not applicable.

14) The company is not dealing in or trading in shares, securities, debentures and other instruments. Therefore, the provisions of the clause (xiv) of paragraph 4 of the Order are not applicable.

15) According to information and explanations given to us, the company has not given any guarantee for loan taken by others from bank and financial institutions.

16) According to information and explanation given to us, term loans were broadly applied by the company for the purpose for which loans were obtained.

17) According to the information and explanations given to us and on the basis of examination of books of accounts and other records, funds if raised on short term basis, have, prima facie, not been used during the year for long term investment.

18) We are informed that the company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

19) Company has not issued any debentures during the year; hence the question of securities to be created for debentures issued does not arise.

20) The company has not raised any money by way of public issue during the year.

21) According to the information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the company was noticed or reported during the year.

FOR BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS

(K.S.KAMATH)
Partner
M.No. 44492

New Delhi
June 12, 2008

balance sheet as at 31st march, 2008

(Rupees in million)

	Schedule		As at 31st March, 2008		As at 31st March, 2007
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	10,000.00		10,000.00	
Reserves and Surplus	2	30,568.90		21,993.47	
			40,568.90		31,993.47
LOAN FUNDS	3				
Secured Loans		0.00		0.00	
Unsecured Loans		113,737.76		132,347.57	
			113,737.76		132,347.57
DEFERRED TAX LIABILITY (Refer Note 13 of Schedule 26)			4,473.22		6,702.86
LIABILITY FOR ABANDONMENT COST			4,867.07		4,503.49
TOTAL			163,646.95		175,547.39
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		67,868.81		60,006.70	
Less: Depreciation		25,419.42		10,968.47	
Net Block			42,449.39		49,038.23
PRODUCING PROPERTIES (NET)	5		38,285.61		31,818.00
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS	6		8,420.23		5,386.60
CAPITAL WORK IN PROGRESS	7		6,753.41		11,218.66
INVESTMENT	8		52,203.97		51,149.40
CURRENT ASSETS, LOANS AND ADVANCES					
Interest Accrued	9	23.24		11.66	
Inventories	10	1,626.78		1,937.67	
Sundry Debtors	11	7,516.77		5,408.40	
Cash and Bank Balances	12	2,871.38		4,066.91	
Loans and Advances	13	16,083.17		21,739.82	
		28,121.34		33,164.46	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	14	12,373.90		6,156.54	
Provisions	15	213.10		71.42	
		12,587.00		6,227.96	
NET CURRENT ASSETS			15,534.34		26,936.50
TOTAL			163,646.95		175,547.39
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25				
NOTES TO THE ACCOUNTS	26				

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

profit and loss account for the year ended 31st march, 2008

(Rupees in million)

	Schedule	2007-08	2006-07
INCOME			
Sales	16	**69,087.12**	28,634.94
Other Income	17	**1,144.45**	2,760.30
Increase/(Decrease) in Stocks	18	**(186.49)**	396.57
		70,045.08	**31,791.81**
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	19	**13,653.84**	9,038.85
Depreciation, Depletion and Amortisation	20	**26,141.05**	10,530.38
Financing Costs	21	**8,636.91**	(1,864.40)
Provisions and Write-Offs (Net)	22	**5,382.58**	1,350.22
		53,814.38	**19,055.05**
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		**16,230.70**	12,736.76
Adjustments relating to Prior Period (Net)	23	**921.34**	(1,668.29)
Provision for Taxation			
Current Year Tax		**9,012.09**	1,539.42
Deferred Tax		**(2,229.65)**	2,311.43
Fringe Benefit Tax		**16.49**	15.09
Wealth Tax		**16.25**	13.55
Earlier Years Tax		**0.00**	0.00
PROFIT AFTER TAXATION		**8,494.18**	10,525.56
Add: Profit brought forward from last year		**19,148.35**	9,675.34
Balance Available for Appropriation		**27,642.53**	**20,200.90**
Transfer to General Reserve		**849.41**	1,052.55
Balance Carried to Balance Sheet		**26,793.12**	19,148.35
		27,642.53	**20,200.90**
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25		
NOTES TO THE ACCOUNTS	26		

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

schedule 1

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SHARE CAPITAL		
Authorised		
100,000,000 (Previous year 100,000,000) Equity Shares of Rs.100 each	**10,000.00**	10,000.00
Issued, Subscribed, Called and Paid Up	**10,000.00**	10,000.00
100,000,000 (Previous year 100,000,000) Equity Shares of Rs.100 each fully paid up in cash (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees)		
TOTAL	**10,000.00**	**10,000.00**

schedule 2

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
RESERVES AND SURPLUS				
Capital Reserve		**174.08**		174.08
General Reserve				
Opening balance	**2,287.94**		1,248.81	
Less: Adjustment for Employees Benefits	**0.00**		13.42	
Add: Transfer from Profit and Loss Account	**849.41**	**3,137.35**	1,052.55	2,287.94
Foreign Exchange Translation Reserve		**464.35**		383.10
Profit and Loss Account				
Opening Balance	**19,148.35**		9,675.34	
Add: Addition during the year	**7,644.77**	**26,793.12**	9,473.01	19,148.35
TOTAL		**30,568.90**		**21,993.47**

schedule 3

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
LOANS		
Secured Loan	**0.00**	0.00
UNSECURED LOANS		
Long Term		
Indian Rupee Loans		
From Oil and Natural Gas Corporation Limited	**112,648.44**	130,941.59
Foreign Currency Loans		
Non- Recourse Deferred Credit	**1,089.32**	1,405.98
(In respect of Joint Venture)		
TOTAL	**113,737.76**	**132,347.57**
Repayable within one year	**132.40**	240.90

schedule 4

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION AND IMPAIRMENT				NET BLOCK	
	As at 1st April, 2007	Additions during the year	Deletions/ Adjustments during the year	As at 31st March, 2008	Upto 31st March, 2007	For the year	Deletions/ Adjustments during the year	Upto 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
Land (Leasehold)	1,354.16	267.25	0.00	**1,621.41**	0.00	0.00	0.00	**0.00**	**1,621.41**	1,354.16
Building	1,957.09	2,222.04	0.05	**4,179.08**	80.99	165.41	0.01	**246.39**	**3,932.69**	1,876.10
Plant & Machinery	52,929.93	4,729.84	36.87	**57,622.90**	10,595.22	13,597.80	6.90	**24,186.12**	**33,436.78**	42,334.71
Computers	77.84	190.60	0.00	**268.44**	50.01	65.22	0.00	**115.23**	**153.21**	27.83
Vehicles	149.45	93.07	0.40	**242.12**	58.67	34.01	0.25	**92.43**	**149.69**	90.78
Furniture & Fittings and Equipments	3,530.21	268.70	0.57	**3,798.34**	175.70	477.86	0.17	**653.39**	**3,144.95**	3,354.51
Sub Total	**59,998.68**	**7,771.50**	**37.89**	**67,732.29**	**10,960.59**	**14,340.30**	**7.33**	**25,293.56**	**42,438.73**	**49,038.09**
Intangibles - Software	8.02	128.50	0.00	**136.52**	7.88	117.98	0.00	**125.86**	**10.66**	0.14
TOTAL	**60,006.70**	**7,900.00**	**37.89**	**67,868.81**	**10,968.47**	**14,458.28**	**7.33**	**25,419.42**	**42,449.39**	**49,038.23**
Previous year	15,026.16	45,038.27	57.73	**60,006.70**	5,466.75	5,507.64	5.92	**10,968.47**	**49,038.23**	9,559.41
The above includes the Company's Share in Joint Venture Assets	**58,614.52**	**7,427.38**	**37.89**	**66,004.01**	**10,946.49**	**14,401.52**	**7.33**	**25,340.68**	**40,663.33**	**47,668.03**
Previous year	13,637.42	45,034.19	57.09	**58,614.52**	5,448.95	5,502.95	5.41	**10,946.49**	**47,668.03**	8,188.47

schedule 5

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	**39,266.85**	24,176.68
Acquisition Cost	**0.00**	2,333.77
Expenditure during the year	**3,691.11**	1,984.32
Transfer from Development & Exploratory Wells-in-Progress	**9,002.00**	8,787.41
Estimated Abandonment Costs	**0.00**	1,984.67
Total Gross (A)	**51,959.96**	**39,266.85**
Less: Depletion		
Opening Balance	**7,448.85**	2,504.18
Depletion for the year	**6,225.50**	4,944.67
Total Depletion (B)	**13,674.35**	**7,448.85**
NET PRODUCING PROPERTIES (A - B)	**38,285.61**	**31,818.00**

schedule 6

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS		
A. Development Wells in Progress		
Opening Balance	**1,775.89**	5,719.68
Addition during the year	**8,799.98**	5,758.65
Adjustments during the year	**0.00**	(2,220.27)
Less: Transfer to Producing Properties	**8,759.79**	7,482.17
Development Wells in Progress (A)	**1,816.08**	**1,775.89**
B. Exploratory Wells in Progress		
Opening Balance	**3,610.71**	2,461.90
Addition during the year	**9,193.76**	3,330.63
Adjustments during the year	**0.00**	(0.63)
Wells written back during the year	**0.00**	1,353.69
Less: Transfer to Producing Properties	**242.22**	1,305.23
Less: Wells written off during the year	**5,891.41**	942.35
Less: Provision for Wells drilled during the year under Service Contract	**66.69**	1,287.30
Exploratory Wells in Progress (B)	**6,604.15**	**3,610.71**
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS (A+B)	**8,420.23**	**5,386.60**

schedule 7

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CAPITAL WORK IN PROGRESS		
Block 06.1, Vietnam	**0.00**	1,412.50
Block 127, Vietnam	**92.54**	92.54
Block 128, Vietnam	**92.54**	92.54
Sakhalin-1 Project, Russia	**3,437.41**	7,403.75
Block-XXIV, Syria	**0.00**	19.81
Block 5A, Sudan	**482.07**	0.00
Block 5B, Sudan	**1,046.95**	1,046.95
Block 6, North Ramadan, Egypt	**33.50**	31.76
Block A1, Myanmar	**87.98**	32.46
Block A3, Myanmar	**62.99**	38.88
Block 81/1, Libya	**268.92**	268.92
Najwat Najem Oil Structure, Qatar	**0.00**	327.75
Block 25, 26, 27, 28, 29, 36 and 35 (Part), Cuba	**346.91**	346.91
Block 1,2,3&4 (Area 43), Libya	**408.90**	0.00
Block AD 2, Myanmar	**392.70**	0.00
Others	**0.00**	103.89
TOTAL	**6,753.41**	**11,218.66**

schedule 8

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
INVESTMENTS		
Long Term Investments (Fully Paid Up)		
Trade Investments in Shares Unquoted		
In Wholly Owned Subsidiaries:		
ONGC Nile Ganga B.V.		
40 Class 'A' & 100 Class 'B' (Previous year 40 Class 'A' & 100 Class B') Shares of Euro 453.78 Each	**29,877.14**	29,877.14
ONGC Narmada Limited		
20,000,000 (Previous year 20,000,000) Shares of Nigerian Naira 1 Each	**6.94**	6.94
ONGC Amazon Alaknanda Limited		
12,000 (Previous year 12,000) Equity Shares of USD 1 Each	**0.56**	0.56
437,488,000 (Previous year 437,488,000) Preference Shares of USD 1 Each	**20,190.07**	20,190.07
In Jointly Controlled Entity:		
ONGC Mittal Energy Limited		
24,990,000 Equity Shares of USD 1 each (Previous year 24,010,000 Equity Shares of USD 1 each)	**1,113.72**	1,074.69
2,550 Redeemable Preference Shares of USD 1 each (Previous year NIL)	**1,015.54**	0.00
TOTAL	**52,203.97**	**51,149.40**

schedule 9

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
Deposits with Banks	**0.01**	0.78
Others	**23.23**	10.88
TOTAL	**23.24**	**11.66**

schedule 10

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
INVENTORIES				
(As taken, valued and certified by the Management)				
Finished Goods		**155.11**		410.19
Stores and Spares	**1,468.64**		1,523.84	
Less: Provision & Write off	**0.88**	**1,467.76**	0.88	1,522.96
(In respect of Joint Venture)				
Stores & Spares	**53.49**		9.85	
Less: Written-off to Net Realisable Value	**49.58**	**3.91**	5.33	4.52
TOTAL		**1,626.78**		**1,937.67**

schedule 11

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered Good	**0.00**	0.00
Considered Doubtful	**0.00**	0.00
Other Debts:		
Considered Good	**7,516.77**	5,408.40
Considered Doubtful	**0.00**	0.00
TOTAL	**7,516.77**	**5,408.40**

schedule 12

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	**0.16**	0.12
B. Balances with Scheduled Banks		
a) On Current Account	**1,760.81**	549.27
b) On Deposit Accounts	**15.40**	1,948.75
C. Balances with Non-Scheduled Banks		
a) On SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.548.54 Million Previous year Rs.756.34 Million)	**0.08**	0.04
b) On SB VND Account with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.545.74 Million Previous year Rs.752.01 Million)	**0.10**	0.02
c) On Current Account with Bank of Commerce & Development, Libya (USD) (Maximum balance during the year Rs.3.49 Million Previous year Rs.2.82 Million)	**1.01**	1.35
d On Current Account with Bank of Commerce & Development, Libya (LD) (Maximum balance during the year Rs.2.43 Million Previous year Rs.2.22 Million)	**0.31**	0.24
e) On Current Account (QAR) with HSBC Bank, Qatar (Maximum balance during the year Rs.69.64 Million Previous year Rs.5.56 Million)	**3.80**	0.50
f) On Current Account (USD) with Banco Financiero Internacional SA, Cuba (Maximum balance during the year Rs.4.77 Million Previous year Rs.1.59 Million)	**1.52**	1.30
g) On Current Account EN Bank, Tehran (AED) (Maximum balance during the year Rs.0.96 Million Previous year Nil)	**0.39**	0.00
h) On Current Account EN Bank, Tehran (IRR) (Maximum balance during the year Rs. 0.26 Million Previous year Nil)	**0.01**	0.00
i) On Current Account Banco de Credito Helm Financial Services , Colombia (COP) (Maximum balance during the year Rs. 0.77 Million Previous year Nil)	**0.17**	0.00
D. Cash and Bank Balances (In respect of Joint Venture)	**1,087.62**	1,565.32
TOTAL	**2,871.38**	**4,066.91**

schedule 13

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
LOANS AND ADVANCES				
A. Secured - Considered Good				
Loans and Advances to Employees (A)		**51.21**		28.86
B. Unsecured - Considered Good				
Carry Finance to Sudapet, Sudan		**812.46**		1,083.65
Loans and Advances to Employees		**24.09**		14.25
Advances recoverable in cash or in kind or for value to be received		**342.03**		138.22
Receivable from ONGC Nile Ganga BV (Subsidiary Company)		**0.00**		731.79
Receivable from ONGC Mittal Energy Ltd.		**2.19**		0.00
Receivable from ONGC Amazon Alaknanda Limited (OAAL) (Subsidiary Company)		**2.96**		0.00
Advance against share capital to ONGC Mittal Energy Limited		**5.72**		1,908.65
Advance against share capital to ONGC Nile Ganga BV (Subsidiary Company)		**3,702.25**		5,106.64
Loan to ONGC Narmada Limited (Subsidiary Company)		**779.06**		749.06
Other Deposits		**47.68**		2.05
VAT Receivable		**27.16**		257.33
Investment in Lease		**5,368.06**		6,573.59
Advances recoverable in cash or in kind or for value to be received (In respect of Joint Venture)		**1,499.76**		1,877.40
Taxes (Income Tax, Wealth Tax and Fringe Benefit Tax) :				
Advance Payment of Income Tax	**14,179.73**		4,994.13	
Less: Provision	**10,761.19**	**3,418.54**	1,725.80	3,268.33
Unsecured - Considered Good (B)		**16,031.96**		**21,710.96**
C. Unsecured - Considered Doubtful				
Carry Finance to Sudapet, Sudan	**183.89**		78.27	
Less: Provisions for Doubtful Loans and Advances	**183.89**	**0.00**	78.27	0.00
Carry Finance to Shell, Egypt (NEMED)	**4,778.40**		0.00	
Less: Provisions for Doubtful Advances and Claims	**4,778.40**	**0.00**	0.00	0.00
Unsecured - Considered Doubtful (C)		**0.00**		**0.00**
LOANS AND ADVANCES (A+B+C)		**16,083.17**		**21,739.82**

schedule 14

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
Due of micro enterprises and small enterprises	**0.00**	0.00
Other than micro enterprises and small enterprises	**5,121.51**	975.98
Deposits	**86.31**	0.37
Advance from Customers	**129.57**	66.14
Payable to Oil and Natural Gas Corporation Limited	**101.88**	55.72
Payable to ONGBV	**5.65**	0.00
Other Liabilities	**1,399.71**	859.92
Amount Payable to Operators	**1,985.14**	81.72
Deferred Credit on Gas Sales	**5.42**	0.00
Sundry Creditors for Supplies/ Works (In respect of Joint Venture)	**3,538.71**	4,116.69
TOTAL	**12,373.90**	**6,156.54**

schedule 15

(Rupees in million)

	Balance as at 1st April, 2007	Provision made for previous years out of General Reserve	Utilisation during the year	Provision made for the year	Balance as at 31st March, 2008
PROVISIONS					
Gratuity	24.60	0.00	**1.05**	**26.10**	**49.65**
Leave Encashment	29.41	0.00	**12.98**	**44.80**	**61.23**
Post Retirement Medical Benefits/Other Terminal Benefits	17.41	0.00	**0.28**	**16.15**	**33.28**
Pay Revision Arrears	0.00	0.00	**0.00**	**67.99**	**67.99**
Productivity Allowance	0.00	0.00	**0.00**	**0.95**	**0.95**
TOTAL	**71.42**	**0.00**	**14.31**	**155.99**	**213.10**

schedule 16

(Rupees in million)

	2007-08	2006-07
SALES		
Crude Oil	**61,433.10**	18,789.87
Gas	**5,884.28**	8,004.31
Condensate	**1,769.74**	1,840.76
TOTAL	**69,087.12**	**28,634.94**

Note : Sales are shown on Entitlement basis and net of Government share of Profit Oil.

schedule 17

(Rupees in million)

	2007-08	2006-07
OTHER INCOME		
Interest Income on:		
On Deposits with Banks	**255.32**	295.14
(Tax deducted at source Rs. 1.48 million previous year Rs. 0.16 million)		
Carry Finance	**0.00**	1,493.42
On Loans & Advances To Subsidiaries	**45.79**	0.00
Loans and Advances to Employees	**1.95**	1.80
Others	**23.80**	48.41
Lease Income	**352.36**	435.14
Profit on sale of Investment in Subsidiary	**0.00**	0.46
Miscellaneous Receipts	**465.23**	485.93
TOTAL	**1,144.45**	**2,760.30**

schedule 18

(Rupees in million)

		2007-08		2006-07
INCREASE/(DECREASE) IN STOCK (FINISHED GOODS)				
Closing Stock		**155.11**		410.19
Opening Stock	**410.19**		33.63	
Less: Adjustment	**68.59**	**341.60**	20.01	13.62
NET INCREASE/(DECREASE) IN STOCK		**(186.49)**		**396.57**

schedule 19

(Rupees in million)

	2007-08	2006-07
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Transportation Expenditure	**3,024.70**	2,662.86
Production Expenditure	**4,555.66**	3,122.28
Royalty	**4,593.72**	1,356.87
Value Added Tax	**684.78**	1,063.02
Service Tax and Other Levies	**24.44**	315.72
Staff Expenditure	**521.07**	206.86
Rent	**55.17**	8.83
Repair & Maintenance	**15.45**	11.35
Insurance	**33.94**	42.86
Others	**144.91**	248.20
TOTAL	**13,653.84**	**9,038.85**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -17 of Schedule '26'.

schedule 20

(Rupees in million)

DEPRECIATION, DEPLETION AND AMORTISATION

		2007-08		2006-07
Depreciation Others	14,340.30		5,499.98	
Amortisation - Intangibles	117.98		7.66	
Less: Capitalised	5,511.94	8,946.34	3,440.69	2,066.95
Depletion		5,519.88		4,944.67
Survey Expenditure		4,609.43		1,784.52
Dry Wells Written Off		5,740.78		942.35
Pre-Acquisition Expenses		1,324.62		791.89
TOTAL		26,141.05		10,530.38

schedule 21

(Rupees in million)

FINANCING COSTS

		2007-08		2006-07
A. Interest On				
Loan from Oil Industry Development Board		0.00		0.21
Loan from Oil and Natural Gas Corporation Limited	7,386.73		147.39	
Less: Capitalised	89.42	7,297.31	2.67	144.72
Others		0.00		0.57
Sub-Total		7,297.31		145.50
B. Exchange Fluctuation				
Net Exchange Variation for the Year	1,339.60		(2,021.19)	
Less: Capitalised	0.00	1,339.60	(11.29)	(2,009.90)
TOTAL		8,636.91		(1,864.40)

schedule 22

(Rupees in million)

PROVISIONS AND WRITE-OFFS (NET)

	2007-08	2006-07
Provisions for Doubtful Debts	4,884.02	56.92
Provision for Wells drilled under Service Contract	66.69	1,287.30
Provision for Abandonment	363.56	0.00
Provision for Stores & Spares	44.25	5.33
Excess Provisions Written Back	(75.10)	(372.79)
Other Write Off	99.16	373.46
TOTAL	5,382.58	1,350.22

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -17 of Schedule '26'

schedule 23

(Rupees in million)

	2007-08	2006-07
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Expense		
Survey Expenses	**10.54**	(334.76)
Dry Wells Expenses	**150.64**	(1353.69)
Other Expenses	**54.55**	20.16
Depletion	**705.61**	0.00
TOTAL	**921.34**	**(1668.29)**

schedule 24

(Amount in Rupees)

	2007-08	2006-07
EARNING PER EQUITY SHARE		
Basic and Diluted Earnings Per Equity Share (Per Share of Rs. 100 each)	**84.94**	142.03

Note: Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs.8,494.18 Million (Previous Year Rs.10,525.56 Million) by weighted average number of equity shares of 100,000,000 (Previous year 74,109,581)

1. Accounting Conventions:

The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP). The company follows Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India, and the provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

2. Acquisition, Exploration, Development, Abandonment and Production Costs:

2.1 Acquisition Cost:

Acquisition costs of an oil and gas property in exploration/development stage is taken to capital work in progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment of the property, such costs are expensed. Acquisition costs of a producing oil and gas property are capitalized as Producing Property.

2.2 Survey Costs:

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

2.3 Exploratory/Development Wells in Progress Costs:

2.3.1 Exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially taken to capital work in progress as exploratory wells in progress till the time these are either capitalized to producing properties when ready to commence commercial production or expensed in the year when determined to be dry or of no further use, as the case may be.

2.3.2 All costs relating to development wells, development type stratagraphic test wells, service wells, are initially taken to capital work in progress as development wells in progress and capitalized to producing properties when ready to commence commercial production.

2.3.3 Exploratory wells in progress which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

2.4 Abandonment Costs:

Costs relating to dismantling, abandoning and restoring well sites and allied facilities are provided as abandonment costs based on the provisions under respective agreements governing company's activities in the field/ projects.

2.5 Production Costs:

Production costs include pre-wellhead and post-wellhead expenses including depreciation and applicable operating costs of support equipment and facilities.

3. Producing Properties:

3.1 Producing properties are created in respect of a field/project having proved developed oil and gas reserves when any well in the field/project is ready to commence commercial production. Development wells are capitalized to producing properties when ready to commence commercial production.

3.2 All acquisition costs, cost of successful exploratory wells and of all development wells, all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs relating to producing properties are capitalized as Producing Properties.

4. Depletion of Producing Properties:

Producing properties are depleted using the “Unit of Production Method”. The rate of depletion for all capitalized costs is computed with reference to the field/project/amortization base by considering the related proved and developed reserves excepting for acquisition costs which are depleted by considering the proved reserves. These reserves are estimated annually.

5. Impairment:

5.1 Impairment loss is determined for each field/project and adjusted for in the carrying cost.

5.2 At each balance sheet date, an assessment of the recoverable amount based on the value in use method is carried out in respect of each individual field/project and compared with the carrying amount and if a permanent diminution in value is identified, the asset is impaired to the net recoverable amount. However, provision for impairment being carried forward, is reviewed for write back, if any.

6. Joint Ventures:

6.1 The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

6.2 The reserves of hydrocarbons in the joint ventures are taken in proportion to the participating interest of the Company.

7. Fixed Assets:

7.1 Fixed assets (including those taken on finance lease, support equipment and facilities) are stated at historical cost.

7.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalized.

7.3 Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

8. Depreciation:

8.1 Depreciation on fixed assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956.

8.2 Leasehold land is amortized over the lease period.

8.3 Depreciation on adjustments to fixed assets on account of exchange differences and price variation is provided for prospectively over the remaining useful life of such assets.

8.4 Depreciation on fixed assets (including those taken on finance lease, support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and expensed/depleted as stated in policy 2 and 3 above.

9. Inventories:

9.1 Crude oil and condensate are valued at cost or net realizable value, whichever is lower.

9.2 Natural gas in pipeline and crude oil/condensate stock in flow lines/Gathering Stations are not valued.

9.3 Inventory of stores and spares is valued at Weighted Average Cost or net realizable value, if available, whichever is lower.

10. Investments:

10.1 Long-term investments are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

10.2 Current investments are valued at lower of cost or fair value.

11. Foreign Currency Transactions and Foreign Operations:

11.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

11.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

11.3 All exchange differences arising on the settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

11.4 In respect of the Company's integral foreign operations:

(a) The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 11.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

(b) At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 11.2.

(c) All exchange differences are treated following the policy stated in 11.3.

11.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:

(a) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

(b) income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

(c) all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

11.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

12. Assets given on Lease:

12.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases" issued by the Institute of Chartered Accountant of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

12.2 Initial direct costs incurred in respect of finance leases are recognised in the statement of profit and loss in the year in which such costs are incurred.

13. Revenue Recognition:

13.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive is treated as inventory and, if negative, is adjusted to revenue by recording the same as liability.

13.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

13.3 Any payment received in respect of short lifted gas quantity for which an obligation exists to supply such gas in subsequent periods is recognized as Deferred Revenue in the year of receipt. The same is recognized as revenue in the year in which such gas is actually supplied for the quantity supplied or in the year in which the obligation to supply such gas ceases, whichever is earlier.

13.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

13.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

13.6 Revenue in respect of interest on delayed realizations is recognized when there is reasonable certainty regarding ultimate collection.

14. Transportation Costs:

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

15. Employee Benefits:

15.1 Contribution to Provident Fund and Composite Social Security Scheme is made as per the rules of the parent company. The same is paid to funds administered through trusts.

15.2 Provisions for gratuity, leave encashment and other employee benefits are made as per actuarial valuation at the end of the financial year. The same are not funded.

16. Borrowing Costs:

Borrowing Costs specifically identified to the acquisition or construction of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

1 **Accounting Policies:**

During the year, the company has discontinued capitalization of foreign exchange gain or loss relating to the loans/deferred credits utilized for acquisition of fixed assets in accordance with Accounting Standard(AS)11.

2 **Details of Joint Ventures:**

The details of Company's significant joint ventures as on 31st March, 2008 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project status
1.	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum -35% Petrovietnam - 20%	The project is under production.
2.	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
3.	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 67.875% Sudapet - 8%	The project is under exploration, production and development.
4.	Block A-1 Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
5.	Block A-3 Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
6.	Farsi Block Project, Iran, Offshore	40%	IOC - 40% OIL - 20%	The project is under exploration.
7.	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.
8.	Block XXIV Project, Syria, Onshore	60%	IPR - 40%	The Project is under exploration.
9	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 39% Lundin - 24.5% Sudapet - 13%	The project is under exploration.
10.	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea - 30%	The project is under exploration.
11.	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol YPF - 40% Hydro - 30%	The project is under exploration.
12.	Khartoum-Port Sudan Pipeline Project, Sudan	90%	OIL - 10%	The pipeline has been completed and is under Lease.
13	Block NEMED, Egypt, Offshore,	33%	Shell - 51% Petronas - 16%	The project is under exploration
14	Block RC-8, Colombia, Offshore	40%	Ecopetrol - 40% Petrobras - 20%	The project is under exploration.
15	Block RC-9, Colombia, Offshore	50%	Ecopetrol - 50%	The project is under exploration.
16	Block RC-10, Colombia, Offshore	50%	Ecopetrol - 50%	The project is under exploration.
17	MTPN Block, Congo, Offshore	20%	ENI - 40% Exxon - 40%	The project is under exploration.

***Abbreviations used:** British Petroleum - BP Exploration Operating Company Limited; Daewoo - Daewoo International Corporation; Ecopetrol - Ecopetrol S.A, Colombia; ENI- Eni Congo S.A; Exxon - ExxonMobil E&P CONGO (UD) Ltd. ; Exxon Mobil - Exxon Neftegas Limited; GAIL - GAIL (India) Limited; IOC - Indian Oil Corporation Limited; IPR - IPR Mediterranean Exploration Limited; IPR Red Sea - IPR Energy Red Sea Inc.; KOGAS - Korea Gas Corporation; Lundin - Lundin Muglad Limited; OIL - Oil India Limited; Petrobas - Petrobas Colombia Ltd; Shell - Shell Egypt Deepwater B.V; Petronas - Petronas Carigali Overseas Sdn Bhd; Petrovietnam - Vietnam Oil and Gas Corporation; Repsol YPF - Repsol YPF Cuba SA; SMNG - Sakhalinmorneftegas Shelf; SODECO - Sakhalin Oil Development Company Limited; Sudapet - Sudapet Limited; TPOC - Turkish Petroleum Overseas Company Limited

3 Company's Share in Joint Ventures:

The Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the operator has been incorporated in the financial statements as given below:

(Rs. in million)

Project	Net Fixed Assets	Net Producing Property	Capital Work in Progress	Exploratory & Development Wells in Progress	Current Assets	Cash and Bank	Liabilities	Income	Expenditure
A. Audited as of the Reporting Date									
Block 5A , Sudan	2,634.72	5,302.12	482.07	1,674.36	1,320.68	699.99	924.48	3,860.95	6,967.89
Block A-1 Myanmar	6.83	0.00	87.98	1,099.49	57.17	24.06	0.92	1.67	103.42
Block A-3 Myanmar	0.94	0.00	62.99	673.23	5.41	25.99	10.04	4.80	474.28
Farsi Block , Iran	0.96	0.00	0.00	1,353.99	8.62	1.83	92.85	3.58	63.56
Block 5B, Sudan	1.09	0.00	1,046.95	654.59	1.91	-755.89	429.05	4.90	480.45
Sudan Pipeline	0.00	0.00	0.00	0.00	6,565.05	1,446.52	6,812.15	392.11	393.85*
Block 06.1 Vietnam	2,522.88	3,986.87	0.00	0.00	1,064.21	109.63	628.31	6874.63	3,326.07
Total (A)	**5,167.42**	**9,288.99**	**1,679.99**	**5,455.66**	**9,023.05**	**1,552.13**	**8,897.80**	**11,142.64**	**11,809.52**
B. Audited as of 31st December 2007									
Sakhalin 1, Russia	35,468.99	28,996.62	3,437.41	1,884.99	8,202.75	8,130.56	8,826.08	58,494.70	22,662.96
Block NC-188 & NC-189, Libya	0.00	0.00	0.00	0.00	78.59	24.04	9.67	0.00	219.26
Total (B)	**35,468.99**	**28,996.62**	**3,437.41**	**1,884.99**	**8,281.34**	**8,154.60**	**8,835.75**	**58,494.70**	**22,882.22**
C.Unaudited									
Block XXIV, Syria	17.18	0.00	0.00	201.57	52.73	0.00	16.34	0.03	97.89
Block 6 North Ramadan, Egypt	9.68	0.00	33.50	410.17	110.45	0.00	47.59	0.00	429.87
Blocks 25-29, 35 (Part) & 36, Cuba	0.00	0.00	346.91	21.82	0.00	0.00	11.70	0.00	109.95
Block CI-112, Cote D'lvoire	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00
Colombia RC-8 Block, Offshore	0.02	0.00	0.00	0.00	0.08	0.17	1.07	0.00	5.71
Colombia RC-9 Block, Offshore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Colombia RC-10 Block, Offshore	0.04	0.00	0.00	0.00	0.10	0.00	1.33	0.00	7.11
Block NEMED, Egypt Offshore	0.00	0.00	0.00	1,800.02	661.58	0.00	4,778.40	0.00	6,330.77
MTPN Block, Congo, Offshore	0.00	0.00	0.00	0.00	0.00	0.00	154.93	0.00	154.93
Total (C)	**26.92**	**0.00**	**380.41**	**2,433.58**	**824.94**	**0.17**	**5,011.57**	**0.03**	**7,136.23**
Grand Total (A+B+C)	**40,663.33**	**38,285.61**	**5,497.81**	**9,774.23**	**18,129.33**	**9,706.90**	**22,745.12**	**69,637.37**	**41,827.97**

* Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the as per the Accounting Standard (AS) 27 viz. Financial Reporting of interests in Joint Ventures.

The Company's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

4 Title to Fixed Assets under Production Sharing Agreements :

The Company in consortium with other partners (Consortium) carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing Company's activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of “Cost Oil” and “Cost Gas” or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company till the full term of the respective agreements.

5 Khartoum - Port Sudan Pipeline Project:

The Company had completed the execution of the 12”X741 Kms multi-product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM during the financial year 2005-06. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to Rs 1,479.21 Million (Rs 1,614.79 Million as on 31 March 2007) Company's share being Rs 1,331.29 Million (Rs 1,453.31 Million as on 31 March 2007), which have not been accepted by the Company. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs 1,838.76 Million (Rs 2,007.30 Million as on 31 March 2007), Company's share being Rs 1,654.88 Million (Previous Year Rs 1,806.57 Million as on 31 March 2007). Pending settlement with the EPC Contractor, an amount of Rs 914.88 Million (revalued from Rs 998.74 Million as on 31st March, 2007), being the Company's share out of Rs 1,016.53 Million (revalued from Rs 1,109.71 Million as on 31st March, 2007) has been shown as liability based upon the advices received by the Company from its consultant. The Company's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognised pending final approvals by MEM.

The payment under the contract would be received over a period of 10 years with a moratorium of one year from the date of the contract i.e. 30th June, 2004 in 18 equal semi-annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to Company under the contract. Further, subject to regular payments on due dates by MEM to the Company, MEM shall have the exclusive right to use and operate the pipeline system and the Company shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments MINUS Unearned Finance Income) is recognised and recorded as receivables under the lease. The finance income thereon has been recognised based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first five installments under the contract due in respect of the period prior to the reporting date have been received as of the reporting date.

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(Rs. in million)

Particulars	**31st March, 2008**		**31st March, 2007**	
	Gross	**Net**	**Gross**	**Net**
a) Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
- Not later than one year	**1,005.43**	**693.88**	1,097.60	713.48
- Later than one year and not later than five years	**4,021.73**	**3,236.03**	4,390.37	3,323.42
- Later than five years	**1,508.15**	**1,438.15**	2,743.98	2,536.69
Total	**6,535.31**	**5,368.06**	8,231.95	6,573.59
b) Unearned Finance Income	**1,167.25**	1,658.36		
c) Unguaranteed residual value accruing to Company's benefit	**Nil**		Nil	
d) Accumulated provision for uncollectible minimum lease payments receivable	**Nil**		Nil	
e) Contingent rents recognised in the statement of profit and loss for the period	**Nil**		Nil	
f) General description of the significant leasing arrangement	**As described in para above**		As described in para above	
g) Accounting Policy followed in respect of initial direct costs	**As per Accounting Policy 12.2**		As per Accounting Policy 12.2	

6 Sakhalin-1, Russia:

The sale of Crude Oil and Gas to the domestic (Russian) buyers had commenced during the financial year 2005-06 while the sale of Crude Oil to international buyers commenced during the financial year 2006-07 in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs.57,572.15 and Rs.753.91 Million (Previous year Rs.16,558.88 Million and Rs.511.23 Million) respectively after adjustment of Rs.5.42 Million(Previous year 0.91 Million) received during the previous year against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

The company has asked for further information from the operator on the nature of the adjustments/ decapitalisation provided during the year in respect of Sakhalin -1 and adjustments if any, would be carried on receipt of the information

7 Block 5A and Block 5B, Sudan:

Sales of Crude Oil commenced during the financial year 2006-07 in respect of Block 5A, Sudan Project. During the current year, total Crude Oil Sales (including receivables) were Rs 3,860.95 Million (Previous year Rs 2,230.99 Million).Sales include the amount adjusted in kind by the transporter on account of Quality Bank Compensation. Pending finalization of the transportation agreement with the transporters, the treatment in respect of transport charges and Quality Bank Compensation have been carried out based upon the invoices of the transporter. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

The Company carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under production and development and due to certainty of the recovery, the net carried amount of USD 19.53 Million equivalent to Rs 812.46 Million (Previous year Rs 1,083.65 Million) has been shown as a loan. However, since Block 5B is under exploration, additional provision for the amount carried during the year of USD 2.87 Million equivalent to Rs 105.62 Million (Previous year Rs 56.92 Million) including revaluation has been made during the year making the aggregate provision of Rs 183.89 Million (Previous Year Rs 78.27 Million), equal to the carried amount as on date.

8 Farsi Block, Iran:

In respect of Farsi Block, Iran, the Company in consortium with other partners has entered into an Exploration Service Contract (ESC) with National Iranian Oil Company (NIOC). In pursuance to the committed work program, the Company carried out the commerciality studies in respect of the BB area and FB area. The commerciality report was submitted to NIOC on 23rd December 2007. Work on commerciality of BB area was in progress as on 31st March 2008. Although the Company encountered hydrocarbons during the drilling campaign a provision has been made in respect of the expenditure incurred on exploratory wells (Rs 66.689 Million) pending approval of commerciality and award of development service contract by NIOC.

9 Najwat Najem Oil Structure, offshore, Qatar:

The Company entered into an Appraisal, Development and Production Sharing Agreement (ADPSA) on 2nd March 2005 with the Government of Qatar for the Najwat Najem Oil Structure Offshore, State of Qatar. The appraisal period was initially for a period of 2 years from effective date i.e., 19th May 2005 which was later extended by one year i.e, up to 19th May 2008. The Minimum Work Commitment involve reprocessing and interpretation of at least 200 SQ KM of existing 3D Seismic data, which has been completed during 2006, and drilling of a minimum of two Appraisal Wells during the year 2007-08. Since the Najwat Najem (NN) Structure is not commercially viable due to low reserve base, the Company has decided to relinquish the structure. Accordingly amount of Rs. 3,550.74 million towards cost of two wells and signature bonus has been written off as Dry wells charges. In addition an amount of Rs. 363.56 million has been provided towards abandonment.

10 AFPC, Syria:

During the financial year 2006-07, the Company accepted the transfer of AFPC, Syria Project from Oil and Natural Gas Corporation Limited (ONGC) with effect the economic date of its acquisition by ONGC i.e. 01 July, 2005. The structuring of the advance for shares / loans with ONGBV and OMEL has since been agreed. The investments made by ONGC for the acquisition of the project by way of advance for shares / loans to ONGC Nile Ganga BV (ONGBV) and ONGC Mittal Energy Limited (OMEL) amounting to Rs 9,799.69 Million were accepted by the Company as loans from ONGC. During the year, OMEL has issued 980,000 equity shares of USD 1 each and 2,550 preference shares of USD 1 each at a premium of USD 9,999 per preference share out of advance given to OMEL for the purpose. The advances to ONGBV (net of repayments by ONGBV) have been shown as advance for shares in accordance with the agreement reached between the relevant parties. ONGBV has issued 14,300 Class C equity shares of EUR 1 per share at a premium of EUR 3,999 per share in April 2008 and returned the balance amount of EUR 1.65 million to the Company .

11 Details of Reserves:

(a) Company's share of Proved Reserves in respect of different projects as on 31st March, 2008 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.653	14.608	15.261
	Addition	-	-	-
	Deductions/ Adjustments	0.001	-	0.001
	Production	0.029	1.617	1.646
	Closing	0.623	12.991	13.614
Sakhalin-1, Russia	Opening	53.516	84.053	137.569
	Addition	4.266	10.273	14.539
	Deductions/ Adjustments	16.361	23.578	39.939
	Production	2.234	0.345	2.579
	Closing	39.187	70.404	109.591
Block 5A, Sudan	Opening	4.910	-	4.910
	Addition	1.232	-	1.232
	Deductions/ Adjustments	-	-	-
	Production	0.294	-	0.294
	Closing	5.848	-	5.848

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000M^3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.

(b) Company's share of Proved and Developed Reserves in respect of different projects as on 31st March, 2008 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.646	11.053	11.699
	Addition	-	-	-
	Deductions/ Adjustments	0.001	-	0.001
	Production	0.029	1.617	1.646
	Closing	0.616	9.436	10.052
Sakhalin-1, Russia	Opening	8.001	2.537	10.538
	Additions	4.266	10.273	14.539
	Deductions/ Adjustments	-	-	-
	Production	2.234	0.345	2.579
	Closing	10.033	12.466	22.499
Block 5A, Sudan	Opening	4.310	-	4.310
	Additions	0.544	-	0.544
	Deductions/ Adjustments	-	-	-
	Production	0.294	-	0.294
	Closing	4.560	-	4.560

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000M^3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.

The consultant engaged by the Company in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Meters of gas. The revision was not accepted by the Operator. The Operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

In respect of Sakhalin 1 project, pursuant to the completion of development of Chayvo Phase-I, the reserves for the phase have been fully upgraded to Proved Developed (PDD) category from Proved Undeveloped (PUD) category. The revised reserves statuses for Sakhalin-1 project have been approved by Russian Federation.

12 Segment information:

(Rs. in million)

Particulars	Asia		FSU Countries		Latin America		Africa		Unallocated		Grand Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE												
External sales	**6,857.81**	9,332.93	**58,368.36**	17,071.02	**0.00**	0.00	**3,860.95**	2,230.99	**0.00**	0.00	**69,087.12**	28,634.94
Inter Segment sales	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Total Revenue	**6,857.81**	**9,332.93**	**58,368.36**	**17,071.02**	**0.00**	**0.00**	**3,860.95**	**2,230.99**	**0.00**	0.00	**69,087.12**	**28,634.94**
Results												
Segment results	**-2,873.39**	5,203.56	**36,028.12**	7,933.59	**-268.07**	0.00	**-11,116.12**	(441.18)	**0.00**	0.00	**21,770.53**	12,695.97
Unallocated corporate Expenses (Net)	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**32.39**	905.71	**32.39**	905.71
Operating profit or(Loss)	**-2,873.39**	**5,203.56**	**36,028.12**	**7,933.59**	**-268.07**	**0.00**	**-11,116.12**	**(441.18)**	**-32.39**	**(905.71)**	**21,738.14**	**11,790.26**
Interest expenses	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**94.40**	0.00	**7,292.34**	145.50	**7,386.73**	145.50
Interest and other income	**15.84**	8.01	**-196.37**	118.35	**0.00**	0.00	**477.37**	441.88	**661.12**	2,192.06	**957.96**	2,760.30
Income & other Tax	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**6,815.18**	3,879.54	**6,815.18**	3,879.54
Profit / (loss) from ordinary activities	**-2,852.61**	5,211.57	**35,831.74**	8,051.94	**-268.07**	0.00	**-6,489.23**	0.70	**-13,478.78**	(2,738.69)	**8,494.18**	10,525.52
Net profit / (Loss)	**-2,852.61**	**5,211.57**	**35,831.74**	**8,051.94**	**-268.07**	**0.00**	**-6,489.23**	**0.70**	**-13,478.78**	**(2,738.69)**	**8,494.18**	**10,525.52**
Other information												
Segment Assets	**12,027.63**	11,123.35	**86,121.30**	83,357.72	**371.89**	401.42	**19,116.10**	20,318.80	**0.00**	0.00	**117,636.92**	115,201.29
Unallocated Corporate Assets	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**58,597.01**	66,574.07	**58,597.01**	66,574.07
Total Assets	**12,027.63**	**11,123.35**	**86,121.30**	**83,357.72**	**371.89**	**401.42**	**19,116.10**	**20,318.80**	**58,597.01**	**66,574.07**	**176,233.93**	**181,775.36**
Segment Liabilities	**2,177.66**	1,328.92	**8,826.08**	9,343.97	**17.15**	4.16	**3,207.93**	2,974.45	**0.00**	0.00	**14,228.82**	13,651.50
Unallocated Corporate Liabilities	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**121,436.20**	136,130.43	**121,436.20**	136,130.43
Total	**2,177.66**	**1,328.92**	**8,826.08**	**9,343.97**	**17.15**	**4.15**	**3,207.93**	**2,974.45**	**121,436.20**	**136,130.43**	**135,665.02**	**149,781.93**
Capital Expenditure	**5,229.44**	**4,060.78**	**12,106.35**	**14,596.87**	**31.58**	**401.26**	**7,363.15**	**2,784.14**	**361.22**	**19,420.09**	**25,091.74**	**41,263.14**
Recouped cost	**6,803.46**	**1,600.63**	**12,980.63**	**5,157.41**	**272.93**	**320.80**	**5,425.76**	**2,254.10**	**658.26**	**1,197.44**	**26,141.05**	**10,530.38**
Non cash Exp.	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Information about Secondary Business Segments (Product-wise):

(Rs. in million)

Revenue from	2007-08	2006-07
Crude Oil* and Natural Gas	69,087.12	28,634.94
Lease Finance Income	352.36	435.14

*Crude Oil includes Condensate.

Notes:

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These have been re-organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated.

(ii) The segment revenue in the business segment (Product-wise) is gross revenue from sale of Crude Oil and Natural Gas, Construction Contracts and Lease Finance Income.

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. "Unallocated" includes common expenditure incurred for all the segments and expenses incurred at corporate level.

13 Taxation:

(a) Deferred Tax Provision

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2008 is Rs 4,473.22 Million (Previous year Rs 6,702.86 Million). The difference of Rs. 2,229.65 Million has been added to the current year's Profit and Loss Account.

(ii) The item wise details of Net Deferred Tax Liability as on 31st March, 2008 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

(Rs. in million)

	As at 31st March, 2008	As at 31st March, 2007
Deferred Tax Assets :		
Carried Forward Expenditure U/S 42 of Income Tax Act, 1961	**8,450.57**	5,671.76
Amount disallowable U/S 43B of Income Tax Act, 1961	**37.73**	19.39
Total Deferred Tax Assets	**8,488.30**	**5,691.15**
Deferred Tax Liability :		
Difference in Net Block of Fixed Assets for Tax	**12,961.52**	12,394.01
Total Deferred Tax Liability	**12,961.52**	**12,394.01**
Net Deferred Tax Liability	**4,473.22**	**6,702.86**

In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 359.58 Million (equivalent to Rs 14318.47 Million) has been indicated as Deferred Tax Liability based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India; the Deferred Tax Liability as indicated in the Operator's financial statements has not been recognised.

(b) Current Tax Provision

The provision for tax has been made for Rs 9,044.83 Million (Previous year Rs 1,568.06 Million) after considering the deemed tax paid of Rs 1,188.99 Million (Previous year Rs 988.57) in respect of Block 06.1, Vietnam Project under the double taxation avoidance agreement between India and Vietnam. The provision includes Rs.16.25 Million (Previous Year Rs 13.55 Million) on account of wealth tax for the year in respect of leasehold land for which the assessing officer had sought details regarding applicability of the wealth tax thereon. The Company has denied the applicability of the wealth tax on the leasehold land based upon the advices received.

(c) Tax Assessment

(i) The Company has appealed to Hon'ble High Court of Delhi against the decision of Income Tax Appellate Tribunal for the Assessment Year 1981-82 to 1987-88 with regard to disallowance of its claim for Rs 94.04 Million (Previous year Rs 94.04 Million) on account of depreciation, development allowance and receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard has already been paid by the Company.

(ii) The Company has filed three appeals with CIT (Appeals) against the disallowance of depreciation on acquisition costs of the projects and other expenses amounting to Rs 3,006.17 Million, Rs 3,470.29 Million and Rs.3,212.03 Million in respect of assessment years 2003-04, 2004-05 and 2005-06 respectively. Since the payment of tax by the Company was under the provisions of Income tax Act, 1961 relating to Minimum Alternative Tax during the assessment years 2003-04 and 2004-05 and there were adjustable carried forward losses, there is no tax demand on account of the disallowance on this account. However, there was a demand of Rs.322.68 million in respect of assessment year 2005-06 which was adjusted against the refund due to the company for assessment year 2006-07.

(iii) The Company has filed an appeal with ITAT against the order of the CIT (Appeals) for assessment year 2002-03 which is also pending for approval of Committee on Disputes (COD).

14 Loans and Advances to Employees:

Loans and advances to employees include an amount of Rs 0.77 Million (Previous Year Rs 0.98 Million) outstanding from whole time Directors, Maximum outstanding during the year is Rs 0.99 Million (Previous Year Rs 1.02 Million).

15 Capital Commitments:

(i) The Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations/ commitments have not been completed as of the reporting date amounted to USD 173.57 Million equivalent to Rs 6,911.56 Million (Previous year USD 238.07 Million equivalent to Rs 10,348.92 Million). The Company is confident of meeting the obligations/ commitments.

(ii) Other Capital Commitments based upon the details provided by the operators: Rs 1,783.94 Million (Previous year Rs. 265.43). All known capital commitments have been indicated except Capital commitments in respect of Block 5A, Sudan project where such commitments are not ascertainable due to non-availability of details from the operator.

16 Contingent Liabilities:

(i) Liability for payment to contractual workers for regularization of their services is pending with Labour Court under civil suit. The amount of liability is not ascertainable.

(ii) Claims not acknowledged as debt: Rs 416.41 Million (Previous Year Rs 454.57 Million) (Refer note 5 above)

(iii) The Company has executed a guarantee for an amount of USD 4.20 Million equivalent to Rs 167.24 Million (Previous year USD 4.20 Million equivalent to Rs 182.57 Million) in favour of Joint Development Authority in respect of Block 2, Joint Development Zone, Nigeria / Sao Tome & Principe on behalf of its wholly owned subsidiary ONGC Narmada Limited in respect of Minimum Financial Commitments during the Phase I Exploration Period under the Production Sharing Contract for its Participating Interest. The balance outstanding as on 31 March, 2008 is Rs 167.24 Million (Previous year Rs 182.57 Million). The Company is confident that ONGC Narmada Limited will be able to honour its obligations and the guarantee may not be resorted to by the beneficiary. In view of this, the question of reimbursement does not arise.

(iv) All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint ventures, where the Company is the non-operator are not ascertainable except Sakhalin-1 where the Operator has intimated that the status of contingent liability is nil.

17 (i) Details of Production, Transportation, Selling and Distribution Expenditure (Schedule 19), and Provisions & Write Off (Net) (Schedule 22):

(Rs. in million)

Particulars		2007-08	2006-07
(i)	(a) Salaries, Wages, Ex-gratia, etc.	423.01	471.19
	(b) Contribution to Provident and other Funds	11.01	7.64
	(c) Provision for Gratuity	26.10	7.19
	(d) Provision for Leave Encashment	44.80	15.57
	(e) Provision of Medical/Terminal Benefits	16.15	3.99
	(f) Staff Welfare Expenses	78.26	46.25
	Sub-Total	599.33	551.83
(ii)	Rent	55.17	22.96
(iii)	Electricity, Water and Power	13.67	5.72
(iv)	Repairs to Building	1.44	2.78
(v)	Repairs to Plant and Machinery	0.03	(14.34)
(vi)	Other Repairs	13.98	1.64
(vii)	Hire Charges of Vehicles	115.35	4.26
(viii)	Professional Charges	295.07	604.58
(ix)	Telephone and Telex	12.76	11.42
(x)	Printing and Stationary	2.21	1.60
(xi)	Training and Seminar	22.14	2.95
(xii)	Business Meeting Expenses	68.66	8.61
(xiii)	Traveling Expenses	179.61	156.98
(xiv)	Insurance	33.94	155.25
(xv)	Advertisement and Exhibition Expenditure	5.02	16.39
(xvi)	Statutory Levies	741.52	1,378.74
(xvii)	Contractual Transportation	3,047.55	2,662.86
(xviii)	Miscellaneous Expenditure	26.78	101.20
(xix)	Other Operating Expenditure	3,825.89	2,006.55
(xx)	Provisions for doubtful debts	4,884.02	56.92
(xxi)	Other Write offs	498.56	1,293.30
(xxii)	Royalty	4,593.72	1,356.87
	Total	19,036.42	10,389.07

(ii) The operating expenditure (no. (xx) above) includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

18 **Quantitative and other information pursuant to the provisions in Part II of Schedule VI to the Companies Act, 1956:**

(i) Turnover

Revenue from	Unit	2007-08		2006-07	
		Quantity (Tonne)	Value (Rs. in million)	Quantity (Tonne)	Value (Rs. in million)
Crude Oil * @	Tonne	**2,785,776**	**63,202.84**	986,708	20,630.63
Gas*	000 M3	**1,255,733**	**5,884.28**	1,418,769	8,004.31
Lease Finance	N.A.	**N.A**	**352.36**	N.A.	435.14

* Company's entitlement based on actual delivery. In respect of Block 06.1, Vietnam Project, entitlements are reconciled on calendar year basis. Therefore, the entitlements from January to March 2008 are included based upon the estimate provided by the Operator.

@ Crude Oil includes Condensate.

(ii) Opening and Closing Stock of Goods Produced

	As at 31st March, 2008		As at 31st March, 2007	
	Quantity (Tonne)	Value (Rs. in million)	Quantity (Tonne)	Value (Rs. in million)
Crude Oil @				
Opening Stock	**70,222**	**410.19**	8,640	33.63
Closing Stock *	**17392**	**155.11**	70,222	410.19

@ Crude Oil includes Condensate

* includes the Underlift quantity of Crude Oil

(iii) Licensed Capacity, Installed Capacity and Actual Production

	Unit	2007-08		2006-07	
		Insalled Capacity	Actual Production	Installed Capacity	Actual Production
Gas*	000 M3	**N.A.**	**1,881,966**	N.A.	2,147,253
Crude Oil *@	Tonne	**N.A**	**2,537,892**	N.A.	1,255,508

* Company's participating share of production in Joint Ventures.

@ Crude Oil includes Condensate.

19 Expenditure in Foreign Exchange:

(Rs. in million)

	2007-08	2006-07
Import	**Nil**	Nil
Professional and Consultation Fee	**1,348.18**	494.28
Interest	**Nil**	Nil
Others	**46,959.15**	95,110.94

20 Earnings in Foreign Exchange:

(Rs. in million)

	2007-08	2006-07
Export/ Sales (incl. advance received/ adjusted)	**62,060.76**	23,356.70
Royalty/Technical know-how	**Nil**	Nil
Interest	**167.05**	72.28
Dividend	**Nil**	Nil
Others	**2,127.09**	68,899.29

21 Managerial Remuneration:

(Rs. in million)

	2007-08	2006-07
Salary and Allowances	**4.29**	1.89
Contribution to Provident Fund	**0.34**	0.19
Other Benefits and Perquisites	**0.66**	0.30
Total	**5.29**	2.38

Notes:

a) In addition, Whole-time Directors are also allowed the use of Company car for private purposes up to 1000 Km/per month on payment of Rs 520 per month for air-conditioned cars below 16 H.P.

22 Auditors' Remuneration:

(Rs. in million)

	2007-08	2006-07
Audit Fee*	1.17**	0.67
Tax Audit Fee	0.15	0.00
Certification Fee	0.02	0.02
Total	**1.34**	**0.69**

* includes Rs. 0.21 Million (Previous year Rs. 0.17 Million) for half yearly audit fee.
** includes Rs. 0.17 Million for incremental audit fees for the year 2006-07

23 The expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC), ONGC Nile Ganga BV (ONGBV) and ONGC Narmada Limited (ONL), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC, ONGBV and ONL respectively.

24 The required disclosure under the revised Accounting Standard 15 is given below:

(A) Brief Description: A general description of the type of defined benefit Plans is as follows:

(i) Earned Leave (EL) Benefit-

Accrual -30 days per Year

Encashment while in service-75% of earned leave balance subject to a maximum of 90 days per calendar year

Encashment on retirement - maximum 300 days

(ii) Good Health Reward (Half Pay Leave) -

Accrual -20 days per year

Encashment while in service -nil

Encashment on retirement - 25% of Half Pay leave balance subject to a minimum balance of 120 days, restricted to maximum 480 days.

(iii) Gratuity -

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 3.50 lakhs.

(iv) Post retirement Medical Benefits -

Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

(V) Terminal Benefits -

At the time of superannuation, employees are entitles to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque also depending upon their level.

(B) The amount recognized as an expense for defined contribution plans are as under:

(Rs. in million)

Defined Contribution Plan	Expense Recognized during 2007-08	Contribution for Key Management Personnel
Contributory Provident Fund	11.01	0.26
Employee Pension Scheme -95	1.00	0.02
Composite Social Security Scheme	1.09	0.03

(C) The amount recognized in the balance sheet for post employment benefit plans are as under:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Present Value of Funded Obligation	-	-	-	-
2	Fair Value of Plan Assets	-	-	-	-
3	Present Value of Unfunded Obligation	49.65	61.23	30.63	2.65
4	Unrecognized Past Service Cost	-	-	-	-
5	Net Liability	49.65	61.23	30.63	2.65

(D) The amount included in the fair value of plan assets of gratuity fund is as follows:

(Rs. in million)

Defined Contribution Plan	Expense Recognized during 2007-08
Reporting Enterprise's own financial instruments	Nil
Any Property occupied by or assets used by the reporting enterprise	Nil

(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Opening defined benefit obligation	24.61	29.41	16.19	1.21
2	Service Cost	4.23	2.77	1.31	0.11
3	Interest Cost	1.97	2.35	1.30	0.10
4	Actuarial Losses (Gains)	19.90	39.67	12.11	1.23
5	Exchange differences on foreign plans	-	-	-	-
6	Benefits paid	(1.05)	(12.98)	(0.28)	-
7	Closing defined benefit obligation	49.65	61.23	30.63	2.65

(F) The total expenses recognized in the statement of profit and loss are as follows:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Current Service Cost	4.23	2.77	1.31	0.11
2	Interest on Obligation	1.97	2.35	1.30	0.10
3	Expected Return on plan assets	-	-	-	-
4	Net Actuarial Losses (Gains) recognised in year	19.90	39.67	12.11	1.23
5	Past Service Cost	-	-	-	-
6	Losses (Gains) on curtailments and settlement	-	-	-	-
7	Total included in 'Employee Benefit Expense'	26.10	44.80	14.72	1.44
8	Actual return on Plan Assets	-	-	-	-

(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Discount Rate	8%	8%	8%	8%
2	Expected Return on Plan Assets	0%	0%	0%	0%
3	Annual Increase in healthcare costs	-	-	-	-
4	Annual Increase in Salary	5.5%	5.5%	5.5%	5.5%

25 Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures (excluding with State Controlled Entities):

(Rs. in million)

	Subsidiaries	Joint ventures	Key Managerial personnel	Total 2007-08	Total 2006-07
Income from rendering services	210.26	533.32	-	**743.58**	448.03
Expenses on receiving services	-	-	-	-	-
Interest Income	45.78	167.05	-	**212.83**	56.26
Loans Given	92.90	-	-	**92.90**	749.07
Remuneration	-	-	5.29	**5.29**	2.38
Capital Contribution*@	-	-	-	-	27,834.01

* includes advance given for shares to be allotted.

@ includes advance for shares given by ONGC transferred to the Company during the year 2006-07 consequent to the transfer of project to the Company (Refer Note 10 above)

Note: Name of related parties and description of relationship (excluding State Controlled Entities):

Subsidiaries	ONGC Nile Ganga BV, Netherlands
	ONGC Narmada Limited, Nigeria
	ONGC Amazon Alkananda Limited, Bermuda
	ONGC Campos Holdings Ltda.
	ONGC Do Brasil Explorancao Petrolifera Ltda.
Joint Ventures	Block 06.1 Project, Vietnam
	Sakhalin-1 Project, Russia
	Block 5A Project, Sudan
	Block A-1 Project, Myanmar
	Block A-3 Project, Myanmar
	Farsi Block Project, Iran
	Block 6 North Ramadan Project, Egypt
	Block NC-188 & NC-189 Project, Libya
	Block XXIV Project, Syria
	Block 5B Project, Sudan
	Block CI-112 Project, Cote D' Ivoire
	Block 25-29, 35 (Part) & 36 (Part), Cuba
	Khartoum - Port Sudan Pipeline Project, Sudan
	ONGC Mittal Energy Limited, Cyprus
	Block NEMED in Offshore, Egypt
	Block RC-8, Colombia
	Block RC-9, Colombia
	Block RC-10, Colombia
	MTPN Block, Congo
Key Management personnel	Shri R S Butola, Managing Director*
	Shri D K Sarraf, Director (Finance) (till 27.12.2007)
	Shri A Mathur, Director (Commercial)
	Shri J Thomas, Director (Exploration)

* Shri R S Butola, Managing Director is holding the additional charge of Director (Finance) with effect from 28.12.2007.

26 Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.

Signature to Schedule - '1' to '26'

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M.No. 44492)

New Delhi
June 12, 2008

cash flow statement for the year ended 31st march, 2008

(Rupees in million)

		Year ended 31st March, 2008		Year ended 31st March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		**16,230.70**		**12,736.77**
Adjustments For:				
-Recouped Costs	**26,141.05**		10,530.38	
(Represented by Depreciation, Depletion and Amortisation)				
Less : Cash Outflows	**11,674.83**		3,506.29	
	14,466.22		7,024.09	
-Interest on Borrowings	**7,297.31**		145.50	
-Provision for Gratuity	**25.05**		5.42	
-Provision for Leave Encashment	**31.82**		11.27	
-Provision for Terminal Benefits	**15.87**		3.99	
-Provision for Doubtful Debt	**4,884.02**		56.92	
-Provision for Abandonment	**363.56**		0.00	
-Provision for Pay Revision Arrears	**67.99**		0.00	
-Provision for Productivity Allowance	**0.95**		0.00	
-Provision for Wells drilled under Service Contract	**66.69**		0.00	
-Provision for Stores & Spares	**44.24**		0.00	
-Other Provisions & Write Off	**24.07**		0.00	
-Forex Translation Reserve	**81.25**		383.09	
-Interest Income	**(326.86)**	**27,042.18**	(1,838.78)	5,791.50
Operating Profit before Working Capital Changes		**43,272.88**		**18,528.27**
Adjustments for:-				
-Debtors	**(2,108.37)**		(3,581.35)	
-Loans and Advances	**4,841.38**		1,541.36	
-Inventories	**266.65**		(1,286.40)	
-Trade Payable and Other Liabilities	**6,292.46**	**9,292.12**	(1,030.26)	(4,356.65)
Cash generated from Operations		**52,565.00**		**14,171.62**
Direct Taxes Paid		**(9,195.03)**		(3,712.45)
Cash Flow before Prior period items		**43,369.97**		**10,459.17**
Prior period items		**(65.09)**		314.60
Net Cash Flow from Operating Activities 'A'		**43,304.88**		**10,773.77**
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		**(7,968.60)**		(45,038.28)
Expenditure on Projects		**(5,966.88)**		26,849.46
Investment in Subsidiaries		**(1,054.57)**		(21,258.33)
Loans Advances to JVs/Subsidiaries		**377.64**		(7,835.58)
Advance to Sudapet & Shell		**(4,612.83)**		55,669.41
Interest Received		**315.28**		342.86
Net Cash Flow from Investing Activities 'B'		**(18,909.96)**		**8,729.54**

(Rupees in million)

	Year ended 31st March, 2008	Year ended 31st March, 2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	**0.00**	7,000.00
Net Long Term Borrowings from ONGC	**(18,293.15)**	(23,827.93)
Repayment of Long Term Borrowings from OIDB	**0.00**	(61.25)
Cash Credit	**0.00**	(44.18)
Interest Paid	**(7,297.31)**	(145.50)
Net Cash Flow from Financing Activities 'C'	**(25,590.46)**	**(17,078.86)**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(1,195.54)**	**2,424.45**
Cash and Cash Equivalents as at 1st April, 2007 (Opening Balance)	**4,066.92**	1,642.47
Cash and Cash Equivalents as at 31st March, 2008 (Closing Balance)	**2,871.38**	4,066.92

Notes:

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

2 Bracket indicates cash outflow.

3 Previous year figures have been regrouped wherever necessary to confirm the current year's classification.

4 Adjustment have not been made to purchase of fixed assets etc. (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M.No. 44492)

New Delhi
June 12, 2008

balance sheet abstract and company's general business profile

I. REGISTRATION DETAILS

Registration No.	State Code	Balance Sheet Date
55-04343	55	31.03.2008

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)

Source of Funds

Total Liabilities	Total Assets
163646942	163646942
Paid -up Capital	Reserves & Surplus
10000000	30568922
Secured Loans	Unsecured Loans
NIL	113737764
Deferred Tax Liability	Provision for Abandonment Cost
4473207	4867049

Application of Funds

Net Fixed Assets (including Producing Properties, Development & Exploratory Wells in progress and Capital Work in Progress)	Investments
95908626	52203963
Net Current Assets	Misc. Expenditure
15534353	NIL
Accumulated Losses	
NIL	

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Gross Revenue)	Total Expenditure
70045089	54735721
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
15309368	8494193
Earning per Share (of Rs.100 each) in Rs.	Dividend Rate%
84.94	NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

1.	Item Code No.	27090000
	Product Description	Crude Oil
2.	Item Code No.	27112100
	Product Description	Natural Gas
3.	Item Code No.	27111900
	Product Description	Natural Gasoline

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

New Delhi
12th June, 2008

statement pursuant to section 212 of the Companies Act, 1956, relating to company's interest in the subsidiary companies

	Name of the Subsidiary Company	ONGC Nile Ganga B.V.	ONGC Narmada Limited	ONGC Amazon Alaknanda Limited	ONGC Do Brasil Explorancao Petrolifera Ltda.	ONGC Campos Ltda.	ONGC Nile Ganga (Cyprus) Ltd.	ONGC Nile Ganga (San Cristobal) B.V.
1	The Financial Year of the Subsidiary Company ends on	31st December, 2007	31st March, 2008	31st March, 2008	31st December, 2007	31st December, 2007	"31st December, 2008*	31st December, 2008*
2	Date from which it became Subsidiary Company:	12th March, 2003	7th December, 2005	8th August, 2006	7th July, 2006	16th March, 2007	26th November, 2007	29th February, 2008
3	a) Number of shares held by ONGC Videsh Ltd. in the Subsidiary at the end of the financial year of the Subsidiary Company**	40 Class "A" & 100 Class "B" shares of Euro 453.78 each	20 million shares of one Naira each	12,000 Equity & 437, 488,000 Preference shares of one USD each	1,000 quotas of BRL 1 each	179,038,360 quotas of BRL 1 each	100,000 Shares of 0.01 USD	18,000 shares of Euro 1 each
	b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company	100%	100%	100%	100%	100%	100%	100%
4	The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far it concerns the members of the Holding Company:							
a)	Not dealt within the Holding Company's accounts							
	i) For the period 1st April, 2007 to 31st March, 2008 (Rs. in million)***	14,927.55	(93.68)	2723.42	-	30.90	(0.49)	(0.01)
	ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million):	20,626.82	(193.58)	649.02	-	(745.13)	-	-
b)	Dealt within the Holding Company's accounts:							
	i) For the period 1st April, 2007 to 31st March, 2008 (Rs. in million)	-	-	-	-	-	-	-
	ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million):	14,098.77	-	-	-	-	-	-

* The first financial year as subsidiary would end on 31st December, 2008.

**Includes shares held through subsidiaries also.

***At the closing rate of exchange, there is a Foreign Exchange Translation Reserve of (Rs. 382.99 million), which has not been adjusted.

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

New Delhi
June 12, 2008

Facilities at Al Furat Project, Syria

ONGC VIDESH LIMITED - CONSOLIDATED

ONGC Videsh Limited
ONGC Nile Ganga BV
ONGC Narmada Limited
ONGC Amazon Alaknanda Limited
ONGC Campos Ltda
ONGC DO Brazil Exploracao Petrolifera Ltda
ONGC Nile Ganga (Cyprus) Ltd
ONGC Nile Ganga (San Cristobal) BV
ONGC Mittal Energy Limited

ONGC VIDESH

Auditor's Report to the Board of Directors of ONGC Videsh Limited on the Consolidated Financial Statements of ONGC Videsh Limited, and its Subsidiaries and Joint Venture

1. We have audited the attached Consolidated Balance Sheet of **ONGC Videsh Limited** and its subsidiaries and Joint Venture as at 31st March 2008, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the ONGC Videsh Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted Auditing Standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

   Our Audit of ONGC Videsh Limited based on the fact that actual operations are performed outside India and operator is responsible for maintaining the original books of accounts on behalf of all the members as per Joint operating agreement, we have conducted our audit by relying on such information furnished by the operator.

   An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the consolidated financial statements of ONGC Nile Ganga BV, the subsidiary company, whose financial statements reflect total assets of Rs. 89,713.36 Million and total liability of Rs. 22,113.81million as at March 31, 2008 and total revenues of Rs. 94,654.01 Million and total expenditure of Rs.79,357.67 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under Dutch GAAP by other auditors, viz. Ernst & Young, Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

4. We did not audit the financial statements of ONGC Mittal Energy Limited, the joint venture company, whose financial statements reflect total assets of Rs. 6,507.84 Million and total liability of Rs. 4,492.31Million as at March 31, 2008 and total revenues of Rs. 35.45 Million and total expenditure of Rs 26.14 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the joint venture Company has been prepared as per International Financial Reporting Standard (IFRS) and Cyprus Companies Law and have been certified by the management whose certificate has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the joint venture Company is based solely on the certificate of the management.

5. We did not audit the financial statements of ONGC Narmada Limited, the subsidiary company, whose financial statements reflect total assets of Rs. 536.79 Million and total liability of Rs. 793.47 Million as at 31st March 2008 and total revenues of Rs. 12.21 Million and total expenditure of Rs. 105.89 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under Nigerian GAAP by the other auditors, viz, Ernst & Young Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

6. We did not audit the financial statements of ONGC Amazon Alaknanda Limited, the subsidiary company, whose financial statements reflect total assets of Rs. 22,174.44 Million and total liability of Rs. 1,563.91Million as at March 31, 2008 and total revenues of Rs. 5,270.70 Million and total expenditure of Rs 2,537.47 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under US GAAP by other auditors, viz. M/s BDO Audit AGE, S.A., Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

7. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 27, "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India.

8. Categorization of expenditure on project in Development & Exploratory Well-In-Progress, Producing Properties and Capital Work-In Progress, allocation of cost incurred on them, depletion of producing properties including goodwill amortization, provision for abandonment cost and impairment, allocation of depreciation on fixed assets

(including support equipments and facilities) are made according to evaluation by the management, technical and/or otherwise on which, we have placed reliance.

9 (a) **Attention is invited to Note No. 21(ii) of Schedule-25 regarding expense head-wise details as required by Schedule VI to the Companies Act, 1956.**

9 (b) **The auditors of ONGC Nile Ganga B.V., have reported the following:**

(i) **Audited financial statements of the following consolidated subsidiaries and joint venture are not available:**

- **ONGC Do Brazil Exploracao Petrolifera Ltda**
- **One Acadia Holdings B.V.**
- **ONGC Nile Ganga Cyprus Limited**
- **ONGC Nile Ganga (San Cristobal) B.V.**

(ii) **The expenditure for production, transportation, selling and distribution are classified in Schedule 18 under production expenditure, royalty and other expenses, since further details are not available in respect of Joint Ventures.**

(iii) **The goodwill amounting to Rs. 5,041 million has not been tested for impairment. This goodwill pertains to participating interest acquired in BC-10 Project, Brazil. The BC-10 project is under development and production is scheduled to commence in June 2009.**

(iv) **ONGC Campos Ltda. has accrued an amount of Rs. 38.70 million as a receivable related to a proceeding filed by Shell Brazil Ltda., the consortium operator, relating to some taxes. This amount has been confirmed per Shell Billing Statement by Shell Brazil Ltda. Shell's lawyer estimates the receivable at Rs. 122.94 million. The difference of Rs. 84.24 million is being sorted out by Shell Brazil Ltda.**

9 (c) **The financial statements of ONGC Mittal Energy Limited (joint venture Company) which has been consolidated here are unaudited. (Please refer Para 4 above).**

10. Attention is invited to **Note No. 8 of schedule 25** regarding company's share in 22 projects. These include 5 projects (Block 1a, 1b, 2a, 2b and 4, Sudan; AFPC, Syria; MECL, Colombia; Block BC-10, Brazil and ONL) which are held in the books of the company's subsidiaries mentioned at para 3, 4, 5 and 6 above. The remaining 17 joint venture projects are held by the company directly and the company has incorporated it's share in the total value of assets, liabilities, expenses and net profit of 10 Joint ventures accounts which have been certified under respective local laws / Production Sharing Contract / Joint Operating Agreement by the local audit firm appointed by the management of the respective Joint Ventures and remaining 7 have been certified by the management.

Subject to our comments in paragraph 9 above, we report that on the basis of information and explanation given to us and on the consideration of the separate audit reports on financial statements of the company and its subsidiaries, we are of the opinion that the attached consolidated Financial Statements read together with the notes in Schedule - 25 give a true and fair view:

a) In case of consolidated Balance sheet of the consolidated state of affairs of ONGC Videsh Limited and its subsidiaries and Joint Venture as at March 31, 2008 and

b) In the case of consolidated Profit and Loss, of the consolidated results of operations of ONGC Videsh Limited and its subsidiaries and Joint Venture for the year ended on that date and

c) In case of consolidated Cash Flow Statement of the consolidated Cash Flow of ONGC Videsh Limited and its subsidiaries and Joint Venture for the year ended on that date.

For BATRA SAPRA & COMPANY
Chartered Accountants

(K.S. Kamath)
Partner
M.No. 44492

New Delhi
12th June, 2008

consolidated balance sheet as at 31st march, 2008

(Rupees in million)

	Schedule		As at 31st March, 2008		As at 31st March, 2007
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	10,000.00		10,000.00	
Reserves and Surplus	2	53,059.03	63,059.03	33,735.65	43,735.65
LOAN FUNDS	3				
Secured Loans		0.00		0.00	
Unsecured Loans		113,737.76	113,737.76	132,347.57	132,347.57
DEFERRED TAX LIABILITY (Refer Note 17 of Schedule 25)			8,211.23		9,781.21
PROVISION FOR ABANDONMENT			4,867.05		4,503.49
TOTAL			189,875.07		190,367.92
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		83,034.09		73,823.43	
Less: Depreciation		37,890.30		23,048.71	
Net Block			45,143.79		50,774.72
PRODUCING PROPERTIES (NET)	5		60,840.43		56,056.26
DEVELOPMENT & EXPLORATORY WELLS IN PROGRESS	6		18,948.55		12,241.78
CAPITAL WORK IN PROGRESS	7		12,502.88		14,148.78
GOODWILL		30,471.95		33,004.30	
Less: Goodwill Amotisation		7,625.12	22,846.83	5,318.41	27,685.89
CURRENT ASSETS, LOANS & ADVANCES					
Interest Accrued	8	120.84		99.57	
Inventories	9	3,199.98		3,648.90	
Sundry Debtors	10	15,222.39		11,202.97	
Cash & Bank Balances	11	21,563.85		12,125.22	
Loans & Advances	12	13,548.61		21,206.73	
		53,655.67		48,283.39	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	13	23,792.07		18,735.12	
Provisions	14	271.01		110.00	
		24,063.08		18,845.12	
NET CURRENT ASSETS			29,592.59		29,438.27
DEFERRED COLOMBIAN TAXES			0.00		22.22
TOTAL			189,875.07		190,367.92
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24				
NOTES TO THE ACCOUNTS	25				

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

consolidated profit and loss account for the year ended 31st march, 2008

(Rupees in million)

	Schedule	2007-08	2006-07
INCOME			
Sales	15	167,413.37	115,539.95
Other Income	16	2,126.97	3,073.03
Increase/(Decrease) in Stocks	17	(197.96)	396.57
		169,342.38	119,009.55
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	18	74,612.61	65,039.50
Depreciation, Depletion and Amortisation	19	36,649.44	21,335.02
Financing Costs	20	10,615.69	(2,209.59)
Haedging (Gain)/Loss		217.76	0.00
Provisions & Write-Offs (Net)	21	5,595.14	1,409.37
		127,690.64	85,574.30
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		41,651.74	33,435.25
Adjustments relating to Prior Period (Net)	22	921.34	4,167.28
Provision for Taxation			
Current Year Tax		18,053.81	9,830.25
Deferred Tax		(1,327.50)	2,776.21
Fringe Benefit Tax		16.49	15.09
Wealth Tax		16.25	13.55
Earlier Years Tax		0.00	0.00
PROFIT AFTER TAXATION		23,971.35	16,632.87
Less: Share of Profit or (loss) - Minority Interest		0.00	0.00
Group Profit After Tax		23,971.35	16,632.87
Add: Profit / (Loss) brought forward from Last year		34,060.81	19,234.65
Balance Available for Appropriation		58,032.16	35,867.52
Transfer to General Reserve		781.38	1,052.55
Balance Carried to Balance Sheet		57,250.78	34,814.97
		58,032.16	35,867.52
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24		
NOTES TO THE ACCOUNTS	25		

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

schedule to the consolidated balance sheet

schedule 1

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SHARE CAPITAL		
Authorised		
100,000,000 (Previous year 100,000,000) Equity Shares of Rs.100 each	**10,000.00**	10,000.00
Issued, Subscribed, Called and Paid Up	**10,000.00**	10,000.00
100,000,000 (Previous year 100,000,000) Equity Shares of Rs.100 each fully paid up in cash (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees)		
TOTAL	**10,000.00**	**10,000.00**

schedule 2

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
RESERVES AND SURPLUS				
Capital Reserve		**771.74**		174.08
General Reserve				
Opening balance	**2,821.08**		1,781.95	
Less: Adjustment for Employess Benefits	**0.00**		13.42	
Add:Transfer from Profit and Loss Account	**781.38**	**3,602.46**	1,052.55	2,821.08
Foreign Exchange Translation Reserve		**(8,565.95)**		(3,320.32)
Profit and Loss Account				
Opening Balance	**34,060.81**		19,234.65	
Adjustments	**0.00**		(754.16)	
Add: Addition during the year	**23,189.97**	**57,250.78**	15,580.32	34,060.81
TOTAL		**53,059.03**		**33,735.65**

schedule 3

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
LOANS		
SECURED LOANS	**0.00**	**0.00**
UNSECURED LOANS		
Long Term		
Indian Rupee Loans		
From Oil and Natural Gas Corporation Limited	**112,648.44**	130,941.59
Foreign Currency Loans		
Non- Recourse Deferred Credit (In respect of Joint Venture)	**1,089.32**	1,405.98
TOTAL	**113,737.76**	**132,347.57**
(Repayable within one year)	**132.40**	240.90

schedule 4

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 1st April, 2007	Additions during the year	Foreign Currency Translation Adjustment	Deletions / Adjustments during the Year	As at 31st March, 2008	Upto 31st March, 2007	For the year	Foreign Currency Translation Adjustment	Deletions/ Adjustments during the year	Upto 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
Land (Leasehold)	1,354.16	308.12	27.06	-	**1,689.34**	0.00	0.00	0.00	0.00	**0.00**	**1,689.34**	1,354.16
Building	1,968.49	2,223.90	35.34	0.05	**4,227.68**	88.04	168.17	13.01	0.01	**269.21**	**3,958.47**	1,880.45
Plant & Machinery	66,074.35	5,724.20	(5,469.59)	36.87	**66,292.09**	22,316.57	14,250.55	(5,318.73)	6.90	**31,241.49**	**35,050.60**	43,757.78
Computers	239.17	206.42	8.66	(0.09)	**454.34**	186.03	73.27	6.10	0.05	**265.35**	**188.99**	53.14
Vehicles	316.23	127.11	51.36	0.40	**494.30**	158.95	65.86	31.96	0.25	**256.52**	**237.78**	157.28
Furniture & Fittings and Equipments	3,863.01	360.68	5,518.89	2.77	**9,739.81**	291.24	730.29	4,712.48	2.14	**5,731.87**	**4,007.94**	3,571.77
Sub Total	**73,815.41**	**8,950.43**	**171.72**	**40.00**	**82,897.56**	**23,040.83**	**15,288.14**	**(555.18)**	**9.35**	**37,764.44**	**45,133.12**	**50,774.58**
Intangibles - Software	8.02	128.50	0.01	0.00	**136.53**	7.88	117.98	0.00	0.00	**125.86**	**10.67**	0.14
TOTAL	**73,823.43**	**9,078.93**	**171.73**	**40.00**	**83,034.09**	**23,048.71**	**15,406.12**	**(555.18)**	**9.35**	**37,890.30**	**45,143.79**	**50,774.72**
Previous year	28,012.96	45,435.42	(271.48)	(646.53)	**73,823.43**	10,765.88	6,118.84	(41.31)	(6,205.30)	**23,048.71**	**50,774.72**	17,247.08
The above includes the Company's Share in Joint Venture Assets	**58,614.52**	**8,597.10**	**13,876.58**	**40.10**	**81,048.10**	**10,946.49**	**15,335.47**	**11,461.24**	**9.30**	**37,733.90**	**43,314.20**	**47,668.03**
Previous year	13,637.42	45,034.19	0.00	57.09	**58,614.52**	5,448.95	5,502.95	0.00	5.41	**10,946.49**	**47,668.03**	8,188.47

schedule to the consolidated balance sheet

schedule 5

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	**84,920.38**	52,013.58
Acquisition Cost	**0.00**	2,333.77
Expenditure during the year	**6,063.95**	21,106.94
Transfer from Development & Exploratory Wells-in-Progress	**15,970.65**	8,787.40
Estimated Abandonment Costs	**0.00**	1,984.67
Adjustment	**(638.92)**	(588.80)
Foreign Currency Translation Adjustment	**(5,319.34)**	(717.18)
Total Gross (A)	**100,996.72**	**84,920.38**
Less: Depletion		
Opening Balance	**28,864.12**	15,207.82
Depletion for the year	**12,482.19**	12,589.83
Adjustment	**0.00**	1,399.80
Foreign Currency Translation Adjustment	**(1,190.02)**	(333.33)
Total Depletion (B)	**40,156.29**	**28,864.12**
NET PRODUCING PROPERTIES (A - B)	**60,840.43**	**56,056.26**

schedule 6

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS		
A. Development Wells in Progress		
Opening Balance	**3,238.88**	8,013.50
Addition during the year	**16,629.82**	5,758.65
Adjustments during the year	**0.00**	(2,989.98)
Less: Transfer to Producing Properties	**15,591.83**	7,482.17
Foreign Currency Translation Adjustment	**82.02**	(61.12)
Development Wells in Progress (A)	**4,358.89**	**3,238.88**
B. Exploratory Wells in Progress		
Opening Balance	**9,002.90**	2,697.52
Addition during the year	**12,036.91**	8,953.53
Adjustments during the year	**0.00**	(0.63)
Wells written back during the year	**0.00**	1,353.69
Less: Transfer to Producing Properties	**378.82**	1,305.23
Less: Wells written off during the year	**6,207.41**	1,402.40
Less: Provision for Wells drilled under Service Contract	**66.69**	1,287.30
Foreign Currency Translation Adjustment	**202.77**	(6.28)
Exploratory Wells in Progress (B)	**14,589.66**	**9,002.90**
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS (A+B)	**18,948.55**	**12,241.78**

schedule to the consolidated balance sheet

schedule 7

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CAPITAL WORK IN PROGRESS		
Block 06.1, Vietnam	**0.00**	1,412.50
Block 127, Vietnam	**92.54**	92.54
Block 128, Vietnam	**92.54**	92.54
Sakhalin-1 Project, Russia	**3,437.41**	7,403.75
Block-XXIV, Syria	**0.00**	19.81
Block 5A, Sudan	**482.07**	0.00
Block 5B, Sudan	**1,046.95**	1,046.95
Block 6, North Ramadan, Egypt	**33.49**	31.76
Block A1, Myanmar	**87.97**	32.46
Block A3, Myanmar	**62.99**	38.88
Block 81/1, Libya	**268.92**	268.92
Najwat Najem Oil Structure, Qatar	**0.00**	327.75
Block 25, 26, 27, 28, 29, 36 and P35 (Part), Cuba	**346.91**	346.91
Block 1,2,3 &4 (Area 43), Libya	**408.90**	0.00
Block AD2, Myanmar	**392.70**	0.00
Block BC-10, Brazil	**4,572.65**	1,644.28
GNPOC, Sudan	**361.80**	338.39
Others	**815.04**	1,051.34
TOTAL	**12,502.88**	**14,148.78**

schedule 8

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
INTEREST ACCRUED (Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
Deposits with Banks	**97.61**	88.69
Others	**23.23**	10.88
TOTAL	**120.84**	**99.57**

schedule to the consolidated balance sheet

schedule 9

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
INVENTORIES				
(As taken, valued and certified by the Management)				
Finished Goods		**164.66**		656.07
Stores and Spares	**3,357.30**		3,097.69	
Less: Provision for Non-moving / Surplus Stores	**325.89**	**3,031.41**	109.38	2,988.31
(In respect of Joint Venture)				
Stores & Spares	**53.49**		9.85	
Less: Written off to Net Realisable Value	**49.58**	**3.91**	5.33	4.52
TOTAL		**3,199.98**		**3,648.90**

schedule 10

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered Good	**0.00**	0.00
Considered Doubtful	**0.00**	0.00
Other Debts:		
Considered Good	**15,222.39**	11,202.97
Considered Doubtful	**0.00**	0.00
TOTAL	**15,222.39**	**11,202.97**

schedule to the consolidated balance sheet

schedule 11

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	**0.86**	825.54
b) At Khartoum	**1.75**	1.95
c) At Amsterdam	**0.02**	0.02
d) At Brazil	**0.02**	0.00
B. Balances with Scheduled banks		
a) On Current Account	**1,830.03**	662.11
b) On Deposit Accounts	**17,466.77**	7,528.58
C. Balances with Non-Scheduled Banks		
a) On SB Account (USD) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.548.54 Million Previous year Rs. 756.34 Million)	**0.08**	0.04
b) On SB Account (VND) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.545.74 Million Previous year Rs. 752.01 Million)	**0.10**	0.02
c) On Current Account (USD) withBank of Commerce and Development, Libya (Maximum balance during the year Rs.3.49 Million Previous year Rs.2.82 Million)	**1.01**	1.35
d) On Current Account (LYD) withBank of Commerce and Development, Libya (Maximum balance during the year Rs.2.43 Million Previous year Rs.2.22 Million)	**0.32**	0.24
e) On Current Account (QAR) withHSBC Bank, Qatar (Maximum balance during the year Rs.69.64 Million Previous year Rs.5.56 Million)	**3.80**	0.50
f) On Current Account (USD) withBanco Financiero Internacional SA, Cuba (Maximum balance during the year Rs.4.77 Million Previous year Rs.1.59 Million)	**1.52**	1.30
g) On Current Account EN Bank, Tehran (AED) (Maximum balance during the year Rs.0.96 Million Previous year Nil)	**0.39**	0.00
h) On Current Account EN Bank, Tehran (IRR) (Maximum balance during the year Rs. 0.26 Million Previous year Nil)	**0.01**	0.00
i) On Current Account Banco de Credito Helm Financial Services , Colombia (COP) (Maximum balance during the year Rs. 0.77 Million Previous year Nil)	**0.17**	0.00
D. Cash and Bank Balances (In respect of Joint Venture)	**2,257.00**	3,103.57
TOTAL	**21,563.85**	**12,125.22**

schedule to the consolidated balance sheet

schedule 12

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
LOANS AND ADVANCES				
A. Secured - Considered Good				
Loans and Advances to Employees (A)		**51.21**		**32.66**
B. Unsecured - Considered Good				
Carry Finance to Sudapet, Sudan		**812.46**		1,083.65
Loans and Advances to Employees		**44.59**		14.25
Advances recoverable in cash or in kind or for value to be received		**497.71**		201.76
Other Receivable		**104.95**		1,031.26
OMEL - Loan for Nigeria Project		**13.96**		82.59
Other Deposits		**131.56**		474.43
VAT Receivable		**45.72**		257.33
Investment in Lease		**5,368.05**		6,573.59
Advances recoverable in cash or in kind or for value to be received (In respect of Joint Venture)		**2,834.85**		8,186.88
Income Tax :				
Advance Payment of Income Tax	**14,404.74**		4,994.13	
Less: Provision	**10,761.19**	**3,643.55**	1,725.80	3,268.33
Unsecured - Considered Good (B)		**13,497.40**		**21,174.07**
C. Unsecured - Considered Doubtful				
Carry Finance		**5,021.01**		135.06
		5,021.01		135.06
Less: Provisions for Doubtful Loans and Advances		**5,021.01**		135.06
Unsecured - Considered Doubtful (C)		**0.00**		**0.00**
LOANS AND ADVANCES (A+B+C)		**13,548.61**		**21,206.73**

schedule 13

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
Due of micro enterprises and small enterprises	**0.00**	0.00
Other than micro enterprises and small enterprises	**5,727.63**	1,729.31
Deposits	**86.31**	25.61
Advance from Customers	**129.57**	83.22
Payable to Oil and Natural Gas Corporation Limited	**101.88**	55.72
Other Liabilities	**3,684.00**	4,224.22
Amount Payable to Operators	**3,909.18**	81.72
Deferred Credit on Gas Sales	**5.42**	0.00
Tax Payable by Subsidiary and Jont Venture Companies in foreign country	**2,539.93**	747.48
Sundry Creditors for Supplies/ Works (In respect of Joint Venture)	**7,512.32**	11,787.84
Bank Overdraft	**95.83**	0.00
TOTAL	**23,792.07**	**18,735.12**

schedule to the consolidated balance sheet

schedule 14

(Rupees in million)

	Balance as at 1st April, 2007	Provision made for previous years out of General Reserve	Utilisation during the Year	Provision/ Adjustment made for the Year	Balance as at 31st March, 2008
PROVISIONS					
Gratuity	24.60	0.00	**1.05**	**26.10**	**49.65**
Leave Encashment	29.41	0.00	**12.98**	**44.80**	**61.23**
Post Retirement Medical Benefits/Other Terminal Benefits	55.99	0.00	**0.28**	**35.50**	**91.19**
Pay Revision Arrears	0.00	0.00	**0.00**	**67.99**	**67.99**
Productivity Allowance	0.00	0.00	**0.00**	**0.95**	**0.95**
TOTAL	**110.00**	**0.00**	**14.31**	**175.34**	**271.01**

schedule to the consolidated profit & loss account

schedule 15

(Rupees in million)

	2007-08	2006-07
SALES		
Crude Oil	**155,429.69**	102,426.16
Gas	**6,780.11**	8,004.31
Condensate	**2,081.19**	1,840.76
Transportation and Other Services	**3,122.38**	3,268.72
TOTAL	**167,413.37**	**115,539.95**

Note: Sales are shown on Entitlement basis and net of Government share of Profit Oil.

schedule 16

(Rupees in million)

	2007-08	2006-07
OTHER INCOME		
Interest Income on:		
On Deposits with Banks	**920.10**	498.39
(Tax deducted at source Rs. 1.48 Million previous year Rs. 0.16 Million)		
Carry Finance	**0.00**	1,493.41
Loans and Advances to Employees	**1.95**	1.80
Others	**519.44**	279.69
Lease Income	**352.36**	435.14
Profit on Sale of Investment	**0.00**	0.46
Miscellaneous Receipts	**333.12**	364.14
TOTAL	**2,126.97**	**3,073.03**

schedule to the consolidated profit & loss account

schedule 17

(Rupees in million)

		2007-08		2006-07
INCREASE/(DECREASE) IN STOCK (FINISHED GOODS)				
Closing Stock		**164.66**		410.19
Opening Stock	**410.19**		33.63	
Less: Adjustment	**47.57**	**362.62**	20.01	13.62
NET INCREASE/(DECREASE) IN STOCK		**(197.96)**		**396.57**

schedule 18

(Rupees in million)

	2007-08	2006-07
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Transportation Expenditure	**3,024.70**	2,662.86
Production Expenditure	**9,318.94**	8,339.25
Royalty	**60,349.66**	51,130.17
Value Added Tax	**684.78**	1,063.02
Service Tax and Other Levies	**24.44**	315.73
Staff Expenditure	**550.12**	320.99
Rent	**70.11**	58.92
Repair & Maintenance	**17.12**	32.91
Insurance	**34.14**	43.34
Others	**538.60**	1,072.31
TOTAL	**74,612.61**	**65,039.50**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note -21 of Schedule '25'

schedule 19

(Rupees in million)

		2007-08		2006-07
DEPRECIATION, DEPLETION AND AMORTISATION				
Depreciation	**15,288.14**		6,118.84	
Amortisation -Intangibles	**117.98**		0.00	
Less: Capitalised	**5,511.95**	**9,894.17**	3,440.69	2,678.15
Depletion		**11,776.58**		12,589.83
Survey Expenditure		**5,290.59**		2,617.85
Dry Wells Written Off		**6,056.77**		1,402.40
Pre-Acquisition Expenses		**1,324.62**		791.89
Amortisation of Goodwill		**2,306.71**		1,254.90
TOTAL		**36,649.44**		**21,335.02**

schedule to the consolidated profit & loss account

schedule 20

(Rupees in million)

		2007-08		2006-07
FINANCING COSTS				
A. Interest On				
Loan from Oil Industry Development Board		**0.00**		0.21
Loan from Oil and Natural Gas Corporation Limited	**7,386.73**		147.39	
Less: Capitalised	**89.42**	**7,297.31**	2.67	144.72
Others		**75.91**		172.71
Sub-Total		**7,373.22**		**317.65**
B. Exchange Fluctuation				
Net Exchange Variation for the Year	**3,242.47**		(2,538.54)	
Less: Capitalised	**0.00**	**3,242.47**	(11.29)	(2,527.24)
TOTAL		**10,615.69**		**(2,209.59)**

schedule 21

(Rupees in million)

	2007-08	2006-07
PROVISIONS AND WRITE-OFFS (NET)		
Provisions for Doubtful Debts	**4,890.80**	116.06
Other Write Off	**108.62**	378.80
Provision for Wells drilled under Service Contract	**66.69**	1,287.30
Provision for Non Moving Inventory	**240.57**	0.00
Provision for Abandonment	**363.56**	0.00
Excess Provisions Written Back	**(75.10)**	(372.79)
TOTAL	**5,595.14**	**1,409.37**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note - 21 of Schedule '25'

schedule to the consolidated profit & loss account

schedule 22

(Rupees in million)

	2007-08	2006-07
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Expense		
Survey Expenses	**10.54**	(334.76)
Dry Wells Expenses	**150.64**	(1353.69)
Amortisation of Goodwill	**0.00**	(621.21)
Other Expenses	**54.55**	20.16
Depletion	**705.61**	6456.78
TOTAL	**921.34**	**4167.28**

schedule 23

(Amount in Rupees)

	2007-08	2006-07
EARNING PER EQUITY SHARE		
Basic and Diluted Earnings Per Equity Share (Per Share of Rs. 100 each)	**239.71**	224.44

Note: Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs. 23,971.35 Million (Previous Year Rs. 16,632.87 Million) by weighted average number of equity shares of 100,000,000 (Previous year 74,109,581)

A. Principles of Consolidation:

The Consolidated Financial Statements relate to ONGC Videsh Limited (Company), ONGC Nile Ganga B.V., The Netherlands (Subsidiary), ONGC Narmada Limited, Nigeria (Subsidiary), ONGC Amazon Alaknanda Limited (Subsidiary) and jointly controlled entity ONGC Mittal Energy Limited, Cyprus (joint Venture Company). The Financial Statements of the Company, its Subsidiaries and Joint Venture Company have been consolidated on a line-by-line basis by adding together the book values of like item of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses, unless indicated otherwise.

The financial statements of the foreign subsidiaries and Joint Venture Company have been incorporated in the consolidated financial statements by translating to Indian rupees following the principles for translation of the financial statements of Non-integral Foreign Operation as laid down in Accounting Standard (AS) 11 viz. Effects of changes in foreign exchange rates (revised 2003).

B. Accounting Policies:

1. Accounting Conventions:

The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP). The company follows Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India, and the provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

2. Acquisition, Exploration, Development, Abandonment and Production Costs:

2.1 Acquisition Cost:

Acquisition costs of an oil and gas property in exploration/development stage is taken to capital work in progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment of the property, such costs are expensed. Acquisition costs of a producing oil and gas property are capitalized as Producing Property.

2.2 Survey Costs:

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

2.3 Exploratory/Development Wells in Progress Costs:

2.3.1 Exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially taken to capital work in progress as exploratory wells in progress till the time these are either capitalized to producing properties when ready to commence commercial production or expensed in the year when determined to be dry or of no further use, as the case may be.

2.3.2 All costs relating to development wells, development type stratagraphic test wells, service wells, are initially taken to capital work in progress as development wells in progress and capitalized to producing properties when ready to commence commercial production.

2.3.3 Exploratory wells in progress which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

2.4 Abandonment Costs:

Costs relating to dismantling, abandoning and restoring well sites and allied facilities are provided as abandonment costs based on the provisions under respective agreements governing company's activities in the field/ projects.

2.5 Production Costs:

Production costs include pre-wellhead and post-wellhead expenses including depreciation and applicable operating costs of support equipment and facilities.

3. Producing Properties:

3.1 Producing properties are created in respect of a field/project having proved developed oil and gas reserves when any well in the field/project is ready to commence commercial production. Development wells are capitalized to producing properties when ready to commence commercial production.

3.2 All acquisition costs, cost of successful exploratory wells and of all development wells, all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs relating to producing properties are capitalized as Producing Properties.

4. Depletion of Producing Properties:

Producing properties are depleted using the "Unit of Production Method". The rate of depletion for all capitalized costs is computed with reference to the field/project/amortization base by considering the related proved and developed reserves excepting for acquisition costs which are depleted by considering the proved reserves. These reserves are estimated annually.

5. Impairment:

5.1 Impairment loss is determined for each field/project and adjusted for in the carrying cost.

5.2 At each balance sheet date, an assessment of the recoverable amount based on the value in use method is carried out in respect of each individual field/project and compared with the carrying amount and if a permanent diminution in value is identified, the asset is impaired to the net recoverable amount. However, provision for impairment being carried forward, is reviewed for write back, if any.

6. Joint Ventures:

6.1 The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

6.2 The reserves of hydrocarbons in the joint ventures are taken in proportion to the participating interest of the Company.

7. Fixed Assets:

7.1 Fixed assets (including those taken on finance lease, support equipment and facilities) are stated at historical cost.

7.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalized.

7.3 Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

8. Depreciation:

8.1 Depreciation on fixed assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956.

8.2 Leasehold land is amortized over the lease period.

8.3 Depreciation on adjustments to fixed assets on account of exchange differences and price variation is provided for prospectively over the remaining useful life of such assets.

8.4 Depreciation on fixed assets (including those taken on finance lease, support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and expensed/depleted as stated in policy 2 and 3 above.

9. Inventories:

9.1 Crude oil and condensate are valued at cost or net realizable value, whichever is lower.

9.2 Natural gas in pipeline and crude oil/condensate stock in flow lines/Gathering Stations are not valued.

9.3 Inventory of stores and spares is valued at Weighted Average Cost or net realizable value, if available, whichever is lower.

10. Investments:

10.1 Long-term investments are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

10.2 Current investments are valued at lower of cost or fair value.

11. Foreign Currency Transactions and Foreign Operations:

11.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

11.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

11.3 All exchange differences arising on the settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

11.4 **In respect of the Company's integral foreign operations:**

(a) The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 11.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

(b) At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 11.2.

(c) All exchange differences are treated following the policy stated in 11.3.

11.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:

(a) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

(b) income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

(c) all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

11.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

12. Assets given on Lease:

12.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 “Leases” issued by the Institute of Chartered Accountant of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

12.2 Initial direct costs incurred in respect of finance leases are recognised in the statement of profit and loss in the year in which such costs are incurred.

13. Revenue Recognition:

13.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive is treated as inventory and, if negative, is adjusted to revenue by recording the same as liability.

13.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

13.3 Any payment received in respect of short lifted gas quantity for which an obligation exists to supply such gas in subsequent periods is recognized as Deferred Revenue in the year of receipt. The same is recognized as revenue in the year in which such gas is actually supplied for the quantity supplied or in the year in which the obligation to supply such gas ceases, whichever is earlier.

13.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

13.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

13.6 Revenue in respect of interest on delayed realizations is recognized when there is reasonable certainty regarding ultimate collection.

14. Transportation Costs:

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

15. Employee Benefits:

15.1 Contribution to Provident Fund and Composite Social Security Scheme is made as per the rules of the parent company. The same is paid to funds administered through trusts.

15.2 Provisions for gratuity leave encashment and other employee benefits are made as per actuarial valuation at the end of the financial year. The same are not funded.

16. Borrowing Costs:

Borrowing Costs specifically identified to the acquisition or constructions of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

C. Other significant accounting policies:

These are set out under “Significant Accounting Policies” of the respective Financial Statements of the Company and its Subsidiaries and Joint Venture Company.

1) **Accounting Policies:**

During the year, the Company has discontinued capitalization of foreign exchange gain or loss relating to the loans/deferred credits utilized for acquisition of fixed assets in accordance with Accounting Standard (AS) 11

2) The Consolidated Financial Statements represent consolidation of Accounts of the Company (ONGC Videsh Limited), its Subsidiaries and Joint Venture Company. The consolidated accounts incorporate financial statements of the Company and its Subsidiaries and the Joint Venture Company for the year ended 31 March, 2008 as detailed below:

Name of the Subsidiaries/ Jointly Controlled Entity	Country of Incorporation	Proportion of ownership interest		Status of Audit as on 31st March, 2008
		31st March, 2008	31st March, 2007	
ONGC Nile Ganga BV (ONGBV)	Netherlands	**100%**	100%	Audited
ONGC Narmada Limited (ONL)	Nigeria	**100%**	100%	Audited
ONGC Amazon Alaknanda Limited (OAAL)	Bermuda	**100%**	100%	Audited
ONGC Mittal Energy Limited (OMEL)	Cyprus	**49.98%**	50%	Unaudited

3) Till the year 2006-07 the accounts of ONGC Amazon Alaknanda Ltd (OAAL) were prepared as per the requirement of the local law. During the current year the accounts has been prepared as per the schedule VI format. To alien with the schedule VI format previous year's figure, certain regrouping has been carried out. In view of different set of environment in which the Subsidiaries and the Joint Venture Company operate, the accounting policies followed for treatment of depreciation on fixed assets by the Subsidiary, OAAL and sales revenue and royalties by the Subsidiary, ONGBV, are different from the accounting policies of the Company. Such different accounting policies have been adopted in respect of the following:

(a) **Depreciation on Fixed Asset:**
The Subsidiary – OAAL provides depreciation on fixed assets as per US GAAP. The amount involved is Rs 285.37 Million (Previous year 25.22 Million) shown as depreciation under Schedule 19.

(b) **Revenue Recognition:**
The Subsidiary - ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs 89,262.27 Million (Previous year Rs 81,989.34 Million) shown as sales under Schedule 15.

(c) **Royalties:**
The Subsidiary - ONGBV conducts its operations in Sudan jointly with the national oil company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the government of Sudan to a portion of ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. Royalties / taxes in Syrian concession are accounted similarly by ONGBV. The amount involved is Rs 55,755.94 Million (Previous year Rs 49,773.30 Million) under the head Royalty in Schedule 18.

(d) The Subsidiaries and the Joint Venture Company provide for the retirement benefits in accordance with the laws of their respective jurisdictions. The net impact on account of the difference in accounting policy is not ascertainable.

4) **Foreign Currency Translation Reserve:**

The Company has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements following the principles for translation of the financial statements of Non-integral Foreign Operation. Accordingly, the resulting exchange loss of Rs 5,245.58 Million (Previous Year Rs 1,107.12 Million exchange loss) has been accounted as foreign currency translation reserve and shown in Schedule 2 as per details given below:

(Rs. in million)

Particulars	2007-08	2006-07
Opening Balance	**3,320.33**	2,213.21
Additions during the current year	**5,245.62**	1,107.12
Closing balance	**8,565.95**	3,320.33

5) Title to Fixed Assets under Production Sharing Agreements:

The Company, the Subsidiaries and Joint Venture Company in consortium with other partners (Consortium) carry on their business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of “Cost Oil” and “Cost Gas” or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company, Subsidiaries or the Joint Venture Company, as the case may be, till the full term of the respective agreements.

6) Amortization of Goodwill:

In March 2003, the Company had acquired 100% shares of Talisman Greater Nile B.V. (TGNBV). TGNBV had 25% Participating Interest in Greater Nile Oil Project (GNOP), Sudan and was later rechristened as ONGC Nile Ganga B.V. (ONGBV). The difference between the purchase consideration and net assets of TGNBV on the date of acquisition, amounting to Rs 11,660.63 Million, had been reflected as goodwill in the consolidated accounts of the Company since the year 2002-03. Following prudent accounting, the Company had, during the previous financial year, started amortizing the goodwill with retrospective effect from the year 2002-03 based on Unit of Production Method. Goodwill amortized during the year by the Company amounted to Rs 2306.71 Million (Previous year Rs 1,254.90 Million) representing Rs 587.98 Million (Previous year Rs.784.15 Million) in respect of GNOP, Sudan and Rs 1,718.72 Million (Previous Year Rs.470.75 Million) in respect of MECL, Colombia.

7) Details of Joint Ventures:

The details of Company's and its Subsidiaries significant joint ventures as on 31st March, 2008 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1.	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum - 35% Petrovietnam - 20%	The project is under production.
2.	Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore	25%	CNPC - 40% Petronas - 30% Sudapet - 5%	The project is under production.
3.	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
4.	AFPC Project Syria, Onshore (Through Himalaya Energy Syria B.V)	38.75%	Fulin - 50% Mittals - 11.25%	The project is under production.
5.	MECL, Colombia, Onshore (Through Mansarovar Energy Colombia Limited)	50%	Sinopec - 50%	The project is under production and development.
6.	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 67.875% Sudapet - 8%	The project is under exploration, production and development.
7.	Block BC-10 Project, Brazil, Offshore	15%	Shell - 50% Petrobras - 35%	The project is under development.
8.	Block A-1Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
9.	Block A-3 Project Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.

10.	Farsi Block Project, Iran, Offshore	40%	IOC - 40% OIL - 20%	The project is under exploration.
11.	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.
12.	Block XXIV Project, Syria, Onshore	60%	IPR - 40%	The Project is under exploration.
13	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 39% Lundin - 24.5% Sudapet - 13%	The project is under exploration.
14.	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea - 30%	The project is under exploration.
15.	Block 2, Joint Development Zone, Nigeria / Sao Tome Principe (STP), Offshore	13.5%	Sinopec JDZ/ Addax/ERHC-65% Equator - 9% A & Hatman Ltd. - 2.5% Foby - 5% Momo - 5%	The project is under exploration.
16.	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol - 40% Hydro - 30%	The project is under exploration.
17.	Khartoum-Port Sudan Pipeline Project, Sudan	90%	OIL - 10%	The pipeline has been completed and is under Lease.
18	Block NEMED in Offshore, Egypt	33%	Shell - 51% Petronas - 16%	The project is under exploration
19	Block RC-8, Colombia	40%	Ecopetrol - 40% Petrobras - 20%	The project is under exploration
20	Block RC-9, Colombia	50%	Ecopetrol - 50%	The project is under exploration
21	Block RC-10, Colombia	50%	Ecopetrol - 50%	The project is under exploration
22	MTPN Block, Congo	20%	ENI -40% ExxonMobil - 40%	The project is under exploration

*Abbreviations used: Addax - Addax Energy Nigeria Limited; British Petroleum - BP Exploration Operating Company Limited; CNPC - China National Petroleum Corporation; Daewoo - Daewoo International Corporation; ENI - ENI Congo S.A. ; EMO - EMO Exploration & Production Limited; Equator - Equator Exploration JDZ Block 2 Limited; ERHC - ERHC Energy Nigeria JDZ Block 2 Limited; Exxon Mobil - Exxon Neftegas Limited; Foby - Foby Energy Company Limited; Fulin - Fulin Investments Sarl; GAIL - GAIL (India) Limited; Hydro - Hydro Oil and Gas; IOC - Indian Oil Corporation Limited; IPR - IPR Mediterranean Exploration Limited; IPR Red Sea - IPR Energy Red Sea Inc.; KOGAS - Korea Gas Corporation; Lundin - Lundin Muglad Limited; Mittals - Mittal Investments Sarl; Momo - Momo Deepwater JDZ Limited; OIL - Oil India Limited; Petrobras - Petroleo Brasileiro S.A.; Petronas - Petronas Carigali Overseas Sdn Bhd; Petrovietnam - Vietnam Oil and Gas Corporation; Repsol - Repsol YPF Cuba SA; Shell - Shell Brazil Ltda; Sinopec - Sinopec Overseas Oil and Gas Limited; Sinopec JDZ- Sinopec JDZ Block 2 Limited; SMNG - Sakhalinmorneftegas Shelf; SODECO - Sakhalin Oil Development Company Limited; Sudapet - Sudapet Limited; TPOC - Turkish Petroleum Overseas Company Limited.

8) Company's share in Joint Ventures:

(i) The Company, its Subsidiaries' and the Joint Venture Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the operator has been incorporated in the financial statement as given below:

(Rs. in million)

Project	Net Fixed Assets	Net Producing Property	Capital Work in Progress	Exploratory and Develop-ment work in progress	Current Assets	Cash & Bank	Liabilities	Income	Expenditure
A. Audited as of the Reporting Date									
Block 5A, Sudan	2,634.72	5,302.12	482.07	1,674.36	1,320.68	699.99	924.48	3,860.95	6,967.89
Block 1a, 1b, 2a, 2b & 4, Sudan	973.84	17,813.15	361.80	3,064.81	11,821.27	17,323.50	18,186.85	72,602.88	56,299.01
AFPC, Syria	0.83	3,064.56	-	10.51	11,481.85	0.68	3,208.47	22,091.76	21,610.69
MECL, Colombia	58.01	50.74	12.33	19.02	35.43	13.40	29.42	163.15	37.11
Block BC-10, Brazil	1.81	-	4,572.65	2,296.74	59.28	292.91	9,375.76	15.77	(29.19)
Block A-1 Myanmar	6.83	-	87.98	1,099.49	57.17	24.06	0.92	1.67	103.42
Block A-3 Myanmar	0.94	-	62.99	673.23	5.41	25.99	10.04	4.80	474.28
Farsi Block, Iran	0.96	-	-	1,353.99	8.62	1.83	92.85	3.58	63.56
Block 5B, Sudan	1.09	-	1,046.95	654.59	1.91	(755.89)	429.05	4.90	480.45
Sudan Pipeline	-	-	-	-	6,565.05	1,446.52	6,812.15	392.11	393.85
ONL	17.90	-	453.35	20.58	44.96	7.89	779.07	12.21	105.88
Block 06.1 Vietnam	2,522.88	3,986.87	-	-	1,064.21	109.63	628.31	6,874.63	3,326.07
Blocks 25-29, 35(Part) & 36, Cuba	0.00	0.00	346.91	21.82	0.00	0.00	11.70	0.00	109.95
Total (A)	**6,219.81**	**30,217.44**	**7,427.03**	**10,889.14**	**32,465.84**	**19,190.51**	**40,489.07**	**106,028.41**	**89,942.97**
B. Audited as of 31st December, 2007									
Sakhalin-1, Russia	35,468.99	28,996.62	3,437.41	1,884.99	8,202.75	8,130.56	8,826.08	58,494.70	22,662.96
Block NC-188 & NC-189, Libya	0.00	0.00	0.00	0.00	78.59	24.04	9.67	0.00	219.26
Total (B)	**35,468.99**	**28,996.62**	**3,437.41**	**1,884.99**	**8,281.34**	**8,154.60**	**8,835.75**	**58,494.70**	**22,882.22**
C. Unaudited									
Block XXIV, Syria	17.18	0.00	0.00	201.57	52.73	0.00	16.34	0.03	97.89
Block 6 North Ramadan, Egypt	9.68	0.00	33.50	410.17	110.45	0.00	47.59	0.00	429.87
Colombia RC-8 Block, Offshore	0.02	0.00	0.00	0.00	0.08	0.17	1.07	0.00	5.71
Colombia RC-9 Block, Offshore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Colombia RC-10 Block, Offshore	0.04	0.00	0.00	0.00	0.10	0.00	1.33	0.00	7.11
Block NEMED, Egypt Offshore	0.00	0.00	0.00	1800.02	661.58	0.00	4778.40	0.00	6330.77
MTPN Block, Congo, Offshore	0.00	0.00	0.00	0.00	0.00	0.00	154.93	0.00	154.93
Total (C)	**26.92**	**-**	**33.50**	**2,411.76**	**824.94**	**0.17**	**4,999.66**	**0.03**	**7,026.28**
Grand Total (A+B+C)	**41,715.72**	**59,214.06**	**10,897.94**	**15,185.89**	**41,572.12**	**27,345.28**	**54,324.48**	**164,523.14**	**119,851.47**

*Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the as per the Accounting Standard (AS) 27 viz. Financial Reporting of interests in Joint Ventures.

The Company's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

(ii) The Company's share of assets, liabilities, income and expenses incorporated in the financial statements in respect of Joint Venture Company is given below:

(Rs. in million)

Particulars	Amount
a) Net Fixed Assets	11.39
b) Net Producing Property	-
c) Capital Work in Progress	-
d) Exploratory & Development Wells-in-Progress	4,459.9
e) Current Assets	1,535.71
f) Cash and Bank	500.83
g) Liabilities	4492.31
h) Incomes	35.45
i) Expenditure	26.14

9) Khartoum - Port Sudan Pipeline Project:

The Company had completed the execution of the 12"X741 Kms multi-product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM during the financial year 2005-06. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to Rs 1,479.21 Million (Rs 1,614.79 Million as on 31 March 2007) (Company's share being Rs 1,331.29 Million, (Rs 1,453.31 Million as on 31 March 2007), which have not been accepted by the Company. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs 1,838.76 Million (Rs 2,007.30 Million as on 31 March 2007), Company's share being Rs 1,654.88 Million (Previous Year Rs 1,806.57 Million as on 31 March 2007). Pending settlement with the EPC Contractor, an amount of Rs 914.88 Million (revalued from Rs 998.74 Million as on 31 March 2007), being the Company's share out of Rs 1,016.53 Million (revalued from Rs 1,109.71 Million as on 31 March 2007) has been shown as liability based upon the advices received by the Company from its consultant. The Company's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognised pending final approvals by MEM.

The payment under the contract would be received over a period of 10 years with a moratorium of one year from the date of the contract i.e. 30 June, 2004 in 18 equal semi-annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to Company under the contract. Further, subject to regular payments on due dates by MEM to the Company, MEM shall have the exclusive right to use and operate the pipeline system and the Company shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments MINUS Unearned Finance Income) is recognised and recorded as receivables under the lease. The finance income thereon has been recognised based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first five installments under the contract due in respect of the period prior to the reporting date have been received as of the reporting date.

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(Rs. in million)

Particulars	31st March, 2008		31st March, 2007	
	Gross	Net	Gross	Net
a) Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
- Not later than one year	**1,005.43**	**693.88**	1,097.60	713.48
- Later than one year and not later than five years	**4,021.73**	**3,236.03**	4,390.37	3,323.42
- Later than five years	**1,508.15**	**1,438.15**	2,743.98	2,536.69
Total	**6,535.31**	**5,368.06**	8,231.95	6,573.59
b) Unearned Finance Income	**1,167.25**		1,658.36	
c) Unguaranteed residual value accruing to Company's benefit	**Nil**		Nil	
d) Accumulated provision for uncollectible minimum lease payments receivable	**Nil**		Nil	
e) Contingent rents recognised in the statement of profit and loss for the period	**Nil**		Nil	
f) General description of the significant leasing arrangement	**As described in para above**		As described in para above	
g) Accounting Policy followed in respect of initial direct costs	**As per Accounting Policy 12.2**		As per Accounting Policy 12.2	

10) **Sakhalin-1, Russia:**

The sale of Crude Oil and Gas to the domestic (Russian) buyers had commenced during the financial year 2005-06 while the sale of Crude Oil to international buyers commenced during the previous year 2006-07 in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs.57,572.15 and Rs.790.79 Million (Previous year Rs.16,558.88 Million and Rs.511.23 Million) respectively after adjustment of Rs.5.42 Million (previous year Rs.0.91 Million) received during the previous year against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

The company has asked for further information from the operator on the nature of the adjustments/ decapitalisation of fixed assets provided during the year in respect of Sakhalin -1 and adjustments, if any, would be carried on receipt of the information.

11) **Block 5A and Block 5B, Sudan:**

Sales of Crude Oil commenced during the financial year 2006-07 in respect of Block 5A, Sudan Project. During the current year, total Crude Oil Sales (including receivables) were Rs 3860.95 million (Previous year Rs 2,230.99 million) excluding Quality Bank Compensation. Sales include the amount adjusted in kind by the transporter on account of Quality Bank Compensation. Pending finalization of the transportation agreement with the transporters, the treatment in respect of transport charges and Quality Bank Compensation have been carried out based upon the invoices of the transporter.

The Company carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under production and development and due to certainty of the recovery, the net carried amount of USD 19.53 million equivalents to Rs. 812.46 million (Previous year Rs. 1,083.65 million) has been shown as a loan. However, since Block 5B is under exploration, additional provision for the amount carried during the year of USD 2.87 million equivalent to Rs. 105.62 million (Previous year Rs. 56.92 million) including revaluation has been made during the year making the aggregate provision of Rs. 183.89 million (Previous Year Rs. 78.27 million), equal to the carried amount as on date.

12) **Farsi Block, Iran:**

In respect of Farsi Block, Iran, the Company in consortium with other partners has entered into an Exploration Service Contract (ESC) with National Iranian Oil Company (NIOC). In pursuance to the committed work program, the Company carried out the commerciality studies in respect of the BB area and FB area. The commerciality report was submitted to NIOC on 23rd December, 2007. Work on commerciality of BB area was in progress as on 31st March 2008. Although the Company encountered hydrocarbons during the drilling campaign a provision has been made in respect of the expenditure incurred on exploratory wells (Rs 66.689 Million) pending approval of commerciality and award of development service contract by NIOC.

13) **AFPC Project, Syria:**

During the financial year 2006-07, the Company accepted the transfer of AFPC, Syria Project from Oil and Natural Gas Corporation Limited (ONGC) with effect the economic date of its acquisition by ONGC i.e. 01 July, 2005. The structuring of the advance for shares / loans with ONGBV and OMEL has since been agreed, The investments made by ONGC for the acquisition of the project by way of advance for shares / loans to ONGC Nile Ganga BV (ONGBV) and ONGC Mittal Energy Limited (OMEL) amounting to Rs 9,799.69 Million were accepted by the Company as loans from ONGC. During the year , OMEL has issued 980,000 equity shares of USD 1 each & 2,550 preference shares of USD 1 each at a premium of USD 9,999 per preference share out of advance given to OMEL for the purpose. The advances to ONGBV (net of repayments by ONGBV) have been shown as advance for shares in accordance with the agreement reached between the relevant parties. ONGBV has issued 14,300 Class C equity shares of EUR 1 per share at a premium of EUR 3,999 per share in April 2008 and returned the balance amount of EUR 1.65 million to the Company.

14) **Block BC-10, Brazil:**

The Subsidiary – ONGBV acquired 50% of the share capital of One Acadia Holdings BV (OABV) at a consideration of USD 170.31 Million in2006-2007. OABV and its wholly owned subsidiary Two Acadia Holdings BV (TABV) at the time of their acquisition by ONGBV, held in aggregate the entire share capital of Esso Exploracao Campos Ltda (Esso Campos), a company incorporated in Brazil, which in turn owned 30% participating interest in Block BC-10, offshore Brazil. Esso Campos has been split into two companies namely ONGC Campos Ltda (OCL) and Shell Campos Ltda (SCL), ONGBV being beneficially entitled to OCL only. OABV/ TABV made distribution of their entire reserves wherein all the shares of OCL were distributed to ONGBV. OABV / TABV have no income, expenses, assets or liabilities of material amounts. OABV / TABV will be liquidated in due course.

15) Details of Reserves:

(a) Company and its Subsidiaries' share of Proved Reserves in respect of different projects as on 31st March, 2008 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.653	14.608	15.261
	Addition	-	-	-
	Deductions/ Adjustment	0.001	-	0.001
	Production	0.029	1.617	1.646
	Closing	0.623	12.991	13.614
Sakhalin-1, Russia	Opening	53.516	84.053	137.569
	Addition	4.266	10.273	14.539
	Deductions/ Adjustment	16.361	23.578	39.939
	Production	2.234	0.345	2.579
	Closing	39.187	70.404	109.591
Block 1a, 1b,2a, 2b & 4 (GNOP), Sudan	Opening	23.008	-	23.008
	Addition	3.241	-	3.241
	Deductions/ Adjustment	0.964	-	0.964
	Production	2.981	-	2.981
	Closing	22.304	-	22.304
Block 5A, Sudan	Opening	4.910	-	4.910
	Addition	1.232	-	1.232
	Deductions/ Adjustment	-	-	-
	Production	0.294	-	0.294
	Closing	5.848	-	5.848
AFPC, Syria	Opening	1.417	-	1.417
	Addition	2.854	-	2.854
	Deductions/ Adjustment	0.185	-	0.185
	Production	0.951	-	0.951
	Closing	3.135	-	3.135
MECL, Columbia,	Opening	10.740	-	10.740
	Addition	1.282	-	1.282
	Deductions/ Adjustment	8.935	-	8.935
	Production	0.351	-	0.351
	Closing	2.736	-	2.736
BC-10, Brazil	Opening	1.500	0.225	1.725
	Addition	0.409	0.380	0.789
	Deductions/ Adjustment	-	-	-
	Production	-	-	-
	Closing	1.909	0.605	2.514

* Crude Oil includes Condensate.

** For calculating "Oil Equivalent" 1,000M^3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.

(b) Company's share of Proved and Developed Reserves in respect of different projects as on 31st March, 2008 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.646	11.053	11.699
	Addition	-	-	-
	Deductions/ Adjustment	0.001	-	0.001
	Production	0.029	1.617	1.646
	Closing	0.616	9.436	10.052
Sakhalin-1, Russia	Opening	8.001	2.537	10.538
	Addition	4.266	10.273	14.539
	Deductions/ Adjustment	-	-	-
	Production	2.234	0.345	2.579
	Closing	10.033	12.466	22.499
Block 1a, 1b, 2a,2b & 4 (GNOP), Sudan	Opening	17.980	-	17.980
	Addition	0.000	-	0.000
	Deductions/ Adjustment	0.964	-	0.964
	Production	2.981	-	2.981
	Closing	14.035	-	14.035
Block 5A, Sudan	Opening	4.310	-	4.310
	Addition	0.544	-	0.544
	Deductions/ Adjustment	-	-	-
	Production	0.294	-	0.294
	Closing	4.560	-	4.560
AFPC,Syria	Opening	0.840	-	0.840
	Addition	2.854	-	2.854
	Deductions/ Adjustment	-	-	-
	Production	0.951	-	0.951
	Closing	2.743	-	2.743
MECL, Columbia	Opening	1.805	-	1.805
	Addition	1.282	-	1.282
	Deductions/ Adjustment	-	-	-
	Production	0.351	-	0.351
	Closing	2.736	-	2.736

* Crude Oil includes Condensate.

** For calculating "Oil Equivalent" 1,000M^3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.

The consultant engaged by the Company in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Meters of gas. The revision was not accepted by the Operator. The Operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

In respect of Sakhalin 1 project, pursuant to the completion of development of Chayvo Phase-I, the reserves for the phase have been fully upgraded to Proved Developed (PDD) category from Proved Undeveloped (PUD) category. The revised reserves statuses for Sakhalin-1 project have been approved by Russian Federation.

16) Segment information:

(Rs. in million)

Particulars	Asia		FSU Countries		Latin America		Africa		Unallocated		Grand Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE												
External sales	**28,728.52**	30,498.91	**58,368.36**	17,071.02	**5,004.10**	1,731.54	**75,312.40**	66,238.48	**0.00**	0.00	**167,413.37**	115,539.95
Inter Segment sales	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Total Revenue	**28,728.52**	30,498.91	**58,368.36**	17,071.02	**5,004.10**	1,731.54	**75,312.40**	66,238.48	0.00	0.00	**167,413.37**	115,539.95
Results												
Segment results	**-797.93**	6,781.80	**36,028.12**	7,933.59	**3,155.45**	475.04	**10,466.22**	12,345.52	**-235.10**	0.00	**48,616.75**	27,535.95
Unallocated corporate Expenses (Net)	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**32.39**	905.71	**32.39**	905.71
Operating profit or (Loss)	**-797.93**	**6,781.80**	**36,028.12**	**7,933.59**	**3,155.45**	**475.04**	**10,466.22**	**12,345.52**	**-202.71**	**(905.71)**	**48,649.15**	**26,630.24**
Interest expenses	**116.90**	0.00	**0.00**	0.00	**-1,502.13**	13.31	**1,633.91**	158.84	**9,599.08**	145.50	**9,847.75**	317.65
Interest and other income	**4.04**	74.88	**-196.37**	118.35	**255.14**	(722.10)	**1,440.18**	1,292.19	**426.03**	2,192.06	**1,929.01**	2,955.38
Income Tax	**1,917.22**	1,957.14	**0.00**	0.00	**740.30**	290.89	**7,286.35**	6,507.53	**6,815.18**	3,879.54	**16,759.05**	12,635.10
Profit / (loss) from ordinary activities	**-2,828.01**	4,899.54	**35,831.74**	8,051.94	**4,172.42**	(551.26)	**2,986.13**	6,971.34	**-16,190.93**	(2,738.69)	**23,971.35**	16,632.87
Extraordinary losses	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Net profit / (Loss)	**-2,828.01**	4,899.54	**35,831.74**	8,051.94	**4,172.42**	(551.26)	**2,986.13**	6,971.34	**-16,190.93**	(2,738.69)	**23,971.35**	16,632.87
Other information												
Segment Assets	**26,586.07**	18,637.67	**86,121.30**	83,357.72	**929.92**	24,801.63	**56,686.30**	82,304.39	**0.00**	0.00	**170,323.60**	209,101.41
Unallocated Corporate Assets	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**43,614.56**	89.41	**43,614.56**	89.41
Total Assets	**26,586.07**	**18,637.67**	**86,121.30**	**83,357.72**	**929.92**	**24,801.63**	**56,686.30**	**82,304.39**	**43,614.56**	**89.41**	**213,938.16**	**209,190.82**
Segment Liabilities	**5,386.13**	1,901.68	**8,826.08**	9,343.97	**57.59**	2,335.36	**25,702.42**	25,829.08	**0.00**	0.00	**39,972.22**	39,410.09
Unallocated Corporate Liabilities	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**110,906.90**	126,045.08	**110,906.90**	126,045.08
Total	**5,386.13**	1,901.68	**8,826.08**	9,343.97	**57.59**	2,335.35	**25,702.42**	25,829.08	**110,906.90**	126,045.08	**150,879.12**	165,455.16
Capital Expenditure	**7,418.24**	**5,376.93**	**12,106.35**	**14,596.87**	**57.67**	**22,440.68**	**15,647.47**	**8,271.78**	**361.22**	**19,420.09**	**35,590.95**	**70,106.35**
Recouped cost	**9,552.93**	**6,038.93**	**12,980.63**	**5,157.41**	**286.54**	**1,422.95**	**13,171.08**	**7,518.30**	**658.26**	**1,197.43**	**36,649.44**	**21,335.02**
Non cash Exp.	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Revenue from	2007-08	2006-07
Crude Oil* and Natural Gas	**164,290.99**	112,271.24
Transportation Income	**3,122.38**	3,268.71

*Crude Oil includes Condensate.

Notes:

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These are organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated. Australia, which had been recognised as a separate segment until last year is included in the unallocated segment in view of the nil activity during the year.

(ii) The segment revenue in the business segment (Product-wise) is gross revenue from sale of Crude Oil and Natural Gas, Crude Oil Transportation Income and Construction Contracts.

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. "Unallocated" includes common expenditure incurred for all the segments and expenses incurred at corporate level.

17) Taxation:

(a) Deferred Tax Provision:

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2008 is Rs 8,211.23 Million (Previous year Rs 9,781.21 Million). Out of the difference, (Rs 1,327.50 Million) (Previous year Rs 2,776.21 Million) has been charged to the current year's Profit and Loss Accounts and (Rs 242.48 Million) (Previous year Rs 370.22Million) has been adjusted to foreign currency translation reserve.

(ii) The item wise details of Net Deferred Tax Liability as on 31st March, 2008 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

(Rs. in million)

	As at 31st March, 2008	As at 31st March, 2007
Deferred Tax Assets:		
Carried Forward Expenditure U/S 42 of Income Tax Act, 1961	**8,450.57**	5,671.76
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	**0.00**	0.00
Amount disallowable U/S 43B of Income Tax Act, 1961	**37.73**	19.39
Total Deferred Tax Assets	**8,488.30**	5,691.15
Deferred Tax Liability:		
Difference in Net Block of Fixed Assets for Tax	**12,961.52**	12,394.01
Total Deferred Tax Liability	**12,961.52**	**12,394.01**
Net Deferred Tax Liability of the Company	**4,473.22**	**6,702.86**
Deferred Tax Liability of ONGBV	**3,308.57**	**2,629.82**
Net Deferred Tax Liability of OAAL	**429.44**	**448.53**
Total	**8,211.23**	**9,781.21**

In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 359.58 Million (equivalent to Rs 14318.47 Million) has been indicated as Deferred Tax Liability based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India; the Deferred Tax Liability as indicated in the Operator's financial statements has not been recognised.\

(b) Current Tax Provision:

The provision for tax has been made for Rs 16,759.05 Million (Previous year Rs 9,858.90 Million) after considering the deemed tax paid of Rs 1,188.99 Million (Previous year Rs 988.57) in respect of Block 06.1, Vietnam Project under the double taxation avoidance agreement between India and Vietnam. The provision includes Rs.16.25 Million (Previous Year Rs 13.55 Million) on account of wealth tax for the year in respect of leasehold land for which the assessing officer had sought details regarding applicability of the wealth tax thereon. The Company has denied the applicability of the wealth tax on the leasehold land based upon the advices received.

(c) Tax Assessment:

(i) The Company has appealed to Hon'ble High Court of Delhi against the decision of Income Tax Appellate Tribunal for the Assessment Year 1981-82 to 1987-88 with regard to disallowance of its claim for Rs 94.04 Million (Previous year Rs 94.04 Million) on account of depreciation, development allowance and receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard has already been paid by the Company.

(ii) The Company has filed three appeals with CIT (Appeals) against the disallowance of depreciation on acquisition costs of the projects and other expenses amounting to Rs 3,006.17 Million, Rs 3,470.29 Million and Rs.3,212.03 Million in respect of assessment years 2003-04, 2004-05 and 2005-06 respectively. Since the payment of tax by the Company was under the provisions of Income tax Act, 1961 relating to Minimum Alternative Tax during the assessment years 2003-04 and 2004-05 and there were adjustable carried forward losses, there is no tax demand on account of the disallowance on this account. However, there was a demand of Rs.322.68 million in respect of assessment year 2005-06 which was adjusted against the refund due to the company for assessment year 2006-07.

(iii) The Company has filed an appeal with ITAT against the order of the CIT (Appeals) for assessment year 2002-03 which is also pending for approval of Committee on Disputes (COD).

18) Capital Commitment:

(i) The Company, Subsidiaries and Joint Venture Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations / commitments have not been completed as of the reporting date amounted to USD 227.01 Million equivalents to Rs 9,158.96 Million (Previous year USD 319.34 Million equivalent to Rs 13,881.73 Million).

(ii) Other Capital Commitments based upon the details provided by the operators: Rs 533.19 Million (Previous year Rs 1,172.65 Million). All known capital commitments have been indicated except Capital commitments in respect of Sakhalin -1, Russia Project and Block 5A, Sudan projects where such commitments are not ascertainable due to non-availability of details from the operators.

(iii) ONGBV's share in contractual commitments of Tamba BV for the construction of the FPSO and the subsea assets, as well as the minimum lease payments due under the lease contract for the FPSO amount to USD 216.03 Million equivalent to Rs 8602.31 million.

(iv) ONGC Nile Ganga (San Cristobal) B.V. (ONGSCBV) has been incorporated to acquire a 40% participating interest in a joint venture company, Petrolera Indovenezolana, S.A. (PIVSA) in Venezuela. The Company has made advances amounting USD 0.187 Mn equivalent Rs. 7.45 million towards initial capital contribution to incorporate the PIVSA. Further, ONGSCBV have entered into a joint venture agreement in April, 2008, and are required to make a payment amounting to USD 173.1 Million equivalent Rs. 6,892.84 million to the Government of Venezuela upon completion of the transaction. In addition, ONGSCBV are committed to contribute, on completion of transaction, USD 18 Mn equivalent Rs. 716.76 million towards capital contribution towards its 40% share.

19) Contingent Liability:

(i) Liability for payment to contractual workers for regularization of their services is pending with Labour Court under civil suit. The amount of liability is not ascertainable.

(ii) Claims not acknowledged as debt: Rs 416.41 Million (Previous year Rs 454.57 Million) as per details in note 9 above.

(iii) All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint Ventures, where the Company is the non-operator, are not ascertainable.

(iv) ONGBV has given performance guarantee to ANP, the regulatory authority in Brazil, favoring ONGC Campos Ltda (OCL) for BC-10 Project where OCL has a 15% participating interest and Shell Brazil is the operator. OCL has paid its cash calls under the project. OCL's 15% share in the planned investment amount to USD 595.6 Mn equivalent to Rs. 23,716.79 Million.

(v) ONGBV has given guarantee to State Bank of India London for aggregate amount upto USD 150 Million equivalent to Rs 5973 Million(Previous Year Nil) for Nigerian projects of ONGC Mittal Energy Limited (OMEL).

(vi) In respect of Agreement for acquisition of 4.50% participating interest and carry of 1.50% participating interest of a consortium member in respect of Block 2, Joint Development Zone, Nigeria / Sao Tome & Principe, the Company shall be liable to make additional future payments in case of final approval by the Joint Development Authority of the Commercial Field Development Program(s) based upon the consortium member's share of Proved Reserves in respect of the carried participating interest and the future crude prices. The amount of liability is not ascertainable.

20) Hedging Loss:

The hedging loss is mainly due to the loss arising from the hedging of crude oil by OMEL and comprise of actual loss of USD 0.50 Million equivalents to Rs. 20.01 Million for the year and loss against outstanding hedging contracts not yet due for maturity amounting to USD 4.91 Million equivalent to Rs.197.76 Million.

21) (i) Details of Production, Transportation, Selling and Distribution Expenditure (Schedule 18) and Provisions & Write Offs (Net) (Schedule 21):

(Rs. in million)

PARTICULARS			2007-08	2006-07
(i)	(a)	Salaries, Wages, Ex-gratia, etc.	**447.88**	585.32
	(b)	Contribution to Provident and other Funds	**15.19**	7.64
	(c)	Provision for Gratuity	**26.10**	7.19
	(d)	Provision for Leave Encashment	**44.80**	15.57
	(e)	Provision for Medical / Terminal Benefits	**16.15**	3.99
	(f)	Staff Welfare Expenses	**78.26**	46.25
	Sub-Total (A)		**628.38**	**665.96**
(ii)	Rent		**70.11**	58.93
(iii)	Electricity, Water and Power		**101.32**	5.73
(iv)	Repairs to Building		**1.44**	2.78
(v)	Repairs to Plant and Machinery		**0.03**	28.49
(vi)	Other Repairs		**15.65**	1.64
(vii)	Hire Charges of Vehicles		**116.56**	4.26
(viii)	Professional Charges		**468.42**	721.26
(ix)	Telephone and Telex		**21.96**	8.05
(x)	Printing and Stationary		**3.27**	1.65
(xi)	Training and Seminar		**22.29**	2.95
(xii)	Business Meeting Expenses		**69.35**	8.61
(xiii)	Traveling Expenses		**243.58**	161.43
(xiv)	Pipeline Construction Cost		**0.00**	0.00
(xv)	Insurance		**34.14**	155.73
(xvi)	Advertisement and Exhibition Expenditure		**5.10**	16.39
(xvii)	Contractual Transportation		**3,047.56**	2,662.86
(xviii)	Miscellaneous Expenditure		**1,325.15**	134.97
(xix)	Other Operating Expenditure		**8,088.92**	7,143.33
(xx)	Provisions for doubtful debts		**4,890.79**	166.06
(xxi)	Other Write offs		**704.35**	378.79
(xxii)	Excess Provision Written Back		**0.00**	372.79
(xxiii)	Other Provisions		**0.00**	1,287.30
(xxiv)	Royalty		**60,349.66**	51,130.17
(xxv)	Statutory Levies		**0.00**	1,378.74
	Sub-Total (B)		**79,579.65**	**65,782.91**
Total of Operating Expenditure, Establishment Expenditure and Provision and Write off (A+B)			**80,208.03**	**66,448.87**

(ii) The operating expenditure (no. (xix) above) includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

22) Exchange Difference:

The total net exchange loss during the year was Rs 8,488.10 Million (Previous year gain of Rs. 1,431.76 Million) of which net exchange difference (loss) of Rs 3,242.47 Million (Previous year gain of Rs 2,527.25 Million) is charged off in Profit and Loss Accounts and net exchange gain of Rs Nil Million (Previous year Rs 11.63 Million) is adjusted to the carrying amount of assets and loss of Rs 5,245.63 Million (Previous year gain of Rs 1,107.12 Million) has been taken to foreign currency translation reserve.

23) Managerial Remuneration:

(Rs. in million)

	2007-08	2006-07
Salary and Allowances	**14.76**	13.21
Contribution to Provident Fund	**0.34**	0.19
Other Benefits and Perquisites *	**0.66**	0.30
Total	**15.76**	**13.70**

* excludes provision by the holding company

Notes:

a) In addition, Whole-time Directors are also allowed the use of Company car for private purposes up to 1000 Km/per month on payment of Rs. 520 per month for air-conditioned cars below 16 H.P.

b) The remuneration does not include provision for gratuity and leave encashment since the same is not available for individual employee.

24) Auditors' Remuneration (Excluding Subsidiaries and Joint Venture Company):

(Rs. in million)

	2007-08	2006-07
Audit Fee*	**1.17****	0.67
Tax Audit Fee	**0.15**	0.00
Certification Fee	**0.02**	0.02
Total	**1.34**	**0.69**

* includes Rs. 0.21 Million (Previous year Rs. 0.17 Million) for half yearly audit fee.
** includes Rs. 0.17 Million for incremental audit fees for the year 2006-07

25) The expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC.

26) The required disclosure under the revised Accounting Standard 15 is given below:

(A) Brief Description: A general description of the type of defined benefit Plans is as follows:

(i) Earned Leave (EL) Benefit-
Accrual -30 days per Year
Encashment while in service-75% of earned leave balance subject to a maximum of 90 days per calendar year
Encashment on retirement - maximum 300 days.

(ii) Good Health Reward (Half Pay Leave) -
Accrual -20 days per year
Encashment while in service -nil
Encashment on retirement - 25% of Half Pay leave balance subject to a minimum balance of 120 days, restricted to maximum 480 days.

(iii) Gratuity -
15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 3.50 lakhs.

(iv) Post retirement Medical Benefits -
Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

(V) Terminal Benefits -
At the time of superannuation, employees are entitles to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque also depending upon their level.

(B) The amount recognized as an expense for defined contribution plans are as under:

(Rs. in million)

Defined Contribution Plan	Expense Recognized during 2007-08	Contribution for Key Management Personnel
Contributory Provident Fund	**11.01**	0.26
Employee Pension Scheme -95	**1.00**	0.02
Composite Social Security Scheme	**1.09**	0.03

(C) The amount recognized in the balance sheet for post employment benefit plans are as under:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Present Value of Funded Obligation	-	-	-	-
2	Fair Value of Plan Assets	-	-	-	-
3	Present Value of Unfunded Obligation	49.65	61.23	30.63	2.65
4	Unrecognized Past Service Cost	-	-	-	-
5	Net Liability	49.65	61.23	30.63	2.65

(D) The amount included in the fair value of plan assets of gratuity fund is as follows:

(Rs. in million)

Defined Contribution Plan	Expense Recognized during 2007-08
Reporting Enterprise's own financial instruments	Nil
Any Property occupied by or assets used by the reporting enterprise	Nil

(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Opening defined benefit obligation	24.61	29.41	16.19	1.21
2	Service Cost	4.23	2.77	1.31	0.11
3	Interest Cost	1.97	2.35	1.30	0.10
4	Actuarial Losses (Gains)	19.90	39.67	12.11	1.23
5	Exchange differences on foreign plans	-	-	-	-
6	Benefits paid	(1.05)	(12.98)	(0.28)	-
7	Closing defined benefit obligation	49.65	61.23	30.63	2.65

(F) The total expenses recognized in the statement of profit and loss are as follows:

(Rs. in million)

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Current Service Cost	4.23	2.77	1.31	0.11
2	Interest on Obligation	1.97	2.35	1.30	0.10
3	Expected Return on plan assets	-	-	-	-
4	Net Actuarial Losses (Gains) recognised in year	19.90	39.67	12.11	1.23
5	Past Service Cost	-	-	-	-
6	Losses (Gains) on curtailments and settlement	-	-	-	-
7	Total included in 'Employee Benefit Expense'	26.10	44.80	14.72	1.44
8	Actual return on Plan Assets	-	-	-	-

(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminals Benefits
1	Discount Rate	8%	8%	8%	8%
2	Expected Return on Plan Assets	0%	0%	0%	0%
3	Annual Increase in healthcare costs	-	-	-	-
4	Annual Increase in Salary	5.5%	5.5%	5.5%	5.5%

27) Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures is given below (excluding with State Controlled Entities):

(Rs. in million)

	Joint ventures	Key Managerial personnel	Total 2007-08	Total 2006-07
Income from rendering services	263.81	-	**263.81**	307.94
Expenses on receiving services	-	-	**-**	-
Interest Income	167.05	-	**167.05**	20.00
Remuneration	-	15.76	**15.76**	13.70

Note: Name of related parties and description of relationship (excluding State Controlled Entities):

Joint Ventures	Block 06.1 Project, Vietnam
	Sakhalin-1 Project, Russia
	Block 1a, 1b, 2a, 2b & 4 Project, Sudan
	Block 5A Project, Sudan
	MECL, Colombia
	AFPC, Syria
	Block BC-10, Brazil
	Block A-1 Project, Myanmar
	Block A-3 Project, Myanmar
	Farsi Block Project, Iran
	Block 6 North Ramadan Project, Egypt
	Block NC-188 & NC-189 Project, Libya
	Block XXIV Project, Syria
	Block 5B Project, Sudan
	Block 2, JDZ, Nigeria / STP
	Block CI-112 Project, Cote D' Ivoire
	Block 25-29, 35 (Part) & 36 Project, Cuba
	Khartoum - Port Sudan Pipeline Project, Sudan
	ONGC Mittal Energy Limited, Cyprus
	Block NEMED in Offshore, Egypt
	Block RC-8, Colombia
	Block RC-9, Colombia
	Block RC-10, Colombia
	MTPN Block, Congo
Key Management personnel (excludes Joint Venture Company)	Shri R S Butola, Managing Director*, ONGC Videsh Limited
	Shri D K Sarraf, Director (Finance), ONGC Videsh Limited (till 27.12.2007)
	Shri A Mathur, Director (Commercial), ONGC Videsh Limited
	Shri J Thomas, Director (Exploration), ONGC Videsh Limited
	Ir. A R Baron Mackay Holding B.V., Director, ONGC Nile Ganga B.V.
	Dr. C M Lamba, Director, ONGC Nile Ganga B.V.

* Shri R. S. Butola, Managing Director is holding the additional charge of Director (Finance) with effect from 28.12.2007

28) The figures in respect of Subsidiaries / Joint Venture Company have been regrouped / re-arranged based upon the details obtained from the managements of the Subsidiaries / Joint Venture Company, wherever their audited accounts did not provide the break up details required for the consolidated financial statements.

29) Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.

Signature to Schedule - '1' to '25'

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

consolidated cash flow statement for the year ended 31st march, 2008

(Rupees in million)

		Year ended 31st March, 2008		Year ended 31st March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		**41,651.75**		**33,435.26**
Adjustments For:				
-Recouped Costs	**36,649.44**		21,335.03	
(Represented by Depreciation, Depletion and Amortisation)				
Less : Cash Outflows	**12,671.98**		4,799.67	
	23,977.46		16,535.36	
-Interest on Borrowings	**7,373.22**		317.65	
-Provision for Gratuity	**25.05**		5.42	
-Provision for Leave Encashment	**31.82**		11.27	
-Provision for Terminal Benefits	**35.21**		42.57	
-Provision for Doubtful Debt	**4,890.80**		56.92	
-Provision for Abandonment	**363.56**		0.00	
-Provision for Pay Revision Arrears	**67.99**		0.00	
-Provision for Productivity Allowance	**0.95**		0.00	
-Provision for Wells drilled under Service Contract	**66.69**			
-Provision for Stores & Spares	**240.57**			
-Other Provisions & Write Off	**33.52**			
-Interest Income	**(1,441.48)**	**35,665.36**	(2,273.30)	14,695.89
Operating Profit before Working Capital Changes		**77,317.11**		**48,131.15**
Adjustments for:-				
-Debtors	**(4,019.42)**		(7,259.41)	
-Loans and Advances	**(1,788.90)**		4,075.73	
-Inventories	**208.35**		(1,485.67)	
-Trade Payable and Other Liabilities	**5,036.22**	**(563.75)**	6,917.45	2,248.10
Cash generated from Operations		**76,753.36**		**50,379.25**
Direct Taxes Paid		**(18,461.77)**		(12,003.28)
Cash Flow before Prior period items		**58,291.59**		**38,375.97**
Prior period items		**(65.09)**		(6,142.17)
Net Cash Flow from Operating Activities 'A'		**58,226.50**		**32,233.80**
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		**(8,559.21)**		(45,435.41)
Expenditure on Projects		**(20,425.91)**		8,057.22
Acquisition of Subsidiaries		**0.00**		(20,855.67)
Foreign Currency Translation Adjustment		**(267.17)**		(788.68)
Advance to Sudapet & Shell		**4,614.77**		55,726.32
Interest Received		**1,420.21**		723.47
Net Cash Flow from Investing Activities 'B'		**(23,217.31)**		**(2,572.75)**

(Rupees in million)

	Year ended 31st March, 2008	Year ended 31st March, 2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	**0.00**	7,000.00
Net Long Term Borrowings from ONGC	**(18,293.16)**	(26,676.11)
Repayment of Long Term Borrowings from OIDB	**0.00**	(61.25)
Cash Credit /Bank Borrowings	**95.83**	(44.18)
Interest Paid	**(7,373.23)**	(317.66)
Net Cash Flow from Financing Activities 'C'	**(25,570.56)**	**(20,099.20)**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**9,438.63**	**9,561.87**
Cash and Cash Equivalents as at 1st April, 2007 (Opening Balance)	**12,125.22**	2,563.37
Cash and Cash Equivalents as at 31st March, 2008 (Closing Balance)	**21,563.85**	12,125.22

Notes:

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

2 Bracket indicates cash outflow.

3 Previous year figures have been regrouped wherever necessary to confirm the current year's classification.

4 Adjustment have not been made to purchase of fixed assets etc. (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

(Jagdish Prasad)
Company Secretary

(R. S. Butola)
Managing Director and Director (Finance)

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

(K. S. KAMATH)
Partner (M. No.44492)

New Delhi
12th June, 2008

details of the subsidiary companies

(Rs. in million)

	Name of Subsidiary Company	ONGC Nile Ganga B.V.*		ONGC Narmada Limited		ONGC Amazon Alaknanda Limited		ONGC Campos Ltda.		ONGC Do Brasil Explorancao Petrolifera Ltda.	
		(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)
(a)	Capital	3.98	0.10	6.37	0.16	17421.25	437.50	4775.21	119.92	0.040	0.001
(b)	Reserves	50473.04	1267.53	(262.81)	(6.60)	3189.18	80.09	(2337.04)	(58.69)	0.000	0.000
(c)	Total Assets	71013.40	1783.36	536.77	13.48	22220.75	558.03	5057.14	127.00	0.040	0.001
(d)	Total Liabilities	20536.37	515.73	793.21	19.92	1610.32	40.44	2618.96	65.77	0.000	0.000
(e)	Details of Investment (except in case of investment in the subsidiaries)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000	0.000
(f)	Turnover	96822.28	2403.88	0.00	0.00	5004.08	124.24	0.00	0.00	0.000	0.000
(g)	Profit before Taxation	25340.19	629.14	(93.85)	(2.33)	3463.87	86.00	31.01	0.77	0.000	0.000
(h)	Provision for Taxation	9753.20	242.15	0.00	0.00	740.30	18.38	0.00	0.00	0.000	0.000
(i)	Profit after Taxation	15586.99	386.99	(93.85)	(2.33)	2723.56	67.62	31.01	0.77	0.000	0.000
(j)	Proposed Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000	0.000

*Including figures in resepct of Subsidiaries.

Exchange Rate

As on 31.03.2008 — 1 US$ = Rs. 39.8200

Average Rate for 2007-08 — I US$ = Rs. 40.2775

Note: In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Report of Directors and Auditors of the Subsidiary Company are not attached to the Balance Sheet of the Company. The annual accounts of the subsidiary company and the related detailed information will be made available to the holding and subsidiary company investors, seeking such information at any point of time. The same are also available for inspection by any investor at the Registered Office of the Company as well as at the Registered Office of the Subsidiary.

Mangalore Refinery and Petrochemicals Ltd.

ONGC

एमआरपीएल

MRPL

board of directors

R S Sharma
Chairman

R Rajamani
Managing Director

L K Gupta
Director (Finance)

Dr. A K Balyan
Director (Human Resource)

N K Mitra
Director (Offshore)

V K Dewangan
Government Director

Vivek Kumar
Government Director

S Roy Choudhury
Director

G M Ramamurthy
Director

V P Singh
Director

reference information

Company Secretary
Shri. B. Sukumar

Auditors
M/s. S.R.R. K. Sharma & Associates,
Chartered Accountants

Solicitors
M/s. Mulla & Mulla 7 Craigie Blunt & Caroe

Bankers
State Bank of India,
Canara Bank,
Punjab National Bank,
Corporation Bank,
United Bank of India,
Citibank N.A.

Investor Relations Dept.
Maker tower, 'F' wing, 16th Floor, Cuffe Parade, Mumbai-400005
E-mail: investor@mrplindia.com
Tel.: 022-22173000, Fax: 022-22173256

Registrar and Transfer Agents
M/s. MCS Ltd.
Office No. 21 & 22, Ground floor,
Kashiram Jamnadas Building
5, P. D'Mello Road, Ghadiyali Godi,
Masjid bunder (East), Mumbai 400009
Tel. No.: 23726253-56
Fax No.: 23726252
E-mail: mcspanvel@yahoo.co.in

Registered office and Refinery site
Mudapadav, Kuthethoor, P.O. Via Katipalla,
Mangalore-575030, Karnataka
Tel. No.: 0824-2270400
Website: www.mrpl.co.oin


The MRPL refinery in Mangalore

directors' report

Dear Members,

Your Directors are pleased to present the 20th Annual Report of the Company, together with the audited accounts for the financial year ended 31st March, 2008.

It is a matter of immense satisfaction that the performance of your Company has reached new heights of excellence during the year under review:

- Highest-ever capacity utilization at 130%
- Highest-ever Refinery crude thruput at 12.55 MMT
- Highest-ever accident-free operation days - 1301 days - reached on 03.07.2007
- Highest-ever Turnover at Rs. 37,339 crore
- Highest-ever Net Profit after Tax at Rs. 1,272 crore

1.1 Financial Performance

(Rs. in crore)

	Year ended 31st March, 2008	Year ended 31st March, 2007
Turnover	**37,339.12**	32,208.13
Profit before Depreciation, Interest and Tax	**2,258.59**	1,658.34
Interest and Finance Charges	**147.59**	214.53
Gross Profit after interest but before Depreciation and Tax	**2,111.00**	1,443.81
Depreciation and Amortisations	**377.82**	354.86
Provision for Wealth Tax	**0.28**	0.14
Current Tax and Fringe Benefit Tax	**584.25**	72.35
Previous Year's Tax adjustment	**118.95**	29.12
MAT Entitlement Credit receivables adjusted	**(174.35)**	-
Deferred Tax	**(68.18)**	461.82
Profit after Tax	**1,272.23**	525.52
Balance of Profit/(Loss) brought forward from previous year	**645.94**	284.48
Balance available for appropriation	**1,918.17**	810.00
Appropriations:		
Proposed Dividend on Preference Shares (Rs. 9,186)	**0.00**	0.00
Proposed Dividend on Equity Shares (12%)	**210.35**	140.23
Tax on Dividend	**35.75**	23.83
Transfer to General Reserve	**31.90**	-
Balance carried to Balance Sheet	**1,640.17**	645.94
Total	**1,918.17**	**810.00**

1.1 Your Company has achieved a turnover of Rs. 37,339 crore (up 16% from Rs. 32,208 crore), earning a net profit of Rs. 1,272 crore (up 142% from Rs. 525 crore).

1.2 Dividend

Considering substantial improvement in performance, and also keeping in view the large requirement of funds for the Phase III Refinery project, the Board of the Company has decided to recommend higher dividend of 12% (previous year 8%) on the equity shares which will absorb Rs. 210 crore excluding Rs. 36 crore as tax on dividend.

1.3 Operational Performance

During the financial year 2007-08, the Refinery processed a record throughput of 12.55 Million Metric Tonne (MMT) crude oil (12.54 MMT) achieving 130% capacity utilisation (129%). It despatched 11.83 MMT (11.44 MMT) of finished products.

1.4 Exports

The exports of petroleum products (Motor Spirit, Naphtha, Reformate, Mixed Xylene, ATF, HSD, VGO and FO) during the year amounted to Rs. 11,141 crore against Rs. 11,615 crore in the previous year, which is about 41% (previous year 47%) of the total dispatches of 11.83 MMT. Mixed Xylene is a new value-added product, which is being produced from the Mixed Xylene unit, which became operational last year. MRPL is now one of the Eight Companies in Western Zone having Premier Trading House status granted by the Director General of Foreign Trade (DGFT), Government of India.

1.5 Environment Management

In environment management, the Company's philosophy is to perform 'beyond Compliance' - that is, perform better than minimum required by statutes. The Refinery is certified with ISO 14001:2004 for Environment Management Systems. The major Achievements include:

- 70-75% of the total treated Effluent is recycled back to the cooling towers.
- The Company is meeting the stipulations of KSPCB with regard to quality of treated effluent, which is well below the standards in every aspect, on a continuous basis.
- A biogas plant has been commissioned for generating biogas and manure using canteen and colony waste, and the generated biogas is being used in the canteen burners as a substitute for LPG as fuel.
- Innovative methods of solid waste reduction have been carried out by using Bioremediation process.
- SOX and NOX emissions to ambient air are well below the standards stipulated by the pollution control board, the monitoring of which in and around the Refinery, is being done by M/s. National Institute of Technology, Karnataka.

The green belt around the MRPL refinery

- Gauge pole socks and Secondary seals are being installed in floating roof tanks for reducing fugitive emissions. Wherever they have been installed, emissions have reduced significantly (95% reduction with gauge pole socks and 50% reduction with secondary seals).

- Low sulphur fuel oil with less than 1% sulphur is being used in all the Refinery furnaces and boilers simultaneously, maximising the usage of ultra low sulphur fuel gas generated in the refinery process units.

MRPL received the Oil Industry Safety Award in 2007

- A fortnightly Marine Environment Impact Assessment study is being carried out through the College of Fisheries from 7 Monitoring stations, set-up in the vicinity of Treated Effluent Disposal point (at sea) and 3 Stations on the seashore. The monitoring of Flora and Fauna, Studies on Phytoplankton, Zooplankton and Benthic Organisms in the Ocean are being conducted. A study on Bioaccumulation of Heavy metals in marine organisms is also conducted twice every year.

- Ten Nos. of Ground Water Monitoring Stations have been set up in and around the Refinery and regular monitoring of the ground water quality is being carried out along with KSPCB.

- Volatile Organic Compound Emission was checked at 33,000 points in the Refinery through an external agency and corrective measures are being taken to effectively minimise the same, wherever needed.

- Work Environment Study was conducted by Central Labour Institute (CLI) and employees were sent for medical check-up and found to have no adverse effect.

- Special health check-up is being carried out for employees working in high noise and dust area and in units where Benzene is present.

1.6 Marketing

1.6.1 Direct Marketing

Direct marketing sales of the Company continued their growth during the year 2007-08. The Direct Marketing Sales were at Rs. 2,137.35 crore, up by 10.82% from Rs. 1,928.64 crore in the previous year. MRPL retained its market leader position with respect to sale of Bitumen in its refinery zone.

The Product Supply agreement with State Trading Corporation (STC), Mauritius, entered into last year for supply of Petroleum Products (Petrol, Diesel, ATF and Fuel Oil) for a year was renewed for a further period of three years (August 2007 to July 2010). The agreement signed on 6th July, 2007 is for supply of one Million Metric Tonnes of Petroleum products per annum and is a testimony of the timely supply of quality products from the Refinery. Mauritius imports the entire need of the above petroleum products of the country from MRPL only.

Crumb Rubber Modified Bitumen (CRMB) sales recorded a growth of 109.95% with sales of 14,602 MT during 2007- 08, as against sales of 6,955 MT during 2006-07. The customer base for Bitumen and CRMB has grown considerably with inroads made in all states adjoining Karnataka.

MRPL continued to follow a non-aggressive and cautious approach in developing High Speed Diesel (HSD) consumer market due to prevailing under-recovery in sales of diesel. Three satellite depots at Kasargod (Kerala), Hosur (Tamil Nadu) and Hindupur (Andhra Pradesh) were commissioned during the year to facilitate and support marketing activities in states adjoining Karnataka.

Inauguration of the first HiQ outlet at Maddur, Karnataka

1.6.2 Retail Marketing

MRPL entered the retail segment with its first "HiQ" retail outlet at Maddur in Karnataka State on 12th January, 2008 inaugurated by the Secretary, MOP&NG, Government of India. In order to enhance the non-fuel income and

MRPL entered the retail segment with the opening of the HiQ outlets.

to attract more customers to the retail outlet, MRPL has already tied up with Baskin Robbins Ice-cream Parlor, Café Coffee Day, etc. MRPL and Corporation Bank signed a Memorandum of Understanding (MoU) on 26th February, 2008 to leverage their respective strengths to provide a wholesome bouquet of services to customers in the fuel retail segment. Corporation Bank will set up ATMs at the MRPL HiQ retail outlets coming up across Karnataka and other Southern States, to provide banking facilities for customers on the move. Also being proposed are other value-added financial products, including co-branded credit and fleet cards, cashless transactions using smart cards for the agricultural community, etc. Although the Company has approval from the Govt. of India to set up 500 retail outlets across the country, it is proceeding cautiously in setting up the retail outlets in view of the heavy under-recoveries in retail marketing of transportation fuels, (Petrol & HSD), as the Govt. has decided to compensate for under-recoveries only to IOC/BPC/HPC. Further, MOP&NG (the Administrative Ministry) has also recently directed the Company to put on hold setting up of new retail outlets for a period of two years.

1.6.3 Under-recoveries

Your company had been representing to MOP&NG for compensating the Company for the under-recoveries being sustained in direct sale of HSD to Railways, State Road Transport Corporations and other large consumers and had appealed that MRPL should be treated on par with other PSU OMCs. However, the Govt. did not accede to the request of the Company, due to which the company had to take steps to reduce these supplies, since April, 2008 to restrict heavy under-recoveries on these sales.

1.6.4 Joint Venture in Marketing

MRPL and Shell Gas B. V., Netherland entered into a Joint Venture agreement on 5th February, 2008 to form a joint venture company "Shell MRPL Aviation Fuel and Services Private Limited" for marketing of Aviation Turbine Fuel (ATF) to both Domestic and International airlines at Indian airports. The Promoter Companies will bring in respective services and strengths together to the JV. MRPL will bring its expertise and high quality products and Shell Aviation will bring its global brand, network and customer base in addition to stringent quality control procedures. The JV will initially commence its marketing operations at Mangalore, Bangalore and Hyderabad airports and later will extend its operations all over India in due course. This JV between MRPL and Shell in the field of aviation fuel will offer the best quality of aviation fuel and other related services at the most competitive price.


MRPL's Managing Director R Rajamani exchanges the JV agreement with Shell Aviation's Vice President Sjoerd Post in ONGC office in New Delhi on 5th February 2008

You will be glad to know that MRPL has received permission of Airport Authority of India for supply of ATF to Airlines/operators through mobile refuellers at Mangalore Airport.

2. Awards And Recognitions

The following awards/recognitions were received during the year:

i) First Prize in the prestigious "Jawaharlal Nehru Centenary Award for Energy Conservation in Refineries" for the year 2006-07, received on 20th September, 2007 instituted by the Ministry of Petroleum & Natural Gas (MOP&NG), for the fourth consecutive year. The award is based on the annual energy performance of the Refinery measured in terms of energy index for specific complexity (MBTU/Bbl/NRGF or MBN).

ii) "Energy Efficient Unit Award" from CII (Confederation of Indian Industry) at the National Award for Excellence in Energy Management 2007 on 13.09.2007.

iii) "Certificate of Merit" from Karnataka Renewable Energy Development Limited for 2006-07. This award has been conferred for the second time in succession for MRPL's lowest Specific Energy consumption figures, various Energy conservation measures implemented during the last three years and our organisational set up and commitment towards energy conservation.

iv) "National Safety Award" for 2006 under Scheme II from the Directorate General Factory Advice Service & Labour Institutes, received on 16th August, 2007 from the Ministry of Labour and Employment, Government of India.

v) "ISO/ IEC 17025: 2005 Accreditation" by NABL (National Accreditation Board for Testing and Calibration Laboratories), Department of Science and Technology, Govt. of India to MRPL's quality control Lab on 24.09.2007.

3. Credit Profile

i) CRISIL has reaffirmed the domestic corporate credit rating of "CCR AAA" (Pronounced as "CCR Triple A") to MRPL after due surveillance valid for a period of one year. This rating indicates highest degree of strength with regard to honouring debt obligations.

ii) ICRA Limited has also reaffirmed Issuer Rating "IR AAA" (Pronounced as "IR Triple A") to MRPL. This rating indicates the highest credit quality and lowest credit risk of MRPL.

iii) ICRA has also reaffirmed the 'A1+' rating to the Company's short-term borrowings including commercial paper. This rating indicates that these instruments carry lowest credit risk.

iv) MRPL had been ranked 7th in BT 500 (16th December, 2007) rating based on the turnover for the year 2006-07.

4. Projects

4.1 Phase III Refinery Project

As you are aware, the Company is implementing Phase III Refinery Project at a cost of Rs. 7,943 crore. This will enhance the refining capacity from the existing 9.69 MMTPA to 15 MMTPA and also increase the distillate yield (Petrol, Diesel, LPG, Propylene, Naphtha etc.) by about 10% eliminating the low value black oil (FO/Bitumen) even while using more of low price high sulphur heavy oils and high-acid crude oils. Selection of licensors for process technologies for major units has been completed. M/s. Lummus Technologies Inc.,US for Delayed Coker Unit (DCU), M/s. Axens, France for Diesel Hydrotreater (DHT), M/s. Shaw Stone & Webster, US for Petrochemical Fluid Catalytic Cracking Unit (PFCC) and M/s. UOP LLC, US for Heavy Coker Gas Oil Hydrotreating Unit (CHT) have been selected. All the agreements in this regard have been signed with the licensors and work on process and engineering packages is in progress. SIA approvals from Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India, have been received for all these foreign technology collaborations.

Ministry of Environment and Forests, Government of India has since issued environmental clearance for the project. Consent for establishment from KSPCB separately for Phase-III Refinery Project is expected shortly.

Global Tenders for Invitation of Bids on LSTK basis, for all Major non-licenced units like new CDU/VDU, Hydrogen Unit, Captive Power Plant, Tankages are under finalisation. Govt. of India vide its notification no.66/2008 dated 30th May, 2008 has notified the Phase-III Refinery Project of the Company eligible for Income tax exemption under section 80 IB(9) of The Income Tax Act, subject to fulfilling the conditions stipulated therein.

The delayed receipts of the environmental/pollution clearances coupled with overstretched order book position of licensors and contractors will lead to time and cost overruns although all out efforts are being made to minimise the impact.

MRPL Quality Control Lab

4.2 Rajasthan Refinery

As earlier informed, the establishment of a 7.5 MMTPA refinery at the wellhead at Barmer would largely depend on the availability of crude oil from Rajasthan blocks at an economically viable price as well as adequate fiscal incentives from the State Government, for which the Company is still in discussion with Rajasthan State Government.

4.3 Acquisition of Nitrogen Facilities

You will be glad to know that your Company has acquired the Nitrogen manufacturing facilities (Nitrogen Unit) from M/s. Essel Mining Industries Limited (EMI) (formerly Hindustan Gas Industries Ltd.) located in the close proximity of our Refinery at Mangalore for Rs. 6.43 crores, based on the valuation carried out by SBI Capital Markets Ltd. (A subsidiary of State Bank of India).

Pursuant to this acquisition, the Nitrogen Unit, alongwith all its assets and liabilities were brought into MRPL and were suitably integrated with the Refinery. Eleven employees of EMI also became part of the MRPL family. Considering the fact that EMI Nitrogen unit was dedicated to MRPL alone, the above acquisition is of strategic importance to MRPL, in terms of supply security and quality of Nitrogen which is a critical utility for smooth operation of the Refinery.

4.4 **Joint Venture Projects**

4.4.1 **Aromatics Complex**

The MRPL Hospital in Mangalore

As already reported last year, a separate Company promoted by ONGC and MRPL in the name of ONGC Mangalore Petrochemicals Ltd. (OMPL) has begun implementation of the Aromatics Project, estimated to cost about Rs. 4852 crore, to produce Paraxylene and Benzene value added products, using Naphtha feed stock from MRPL. ONGC will contribute 46% equity (Rs. 744 crore) while MRPL will have 3% equity (Rs. 48 crore). M/s. Toyo Engineering India Ltd., has been appointed as Project Management Consultant (PMC) in February, 2007. Mangalore SEZ Ltd. (MSEZ) has allotted 454 acres of land to OMPL. M/s. UOP-USA has been selected as process licensor. SIA approval has been obtained for this foreign Technology Collaboration. SBI Capital Markets Ltd. (SBI Caps) have been engaged as advisors to finalise long term product offtake agreement for Paraxylene and Benzene.

4.4.2 **Kakinada Refinery and SEZ**

As earlier reported, the financial appraisal report submitted by SBI Capital Market for the Kakinada Refinery, showed that 7.5 MMTPA Refinery Project was not financially viable. Engineers India Ltd. (EIL) were thereafter engaged to conduct a Techno Economic Feasibility Study for setting up 15 MMTPA Refinery. EIL has since submitted the Draft Feasibility Report. Independent financial appraisal was entrusted to SBI Caps, who have also submitted the Draft Appraisal Report. These draft reports are presently being reviewed and a final decision for implementation or otherwise will be taken shortly. As already informed KSEZ has been notified by the Govt. of India in April, 2007 and master planning of SEZ is in progress.

5. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo

The additional information required to be disclosed pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in 'Annexure - I' which forms part of this Report.

6. Particulars Of Employees

There are no employees whose particulars are required to be shown in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

7. Human Resources

7.1 The long term agreement with the Employees Union came to an end on 31st March 2007. Negotiations with the employees for a fresh long term settlement are in progress.

7.2 Your company has completed the exercise of aligning the pay scales of management employees with other PSU Oil Companies' scales in line with Department of Public Enterprises' Guidelines with effect from 06.01.2005 i.e., the day when MRPL was declared a Schedule 'B' PSU. Similarly, the perquisites applicable to downstream Oil Sector PSUs are being introduced by the company in phases and during the year under review about sixteen new/amended HR Policies have been introduced for the employees.

7.3 In order to mitigate the hardships being faced by the employees pending revision of Pay Scales for Management employees due from 01.01.2007 and due from 01.04.2007 for Non-management employees, the company gave adjustable ad-hoc relief to employees as advance, in line with the similar payments made by other oil PSUs.

7.4 The company continued to enjoy cordial and harmonious relationship with its collectives.

8. Official Language

8.1 MRPL is promoting Official Language Policy as per the Annual Programme given by the Department of Official Language, Ministry of Home Affairs, Government of India.

8.2 In order to promote use of Hindi among the employees, Hindi Workshops have been conducted on a regular basis at Mangalore, Mumbai and Bangalore Offices. Similarly, to create Hindi awareness, Hindi Week was celebrated and many Hindi competitions were held.

Shri. R Rajamani, MD, MRPL handing over Paediatric Endoscopy unit for the Government Wenlock Hospital to Shri. Krishna Palimar, Hon'ble Minister of Port and Inland Water Transport, in the presence of Mr. Yogesh Bhat, MLA

Hindi computer seminar was organised in the month of August 2007 for the Town Official Language Implementation Committee (TOLIC) members. To enable correspondence in Hindi, by the employees, computers are installed with Hindi software APS 2000++. MRPL participated at TOLIC level Hindi competitions and won nine prizes and stood 2nd at TOLIC level competition in Mangalore. Hindi Hasya Kavi Sammelan was organised with the participation of seven poets of national repute in the month of March 2008.

9. Vigilance Function

A series of initiatives taken by the Vigilance Department have led to increased transparency and the commencement of e-auctioning. First e-auction of the scrap material was carried out on 9.10.2007. In respect of e-procurement, Application Service Provider for e-tendering has been appointed. The Vigilance Department conducted Vigilance Awareness Programme at Mangalore, Mumbai and Delhi offices. The Vigilance Awareness Week was organised from 12.11.07 to 16.11.2007 in all the offices during which the importance/relevance of vigilance function was impressed upon in the context of good corporate governance. In an effort to ensure smooth business and transparency, a vendors' meet for chemicals and catalyst suppliers was held during the year.

10. Corporate Social Responsibility (CSR) INITIATIVES

10.1 As a socially responsive organisation, your Company is committed to the well-being of the communities around the refinery area.

10.2 As an endeavour to empower women, the Company took lead in organising a skill development programme for women from surrounding villages who were trained in tailoring and stitch craft. A skill development centre for women from fishermen community under women empowerment programme has also been built. As a measure of goodwill to the project- displaced families, the Company is also providing an overhead water tank to ease the drinking water problem of the rehabilitation colony. The internal roads of this colony are being asphalted.

10.3 Your Company has donated one laser and one dialysis machine to the Government Wenlock District Hospital, Mangalore and necessary Medical Equipment to the maternity ward of the Government Lady Goshan Hospital for Women in Mangalore. We have constructed one Samudaya Bhavan at Sarpady from where we are drawing raw water from river Nethravathi.

10.4 Your Company has taken an initiative to develop a beautiful Public Park in Kadri, and in providing midday meal to the children of 11 schools covering 2,600 students, in association with ISKCON Mangalore. To educate school children regarding water conservation and preservation among school children, Rainwater Harvesting Projects have been implemented in five schools of neighbouring villages. With a view to provide better education to Government School children, the Company has provided teaching aids, sports materials, benches and desks, and water coolers to 70 schools of neighbouring villages. Your Company has been providing scholarship assistance to students securing first two ranks in all the classes of the above schools. The total amount spent during the year on CSR initiatives amounted to Rs.151.16 lakh as compared to Rs. 40.92 lakh during the previous year.

10.5 Your Company has committed to take part in the establishment of a Children's Paediatric ward, with all modern diagnostic instruments and facilities in the Government Wenlock Hospital, Mangalore.

11. Directors

11.1 The President of India appointed Shri Vivek Kumar, Director, MOP&NG as a Government director and accordingly Shri Vivek Kumar was appointed as an additional director on the Board of Company w.e.f. 29/10/2007.

11.2 Shri V. P. Singh an Independent Director on the Board of ONGC was appointed as an additional director on the Board of the Company w.e.f 29/10/2007 pursuant to the Corporate Governance Guidelines issued by the Department of Public Enterprise requiring appointment of one of the Independent Directors of the holding company, on the Board of its subsidiary company.

11.3 In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Vivek Kumar and Shri V. P. Singh shall hold office up to the date of the Annual General Meeting (AGM). The Company has received notice from the shareholders proposing their names to the Office of the Directors at the ensuing Annual General Meeting.

11.4 Shri N. K. Mitra will retire by rotation at the 20th Annual General Meeting of the Company. Shri N.K.Mitra, being eligible, offers himself for re-appointment.

11.5 Brief resumes of the Directors seeking appointment/re-appointment, together with the nature of their expertise in specific functional areas, the names of the companies in which they hold the directorship and the membership/chairmanship of committees of the Board, and shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Annexure to the AGM Notice.

11.6 The Company continues to pursue with the Government of India (Ministry of Petroleum & Natural Gas) for appointment of the Independent Directors which are required to be appointed on the Board of the Company pursuant to the Listing requirements.

12. Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that;

i) In the preparation of the Annual Accounts the applicable Accounting Standards had been followed and there are no material departures from the same;

ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable & prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008, and of the Profit & Loss of the Company for the year ended on that date;

iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) The Directors have prepared the Annual Accounts on a "Going Concern" basis.

13. Fixed Deposit

The Company has not accepted any fixed deposit during the year from the public.

14. Auditors

14.1 M/s. SRRK Sharma & Associates, Chartered Accountants were appointed as Statutory Auditors of the Company for the Financial Year 2007-08 by Comptroller & Auditor General of India (C&AG).

14.2 The Report of the C&AG at Annexure - II forms part of this Report.

15. Corporate Governance

15.1 The Company has complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements, except with the requirement of Independent Directors on the Board of the Company. Your Company is pursuing with the Administrative Ministry, MOP & NG for appointment of the Independent Directors on the Board. The Annual Report contains a separate section on Corporate Governance.

15.2 Your Company is listed with the Bombay Stock Exchange Limited and National Stock Exchange Limited.

15.3 As required under Clause 49 of the Listing Agreement with Stock Exchanges, your Company has obtained the Certificate from the Auditors of the Company, for compliance of Corporate Governance pursuant to Clause 49 (VII) (1) which is annexed to and forms part of the Annual Report.

15.4 The Management Discussion and Analysis Report forms part of the Annual Report.

16. Acknowledgement

16.1 Your Directors sincerely thank the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP & NG), Ministry of Finance, Ministry of Shipping and other Ministries and Departments of the Central Government and the State Governments of Karnataka, Andhra Pradesh and Tamil Nadu for their valuable support and cooperation.

16.2 Your Directors gratefully acknowledge the support and direction provided by the parent company, ONGC.

16.3 Your Directors appreciate the continuing co-operation and support received from New Mangalore Port Trust, Financial Institutions, Banks and all other stakeholders such as suppliers of crude oil and other inputs, vendors, contractors, transporters and others.

16.4 Your Directors express their sincere thanks to all the shareholders for their continued confidence shown in the Management and the Company.

16.5 Your Company recognises its valued customers for their continued patronage for the products of the Company.

16.6 Your Directors wish to place on record their appreciation for the total commitment shown by each and every one of the employees of the Company without whom, it would not have been possible for the company to scale the newer heights year after year.

For and on behalf of the Board

(R. S. Sharma)
Chairman

Place: New Delhi
Date: 20th June, 2008

A. Conservation of Energy

Company continued its emphasis on energy conservation through operational optimization, continuous monitoring and implementation of several energy conservation schemes.

a) Major energy conservation measures taken during the year

   i) Condensate Recovery scheme commissioned in Captive Power Plant (CPP) for recovering hot condensate.

   ii) Advanced Process control system under implementation in phase 2 Crude Distillation Unit.

   iii) On-line cleaning of Furnace tube external surface carried out by chemical spraying in the Vacuum heater of phase 2 Crude Distillation Unit.

   iv) Double seals were provided for ten more existing floating roof tanks & Gauge pole sock were provided for two floating roof tanks, thereby reducing fugitive emissions.

   v) 25 Solar powered traffic signal & lighting installed in the company & township

   vi) Continued Antifoulant injection in Crude Distillation Unit-1, to minimize heat exchanger fouling rate,

   thus improving heat recovery over the period.

b) Additional investments and proposals, if any, being implemented/ under consideration for reduction of consumption of energy / resources

   i) Crude distillation unit -1 Short Residue heat recovery by heating internal fuel oil.

   ii) Condensate heat Recovery in Crude & Hydrocracker units.

   iii) Hydrogen Recovery from Refinery off-gas streams and PSA tail gas streams.

   iv) Providing automatic water draining facility in crude storage tanks.

   v) Vapour recovery from Naphtha loading stations

   vi) Hydrogen recovery from Refinery off-gas streams & PSA tail gas streams.

   vii) Solar Lighting system

c) The measures (a) above resulted in Energy consumption reduction by 2,625 MT/Year & Yield improvement

   by 16,800 MT/year which is equivalent to a net savings of approx. Rs. 133 Million/year. The expected investment for measures (b) above is around Rs. 440 Million.

d) Fuel & Loss (F&L) in the Refinery for the year 2007-08 was 6.72%, whereas it was 6.53% in 2006-07. F & L is comparatively higher in this year on account of operation of additional units such as Light Naphtha Isomerisation Unit for cleaner fuel (Petrol) production & Mixed Xylene Unit, for producing Mixed Xylene, which is a value added product. However, the Energy index (MBTU/BBL/NRGF) is lower at 61.55 for the year 2007-08 as compared to 63.13 for the year 2006-07, in spite of higher complexity operation.

e) Energy Conservation award

   MRPL has won the First Prize in the prestigious 'Jawaharlal Nehru Centenary Award for Energy conservation in refineries' for the year 2006-07, instituted by the Ministry of Petroleum & Natural Gas (MOP&NG) for the fourth consecutive year. The award is based on the annual energy performance of the refinery measured in terms of energy index for specific complexity (MBTU/Bbl/NRGF or MBN).

MRPL's Energy performance during the last five years is as follows

Year	Crude throughput, MMTPA	NRG factor (CHT method)	MBN(MBTU/ Bbl/NRGF)
2007-08	12.54	5.567	61.55
2006-07	12.53	4.926	63.13
2005-06	12.12	4.889	64.84
2004-05	11.85	4.922	64.77
2003-04	10.07	5.05	69.00

FORM - A

Total Energy consumption and Energy consumption per unit of production:

		2007-08	2006-07
A)	**Power and Fuel Consumption**	**2007-08**	**2006-07**
1.	**Electricity**		
	a) Purchased		
	Unit (Million KWH)	3.73	3.84
	Total Amount (Rs. Million)**	27.04	27.28
	Rate / Unit (Rs./KWH) **	7.25	7.11

** Includes demand charges of Rs. 9.99 Million (Rs. 9.99 Million for 2006-07). The unit cost per KWH excluding Demand charges is Rs. 4.57 (Rs. 4.50 for 2006-07)

b) Own Generation		
i) Through Diesel Generator (at Sarpady)		
Unit (Million KWH)	2.46	2.42
Unit per ltr. of Diesel (KWH/ltr.)	3.48	3.50
Cost/Unit (Rs./KWH)	8.61	8.56
ii) Through Steam turbine generator		
Unit (Million KWH)	613.41	582.08
Unit per ltr. of Fuel Oil (KWH/ltr)	2.07	2.08
Cost/Unit (Rs./KWH)	7.96	6.70
2. Fuel Oil		
Quantity (MMT) (Oil+Gas)	0.771	0.732
Total Amount (Rs. in Million)	13,301.66	10,646.13
Average Rate (Rs./MT)	17,252.12	14,538.87
3. Others / Internal Generation		
Diesel (at Sarapady)		
Quantity (KL)	705.38	691.59
Total Cost (Rs. in Million)	21.15	20.71
Rate (Rs./KL)	29,983.36	29,939.00
4. Consumption per unit production		
Total crude processed (MMTPA)	12.547	12.536
Total Fuel oil Consumed (MMTPA)***	0.842	0.819
Total Electricity (Million KWH)		
(after deducting external supply)	613.67	582.76
Fuel oil Consumption MT/ MT of Crude processed	0.0671	0.0653
Electricity Consumption KWH / MT of Crude processed	48.91	46.49
***(Includes fuel and loss)		

FORM - B

A) Research and Development (R&D)

1. Specific Areas in which R&D carried out by the company 2007-08:

- Crude Assay For MRPL Arab Extra Light and Lower Zakum Crude Assay was carried out using TBP apparatus.
- Crude Assay For ONGC Ramnadu Condensate, Cauvery Asset assay was carried out for ONGC.
- Spent Caustic Treatment with Chlorine Dioxide.

  Experiments were carried out to destroy odour causing phenolic compounds in spent caustic using Chlorine Dioxide as an oxidant.
- Development of suitable Bio Additive for HSD.

  FAME Bio additive of vegetable oil origin, waste kitchen oil and Fish oil was prepared and studied for use in HSD.
- Oxidation Stability of Gasoline produced from various streams with and without Multi Functional Additives (MFA).
- Oxidation Stability of Gasoline produced using Light Isomerite (ISOM) with and without MFA was studied.
- Study for used lubricating oil and transformer oil performance using FTIR and WDXRF.

  Methodology to study the lubricating and transformer oil performance has been established with FTIR andnewly procured WDXRF instruments. Study is being continued.

2. Benefits derived as a result of the above R&D:

- Assay of Arab Extra Light and Lower Zakkum - Crude was carried out using TBP apparatus. Crude assay provided an indication of product yield pattern and helped to optimize unit-operating conditions to achieve the same yield pattern.
- Spent caustic treatment with Chlorine Dioxide, for destroying the odour causing phenols was studied at plant scale using chorine dioxide generator and treated effluent with new set up. Experiments proved that undesirable odour- causing phenols from the treated effluent and spent caustic could be destroyed very easily. Experiments indicated very high treatment cost compared to the existing Hydrogen Peroxide treatment. Encouraging results are expected with modified experimental set ups.
- FAME Bio additive of vegetable oil, Fish oil and waste Kitchen oil origin was prepared and studied for its characteristics, compatibility with HSD, storage stability of HSD with 1000 ppm dosage. Performance was

evaluated using the actual engine. Based on the laboratory performance results, small scale bio additive plant is being finalized with a premier CSIR institute.

- Oxidation Stability of Gasoline produced using Light Isomerite (ISOM) with and without MFA study helped us to know the stability of gasoline and efficacy of MFA.
- Establishment of methodology to study the lubricating and transformer oil performance FTIR and newly procured WDXRF instruments helped us to monitor the performance at field level.

3. Future plan of action:

- Corrosion monitoring and inhibition (Water and Sulfide corrosion) in Refinery.
- Crude Evaluation (Continuation).
- Additive Evaluation (Continuation).
- To continue the study of used lubricating oil and transformer oil performance using FTIR & WDXRF. To establish methodology of monitoring trace metal contamination in Lube oil using ICP MS.
- Catalysts Surface Area evaluation.
- Further Studies on Bio additive.
- Separate R & D wing at the cost of Rs. 500.00 lakhs is being proposed with full time research staff.

4. Expenditure on R&D:

- Capital : Rs. 48.23 lakhs
- Revenue : Rs. 3.68 Lakhs
- Total : Rs. 51.91 lakhs
- Total R & D expenditure as percentage of total Turn over - Negligible

B) Technology Absorption, Adaptation & Innovation

i) Efforts, in brief, made towards technology absorption, adaptation and innovation. Technologies for process unit of phase-1 & 2 have been fully absorbed.

ii) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. Refinery throughput sustained at 130% of installed capacity, even while meeting Clean Fuel specifications, which required higher complexity operations.

iii) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished.

a) Technology imported Isomerisation process, Variable frequency drives

b) Year of import — 2004-05

c) Has technology been fully absorbed? — Yes

d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. — Not applicable.

C) Foreign Exchange Earnings And Outgo

(Rs. in Crore)

	2007-08	2006-07
Foreign exchange Earnings		
FOB Value of Exports {Includes Rs. NIL (Previous yr. Rs. 2066.65 million through M/s. Bharat Petroleum Corporation Ltd)}	**11,141.45**	11,615.27
Foreign exchange Outgo	**25,309.37**	18,629.86

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2008

The preparation of financial statements of Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 7th May, 2008.

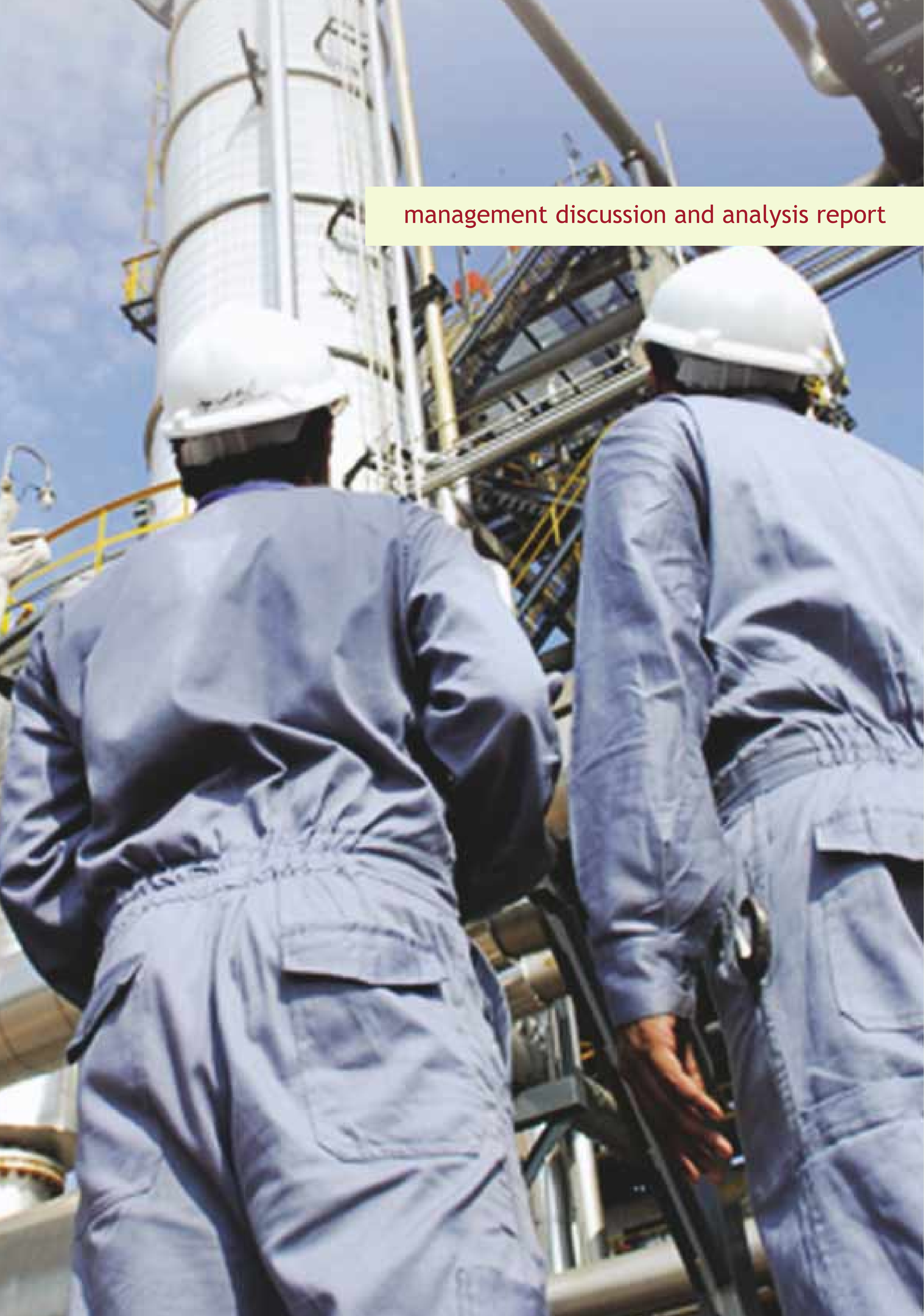
I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2008. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

For and on the behalf of the Comptroller and Auditor General of India

K. P. Sasidharan
Principal Director of Commercial Audit
& ex-officio Member Audit Board II, Mumbai

Place: Mumbai
Date : 5th June, 2008

management discussion and analysis report



1. Industry

1.1 The prices of crude oil in the international market have risen to unprecedented high levels due to sustained high demand, geo-political uncertainties, production decline in ageing fields, supply concerns, speculative trading and weakning of US dollar.

1.2 In order to mitigate the impact of total 'pass-through' of international prices of Petrol, Diesel, Domestic LPG & PDS Kerosene to domestic consumers, the Govt. of India has been continuing to regulate the Retail prices of these products, which is resulting in substantial under-recoveries on sales of these products to Oil Marketing Companies (OMCs). Though the appreciation of Rupee against US dollar, during 2007-08 and marginal increase in Petrol and Diesel prices permitted by Govt. of India in January, 2008 has to a limited extent, helped in reducing the under-recoveries of OMCs, there is still an yawning gap which is being bridged by Govt. through issue of oil bonds, directing upstream companies to give discounts on crude sales and to a limited extent advising Oil Marketing Companies to absorb the gap themselves. With a view to compensate for the huge underrecoveries expected during 2008-09 by PSU OMCs (IOC/BPC/HPC), Govt. of India has recently taken various measures which include moderate hike in the price of Petrol, Diesel & LPG, abolition of Custom Duty on crude oil, reduction in Custom Duty on Petroleum products, sharing of subsidy by upstream companies by giving discount on domestic crude oil and issue of oil bonds. In addition RBI has decided to lend through Designated PSU Banks against the oil bonds and also give US dollar directly through these banks to three PSU OMCs. These measures will largely take care the unprecedented critical situation faced by PSU OMCs due to substantial hike in crude oil prices in the last couple of months.

1.3 Indian economy has been consistently growing at about 8% to 9% in the last couple of years. Demand for petroleum products has increased at a CAGR of 2.4% from 104.1 mmt in 2002-03 to 120 mmt in 2006-07 and is expected to grow by 3.3% annually during the Eleventh Plan period to about 139.2 mmt by 2012. The main demand drivers have been LPG, MS, ATF, HSD and Bitumen, which account for nearly 79% of the total consumption of petroleum products. The demand of Petrol, Diesel & ATF have grown about 10 % plus during 2007-08. The major sectors contributing to this growth are Power, Fertilizer, Aviation, Automobile and Transportation. Even in the long run, these sectors are expected to drive the demand of petroleum products.

1.4 Indian Refining capacity as on 31st March 2008 is 149 MMTPA and is set to increase to about 238 MMTPA by the end of 11th Plan (2011-12) as per various projects lined up in the country. Such capacity additions are expected to churn more quantity of petroleum products in domestic market and excess production is expected to be exported, making India a major exporter of petroleum products in the international market.

2. Strategy

2.1 The company continues to lay more emphasis on developing export potentials to sell its surplus production capacity. The company has been supplying approx. 1.0 MMTPA of petroleum products to State Trading Corporation, Mauritius under the 3 year term contract, signed in July, 2007. Discussions with other National Oil Companies of few other countries are in progress for long term tie ups for export of Petrol, Diesel, ATF & Fuel oil, etc.

2.2 The Company had been the sole supplier for all the 30 depots of Bangalore Municipal Transport Corporation and 6 of the depots of Karnataka State Road Transport Corporation. Similarly, MRPL was also supplying diesel to Indian Railways directly for few of its depots. MRPL has been adopting a non-aggressive approach to HSD marketing for the last one year and the existing customers were catered in anticipation of reduction in the under-recoveries. MRPL had also been making regular representation to Government for issue of Oil Bonds and price adjustment in ONGC oil prices in line with other PSU OMCs. However due to steep hike in the crude oil prices without corresponding price hike in retail selling prices, and GOI's decision of not extending oil bonds & crude discounts to MRPL in line with other PSU OMCs (IOC/BPC/ HPC) the company had to take steps to reduce these supplies starting April, 2008, so as to restrict the heavy under- recoveries on these sales.

2.3 The Company has been producing and exporting substantial quantities of Aviation fuel (ATF) which can be utilized to meet the increasing demand in India. A JV formed with Shell Gas B.V. Netherland (one of the global oil Major) viz., Shell MRPL Aviation Fuel and Services Pvt. Ltd., will focus on marketing of ATF to both Domestic and International Airlines at Indian Airports. Initially, the marketing operations will commence at Bangalore and Hyderabad Airports which have open access systems for all the ATF suppliers, Mangalore Airport where the Company has permission for fuelling through Mobile Refullers and will be later extended to other Airports in India.

2.4 While the long term goal of setting up 500 Retail Outlets has been retained, in short to medium term, the company has been proceeding cautiously to set up its retail outlets, in view of heavy under recoveries in the Retail Sector, and the Government's refusal to issue Bonds to MRPL and NRL (both Government of India Companies) for such under recoveries. MoP & NG has also recently directed the company to put on hold setting of any new retail outlet for a period of two years. The first retail outlet of MRPL "HiQ outlet" has been started w.e.f 12.01.2008. Where the construction is nearing completion, the company is targeting to set up 2 more retail outlets in the FY 2008-09.

2.5 The present configuration of the refinery produces significant quantity of Black Oil which reduce the refining margins. The Phase III Refinery Project, which is designed to improve distillate yield and increased processing of low priced heavy, sour and high TAN crudes, coupled with increase in capacity from 9.69 MMTPA to 15 MMTPA, is under implementation. This project is expected to significantly improve the Refinery Margins and will ensure long-term economic viability of the company's operations. The highlight of the Project is a modern Petro FCC unit which will produce about 21% Propylene (a high value product) which is highest by any Indian Refinery.

2.6 To add significant incremental value to the excess available naphtha, an Aromatic Complex is being set up by ONGC Mangalore Petrochemicals Ltd (a SPV Company of ONGC and MRPL) in Mangalore SEZ, to producParaxylene and Benzene. Setting up of an Olefin Complex is also being evaluated at the Mangalore SEZ. MRPL is also in discussion with ONGC Petro Addition Ltd., (a Joint Sector Naphtha Cracker Project promoted by ONGC - GSPC) for a long term offtake of its light Naphtha supplies which cannot be used in the Aromatic Complex.

3. Risks And Concerns

3.1 MRPL operates in a business environment that is characterised by increasing globalization of markets, intensifying competition and more complex technologies. The company is exposed to a number of risks in ordinary course of business. KPMG who were engaged to give their recommendations on Risk Management have identified 18 Risks and have also formulated a well defined policy framework including implementation procedure and monitoring mechanism for the same.

3.2 The company has taken a comprehensive mega risk cover for its assets to safeguard them from various unforeseen risks as well as from the loss of profit due to business interruptions.

3.3 Crude oil and Petroleum products are globally traded commodities and therefore, the prices are influenced by the international market forces of demand-supply and other geo political uncertainties etc. Like all other refineries, MRPL is also exposed to the risk of volatility in international prices of crude oil and petroleum products.

3.4 Domestic sales contribute to a major part of the revenue of the Company. The state of the economy, the evacuation of product by PSU OMCs for domestic market and price fixation of major products by Govt. of India. therefore, influence the turnover and profitability. The Customs & Excise duty regime on petroleum products and crude oil also exert significant influence on the margins of the Company.

3.5 MRPL's forex transactions in a financial year towards payment of crude oil and receipts from export of petroleum products involve approx. US $ 6 billion. Company therefore faces the challenge to manage the fluctuation in forex market arising out of depreciation/appreciation of US $ vis-a-vis Indian Rupee. Considering that MRPL exports about 40-50% of its products and its domestic sales are also linked with US $ (trade parity price), there is a natural hedge to a large extent. However, with a view to put in a place a well defined set up/ structure and to take care of the forex transactions, a Foreign Exchange Risk Management

Policy has been formulated by M/s. Ernst & Young and adopted by the Company. In terms of this Policy, the Forex Risk Management Committee (FRMC) headed by Director (Finance) has been constituted which has been meeting regularly and reviewing forex management practices. Reuters Dealing Terminal has been installed to transact forex transactions with online quotes from many empanelled Banks. Services of an independent Forex Risk Advisor are being taken for assisting the FRMC.

4. Internal Control Systems And Their Adequacy

4.1 The Company has in place the required internal control systems and procedures to ensure optimal use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors.

4.2 With a view to have a mechanism for establishing and maintaining internal controls for financial reporting, KPMG was engaged and their recommendations have been adopted. As per the procedure suggested by them, the Line Functionals, Head of Sections and Internal Audit are to facilitate CEO/ CFO Certification to assure adequacy and efficacy of internal control environment.

5. Financial Performance

The refinery achieved its highest crude throughput of 12.55 MMT during the year (12.54 MMT last year) and despached 11.83 MMT of finished products (11.44 MMT last year). Turnover during the year was Rs. 37,339 Crore (up 16% from Rs. 32,208 Crore) which includes exports amounting to Rs. 11,141 Crore (Rs. 11,615 Crore). The company has registered a net profit of Rs. 1,272 Crore (up142% from Rs.525 Crore).

6. Safety Performance

- MRPL continues to follow proactive approach towards safe work practices, integrated training programs for Company's employees and the secondary work force are being conducted periodically. Regular Internal and External safety audits continue to be carried out. All Process Plant modifications are verified through a Hazard and Operability Study (HAZOP) before implementation. MRPL is promoting a safe work culture at all levels of operations.

- The Refinery completed 1,301 days without RLTI as on 2nd July, 2007 i.e., 7.76 Million Man Hours Worked without RLTI. A freak accident broke the unprecedented safety record when an employee was injured in a flashover during electrical maintenance. Since then we have completed 272 days without reportable lost time injury as on 31st March, 2008 i.e. 1.83 Million Man Hours worked. The challenge before the company is now to cross its own record by improving and sustaining the safety performance. There was no major outbreak of fire during the year.

7. Human Resources

1,202 employees were employed by the Company as on 31st March, 2008. This includes 52 women employees. Out of the total employees, 54 belongs to SC and 21 from ST communities.

8. Cautionary Statement

Certain statements made in the MDA Report relating to company's outlook, expectation, estimate, etc., may be considered forward looking statements within the meaning of applicable law and regulations. Actual figures may differ from such expectations whether express or implied. Several factors could make significant impact on the company's operation. These include geo political uncertainties affecting demand and supply and Govt. regulations and vagaries of nature etc., over which the company does not have any control.

corporate governance report for the year 2007-2008

1. **Code Of Corporate Governance**

MRPL is committed to good governance practices that create long-term sustainable value for the stakeholders.

MRPL's Corporate Governance framework is based on the following principles:

- Ensuring maximum disclosure of information to the Board/Committees for meaningful and focused discussions in meetings;
- Commitment to a transparent system and values;
- A sound system of internal control with a thrust on integrity and accountability;
- Timely and adequate disclosure of all material information to all Stakeholders;
- Compliance with applicable laws, guidelines, rules and regulations;
- Equitable and fair treatment to all its stakeholders including employees, customers, vendors, shareholders, lending institutions and society at large.

Board Of Directors

A) **Composition and Category of Directors (as on 31st March, 2008)**

Executive Directors : 2

Non Executive Directors : 8

1) **Present Directors**

Director	Executive Non-Executive	Category	No. of other Directorship		No. of outside Commitees	
			Public	Private	Member	Chairman
Shri R.S. Sharma	Chairman Non-Executive	Promoter Company's Director	9	2	-	-
Shri R. Rajamani	Executive	Managing Director	2	1	-	-
Shri L.K Gupta	Executive	Director (Finance)	2	2	-	1
Dr. A.K.Balyan	Non-Executive	Promoter Company's Director	6	3	2	-
Shri N.K.Mitra	Non-Executive	Promoter Company's Director	5	-	2	-
Shri V.K. Dewangan	Non-Executive	Government Director (Director, Ministry of Petroleum & Natural Gas)	-	-	-	-
Shri Vivek Kumar	Non-Executive	Government Director (Director, Ministry of Petroleum & Natural Gas)	-	-	-	-
Shri S. Roy Choudhury	Non-Executive	Promoter Company's Director	4	-	-	-
Shri G.M. Ramamurthy*	Non-Executive	Independent Director	3	2	2	1
Shri V.P. Singh*	Non-Executive	Independent Director	3	-	3	1

*** Note:** At present there are two Independent Directors on the Board of MRPL and Company has been regularly following up with Ministry of Petroleum and Natural Gas, Government of India for appointment of two more Independent Directors to comply with the requirement of Clause 49(IA) of Listing Agreement. It is understood that the matter is under consideration of the Ministry.

1) **Past Directors**

Director	Executive Non-Executive	Category	No. of other Directorship		No. of outside Commitees	
			Public	Private	Member	Chairman
Shri V. P. Joy	Non-Executive	Govt. Director	-	-	-	-

Change in the board of Directors during 2007-2008

(1) Shri Vivek Kumar has been appointed as a Government Director (Director, Ministry of Petroleum & Natural Gas w.e.f 29.10.2007.

(2) Shri V.P Singh has been appointed as an Independent Director w.e.f 29.10.2007.

(3) Shri V.P Joy has resigned from the Board of the Company w.e.f. 1st August, 2007 consequent upon his transfer to Ministry of Power, Government of India.

B) **Attendance of Directors at the Board Meeting held during the financial year 2007-08 and last AGM.**

1) **Present Directors**

Director	No. of Board Meetings held during the year	No. of Board Meetings attended	Attended Last AGM
Shri R. S. Sharma	9	9	Yes
Shri R. Rajamani	9	9	Yes
Shri L. K. Gupta	9	9	Yes
Dr. A. K. Balyan	9	7	Yes
Shri N. K. Mitra	9	6	Yes
Shri V. K. Dewangan	9	8	Yes
Shri S. Roy Choudhury	9	3	No
Shri G. M. Ramamurthy	9	8	Yes
Shri Vivek Kumar	9	4	Please Refer Note below
Shri V. P. Singh	9	3	Please Refer Note below

Note: Shri Vivek Kumar and Shri V. P. Singh have been appointed as Directors w.e.f 29/10/2007 i.e after the last AGM.

2) **Past Directors**

Director	No. of Board Meetings held during the year	No. of Board Meetings attended	Attended Last AGM
Shri V. P. Joy	9	3	Not Applicable

Note: Shri V.P. Joy has resigned from the Board of the Company w.e.f. 1st August, 2007 consequent upon his transfer to Ministry of Power, Government of India.

C) **Details of Board Meetings held during the financial year 2007-08**

Date of meeting	Place
11th May, 2007	New Delhi
28th June, 2007	New Delhi
23rd July, 2007	New Delhi
30th August, 2007	New Delhi
14th September, 2007	Mangalore
29th October, 2007	New Delhi
6th December, 2007	Mumbai
16th January, 2008	New Delhi
26th March, 2008	New Delhi

3. Audit Committee

I) **Terms of Reference**

The scope of functions and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

ii) **Composition of Audit Committee**

A. **Present Members As On 31st March, 2008:**

1. Shri G. M. Ramamurthy - Chairman (Independent Director)
2. Shri V. K. Dewangan - Government Director
3. Shri V. P. Singh - Independent Director

B. **Past Members**

i) Shri V. P. Joy, Government Director (Director, Ministry of Petroleum & Natural Gas) has ceased to be a member consequent to his resignation from the Board w.e.f. 01.08.2007.

ii) Shri R. Rajamani, Managing Director ceased to be a member of the Audit committee w.e.f. 29.10.2007. The Company complies with the requirement of Clause 49 of the listing agreement as regards to constitution by the audit committee. Managing Director, Director (Finance), General Manager (Internal Audit) and Statutory Auditors are the permanent invitees in all the Audit Committee meeting.

iii) **Details of the Audit Committee Meetings held during the financial year 2007-08**

Date of Meeting	No. of members attended
11.05.2007	3
23.07.2007	3
14.09.2007	3
29.10.2007	3
16.01.2008	3

Attendance in the Audit Committees Meetings

1) **Present Members**

Date of Meeting	No. of members attended
Shri G. M. Ramamurthy	5
Shri V. K. Dewangan	3
Shri V. P. Singh	1

2) **Past Directors**

Date of Meeting	No. of members attended
Shri R. Rajamani	4
Shri V. P. Joy	2

4. Remuneration Committee

MRPL being a Government Company, appointment and terms & conditions of remuneration of Executive Directors (Whole-time Directors) are determined by the President of India. The Company's policy provides for payment of sitting fees only to its non-executive independent directors for attending the Committee and Board meetings.

Details of remuneration paid to the Independent Non-Executive Directors during 2007 -08 are as follows:

Directors	Sitting Fees (Rs.)
Shri V. P. Singh	34,000
Shri G. M. Ramamurthy	1,36,000

Break up of fixed components and performance linked incentives with performance criteria :

Details of remuneration of MD and D (F) during 2007-08:

(Amount in Rs.)

Particulars	MD	D(F)	Total
Salaries & Allowances	12,03,685	12,37,746	24,41,431
Contribution to PF & Other Funds	2,93,072	2,72,705	5,65,777
Other Perqusites & Benefits	9,22,025	10,25,520	19,47,545
***Total**	**24,18,782**	**25,35,971**	**49,54,753**

***The remuneration includes arrear DA difference and incentive for earlier years.**

Service Contract – 5 years or the date of superannuation whichever is earlier.

Notice period : Three Months Notice or on payment of three months salary in lieu thereof.

Severance fees : Not Applicable

Stock Options details (if any) : Not Applicable

Whether issued at discount Period over which it is accrued and is exercisable : Not Applicable

Director's Shareholding: As per the declaration received by the Company as on 31st March, 2008, the Directors hold Equity shares of the Company as follows:

Name of the Director	No. of Shares
Shri R. Rajamani	1000
Shri S. Roy Choudhury	400

5. Shareholders'/ Investors' Grievance Committees

(a) The Company has constituted Shareholders'/ Investors' Grievance Committee to look into the redressal of shareholders' and investors' complaints.

Present Composition of Shareholders'/ Investors' Grievance Committee as on 31st March 2008

1) Shri G. M. Ramamurthy - Chairman (Independent Director)
2) Shri R. Rajamani - Member (Managing Director)
3) Shri L. K. Gupta - Member {Director (Finance)}

(b) The Company also has a Share Transfer Committee comprising of the following as on 31st March 2008:

1) Shri R. Rajamani - Managing Director
2) Shri L. K Gupta - Director (Finance)
3) Shri B. Sukumar - Company Secretary

i) Name and designation of the Compliance officer:
Shri B. Sukumar, Company Secretary.
ii) No. of Shareholder's complaints received during the year 2007-2008 : 933
iii) No. of complaints not resolved to the satisfaction of the shareholders as on 31.03.2008 : NIL.
iv) No. of pending share transfers as on 31.03.08: 274 (Completed in April 2008)

• Details Of General Body Meetings

i) Location, place and time where last 3 AGMs were held

Year	Location	Date	Time
2007	Registered Office of MRPL: Mudapadav, Kuthethoor P. O. Via Katipalla, Mangalore - 575 030	14.09.07	4.00 p.m
2006	TMA PAI International, Convention Centre, Ballal Bagh, M. G. Road, Mangalore - 575 003.	16.09.06	4.00 p.m
2005	Registered Office of MRPL: Mudapadav, Kuthethoor P. O. Via Katipalla, Mangalore - 575 030	15.09.05	3.00 p.m

i) Whether any special resolutions passed in the previous 3 AGMs ?
No special resolutions were passed in the previous 3 AGMs.
iii) Any special resolutions were put through Postal ballot last year?
No special resolutions were put through postal ballot in the last AGM.
iv) Persons who conducted the Postal Ballot exercise : Not Applicable.
v) Procedure for Postal Ballot: Not Applicable.

7. Disclosures

i) Materially Significant related party transactions:

(a) The Company is a State controlled enterprise and there are no transactions to be disclosed as per the Accounting Standard 18 (AS - 18) of Related Party Disclosures issued by the Institute of Chartered Accountants of India.

(b) Key Management Personnel:
Functional Directors:
(i) Shri R. Rajamani, Managing Director
(ii) Shri L. K. Gupta, Director (Finance)

Details of Transactions during financial year 2007-2008:
The Remuneration paid to M.D. and Director (Finance) for the FY 2007-08.

- Salaries and Allowances Rs. 2.44 Millions.
- Contribution to Provident Fund Rs. 0.57 Millions.
- Other perquisite and benefit Rs. 1.95 Millions.

(Excluding accrued leave salary and gratuity since the same is not available for individual employees)

The above figures includes the following:

Rs. 1.07 millions towards payment of Profit sharing for earlier years.

Rs. 0.40 millions towards arrears of DA and incentive of earlier years

Amount Outstanding : NIL

(c) Enterprises in which significant influence is exercised:

Name	Relationship	Nature of Transaction
ONGC Mangalore Petrochemicals Limited	Associate	Details furnished in the para 12C of Schedule T
SHELL MRPL Aviation Fuel Services Private Limited.	Joint Venture	(Notes on Accounts)

i) Details of non-compliance by the company, penalties, strictures imposed by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last 3 years: NIL

iii) Non - Mandatory Requirements:

a. The Company maintains a Chairman's office at its expense.

b. MRPL being a Government Company, appointment and terms and conditions of remuneration of Executive Directors (whole-time directors) are determined by the President of India.

c. As the Company's Financial results are displayed on the website the half-yearly report is not sent to each Share-holder's residence.

d. There are no qualifications in the Auditor's report on the financial statements to the shareholders of the Company.

e. There is no formal policy at present for training of the Board members of the Company as the members of the Board are eminent and experienced professionals.

f. There is no formal mechanism existing in performance evaluation of non-executive directors.

g. Whistle Blower Policy: The Company has not formed any formal Whistle Blower Policy in view of the Central Vigilance Commission Machinery available and the Central Government Notification applicable to the Company, Company declares that no person has been denied access to Audit Committee.

iv) **Code of conduct for members of the board and senior management**

The Board at its meeting held on 30th January, 2006, has adopted a Code of Conduct ('Code') for Members of the Board and Senior Management. This Code is a comprehensive code applicable to Executive and Non- executive Directors as well as members of the Senior Management i.e. Managerial Personnel at the level of Senior General Manager and above of the Company. A copy of the Code has been placed on the Company's website www.mrpl.co.in

The Code has been circulated to all the members of the Board and Senior Management and compliance of the same has been affirmed by them. A declaration signed by Managing Director is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Members of Board and Senior Management, in respect of the financial year 2007-08.

R. Rajamani
Managing Director

v) **MRPL 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 "Code of Conduct for Prevention of Insider Trading". This Code is followed by all Designated Employees of the Company.

vi) **CEO & CFO Certification**

In terms of revised Clause 49 of the Listing Agreement, the certification by the CEO & CFO on the financial statements and internal controls relating to financial reporting has been obtained.

8. Means of Communication:

i) Newspapers in which: Economic Times (English), Quarterly results were Hindu Business Line (English), normally published Indian Express (English), Financial Express (English), Business Standard (English), Navbharat Times (Hindi), Udayavani (Kannada)

ii) Website where the : www.mrpl.co.in results are displayed

iii) Any presentation made to the institutional investors or to the analysts. : No

9. General shareholders information

20th Annual General Meeting

i) Date and time: 2nd August, 2008 3.30 P.M.
Venue Kuthethoor P.O.: Registered Office Mudapadav, Via Katipalla, Mangalore - 575 030

ii) Financial Year: 2007 - 2008

iii) Book Closure Date: 20.06.08 to 18.07.08 (both days inclusive)

iv) Dividend Payment Date: on or after 02.08.08

v) Listing on Stock: 1) Bombay Stock Exchange Exchange Ltd. (BSE)

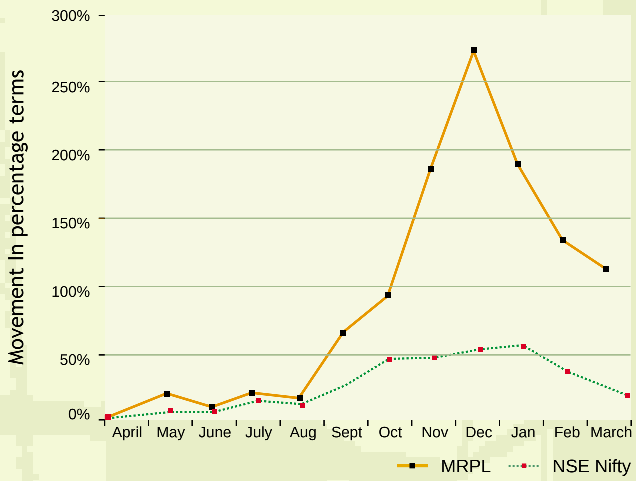
2) The National Stock Exchange of India Ltd. (NSE)
The Listing Fees for the year 2007-08 have been paid.

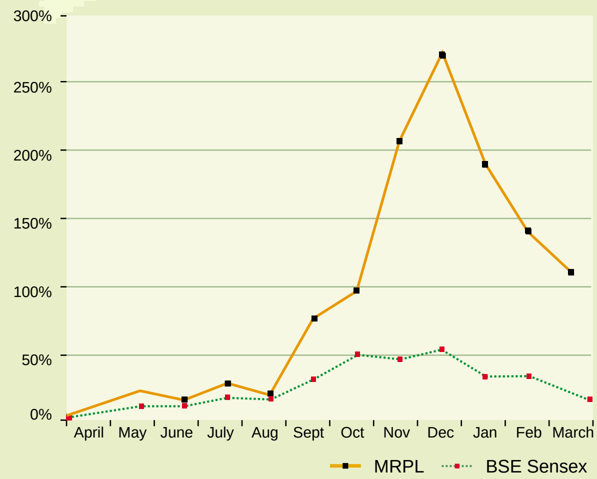
vi) Stock code
BSE : 500109
NSE : MRPL
Demat ISIN : INE103A01014

vii) Market Price Data

Month (2007-2008)	Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April 2007	41.25	32.00
May 2007	45.60	39.50
June 2007	42.60	37.85
July 2007	48.20	40.00
August 2007	44.00	39.55
September 2007	82.55	42.30
October 2007	87.00	53.00
November 2007	148.60	73.00
December 2007	146.70	121.20
January 2008	149.00	60.00
February 2008	96.30	75.55
March 2008	85.00	65.10

viii) Performance in comparison to broad based indices such as NSE NIFTY and BSE Sensex:





ix) Registrar and Transfer Agent: Company's R&T agent is M/s. MCS Ltd., Harmony, 1st Floor, Sector-1, Khanda Colony, New-Panvel (West), Raigad District, Maharashtra - 410 206.

x) Share transfer system: The share transfer work is being handled by Company's R&T agents, M/s. MCS Ltd., who are also having connectivity with the depositories viz. NSDL and CDSL. The transfers are approved by the Share transfer Committee on weekly basis. Share transfers are registered and despatched within a period of 30 days from the date of receipt provided they are completed in all respects.

xi) Distribution of Shareholding as on 31st March, 2008

No. of Equity Shares held	No. of shareholders holding shares in		No.of shares held in		% of Equity capital held in	
	Physical form	Demat Form	Physical Form	Demat Form	Physical form	Demat Form
1 - 500	286628	278939	51676398	49069812	2.95	2.80
501 - 1000	1416	17737	1090725	14323722	0.06	0.82
1001 - 2000	260	6373	382757	9676872	0.02	0.55
2001 - 3000	41	1719	101825	4421111	0.00	0.25
3001 - 4000	16	678	54908	2451927	0.00	0.14
4001 - 5000	24	560	112650	2668357	0.00	0.16
5001 - 10000	13	749	100050	5496917	0.00	0.32
10001 & above	11	532	297320268	1313954028	16.96	74.96
Total	**288409**	**307287**	**350839581**	**1402062746**	**20.00**	**80.00**

Shareholding Pattern as on 31st March, 2008

Particulars	No. of Shares	Percentage (%)
Oil and Natural Gas Corpn. Ltd.	1255354097	71.62
Hindustan Petroleum Corpn. Ltd.	297153518	16.95
Resident Individuals	135300738	7.72
Non Resident Individuals	10224114	0.59
Domestic Companies	17084189	0.97
Non Domestic Companies	8274278	0.47
GIC & Subsidiaries	14604602	0.83
Banks & Financial Institutions	14117894	0.81
Mutual Funds	786297	0.04
Central/State Govt. Institutions	2600	0.00
Total	**1752902327**	**100.00**

xii) Dematerialization of Shares and liquidity

As on 31st March 2008, 1402062746 equity shares representing 80%, is in dematerialised form. Trading in Equity shares of the Company is permitted only in dematerialized form w.e.f. February 15, 1999 as per the notification issued by Securities and Exchange Board of India.

xiii) Outstanding GDR/ ADR/ Warrants or any convertible instruments, conversion date and impact on equity: Nil

xiv) Plant Location: Mudapadav, Kuthethoor P.O. Via Katipalla, Mangalore - 575 030. Karnataka.

xv) **Address for Correspondence:**
Company's Investor Relations Dept.:
Mangalore Refinery and Petrochemicals Limited (MRPL)
Maker Tower, "F" Wing, 16th Floor, Cuffe Parade, Mumbai - 400 005.
Tel. No.: 022 - 22173000, Fax No.: 022 - 22173256 • E-mail: investor@mrplindia.com

Registrars & Share Transfer Agents:
M/s MCS Limited,
UNIT: MRPLHarmony, 1st Floor, Sector - 1, Khanda Colony,
New Panvel (West). Raigad District, Maharashta - 410 206.
Tel. No.: 27492003-10 • Email: mcspanvel@yahoo.co.in

Company's Registered Office:
Mangalore Refinery and Petrochemicals Limited (MRPL)
Mudapadav, Kuthethoor P.O., Via Katipalla,
Mangalore - 575 030. Karnataka.
Tel. No.:0824 - 2270400 Fax No.: 0824 - 2270013 • E-mail: mrplmlr@mrplindia.com

auditors' certificate on compliance of conditions of corporate governance

To

The Members,
Mangalore Refinery and Petrochemicals Limited,
Mangalore.

We have examined the compliance of conditions of corporate governance by M/s. Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2008, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Management, we certify that the Company has compiled with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement except relating to appointment of Independent Directors other than Government nominees on the Board of the Company, which is being pursued with the Ministry of Petroleum and Natural Gas, Government of India.

We state that no investor grievance is pending with the Company as at 31st March, 2008 for a period exceeding one month against the Company as per the certificate of the Registrar and Transfer Agents of the Company. 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 S. R. R. K. Sharma Associates
Chartered Accountants

(G. S. KRISHNA MURTHY)
Partner
M. No. 13841

Place: Bangalore
Date: May 28, 2008

auditors' report

To
The Members,
Mangalore Refinery and Petrochemicals Limited,
Mangalore

We have audited the attached Balance Sheet of **Mangalore Refinery and Petrochemicals Limited as at 31st March, 2008,** the Profit and Loss Account and the Cash Flow Statement for the year ended on that date together with the schedules annexed thereto which are in agreement with the books of account maintained. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) Amendment Order, 2004 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that:

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

   iii) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report read with the notes thereon are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.

   iv) Since the provisions of clause (g) of sub section (1) of Section 274 of the Companies Act are not applicable to your company, being a Government Company under the Act, no comments are offered on the question of disqualification of directors under the said provisions of the Act.

   v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes on accounts attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

      a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008.

      b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S. R. R. K. Sharma Associates
Chartered Accountants

(G. S. KRISHNA MURTHY)
Partner
M.No. 13841

Place: New Delhi
Date: 7th May, 2008

annexure to the auditors' report

(Referred to in paragraph 4 of our report of even date on the accounts of Mangalore Refinery and Petrochemicals Limited for the year ended 31st march 2008)

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies have been noticed on such verification.

   (c) The Company has not disposed off substantial part of fixed assets during the year.

2. (a) We are informed that the inventories of stores and spares are physically verified by the management on a continuing basis as per a programme of perpetual inventory. Inventories of other items have been physically verified at the year end, the frequency of which, in our opinion is reasonable, having regard to the size of the Company and nature of its business.

   (b) In our opinion and according to the explanation given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) The Company is maintaining proper records of inventory and as informed to us, discrepancies noticed on physical verification by the management, which are reported to be not material, same have been properly dealt with in the books of account of the Company.

3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 except for advance against share capital and hence we do not offer any comments thereon.

   (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, internal control procedures are fairly adequate, commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal controls.

5. According to the information and explanations given to us, Company has not entered into any transactions that need to be entered in a register maintained pursuant to Section 301 of the Companies Act, 1956.

6. The Company has not accepted any deposits from the public during the year and henc the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.

7. The Company has an internal audit system, the scope and coverage of which is commensurate with its size and nature of its business.

8. We have broadly reviewed the records maintained by the Company pursuant to the order by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for maintenance of Cost records in respect of the products of the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made detailed examination of these records with a view to determine whether they are accurate or complete.

9. (a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Investor Education and Protection Fund, Service Tax and other statutory dues with the appropriate authorities during the year except for interest demand on Electricity Tax under the Karnataka Electricity, (Taxation and Consumption) Act 2004 amounting to Rs. 4.42 million for which the company has requested for waiver. Pending final decisions by the Government the same remains unpaid. Except for the dues as above, there are no arrears of undisputed statutory dues of material nature outstanding for a period of more than 6 months from the date on which they became payable.

b) According to the information and explanations given to us and as per our verification of records of the Company, the following disputed amounts of tax not provided for in the accounts of the Company and not deposited with appropriate authorities as at 31st March, 2008.

Name of the statute	Nature of the dues	Amount (Rs. in million)	Period to which the amount relates (financial year)	Forum where dispute is pending
The Karnataka Sales Tax Act, 1957/Central Sales Tax Act, 1956/ The Karnataka Tax on Entry of Goods Act, 1979	Sales Tax/Entry Tax/Interest and Penalty	2,910.70	1993-2007	Commercial Tax Appellate Authorities/ Hon'ble High Court of Karnataka. Entry tax - Before Govt. of Karnataka for conciliation and settlement
Income Tax Act, 1961	Income Tax/ Interest/Penalty	833.84	1992-2002	Income Tax Appellate Authorities
Central Excise Act, 1944	Central Excise Duty/ Interest/ Penalty	132.08	1996-2007	Central Excise Appellate Authorities/ Ministry of Finance, Government of India
The Customs Act, 1962	Customs Duty	126.67	1996-2007	Customs Appellate Authorities

10. There are no accumulated losses at the end of the financial year. The Company has also not incurred cash losse during the year and in the immediately preceding financial year.

11. According to information and explanations given to us and as per our verification of the records of the Company, the Company has not defaulted repayment of dues to the financial institutions and banks.

12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

13. Since the Company not a Chit Fund/Nidhi/Mutual Benefit Fund / Society, the relative reporting requirements are not applicable.

14. Since the Company is not dealing or trading in shares, securities, debentures or other investments, the relative reporting requirements are not applicable.

15. According to the information and explanations given to us and as per the verification of the records of the Company, the terms and conditions of the guarantee given by the Company for the loans taken by New Mangalore Port Trust from banks and financial institutions are not prejudicial to the interest of the Company. Except for the above, Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. According to the information and explanations given to us, the Company has not availed any fresh term loans during the year.

17. According to the information and explanations given to us and as per the verification of the records of the Company, on an overall basis, the company has not utilized short term funds for long term purposes.

18. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.

19. The Company has not issued any debentures during the year.

20. The Company has not raised any money by public issues during the year.

21. According to the information and explanations given to us and as per the verification of the records of the Company, no fraud either on or by the Company having a material financial impact has been noticed or reported during the year.

For S. R. R. K. SHARMA ASSOCIATES
Chartered Accountants

(G. S. KRISHNA MURTHY)
Partner
M.No. 13841

Place: New Delhi
Date: 7th May, 2008.

balance sheet as at 31st march, 2008

(Rupees in million)

	Schedule	As at 31st March, 2008	As at 31st March, 2007
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	**17,618.21**	17,618.04
Reserves and Surplus	B	**20,211.22**	9,949.92
LOAN FUNDS			
Secured Loans	C	**3,502.04**	4,378.23
Unsecured Loans	D	**17,078.64**	19,304.84
DEFERRED TAX LIABILITY (NET)		**5,307.79**	5,989.56
TOTAL		**63,717.90**	57,240.59
II. APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross Block		**73,716.39**	73,041.31
Less : Depreciation/ Amortisation		**33,988.12**	30,363.80
Net Block		**39,728.27**	42,677.51
Capital work-in-progress	F	**1,336.68**	987.09
		41,064.95	43,664.60
INVESTMENTS	G	**6,451.36**	272.80
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	H	**36,242.96**	24,982.71
Sundry Debtors	I	**22,047.03**	11,948.66
Cash and Bank Balances	J	**4,066.57**	1,328.97
Other Current Assets	K	**58.60**	18.38
Loans and Advances	L	**5,437.62**	6,285.09
		67,852.78	44,563.81
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	M	**46,853.66**	29,499.96
Provisions	N	**4,797.53**	1,760.66
		51,651.19	31,260.62
Net Current Assets		**16,201.59**	13,303.19
TOTAL		**63,717.90**	57,240.59
Significant Accounting Policies	S		
Notes on Accounts	T		

Schedules referred to above form part of the accounts
As per our report of even date attached

For and on behalf of the Board

For S. R. R. K. Sharma Associates
Chartered Accountants

G. S. Krishnamurthy
Partner
Membership No. 13841

New Delhi, 7th May, 2008

B. Sukumar
Company Secretary

R. S. Sharma
Chairman

R. Rajamani
Managing Director

L. K. Gupta
Director (Finance)

profit and loss account for the year ended 31st march, 2008

(Rupees in million)

	Schedule	As at 31st March, 2008	As at 31st March, 2007
INCOME			
Income from Operations			
Sale of Products (Gross)		**373,391.21**	322,081.28
Less : Excise Duty		**47,639.93**	37,435.19
Sale of Products (Net)		**325,751.28**	284,646.10.
Other Income	O	**2,115.59**	737.20
Increase in Stocks	P	**1,048.01**	7,983.22
		328,914.88	293,366.52
EXPENDITURE			
Raw Materials Consumed		**300,803.07**	271,072.55
Purchase of Trading Goods		**0.45**	-
Operating and Other Expenses	Q	**5,517.81**	5,710.81
		306,321.33	276,783.36
Profit for the year before Interest, Depreciation, Prior Period Adjustments and Tax		**22,593.55**	16,583.16
Interest & Finance Charges	R	**1,475.89**	2,145.26
Depreciation/ Amortisation		**3,778.18**	3,548.56
Profit Before Prior Period and Tax		**17,339.48**	10,889.34
Adjustments Related to Prior Period (net)		**7.65**	(0.21)
Profit Before Tax		**17,331.83**	10,889.55
Provision for Wealth Tax		**2.80**	1.40
Provision for Income Tax			
- Current Tax		**5,832.72**	715.00
- MAT Entitlement Credit receivable / adjusted		**(1,743.45)**	-
- Fringe Benefit Tax		**9.77**	8.53
- Prior Years' Tax adjustments		**1,189.48**	291.17
- Deferred Tax		**(681.77)**	4,618.22
Profit after Taxation		**12,722.28**	5,255.23
Balance of Profit brought forward from Previous year		**6,459.39**	2,844.82
Balance availaible for Appropriation		**19,181.67**	8,100.05
APPROPRIATIONS			
Proposed Dividend on Preference Shares		**0.01**	0.01
Proposed Dividend on Equity Shares		**2,103.48**	1,402.32
Corporate Dividend Tax		**357.49**	238.33
Transfer to General Reserve		**319.00**	-
Balance carried to Balance Sheet		**16,401.69**	6,459.39
Earnings per Share			
Basic (in Rs.)		7.26	3.00
Diluted (in Rs.)		6.69	2.76
Significant Accounting Policies	S		
Notes on Accounts	T		

Schedules referred to above form part of the accounts
As per our report of even date attached

For and on behalf of the Board

For S. R. R. K. Sharma Associates
Chartered Accountants

R. S. Sharma
Chairman

G. S. Krishnamurthy
Partner
Membership No. 13841

R. Rajamani
Managing Director

New Delhi, 7th May, 2008

B. Sukumar
Company Secretary

L. K. Gupta
Director (Finance)

cash flow statement for the year ended 31st march, 2008

(Rupees in million)

		For the year ended 31.03.2008	For the year ended 31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Profit Before Tax		**17,331.83**	10,889.55
Adjustments for :			
- Depreciation / Amortisation		**3,783.87**	3,548.35
- Loss/ (Profit) on sale of Fixed Assets		**50.10**	45.90
- Provisions Written back		**(6.44)**	(21.44)
- Provision for Doubtful recovery / Obsolete inventory		**62.06**	82.92
- Interest Expense		**1,475.89**	2,145.26
- Interest Income		**(509.74)**	(213.09)
Operating Profit before Working Capital changes		**22,187.57**	16,477.46
Adjustment for :			
- Trade and other receivables		**(17,026.21)**	(373.74)
- Inventories		**(11,291.14)**	(6,099.09)
- Trade payable and provisions		**24,805.39**	6,807.59
Cash generated from operations		**18,675.61**	16,812.22
- Direct taxes paid (net of refunds)		**(2,847.35)**	(1,016.11)
Cash flow before Prior Period items		**15,828.26**	15,796.11
- Prior Period items (cash items)		**1.96**	-
Net Cash flow from Operating Activities	(a)	**15,830.22**	15,796.11
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed assets		**(1,411.93)**	(1,841.07)
Sale of Fixed assets		**31.07**	5.62
Interest Income received		**461.43**	212.55
Investment in Associate company –			(0.02)
Investments		**(6,178.56)**	-
Net Cash flow from Investing Activities	(b)	**(7,098.00)**	(1,622.92)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Issue of Share Capital		**0.17**	-
Proceeds from Long Term Borrowings		**(527.69)**	(1,127.54)
Proceeds from Short Term Borrowings		**(2,355.57)**	(8,222.44)
Interest and Finance charges paid		**(1,487.80)**	(2,158.71)
Dividend and Dividend tax paid		**(1,640.66)**	(1,399.14)
Net Cash flow from Financing Activities	(c)	**(6,011.56)**	(12,907.83)
Net Increase / (Decrease) in Cash and Cash Equivalents (a+b+c)		**2,720.66**	1,265.36
Cash and Cash Equivalents as at the beginning of the year		**1,274.07**	8.71
Cash and Cash Equivalents as at the end of the year		**3,994.73**	1,274.07
		2,720.66	1,265.36

1) Cash and cash equivalents include cash, cheques in hand and balance with scheduled banks and excludes balances in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks / Govt. authorities Rs.71.84 million; (Previous year Rs. 54.90million)

2) Previous year's figures have been re-grouped / re-arranged wherever necessary to conform to the current year's presentation.

Schedules referred to above form part of the accounts
As per our report of even date attached

For and on behalf of the Board

For S. R. R. K. Sharma Associates
Chartered Accountants

G. S. Krishnamurthy
Partner
Membership No. 13841

New Delhi, 7th May, 2008

B. Sukumar
Company Secretary

R. S. Sharma
Chairman

R. Rajamani
Managing Director

L. K. Gupta
Director (Finance)

schedules forming part of the balance sheet

(Rupees in million)

	Schedule	As at 31st March, 2008	As at 31st March, 2007
SCHEDULE A :			
SHARE CAPITAL			
AUTHORISED			
1,900,000,000 Equity Shares of Rs.10 each (Previous Year 1,900,000,000 Equity Shares of Rs.10 each)	19,000.00		19,000.00
100,000,000 Non-Cumulative, Reedemable, Preference Share of Rs.10 each	1,000.00		1,000.00
(previous year 100,000,000 Preference Shares of Rs.10 each)		20,000.00	20,000.00
TOTAL		20,000.00	20,000.00
ISSUED, SUBSCRIBED AND PAID UP			
Equity Share Capital	17,529.02		17,529.02
1,752,902,327 (Previous year 1,752,902,327) Equity Shares of Rs. 10 each fully paid up [out of the above 1,255,354,097 numbers (Previous Year 1,255,354,097 numbers) held by ONGC Limited, the Holding Company)]			
Less: Allotment/Call money in arrears (from other than Directors)	2.67		2.84
		17,526.35	17,526.18
Preference Share Capital		91.86	91.86
9,186,242 (Previous year 9,186,242) 0.01% ,Non-Cumulative, Redeemable Preference Shares of Rs.10 each fully paid-up (Redeemable in two equal annual instalments on 1st July, 2011 and 1st July, 2012			
TOTAL		17,618.21	17,618.04
SCHEDULE B :			
RESERVES AND SURPLUS			
Securities Premium Account (as per last Balance Sheet)		3,490.53	3,490.53
General Reserve			
- Transferred from Profit and Loss account		319.00	-
Surplus in Profit and Loss account		16,401.69	6,459.39
TOTAL		20,211.22	9,949.92
SCHEDULE C:			
SECURED LOANS			
(a) Foreign Currency Term Loans			
– From Banks		1,531.14	2,677.95
(b) Rupee Term Loans			
– From Banks	753.03		753.03
– From Financial Institutions	725.30		725.30
		1,478.33	1,478.33
(c) Working Capital facilities from Banks		492.57	221.95
TOTAL		3,502.04	4,378.23

NOTES TO SCHEDULE C

1. Foreign Currency Term Loan from State Bank of India, Tokyo Branch of Rs. 1,426.27 million (previous year Rs. 2,334.62 million) is secured by the letter of comfort/ guarantees issued by the local bank in favour of the overseas lending branch. This letter of comforts/guarantees are secured by equitable mortgage/hypothecation of the Company's immovable and movable properties (save and except book debts) both present and future.

   Foreign Currency Term Loan from Bank of India, Tokyo Branch of Rs. 104.87 million (previous year Rs. 343.33 million) is secured by equitable mortgage/hypothecation of Company's immovable and movable properties (save and except book debts) both present & future.
2. Rupee Term Loans from Banks of Rs. 753.03 million (Previous year Rs. 753.03 million) and from Financial Institutions of Rs. 725.30 million (Previous Year Rs. 725.30 million) along with all interest, cost charges, expenses and other monies whatsoever payable to Lenders are secured/to be secured by :
   i) Equitable mortgage over the immovable properties, both present & future;
   ii) Hypothecation over the present and future movable properties;
   iii) These Rupee Term Loans are converted into Equity Shares in case of default in repayment of loans.
3. Working Capital Facilities from banks - are secured by way of hypothecation of Company's stocks of raw materials, finished goods, stock-in-process, stores, spares, components, book debts, outstanding monies receivable, claim, bills, contracts, engagements, securities, both present and future and further secured/to be secured by residual charge on Company's immovable and movable properties (save and except Current Assets) both present and future, ranking pari passu inter se.
4. Charges created/to be created in favour of lenders as referred to in note 1 & 2 shall rank pari passu inter se and are subject to the charge(s) created/ to be created by the Company in favour of its bankers on the company's stock of raw materials, semi-finished goods, consumable stores and book debts and such other movables as may be specifically permitted to secure its working capital requirements in the ordinary course of business.

schedule D

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
UNSECURED LOANS			
From Banks			
Foreign Currency Loans*		-	2,626.20
From Others			
From Holding Company	15,000.00		15,000.00
Sales Tax Deferment Loan	2,078.64		1,678.64
	17,078.64	16,678.64	
TOTAL		17,078.64	19,304.84
Amount repayble within one year		-	2,626.20

* Against Corporate Gaurantee given by Holding Company

schedule E

FIXED ASSETS

(Rupees in million)

PARTICULARS	REF. NOTE	GROSS BLOCK- AT COST				DEPRECIATION / IMPAIRMENT				NET BLOCK	
		As at 1.04.2007	Additions during the year	Sale Adjustments during the year	**As at 31.03.2008**	Upto 01.04.2007	Provided during the year	Deletions/ Adjustments during the year	**Upto 31.03.2008**	**As at 31.03.2008**	As at 31.03.2007
Land - Freehold		95.41	-	-	95.41	-	-	-	-	95.41	95.41
Land - Leasehold	1	228.91	2.80	-	231.71	2.05	1.80	-	3.85	227.86	226.86
Buildings		2,611.23	107.14	-	2,718.37	461.22	50.51	(0.04)	511.76	2,206.61	2,150.01
Plant & Machinery	2,3	69,899.06	863.69	358.32	70,404.42	29,778.90	3,707.88	83.03	33,403.75	37,000.67	40,120.16
Furniture & Fittings		66.44	18.03	1.46	83.00	39.16	5.31	1.01	43.46	39.54	27.28
Vehicles		76.95	115.59	31.29	161.25	19.32	10.49	6.96	22.85	138.40	57.63
Sub-total (A)		**72,978.00**	**1,107.24**	**391.08**	**73,694.17**	**30,300.65**	**3,775.98**	**90.96**	**33,985.67**	**39,708.49**	**42,677.35**
Assets not in use held for disposal (Net of Provision)		63.31	-	63.06	0.25	63.15	-	62.90	0.25	0.00	0.16
Sub-total (B)		**63.31**	**-**	**63.06**	**0.25**	**63.15**	**-**	**62.90**	**0.25**	**-**	**0.16**
Intangibles		-	21.98	-	21.98	-	2.20	-	2.20	19.78	-
Sub-total (C)		**-**	**21.98**	**-**	**21.98**	**-**	**2.20**	**-**	**2.20**	**19.78**	**-**
TOTAL A + B + C		**73,041.31**	**1,129.23**	**454.14**	**73,716.39**	**30,363.80**	**3,778.18**	**153.86**	**33,988.12**	**39,728.27**	**42,677.51**
Previous year		67,793.61	5,423.41	175.71	73,041.31	26,834.85	3,587.30	58.35	30,363.80	-	-

Notes

1) Includes an amount of Rs. 211.09 million which has not been amortised in view of the fact that eventually the ownership will get transferred to the Company on expiry of the lease period.
2) Includes an amount of Rs. 782.98 million (Previous Year Rs. 782.98 million) being Company's share of an asset jointly owned with another Company. [Net Block Rs. 286.09 million (Previous Year Rs. 327.44 million)].
3) Sale/adjustments during the year includes exchange difference, being net decrease in the value of foreign currency liability adjusted to the carrying cost of fixed assets Rs. 219.11 million (Previous year Rs. 39.67 million net decrease).

schedule F

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
CAPITAL WORK-IN-PROGRESS (Including Project and pre-operative expenses to be Capitalised appropriately)			
a) Capital Work-in-Progress	**1,425.13**		5,732.04
Less : Amount Capitalised to Fixed assets during the year	**794.42**		5,020.57
		630.71	711.47
b) Advances for Capital Expenditure		**660.74**	268.60
c) Project and Pre-operative expenditure to be Capitalised appropriately Opening balance	**7.02**		-
Payments to and Provision for Employees	**31.57**		6.75
Miscellaneous Expenses	**6.64**		0.27
		45.23	7.02
TOTAL (a+b+c)		**1,336.68**	**987.09**

schedule G

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
INVESTMENTS - AT COST			
Long Term Investments : Trade (Unquoted)			
a) 1,500 equity shares of Rs. 10 each of ONGC Mangalore Petrochemical Ltd. fully paid	0.02		0.02
b) 7% Oil Companies' Government of India Special Bonds, 2012 (27278 no of bonds, face value @ Rs. 10,000 each)	272.78		272.78
		272.80	272.80
Current Investments : Non-Trade (Unquoted) Investments in Units of UTI			
i) UTI Liquid Plus (5232355.535 units @ Rs. 1000.214)	5,233.48		
ii) UTI Liquid Cash Plan (927057.409 units @ Rs. 1019.4457) (During the year invested in UTI Growth Plan which was fully matured)	945.08	**6,178.56**	-
TOTAL		**6,451.36**	272.80

schedule H

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
INVENTORIES			
(As taken, valued and certified by the Management)			
Stores, Spares & Chemicals (including in transit Rs. 60.49 million; Previous Year Rs. 39.09 million)	874.93		718.16
Raw Materials (Including in Transit Rs. 5,553.92 million; previous year Rs. 5,106.61 million)	20,203.95		10,117.59
Stock-in-Process	1,473.30		1,480.12
Finished products	13,771.08		12,716.25
		36,323.26	25,032.12
Less: Provision for Non-Moving Items/ Stock Loss		**80.30**	49.41
TOTAL		**36,242.96**	24,982.71

schedule I

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
SUNDRY DEBTORS (Unsecured)			
Debts due for more than six months			
Considered Good	235.55		266.75
Considered Doubtful	271.01		167.41
		506.56	434.16
Others			
Considered Good	21,811.48		11,681.91
Considered Doubtful	0.80		73.23
	21,812.28		11,755.14
Less : Provision for Doubtful Debts	271.81		240.64
		21,540.47	11,514.50
TOTAL		**22,047.03**	11,948.66

schedule J

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
CASH & BANK BALANCES			
Cash balances including imprest**		**0.87**	0.30
Cheques in hand		**62.75**	22.07
Balance with Scheduled Banks In Current Accounts (Including Refund/Interest Accounts, etc.)	59.54		38.85
In Deposit Accounts (Including Under Lien/Pledge with Banks/Customs Authorities)	3,943.41		1,267.75
		4,002.95	1,306.60
** includes Gold Coins valued Rs. 0.38 million; (Previous year NIL)			
TOTAL		**4,066.57**	1,328.97

schedule K

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
OTHER CURRENT ASSETS		
Export entitlements receivable	-	8.09
Interest accrued	**58.60**	10.29
TOTAL	**58.60**	18.38

schedule L

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
LOANS AND ADVANCES			
Unsecured and Considered Good unless and otherwise stated			
Loan to Port Trust/ Employees		**528.80**	501.47
Advances recoverable in cash or in kind or for value to be received			
Considered good	4,578.53		5,285.21
Considered doubtful	1.57		1.28
		4,580.10	5,286.49
Less : Provision for doubtful advances	1.57		1.28
		4,578.53	5,285.21
Advance against Equity Share Capital		**211.51**	192.14
Balance with Customs, Port Trust, etc.		**80.07**	31.89
Other Deposits		**38.71**	31.81
Advance Income Tax /Wealth tax (Net of Provisions Rs. 2,292.31 million)		-	242.57
TOTAL		**5,437.62**	6,285.09

schedule M

(Rupees in million)

		As on 31st March, 2008	As on 31st March, 2007
CURRENT LIABILITIES			
Sundry Creditors			
Dues to SME's		-	2.74
Dues to Others	45,565.87		28,042.08
		45,565.87	28,044.82
Advance from Customers		**250.67**	212.92
Investor Education and Protection Fund (IEPF) shall be credited by:			
(a) Unpaid Dividend*	51.50		35.04
(b) Unpaid Matured Debentures*	82.25		117.01
(c) Interest accrued on above*	18.63		30.78
		152.38	182.83
Other Liabilities		**864.59**	1,034.22
Interest accrued but not due		**13.26**	25.17
Liability on Foreign Currency Forward Contracts	641.76		-
Less : Foreign Currency Receivables on Forward Contracts	634.87		-
		6.89	-
TOTAL		**46,853.66**	29,499.96

* Not due for payment to IEPF

schedule N

(Rupees in million)

		As on 31st March, 2008	As on 31st March, 2007
PROVISIONS			
For Taxation (Net of Advance tax Rs. 5,382.24 million)		**2,201.39**	-
For Retirement Benefits			
Gratuity	22.14		56.27
Leave Encashment	87.04		63.74
Post Retirement Medical & Other Retirement Benefits	11.78		-
Long Service Emblem	14.20		-
		135.16	120.01
For Proposed Dividends			
Preference Dividend	0.01		0.01
Equity Dividend	2,103.48		1,402.32
Corporate Dividend Tax	357.49		238.33
		2,460.98	1,640.66
TOTAL		**4,797.53**	1,760.66

schedule O

(Rupees in million)

	As on 31st March, 2008	As on 31st March, 2007
OTHER INCOME		
Interest (Gross)	**317.59**	194.00
(Tax deducted at source Rs. 51.18 million; previous year Rs. 32.19 million)		
Income from Investments		
Long Term Investments		
(Tax deducted at source : Nil; previous year : Nil)	**19.09**	19.09
Current Investments		
(Tax deducted at source : Nil; previous year : Nil)	**173.06**	-
Provision no longer required written back (net)	**6.44**	21.44
Other Miscellaneous Income	**224.55**	177.46
Exchange Fluctuations (net)	**1,374.86**	325.21
TOTAL	**2,115.59**	737.20

schedule P

(Rupees in million)

	As on 31st March, 2008	As on 31st March, 2007
INCREASE/(DECREASE) IN STOCKS		
Closing Stock		
Stock-in-Process	**1,473.30**	1,480.12
Finished Products	**13,771.08**	12,716.25
Less:	**15,244.38**	14,196.37
Opening stock		
Stock-in-Process	**1,480.12**	829.29
Finished products	**12,716.25**	5,383.86
	14,196.37	6,213.15
TOTAL	**1,048.01**	7,983.22

schedule Q

(Rupees in million)

		As on 31st March, 2008	As on 31st March, 2007
OPERATING AND OTHER EXPENSES			
Payment to and Provisions for Employees			
Salaries, Wages, Bonus & Gratuity	1,152.42		479.08
Contribution to PF & Other Funds	51.91		41.93
Staff Welfare Expenses	43.84		31.05
		1,248.17	552.06
Power & Fuel	13,359.69		10,707.78
Less: Own Consumption	13,321.52		10,666.83
		38.17	40.95
Repairs & Maintenance			
Plant & Machinery	484.88		413.82
Buildings	34.38		18.33
Others	123.26		93.24
		642.52	525.39
Stores, Spares and Chemicals Consumed		**345.06**	211.29
Packing Materials Consumed		**130.86**	119.14
Rent		**49.72**	42.90
Insurance		**97.25**	119.11
Rates & Taxes		**12.68**	10.28
Sales Tax		**2,150.00**	2,625.59
Excise Duty on Stocks (Net)		**92.82**	698.63
Directors' Sitting Fees		**0.19**	0.15
Loss on Sale/Provision for Fixed Assets (Net)		**8.51**	29.51
Provision for Doubtful Debts		**31.17**	59.52
Provision for Doubtful Advances		**0.29**	-
Provision for Non-Moving Stores & Spares		**30.89**	23.40
Miscellaneous Expenses		**639.51**	652.89
TOTAL		**5,517.81**	5,710.81

schedule R

(Rupees in million)

	As on 31st March, 2008	As on 31st March, 2007
INTEREST AND FINANCE CHARGES		
On Fixed Loans	1,195.91	1,297.65
Others	279.98	847.61
TOTAL	1,475.89	2,145.26

Schedules Forming Part of the Accounts

1 Basis of Presentation / Accounting

1.1 The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles, the provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India.

1.2 All income and expenses to the extent considered receivable / payable with reasonable certainty are accounted for on accrual basis.

2 Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

The difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3 Cash Flow Statement

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard -3 issued by the Institute of Chartered Accountants of India as required by the Securities and Exchange Board of India.

4 Fixed Assets

4.1 Land is stated at cost. Other Fixed assets are stated at cost less accumulated depreciation.

4.2 Spares received along with the Plant or Equipment and those purchased subsequently for specific machinery and having irregular use are capitalised.

4.3 During the period of construction, directly identifiable expenses are capitalised at the first instance and all other allocable expenses are capitalised proportionately on the basis of the value of the assets.

5 Impairment

Impairment of cash generating units / assets is ascertained and considered where the carrying cost exceeds the recoverable amount being the higher of net realisable amount and value in use.

6 Depreciation

6.1 Depreciation on Fixed Assets (including those taken on lease) is provided on Straight Line Method, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

6.2 Depreciation on amounts capitalised on account of foreign exchange fluctuation is provided prospectively over residual life of the assets.

6.3 Depreciation on spares having irregular use and purchased subsequent to the installation of specific machinery is provided prospectively over residual life of the specific machinery.

7 Intangible Assets

Cost incurred on intangible asset, resulting in future economic benefits are capitalised as intangible assets and amortised over the useful life of such assets.

8 Investments

Long term investments are valued at cost. Provision is made for any diminution, other than temporary, in the accounts. Current Investments are valued at lower of cost or fair value.

9 Inventories

Inventories are valued at lower of cost or net realisable value and the cost is determined as under :

9.1 Raw material - on First In First Out (FIFO) basis.

9.2 Finished Products - at Raw material and Conversion cost.

9.3 Stock-in-Process - at Raw material and Proportionate Conversion cost.

9.4 Stores, Spares and other trading Goods - on weighted average cost basis.

10 Sales

'Sale of Products' is inclusive of all statutory levies except Value Added Tax (VAT) and is net of discounts.

11 Claims

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments, as stipulated. All other claims and provisions are booked on the merits of each case.

12 Foreign Currency Transactions

Foreign Currency Transactions are accounted for at the exchange rates prevailing on the date of the transactions. The foreign currency assets/liabilities of monetary items are translated using the exchange rates prevailing on the Balance Sheet date. The exchange differences on settlement/translation are adjusted:

(i) to the cost of Fixed Assets, if the foreign currency liability relates to Fixed Assets imported from outside India, and

(ii) to the Profit and Loss Account in other cases. Wherever forward contracts are entered into, the exchange differences are dealt with in the Profit and Loss account over the period of the contracts.

13 Retirement Benefits

All short term employee benefits are recognised at their undiscounted amount in the accounting period in which they are incurred. Employee Benefits under defined contribution plans comprising of provident fund and superannuation fund are recognised on the undiscounted obligations of the company to contribute to the plan. The same is paid to Provident Fund Trust authorities and to Life Insurance Corporation of India respectively, which are expensed during the year.

Employee benefits under defined benefit plans comprising of Gratuity, leave encashment, long service emblem, post retirement medical benefits and other retirement benefits are recognised based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit Method. Actuarial liability in excess of respective plan assets is recognised during the year. Undiscounted amount of short term liability on account of un-availed leave is determined and provided for as at the year end. Provision for Gratuity as per actuarial valuation is funded with a separate trust.

14 Leases

Lease rentals in respect of finance lease are segregated into cost of assets and interest component by applying the implicit rate of return.

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

15 Borrowing Costs

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are charged to the Profit and Loss Account and /or to deferred revenue expenditure.

16 Research and Development expenditure

Capital expenditure on Research and Development is capitalised under the respective fixed assets. Revenue expenditure thereon is charged to Profit and Loss account.

17 Taxes on Income

Current tax/Fringe Benefit tax are determined as the amount of tax payable in respect of taxable income/deemed fringe benefits for the period. Deferred tax is recognised on timing differences between taxable and accounting income/expenditure that originates in one period and are capable of reversal in one or more subsequent period(s). Deferred Tax Asset is recognised on the basis of virtual/reasonable certainty about its realisability, as applicable.

18 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes.

1. Contingent Liabilities not provided for in respect of :

1.1 Corporate Guarantee given by the Company towards loan of Rs. 3,372.30 million sanctioned by certain bankers / financial institutions to New Mangalore Port Trust (NMPT) for construction of Jetties. Amount outstanding as at the close of the year is Rs. 230.27 million (Previous Year Rs. 469.82 million).

1.2 Claims against the Company not acknowledged as debt Rs. 457.35 million (Previous Year Rs. 474.69 million).

1.3 Disputed tax/Duty demands pending on appeal:

a) Income Tax: Rs. 833.84 million (Previous Year Rs. 219.11 million)

b) Commercial Tax: Rs. 3,381.72 million (Previous Year Rs. 3,731.71 million) - includes Rs. 474.16 million relating to projects (Previous Year Rs. 474.16 million). (Against this Rs. 471.02 million is paid under protest and included under loans & advances)

c) Excise Duty: Rs. 173.53 million (Previous Year Rs. 342.59 million): (Against this Rs. 41.45 million is paid under protest and is included under loans & advances

d) Customs Duty: Rs. 126.67 million (previous year Rs. 31.62 million).

1.4. The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 2,775.79 million (Previous Year Rs. 2,870 million).

2 Loans and Advances :

2.1 Loans to employees/Port Trust represents Loans to employees/port trust having repayment schedule of more than seven years, balance outstanding is Rs. 528.80 million (Previous Year Rs. 501.47 million).

2.2 Loans and advances include refund claims for Custom Duty on project imports Rs. 378.70 million (Previous year Rs. 378.70 million) and Central Sale Tax Rs. 309.32 million (Previous year 366.91 million). A further refund due towards Commercial Taxes Rs. 2,884.43 million is also included therein for which there is a matching liability to pay to customers on receipt of the refund which is included under sundry creditors - others.

3. Commercial Tax incentives:

a) The Company, as per the Government of Karnataka notification, is entitled to Sales Tax deferment loan as follows:

Refinery Project	Maximum Amount (Rs. in million)	Availment period	Repayment terms
Phase I (3 MMTPA)	400.00 per annum	11 years from the date of issue of notification viz, 29th August, 1998	11 annual instalments on year to year basis commencing from the date of completion of the deferment period
Phase II (6 MMTPA)	2,500.00 per annum*	14 years from the date of issue of notification viz.,14th August, 2000	14 annual instalments on year to year basis commencing from the date of completion of the deferment period.

*can also be availed as exemption of CST.

b) Sales tax deferment loan shown under Unsecured Loans includes a sum of Rs. 290.17 million (Previous Year Rs. 347.76 million) relating to CST on excise duty (refer note No. 2.2 above) for the years 2000-01 and 2001-02, which were earlier paid under protest and are now being claimed as sales tax deferment loan by the Company, in respect of which the assessments have been completed and refunds are due.

4. The Company has yet to receive response of its confirmation letters from some of the Sundry Debtors , Loans and Advances and Sundry Creditors. Reconciliation and adjustment will be effected on receipt of confirmations which in the opinion of the management will not be significant.

5. Accounting of State Level VAT

To fall in line with the Guidance note on accounting of State-level VAT issued by the Institute of Chartered Accountants of India, the company has changed its accounting policy on sale of products to exclude the state level VAT which was hitherto included in the sale of products. Consequently the sale of products and expenditure on sales tax are lower by Rs. 2,153.09 million (previous year Rs. 1,687.48 million)

6. **Provision for Wage Revision:**

The wage revision of management and non-management cadres is due effective from 01.01.07 and 01.04.07 respectively. During the year a provision of Rs. 165.00 million towards the said wage revision has been made on estimated basis.

7. Following expenses are included under other heads of expenses:
   a) Stores and spares consumed Rs. 339.56 million (Previous Year Rs. 245.48 million).
   b) Insurance Rs. 11.37 million (Previous year Rs. 18.14 million)

8. **Dues to Micro, Small & Medium enterprises:**

The classification of the suppliers under Micro, Small and Medium Enterprises Development Act, 2006 is made based on the submission of the registration certificate under the said Act by the suppliers. The outstanding to the Micro, Small & Medium Enterprises more than 16 days of closing date is NIL.

9. **Forward Contracts to cover Forex Risk:**

Forward contracts to the tune of US $ 208 million are outstanding as on 31st March, 2008, which were entered into, to hedge the risk of changes in foreign currency exchange rates on future export sales against existing long term export contract. The notional mark to market loss on these unexpired contracts as on 31st March, 2008, amounting to Rs. 120.47 million has not been considered in the financial statements. The actual loss/gain could vary and be determined only on settlement of the contract on their respective due dates.

10 **Employee Terminal Benefits:**

(A) Brief Description : A general description on the type of Defined Benefit Plans is as follows:

a) **Earned Leave Benefit (EL)**
Accrual - 32 days per year
Accumulation up to 300 days allowed
EL accumulated in excess of 60 days is allowed for encashment while in service

b) **Sick Leave (SL)**
Accrual - 10 days per year
Encashment while in service is not allowed
Encashment on retirement is permitted and entire accumulation is allowed for encashment

c) **Gratuity**
15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 3.50 lacs

d) **Long Service Emblem**
On completion of each milestone of service from the date of joining and also at the time of retirement, employees will be gifted with Gold Coin, weight depends on the milestone of service completed.

e) **Post Retirement Medical Benefits**
After retirement, on payment of one time employee's share of premium, the employee and his/her spouse will be covered under Group Medical Insurance. The cover amount depends on designation of employee at the time of retirement.

f) **Retirement Benefits**
At the time of superannuation, employees are entitled for travel, transportation of personal effects from their place of retirement to the new location upto certain limits depending on the designation of the employee at the time of retirement and one month's salary as settling allowance.

(B) The following contributions to Defined Contribution Plans are treated as expenses during the year:

(Rupees in million)

Defined Contribution Plan	Expenses recognised during 2007-08	Contribution for key Management Personnel
Employer's contribution to Provident Fund	32.07	0.26
Employer's contribution to Superannuation Fund	18.08	0.30

(C) The amount recognised in the Balance Sheet for post employment benefit plans are as under:

(Rupees in million)

Sl. No.	Particulars	Gratuity** (Funded)	Post Retirement Medical Benefits	Other Retirement Benefit
1.	Present value of Funded Obligation	78.41	-	-
2.	Fair Value of Plan Asset	56.27	-	-
3.	Present Value of Unfunded Obligation	22.14	6.67	5.11
4.	Unrecognized Past Service Cost	-	-	-
5.	Net Liability	78.41	6.67	5.11

(D) The amount included in the fair value of plan assets of gratuity fund are as follows:

(Rupees in million)

Defined Contribution Plan	Expenses Recognised during 2007-08
Reporting Enterprise's own financial instruments	Nil
Any Property occupied by, or other assets used by the reporting enterprise	Nil

(E) Reconciliation showing the movements during the period in the net liability recognised in the balance sheet:

(Rupees in million)

Sl. No.	Particulars	Gratuity** (Funded)	Post Retirement Medical Benefits	Other Retirement Benefit
1	Opening defined benefit obligation	56.27	6.11	-
2	Service Cost	5.44	0.44	0.11
3	Interest Cost	4.91	0.54	0.35
4	Actuarial losses (gains)	10.64	(0.34)	4.70
5	Exchange difference on foreign plans	-	-	-
6	Liability transfer in	1.86	-	
7	Benefits paid	(0.71)	(0.08)	(0.05)
8	Closing defined benefit obligation	78.41	6.67	5.11

(F) The total expenses recognised in the statement of profit and loss are as follows:

(Rupees in million)

Sl. No.	Particulars	Gratuity** (Funded)	Post Retirement Medical Benefits	Other Retirement Benefit
1	Current Service Cost	5.44	0.44	0.11
2	Interest on obligation	4.91	0.54	0.35
3	Expected return on plan assets	-	-	-
4	Net actuarial losses /	10.64	(0.34)	4.70
5	Past Service Cost	-	-	-
6	Losses / (Gains) on curtailments and settlements	-	-	-
7	Total included in 'employee benefit expenses'	20.99	0.64	5.16
8	Actual return on plan assets	-	-	-

(G) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

(Rupees in million)

Sl. No.	Particulars	Gratuity** (Funded)	Post Retirement Medical Benefits	Other Retirement Benefit
1	Discount Rate	8.00%	8.00%	8.00%
2	Expected return on plan assets previous	-	-	-
3	Expected return on plan assets Current	8.00%	-	-
4	Annual increase in premium of medclaim policy	-	5.00%	-
5	Annual increase in Salary	5.00%	-	5.00%

(H) ** The Opening liability towards employee Gratuity (i.e. as on 1.4.07) has been funded to the Gratuity Trust on 26th March, 2008

(I) Gratuity (Funded) Defined Benefit Obligation - Category of Plan Assets

(Rupees in million)

Sl. No.	Particulars	Amount (Rs. in million)	(%)
1	Government of India Bonds	14.5	25.79
2	Corporate Bonds	27.48	48.84
3	State Govt. Bonds	8.68	15.42
4	Others	5.60	9.95
5	Total	56.27	100.00

(J) Sensitivity of Post Retirement Medical Expenses

(Rupees in million)

Sl. No.	Particulars	Category
1	Change in Liability for 1% increase in discount rate	(1.02)
2	Change in Liability for 1% decrease in discount rate	1.28
3	Change in Service Cost for 1% increase in discount rate	(0.07)
4	Change in Service Cost for 1% increase in discount rate	0.08

11. Segment Reporting:

The Company is engaged in refining crude oil, all activities of the Company revolve around this business and the operations are mainly in India. As such there is no other reportable segment as defined by the Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

12. Information as per Accounting Standard (AS-18) on Related Party Disclosures is given below:

(a) The Company is a state controlled enterprise and the transactions with other state controlled enterprises are not required to be disclosed as per AS-18.

(b) Key Management Personnel:

Functional Directors:

(i) Shri R. Rajamani, Managing Director

(ii) Shri L. K. Gupta, Director (Finance)

Details of Transactions:

Remuneration to Directors

(U/s 198 of the Companies Act)

- Salaries & allowances — Rs. 2.44 million
- Contribution to Provident Fund — Rs. 0.57 million

- Other perquisite and benefit — Rs. 1.95 million

  (Excluding leave salary and gratuity since the same is not available for individual employees)
- Amount Outstanding — Nil

  The above figures include the following :

(1) Rs. 1.07 million towards payment of profit sharing for the earlier years

(2) Rs. 0.40 million towards DA difference of earlier years arose due to alignment of PSU scales vide Government Order No.41012/1/2004-CA dated 16.04.2008 and No. 41012/2/2004-CA dated 16.04.2008

(c) Related Party details:

(Rupees in million)

Name	Relationship	Nature of transaction	Total amount of Transactions	Amount Outstanding as on 31.03.08
ONGC Mangalore Travel related Petrochemicals Ltd.	Associate	Salary and expenses (reimbursable)	16.80	0.44
Shell MRPL Aviation Fuels & Services Pvt. Ltd.	Joint Venture	Sale of Assets	16.01	16.01
Mangalam Retail Services Ltd.	Joint Venture	Nil	Nil	Nil

13. Operating Leases:

i. The company has taken various premises under cancellable operating lease.

ii. These lease agreements are normally renewed on expiry of the term.

iii. Lease rental expenses for 2007-08 in respect of above operating leases are Rs. 37.80 million (previous year Rs. 32.28 million)

14. Basic and Diluted Earnings Per Share:

(Rupees in million)

	31.3.2008	31.3.2007
Numerator - Net Profit		
Basic	12,722.28	5,255.23
Diluted	12,722.28	5,255.23
Denominator-Average number of Equity Shares outstanding during the year		
Basic	1,752,902,327	1,752,902,327
Diluted	1,900,735,516	1,900,735,516
Nominal Value per share	Rs.10 each	Rs.10 each
Earnings Per Share		
Basic (in Rupees)	7.26	3.00
Diluted (in Rupees)	6.69	2.76
Reconciliation of Basic and Diluted Earnings		
Per Share Net Profit	12,722.28	5,255.23
Add interest on dilutive portion of loans (Net of tax)	12,722.28	5,255.23
Average No. of Equity shares	1752,902,327	1752,902,327
Number of shares in respect of loans having conversion clause	147,833,189	147,833,189
	1,900,735,516	1,900,735,516

15.1 Current Tax:

i) Provision for Current Tax is made in accordance with the provisions of the Income Tax Act, 1961.

ii) As per the Union Finance Bill 2008, the book profits to be determined for computing Minimum alternative Tax (MAT) shall stand increased by the provision for deferred tax liability debited to profit and loss account. This amendment is with retrospective effect from 1st April, 2001. Accordingly, the Company has made provision for such MAT liability for the assessment year 2004-05 to 2007-08 amounting to Rs. 1,189.48 million. Out of this provision, an amount of Rs. 699.18 million has been shown as MAT credit entitlement receivable against future years' tax liability.

15.2 Deferred Tax

The break up of net Deferred Tax Liability / Asset is as under:

(Rupees in million)

Particulars	As on 31.3.2008		As on 31.3.2007	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Timing differences on account of :				
Unabsorbed depreciation and allowances	-	-	2,141.40	-
Book and Income tax depreciation	-	8,213.17	-	8,589.61
Others	2905.38	-	458.65	-
Total	2,905.38	8,213.17	2,600.05	8,589.61
Net Deferred Tax Liability		5,307.79		5,989.56

16. Foreign Exchange exposures

(Rupees in million)

	31.03.2008		31.03.2007	
	Foreign Currency	Equivalent Rupees	Foreign Currency	Equivalent Rupees
a) Exposures which are hedged	US $ 16	641.76	NIL	NIL
(against export receivables)				

b) Foreign exchange exposures not hedged by Derivative instruments or otherwise (net) :

(Rupees in million)

Sl. No.	Particulars		31.3.2008		31.3.2007	
			Foreign Currency	Equivalent Rupees	Foreign Currency	Equivalent Rupees
1.	Imports	US $	610.32	24,479.40	432.74	18,940.90
2.	Creditors	Euro	0.70	44.68	-	-
3.	Creditors	GBP	-	-	0.02	1.82
4.	Exports	US $	178.12	7,144.39	136.70	5,901.34
5.	Loans	US $	38.51	1,544.64	122.76	5,373.35

17. Additional information pursuant to the provisions of paragraphs 3,4-C and 4-D of part II of Schedule-VI to the Companies Act, 1956.

(Rupees in million)

	2007-08		2006-07	
	Qty. (M.T)	**Value**	Qty. (M.T)	Value
Licensed Capacity	**Delicensed**		Delicensed	
Installed Capacity				
As certified by the Management and relied upon by the auditors	**9,690,000**	-	9,690,000	-
Opening stock of Petroleum products	**491,213**	**12,716.25**	221,786	5,383.86
Closing stock of Petroleum products	**363,581**	**13,771.08**	491,213	12,716.25
Actual production of Petroleum products *	**11,705,208**	-	11,712,539	-
Sale of Petroleum products	**11,832,840**	**373,391.21**	11,443,112	322,081.28
CIF value of imports				
Capital Goods	-	**6.69**	-	19.40
Raw materials - Direct	-	**252,450.62**	-	184,416.35
Stores, Spares and Chemicals	-	**261.92**	-	867.49
Expenditure in foreign currency (On actual payment basis)				
- Interest	-	**223.99**	-	860.83
- Others	-	**150.50**	-	134.59
Earnings in Foreign Currency - FOB value of exports (includes Rs. NIL million (previous year Rs. 2,066.65 million) through M/s. Bharat Petroleum Corporation Ltd)	-	**111,414.53**	-	116,152.70
Payment to Auditors				
- Audit Fees	-	**0.90**	-	0.90
- Tax Audit Fees	-	**0.18**	-	0.18
- For Certification	-	**0.43**	-	0.43
- Reimbursement of expenses	-	**0.31**	-	0.15

* Excludes own consumption: 771,016 MT (Previous year 732,253 MT)

18. Consumption of Raw Materials, Stores, Spares and Chemicals

	2007-08			2006-07		
	(in M.T.)	Value in	(%)	(in M.T.)	Value in	(%)
Raw Materials -Crude Oil						
- Imported	**10,748,806**	**253,514.45**	**84.28%**	9,135,488	192,712.62	71.09%
- Indigenous	**1,798,256**	**47,288.62**	**15.72%**	3,396,187	78,359.93	28.91%
	12,547,062	**300,803.07**		12,531,675	271,072.55	
Stores, Spares and Chemicals						
- Imported	**-**	**367.39**	**53.66%**	-	113.45	24.84%
- Indigenous	**-**	**317.23**	**46.34%**	-	343.32	75.16%
	-	**684.62**		-	456.77	

19. Number of non resident share holders and the dividend remitted : No. 23,754 (Previous year No. 25,608); Amount remitted Rs. 16.22 million (Previous year Rs. 10.92 million)

20. Previous year's figures have been re-grouped / re-arranged wherever necessary to conform to the current year's presentation.

Schedules referred to above form part of the accounts
As per our report of even date attached

For and on behalf of the Board

For S. R. R. K. Sharma Associates
Chartered Accountants

G. S. Krishnamurthy
Partner
Membership No. 13841

New Delhi, 7th May, 2008

B. Sukumar
Company Secretary

R. S. Sharma
Chairman

R. Rajamani
Managing Director

L. K. Gupta
Director (Finance)

balance sheet abstract and a company's general business profile

I. Registration Details

Registration No.	State Code	Balance Sheet Date
08/08959/1988	08	31st March, 2008

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue*	Right Issue	Bonus Issue	Private Placement
170	Nil	Nil	Nil

* Represents Realisation of Allotment/Call Money in Arrears

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	Total Assets
63,717,900	63,717,900

SOURCES OF FUNDS

Paid Up Capital	Reserves and Surplus	Secured Loans	Unsecured Loans	Defered Tax Liability
17,618,210	20,211,220	3,502,040	17,078,640	5,307,790

APPLICATION OF FUNDS

Net Fixed Assets	Investments	Net Current Assets
41,064,950	6,451,360	16,201,590

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	Total Expenditure	Profit/(Loss) Before Tax
325,751,280	310,535,039	17,331,830

Profit/(Loss) After Tax	Earnings Per Share	Dividend @ %
12,722,280	7.26	12.00

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (Itc Code)	Product Description
271019.30	High Speed Diesel Oil
271019.20	Fuel Oil
271011.19	Motor Spirit

Schedules referred to above form part of the accounts
As per our report of even date attached

For and on behalf of the Board

For S. R. R. K. Sharma Associates
Chartered Accountants

G. S. Krishnamurthy
Partner
Membership No. 13841

New Delhi, 7th May, 2008

R. S. Sharma
Chairman

R. Rajamani
Managing Director

B. Sukumar
Company Secretary

L. K. Gupta
Director (Finance)

CONSOLIDATED FINANCIAL STATEMENTS

Oil and Natural Gas Corporation Ltd.

ONGC Videsh Ltd.

Mangalore Refinery and Petrochemicals Ltd.

Report of the Auditors to the Board of Directors of Oil and Natural Gas Corporation Limited on the Consolidated Financial Statements of Oil and Natural Gas Corporation Limited, its Subsidiaries, Joint Ventures and Associates

We have audited the attached Consolidated Balance Sheet of Oil and Natural Gas Corporation Limited ("the Company"), subsidiaries, joint ventures and associates (hereinafter referred to as "Group") , as at March 31, 2008 and the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date and annexed thereto. These financial statements are the responsibility of the management of the company and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz., 'Consolidated Financial Statements', and Accounting Standard (AS) 23, viz., 'Accounting for Investment in Associates in Consolidated Financial Statements' and Accounting Standard (AS) 27, viz., 'Financial Reporting of interest in Joint Ventures', issued by the Institute of Chartered Accountants of India.

3. These include company's share in the total value of assets, liabilities, expenditure, income and net profit of 103 NELPs /Joint Ventures (JVs) accounts for exploration and production out of which 91 NELPs /JVs accounts have been certified by other firms of Chartered Accountants and remaining 12 NELPs/JVs are as certified by the management.

4. We did not audit the financial statements of the following Joint Venture companies.

(Rupees in million)

Name of Joint Venture	Company's share of Total Assets	Company's share of Total Revenue
Petronet LNG Ltd.	5,034.13	8,261.11
Petronet MHB Ltd.	1,413.67	165.83
ONGC Petro Additions Ltd.	570.56	NIL
Mangalore SEZ Ltd.	1,015.78	NIL
ONGC Mangalore Petrochemicals Ltd.	1,003.58	NIL
ONGC Tripura Power Company Pvt. Ltd.	121.61	0.06
ONGC Teri Biotech Ltd.	0.26	NIL

These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these respective Joint Venture companies is based solely on the report of the respective auditors.

5. We did not audit the financial statements of the subsidiary namely Mangalore Refinery and Petrochemicals Limited, whose financial statements reflect total assets of Rs. 115,369.09 million as at March 31, 2008 and total revenues of Rs. 327,866.87 million and net cash flow amounting to Rs 2,720.66 million for the year ended on that date. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of those auditors.

6. We did not audit the consolidated financial statements of the subsidiary namely ONGC Videsh Limited (OVL), whose financial statements reflect total assets of Rs. 213,938.15 million as at 31st March, 2008 and total revenues of Rs. 169,540.34 million and net cash flow amounting to Rs 9,438.63 million for the year ended on that date. These consolidated financial statement of OVL audited by other auditors whose consolidated report have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the above is based solely on the report of those auditors. This consolidated financial statement of OVL comprises of:

(a) Financial statement of following subsidiaries/ Joint Venture Companies which are prepared under respective local laws / Production Sharing Contract/ Joint Operating Agreement, in so far as it relates to the amount of JV's in subsidiaries.

(Rupees in million)

Particulars	Total Asset	Total Liability	Revenue	Expenditure
Subsidiaries (Audited by local firm of auditors)				
ONGC Nile Ganga BV	89,713.36	22,113.81	94,654.01	79,357.67
ONGC Narmada Ltd.	536.79	793.47	12.21	105.89
ONGC Amazon Alaknanda Ltd.	22,174.44	1,563.91	5,270.70	2,537.47
JV Company (Unaudited) and certified by the management				
ONGC Mittal Energy Ltd.	6,507.84	4,492.31	35.45	26.14

(b) Company's share of Assets, Liabilities, Revenues and Expenditure in the Joint Ventures of OVL include 5 projects (held in the books of the respective Subsidiary/Joint venture as mentioned in 6(a) above) and 10 projects which have been certified under respective local laws / Production Sharing Contract / Joint Operating Agreement by local audit firm and 7 projects have been certified by the management as detailed in note 15.1.8 of Schedule 29.

7. For the purpose of consolidation, financial statement of Pawan Hans Helicopters Ltd, an associate, the share of profit of Rs. 20.50 million has been considered for the year ended 31st March, 2007 in the absence of financials for the year ended 31st March 2008. We did not audit the financial statements of this associate which have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this associate, is based solely on the report of the other auditors.

8. Categorization of wells as exploratory/ development and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, projects in progress are made according to evaluation by the management, technical and /or otherwise on which we have placed reliance.

9. The auditors of ONGC Nile Ganga B.V., have reported that the goodwill amounting to Rs. 5,041 million has not been tested for impairment. This goodwill pertains to participating interest acquired in BC-10 Project, Brazil. The BC-10 project is under development and production is scheduled to commence in June 2009.

10. Subject to comments in Para 7 and 9 above with consequential aggregate effects on the profit for the year, reserves and surplus and net assets, the quantification of which could not be determined, we report that on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiaries, joint ventures and associates and certification of management in respect of unaudited accounts referred to in Para 3 and 6 above, we are of the opinion that the consolidated financial statements read with notes to accounts and in particular Note 7 of Schedule 29 in respect of recognition of Sales Revenue in respect of crude oil and natural gas give a true and fair view in conformity with the accounting principles generally accepted in India:

a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Group as at 31st March, 2008; and

b. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Group for the year ended on that date; and

c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For K. K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem. No. 07737)

For S. C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem. No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem.No. 50773)

For P. S.D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem. No. 13216)

New Delhi
25th June , 2008

consolidated balance sheet as at 31st march, 2008

(Rupees in million)

	Schedule		As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	21,388.87		21,388.87
Call Money		145.79		27.59
Reserves and Surplus	2	759,331.47		645,719.28
			780,866.13	667,135.74
MINORITY INTEREST			11,448.30	8,320.57
LOAN FUNDS				
Secured Loans	3	5,890.34		6,556.69
Unsecured Loans	4	3,554.29	9,444.63	9,448.58
DEFERRED TAX LIABILITY (NET)			87,375.50	81,118.56
LIABILITY FOR ABANDONMENT COST			129,324.72	151,856.76
TOTAL			1,018,459.28	924,436.90
APPLICATION OF FUNDS				
GOODWILL ON CONSOLIDATION				
Gross		33,402.40		35,934.75
Less: Amortisation		7,625.12		5,318.41
NET			25,777.28	30,616.34
FIXED ASSETS	5			
Gross Block		736,384.96		671,590.53
Less: Depreciation And Impairment		542,423.94		486,235.49
NET BLOCK			193,961.02	185,355.04
CAPITAL WORKS-IN-PROGRESS (NET)	6		86,350.93	64,054.98
PRODUCING PROPERTIES	7			
Gross Cost		758,543.99		699,863.59
Less: Depletion and Impairment		395,829.94		348,122.66
NET PRODUCING PROPERTIES			362,714.05	351,740.93
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS (NET)	8		57,876.54	46,247.76
INVESTMENTS	9		44,821.36	35,832.26
CURRENT ASSETS, LOANS AND ADVANCES				
Interest Accrued	10	10,628.32		7,380.35
Inventories	11	72,984.82		58,743.49
Sundry Debtors	12	70,469.39		48,167.41
Cash and Bank Balances	13A	186,524.95		150,653.10
Deposit with Bank Under Site Restoration Fund Scheme	13B	64,033.51		56,102.86
Loans and Advances	14	70,680.46		67,356.01
Other Current Assets	15	23.51		1.40
		475,344.96		388,404.62
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	16	167,213.53		133,744.87
Provisions	17	67,912.55		49,210.97
		235,126.08		182,955.84
NET CURRENT ASSETS			240,218.88	205,448.78
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	18		6,739.22	5,140.81
TOTAL			1,018,459.28	924,436.90
SIGNIFICANT ACCOUNTING POLICIES	28			
NOTES TO THE ACCOUNTS	29			

Schedules referred to above form an integral part of the Accounts

For and On behalf of the Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S.Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
Chartered Accountants

K.K.Soni
Partner (Mem. No. 07737)

For S.C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem. No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem. No. 50773)

For P.S.D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem. No.13216)

New Delhi
25th June, 2008

consolidated profit and loss account for the year ended 31st march, 2008

(Rupees in million)

	Schedule	2007-08	2006-07
INCOME			
Gross Sales	19	1,018,349.12	862,761.76
Less : Excise Duty		50,527.37	40,146.28
Net Sales		967,821.75	822,615.48
Other Income	20	45,410.91	47,387.81
		1,013,232.66	870,003.29
Increase/(Decrease) in stock	21	1,100.87	9,815.26
		1,014,333.53	879,818.55
EXPENDITURE			
Purchases		0.45	0.00
Production, Transportation, Selling and Distribution Expenditure	22	555,353.38	470,485.72
Depreciation, Depletion and Amortisation	23	138,877.68	119,677.91
Financing Costs	24	2,152.71	(1,057.95)
Provisions and Write-offs (Net)	25	7,808.50	5,237.03
		704,192.72	594,342.71
Profit before Tax, Prior Period and Extraordinary Items		310,140.81	285,475.84
Adjustments relating to Prior Period (Net)	26	(930.09)	(12,754.57)
Extraordinary Items		0.00	4,750.61
Profit before Tax		309,210.72	277,471.88
Provision for Taxation			
- Current Tax (including Wealth Tax Rs. 39.05 million Previous year Rs. 34.95 million)		102,554.64	88,505.36
- For Earlier years		(2,681.63)	0.00
- Deferred Tax		6,499.42	9,399.58
- Fringe Benefit Tax		627.04	549.17
Profit after Taxation		202,211.25	179,017.77
Add: Share of Profit/(Loss) in Associates		20.50	102.05
Less: Share of Profit/(Loss)- Minority Interest		3,509.14	1,423.85
Group Profit after Tax		198,722.61	177,695.97
Surplus at the beginning		28,794.91	8,847.99
BALANCE AVAILABLE FOR APPROPRIATION		227,517.52	186,543.96
APPROPRIATIONS			
Proposed Dividend on Preferance Shares		0.01	0.01
Proposed Dividend on Equity Shares		29,944.22	27,805.34
Tax on Proposed Dividend		5,470.41	4,983.76
Interim Dividend		38,499.71	38,499.71
Tax on Interim Dividend		6,543.02	5,399.58
Transfer to General Reserve		88,070.59	81,061.34
Balance carried to Balance Sheet		58,989.56	28,794.22
		227,517.52	186,543.96
EARNINGS PER EQUITY SHARE	27		
(Face Value Rs. 10/-Per Share)			
Basic & Diluted (Amount in Rs.)			
- before extraordinary items (net of tax)		92.91	81.61
- after extraordinary items		92.91	83.08
SIGNIFICANT ACCOUNTING POLICIES	28		
NOTES TO THE ACCOUNTS	29		

Schedules referred to above form an integral part of the Accounts

For and On behalf of the Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S.Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
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For Padmanabhan Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem. No.13216)

New Delhi
25th June, 2008

schedule to the consolidated balance sheet

schedule 1

(Rupees in million)

		As at 31st March, 2008	As at 31st March, 2007
SHARE CAPITAL			
Authorised:			
15000,000,000 Equity Shares of Rs. 10 each		**150,000.00**	150,000.00
Issued and Subscribed:			
2138,891,502 Equity Shares of Rs. 10 each		**21,388.92**	21,388.92
Paid up :			
2138,872,530 Equity Shares of Rs. 10 each	**21,388.73**		21,388.73
Add: Shares forfeited	**0.14**		0.14
		21,388.87	
TOTAL		**21,388.87**	21,388.87

Notes : The above includes:

(i) 342,853,716 Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993.

(ii) 1,789,397,876 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve and Securities Premium.

(iii) Shares forfeited during the year NIL (Previous year 18,972 Equity Shares)

schedule to the consolidated balance sheet

schedule 2

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
RESERVES AND SURPLUS				
Capital Reserve*		**931.18**		333.52
Deferred Government Grant				
a) Opening Balance	**57.52**			38.11
b) Addition during the year	**6.14**			25.97
c) Deduction during the year**	**11.91**			6.56
		51.75		57.52
Securities Premium Account***				
a) Opening Balance	**144.33**			1,869.65
b) Capitalisation by issue of bonus shares	**0.00**			1,725.32
	144.33			144.33
Premium on Foreign Currency Bonds	**168.12**	**312.45**		168.12
Insurance Reserve		**2,500.00**		2,500.00
General Reserve				
a) Opening Balance	**617,041.89**		541,774.08	
b) Less: Adjustment for Post Retirement Benefit & Terminal Benefit as on 01.04.2006	**0.00**		389.28	
c) Less: Capitalisation by issue of bonus shares	**0.00**		5,404.25	
d) Transferred from Profit and Loss Account	**88,070.59**		81,061.34	
		705,112.48		617,041.89
Foreign Exchange Translation Reserve		**(8,565.95)**		(3,320.32)
Profit and Loss Account		**58,989.56**		28,794.22
TOTAL		**759,331.47**		645,719.28

Note : Includes Rs. 668.36 million share of jointly controlled entity. (Previous year Rs. 158.79 million)

* Includes Rs. 159.44 million being assesed value of assets received as gift.

** Represents the amount equivalent to Depreciation for the year transferred to Profit & Loss Account.

*** Securities premium account is credited only on receipt basis.

schedule to the consolidated balance sheet

schedule 3

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
SECURED LOANS				
(a) Foreign Currency Term Loans				
- From Banks		**1,531.14**		2,677.95
(b) Rupee Term Loans				
- From Banks	**2,907.51**		2,682.00	
- From Financial Institutions	**725.30**		725.30	
- From Others	**233.82**	**3,866.63**	249.49	3,656.79
(c) Working Capital facilities				
- Rupee Loans from Banks		**492.57**		221.95
TOTAL		**5,890.34**		6,556.69

Note: Includes Rs. 2,388.30 million share of jointly controlled entity. (Previous year Rs. 2,178.46 million)

schedule 4

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
UNSECURED LOANS		
(a) Long Term		
Oil Industry Development Board	**0.00**	202.18
Foreign Currency Loans:		
- From Banks/Financial Institutions	**369.42**	3,119.93
Scheduled Banks	**0.00**	0.37
Sales Tax Deferment Loan	**2,078.64**	1,678.64
(b) Line of Credit		
- From a Bank	**0.00**	0.00
(c) Non - Recourse deferred credit (Foregin Currency Loan) (in respect of Joint Venture)	**1,089.32**	1,405.98
(d) Cash credit		
- Bodies Corporate	**0.01**	0.00
- From a Bank	**0.00**	3,041.48
(e) Others Loans (including interest accrued amounting to Rs. 9.89 million)	**16.90**	0.00
TOTAL	**3,554.29**	9,448.58
Long term includes Repayable within one year	**296.57**	3,221.18

Note: Includes Rs. 16.90 million share of jointly controlled entity. (Previous year Rs. 598.04 million)

schedule to the consolidated balance sheet
schedule 5

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION AND IMPAIRMENT						NET BLOCK	
	As at 1st April, 2007	Additions during the year	Deletions/ Adjustments during the year	**As at 31st March, 2008**	Upto 31st March, 2007	For the year	Impairment Loss Charged	Impairment Loss Reversed	Deletions/ Adjustments during the year	**Upto 31st March, 2008**	**As at 31st March, 2008**	As at 31st March, 2007
Land												
i) Freehold	1,642.59	395.80	0.26	**2,038.13**	38.06	0.00	0.00	0.00	0.26	**37.80**	**2,000.33**	1,604.53
ii) Leasehold	4,644.76	1,238.13	0.00	**5,882.89**	224.79	34.64	0.00	0.00	0.00	**259.43**	**5,623.46**	4,419.97
Buildings and Bunk Houses	15,701.61	2,653.14	(0.37)	**18,355.12**	6,640.98	545.19	0.00	0.00	3.23	**7,182.94**	**11,172.18**	9,060.63
Railway Sidings	134.62	0.00	0.00	**134.62**	79.66	1.58	0.00	0.00	0.00	**81.24**	**53.38**	54.96
Plant and Machinery												
i) Owned	631,694.98	55,448.62	2,129.96	**685,013.64**	469,620.69	50,501.86	44.75	15.27	1,726.84	**518,425.19**	**166,588.45**	162,074.29
ii) Taken on Lease	428.13	0.00	0.00	**428.13**	0.00	0.00	0.00	0.00	0.00	**0.00**	**428.13**	428.13
Furniture and Fittings	8,624.57	6,231.42	274.41	**14,581.58**	3,378.17	5,752.67	1.00	0.00	101.30	**9,030.54**	**5,551.04**	5,246.40
Vehicles,Survey Ships, Crew Boats,Aircrafts and Helicopters	5,339.63	777.74	152.11	**5,965.26**	4,107.51	569.58	0.00	0.00	123.94	**4,553.15**	**1,412.11**	1,232.12
	668,210.89	66,744.85	2,556.37	**732,399.37**	484,089.86	57,405.52	45.75	15.27	1,955.57	**539,570.29**	**192,829.08**	184,121.03
Intangibles	3,379.64	614.46	8.51	**3,985.59**	2,145.63	711.77	0.00	0.00	3.75	**2,853.65**	**1,131.94**	1,234.01
TOTAL	671,590.53	67,359.31	2,564.88	**736,384.96**	486,235.49	58,117.29	45.75	15.27	1,959.32	**542,423.94**	**193,961.02**	185,355.04
Previous year	577,057.66	96,089.25	1,556.38	**671,590.53**	438,251.86	43,372.71	382.61	211.19	(4,439.50)	**486,235.49**	**185,355.04**	
The above includes the Company's share in Joint Venture Assets	80,628.13	30,257.52	49.47	**110,836.18**	26,981.18	30,642.62	0.00	15.27	15.36	**57,593.17**	**53,243.01**	
Previous year	31,586.24	49,156.60	114.87	**80,628.13**	20,124.44	7,111.16	15.27	210.46	59.23	**26,981.18**	**53,646.95**	

Notes:

1. Additions to Plant and Machinery are net of Rs. 390.84 million on account of foreign currency translation adjustment during the year (Previous year Rs. 306.13 million on account of exchange gain).
2. Land includes land in respect of certain projects for which execution of lease/conveyance deeds are in process.
3. Registration of title deeds in respect of certain Buildings is pending execution.
4. Plant & Machinery-owned includes an amount of Rs. 782.98 million (Previous year Rs. 782.98 million) being MRPL shares of an asset owned together with another company.
5. Net Fixed Assets include Rs. 3,920.27 million share of jointly controlled entity. (Previous year Rs. 3,525.72 million)
6. Depreciation for the year includes Rs. 81.79 milliion taken to prior period. (Previous year Rs. 154.66 milliion)
7. Addition includes the opening balance of Rs. 0.39 million of gross block of M/s. ONGC Tripura Power Company Pvt. Ltd.
8. Intangible - Softwares are amortized @ of 40% on Written Down Value (WDV) Method.

schedule to the consolidated balance sheet

schedule 6

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
CAPITAL WORKS-IN-PROGRESS				
Buildings		**2,441.81**		69.98
Plant and Machinery		**67,897.23**		45,926.40
Overseas Projects		**11,687.84**		1,150.50
Advances for Capital Works and Progress Payments		**2,087.82**		2,269.63
Capital Stores (including in transit)	**1,346.34**		2,182.00	
Less: Provision for Non Moving Items	**56.60**	**1,289.74**	81.97	2100.03
Others		**1,351.64**		13,097.44
TOTAL		**86,756.08**		64,613.98
Less : Impairment				
Opening balance		**559.00**		99.16
Impairment provided for the year		**39.15**		460.35
Transfer to Fixed Assets		**(160.10)**		(0.51)
Write back during the year		**(32.90)**		0.00
TOTAL		**405.15**		559.00
NET CAPITAL WORKS-IN-PROGRESS		**86,350.93**		64,054.98

Note: Includes Rs. 1,774.74 million share of jointly controlled entity.(Previous year Rs. 668.12 million)

schedule 7

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	**699,863.59**	612,910.07
Acquisition Cost	**0.00**	2,333.77
Expenditure during the year	**6,063.95**	21,106.94
Depreciation on facilities	**17,147.91**	11,313.74
Transfer from Exploratory Wells-in-Progress	**3,593.84**	3,038.18
Transfer from Development Wells-in-Progress	**60,297.52**	31,530.61
Estimated Abandonment cost	**(22,464.56)**	20,460.81
Foreign Currency Translation Adjustments	**(5,319.34)**	717.18
Deletion/Adjustments	**(638.92)**	(3,547.71)
TOTAL (Gross)	**758,543.99**	699,863.59
Less: Depletion & Impairment		
Opening Balance	**348,122.66**	300,270.94
Depletion for the Year	**49,258.52**	46,438.62
Transfer of Impairment from Development Wells in Progress	**145.44**	0.00
Foreign Currency Translation Adjustments	**(1,190.02)**	(333.33)
Deletion/Adjustments	**(0.15)**	1,019.12
Impairment provided for the year	**0.00**	859.15
Write back during the year	**(506.51)**	(131.84)
TOTAL	**395,829.94**	348,122.66
NET PRODUCING PROPERTIES	**362,714.05**	351,740.93

schedule to the consolidated balance sheet
schedule 8

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS				
A) EXPLORATORY WELLS-IN-PROGRESS				
Gross Cost				
Opening Balance		**34,306.66**		25,495.05
Expenditure during the year	**38,232.41**		35,289.11	
Less : Sale proceeds of Oil and Gas (Net of levies)	**13.63**	**38,218.78**	19.90	35,269.21
Add: Well written back		**0.00**		1,353.69
		72,525.44		62,117.95
Less :				
Transfer to Producing Properties		**3,593.84**		3,038.18
Wells written off during the year		**22,267.79**		23,478.90
Other Adjustments		**392.22**		1,287.93
Provision for Dry Wells		**6,104.80**		0.00
		32,358.65		27,805.01
Foreign Currency Translation Adjustments		**202.77**		(6.28)
EXPLORATORY WELLS-IN-PROGRESS		**40,369.56**		34,306.66
B) DEVELOPMENT WELLS-IN-PROGRESS				
Opening Balance		**12,346.76**		14,854.02
Expenditure during the year		**65,363.92**		32,074.45
Other Adjustments		**272.02**		(2,989.98)
Less: Transfer to Producing Properties		**60,297.52**		31,530.61
		17,685.18		12,407.88
Less : Impairment				
Opening balance		**405.66**		35.22
Transfer to Producing Properties		**(145.44)**		0.00
Provision for the year		**0.00**		370.44
		260.22		405.66
Foreign Currency Translation Adjustments		**82.02**		(61.12)
NET DEVELOPMENT WELLS-IN-PROGRESS		**17,506.98**		11,941.10
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)		**57,876.54**		46,247.76

Note: Includes Rs. 4,459.90 million share of jointly controlled entity. (Previous year NIL)

schedule to the consolidated balance sheet

schedule 9

(Rupees in million)

	No. of Shares/ Bonds/Units	Face Value Per Share/Bond/ Unit(in Rs)	As at 31st March, 2008	As at 31st March, 2007
INVESTMENTS				
LONG TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1. Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	**13,720.49**	13,720.49
ii) GAIL (India) Limited	40,839,549	10	**2,451.06**	2,451.06
2. Equity Shares (Unquoted)				
Investment in Associates				
i) Pawan Hans Helicopters Limited	24,500	10,000	**911.45**	964.45
Investment in Others				
i) Oil Spill Response Limited.	100	*	**0.01**	0.01
ii) ONGC Mangalore Petrochemicals Limited.	1,500	10	**0.02**	0.02
iii) Investment in Adani Petronet (Dahej) Port Pvt. Limited.	2,649,375	10	**26.50**	0.00
3. Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 5% Oil companies' Government of India Special Bonds 2009	257,600	10,000	**2,576.00**	2,576.00
ii) 6.96% Government of India transferable Special Bonds 2009	698,037	10,000	**6,980.37**	6,980.37
iii) 7% Government of India Special Bonds 2012	879,185	10,000	**8,791.85**	8,791.85
iv) 8.40% Oil Companies' Govt. of India Special Bonds 2025	197,370	10,000	**1,973.70**	0.00
TOTAL TRADE INVESTMENTS			**37,431.45**	35,484.25
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan-2011	1	500,000	**0.50**	0.50
Mutual Funds			**7,389.41**	347.51
TOTAL NON TRADE INVESTMENTS			**7,389.91**	348.01
GRAND TOTAL			**44,821.36**	35,832.26
Total Quoted Investments			**16,171.55**	16,171.55
Total Unquoted Investments			**28,649.81**	19,660.71
			44,821.36	35,832.26
Total Market value of Quoted Investments			**64,805.37**	99,798.07

*UKP one each, total value Rs. 6,885/-

Note: Includes Rs. 1,237.35 million share of jointly controlled entity. (Previous year Rs. 347.51 million)

schedule to the consolidated balance sheet

schedule 10

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
- Investments	**42.20**	40.81
- Deposits with Banks/Financial Institutions	**7,701.39**	4,531.42
- Others		
- Considered Good	**2,884.73**	2,808.12
- Considered Doubtful	**1.34**	101.54
	10,629.66	7,481.89
Less : Provision	**1.34**	101.54
TOTAL	**10,628.32**	7,380.35

Note: Includes Rs. 12.07 million share of jointly controlled entity. (Previous year Rs. 1.87 million)

schedule 11

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
INVENTORIES				
(As verified and valued by the Management)				
Finished Goods		**17,302.38**		16,482.23
Raw Material				
- on hand	**14,702.13**		5,212.34	
- in transit	**5,594.62**	**20,296.75**	5,150.31	10,362.65
Stock in Process		**1,473.30**		1,480.12
Stores and spare parts				
- on hand	**35,554.94**		30,943.95	
- in transit (including inter-project transfers)	**2,607.48**		2,995.49	
	38,162.42		33,939.44	
Less : Provision for Non Moving Inventories	**4,398.42**	**33,764.00**	3,681.92	30,257.52
Unserviceable Items		**148.39**		160.97
TOTAL		**72,984.82**		58,743.49

Note: Includes Rs. 145.56 million share of jointly controlled entity. (Previous year Rs. 294.08 million)

schedule to the consolidated balance sheet
schedule 12

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Debts		
Outstanding for a period exceeding six months :		
- Considered Good	**2,760.21**	3,552.84
- Considered Doubtful	**3,259.00**	3,102.51
Other debts :		
- Considered Good	**67,709.18**	44,614.57
- Considered Doubtful	**25.76**	288.63
	73,754.15	51,558.55
Less : Provision for Doubtful Debts	**3,284.76**	3,391.14
TOTAL	**70,469.39**	48,167.41

Note: Includes Rs. 444.48 million share of jointly controlled entity. (Previous year Rs. 999.91 million)

schedule to the consolidated balance sheet

schedule 13

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
A) CASH AND BANK BALANCES		
Cash balance on Hand*	**182.84**	890.09
Balances with Scheduled Banks in:		
Current Accounts	**4,394.92**	780.16
Margin Money Deposit Account	**0.01**	0.00
Fixed Deposits	**179,493.95**	145,686.16
Balances with Non-Scheduled Banks in:		
Current Accounts with Commerz Bank - Frankfurt (Maximum balance during the year Rs. 3.17 million Previous year Rs. 2.97 million.)	**2.97**	2.97
SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC Vietnam (Maximum balance during the year Rs. 548.54 million Previous year Rs. 756.34 million)	**0.08**	0.04
SB VND Account with Bank for Foreign Trade of Vietnam, HCMC Vitenam (Maximum balance during the year Rs. 545.74 million Previous year million Rs. 752.01 million)	**0.10**	0.02
Current Accounts (USD), CITI Bank, HCMC, Vietnam (Maximum balance during the year NIL Previous year Rs. 0.78 million)	**0.00**	0.06
Current Accounts (VND), CITI Bank, HCMC, Vietnam (Maximum balance during the year NIL Previous year Rs. 95.66 million)	**0.00**	0.29
Mashreq Bank, Khartoum, Sudan (Maximum balance during the year NIL Previous year Rs. 21.57 million)	**0.00**	4.70
Mashreq Bank (Sudanese Dinar Account), Khartoum, Sudan (Maximum balance during the year NIL Previous year Rs. 4.81 million)	**0.00**	23.00
Current Account (QAR) with HSBC Bank, Qatar (Maximum balance during the year Rs. 69.64 million Previous year Rs. 5.56 million)	**3.80**	0.50
Current Account (USD) with Banco Fincerio Internacionale SA, Cuba (Maximum balance during the year Rs. 4.77 million Previous year Rs. 1.59 million)	**1.52**	1.30
Deutche Bank AG, Amsterdam (Maximum balance during the year NIL Previous year Rs. 49.52 million)	**0.00**	0.16
Deutche Bank AG(GBP), Amsterdam (Maximum balance during the year NIL Previous year Rs.1,482.39 million)	**0.00**	6.18
ICICI Bank London- GBP (Maximum balance during the year NIL Previous year Rs. 6.65 million)	**0.00**	0.04
Current account with CITI Bank, London (Maximum balance during the year Rs. 185.86 million Previous year Rs. 397.73 million)	**185.86**	42.04
Current Account (USD)with ABN Amro Bank Sakhalin (Maximum balance during the year NIL Previous year Rs. 931.22 million)	**0.00**	81.18
Current Account (RBL)with ABN Amro Bank Sakhalin (Maximum balance during the year NIL Previous year Rs. 11.13 million)	**0.00**	0.10
Current Account (USD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 3.49 million Previous year Rs. 2.82 million)	**1.01**	1.35
Current Account (LDD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 2.43 million Previous year Rs. 2.22 million)	**0.32**	0.24
Current Account (USD) with City Bank, Lagos Nigeria (Maximum balance during the year NIL Previous year Rs. 26.69 million)	**0.00**	26.66
Current Account (Naira) with City Bank, Lagos Nigeria (Maximum balance during the year NIL Previous year Rs. 4.63 million)	**0.00**	2.29
Current Account EN Bank, Tehran (AED) (Maximum balance during the year Rs. 0.96 million Previous Year NIL)	**0.39**	0.00
Current Account EN Bank, Tehran (AED) (Maximum balance during the year Rs. 0.26 million Previous Year NIL)	**0.01**	0.00
Current Account Banco De Credito Helm Financial Service, Colombia (COP) (Maximum balance during the year Rs. 0.77 million Previous Year NIL)	**0.17**	0.00
Bank Balances (In respect of Joint ventures of OVL)	**2,257.00**	3,103.57
TOTAL	**186,524.95**	150,653.10
B) DEPOSIT WITH BANK UNDER SITE RESTORATION FUND SCHEME**	**64,033.51**	56,102.86

Note: Includes Rs. 1,252.32 million share of jointly controlled entity. (Previous year Rs. 1,319.24 million)

* Includes Cheques in hand Rs. 166.75 million (Previous year Rs. 22.07 million) and Gold Coins valued Rs. 0.38 million (Previous year NIL)

** Deposited u/s 33ABA of the Income Tax Act, 1961 and can be withdrawn only for the purposes specified in the Scheme.

schedule to the consolidated balance sheet

schedule 14

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
LOANS AND ADVANCES				
Loans to Public Sector Undertakings & Other Body Corporate		**1,922.34**		476.12
Advance against equity pending allotment		**2,203.46**		193.07
Loans and Advances to Employees		**9,653.25**		7,365.10
Advances Recoverable in Cash or in Kind or for Value to be received		**20,972.67**		30,425.73
Recoverable from Petroleum Planning & Analysis cell (PPAC)		**6.36**		476.81
Carry finance		**5,833.47**		1,218.71
OMEL-Loan for Nigeria Project		**13.96**		82.59
Insurance Claims		**349.29**		286.89
Investment in Lease		**5,368.05**		6,573.59
Deposits:				
a) With Customs/Port Trusts etc.		**650.16**		104.15
b) Others		**5,016.71**		6,654.02
		51,989.72		53,856.78
Less : Provision for Doubtful Claims/advances		**7,321.43**		2,526.77
		44,668.29		51,330.01
Income Tax :				
Advance payment of Income Tax (Including advance payment of Wealth Tax Rs. 27.34 million Previous year Rs. 24.54 million)	**190,701.44**		369,073.78	
Less : Provision (Including provision for Wealth Tax Rs. 91.04 million Previous year Rs. 68.00 million)	**164,689.27**	**26,012.17**	353,047.78	16,026.00
TOTAL		**70,680.46**		67,356.01
Particulars of loans and advances:				
Secured		**6,500.85**		6,683.78
Unsecured - Considered Good		**64,179.61**		60,672.23
- Considered Doubtful		**7,321.43**		2,526.77
		78,001.89		69,882.78
Less : Considered Doubtful and provided for		**7,321.43**		2,526.77
TOTAL		**70,680.46**		67,356.01

Notes:

1. Includes Rs. 2,419.95 million share of jointly controlled entity. (Previous year Rs. 170.01 million)
2. Loans to employees includes an amount of Rs. 1.90 million (Previous year Rs. 1.97 million) outstanding from whole time directors. Maximum amount outstanding during the year Rs. 2.78 million (Previous year Rs. 2.32 million)

schedule to the consolidated balance sheet

schedule 15

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
OTHER CURRENT ASSETS				
(Unsecured, Considered Good unless otherwise stated)				
Other Accounts pending adjustments				
- Considered Good	**23.51**			1.40
- Considered Doubtful	**968.31**			1,052.97
	991.82			1,054.37
Less : Provision for Doubtful Accounts	**968.31**			1,052.97
		23.51		1.40
TOTAL		**23.51**		1.40

Note : Includes Rs. 0.58 million share of jointly controlled entity.

schedule 16

(Rupees in million)

		As at 31st March, 2008		As at 31st March, 2007
CURRENT LIABILITIES				
Sundry Creditors for Supplies/Works :				
- Micro, Small & Medium Enterprises		**13.85**		0.00
- Other than Micro, Small & Medium Enterprises*		**98,334.35**		78,824.34
Liability for Royalty/Cess/Sales tax etc.		**13,698.71**		14,556.08
Unpaid Matured debentures**	**82.25**		117.01	
Unclaimed Interest on debentures**	**18.63**	**100.88**	30.78	147.79
Unclaimed Dividend**		**131.68**		119.40
Deposits-Suppliers, Contractors		**14,016.45**		14,015.47
Deferred Credit on Gas Sales		**5.42**		0.00
Other Liabilities		**40,796.21**		26,056.02
Liability on Foreign Currency Forward Contracts		**6.89**		0.00
Interest Accrued but not due on loans		**13.26**		25.77
Sundry Creditors for Supplies/Works : (in respect of Joint Ventures)		**95.83**		0.00
TOTAL		**167,213.53**		133,744.87

Note: Includes Rs. 1,642.05 million share of jointly controlled entity. (Previous year Rs. 805.49 million)

* Previous Year figure includes Rs. 7.37 million due to SSI units

** No amount is due for Payment to Investor Education and Protection Fund

schedule to the consolidated balance sheet

schedule 17

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
PROVISIONS		
Gratuity	**9,383.41**	520.94
Leave	**11,111.94**	6,246.51
Post Retirement Medical & Terminal Benefit	**11,237.86**	9,141.73
Others	**764.71**	512.68
Proposed Dividend	**29,944.22**	27,805.34
Tax on Proposed Dividend	**5,470.41**	4,983.77
TOTAL	**67,912.55**	49,210.97

Note: Includes Rs. 217.64 million share of jointly controlled entity. (Previous year Rs. 142.28 million)

schedule 18

(Rupees in million)

	As at 31st March, 2008	As at 31st March, 2007
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Dry Docking Charges	**5,901.42**	4,741.90
Other Expenditure	**837.80**	398.91
TOTAL	**6,739.22**	5,140.81

Note: Includes Rs. 0.20 million share of jointly controlled entity.

schedule 19

(Rupees in million)

		2007-08		2006-07
SALES				
Sales		**1,034,330.93**		876,120.43
Less :				
Transfer to Exploratory Wells in Progress	**16.30**		28.61	
Government of India's share in Profit Petroleum	**15,965.51**	**15,981.81**	13,340.87	13,369.48
		1,018,349.12		862,750.95
Price Revision Arrears		**0.00**		10.81
TOTAL		**1,018,349.12**		862,761.76

Note: Includes Rs. 8,353.76 million share of jointly controlled entity. (Previous year Rs. 6,886.19 million)

schedule to the consolidated balance sheet

schedule 20

(Rupees in million)

		2007-08		2006-07
OTHER INCOME				
Contractual Short Lifted Gas Receipts		**49.98**		56.52
Pipeline Transportation Receipts		**4,643.95**		3,350.85
Reimbursement from Govt. of India		**885.22**		11,597.86
Other Contractual Receipts		**1,773.01**		2,696.46
Lease Income		**352.36**		435.14
Income from Trade Investments :				
Dividend on Long term Investments	**1,709.47**		2,384.69	
Interest on Long Term Investments	**1,231.44**		1,230.06	
Profit on sale of Investment	**10.85**		19.41	
		2,951.76		3,634.16
Income from Non Trade Investments :				
Interest on Long Term Investments		**173.12**		0.06
Interest Income on :				
Deposits with Banks/Financial Institutions (Tax deducted at source Rs. 4,123.11 million Previous year Rs. 2,024.26 million)	**17,923.20**		10,275.50	
Loans and Advances to Employees	**314.70**		339.81	
Income Tax Refund	**787.67**		436.72	
Site Restoration Fund Deposit	**4,930.65**		3,767.30	
Carry Finance	**0.00**		1,493.41	
Delayed Payment from Customers and Others	**1,429.22**		1,198.71	
(Tax deducted at source Rs.136.22 million Previous year Rs. 103.11 million)		**25,385.44**		17,511.45
Excess Provisions written back		**1,037.66**		1,586.23
Liabilities no longer required written back		**1,247.54**		1,019.89
Miscellaneous Receipts		**6,910.87**		5,499.19
TOTAL		**45,410.91**		47,387.81

Note: Includes Rs. 108.69 million share of jointly controlled entity.(Previous year Rs. 76.15 million)

schedule 21

(Rupees in million)

		2007-08		2006-07
INCREASE/(DECREASE) IN STOCK				
Closing Stock				
Stock in Process	**1,473.30**		1,480.12	
Finished Products	**17,302.38**	**18,775.68**	16,242.26	17,722.38
Opening Stock				
Stock in Process	**1,480.12**		829.29	
Finished Products	**16,242.26**		7,097.84	
Less : Adjustment	**47.57**	**17,674.81**	20.01	7,907.12
NET INCREASE / (DECREASE) IN STOCK		**1,100.87**		9,815.26

schedule to the consolidated profit & loss account
schedule 22

(Rupees in million)

	2007-08	2006-07
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Royalty	**121,041.77**	104,479.27
Cess	**58,214.57**	59,257.08
Sales Tax	**2,946.54**	6,006.80
Natural Calamity Contingent Duty	**1,126.62**	1,148.92
Excise Duty on Stocks (Net)	**96.11**	757.01
Service Tax	**199.65**	123.37
Education Cess	**1,861.09**	1,303.44
Octroi and Port Trust Charges	**4,194.78**	3,231.71
Staff Expenditure	**13,282.62**	23,801.87
Workover Operations	**16,448.48**	14,020.05
Water Injection, Desalting and Demulsification	**7,085.74**	4,161.99
Consumption of Raw material, Stores and Spares & etc.	**251,802.53**	192,444.68
Pollution Control	**2,900.02**	2,770.97
Transport Expenses	**3,259.06**	2,250.69
Insurance	**1,046.12**	1,504.99
Power and Fuel	**1,986.97**	2,046.22
Repairs and Maintenance	**10,083.81**	8,000.47
Contractual payments including Hire charges etc.	**5,772.27**	4,573.72
Other Production Expenditure	**12,416.90**	10,076.42
Transportation and Freight of Products	**10,342.41**	9,122.35
Research and Development	**1,753.32**	863.56
General Administrative Expenses	**21,603.43**	13,016.66
Other Expenditure	**5,888.57**	5,523.48
TOTAL	**555,353.38**	470,485.72

Notes:

1. The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 24 (i) of Schedule 29.
2. Includes Rs. 7,224.13 million share of jointly controlled entity. (Previous year Rs. 6,292.02 million)

schedule to the consolidated profit & loss account

schedule 23

(Rupees in million)

			2007-08		2006-07
DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT					
Survey			**31,051.39**		23,736.83
Pre Acquisition Expenditure			**1,324.62**		791.89
Dry Wells			**28,168.62**		23,329.46
Amortisation of Goodwill			**2,306.71**		1,254.90
Amortisation - Intangibles			**117.98**		0.00
Depletion			**48,552.91**		46,458.58
Depreciation*		**58,477.81**		42,722.93	
Less : Allocated to :					
Survey	**1,028.66**			862.96	
Exploratory Drilling	**7,662.47**			5,112.85	
Development	**21,924.15**			14,250.56	
Others	**70.20**			47.99	
		30,685.48	**27,792.33**	20,274.36	22,448.57
Impairment loss					
During the year		**84.90**		2,000.71	
Less : Reversal during the year		**521.78**	**(436.88)**	343.03	1,657.68
TOTAL			**138,877.68**		119,677.91

*refer note 2.1of Schedule-29

Note: Includes Rs. 258.39 million share of jointly controlled entity. (Previous year Rs. 131.97 million)

schedule 24

(Rupees in million)

	2007-08	2006-07
FINANCING COSTS		
A. INTEREST :		
(i) On Fixed Loans		
From Oil Industry Development Board	**4.53**	14.87
Foreign Currency Loans	**12.24**	16.34
(ii) On Term Loans from Banks	**263.88**	372.23
(iii) On Cash Credit	**139.32**	43.28
(iv) Others	**715.28**	1,167.61
Sub-Total	**1,135.25**	1,614.33
B. EXCHANGE FLUCTUATION & DERIVATIVE LOSS		
(i) Exchange Variation for the Year (Net)	**1,018.81**	(2,688.59)
Less : Capitalised	**219.11**	(16.31)
Sub-Total	**799.70**	(2,672.28)
(ii) Hedging Loss	**217.76**	0.00
TOTAL	**2,152.71**	(1,057.95)

Note: Includes Rs. 130.00 million share of jointly controlled entity. (Previous year (-) Rs. 54.07 million)

schedule to the consolidated profit & loss account

schedule 25

(Rupees in million)

		2007-08		2006-07
PROVISIONS AND WRITE-OFFS				
PROVISIONS				
Provision for Doubtful Debts		**5,250.34**		556.71
Provision for Doubtful Claims/Advances		**185.53**		530.41
Provision for Dimunition in value of Investment		**0.00**		446.66
Provision against Non-Moving Inventory & Others		**674.45**		858.44
Provision for Abandonment		**363.56**		0.00
Provision for Other		**230.78**		1,758.69
Sub-Total		**6,704.66**		4,150.91
WRITE-OFFS				
Loss on Disposal/Condemnation of Fixed Assets (Net)		**48.80**		63.30
Claims/Advances Written Off	**87.46**		133.74	
Less: Provisions	**73.86**	**13.60**	130.07	3.67
Inventory Written Off		**135.31**		404.49
Bad debts Written Off		**592.19**		153.38
Other Write offs		**313.94**		461.28
Sub-Total		**1,103.84**		1,086.12
TOTAL		**7,808.50**		5,237.03

Note: Includes Rs. 0.07 million share of jointly controlled entity. (Previous year Rs. 0.10 million)

schedule 26

(Rupees in million)

	2007-08	2006-07
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Statutory levies*	**15.51**	80.53
Other Production Expenditure*	**389.23**	615.40
Interest -Others	**0.16**	291.17
Exchange Fluctuation	**0.00**	(2.48)
Depletion	**705.61**	6,436.82
Depreciation	**81.79**	154.66
Survey	**(335.86)**	(363.19)
Dry well	**203.97**	(1,204.25)
Amortisation of Goodwill	**0.00**	(621.21)
Provision for Post retirement employee benefits	**1.96**	6,903.13
Impairment	**0.00**	71.85
Loss on Syrian operation	**0.00**	445.04
Total Debit	**1,062.37**	12,807.47
Sales	**2.41**	(86.07)
Interest -Others	**0.00**	1.31
Other Income	**129.87**	137.66
Total Credit	**132.28**	52.90
Net Debit	**930.09**	12,754.57

*The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 24(I) of Schedule 29.

schedule to the consolidated profit & loss account
schedule 27

	2007-08	2006-07
		(Rupees in million)
EARNING PER SHARE		
A) Net Profit after Tax	**198,722.61**	177,695.97
Less :		
B) Extraordinary items	**0.00**	4750.61
C) Tax impact on Extraordinary items	**0.00**	(1,599.06)
D) Net Profit before Extraordinary items (net of tax)	**198,722.61**	174,544.42
E) Number of Shares	**2,138,872,530**	2,138,872,530
		(Amount in Rupees)
Basic & Diluted earnings per equity share		
- Before extraordinary items (net of tax)- (D/E)	**92.91**	81.61
- After extraordinary items- (A/E)	**92.91**	83.08

A. Principles of Consolidation

The Consolidated financial statements relate to the Company (Oil and Natural Gas Corporation Limited), its Subsidiaries, Joint Venture entities and Associates. The consolidated Financial Statements have been prepared on the following basis:

i) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".

ii) The financial statements of Joint Venture entities has been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 - "Financial Reporting of Interests in Joint Ventures".

iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise stated in the Notes to the Accounts.

iv) The difference between the cost of investment in the Subsidiaries/Associates, over the net assets at the time of acquisition of shares in the Subsidiaries/Associates is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.

v) Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.

vi) Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.

vii) In case of foreign subsidiaries and Joint Ventures, foreign currency transactions are translated as per the provisions of AS-11 – "Accounting for Effects of changes in Foreign Exchange Rates" in the consolidated financial statements.

viii) In case of Associates, where the company directly or indirectly through Subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements".

ix) The difference between the proceeds from disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as on the date of disposal is recognised in the Consolidated Statement of Profit and Loss Account as the profit or loss (as applicable) on disposal of the investment in the subsidiary.

B. Investments other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13- "Accounting for Investments".

C. Other Significant Accounting Policies:

1. Accounting Conventions

The financial statements are prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India and Accounting Standards issued under the Companies (Accounting Standards) Rules, 2006 and provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3. Government Grants

Government grants for acquisition of fixed assets are initially treated as Capital Reserve and are subsequently recognized as income in the Profit & Loss Statement on a systematic basis over the useful life of the assets in the proportion in which depreciation on those assets is charged.

4. Fixed Assets

4.1 Fixed assets are stated at historical cost less accumulated depreciation and impairment. Fixed assets received as donations/gifts are capitalized at assessed values with corresponding credit taken to Capital Reserve.

4.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalized.

5. Intangible Assets

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

6. Exploration, Development and Production Costs

6.1 Acquisition Cost

Acquisition cost of an oil and gas property in exploration/development stage is taken to acquisition cost under the respective category. In case of overseas projects, the same is taken to capital work in Progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment, such costs are expensed. Acquisition cost of a producing oil and gas property is capitalized as Producing Property.

6.2 Survey Cost

Cost of Survey and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

6.3 Exploratory/ Development Wells in Progress

6.3.1 All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratigraphic test wells are initially capitalized as Exploratory Wells in Progress till the time these are either transferred to Producing Properties on completion as per policy No. 6.4.1 or expensed in the year when determined to be dry or of no further use, as the case may be.

6.3.2 All wells under "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells where it could be reasonably demonstrated that the well has proved reserves and the development of the field in which the wells are located has been planned.

6.3.3 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion as per policy no. 6.4.1

6.4 Producing Properties

6.4.1 Producing properties are created in respect of an area/field having proved developed oil and gas reserves, when the well in the area/field is ready to commence commercial production.

6.4.2 Cost of temporary occupation of land, successful exploratory wells, all development wells, depreciation on related equipment, facilities and estimated future abandonment costs are capitalised and reflected as Producing Properties.

6.4.3 Depletion of Producing Properties

Producing properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to an area covered by individual lease/licence/ asset/amortization base by considering the proved developed reserves and related capital costs incurred including estimated future abandonment costs. In case of acquisition, cost of producing properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

6.5 Production Costs

Production costs include pre-well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

6.6 Side tracking

6.6.1 The cost of abandoned portion of side tracked exploratory wells is charged to Profit & Loss Account as dry wells.

6.6.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.

6.6.3 The cost of sidetracking in respect of existing producing wells is capitalized if it increases the Proved Developed Reserves otherwise, charged to Profit & Loss Account as workover expenditure.

7. Impairment

Producing Properties, Development Wells in Progress (DWIP) and Fixed Assets (incl. Capital Work in Progress) of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case, events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets and from its disposal at the end of its useful life are discounted to their present value at appropriate rate.

An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life.

8. Abandonment Cost

8.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company. The same is reviewed annually.

8.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

9. Joint Ventures

The Company has Joint Ventures in the nature of Production Sharing Contracts (PSC) with the Government of India, Govt. of foreign countries and various bodies corporate for exploration, development and production activities.

9.1 The income, expenditure, assets and liabilities of the Jointly Controlled Assets are merged on line by line basis according to the participating interest with the similar items in the Financial Statements of the Company and adjusted for depreciation, depletion, survey, dry wells, abandonment, impairment and sidetracking in accordance with the accounting policies of the Company.

9.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/ exploratory wells in progress.

9.3 The hydrocarbon reserves in such areas are taken in proportion to the participating interest of the Company.

10. Investments

Long-term investments are valued at cost. Bonds are carried at lower of face value or cost. Provision is made for any diminution, other than temporary, in the value of such investments.

11. Inventories

11.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Cost or net realisable value whichever is lower. Cost of finished goods is determined on absorption costing method. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.

11.2 Crude Oil in unfinished condition in flow lines / Group Gathering Stations and Natural Gas in Pipelines are not valued.

11.3 Raw material is valued at lower of cost or net realisable value. Cost is determined on First in First Out (FIFO) basis.

11.4 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower. Provisions are made for obsolete and non moving inventories.

11.5 Unserviceable items, when determined, are valued at estimated net realizable value.

12. Revenue Recognition

12.1 Revenue from sale of products is recognized on transfer of custody to customers.

12.2 Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.

12.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.

12.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

12.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

12.6 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:

a. Short lifted quantity of gas.
b. Gas pipeline transportation charges and statutory duties thereon.
c. Reimbursable subsidies and grants.
d. Interest on delayed realization from customers.
e. Liquidated damages from contractors/suppliers.

13. Depreciation and Amortisation

13.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956.

13.2 Depreciation on additions/ deletions during the year is provided on prorata basis with reference to the date of additions / deletions except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition.

13.3 Leasehold land is amortised over the lease period.

13.4 Depreciation on subsequent changes to fixed assets arising on account of capital improvement, price variation or other factors, is provided for prospectively.

13.5 Depreciation on fixed assets (including support equipment and facilities) used for exploration, drilling activities and on related equipment and facilities is initially capitalised as part of exploration cost, development cost or producing properties and expensed/ depleted as stated in policy 6 above.

14. Foreign Exchange Transactions

14.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

14.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

14.3 The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1st April, 2004; in which case, these are adjusted to the cost of respective fixed assets.

14.4 In respect of the Company's integral foreign operations:

14.4.1 The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 14.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

14.4.2 At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 14.2.

14.4.3 All exchange differences are treated following the policy stated in 14.3.

14.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:

14.5.1 The assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

14.5.2 Income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate;

14.5.3 The resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

14.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

15. Employee Benefits

15.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period they are incurred.

15.2 Employee benefits under defined contribution plans comprising provident fund are recognized based on the undiscounted obligations of the company to contribute to the plan. The same is paid to a fund administered through a separate trust.

15.3 Employee benefits under defined benefit plans comprising of gratuity, leave encashment, compensated absences, post retirement medical benefits and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the projected unit credit method. Actuarial Liability in excess of respective plan assets is recognized during the year.

16. Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account.

17. General Administrative Expenses

General Administrative Expenses which are directly identifiable to Assets, Basins & Services are allocated to activities and the balance are charged to Profit and Loss Account. Such expenses at Headquarters are charged to Profit and Loss Account.

18. Insurance claims

The company accounts for insurance claims as under :-

18.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head "Claims Recoverable-Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

18.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as "Claims Recoverable-Insurance". Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.

18.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is adjusted to Profit and Loss Account.

19. Research and Development

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged to Profit and Loss Account, when incurred.

20. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961/other applicable tax laws. Deferred Tax Liability / Asset resulting from 'timing differences' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

21. Borrowing Costs

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

22. Rig Days Costs

Rig movement costs are normally booked to the next location planned for drilling. Abnormal rig days' costs are considered as unallocable and charged to Profit and Loss Account.

23. Deferred Revenue Expenditure

Dry docking charges of Rigs/ Multipurpose Supply Vessels (MSVs), Geo Technical Vessels (GTVs), Well Stimulation Vessels, Rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure and amortized over the period of use not exceeding five years.

24. Claims

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/ clarifications subject to final adjustments, as stipulated. All other claims and provisions are booked on the merits of each case.

25. Assets given on Lease:

25.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases" issued by the Institute of Chartered Accountant of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

25.2 Initial direct costs incurred in respect of finance leases are recognised in the statement of profit and loss in the year in which such costs are incurred.

26. Transportation Costs

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

27. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes to accounts.

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited), its subsidiaries and joint venture entities as detailed below:

Sl. No.	Name of the Subsidiaries/ Joint Venture Companies	Country of Incorporation	% of Proportion of ownership interest		Status of Accounts
			31.03.2008	31.03.2007	
1	ONGC Videsh Limited (OVL)	India	100	100	Audited
2	Mangalore Refinery and Petrochemicals Ltd. (MRPL)	India	71.62	71.62	Audited
3	ONGC Nile Ganga B.V.(ONGBV)*	Netherlands	100	100	Audited
4	ONGC Amazon Alaknanda Limited (OAAL)*	Bermuda	100	100	Audited
5	ONGC Narmada Limited (ONL)*	Nigeria	100	100	Audited
6	Petronet LNG Ltd. (PLL)-(JV)	India	12.50	12.50	Audited
7	ONGC Mittal Energy Limited (OMEL) - JV **	Cyprus	49.98	50	Unaudited
8	Petronet MHB Ltd. (PMHBL) (JV)	India	28.766	28.766	Audited
9	Mangalore SEZ Ltd. (MSEZ) (JV)	India	26.00	26.00	Audited
10	ONGC Managalore Petrochemicals Ltd.(OMPL) (JV)	India	46.00	46.00	Audited
11	ONGC Petro Additions Ltd. (OPAL) (JV)	India	41.93	41.93	Audited
12	ONGC Tripura Power Company Pvt. Ltd. (OTPC) (JV)	India	26.00	NA	Audited
13	ONGC Teri Biotec Ltd. (OTBL) (JV)	India	49.98	NA	Audited

* 100% subsidiary of OVL
** Joint Venture of OVL

2. In view of different sets of environment/prevalent laws in the respective countries in which the subsidiaries/JVs are operating, the accounting policies followed (for treatment of depreciation of fixed assets, sales revenue and royalty etc.) by the subsidiaries/JVs are different from the accounting policies of the Company. Such different accounting policies have been adopted in respect of the following:

2.1 **Depreciation on Fixed Assets (Schedule 5)**

(Rs. in million)

Names of Subsidiaries/JV	Accounting Policies		Proportion - Depreciation		Proportion - Net Block	
	Company	Subsidiaries/JVs	**2007-08**	2006-07	**2007-08**	2006-07
MRPL	Written Down Value Method at the rates specified in Schedule XIV.	Straight Line Method	**3,776.13**	3,585.30	**39,405.00**	42,355.24
Petronet LNG Ltd.			**127.40**	127.22	**1,953.10**	2,047.66
Petronet MHB Ltd.			**126.03**	125.62	**1,342.84**	1,343.24
Mangalore SEZ Ltd.			**0.13**	0.01	**1.25**	0.75
Total- Proportion			**4,029.69**	3,838.15	**42,702.19**	45,746.89
Total CFS			**58,082.64**	43,351.67	**186,337.24**	179,310.54

One of the subsidiary of OVL i.e. OAAL provides for depreciation on fixed assets as per US GAAP. The amount involved is Rs. 285.37 million (Previous year Rs. 25.22 million) shown as depreciation under schedule 23.

2.2 The subsidiary of OVL ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs. 89,262.27 million (Previous year Rs. 81,989.34 million) shown as sales under Schedule - 19.

2.3 The subsidiary of OVL, ONGBV conducts its operations in Sudan jointly with the National Oil Company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the Government of Sudan to a portion of the ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. The royalties/taxes in Syrian concession are similarly accounted by ONGBV. The amount involved is Rs. 55,755.94 million (Previous year Rs. 49,773.30 million) which is included under the head Royalty in Schedule -22.

2.4 The subsidiaries and joint venture entities of subsidiary - OVL provide for the retirement benefits in accordance with the laws of their respective jurisdictions. The net impact on account of the difference in accounting policy is not ascertainable.

3.1. **The Associate considered in the Consolidated Financial Statements is as under:**

Name of the Associate	Country of incorporation	Proportion of ownership interest	
		2007-08	2006-07
Pawan Hans Helicopters Limited	India	**21.54%**	21.54 %

3.2. In respect of Pawan Hans Helicopters Limited (PHHL), the Annual Accounts for the year 2007-08 have not yet been received. The share of profit of Rs. 20.50 million (Previous year Rs. 102.07 million) including dividend of Rs. 19.60 million for the year 2006-07 and dividend of Rs. 53.90 million for the year 2005-06 and 2007-08 has been considered as share of profit in Associate. No significant events or transactions between the company (or its subsidiaries) and PHHL have occurred which cause for adjustment in consolidated accounts.

3.3. Due to different nature of their operations, Pawan Hans Helicopters Limited, the Associate of the Company, follows different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

4. Contingent Liability

a) Claims against the Company, its subsidiaries and Joint Ventures not acknowledged as debts which in the opinion of the Management are not tenable/under appeal at various stages:-

(Rs. in million)

		As at 31st March, 2008	As at 31st March, 2007
I)	**In respect of Company :**		
	i. Income tax matters	**39,796.74**	18,583.05
	ii. Excise Duty matters	**3,369.28**	3,281.89
	iii Custom Duty matters	**1,564.15**	1,469.09
	iv. Royalty	**360.39**	360.39
	v. Cess	**0.22**	1.49
	vi. Sales Tax	**4,180.81**	4,563.20
	vii. AP Mineral Bearing Land Tax	**726.96**	364.02
	viii. Municipal Corporation	**66.89**	80.80
	ix. Specified Land Tax (Assam)	**1,354.36**	1,046.38
	x. Claims of contractors in Arbitration/Court	**51,710.78**	17,270.88
	xi. In respect of other matters	**6,332.43**	7,118.19
	Sub Total	**109,463.01**	54,139.38
II)	**In respect of Joint Ventures**		
	i. Income tax matters	**8.91**	8.91
	ii. Custom Duty matters	**5,185.11**	5,027.82
	iii. Royalty	**21.04**	240.04
	iv. Cess	**8.71**	7.76
	v. Sales Tax	**2,028.79**	1,926.80
	vi. Claim of GOI for additional Profit Petroleum	**4,531.52**	4,946.89
	vii. In respect of other matters	**737.61**	1307.11
	Sub Total	**12,521.69**	13,465.33
	Total	**121,984.70**	67,604.71

b. Contingent liabilities, if any, in respect of JVs where OVL is non-operator, is not ascertainable.

c. i) Bank Guarantees given by the Company Rs. 1,175.08 million (Previous year Rs. 4,834.70 million) including Rs. 1,154.13 million (Previous year Rs. 3,803.70 million) for NELP Blocks where the Company has 100% participating interest (PI)

ii) Bank Guarantees in respect of Joint ventures - Rs. 1,697.51 million (Previous year Rs. 573.20 million).

d. Foreign Letters of credit/Bank Guarantee in respect of Petronet LNG Ltd. Rs. 1,617.85 million (Previous year Rs. 1,208.29 million).

e. Letters of Credit outstanding for PMHBL Nil (Previous year Rs. 0.29 million)

f. Guarantees executed by the company on behalf of its wholly owned subsidiary - ONGC Videsh Limited in favour of:-

A. Guarantees executed for financial obligations:

(i) Amount of Guarantee Rs. 32,233.25 million (Previous year Rs. 33,353.41 million)

(ii) Amount of Guarantee Outstanding Rs. 3,082.86 million (Previous year Rs. 2,312.57 million)

B. Performance Guarantees executed under the contracts:

(i) Guarantee executed jointly with CNPC in favour of Petro Canada Germany GmBH (Seller) for the performance of obligation under sale agreement for acquiring seller share in Petro Canada Nina GmBH for acquisition of interest in Syrian operations, without any financial ceiling.

(ii) Guarantee executed in favour of Petrobras & Shell Brazil as a part of acquisition of 15% Participating Interest in Block BC-10 Brazil by ONGBV, a subsidiary of OVL for fulfillment of obligation under concession contract and joint venture documents without any financial ceiling.

(iii) Guarantee in respect of Sakhalin Project in favour of Exxonneftgas Ltd., M/s. Roseneft-S, SMNG-S and RN-Astra towards performance of Company's obligation under assignment agreement, carry finance agreement and JOA without any financial ceiling.

(iv) Guarantee executed in favour of Govt. of State of Qatar for Najwat Najem Oil Structure, Qatar without any financial ceiling.

g. **Corporate Guarantees executed by the company on behalf of its subsidiary, MRPL:**

(i) Amount of Guarantee Rs. 14,335.20 million (Previous year Rs. 13,475.70 million)

(ii) Amount Outstanding Rs. 8,468.52 million (Previous year Rs. 5,273.35 million)

h. **Corporate Guarantees executed by subsidiary - MRPL: towards loan by bankers to New Mangalore Port Trust (NMPT):**

(i) Amount of Guarantee Rs. 3,372.30 million (Previous year Rs. 3,372.30 million)

(ii) Amount Outstanding Rs. 230.27 million (Previous year Rs. 469.82 million)

i. **Guarantees given by ONGBV (a subsidiary of OVL)**

i) ONGBV has given performance guarantee to ANP, the regulatory authority in Brazil, favouring ONGC Campos Ltd (OCL) for BC-10 Project where OCL has a 15% participating interest and Shell Brazil is the operator. OCL has paid its cash calls under the project. OCL's 15% share in the planned investment amount to USD 595.6 Mn equivalent to Rs. 23,716.79 million.

ii) ONGBV has given guarantee to State Bank of India London for aggregate amount upto USD 150 million equivalent to Rs. 5,973 million (Previous Year Nil) for Nigerian projects of ONGC Mittal Energy Limited (OMEL).

5. **Capital commitments (net of advances) not provided for**

a. Estimated amount of Contracts remaining to be executed on capital account and not provided for.

i) In respect of the Company, its subsidiaries and Joint Ventures- Rs. 103,000.49 million (Previous year Rs. 76,967.97 million).

ii) In respect of Joint Ventures - Rs. 7,420.09 million (Previous year Rs. 6,501.33 million).

b. Minimum Work Programme Committed under various Production Sharing Contracts with Govt. of India & Govt. of foreign countries.

i) In respect of NELP blocks in which the company has 100% participating interest - Rs. 32,773.98 million (Previous year Rs. 7,346.30 million).

ii) In respect of Others - Rs. 49,704.12 million (Previous year Rs. 16,408.04 million).

c. In respect of subsidiary - OVL, all known Capital Commitments have been indicated except for Sakhalin - 1, Russia Project and Block 5A, Sudan projects where such commitments are not ascertainable due to non availability of details from the operators.

6. In terms of the decision of Government of India (GOI), the Company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2007-08 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis to the tune of Rs. 220,008.79 million (Previous Year Rs. 170,238.79 million). The net impact after adjustment of Value Added Tax (VAT) on sales revenue on the above products is Rs. 212,169.60 million (Previous year Rs. 164,281.80 million). The company does not foresee any material impact on finalization of discount rates.

7.1 Sales revenue in respect of Crude Oil from Indian operations is based on the pricing formula agreed with the customers for the period from 1st April, 2002 to 31st March, 2004. Pending finalization of fresh Memorandum of Understanding with the customers, the same pricing formula has been provisionally applied from 1st April, 2004 onwards.

7.2 Sales revenue in respect of Natural Gas from Indian operations under Administered Price Mechanism (APM) is based on the gas prices fixed on provisional basis as per directives of the GOI, Ministry of Petroleum and Natural Gas (MoP&NG) dated 20th June, 2005 & 5th June, 2006.

7.3 Adjustments, if any, on account of para 7.1 and 7.2 above shall be carried out on finalization of agreement/ directives. However, Company does not foresee any material impact on current year's results.

8. The Company has reviewed and revised the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities for its Indian operations based on the advice of the outside consultant who has suggested cost effective rigless methodology for plugging and abandonment in respect of wells. Accordingly, there is a reduction in liability for abandonment cost by Rs. 33,165.96 million with corresponding decrease in producing properties. This has resulted in decrease in depletion for the year with corresponding increase in profit before tax by Rs. 3,829.33 million.

9. The company had changed the rate of depreciation in 2005-06 on all Trunk Pipelines and Onshore Flow lines (assets below ground) from 27.82% to 100% based on technical assessment by the management. The company has made a reference to the Ministry of Corporate Affairs in 2006-07 for confirmation of the rate of depreciation. Pending clarification by the Ministry, the company continues to charge depreciation at 100% on such assets.

10. Till the year 2006-07, the company had been charging certain employee benefits (CPF, Gratuity, Leave Encashment, Annual Incentive, Additional Annual Incentive and Post Retirement Death in Service Benefit Scheme expenses and Post Retirement Medical Benefits) and general administrative expenses at Assets, Basins, Services, Regions and Head quarters to 'Production, Transportation, Selling & Distribution Expenditure'. The Company has reviewed and rationalized its allocation policy during the year w.e.f. 1st April, 2007. Accordingly, the above employee benefits and directly identifiable general administrative expenses at Assets, Basins and Services have been allocated to Exploration, Development and Production activities etc. As a result of this change, Profit before tax is higher by Rs. 6,308.24 million approximately.

11. The Company had acquired 90% Participating Interest in Exploration Block KG-DWN-98/2 from M/s. Cairn Energy India Ltd., in 2004-05 for a lump sum consideration of Rs. 3,711.22 million, which was capitalized under Exploratory wells in Progress. Subsequently drilling of three wells has been completed in this block till March 2006 at a cost of Rs. 2,393.58 million and included in Exploratory wells in Progress. There are Initial-in-Place-Reserves in this block and also conceptual development plan is under way. The block is located in deep waters needing more time for completion of appraisal programme. However, the company as an abundant prudence has made a provision of Rs. 6,104. 80 million, in respect of above costs.

12. Pay Revision of Officers and Unionized category of the company is due w.e.f. 1st January, 2007 except in respect of non management cadre of a subsidiary - MRPL where it is due w.e.f. 1st April, 2007. Pending finalization, the company has provided for a sum of Rs. 10,733.46 million as estimated by the Management.

13. In respect of MRPL Subsidiary, forward contracts to the tune of US$208 million are outstanding as on 31.03.08, which were entered into, to hedge the risk of changes in foreign currency exchange rates on future export sales against existing long term export contract. The notional mark to market loss on these unexpired contracts as on 31st March, 2008 amounting to Rs. 120.47 million has not been considered in the financial statements. The actual loss/gain could vary and be determined only on settlement of the contract on their respective due dates.

14. The Net Deferred Tax Liability of the company, its subsidiaries and joint ventures as at 31st March, 2008 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(Rs. in million)

		As at 31st March, 2008	As at 31st March, 2007
(i)	**Liabilities**		
	Depletion of Producing Properties	**105,165.68**	103,315.71
	Depreciation Allocated to Wells in Progress & expenses relating to NELP	**5,081.03**	4,405.43
	Deferred Revenue Expenditure written off	**2,290.59**	1,747.30
	Development wells-in Progress	**4,469.04**	2,957.89
	Depreciation	**18,363.07**	18,155.45
	Others	**2,059.22**	1,098.18
	Deferred tax liability of ONGBV- Subsidiary of OVL	**3,308.57**	2,692.82
	Deferred tax liability of OAAL- Subsidiary of OVL	**429.45**	448.53
	Sub Total	**141,166.65**	134,821.31
(ii)	**Assets**		
	Depreciation	**3,314.50**	1,812.43
	Unabsorbed losses and allowances	**56.01**	2,197.41
	Dry wells written off	**2,838.94**	2,769.03
	Provision for Non Moving Inventories	**3,451.16**	1,408.09
	Provision for Doubtful Debts/ Claims /Advances/ Interest	**2,121.08**	2,071.36
	Provision for Abandonment	**19,759.89**	30,415.13
	Provision for Leave Encashment	**3,725.84**	2,112.78
	Provision for Post Retirement Medical & Terminal Benefits	**-**	3,088.14
	Statutory duties unpaid u/s 43B	**11,709.75**	-
	Others	**6,813.98**	7,828.37
	Sub Total	**53,791.15**	53,702.74
	Net Liability (i-ii)	**87,375.50**	81,118.57

14.1 The Net Deferred Tax Liability of the subsidiary-OVL as at 31 March, 2008 is Rs. 8,334.80 million (Previous year Rs. 9,781.21 million). Out of the difference, (Rs. 1,203.93 million) (Previous year Rs. 2,776.21 million) has been charged to the current year's Profit and Loss Accounts and (Rs. 242.48 million) (Previous year Rs. 370.22 million) has been adjusted to foreign currency translation reserve.

14.2 In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 359.58 million (equivalent to Rs. 14,318.47 million) has been indicated as Deferred Tax Liability based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India; the Deferred Tax Liability as indicated in the Operator's financial statements has not been recognised.

15. Joint Venture Accounting:

15.1.1 Jointly Controlled Assets

The Company has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these PSCs/ JVs are as under:

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
A	**Jointly Operated JVs**		
1	Mid & South Tapti	40% (40%)	BGEPIL-30%, RIL-30%
2	Panna & Mukta	40% (40%)	BGEPIL-30%, RIL-30%
B	**Non-Operated JVs**		
3	Ravva	40% (40%)	CEIL (**Operator**)-22.5% Petrocon India Ltd.-25% Ravva Oil (Singapore) Pte. Ltd.-12.5%
4	CY-OS-90/1 (PY3)	40%(40%)	Hardy Exploration & Production (India) Inc. (**Operator**)-18%, HOEC-21%, TPL-21%
5	RJ-ON-90/1	30% (30%)	CEIL (**Operator**)-35% Cairn Energy Hydrocarbons Ltd.-35%
6	CB-OS/2-Expl. Phase CB-OS/2 -Dev. Phase	25%(25%) 50%(50%)	Cairn Energy Group (**Operator**)-60%, TPL-15% Cairn Energy Group (**Operator**)-40%, TPL-10%
7	CB-ON/7	30%(30%)	HOEC (**Operator**)-35%, GSPC-35%
8	GK-OSJ-3	25%(25%)	RIL (**Operator**)-60% ,OIL-15%
9	MN-ONN-2000/1	20%(20%)	OIL (**Operator**)-25%, GAIL-20% IOC-20%, SUNTERA-15%
10	RJ-ONN-2001/1	30%(30%)	OIL (**Operator**)-70%
11	RJ-ONN-2002/1	40%(40%)	OIL (**Operator**)-60%
12	AA-ONN-2002/3	70%(70%)	OIL (**Operator**)-30%
13	GV-ONN-2003/1	51%(51%)	CEIL(**Operator**)-49%
14	VN-ONN-2003/1	51%(51%)	CEIL(**Operator**)-49%
15	RJ-ONN-2003/1	36%(36%)	ENI (**Operator**)-34% Cairn Exploration-30%
16	AN-DWN-2003/2	45%(45%)	ENI (**Operator**)-40% GAIL-15%
17	PR-OSN-2004/1	35% (35%)	Cairn Energy(**Operator**)-10%, Cairn India-25% Tata-30%
18	KG-ONN-2003/1	51% (-)	Cairn (**Operator**)-49%
C	**ONGC Operated JVs**		
19	Jharia (JH)	90% (90%)	CIL-10%
20	Raniganj (JG)	74% (74%)	CIL-26%
21	CB-OS/1	32.89% (32.89%)	TPL-10%, HOEC-57.11%
22	GV-ONN-97/1	40% (40%)	IOC-30%, CEIL-30%
23	KG-DWN-98/4	85% (85%)	OIL-15%
24	MN-OSN-97/3	85% (85%)	GAIL-15%
25	KG-DWN-98/2	90% (90%)	CEIL-10%
26	MB-OSN-2000/1	75% (75%)	IOC-15%, GSPC-10%
27	MN-OSN-2000/2	40% (40%)	GAIL-20%, IOC-20%, OIL-20%
28	WB-OSN-2000/1	85% (85%)	IOC-15%
29	AA-ONN-2001/2	80% (80%)	IOC-20%
30	AA-ONN-2001/3	85% (85%)	OIL-15%

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
31	CY-DWN-2001/1	80% (80%)	OIL-20%
32	NK-CBM-2001/1(JE)	80% (80%)	IOC-20%
33	MN-DWN-2002/1	36% (70%)	OIL-20%, BPCL-10%, ENI-34%
34	CB-ONN-2002/1	70% (70%)	CEIL-30%
35	BK-CBM-2001/1	80% (80%)	IOC-20%
36	KK-DWN-2002/2	80% (80%)	HPCL-20%
37	KK-DWN-2002/3	80% (80%)	HPCL-20%
38	KG-DWN-2002/1	70% (70%)	OIL-20%, BPCL-10%
39	CY-ONN-2002/2	60% (60%)	BPCL-40%
40	BS(3)- CBM-2003/II (NU)	70% (70%)	GSPC-30%
41	AA-ONN-2002/4	90% (90%)	OIL-10%
42	GS-OSN-2003/1	51% (51%)	CEIL-49%
43	CY-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
44	CY-DWN-2004/2	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
45	CY-DWN-2004/3	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
46	CY-DWN-2004/4	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
47	CY-PR-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
48	CY-PR-DWN-2004/2	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
49	KG-OSN-2004/1	55% (55%)	BGEPI-45%
50	KG-DWN-2004/1	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
51	KG-DWN-2004/2	60% (60%)	GSPC-10%, HPCL-10%, GAIL-10%, BPCL-10%
52	KG-DWN-2004/3	70% (70%)	GSPC-10%, HPCL-10%, GAIL-10%
53	KG-DWN-2004/5	50% (50%)	GSPC-10%, HPCL-10%, GAIL-10% OIL-10%, BPCL-10%
54	KG-DWN-2004/6	60% (60%)	GSPC-10%, HPCL-10%, GAIL-10%, OIL-10%
55	CY-ONN-2004/1	80% (80%)	BPCL-20%
56	CY-ONN-2004/2	80% (80%)	BPCL-20%
57	KK-DWN-2004/1	45% (45%)	CAIRN-40%, TATA-15%
58	CB-ONN-2004/1	50% (50%)	GSPC-40%, HERAMEC-10%
59	CB-ONN-2004/2	50% (50%)	GSPC-40%, SUNTERA RES.-10%
60	CB-ONN-2004/3	40% (40%)	GSPC-35%, ENSEARCH-25%
61	CB-ONN-2004/4	50% (50%)	GSPC-40%, HERAMEC-10%

* PI - Participating Interest

** There is no change in previous years figures unless otherwise stated. When previous years figures are nil in company's PI, the previous years figures of other partners PI is also Nil.

Abbreviations:- BGEPIL-British Gas Exploration & Production India Ltd., BPCL-Bharat Petroleum Corporation Ltd., CEIL-Cairn Energy India Ltd, CIL-Coal India Ltd., GAIL -Gail (India) Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, OIL - Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd.

15.1.2 The company has 61 joint ventures (Previous year 61) for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of above joint ventures amounts to Rs. 58,580.95 million (Previous year Rs. 51,873.85 million), Rs. 24,180.80 million (Previous year Rs. 17,546.89 million), Rs. 51,857.66 million (Previous year Rs. 46,479.07 million), Rs. 38,879.84 million (Previous year Rs. 31,320.52 million) and Rs. 12,977.82 million (Previous year Rs. 15,158.55 million) respectively.

15.1.3 The Company has entered into Production Sharing Contracts with Govt. of India in respect of 30 New Exploration Licensing Policy (NELP) blocks (Previous year 29) where the company has 100% participating Interest. The total value of assets, liabilities, income, expenditure and loss before tax of these NELP blocks amounts to Rs. 760.43 million (Previous year Rs. 519.23 million), Rs. 361.87 million (Previous year Rs. 146.87 million), Rs. 22.48 million (Previous year Rs. 0.10 million), Rs. 8,921.43 million (Previous year Rs. 6,906.50 million) and Rs. 8,898.95 million (Previous year Rs. 6,906.40 million) respectively.

15.1.4 Total value of assets, liabilities, income, expenditure and loss before tax in respect of 12 blocks (Previous Year 12 blocks) surrendered till the end of the year amounts to Rs. 8.44 million (Previous Year Rs. 46.00 million), Rs. 572.72 million (Previous Year Rs. 882.86 million), Rs. 0.23 million, (Previous Year Rs. 1.89 million) Rs. 38.04 million (Previous Year Rs. 2,632.74 million) and Rs. 37.81 million (Previous Year Rs. 2,630.85 million) respectively. List of the blocks surrendered is given below:

Sl. No.	Joint Ventures / PSCs	Company's PI	Operatorship/ Others Partners PI
1	KK-OSN-2000/1	100%	
2	KK-DWN-2000/2	85% (85%)	GAIL-15%
3	KK-DWN-2000/4	100%	
4	GS-DWN-2000/1	100%	
5	GS-DWN-2000/2	85% (85%)	GAIL-15%
6	MB-OSN-97/4	70% (70%)	IOC-30%
7	MB-DWN-2000/1	85% (85%)	IOC-15%
8	MB-DWN-2000/2	50% (50%)	IOC-15%, GAIL-15%, OIL-10%, GSPC-10%
9	CY-OSN-2000/1	100%	
10	CY-OSN-2000/2	100%	
11	MN-OSN-2000/1	100%	
12	GK-OSJ-1	25% (25%)	RIL-50%, Tullow India Operations Ltd. -25%

15.1.5 The financial statements of 91 out of 103 JVs/NELP as per para no. 15.1.2 to 15.1.4 have been incorporated in the accounts by the company to the extent of company's participating interest in assets, liabilities, expenditure, income and profit (loss) before tax on the basis of statements certified in accordance with production sharing contract and the same has been adjusted for changes as per accounting policy no. 9.1.

In respect of balance 12 (Previous year 27) JVs/NELP assets, liabilities, Income and expenditure amounting to Rs. 163.18 million (Previous year Rs. 11.20 million), Rs. 48.41 million (Previous year Rs. 15.18 million), Rs. 0.19 million (Previous year Nil) and Rs. 962.74 million (Previous year Rs. 112.51 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts.

15.1.6 The Company has entered into Farm Out agreements for assigning PI in respect of NELP blocks as detailed below subject to approval by Government of India:

Block	Company's present interest	Assigned PI	Farmee	Effective date
KG-DWN-98/2	90%	15 %	PetroBras International Braspetro-PIB BV	04.06.2007
		10%	Hydro Oil & Energy India BV	02.07.2007
CY-DWN-2001/1	80%	25%	PetroBras International Braspetro-PIB BV	04.06.2007
MN-DWN-98/3	100 %	40 %	PetroBras International Braspetro-PIB BV	04.06.2007

As per agreement, Farmees have to share all costs (including exploration cost) from the effective date. Necessary accounting adjustments will be carried out on receipt of approval.

15.1.7 Joint Ventures (Outside India) through Subsidiary - OVL

The details of Company's (OVL) and its Subsidiaries significant Joint Ventures as on 31st March, 2008 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum-35% Petrovietnam-20%	The project is under production.
2	Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore	25%	CNPC-40% Petronas-30% Sudapet-5%	The project is under production.
3	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil-30% SODECO-30% SMNG-11.5% R N Astra-8.5%	The project is under production and development.
4	AFPC Project Syria, Onshore (Through Himalaya Energy Syria B.V)	38.75%	Fulin-50% Mittals-11.25%	The project is under production.

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
5	MECL, Colombia, Onshore (Through Mansarovar Energy Colombia Limited)	50%	Sinopec-50%	The project is under production and development.
6	Block 5A Project, Sudan, Onshore	24.125%	Petronas-67.875% Sudapet-8%	The project is under exploration, production and development.
7	Block BC-10 Project, Brazil, Offshore	15%	Shell-50% Petrobras-35%	The project is under development.
8	Block A-1 Project, Myanmar, Offshore	20%	Daewoo -60% KOGAS-10% GAI -10%	The project is under exploration and appraisal.
9	Block A-3 Project Myanmar, Offshore	20%	Daewoo-60% KOGAS-10% GAIL-10%	The project is under exploration and appraisal.
10	Farsi Block Project, Iran, Offshore	40%	IOC-40% OIL-20%	The project is under exploration.
11	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC-51%	The project is under exploration.
12	Block XXIV Project, Syria, Onshore	60%	IPR-40%	The Project is under exploration.
13	Block 5B Project, Sudan, Onshore	23.5%	Petronas-39% Lundin-24.5% Sudapet-13%	The project is under exploration.
14	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea-30%	The project is under exploration.
15	Block 2, Joint Development Zone, Nigeria / Sao Tome Principe (STP), Offshore	13.5%	Sinopec JDZ/ Addax/ERHC-65% Equator-9% A & Hatman Ltd.-2.5% Foby-5% Momo-5%	The project is under exploration.
16	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol-40% Hydro-30%	The project is under exploration.
17	Khartoum-Port Sudan Pipeline Project, Sudan	90%	OIL-10%	The pipeline has been completed and is under Lease.
18	Block NEMED in Offshore, Egypt	33%	Shell-51% Petronas-16%	The project is under exploration
19	Block RC-8, Colombia	40%	Ecopetrol-40% Petrobras-20%	The project is under exploration
20	Block RC-9, Colombia	50%	Ecopetrol-50%	The project is under exploration
21	Block RC-10, Colombia	50%	Ecopetrol-50%	The project is under exploration
22	MTPN Block, Congo	20%	ENI-40% Exxon Mobil-40%	The project is under exploration

Abbreviations: Addax - Addax Energy Nigeria Limited; British Petroleum - BP Exploration Operating Company Limited; CNPC - China National Petroleum Corporation; Daewoo - Daewoo International Corporation; ENI - ENI Congo S.A. ; EMO - EMO Exploration & Production Limited; Equator - Equator Exploration JDZ Block 2 Limited; ERHC - ERHC Energy Nigeria JDZ Block 2 Limited; Exxon Mobil - Exxon Neftegas Limited; Foby - Foby Energy Company Limited; Fulin - Fulin Investments Sarl; GAIL - GAIL (India) Limited; Hydro - Hydro Oil and Gas; IOC - Indian Oil Corporation Limited; IPR - IPR Mediterranean Exploration Limited; IPR Red Sea - IPR Energy Red Sea Inc.; KOGAS - Korea Gas Corporation; Lundin - Lundin Muglad Limited; Mittals - Mittal Investments Sarl; Momo - Momo Deepwater JDZ Limited; OIL - Oil India Limited; Petrobras - Petroleo Brasileiro S.A.; Petronas - Petronas Carigali Overseas Sdn Bhd; Petrovietnam - Vietnam Oil and Gas Corporation; Repsol - Repsol YPF Cuba SA; Shell - Shell Brazil Ltda; Sinopec - Sinopec Overseas Oil and Gas Limited; Sinopec JDZ- Sinopec JDZ Block 2 Limited; SMNG - Sakhalinmorneftegas Shelf; SODECO - Sakhalin Oil Development Company Limited; Sudapet - Sudapet Limited; TPOC - Turkish Petroleum Overseas Company Limited.

15.1.8 **Company's share in Joint Ventures:**

The Company (OVL), its Subsidiaries' and the Joint Venture Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the operator has been incorporated in the financial statement as given below:

(Rs. in million)

Project	Net Fixed Assets	Net Producing Property	Capital Work in Progress	Exploratory and Development Wells in Progress	Current Assets	Cash & Bank	Liabilities	Income	Expenditure*
A. Audited as of the Reporting Date									
Block 5A , Sudan	2,634.72	5,302.12	482.07	1,674.36	1,320.68	699.99	924.48	3,860.95	6,967.89
Block 1a, 1b, 2a, 2b & 4, Sudan	973.84	17,813.15	361.80	3,064.81	11,821.27	17,323.50	18,186.85	72,602.88	56,299.01
AFPC, Syria	0.83	3,064.56	-	10.51	11,481.85	0.68	3,208.47	22,091.76	21,610.69
MECL, Colombia	58.01	50.74	12.33	19.02	35.43	13.40	29.42	163.15	37.11
Block BC-10, Brazil	1.81	-	4,572.65	2,296.74	59.28	292.91	9,375.76	15.77	-29.19
Block A-1 Myanmar	6.83	-	87.98	1,099.49	57.17	24.06	0.92	1.67	103.42
Block A-3 Myanmar	0.94	-	62.99	673.23	5.41	25.99	10.04	4.80	474.28
Farsi Block , Iran	0.96	-	-	1,353.99	8.62	1.83	92.85	3.58	63.56
Block 5B, Sudan	1.09	-	1,046.95	654.59	1.91	-755.89	429.05	4.90	480.45
Sudan Pipeline	-	-	-	-	6,565.05	1,446.52	6,812.15	392.11	393.85
ONL	17.90	-	453.35	20.58	44.96	7.89	779.07	12.21	105.88
Block 06.1 Vietnam	2,522.88	3,986.87	-	-	1,064.21	109.63	628.31	6,874.63	3,326.07
Blocks 25-29, 35 (Part) & 36, Cuba	0.00	0.00	346.91	21.82	0.00	0.00	11.70	0.00	109.95
Total (A)	**6,219.81**	**30,217.44**	**7,427.03**	**10,889.14**	**32,465.84**	**19,190.51**	**40,489.07**	**106,028.41**	**89,942.97**
B. Audited as of 31 Dec.2007									
Sakhalin-1, Russia	35,468.99	28,996.62	3,437.41	1,884.99	8,202.75	8,130.56	8,826.08	58,494.70	22,662.96
Block NC-188 & NC-189, Libya	0.00	0.00	0.00	0.00	78.59	24.04	9.67	0.00	219.26
Total (B)	**35,468.99**	**28,996.62**	**3,437.41**	**1,884.99**	**8,281.34**	**8,154.60**	**8,835.75**	**58,494.70**	**22,882.22**
C. Unaudited									
Block XXIV, Syria	17.18	0.00	0.00	201.57	52.73	0.00	16.34	0.03	97.89
Block 6 North Ramadan, Egypt	9.68	0.00	33.50	410.17	110.45	0.00	47.59	0.00	429.87
COLOMBIA RC-8 Block Offshore	0.02	0.00	0.00	0.00	0.08	0.17	1.07	0.00	5.71
COLOMBIA RC-9Block Offshore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COLOMBIA RC-10 Block Offshore	0.04	0.00	0.00	0.00	0.10	0.00	1.33	0.00	7.11
Block NEMED, Egypt. Offshore,	0.00	0.00	0.00	1800.02	661.58	0.00	4,778.40	0.00	6,330.77
MTPN Block, Congo, Offshore	0.00	0.00	0.00	0.00	0.00	0.00	154.93	0.00	154.93
Total (C)	**26.92**	**-**	**33.50**	**2,411.76**	**824.94**	**0.17**	**4,999.66**	**0.03**	**7,026.28**
Grand Total (A+B+C)	**41,715.72**	**59,214.06**	**10,897.94**	**15,185.89**	**41,572.12**	**27,345.28**	**54,324.48**	**164,523.14**	**119,851.47**

*Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the Accounting Standard (AS) 27 viz. Financial Reporting of interests in Joint Ventures.

The Company's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

16. The subsidiary - OVL had completed the execution of the 12"X741 Kms multi product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM during the Previous financial year. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to Rs. 1,479.21 million (Previous Year Rs. 1,614.79 million) (Company's share being Rs. 1,331.29 million, Previous Year Rs. 1,453.31 million), which have not been accepted by the Subsidiary. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs. 1,838.76 million (Previous Year Rs. 2,007.30 million), Company's share being Rs. 1,654.88 million (Previous Year Rs. 1,806.57 million). Pending settlement with the EPC Contractor, an amount of Rs. 914.88 million (revalued from Previous Year Rs. 998.74 million), being the Company's share out of Rs. 1,016.53 million (revalued from Previous Year Rs. 1,109.71 million) has been shown as liability based upon the advices received by the Company from its consultant. The subsidiary's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognized pending final approvals by MEM.

The payment under the contract would be received over a period of 10 years with a moratorium of one year from the date of the contract i.e. 30 June, 2004 in 18 equal semi-annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in the Subsidiary- OVL and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to Subsidiary-OVL under the contract. Further, subject to regular payments on due dates by MEM to the Subsidiary- OVL, MEM shall have the exclusive right to use and operate the pipeline system and the Subsidiary- OVL shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments MINUS Unearned Finance Income) is recognised and recorded as receivables under the lease. The finance income thereon has been recognised based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first five installments under the contract due in respect of the period prior to the reporting date have been received as of the reporting date.

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(Rs. in million)

Particulars		2007-08		2006-07	
		Gross	**Net**	Gross	Net
a)	Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
-	Not later than one year	**1,005.43**	**693.88**	1,097.60	713.48
-	Later than one year & not later than five years	**4,021.73**	**3,236.03**	4,390.37	3,323.42
-	Later than five years	**1,508.15**	**1,438.14**	2,743.98	2,536.69
	TOTAL	**6,535.31**	**5,368.05**	8,231.95	6,573.59
b)	Unearned Finance Income	**1,167.26**		1,658.36	
c)	Unguaranteed residual value accruing to Company's benefit	**Nil**		Nil	
d)	Accumulated provision for uncollectible minimum lease payments receivable	**Nil**		Nil	
e)	Contingent rents recognised in the statement of profit and loss for the period	Nil		Nil	
f)	General description of the significant leasing arrangement	**As described in para above**		As described in para above	
g)	Accounting Policy followed in respect of initial direct costs	**As per Accounting Policy 25.2**			

17. Jointly Controlled Entities :

Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities ONGC Mittal Energy Limited (JV of OVL) and Petronet LNG Ltd., Petronet MHB Ltd., Mangalore SEZ Ltd., ONGC Mangalore Petrochemicals Ltd.,ONGC Petro Addition Ltd., ONGC Tripura Power Company Pvt Ltd., & ONGC TERI Biotec Ltd. is as below:

(Rs. in million)

Description		31st March, 2008	31st March, 2007
i)	**Assets**		
	- Fixed Assets (Incl. CWIP)	**5,755.80**	4,202.59
	- Investments	**145.56**	294.29
	- Current assets	**5,366.37**	2,840.34
	- Deferred Tax Assets	**188.02**	188.65
ii)	**Liabilities**		
	- Current liabilities & provisions	**2,275.06**	1,086.02
	- Other liabilities	**2,405.42**	2,178.46
iii)	Income	**8,462.45**	6,962.34
iv)	Expenses	**7,612.59**	6,270.02
v)	Contingent liabilities	**1,999.85**	11,218.58
vi)	Capital commitments	**4,944.56**	738.61
vii)	Deferred Tax Liabilities	**336.51**	309.00

18. Foreign Currency Translation Reserve:

The Company has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements for translation of the financial statements of Non-integral Foreign Operations. Accordingly, the resulting exchange loss of Rs. 5,245.58 million (Previous Year Rs. 1,107.12 million exchange loss) has been accounted for as foreign currency translation reserve and shown in Schedule 2.

19. Title to Fixed Assets under Production Sharing Agreements

The Subsidiary-OVL, the Subsidiaries and Joint Venture Company in consortium with other partners (Consortium) carry on their business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas" or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company, Subsidiaries or the Joint Venture Company, as the case may be, till the full term of the respective agreements.

20. Some of the balances of Debtors, Creditors and Loans and Advances are subject to confirmation/ reconciliation, Adjustments, if any, will be accounted on receipt/ confirmation of the same.

21. Information as per Accounting Standard (AS-18) on Related Party Disclosures is given below:

a. Name of the Related parties & description of relationship (excluding with State Controlled Entities): -

I) Joint Ventures (In India)	i	Ravva
	ii	PY-3
	iii	Panna, Mukta & Tapti
	iv	Petronet LNG Ltd. (PLL)
	v	Mangalore SEZ Ltd. (MSEZ)
	vi	ONGC Managalore Petrochemicals Ltd.(OMPL)
	vii	ONGC Petro Additions Ltd.(OPAL)
	viii	ONGC Tripura Power Co. Pvt. Ltd. (OTPC)
	ix	Dahej SEZ Limited (DSL)
	x	CB-OS-1
	xi	CB-OS-2
	xii	GK-OSJ-3
	xiii	GS-OSN-2003/1
	xiv	KG-DWN-98/2
	xv	CB-ONN-2001/1
	xvi	CB-ONN-2002/1
	xvii	RJ-ON-90/1
	xviii	GV-ONN-97/1
	xix	CB-ON/7
	xx	GV-ONN-2003/1
	xxi	VN-ONN-2003/1
	xxii	RJ-ONN-2003/1
	xxiii	AN-DWN-2003/II
	xxiv	CB-OS-7
	xxv	KK-DWN-2004/1

II)	Joint Ventures (Outside India) through OVL	i	Block 06.1 Project, Vietnam
		ii	Sakhalin-1 Project, Russia
		iii	Block 1a, 1b, 2a, 2b & 4 Project, Sudan
		iv	Block 5A Project, Sudan
		v	MECL, Colombia
		vi	AFPC, Syria
		vii	Block BC-10, Brazil
		viii	Block A-1 Project, Myanmar
		ix	Block A-3 Project, Myanmar
		x	Farsi Block Project, Iran
		xi	Block 6 North Ramadan Project, Egypt
		xii	Block NC-188 & NC-189 Project, Libya
		xiii	Block XXIV Project, Syria
		xiv	Block 5B Project, Sudan
		xv	Block 2, JDZ, Nigeria / STP
		xvi	Block CI-112 Project, Cote D' Ivoire
		xvii	Block 25-29, 35 (Part) & 36 Project, Cuba
		xviii	Khartoum - Port Sudan Pipeline Project, Sudan
		xix	ONGC Mittal Energy Limited, Cyprus
		xx	Block NEMED in Offshore, Egypt
		xxi	Block RC-8, Colombia
		xxii	Block RC-9, Colombia
		xxiii	Block RC-10, Colombia
		xxiv	MTPN Block, Congo
III)	Related Parties of JV Entities	i	Petronet India Ltd. (related party for PMHBL)
		ii	Infrastructure Leasing & Financial Services Ltd. (IL&FS) (related party for OTPC)
		iii	IL&FS Infrastructure Development Corp. Ltd. (ILFS) (related party for OTPC)

b. Key Management Personnel: -

Functional Directors:

Parent Company

i) Shri R.S. Sharma, CMD (holding additional charge of Director (Finance) upto 26th December, 2007)
ii) Dr. A. K. Balyan
iii) Shri A.K. Hazarika
iv) Shri N.K. Mitra
v) Shri U. N. Bose
vi) Shri D.K. Pande
vii) Shri D.K.Sarraf *

Subsidiaries and Joint Ventures

viii) Shri R.S. Butola, Managing Director, OVL
ix) Ir. A .R. Baron Mackay Holding B. V., ONGBV
x) Dr. C. M. Lamba, ONGBV
xi) Shri R. Rajamani, Managing Director MRPL
xii) Shri L. K. Gupta, MRPL
xiii) Shri A. Mathur, OVL
xiv) Shri J. Thomas, OVL
xv) Shri Prosad Dasgupta, Managing Director & CEO, PLL
xvi) Shri Amitav Sengupta, PLL
xvii) Shri Shyam Sunder, PLL
xviii) Shri C. S. Mani, PLL
xix) Shri S. B. Pandey, Managing Director, PMHBL

* upto 26th December, 2007 Key Management Personnel in OVL.

c. **Details of Transactions**

(Rs. in million)

Particulars	Joint Ventures	Jointly Controlled Entity	Key Management Personnel	Total
Amount paid /payable for Oil Transfer Services (Ravva)	46.98 (-)			46.68 (-)
Amount received for use of Drill Site Accommodation (Ravva)	11.26 (46.68)			11.26 (46.68)
Receipt towards Processing Charges (Panna Mukta)	463.12 (425.98)			463.12 (425.98)
Receipt towards transportation Charges (Panna Mukta Tapti Tpt. Charges)	1,411.60 (1,004.05)			1,411.60 (1,004.05)
Amount paid for purchase of Tapti Condensate	6,637.11 (2,944.82)			6,637.11 (2,944.82)
Amount received towards charges for Gas Metering Station from Panna Mukta JV	83.19 (34.50)			83.19 (34.50)
Pre operative Expenditure on behalf of ONGC Petro Additions Ltd., (OPAL)	27.69 (123.52)			27.69 (123.52)
Expenditure incurred on salary of ONGC employee deputed in Petronet LNG Ltd. (PLL)	11.36 (0)			11.36 (0)
Loan given to OTPC	93.90 (0)			93.90 (0)
Sale of LNG by PLL		8,194.14 (6,875.76)		8,194.14 (6,875.60)
Sale by PMHBL		61.04 (61.59)		61.04 (61.59)
Land Lease Rent by PMHBL		2.13 (1.74)		2.13 (1.74)
Interest Income by OVL	167.05 (20.00)			167.05 (20.00)
Income from rendering services by OVL/PLL	263.81 (307.94)	- (10.44)		263.81 (318.38)
Others by PLL		6.31 (3.75)		6.31 (3.75)
Others by PMHBL		0.40 (0.25)		0.40 (0.25)
Remuneration to Directors (As per b above)			39.54 (27.87)	39.54 (27.87)
Sale of Asset by MRPL		16.01 (0)		16.01 (0)
Reimbursement by MPRL		16.50 (0)		16.50 (0)
Unsecured Loan outstanding in OTPC		120.39 (0)		120.39 (0)
Creditor outstanding in OTPC		0.19 (0)		0.19 (0)
Others by OTPC		3.97 (0)		3.97 (0)
Loan raised by OTPC including accured interest		49.49 (0)		49.49 (0)

Note: AS-18 is not applicable to Ms.OMPL & MSEZ since it falls under category III as per AS

22. The consolidated Segment Information as per Accounting Standards AS -17 for the Company is given below

(Rs. in million)

	2007-08						2006-07					
	In India			Outside India	Unallocated	Grand Total	In India			Outside India	Unallocated	Grand Total
	E&P						E&P					
Particulars	**Offshore**	**Onshore**	**Refining**				Offshore	Onshore	Refining			
Revenue												
External Sales	393,820.58	171,099.54	305,889.62	155,593.22	8,979.03	**1,035,381.99**	342,897.19	168,351.03	261,813.78	108,930.70	7,062.79	889,055.49
Inter Segment Sales	47,525.53	-	68,950.83	11,895.93	-	**128,372.29**	77,791.30	-	63,714.85	6,718.30	-	148,224.45
Total Revenue	**441,346.11**	**171,099.54**	**374,840.45**	**167,489.15**	**8,979.03**	**1,163,754.28**	420,688.49	168,351.03	325,528.63	115,649.00	7,062.79	1,037,279.94
Results												
Segment Result Profit(+)/Loss(-)	231,214.99	-2,983.66	18,620.79	46,662.12		**293,514.24**	215,161.78	3,761.10	13,371.21	26,557.75		258,851.84
Unallocated Corporate Expenses					11,678.49	**11,678.49**					5,372.03	5,372.03
Operating Profit	**231,214.99**	**-2,983.66**	**18,620.79**	**46,662.12**	**-11,678.49**	**281,835.81**	215,161.78	3,761.10	13,371.21	26,557.75	-5,372.03	253,479.81
Interest					1,135.41	**1,135.41**					1,905.50	1,905.50
Interest/Dividend Income					28,510.32	**28,510.32**					21,146.96	21,146.96
Income Taxes					106,999.45	**106,999.45**					98,454.11	98,454.11
Profit from Ordinary Activities	**231,214.99**	**-2,983.66**	**18,620.79**	**46,662.12**	**-91,303.00**	**202,211.25**	215,161.78	3,761.10	13,371.21	26,557.75	-84,584.68	174,267.16
Extraordinary Gain*	-					**-**	4,750.61					4,750.61
Net Profit	**231,214.99**	**-2,983.66**	**18,620.79**	**46,662.12**	**-91,303.00**	**202,211.25**	219,912.39	3,761.10	13,371.21	26,557.75	-84,584.68	179,017.77
Other Information												
Segment Assets	433,714.79	191,398.37	113,481.53	213,938.15		**952,532.84**	399,869.14	156,557.21	88,815.55	209,213.04		854,454.94
Unallocated Corporate Assets					301,052.53	**301,052.53**					257,033.68	257,033.68
Total Assets	**433,714.79**	**191,398.37**	**113,481.53**	**213,938.15**	**301,052.53**	**1,253,585.37**	399,869.14	156,557.21	88,815.55	209,213.04	257,033.68	1,111,488.62
Segment Liabilities	193,077.96	67,475.40	75,359.89	150,879.12		**486,792.37**	210,486.55	40,584.03	60,938.40	165,477.39		477,486.37
Unallocated Corporate Liabilities					-14,073.14	**-14,073.14**					-33,133.53	-33,133.53
Total Liabilities	**193,077.96**	**67,475.40**	**75,359.89**	**150,879.12**	**-14,073.14**	**472,719.23**	210,486.55	40,584.03	60,938.40	165,477.39	-33,133.53	444,352.84
Capital Expenditure	105,754.74	40,715.05	1,511.55	26,653.88	4,981.05	**179,616.27**	125,009.19	20,184.80	2,351.78	43,457.64	1,201.51	192,204.92
Depreciation**	77,137.63	20,144.45	3,828.51	37,516.23	906.38	**139,533.20**	75,567.98	18,258.18	3,591.65	21,335.00	925.10	119,677.91
Non-cash Expenses	898.89	1,153.52	70.86	5,670.24	14.98	**7,808.49**	2,161.50	717.01	112.43	1,782.16	463.94	5,237.04

* Excess of Insurance Claims over book value

** Also Includes Depletion, Amortization and Impairment Loss

Segment Revenue in respect of Onshore segment for the year ended 31st March, 2008 includes Rs. 65,115 million (Previous year Rs. 59,401 million) on account of trading of products of MRPL- a subsidiary of ONGC.

Segment Result in respect of Onshore segment for the year ended 31st March, 2008 includes Rs. 306 million (Previous year Rs. 865 million) on account of trading of products of MRPL- a subsidiary of ONGC.

Notes :

(i) The annexed matrix presentation depicts the geographical segments based on assets as primary segments and business segments as secondary segments.

(ii) Segments have been identified and reported taking into account the differing risks and returns, the organization structure and the internal reporting systems. These have been organized into the following main geographical and business segments:

Geographical Segments

a) In India - Offshore
- Onshore

b) Outside India.

Business Segments

a) Exploration & Production

b) Refining

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on reasonable basis. Un-allocated includes common expenditure incurred for all the segments and expenses incurred at the corporate level.

(iv) Reconciliation of the Segment Revenue with the Revenue as per Schedules 19 , 20 & 26 is given below:

(Rs. in million)

Particulars	**Schedule**	**Amount**	
Sales	19		1,018,349.12
Other Income	20		45,410.91
Prior period Sales	26		2.41
Prior period other Income	26		129.87
Total			**1,063,892.31**
Less:			
Income from trade investments	20	2,951.76	
Income from Non trade investments	20	173.12	
Interest income on Deposits with banks/FIs,IT Refund, SRF Fund and carry Finance	20	25,385.44	28,510.32
Segment Revenue			**1,035,381.99**

23. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

a) Share of Company and its subsidiaries & joint venture companies in the Proved Reserves on the geographical basis as on 31st March, 2008 is as under:-

	Details	**Crude Oil (MMT)***		**Gas (Billion Cubic Meter)**		**Total Oil Equivalent (MTOE)****	
		As on 31st March, 2008	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007	**As on 31st March, 2008**	As on 31st March, 2007
Offshore	**Opening**	**221.740**	211.750	**185.401**	160.530	**407.141**	372.280
	Addition	**24.560**	29.900	**31.955**	43.932	**56.515**	73.832
	Deduction						
	Adjustment	**-0.060**	-	**0.039**	-	**-0.021**	-
	Production	**19.940**	19.910	**19.306**	19.061	**39.246**	38.971
	Closing	**226.420**	221.740	**198.011**	185.401	**424.431**	407.141
Onshore	**Opening**	**186.150**	191.550	**150.905**	153.315	**337.055**	344.865
	Addition	**12.100**	2.630	**4.136**	3.408	**16.236**	6.038
	Deduction						
	Adjustment	-	-	-	-	-	-
	Production	**7.910**	8.030	**5.835**	5.818	**13.745**	13.848
	Closing	**190.340**	186.150	**149.206**	150.905	**339.546**	337.055
Vietnam	**Opening**	**0.653**	0.683	**14.608**	16.450	**15.261**	17.133
	Addition	**-**	-	**-**	-	**-**	-
	Deduction						
	Adjustment	**0.001**	-	**-**	-	**0.001**	-
	Production	**0.029**	0.030	**1.617**	1.842	**1.646**	1.872
	Closing	**0.623**	0.653	**12.991**	14.608	**13.614**	15.261
Sakhalin	**Opening**	**53.516**	61.222	**84.053**	96.917	**137.569**	158.139
	Addition	**4.266**	-	**10.273**	-	**14.539**	-
	Deduction						
	Adjustment	**16.361**	-	**23.578**	-	**39.939**	-
	Sale/ Transfer	**-**	6.751	**-**	12.558	**-**	19.309
	Production	**2.234**	0.955	**0.345**	0.306	**2.579**	1.261
	Closing	**39.187**	53.516	**70.403**	84.053	**109.590**	137.569
GNOP Sudan	**Opening**	**23.008**	23.465	**-**	-	**23.008**	23.465
	Addition	**3.241**	2.700	**-**	-	**3.241**	2.700
	Deduction						
	Adjustment	**0.964**	-	**-**	-	**0.964**	-
	Sale/ Transfer	**-**	-	**-**	-	**-**	-
	Production	**2.981**	3.157	**-**	-	**2.981**	3.157
	Closing	**22.304**	23.008			**22.304**	23.008
Block 5A, Sudan	**Opening**	**4.910**	5.180	**-**	-	**4.910**	5.180
	Addition	**1.232**	-	**-**	-	**1.232**	-
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.294**	0.270	**-**	-	**0.294**	0.270
	Closing	**5.848**	4.910	**-**		**5.848**	4.910

AFPC, Syria	**Opening**	**1.417**	2.274	**-**	-	**1.417**	2.274
	Addition	**2.854**	0.238	**-**	-	**2.854**	0.238
	Deduction						
	Adjustment	**0.185**	-	**-**	-	**0.185**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.951**	1.095	**-**	-	**0.951**	1.095
	Closing	**3.135**	1.417	**-**	-	**3.135**	1.417
MECL, Columbia	**Opening**	**10.740**	-	**-**	-	**10.740**	-
	Addition	**1.282**	11.037	**-**	-	**1.282**	11.037
	Deduction						
	Adjustment	**8.935**	-	**-**	-	**8.935**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.351**	0.297	**-**	-	**0.351**	0.297
	Closing	**2.736**	10.740	**-**	-	**2.736**	10.740
BC-10 Brazil	**Opening**	**1.500**	-	**0.225**	-	**1.725**	-
	Addition	**0.409**	1.500	**0.380**	0.225	**0.789**	1.725
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**-**	-	**-**	-	**-**	-
	Closing	**1.909**	1.500	**0.605**	0.225	**2.514**	1.725

b) Share of Company and its subsidiaries & joint venture companies in the Proved and Developed Reserves on the geographical basis as on 31st March,2008 is as under:-

	Details	**Crude Oil (MMT)***		**Gas (Billion Cubic Meter)**		**Total Oil Equivalent (MTOE)****	
		31st March, 2008	31st March, 2007	**31st March, 2008**	31st March, 2007	**31st March, 2008**	31st March, 2007
Offshore	**Opening**	**191.350**	192.850	**128.753**	113.592	**320.103**	306.442
	Addition	**11.440**	18.410	**13.520**	34.185	**24.960**	52.573
	Adjustment #	**-**	-	**-0.006**	-	**-0.006**	-
	Deduction						
	Adjustment	**-0.050**	-	**0.069**	-	**0.019**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**19.940**	19.910	**19.306**	19.024	**39.246**	38.934
	Closing	**182.900**	191.350	**122.892**	128.753	**305.792**	320.103
Onshore	**Opening**	**144.990**	148.870	**114.392**	117.435	**259.382**	266.305
	Addition	**13.160**	4.030	**4.342**	2.585	**17.502**	6.615
	Adjustment #	**-2.100**	-	**-0.582**	-	**-2.682**	-
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**7.910**	7.910	**5.835**	5.628	**13.745**	13.538
	Closing	**148.140**	144.990	**112.317**	114.392	**260.457**	259.382
Vietnam	**Opening**	**0.646**	0.676	**11.053**	12.895	**11.699**	13.571
	Addition	**-**	-	**-**	-	**-**	-
	Deduction						
	Adjustment	**0.001**	-	**-**	-	**0.001**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.029**	0.030	**1.617**	1.842	**1.646**	1.872
	Closing	**0.616**	0.646	**9.436**	11.053	**10.052**	11.699

	Details	Crude Oil (MMT)*		GAS (Billion Cubic Meter)		Total Oil Equivalent (MTOE)**	
		31st March, 2008	31st March, 2007	**31st March, 2008**	31st March, 2007	**31st March, 2008**	31st March, 2007
Sakhalin	**Opening**	**8.001**	1.422	**2.537**	0.557	**10.538**	1.979
	Addition	**4.266**	7.534	**10.273**	2.286	**14.539**	9.820
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**2.234**	0.955	**0.345**	0.306	**2.579**	1.261
	Closing	**10.033**	8.001	**12.465**	2.537	**22.498**	10.538
GNOP Sudan	**Opening**	**17.980**	17.667	**-**	-	**17.980**	17.667
	Addition	**-**	3.470	**-**	-	**-**	3.470
	Deduction						
	Adjustment	**0.964**	-	**-**	-	**0.964**	-
	Sale/transfer	**-**	-	**-**	-	**--**	-
	Production	**2.981**	3.157	**-**	-	**2.981**	3.157
	Closing	**14.035**	17.980	**-**	-	**14.035**	17.980
Block 5 A Sudan	**Opening**	**4.310**	-	**-**	-	**4.310**	-
	Addition	**0.544**	4.580	**-**	-	**0.544**	4.580
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.294**	0.270	**-**	-	**0.294**	0.270
	Closing	**4.560**	4.310		-	**4.560**	4.310
AFPC, Syria	**Opening**	**0.840**	1.697	**-**	-	**0.840**	1.697
	Addition	**2.854**	0.238	**-**	-	**2.854**	0.238
	Deduction			**-**	-		-
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	
	Production	**0.951**	1.095	**-**	-	**0.951**	1.095
	Closing	**2.743**	0.840			**2.743**	0.840
MECL, Columbia	**Opening**	**1.805**	-	**-**	-	**1.805**	-
	Addition	**1.282**	2.102	**-**	-	**1.282**	2.102
	Deduction						
	Adjustment	**-**	-	**-**	-	**-**	-
	Sale/transfer	**-**	-	**-**	-	**-**	-
	Production	**0.351**	0.297	**-**	-	**0.351**	0.297
	Closing	**2.736**	1.805	**-**	-	**2.736**	1.805

* Crude includes oil condensate
** For calculating Oil Equivalent of Gas (OEG) 1000 M3 of Gas has been taken to be equal to 1 MT of Crude Oil. Variations in totals, if any, are due to internal summation and rounding off.
# Adjustment due to upgradation of production from Proved undeveloped to Proved developed from previous years.
MTOE - million tonne oil equivalent.

The consultant engaged by the subsidiary - OVL in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 million Tonne (comprising reduction of 0.42 million Tonnes condensate and 3.71 billion Cubic Meters gas in Proved Reserves, increase of 0.06 million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 million tonnes comprising 0.42 million tonnes of condensate and 2.57 billion cubic meters of gas. The revision was not accepted by the operator. The operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of operator's assessment.

In respect of Sakhalin I Project, pursuant to the completion of development of Chayvo Phase-I, the reserves for the phase have been fully upgraded to Proved Developed (PDD) category from Proved Undeveloped (PUD) category. The revised reserves status for Sakhalin -I project have been approved by Russian Federation.

24 (i) **Details of Expenditure**

Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development

(Rupees in million)

	2007-08		2006-07
Manpower Cost:			
(a) Salaries, Wages, Ex-gratia etc.	**39,972.62**		33,484.78
(b) Contribution to Provident and other funds	**1,848.85**		2,059.54
(c) Provision for gratuity	**9,337.63**		383.43
(d) Provision for leave encashment	**5,700.53**		2,356.27
(e) Provision for post retirement medical & terminal benefits	**2,067.93**		9,089.44
(f) Staff welfare expenses	**3,462.39**	**62,389.95**	2,688.46
Consumption of Raw Materials, Store and Spares		**264,113.61**	204,628.80
Cess		**58,215.31**	59,260.31
Natural Calamity Contingent Duty - Crude Oil		**1,126.63**	1,149.09
Excise Duty		**50,619.96**	40,903.30
Royalty		**121,057.70**	104,564.97
Sales Tax		**2,922.20**	6,006.89
Octroi/BPT		**4,556.48**	3,523.14
Service Tax		**217.97**	137.29
Education cess		**1,863.56**	1,303.44
Rent		**1,241.43**	1,051.14
Rates and taxes		**493.29**	585.23
Hire charges of equipments and vehicles		**52,743.26**	39,700.22
Power, fuel and water charges		**3,385.44**	3,300.96
Contractual drilling, logging, workover etc.		**50,116.25**	45,860.65
Contractual security		**1,931.71**	1,250.38
Repairs to building		**508.48**	393.71
Repairs to plant and machinery		**2,033.21**	1,837.64
Other repairs		**8,726.53**	8,308.34
Insurance		**2,030.01**	2,955.86
Other Operating Expenditure		**8,088.92**	7,143.33
Miscellaneous expenditure		**15,123.79**	14,442.75
		713,505.69	598,369.36
Less :			
Allocated to exploration, development drilling, capital jobs recoverables etc.		**107,267.10**	80,158.47
Excise duty		**50,527.37**	40,146.28
Prior Period Adjustment		**357.84**	7,578.89
Production, Transportation, Selling & Distribution Expenditure etc.		**555,353.38**	470,485.72

Note: Other Operating expenditure above includes the expenses in respect of Sakhalin-1, Russia project, where the details are not made available by the operator.

ii) **Managerial Remuneration**

(Rs. in million)

	2007-08	2006-07
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Functional Directors:		
Salaries and Allowances	**24.30#**	20.88
Contribution to Provident & Other Funds	**1.57**	1.25
Other Benefits and Perquisites	**5.30**	4.15
(do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)		
Leave Encashment and Gratuity on retirement of directors	**0.00**	0.50
Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15	**6.90**	*
Independent Directors:		
Sitting Fees	**1.47**	1.09
Total	**39.54**	27.87

includes adhoc advance paid on account of pay revision due from 1st January, 2007.

* The remuneration did not include Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15 since the same were not ascertained for individual employees

iii) **Auditors' Remuneration**

(Rs. in million)

	2007-08	2006-07
Audit Fees	**9.02***	6.37
For Certification work etc.	**5.85**	4.42
Traveling and Out of Pocket Expenses	**13.88**	10.90
Total	**28.75**	21.69

* Includes Fees of Rs. 1.48 million for 2006-07 due to increase in fee.

25. (a) The figures in respect of Subsidiaries/Joint Venture Companies have been regrouped/ rearranged based upon the details obtained from the management of the subsidiaries/Joint Venture Companies wherever their audited accounts did not provide the breakup details required for consolidated financial statements.

(b) Disclosure requirement in respect of subsidiaries/Joint Ventures companies have been disclosed to the extent available from their audited/unaudited accounts.

26. Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

27. Figures in bracket as given in Notes to the Accounts relate to previous year.

28. Figures in the accounts are stated in Rs. millions except those in parenthesis which would otherwise have become Nil on account of rounding off.

consolidated cash flow statement for the year ended 31st march, 2008

(Rupees in million)

		Year ended 31st March, 2008		Year ended 31st March, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Profit before tax, prior period and extraordinary items		**310,140.81**		285,475.85
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	**138,875.74**		119,677.94	
Cash Outflows	**(48,100.05)**		(41,035.09)	
	90,775.69		78,642.85	
- Interest on Borrowings	**1,125.10**		1,605.08	
- Foreign Exchange Loss/(Gain)	**(629.96)**		(12.57)	
- Provision for Gratuity	**7,326.12**		229.03	
- Provision for Leave Encashment	**3,709.74**		1,264.83	
- Provision for AS-15 Benefits	**1,623.26**		2,695.48	
- Provision for Pay Revision	**8,021.00**		0.00	
- Miscellaneous Expenditure written off	**0.64**		0.00	
- Other Provision and Write offs	**6,814.24**		2,301.67	
- Interest Income	**(26,732.04)**		(18,741.44)	
- Excess Provision written Back	**(1,247.54)**		(1,019.89)	
- Deferred Government Grant	**(11.91)**		(6.56)	
- Dividend Received	**(1,662.89)**		(2,384.69)	
- Profit on sale of investment	**10.85**	**89,122.30**	0.00	64,573.79
Operating Profit before Working Capital Changes		**399,263.11**		350,049.64
Adjustments for:-				
- Debtors	**(29,683.45)**		(3,454.46)	
- Loans and Advances	**(1,303.64)**		(3,233.06)	
- Other Current Assets	**58.76**		(1.34)	
- Deferred Revenue Expenditure/ Miscellaneous Exp. W/off	**(1,803.70)**		(1,477.29)	
- Inventories	**(15,023.53)**		(13,274.41)	
- Trade Payable and Other Liabilities	**43,851.86**	**(3,903.70)**	41,380.79	19,940.23
Cash generated from Operations		**395,359.41**		369,989.87
Direct Taxes Paid (Net of tax refund)		**(105,082.74)**		(85,204.35)
Cash Flow before prior period and Extra ordinary Items		**290,276.67**		284,785.52
Prior period items		**11.87**		(6,883.57)
Net Cash Flow from Operating Activities 'A'		**290,288.54**		277,901.95
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		**(90,153.03)**		(111,677.30)
Exploratory and Development Drilling/ Board Approved and Contracted/Board Approved Projects		**(77,991.21)**		(23,985.89)
Purchase of Investments (Net)		**(12,596.18)**		(1,264.57)
Investment in Subsidiary		**0.00**		(20,855.67)
Loans and advances to Subsidiary		**(49.74)**		301.02
Loans to others		**44.32**		53.80
Foreign Currency Translation Adjustment		**(267.17)**		(788.68)
Share of Profit in Associate Companies		**20.50**		106.78
Investment in Associate Companies		**(73.50)**		(38.18)
Adjustment of Preoperative expenditure		**321.14**		0.00
Advance to SMNG-S & RN ASTRA		**4,614.77**		55,726.32
Dividend Received from Others		**1,791.95**		2,316.09
Extraordinary Item-Insurance Claims Received for BHN		**0.00**		8,684.32
Tax paid on Excess of insurance Claim over book value		**0.00**		(1,599.06)
Interest Received		**20,781.36**		13,561.99
Tax paid on Interest Income		**(9,298.99)**		(4,645.65)
Net Cash Flow from Investing Activities 'B'		**(162,855.78)**		(84,104.68)

(Rupees in million)

	Year ended 31st March, 2008	Year ended 31st March, 2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	**1,664.77**	7,027.80
Proceeds from Government Grants	**6.14**	25.97
Proceeds/(Repayment) of Term Loans	**(3,037.79)**	(9,630.95)
Cash Credit Advance	**(2,945.65)**	2,997.30
Dividend Paid	**(66,929.14)**	(67,550.33)
Tax on Dividend	**(11,288.46)**	(9,399.32)
Interest Paid	**(1,122.21)**	(1,618.75)
Net Cash Flow from Financing Activities 'C'	**(83,652.34)**	(78,148.28)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**43,780.42**	115,648.99
Cash and Cash Equivalents as at 1st April, 2007 (Opening Balance)	**206,706.20**	91,013.54
Cash and Cash Equivalents as at 31st March,2008 (Closing Balance)	**250,486.62**	206,662.53

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
3. Cash and Cash equivalents represent:-

(Rupees in million)

	2007-08	2006-07
a) Cash and Bank Balances and Cheques in hand (Schedule 13A)	**186,524.95**	150,653.10
b) Deposits with Bank under Site Restoration Fund Scheme (Schedule 13B)	**64,033.51**	56,102.86
Total	**250,558.46**	206,755.96

4. Cash and Cash equivalent excludes Rs. 71.84 million (Previous year Rs. 54.90 million) in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks/Govt. authorities in respect of MRPL.
5. The opening cash balance for the current year includes Rs. 38.53 million & Rs. 5.14 million relating to PMHBL and OTPC respectively as they are consolidated only from the current year.
6. Cash Balance includes Rs. 1,252.32 million share of jointly controlled entity. (Previous year Rs. 1,319.24 million)
7. Bracket indicates cash outflow.
8. Previous years figures have been regrouped wherever necessary to conform to current year's classification.

For and on behalf of Board

S. P. Garg
Company Secretary

D.K. Sarraf
Director (Finance)

R.S. Sharma
Chairman & Managing Director

In terms of our report of even date attached

For K.K. Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem No. 07737)

For S.C. Ajmera & Co.
Chartered Accountants

Arun Sarupria
Partner (Mem No. 78398)

For Singhi & Co.
Chartered Accountants

Pradeep Kr. Singhi
Partner (Mem. No. 50773)

For P.S.D. & Associates
Chartered Accountants

D.D. Dadhich
Partner (Mem. No. 71909)

For Padmanabhan, Ramani & Ramanujam
Chartered Accountants

Padmanabhan R.
Partner (Mem No. 13216)

New Delhi
25th June, 2008

ओएनजीसी
ONGC

खोज के लिए साहस श्रेष्ठता के लिए ज्ञान उत्कृष्टता के लिए तकनीक

one of ongc's initiatives in collaboration with bombay natural history society to help arrest coastline erosion in maharashtra and gujarat through mangrove plantations. the effort also comprises of a programme for educating coastline dwellers on the importance of mangroves in combating erosion.

ओएनजीसी
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this annual report is printed on environment-friendly paper.

Conceptualised and designed by R K SWAMY BBDO, Printed at Thomson Press