

## IMPORTANT NOTICE

### STRICTLY CONFIDENTIAL – DO NOT FORWARD

**IMPORTANT:** This e-mail is intended for the named recipient(s) only. If you are not an intended recipient, please delete this e-mail from your system immediately. You must read the following before continuing. The following terms apply to the Red Herring Prospectus and Preliminary International Wrap dated September 05, 2011 (collectively, the "**Preliminary Offering Memorandum**") of Oil and Natural Gas Corporation Limited (the "**Company**") attached to this email. You are therefore advised to read this page carefully before reading, accessing or making any other use of the attached Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** You have accessed the attached Preliminary Offering Memorandum on the basis that you have confirmed your representation, agreement and acknowledgement to each of JM Financial Consultants Private Limited, Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited, HSBC Securities and Capital Markets (India) Limited, Morgan Stanley India Company Private Limited and Nomura Financial Advisory & Securities (India) Private Limited (collectively, the "Book Running Lead Managers" or "BRLMs") and JM Financial Services Private Limited and HDFC Securities Limited (the "Syndicate Members") that (1) you are the intended recipient of the attached Preliminary Offering Memorandum; (2) (i) you are neither resident in the United States nor a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), nor acting on behalf of a U.S. person, the electronic mail address to which this e-mail has been delivered is not located in the United States, its territories or possessions, and, to the extent that you eventually purchase the Equity Shares described in the attached Preliminary Offering Memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act OR (ii) you are a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act; and (3) you consent to delivery of the attached Preliminary Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Preliminary Offering Memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, Selling Shareholder, BRLMs, the Syndicate Members, their affiliates or any person who controls any of them, or any of their respective directors, officers, employees or agents or any affiliates of any such person, accepts any liability or responsibility whatsoever in respect of any discrepancies between the Preliminary Offering Memorandum distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of any underwriter named herein, nor any person who controls it or any director, officer, employee or agent of it, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

**Restrictions:** The attached Preliminary Offering Memorandum is being furnished in connection with an offering exempt from or not subject to registration under the U.S. Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Equity Shares described in the Preliminary Offering Memorandum. In making an investment decision, investors must rely on their own examination of the merits and risks involved.

**THE EQUITY SHARES REFERRED TO IN THE PRELIMINARY OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. EQUITY SHARES OFFERED OR SOLD OUTSIDE OF THE UNITED STATES ARE BEING OFFERED**

**OR SOLD IN COMPLIANCE WITH THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES OCCUR.**

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either issuer of the securities or the BRLMs or the Syndicate Member to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a "general solicitation" or "general advertising" (each as defined in Regulation D under the U.S. Securities Act) or "directed selling efforts" (as defined in Regulation S under the U.S. Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and either the BRLM or a Syndicate Member or any affiliate of such BRLM or Syndicate Member is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such BRLM or Syndicate Member or any of its eligible affiliates on behalf of the issuer in such jurisdiction. Recipients of this email and the attached Preliminary Offering Memorandum who intend to subscribe for or purchase the Equity Shares referred to in the Preliminary Offering Memorandum are reminded that any subscription or purchase of the Equity Shares may only be made on the basis of the information contained in the Preliminary Offering Memorandum.

You are reminded that you have accessed the attached Preliminary Offering Memorandum on the basis that you are a person into whose possession this Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Equity Shares described therein.

**Actions That You May Not Take:** You should not reply by e-mail to this announcement, and you may not purchase any Equity Shares by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

**YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) FORWARD OR DELIVER THE ATTACHED PRELIMINARY OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PRELIMINARY OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PRELIMINARY OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**You are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



**OIL AND NATURAL GAS CORPORATION LIMITED**

This Preliminary Offering Memorandum relates to an offering (the "Offer") of 427,774,504 equity shares of face value of ₹5 each (the "Equity Shares") of Oil and Natural Gas Corporation Limited (the "Company") by the President of India, acting through the Ministry of Petroleum and Natural Gas, Government of India (the "Selling Shareholder") for cash at a price of ₹[●]\* per equity share. The Equity Shares being offered constitute 5% of the Company's outstanding Equity Shares. The Offer comprises a net offer to public of 419,221,336 Equity Shares (the "Net Offer") and a reservation of 8,553,168 Equity Shares for subscription by eligible employees (the "Employee Reservation Portion"). The Offer shall constitute 5.00% of the paid-up equity share capital of our Company and the Net Offer shall constitute 4.90% of the paid-up equity share capital of our Company.

\*A discount of ₹[●] and ₹[●] to the Offer Price is being offered to the Retail Individual Bidders ("Retail Discount") and Eligible Employees Bidding in the Employee Reservation Portion ("Employee Discount") respectively.

The Offer consists of an offer of Equity Shares to (1) "qualified institutional buyers" (as defined in Rule 144A ("Rule 144A") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act")) in the United States in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act (the "U.S. Offer"), (2) Indian institutional, non-institutional and retail investors in India in reliance on Regulation S ("Regulation S") under the U.S. Securities Act, and (3) institutional investors outside the United States and India in reliance on Regulation S (the "Global Offer"), through a Book Building Process in India pursuant to the regulations of the Securities and Exchange Board of India (the "SEBI") as described in the attached Red Herring Prospectus dated September 5, 2011 (the "Red Herring Prospectus"). For a description of the Book Building Process, see "Offer Procedure –Book Building Procedure" in the Red Herring Prospectus.

The Price Band, the minimum Bid lot and the rupee amount of the Retail Discount and the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the Indian Express (all editions), the Financial Express (all editions), the New Indian Express (all editions) and Jansatta (all editions). The Selling Shareholder, in consultation with the Company and the Book Running Lead Managers, reserves the right to revise the Price Band during the Offer Period. In case of a revision of the Price Band, the Offer Period will be extended for at least three (3) additional Working Days after such revision, subject to the Offer Period not exceeding ten (10) Working Days. Any revision to the Price Band and the revised Offer Period will be disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE", and together with the BSE the "Stock Exchanges") and by issuing a press release.

The Selling Shareholder and the Company, in consultation with the Book Running Lead Managers, reserve the right not to proceed with the Offer at any time including after the Offer Opening Date but before Allotment.

This Preliminary International Wrap accompanies the Red Herring Prospectus that is attached. As used herein, the term "Preliminary Offering Memorandum" means this Preliminary International Wrap together with the Red Herring Prospectus. This Preliminary International Wrap and the Red Herring Prospectus should be read together prior to making an investment decision in respect of the Equity Shares. Capitalized terms used in this Preliminary International Wrap that are not defined herein shall have the same meaning ascribed to them in the Red Herring Prospectus. Unless the context otherwise requires, references to "we", "us", and "our" are to the Company, the Subsidiaries and the Joint Ventures, on a consolidated basis.

The Selling Shareholder and the Company, in consultation with the BRLMs, reserve the right to reject any offer to purchase Equity Shares, in whole or in part, and to Allot to any prospective investor less than the full amount of Equity Shares sought by such investor.

***Investing in the Equity Shares involves risks. See the sections entitled "Risk Factors" beginning on page 20 of the Red Herring Prospectus that is attached and "Additional Risk Factors for International Investors" beginning on page W-13 of this Preliminary Offering Memorandum to read about material factors that you should consider before investing in Equity Shares.***

The Equity Shares are listed on the BSE and the NSE. The BSE is the Designated Stock Exchange for the Offer. We expect that the offered Equity Shares will be credited to investors' "demat", or book entry, accounts with their depository participants in India within twelve (12) Working Days from the Offer Closing Date. The crediting of such Equity Shares will be made only after payment for such Equity Shares has been received. We expect trading of the offered Equity Shares on the Stock Exchanges to commence on or around October 5, 2011.

*The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons reasonably believed to be “qualified institutional buyers” as defined in Rule 144A, and (2) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Preliminary Offering Memorandum will be deemed to have made the representations, agreements and acknowledgements as described under “Purchaser Representations and Transfer Restrictions” in this Preliminary Offering Memorandum. Prospective purchasers that are qualified institutional buyers as defined in Rule 144A are hereby notified that the sellers of Equity Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See “Distribution and Solicitation Restrictions” in this Preliminary Offering Memorandum for information about eligible offerees in the U.S. Offer and the Global Offer, and “Purchaser Representations and Transfer Restrictions” in this Preliminary Offering Memorandum for information about transfer restrictions applying to the Equity Shares. The Offer shall also comply with applicable SEBI Regulations (as defined in the Red Herring Prospectus).*

*Book Running Lead Managers*

|                                                                                   |                                                                                   |                                                                                   |                                                                                    |                                                                                     |                                                                                     |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  |  |  |  |  |  |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|



## TABLE OF CONTENTS

|                                                                                                             |    |
|-------------------------------------------------------------------------------------------------------------|----|
| NOTICE TO INVESTORS .....                                                                                   | 6  |
| NOTICE TO INVESTORS IN THE UNITED STATES .....                                                              | 9  |
| NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA .....                                                     | 9  |
| NOTICE TO NEW HAMPSHIRE RESIDENTS.....                                                                      | 10 |
| AVAILABLE INFORMATION .....                                                                                 | 11 |
| ENFORCEMENT OF CIVIL LIABILITIES .....                                                                      | 12 |
| FORWARD-LOOKING STATEMENTS.....                                                                             | 13 |
| ADDITIONAL RISK FACTORS FOR INTERNATIONAL INVESTORS .....                                                   | 15 |
| RESTRICTIONS ON FOREIGN EXCHANGE REMITTANCES AND ON TRANSFERS OF EQUITY<br>SHARES INTO AND FROM INDIA ..... | 22 |
| TAXATION .....                                                                                              | 24 |
| PLAN OF DISTRIBUTION .....                                                                                  | 29 |
| DISTRIBUTION AND SOLICITATION RESTRICTIONS.....                                                             | 32 |
| PURCHASER REPRESENTATIONS AND TRANSFER RESTRICTIONS.....                                                    | 35 |
| EXCHANGE RATE INFORMATION.....                                                                              | 40 |
| THE SECURITIES MARKET OF INDIA .....                                                                        | 41 |
| LEGAL MATTERS .....                                                                                         | 43 |
| INDEPENDENT AUDITORS .....                                                                                  | 43 |
| INDEPENDENT RESERVE AND RESOURCE AUDITORS .....                                                             | 43 |

## NOTICE TO INVESTORS

**This Preliminary Offering Memorandum may not be distributed or circulated in India.**

**The Equity Shares offered hereby have not been approved, disapproved or recommended by the United States Securities and Exchange Commission, any state securities commission in the United States, the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these regulatory authorities has passed on or endorsed the merits of the Offer or confirmed the accuracy or determined the adequacy of this Preliminary Offering Memorandum. Any representation to the contrary is a criminal offense in the United States and may be a criminal offense in other jurisdictions.**

In making an investment decision, you must rely on your own examination of the Company and the terms of the Offer, including the merits and risks involved. The U.S. Offer and the Global Offer are being made on the basis of this Preliminary Offering Memorandum. Any decision to purchase in the U.S. Offer and the Global Offer must be based on the information contained herein. You should not construe the contents of this Preliminary Offering Memorandum as legal, investment or tax advice. You should consult your own counsel, business adviser and tax adviser as to the legal, business, tax and other matters that relate to the Offer.

**This Preliminary Offering Memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person, or to the public generally, to subscribe for or otherwise acquire the Equity Shares.**

Each Underwriter is delivering this Preliminary Offering Memorandum on behalf of the Selling Shareholder to investors outside India solely for their use in deciding whether or not to proceed with a further investigation of the Company and the terms of the Offer. By accepting receipt of this Preliminary Offering Memorandum you agree (i) to maintain the confidentiality of the information contained in this Preliminary Offering Memorandum and any other information that may be subsequently provided by the Company or the Selling Shareholder or by any of their representatives, either orally or in writing; (ii) to observe all the rules and regulations applicable to you in respective jurisdictions with regard to this Preliminary Offering Memorandum and in deciding to make an investment in the Equity Shares; (iii) that any reproduction or distribution of this Preliminary Offering Memorandum or of any other information that the Company, the Underwriters or any of their respective representatives may subsequently provide, in whole or in part, or any disclosure of any of the contents hereof or thereof to any other person other than authorized representatives, agents and advisors of the recipient hereof, or any use of such materials for any purpose other than to evaluate participation in the U.S. Offer or the Global Offer, is strictly prohibited; and (iv) that if you decide not to proceed with the investigation of, or to participate in, this Offer or if this Offer is terminated, you will return this Preliminary Offering Memorandum and any other information that the Company, the Selling Shareholder or any of its representatives have subsequently provided to you. This Preliminary Offering Memorandum has been prepared for informational purposes relating to the U.S. Offer and the Global Offer only and upon the express understanding that it and the attached Red Herring Prospectus will be used only for the purpose set forth above. This Preliminary Offering Memorandum is confidential and may not be copied or reproduced, in whole or in part, nor may it be distributed or any of its contents disclosed to anyone other than authorized representatives, agents and advisors of the offeree to whom it has been delivered. By accepting delivery of this Preliminary Offering Memorandum, you agree to the foregoing conditions.

The information contained in this Preliminary Offering Memorandum has been provided by us, the Selling Shareholder and by other sources identified herein. To the extent permitted by applicable law, no representation or warranty, express or implied, is made by us, the Selling Shareholder, the Underwriters or any member, employee, officer, director, representative, agent, affiliate or adviser of ours, of the Selling Shareholder or of any of the Underwriters as to the accuracy or completeness of such information, and no information contained in this Preliminary Offering Memorandum or made available in connection with any further investigation is, or shall be relied upon as, a promise or representation by any of the Underwriters or such other persons. To the extent permitted by applicable law, each Underwriter and each such other person expressly disclaims any and all liability that may be based on such information, errors therein or omissions therefrom.

No person is authorized to give any information or to make any representation in connection with the offer or sale of the Equity Shares other than as contained in this Preliminary Offering Memorandum. If any such information is given or made, it must not be relied upon as having been authorized by us, the Selling Shareholder, the Underwriters or any member, employee, officer, director, representative, agent, affiliate or

adviser of ours, of the Selling Shareholder or of any of the Underwriters. Neither the delivery of this Preliminary Offering Memorandum nor any offer or sale of Equity Shares shall under any circumstances imply that there has been no change in our affairs since the date of this Preliminary Offering Memorandum or that the information set forth herein is correct as of any date subsequent to the date hereof.

**No actions have been taken to permit a public offering of the Equity Shares in any jurisdiction except India. This Preliminary Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase any of the Equity Shares to any person in any jurisdiction where it is unlawful to make such an offer, sale, solicitation or purchase. The distribution of this Preliminary Offering Memorandum and the offer and sale of the Equity Shares may be restricted by law in certain jurisdictions. Persons whom come into possession of this Preliminary Offering Memorandum are required by our Company, the Selling Shareholder and the Underwriters to inform themselves about and to observe any applicable restrictions, and none of the Company, the Selling Shareholder nor any Underwriter shall have any responsibility therefor. For more information, see “Distribution and Solicitation Restrictions” and “Purchaser Representations and Transfer Restrictions” in this Preliminary Offering Memorandum.**

**Investors that bid in this Offer will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholder, the Underwriters, and their respective officers, directors, representatives, agents, affiliates and associates that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. The Company, the Selling Shareholder, the Underwriters and their respective officers, directors, representatives, agents, affiliates and associates accept no responsibility or liability for advising any investor whether such investor is eligible to acquire Equity Shares. None of the Company, the Selling Shareholder, any Underwriter, nor any member, employee, officer, director, representative, agent, affiliate or adviser of the Company, the Selling Shareholder or of any of the Underwriters is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under any applicable laws or regulations.**

Under applicable SEBI regulations, associates and affiliates of the Underwriters may bid for, and purchase, Equity Shares in the Offer, including the QIB Portion and the Non-Institutional Portion, subject to the terms described in the Red Herring Prospectus and as permitted by applicable law. Such bidding and subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the Underwriters, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

In accordance with Reserve Bank of India (“RBI”) regulations, Overseas Corporate Bodies (as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended) (“OCBs”) are not permitted to participate in the Offer.

Under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, by the SEBI (Foreign Institutional Investors) (Amendment) Regulations, 2008 (“SEBI Institutional Investors Regulations”), and subject to compliance with all applicable Indian laws, foreign institutional investors registered with the SEBI (referred to as “FIIs”) may issue, or otherwise deal in offshore derivative instruments (defined under the SEBI Institutional Investors Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying all such offshore derivative instruments referred to herein as “P-Notes”), directly or indirectly, only in the event (i) such P-Notes are issued only to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such P-Notes are issued after compliance with ‘know your client’ norms.

FIIs shall ensure that no further issue or transfer is made of any offshore derivative instruments issued by or on behalf of it to any person other than a person regulated by an appropriate foreign regulatory authority.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal and tax advisers regarding any contemplated investment in P-Notes, including whether P-Notes are issued in

compliance with applicable laws and regulations, including without limitation, Indian laws, rules, regulations and guidelines applicable to P-Notes.

P-Notes have not been and are not being offered or sold in the Offer. The Company, the Selling Shareholder and the Underwriters do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not our securities and do not constitute any obligations of, claim on, or interests in the Company or the Selling Shareholder. Neither the Company, the Selling Shareholder nor any of the Underwriters has participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company or the Selling Shareholder.

Any P-Notes that may be issued are not securities of the Underwriters and do not constitute any obligations of, or claims on, the Underwriters. In addition, associates and affiliates of the Underwriters may or may not issue P-Notes against Equity Shares allocated to them in the Offer. Such associates and affiliates of the Underwriters may receive commissions and other fees in connection with the issuance, offer and sale of P-Notes. This Preliminary Offering Memorandum does not contain, and the Offering Memorandum will not contain, any information concerning any P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

This Preliminary Offering Memorandum contains summaries of certain terms of certain documents, but reference is hereby made to the actual documents. Copies of documents specified in the Red Herring Prospectus under the section “Material Contracts and Documents for Inspection” will be attached to the copy of the Red Herring Prospectus delivered to the RoC for registration, and also will be made available upon request for physical inspection at the registered office of the Company from 10.00 am to 4.00 pm during the Offering Period. All summaries in this Preliminary Offering Memorandum relating to such documents are qualified in their entirety by this reference.

Information on the Company’s website or on any website of the Underwriters or the Selling Shareholder do not form part of this Preliminary Offering Memorandum.

## **NOTICE TO INVESTORS IN THE UNITED STATES**

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Preliminary Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons reasonably believed to be “qualified institutional buyers” as defined in Rule 144A, and (2) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Preliminary Offering Memorandum will be deemed to have made the representations, agreements and acknowledgements as described under “Purchaser Representations and Transfer Restrictions” in this Preliminary Offering Memorandum.

In the United States, this Preliminary Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing for the particular securities described herein. The information contained in this Preliminary Offering Memorandum has been provided by the Company and other sources identified herein. Distribution of this Preliminary Offering Memorandum to any person other than the offeree specified by the Underwriters of their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Preliminary Offering Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

## **NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA**

This Preliminary Offering Memorandum has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive (as defined below), as implemented in Member States of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of Equity Shares. The expression “Prospectus Directive” means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which is the subject of the placement contemplated in this Preliminary Offering Memorandum should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Underwriters to produce a prospectus for such offer. Neither the Company, the Selling Shareholder nor the Underwriters have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Underwriters which constitute the placement of Equity Shares contemplated in this Preliminary Offering Memorandum. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the “Relevant Implementation Date”), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 Amending Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to persons or entities that are “qualified investors” as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;
- to (i) fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than “qualified investors” as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Underwriters; or

- in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression “2010 Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (as amended, to the extent implemented in a Relevant Member State, by the 2010 Amending Directive) or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a “qualified investor” as so defined and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Company and the Underwriters with the provisions of Article 3(2) of the Prospectus Directive as amended (to the extent implemented) by Article 1(3) of the 2010 Amending Directive.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1955, AS AMENDED (“RSA 421-B”), NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### **AVAILABLE INFORMATION**

We are not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Securities Exchange Act"). In order to permit compliance with Rule 144A under the U.S. Securities Act in connection with resales of the Equity Shares, we agree to furnish upon request of a shareholder or a prospective purchaser the information required to be delivered under Rule 144A(d)(4) of the U.S. Securities Act if at the time of such request we are not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act or are not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

We agree to comply with any undertakings given by us from time to time in connection with the Equity Shares to the Stock Exchanges and, without prejudice to the generality of the foregoing, shall furnish to each such Stock Exchange all such information as the rules of such Stock Exchange may require in connection with the trading of the Equity Shares on such Stock Exchange.

**Any information about the Company available on any website of the SEBI, the Company, the Selling Shareholder or the BRLMs, other than this Preliminary Offering Memorandum or the Red Herring Prospectus, shall not constitute a part of the Preliminary Offering Memorandum.**

## ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated as a public limited company under the laws of India. The enforcement by investors of civil liabilities outside India, including the ability to effect service of process and to enforce judgments of courts outside India may be affected adversely by the fact that we are incorporated under the laws of India and all of our executive officers and directors reside in India. A substantial portion of our assets, and a substantial portion of the assets of our executive officers and directors, are also located in India. As a result, it may be difficult to effect service of process outside India upon us and our executive officers and directors or to enforce in court outside India judgments obtained in courts outside India against us or our executive officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of jurisdictions outside India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended ("Civil Code").

A judgment of a court in a non-reciprocating territory such as the United States may be enforced in India only by a suit upon the judgment under Section 13 of the Civil Code, and not by proceedings in execution. Section 13 of the Civil Code, which is the statutory basis for the recognition of foreign judgments (other than arbitration awards), provides that a foreign judgment is conclusive as to any matter directly adjudicated upon except where: (i) the judgment has not been pronounced by a court of competent jurisdiction; (ii) the judgment has not been given on the merits of the case; (iii) the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) the proceedings in which the judgment was obtained were opposed to natural justice; (v) the judgment has been obtained by fraud; or (vi) the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of Civil Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of amounts payable in respect of taxes or other charges of like nature or in respect of fines or other penalties and does not include an arbitration awards. The United Kingdom, Singapore and Hong Kong, among others, have been declared to be reciprocating territories within the meaning of Section 44A of the Civil Code by the Government of India. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code.

A suit to enforce a foreign judgment must be instituted in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy or if the judgments are in breach of or contrary to Indian law and practice. A party seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI under the Foreign Exchange Management Act, 1999, as amended to repatriate out of India any amount recovered pursuant to such execution. Any judgment in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of payment.



## FORWARD-LOOKING STATEMENTS

This Preliminary Offering Memorandum contains words or phrases such as “will”, “shall”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “plans”, “strategies”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions. Use of these words or phrases may indicate forward-looking statements. Similarly, statements that describe our intentions, objectives, strategies, plans or goals are also forward-looking statements. Although we believe that the expressions reflected in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual future outcomes to differ materially from those contemplated. Certain important factors that could cause actual future outcomes to differ from those contemplated include, but are not limited to, the following:

- the project completion dates, estimated project costs and total value of contracts awarded;
- variation in reserves data and estimates relating to contingent and prospective resources, and our actual production, revenues and expenditure;
- production volumes;
- the outcome of exploration and development activity;
- our ability to find, develop or acquire additional reserves;
- fluctuations or a substantial or extended decline in international prices for oil and gas;
- regulatory changes pertaining to the industries in India or other countries in which our Company has its businesses and our ability to respond to them;
- the variety of risks that our international operations are exposed to including the recent political unrest, widespread conflicts and violence occurred in various countries including Sudan, South Sudan, Syria and Libya;
- claims against us due to an environmental disaster, exploration accidents or any other uninsured event;
- our ability to successfully implement our strategy, our growth and expansion;
- regulatory changes in the oil and gas sector;
- general economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- technological changes in the future;
- our exposure to market risks;
- general economic and political conditions in India and which have an impact on our business activities or investments;
- terrorist attacks, civil disturbances, regional conflicts, accidents and natural disasters;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- imposition of, or unexpected adverse changes in the laws, regulatory requirements or policies of foreign governments;

- the performance of the financial markets in India and globally;
- changes in domestic laws, regulations and taxes; and
- increasing competition in or other factors affecting the industry segments in which we operate.

For further discussion of factors that could cause actual future outcomes to differ from those contemplated, see in particular “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 20 and 423, respectively, of the Red Herring Prospectus and “Additional Risk Factors for International Investors” on page W-13 of this Preliminary International Wrap. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements speak only as of the date of the attached Red Herring Prospectus. None of the Company, its Directors and officers, the Selling Shareholder, any Underwriter or any of their respective affiliates, has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. The Company and the Underwriters will ensure that investors in India are informed of material developments until the commencement of trading of the Equity Shares Allotted pursuant to the Offer.

## ADDITIONAL RISK FACTORS FOR INTERNATIONAL INVESTORS

*In addition to the risk factors set forth under the section entitled “Risk Factors” in the Red Herring Prospectus, prospective investors are urged to consider the following additional risk factors prior to bidding for or purchasing any of the Equity Shares in the manner described in the Red Herring Prospectus. If any of the following risks actually occur, it could have a material adverse effect on our business, financial condition and results of operation, the market price of the Equity Shares could decline and you could lose all or part of your investment in the Equity Shares. Please note that the risk factors below do not constitute a comprehensive and exhaustive list of all the risk factors that may be associated with an investment in an Indian company, but are merely meant to give an indication of the risks that may arise in relation to an investment by a foreign investor in the equity shares of an Indian company.*

### **Risks for US Investors**

***Our crude oil and natural gas reserves estimates involve a degree of uncertainty and may not prove to be correct over time or may not accurately reflect actual reserves, or even if accurate, technical limitations may prevent us from producing crude oil or natural gas from these reserves.***

Evaluations of crude oil and natural gas reserves involve multiple uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. Crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect our best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (processes that are continual and yield new results over time), and may differ from previous estimates.

Reserves estimates are subject to various uncertainties, including those relating to the reservoir parameters of crude oil and natural gas fields. These reservoir parameters may be difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting our reserves estimates include: new production or drilling activities; assumptions regarding future performance of wells and surface facilities; field reviews; the addition of new reserves from discoveries or extensions of existing fields; the application of improved recovery techniques; and changed economic conditions.

The reliability of reserves estimates depends on the quality and quantity of technical and economic data, the production performance of the fields, and consistency in oil and gas policies of the GoI and the governments of other countries where we have operations. The quantities of crude oil and natural gas that are ultimately recovered could be materially different from our reserves estimates, and downward revisions of our estimates could affect our results of operations and business plan. Published reserves estimates may also be subject to correction due to the subsequent application of published rules and guidance.

Our reporting policy is not, and is not required to be, derived from, or consistent with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission and differs from such requirements in certain material respects. Our reserves would differ from those described herein if determined in accordance with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission. There are currently no clear regulations governing public disclosure of potential reserves by oil and gas companies operating in India or their use in securities offering documents. We can give no assurance that the reserves estimates upon which we have made investment decisions accurately reflect actual reserves level, or even if accurate, that technical limitations will not prevent us from retrieving these reserves.

Further, we have provided certain estimates regarding crude oil and natural gas reserves in this Red Herring Prospectus. These estimates are based solely on volumetric analysis of our various license areas and are not used by us as the primary basis for development capital expenditure decisions. Investors should therefore not place undue reliance on our management estimates of our reserves. We can give no assurance that the reserves estimates upon which we have made investment decisions accurately reflect actual reserve level, or even if accurate, that technical limitations will not prevent us from retrieving these reserves and accordingly, you should not rely on this crude oil or natural gas reserves data as the primary basis for your investment decision.

***We may be a passive foreign investment company, which could result in certain U.S. federal income tax consequences to U.S. Holders.***

A non-U.S. corporation is a passive foreign investment company ("PFIC") if either (1) 75% or more of its gross income is passive income or (2) 50% or more of the total value of its assets is attributable to assets, including cash, that produce or are held for the production of passive income. Based on the current and expected composition of our income and assets (including certain valuation estimates of our goodwill and taking into account the expected market price of our Equity Shares), we do not expect to be a PFIC for the current taxable year. However, PFIC status for any year, including this year, can be determined only after the close of that year. Accordingly, we cannot definitively state that we will not be a PFIC this year or in any future year. If we are a PFIC for any taxable year during which a U.S. Holder holds Equity Shares, certain U.S. federal income tax consequences could apply to a U.S. Holder. See "Taxation - Certain U.S. Federal Income Tax Considerations - Tax Consequences to U.S. Holders if the Company is a Passive Foreign Investment Company ("PFIC")" beginning on page W-22 of this Preliminary Offering Memorandum for further information.

### **Risks Related to Investments in Indian Companies**

***We have not prepared our financial statements included in the Preliminary Offering Memorandum in accordance with the International Financial Reporting Standards ("IFRS") or generally accepted accounting principles in the United States of America ("U.S. GAAP"). Prospective investors should consult their own professional advisers for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Preliminary Offering Memorandum.***

Public companies in India, including us, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI ("MCA"), through a press note dated January 22, 2010 (the "MCA Press Release"). The MCA through a press release dated February 25, 2011, announced that it will implement the converged accounting standards in a phased manner after various issues including tax-related issues are resolved. The MCA is expected to announce the date of implementation of the converged accounting standards at a later date. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognized during that period and in the corresponding period in the comparative Fiscal year/period.

Despite this, our financial statements, including the financial statements provided in Preliminary Offering Memorandum, are prepared in accordance with Indian GAAP. Each of U.S. GAAP and IFRS differs in significant respects from Indian GAAP. As a result, our consolidated and unconsolidated financial statements and reported earnings could be materially different from those which would be reported under IFRS or U.S. GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Offering Memorandum will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Because differences exist between Indian GAAP and IFRS or U.S. GAAP, the financial information in respect of our Company contained in this Preliminary Offering Memorandum may not be an effective means to compare us with other companies that prepare their financial information in accordance with IFRS or U.S. GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Offering Memorandum should accordingly be limited. Potential investors should consult their own professional advisors for an understanding of these differences between Indian GAAP and IFRS or U.S. GAAP, and how such differences might affect the financial information contained herein.

***Your ability to acquire and sell Equity Shares is restricted by the distribution and transfer restrictions set forth in this Preliminary Offering Memorandum and may be subject to delays if the RBI or any other Government agency's approval is required.***

Indian laws contain restrictions on the acquisition and transfer of Indian securities by persons resident outside of India. No actions have been taken to permit a public offering of the Equity Shares in any jurisdiction except India. As such, the Equity Shares have not and will not be registered under the U.S. Securities Act, any state securities laws or the law of any jurisdiction other than India. Furthermore, the Equity Shares are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions. The information below has been provided for the benefit of investors. However, the information

below does not purport to be a complete analysis of the restrictions under Indian laws for the acquisition and/or transfer of securities in an Indian company by a person resident outside India. The Company, the Selling Shareholder, the Underwriters and their respective officers, directors, representatives, agents, affiliates and associates accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Under current Indian regulations and practice, approval of the RBI is required for the sale of Equity Shares by a non-resident to a resident of India unless the sale is made on a recognized stock exchange in India through a stock broker or a merchant banker registered with the SEBI at the market price in accordance with the terms of the pricing guidelines specified by the RBI in case of an off-market transfer. If the Equity Shares are thinly traded, then certain other pricing guidelines specified by RBI must be followed. The conversion of the Rupee proceeds from such sale into foreign currency and the repatriation of that foreign currency from India under certain circumstances also requires the approval of the RBI. As foreign exchange controls are in effect in India, the RBI will approve the price at which Equity Shares are transferred based on a specified formula and a higher price per Equity Share may not be permitted. Approvals required from the RBI or any other government agency may not be obtained on terms favorable to a non-resident investor or at all. Prior to the repatriation of sale proceeds, certain filings must be made with an authorized dealer (bank) remitting the proceeds along with certain documents, including an undertaking from the resident buyer in the prescribed form stating that the pricing guidelines have been adhered to and a no objection/tax clearance certificate from the income tax authority or an accountant. If any approvals are required from the RBI or any other government agency, they may not be obtained on terms favorable to a non-resident investor or at all. We cannot guarantee that any approval, if required, will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines. For more information, see the section entitled “Offer Procedure” beginning on page 510 of the attached Red Herring Prospectus for restrictions on acquisitions by FIIs and foreign venture capital investors (“FVCIs”), as well as “Distribution and Solicitation Restrictions”, “Restriction on Foreign Ownership of Indian Securities”, and “Purchaser Representations and Transfer Restrictions” in this Preliminary Offering Memorandum. We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with the restrictions set forth herein.

***An investment in the Equity Shares is subject to general risks related to investments in Indian companies.***

We are incorporated in India and substantial portion of our assets and employees are located in India. Consequently, our business, results of operations, financial condition and the market price of the Equity Shares will be affected by changes in exchange rates and controls, interest rates in India, policies of the Government of India, including taxation policies and policies relating to our industry, and political, social and economic developments affecting India.

***A third party could be prevented from acquiring control of the Company because of the anti-takeover provisions under Indian law.***

There are provisions in Indian law that may discourage a third party from attempting to take control of our Company, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Under the Indian takeover regulations, an acquirer cannot acquire equity shares or voting rights which (taken together with existing Equity Shares or voting rights, if any, held by it or by persons acting in concert with it) would entitle such acquirer to exercise 15.00% or more of the voting rights in a listed company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20.00% of the equity shares of the company at a price not lower than the price determined in accordance with the takeover regulations. No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20.00% of the equity shares of the company at a price not lower than the price determined in accordance with the takeover regulations.

An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55.00% or more but less than 75.00% of the equity shares or voting rights in a company may not, either by himself or through persons acting in concert with him, acquire additional equity shares or voting rights unless such acquirer makes a public announcement offering to acquire such percentage of the voting capital of the company so that the acquisition does not result in the public shareholding in such company being reduced to a level below the limit specified in the listing agreement between the company and the applicable stock exchange for the purposes of continuous listing.

Under the takeover regulations an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others.

These provisions may discourage or prevent certain types of transactions involving an actual or potential change in control of our Company. For further details, see the section "The Securities Markets in India—Takeover Code" in this Preliminary Offering Memorandum.

***You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.***

Under the Companies Act, a public limited company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares that voted on the resolution. However, if the law of the jurisdiction you are in does not permit you to exercise your preemptive rights without us filing an offering document or registration statement with the applicable authority in the jurisdiction that you are in or otherwise taking steps to comply with local securities or other laws, you will be unable to exercise your preemptive rights unless we make such a filing or take such other steps. In addition, to the extent that you are unable to exercise preemptive rights granted in respect of the Equity Shares held by you, your proportional interest in the Company would be reduced.

***Currency exchange rate fluctuations may affect the value of the Equity Shares.***

The exchange rate between the Rupee and other foreign currencies, including the U.S. Dollar, the British Pound, the Euro, the Emirati Dirham, the Hong Kong dollar, the Singapore dollar and the Japanese Yen, has changed substantially in recent years and may fluctuate substantially in the future. If you purchase Rupees to purchase our Equity Shares, fluctuations in the exchange rate between the Rupee and the foreign currency with which you purchased the Rupees may affect the value of your investment in our Equity Shares. Specifically, if there is a change in relative value of the Rupee to a foreign currency, each of the following values may also be affected:

- the foreign currency equivalent of the Rupee trading price of our Equity Shares in India;
- the foreign currency equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- the foreign currency equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Rupees.

You may be unable to convert Rupee proceeds into a foreign currency of your choice. In addition, the rate at which any such conversion could occur may fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Rupee if investors in jurisdictions outside India analyze our value based on the Rupee equivalent of some other currency. For information on certain historical exchange rates between the Rupee and the U.S. Dollar, see "Exchange Rate Information" in this Preliminary Offering Memorandum.

***You may be subject to Indian taxes arising out of capital gains on the sale of Equity Shares.***

Capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the Securities Transaction Tax ("STT") has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a

recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, including those with the United States, do not limit India's ability to impose tax on capital gains. As a result, residents of countries such as the United States may be liable for tax in India, as well as in their own jurisdictions, upon gain resulting from a sale of our Equity Shares.

For more information, see "Statement of Tax Benefits" on page 105 of the attached Red Herring Prospectus.

***It may not be possible for you to enforce any judgment obtained outside India against the Company, the Selling Shareholder, the Underwriters or any of their directors and executive officers in India respectively, except by way of a law suit in India.***

We are incorporated as a public limited company under the laws of India. A substantial portion of our assets, and a substantial portion of the assets of our executive officers and directors, are also located in India. As a result, it may be difficult to effect service of process outside India upon us and our executive officers and directors or to enforce in court outside India judgments obtained in courts outside India against us or our executive officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of jurisdictions outside India.

Judgments or decrees from jurisdictions which do not have reciprocal recognition with India cannot be executed in India. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of other jurisdictions. In particular, the United States and India do not have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitration awards) in commercial and civil matters. Therefore, a final judgement for the payment of money rendered by a court in a non-reciprocating territory, including the United States, for civil liability, whether or not predicated solely upon the general securities laws of such non-reciprocating territory, would not be enforceable in India under the Civil Code as a decree of an Indian Court.

Although a party in whose favor a final judgement of a court in a non-reciprocating territory has been rendered may institute a new suit in a competent court based in India within three years of obtaining such final judgement, it is unlikely that an Indian court would award damages on the same basis as was awarded in such final judgment. Moreover, it is unlikely that an Indian court would award damages to the extent awarded in a final judgement rendered outside India if it believed that the amount of damages awarded were excessive or inconsistent with Indian practice. In addition, any person seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI to repatriate out of India any amount recovered. For further details, see the section "Enforcement of Civil Liabilities" in this Preliminary Offering Memorandum.

***There may be less information available about companies listed on Indian stock exchanges than companies listed on stock markets in other countries.***

Our Equity Shares are listed on the Stock Exchanges in India and will not be listed on any stock exchange in any other country outside India. The SEBI is responsible for setting standards for disclosure and other regulatory standards for the Indian securities markets. While the SEBI has issued regulations on disclosure requirements, insider trading and other matters, there may be less publicly available information about Indian companies than is regularly made available by public companies in some other countries. There may also be a difference between the level of regulation and monitoring of the Indian stock markets and the activities of investors, brokers and other participants in the Indian stock markets and that of stock markets in other countries, such as stock markets in the United States. As a result, you may have access to less information about our business, result of operations and financial condition, and those of our competitors that are listed on Indian stock exchanges, on an ongoing basis, than you may in the case of companies subject to the reporting requirements of other countries. In particular, the ongoing quarterly financial reporting requirements for publicly listed companies in India do not require us to make detailed disclosures of our results of operations and financial condition on a consolidated basis. You must therefore be aware that the publication of our quarterly financial information in the future will not, in scope or substance, be as comprehensive or detailed as the presentation and discussion of our financial statements as of and for the three months ended June 30, 2011 contained in the Red Herring Prospectus.

***Statistical and industry data in this Preliminary Offering Memorandum may be incomplete or unreliable.***

Statistical and industry data used throughout this Preliminary Offering Memorandum has been obtained from various government and industry publications. We believe the information contained therein has been obtained from sources that are reliable, but we have not independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result data from other market sources may not be comparable. The extent to which the market and industry data presented in this Preliminary Offering Memorandum is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data.

Further, this market and industry data has not been prepared or independently verified by us or the BRLMs or any of their respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

***Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

The Company's Articles of Association and Indian law govern the Company's corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company/corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions and, as such, you may have more difficulty in asserting your rights as a shareholder than as a shareholder of a company or corporation in another jurisdiction. For more information, see "Section VIII – Main Provisions of the Articles of Association" on page 552 of the Red Herring Prospectus.

***Risks related to our Equity Shares and the trading market***

***There is no public market for the Equity Shares outside India.***

Prior to this Offer, there has been no public market for the Equity Shares other than in India. After this Offer, there will be no public market for the Equity Shares in the United States or any country other than India. We cannot assure you that even after the Equity Shares have been approved for trading on the Stock Exchanges, any active trading market for the Equity Shares will be sustained after this Offer. The Offer Price will be determined by the Selling Shareholder in consultation with the Company and the Underwriters and we cannot assure you that the Offer Price will correspond to the price at which the Equity Shares will trade subsequent to the completion of the Offer.

***Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are less developed and more volatile than securities markets in certain other economies, especially countries which are members of the Organization for Economic Cooperation and Development ("OECD"). Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges (including the BSE and NSE) have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the United States. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasions between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

***Economic developments and volatility in securities markets in other countries may cause the price of our Equity Shares to decline.***

The Indian stock markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of



securities of companies located in other countries, including India. For instance, the deterioration in economic conditions in the United States and several European countries in 2007 to 2010 adversely affected market prices in the world's securities markets, including the Stock Exchanges. Negative economic developments in other emerging market countries, such as rising fiscal or trade deficits, or a default on national debt, may negatively affect investors' confidence in India, cause increased volatility in Indian stock markets and cause the price of our Equity Shares to decline. For more information on the securities market in India, see the section entitled "The Securities Market of India" on page W-39 of this Preliminary Offering Memorandum.

***The Underwriters will not over-Allot or otherwise stabilize the market of our Equity Shares.***

The Underwriters will not over-Allot or otherwise stabilize the market of our Equity Shares. As a result, the market price of our Equity Shares may be more susceptible to a decline than if the Underwriters were permitted to take such action.

## **RESTRICTIONS ON FOREIGN EXCHANGE REMITTANCES AND ON TRANSFERS OF EQUITY SHARES INTO AND FROM INDIA**

### **Restrictions on Conversion of Rupees into Foreign Currency**

There are certain restrictions on the conversion of Rupees into foreign currency. The Foreign Exchange Management Act, 1999, as amended, together with rules and regulations thereunder ("FEMA") regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the RBI. FEMA has eased restrictions on current account transactions. However, the RBI continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The RBI has from time to time issued regulations, circulars and guidelines under FEMA to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The RBI has permitted authorized dealers to freely allow remittances by resident individuals up to U.S.\$ 200,000 per financial year for any permissible current or capital account transactions or a combination of both.

### **Dividends**

Dividends on the Equity Shares received by foreign investors may be freely repatriated in foreign currency.

### **Restrictions on Transfers of Equity Shares into and from India and on Repatriation of Sale Proceeds**

The following is a general description of restrictions on the sale of equity shares under Indian law (subject to the other restrictions on the transfer of the Equity Shares) described in this Preliminary Offering Memorandum.

A person resident outside India holding equity shares or convertible debentures of a listed Indian company is permitted to sell such equity shares or convertible debentures to a person resident in India on a recognized Indian stock exchange without prior RBI approval, subject to certain pricing guidelines and reporting requirements, through a registered broker subject to certain conditions. The sale proceeds of equity shares (net of taxes) sold by a person resident outside India may be remitted outside India. In the case of an FII, the sale proceeds may be credited to its special non-resident Rupee account. In the case of an NRI, if the equity shares sold were held on a repatriation basis, the sale proceeds (net of taxes) may be credited to his NRO/NRE/FCNR(B) Accounts and if the equity shares sold were held on a non-repatriation basis, the sale proceeds may be credited to his NRO/NRSR/NRNR Account subject to payment of taxes.

- A person resident outside India, or a NRI, may sell the equity shares held by him to any other person not resident in India, or a non-resident Indian, respectively, without the prior approval of the RBI or the FIPB.

Moreover, the transfer of shares by an Indian resident to a person not resident in India does not require the prior approval of the FIPB or the RBI, provided that: (1) the activities of the investee company are under the automatic route pursuant to the foreign direct investment policy ("FDI Policy"); (2) the investment is within the sectoral limits under the FDI Policy; and (3) the pricing is in accordance with the guidelines prescribed by the RBI.

In the event of any acquisition of equity shares as described above, the provisions of the Takeover Code may apply. See "The Securities Market of India" on page W-39 of this Preliminary Offering Memorandum.

Where equity shares are held on a repatriable basis, the sale proceeds may be remitted through an authorized dealer without the approval of the RBI, provided the equity shares are sold in accordance with the prescribed guidelines and a "no-objection" or tax clearance certificate from the income tax authority or an undertaking with an accountant's certificate has been obtained. There can be no assurance that any required approval from the RBI or any governmental agency can be obtained in any particular term or at all.

Any person not resident in India seeking to sell Equity Shares on one of the Stock Exchanges or sell or transfer Equity Shares to a resident of India should seek advice from Indian legal advisers as to the applicable requirements. If any approval is required, we cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

A person resident outside India may transfer Equity Shares held by him to a person resident in India by way of a gift.

The above information is given for the benefit of the investors. The Company and the Underwriters are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Investors are advised to make their independent investigations and ensure that the number of Equity Shares they Bid for do not exceed the applicable limits under laws or regulations.

## TAXATION

*The following summary of certain material Indian tax and U.S. federal income consequences of ownership of Equity Shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Preliminary Offering Memorandum. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Equity Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Equity Shares.*

For information on Indian taxation, please refer to the "Statement of Tax Benefits" on page 105 of the attached Red Herring Prospectus.

### Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares. It does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire Equity Shares. This section is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, final, temporary and proposed Treasury regulations issued under the Code, administrative pronouncements by the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect or in existence as of the date of this Preliminary Offering Memorandum and all of which at any time may be repealed, revoked or modified or subject to differing interpretations so as to result in U.S. federal income tax consequences different from those discussed below, possibly with retroactive effect. This discussion is not binding on the IRS or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The following discussion applies to you only if you are a U.S. Holder (as defined below), you acquire the Equity Shares in this Offer, you hold the Equity Shares as capital assets for U.S. federal income tax purposes and you are not resident in India for purposes of the IT Act or the U.S. - India income tax treaty. This section does not apply to you if you are a member of a special class of U.S. Holders subject to special tax rules, including:

- a dealer in securities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization, retirement plan, individual retirement account or tax-deferred account;
- an insurance company;
- a holder liable for alternative minimum tax;
- a holder that directly, indirectly or constructively owns 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote;
- a holder that holds Equity Shares as part of a straddle, hedging or conversion transaction;
- a holder who is a U.S. expatriate; or
- a holder whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal gift or estate tax, or state, local or non-U.S. tax laws. Additionally, the discussion does not consider the tax treatment of partnerships or other pass-through entities (including entities treated as partnerships for U.S. federal income tax purposes) or persons who hold Equity Shares through such entities.

You are a "U.S. Holder" if you are a beneficial owner of Equity Shares and you are for U.S. federal income tax purposes:

- a citizen of the United States;

- a permanent resident of the United States whose income is subject to U.S. federal income tax regardless of its source;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under current Treasury regulations to be treated as a U.S. person.

### **Taxation of Dividends**

Subject to the passive foreign investment company ("PFIC") rules referred to below, if you are a U.S. Holder, you must include in your gross income the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) when you receive the dividend, actually or constructively. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. Dividends generally are subject to tax at ordinary income rates of up to 35.00%. However, if such dividends are paid before January 1, 2013, and provided the Company is not treated as a PFIC, as described below, U.S. Holders who are individuals may be eligible for the reduced tax rate equal to the current U.S. federal capital gains tax rate of 15.00% if the Company qualifies for benefits under the U.S. - India income tax treaty. As of the date of this Preliminary Offering Memorandum, the highest ordinary income tax rate for U.S. Holders who are individuals will increase to 39.60%, and the reduced rate of 15.00% will no longer be available, for tax years beginning after December 31, 2012.

Dividends received generally will be income from non-U.S. sources. Such non-U.S. source income generally will be "passive category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. Holder will be the U.S. dollar value of the Indian rupee payments made, determined at the spot Indian rupee/U.S. dollar exchange rate on the date the dividend distribution, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the Equity Shares and thereafter as capital gain.

### **Taxation of Capital Gains**

If you are a U.S. Holder and you sell or otherwise dispose of any of your Equity Shares, subject to the PFIC rules referred to below, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your adjusted tax basis, determined in U.S. dollars, in those Equity Shares that are sold or otherwise disposed of. Your adjusted tax basis in your Equity Shares generally should be the acquisition cost for such shares. Capital gain or loss from the sale, exchange or other disposition of shares held for more than one year is long-term capital gain or loss, and long-term capital gain is eligible for a reduced rate of taxation for non-corporate taxpayers. However, regardless of a U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Taxation of Dividends" and is treated as an "extraordinary dividend". In general, a dividend would constitute an extraordinary dividend if it equaled or exceeded 10.00% of the U.S. Holder's basis in the Equity Shares (or if it was part of a series of dividends with ex dividend dates within (a) a 365 day period that exceeded 20.00% of such basis or (b) an 85 day period that equaled or exceeded 10.00% of such basis). Long-term capital gains recognized by certain non-corporate holders before January 1, 2013 may generally qualify for a reduced rate of taxation of 15.00%. As of the date of this Preliminary Offering Memorandum, the tax rate on such long-term capital gains will generally increase to 20.00% for tax years beginning after December 31, 2012. Your ability to deduct capital losses is subject to limitations.

Under the U.S. - India income tax treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss (which generally will be treated as U.S. source ordinary income or loss) on any non-U.S. currency received in a sale or exchange of the Equity Shares that is converted into U.S. dollars (or otherwise disposed of) on a date subsequent to receipt.

#### **Tax Consequences to U.S. Holders if the Company is a Passive Foreign Investment Company ("PFIC")**

The Company will be a passive foreign investment company, or PFIC, if 75.00% or more of the Company's gross income in a taxable year, including a pro rata share of the gross income of any company of which the Company owns 25.00% or more of the shares by value, is passive income. Alternatively, the Company will be a PFIC if at least 50.00% of the Company's assets in a taxable year, based on a quarterly average for each year and ordinarily determined based on fair market value, including a pro rata share of the assets of any company of which the Company owns 25.00% or more of the shares by value, produce or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties and gains from the disposition of passive assets. Passive income also includes gains from some commodities transactions. The Company believes that it will not be a PFIC for U.S. federal income tax purposes for the taxable year ending March 31, 2011. PFIC status for any taxable year cannot be determined until the close of the year in question and is determined annually. Consequently, no assurance can be given that the Company will not be considered a PFIC in the current year or in future years. The determination of whether or not the Company is a PFIC is a factual determination that is made annually based on the relative amount of passive income it earns and the relative value of its passive assets.

If the Company is currently or were to become a PFIC, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code. Under those rules, (a) any gain realized on a sale or other disposition of the Company's Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Company's Equity Shares exceed 125.00% of the average annual distributions the U.S. Holder received on the Company's Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Company's Equity Shares) would be treated as realized ratably over the U.S. Holder's holding period for the Company's Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which the Company became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which the Company was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which the Company was a PFIC. If the Company was a PFIC and, at any time, had non-U.S. subsidiaries that were classified as PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) the Company received a distribution from, or disposed of all or part of the Company's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds the Company's Equity Shares, the Company generally will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding taxable years during which such U.S. Holder holds the Company's Equity Shares. If the Company ceases to be a PFIC, a U.S. Holder may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the Equity Shares.

If the Company is classified as a PFIC, a U.S. Holder would be subject to different rules than those described above if the U.S. Holder made an election to treat the Company as a "qualified electing fund" (a "QEF election") for U.S. federal income tax purposes. To make a QEF election, the Company would have to provide U.S. Holders with certain information compiled according to U.S. federal income tax principles. The Company does not intend to prepare or provide the information that would enable a U.S. Holder to make a QEF election.

If a U.S. Holder makes a mark-to-market election with respect to the Company's Equity Shares, such U.S. Holder generally will include as U.S. source ordinary income the excess, if any, of the fair market value of the Equity Shares at the end of each taxable year over such U.S. Holder's adjusted tax basis in the Equity Shares, and will be permitted a U.S. source ordinary loss in respect of the excess, if any, of such U.S. Holder's adjusted tax basis in the Equity Shares over their fair market value at the end of each taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election with respect to the Equity Shares). A U.S. Holder's adjusted tax basis in the Equity Shares will be increased by the amount of any income inclusions and decreased by the amount of any deductions under the mark-to-market rules. Any gains recognized on the sale or other disposition of the Equity Shares will be treated as ordinary income and any losses will be treated as ordinary losses (but only to the extent of the net amount of previously included income as a result of the mark-to-market election with respect to the Equity Shares). The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. There can be no assurance that the Company's Equity Shares will qualify as marketable stock during all or any portion of a U.S. Holder's holding period for the Equity Shares. If a U.S. Holder makes a mark-to-market election, the election will be effective for the taxable year for which it is made and all subsequent taxable years unless the Company's Equity Shares are no longer marketable stock or the IRS consents to revocation of the election.

The application and interpretation of certain aspects of the PFIC rules require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. The rules dealing with PFICs are affected by various factors in addition to those described above. As a result, U.S. Holders of Equity Shares are strongly encouraged to consult their tax advisers about the PFIC rules in connection with their purchasing, holding or disposing of the Equity Shares.

#### **Reporting of Purchase and Disposition of Equity Shares**

Certain U.S. Holders will be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) to report a transfer of cash or other property to the Company. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding this reporting requirement.

#### **Recent Legislative Developments**

Under newly enacted legislation, unless otherwise provided by the U.S. Treasury, in the event that the Company is deemed to be a PFIC, each U.S. Holder of the Company is required to file an annual report containing such information as the U.S. Treasury may require.

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay up to an additional 3.80% tax on, among other things, dividends and capital gains for tax years beginning after December 31, 2012.

Other recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000 for tax years beginning after March 18, 2010. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial.

#### **Treasury Regulations Requiring Disclosure of Reportable Transactions**

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds ("Reportable Transactions"). Under these regulations, a U.S. Holder that disposes of the Equity Shares and recognizes a loss with respect to such disposition would be required to report the loss on IRS Form 8886 if the loss were to exceed the thresholds set forth in the Treasury regulations. This loss threshold is generally (i) US\$10 million in any single taxable year or US\$20 million in any combination of taxable years

for corporations and (ii) US\$2 million in any single taxable year or US\$4 million in any combination of taxable years for most partnerships, individuals, S corporations or trusts.

**U.S. Holders should consult with their tax advisors regarding any tax filing and reporting obligation that may apply in connection with acquiring, owning and disposing of any of the Equity Shares.**

#### **Backup Withholding and Information Reporting**

In general, information reporting requirements will apply to dividends in respect of Equity Shares or the proceeds received on the sale, exchange or redemption of any of the Equity Shares paid within the United States to U.S. Holders other than certain exempt recipients, such as corporations, and backup withholding tax (currently at 28.00%, but as of the date of this Preliminary Offering Memorandum, scheduled to increase to 31.00% for payments made after December 31, 2012) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number and a duly executed IRS Form W-9 (or to otherwise establish, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. Holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. Holder will be allowed as credit against the U.S. Holder's U.S. federal income tax liability provided that the appropriate returns are filed.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Offer, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

**TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS PRELIMINARY OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY INVESTORS, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN BY THE COMPANY; AND (III) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS. COUNSEL DOES NOT INTEND TO BE, AND IS NOT, ENGAGED IN THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DESCRIBED IN THIS PRELIMINARY OFFERING MEMORANDUM AND NO INFERENCE TO THE CONTRARY SHALL BE IMPLIED BY REASON OF THE DISCLOSURES SET FORTH IN THIS SECTION.**



## PLAN OF DISTRIBUTION

### Underwriting Agreement

The Company, Selling Shareholder, and the Underwriters will enter into an underwriting agreement dated [●], 2011, pursuant to which each Underwriter has agreed, severally and not jointly, to underwrite the Offer to the extent of the Bids procured by such Underwriter, subject to certain conditions and termination events. Accordingly, subject to those conditions and the non-occurrence of the termination events, each Underwriter has agreed, severally and not jointly, that to the extent of the Bids procured by such Underwriter in its capacity as an Underwriter (including Bids procured by its respective sub-syndicate members) in the Offer, each Underwriter shall be fully responsible for ensuring completion of the purchases in respect of such Bids, including ensuring full payment of the Offer Price in respect of the Equity Shares for which such Bids are made.

In accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2009 ("**SEBI ICDR Regulations**"), this Offer is being made through the Book Building Process where up to 50.00% of the Net Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"). Further, 5.00% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Offer Price. In addition, not less than 15.00% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35.00% of the Net Offer will be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price. Further, 8,553,168 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received from them at or above the Offer Price. Any Bidder may participate in this Offer through the ASBA process by providing the details of the ASBA Accounts in which the corresponding Payment Amounts will be blocked by the SCSBs. QIBs and Non-Institutional Bidders shall mandatorily apply under the ASBA Process in this Offer. For more information, please see "Offer Procedure" on page 510 of the attached Red Herring Prospectus. A Retail Discount of [●] to the Offer Price is being offered to Retail Individual Bidders and an Employee Discount of [●] to the Offer Price is being offered to Eligible Employees bidding in the Employee Reservation Portion. The rupee amount of the Retail Discount and the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by the Company at least one Working Day prior to the Offer Opening Date. For more information, see "Terms of the Offer" on page 507 of the attached Red Herring Prospectus.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A, and (2) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Preliminary Offering Memorandum will be deemed to have made the representations, agreements and acknowledgements as described under "Purchaser Representations and Transfer Restrictions" on page W-35 in this Preliminary Offering Memorandum.

Prospective purchasers that are qualified institutional buyers as defined in Rule 144A are hereby notified that the sellers of Equity Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Offer shall also comply with applicable the SEBI Regulations. See "Distribution and Solicitation Restrictions" in this Preliminary Offering Memorandum for information about eligible offerees in the U.S. Offer and the Global Offer, and "Purchaser Representations and Transfer Restrictions" in this Preliminary Offering Memorandum for information about transfer restrictions applying to the Equity Shares. The Equity Shares are not transferable by investors except in accordance with the restrictions described under "Purchaser Representations and Transfer Restrictions" beginning on page W-35 of this Preliminary Offering Memorandum.

Subject to compliance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserve the right to withdraw, modify or cancel the Offer at any time after the Offer Opening Date but before Allotment in the Offer, without notice, and reserves the right to reject any offer to purchase Equity Shares, in whole or in part, and to Allot to any prospective investor less than the full amount of Equity Shares sought by such investor.

The Offer is also subject to obtaining the trading approvals of the Stock Exchanges with respect to the Equity Shares, which we will apply for after Allotment, and the final RoC approval of the Prospectus.

Subject to certain conditions, we will agree to indemnify the Underwriters against certain liabilities, including certain liabilities under the U.S. securities laws.

Offers or sales of the Equity Shares in the United States will be made solely by broker-dealers who are registered as such under the U.S. Securities Exchange Act.

For more information on the Underwriting Agreement, see “General Information” on page 76 of the Red Herring Prospectus.

### **Indicative Timetable for the Offer**

The Offer will be conducted through a Book Building Process pursuant to which the Underwriters will receive bids for the Equity Shares during the Offer Period. It is presently contemplated that the Offer Opening Date is Tuesday, September 20, 2011 and the Offer Closing Date is Thursday, September 22, 2011 (for QIB Bidders) and Friday, September 23, 2011 (for all other Bidders). Following the expiration of the Offer Period, the Selling Shareholder will, in consultation with the Company and the BRLMs, determine the Offer Price and, in consultation with the Designated Stock Exchange, will determine the basis of allocation and entitlement to Allotment based on the bids received. The Indian regulations require that a QIB Bidder cannot withdraw its Bid after the Offer Closing Date (for QIB Bidders).

The SEBI ICDR Regulations require the Company to complete the Allotment to successful bidders, credit Equity Shares to the investors’ demat accounts maintained with depository and to ensure that the Equity Shares will be traded following final approval by the Stock Exchanges within 12 Working Days from the Offer Closing Date.

Based upon the Company’s current expectations with respect to the last date of the pay-in period for payment of consideration for Equity Shares, as described in the Red Herring Prospectus, an indicative timetable for settlement and the commencement of trading is set out below:

| <b>Event</b>                                                 | <b>Indicative Date</b>         |
|--------------------------------------------------------------|--------------------------------|
| Offer opens .....                                            | September 20, 2011             |
| Offer closes (for QIB Bidders) .....                         | September 22, 2011             |
| Offer closes (for Bidders other than QIB Bidders)            | September 23, 2011             |
| Expected Pricing .....                                       | On or about September 27, 2011 |
| Equity Shares credited to the investor’s demat account ..... | On or around October 4, 2011   |
| Trading commences .....                                      | On or around October 5, 2011   |

The above timetable is indicative only as it assumes that the expiration of the Offer Period is on or about Friday, September 23, 2011. In particular, if the Price Band is revised, the Offer Period may be extended as specified in the attached Red Herring Prospectus. The Selling Shareholder, in consultation with the Company and the Book Running Lead Managers reserves the right to revise the Price Band during the Offer Period in accordance with SEBI ICDR Regulations. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with applicable law.

### ***Issuance of Allotment Advice***

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Offer shall send to the members of the Syndicate and the SCSBs a list of the successful Bidders who have been or are to be Allotted Equity Shares in the Offer. The Registrar to the Offer will send Allotment Advice to Bidders who have been Allotted Equity Shares in the Offer.

The dispatch of an Allotment Advice shall be deemed a valid, binding and irrevocable contract for the Bidder for all the Equity Shares Allotted to such Bidder.

***Sale Restrictions***

The SEBI ICDR Regulations require that the post-Offer shareholding of the Promoter, in the Company shall be locked-in for a period of one year from the date of Allotment. For details, see, “Capital Structure- Notes to the Capital Structure” on page 94 of the Red Herring Prospectus

***Price Stabilization***

The Underwriters will not engage in any transactions to stabilize or maintain the market price of the Equity Shares.

***Other Relationships***

The Underwriters and their respective affiliates have performed, and may in the future perform, investment banking, commercial banking or advisory services for us from time to time, for which they have received customary fees and expenses. Affiliates of some of the Underwriters have invested in the Company. In addition, any Underwriter may, from time to time, engage in transactions with us and perform services for us in the ordinary course of business. See also “Capital Structure” on page 94 of the Red Herring Prospectus.

## DISTRIBUTION AND SOLICITATION RESTRICTIONS

*The distribution of this Preliminary Offering Memorandum or any offering material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Offering Memorandum or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.*

### General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Offering Memorandum or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Offering Memorandum nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Offer will be made in compliance with the applicable SEBI Regulations. Each purchaser of the Equity Shares in this Offer will be deemed to have made acknowledgments and agreements as described under “Purchaser Representations and Transfer Restrictions” on page W-35 of this Preliminary Offering Memorandum.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the “Relevant Implementation Date”), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 Amending Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to persons or entities that are “qualified investors” as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;
- to (i) fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than “qualified investors” as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Underwriters; or
- in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression “2010 Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (as amended, to the extent implemented in a Relevant Member State, by the 2010 Amending Directive) or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a “qualified investor” as so defined and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Company and the Underwriters with the provisions of Article 3(2) of the Prospectus Directive as amended (to the extent implemented) by Article 1(3) of the 2010 Amending Directive.

### **Hong Kong**

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to “professional investors” as defined in the Securities and Futures Ordinance, Chapter. 571 of the laws of Hong Kong (“Securities and Futures Ordinance”) and any rules made under that Ordinance; or to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance, Chapter. 32 of the laws of Hong Kong (“Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance or an invitation to the public within the meaning of the Securities and Futures Ordinance. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. This Preliminary Offering Memorandum and the Equity Shares have not been and will not be registered with the Securities and Futures Commission of Hong Kong and/or the Stock Exchange of Hong Kong. There are no public markets or platforms in Hong Kong for the purchase or disposal of the Equity Shares. If you are in doubt as to the contents of this Preliminary Offering Memorandum, you must immediately seek legal and investment advice from your solicitor, accountant and/or professional advisors.

### **Singapore**

This Preliminary Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Future Act (Chapter 289) of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are acquired by a person pursuant to Section 274 or 275 of the SFA, such Equity Shares shall not be transferable for six months after that person has acquired the Equity Shares, except (i) to another person who is an institutional investor or a relevant person, or (ii) pursuant to Section 275(1A) of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are subscribed or purchased pursuant to Section 275 of the SFA by a relevant person which is:

- a corporation which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on the terms that such Equity Shares, debentures and units of Equity Shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, in accordance with the conditions, specified in Section 275 of the SFA as applicable; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

### **United Arab Emirates**

This Preliminary Offering Memorandum does not, and shall not, constitute an invitation, offer, sale or delivery of Equity Shares or other securities under the laws of the United Arab Emirates (the "UAE") (including the laws of the Dubai International Financial Centre (the "DIFC")) and accordingly shall not be construed as such. Neither the Offer, Equity Shares nor interests therein offered are regulated under the laws of the UAE (including the laws of the DIFC) relating to securities, investments or otherwise. Neither the Offer nor the Preliminary Offering Memorandum is approved or licensed by, or registered with, the UAE Central Bank, the Dubai Financial Services Authority ("DFSA"), or any other relevant licensing or regulatory authorities or governmental agencies in the UAE (including in the DIFC). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE or DIFC exchange.

The Offer, the Equity Shares and interests therein do not constitute a public offer of securities or an advertisement or solicitation to the general public in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise, or an offer of securities in the DIFC in accordance with the Markets Law, DIFC Law No. 12 of 2004. This Preliminary Offering Memorandum is strictly private and confidential and is being distributed to a limited number of selected institutional and/or sophisticated investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to retail investors or the public in the UAE (including in the DIFC) and no sale of securities or other investment products is intended to be consummated within the UAE or the DIFC. The Underwriters are not licensed brokers, dealers, financial advisors or investment advisors under the laws applicable in UAE and the DIFC, and do not advise individuals resident in the UAE or the DIFC as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Offering Memorandum is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE or the DIFC. This document is confidential and for your information only and nothing in this Preliminary Offering Memorandum is intended to endorse or recommend a particular course of action. Prospective investors should conduct their own due diligence on the Offer and the Equity Shares. You should consult an appropriate professional for specific advice rendered on the basis of your situation.

### **United Kingdom**

The Equity Shares cannot be promoted in the United Kingdom to the general public. The contents of this Preliminary Offering Memorandum has not been approved by an authorised person within the meaning of FSMA. Each Underwriter has represented, warranted and agreed in the Underwriting Agreement that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA"), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity

Shares, may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

### **United States**

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A, and (2) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Preliminary Offering Memorandum will be deemed to have made the representations, agreements and acknowledgements as described under "Purchaser Representations and Transfer Restrictions" in this Preliminary Offering Memorandum.

### **Australia**

This Preliminary Offering Memorandum does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "Corporations Act") and will not be lodged with the Australian Securities and Investment Commission. Accordingly, if you receive this document in Australia you confirm and warrant that you are either: (i) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia ("Corporations Act"); (ii) a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the Offer has been made; (iii) a person associated with the company under section 708(12) of the Corporations Act; or (iv) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance. The BRLMs have represented, warranted and agreed that the Equity Shares will be offered to persons in Australia only to the extent that such offers of shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any person to whom Equity Shares are issued or sold pursuant to an exemption provided by section 708 of the Corporations Act must not within 12 months after the issue, offer those Equity Shares for sale in Australia unless that offer is itself made in reliance on an exemption from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### **Qatar**

The Equity Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Preliminary Offering Memorandum has neither been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, central bank resolution No. 15 (1997), as amended, or any associated regulations nor has the Preliminary Offering Memorandum reviewed or approved by the Qatar Central Bank, any other relevant Qatar governmental body or securities exchange. This Preliminary Offering Memorandum is being issued to a limited number of sophisticated investors and should not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar and should not be reproduced or used for any other purpose.

### **Kuwait**

The Equity Shares have not been registered, authorized or approved for offering, marketing or sale in the State of Kuwait pursuant to Securities and Investment Funds Law of Kuwait No. 31/1990, as amended, and its executive by-law, and as such the Equity Shares shall not be offered or sold in the State of Kuwait. Interested investors from the State of Kuwait who approach the Company or any of the BRLMs acknowledge this restriction and that this offering and any related materials shall be subject to all applicable foreign laws and rules; therefore, such investors must not disclose or distribute such materials to any other person.

**Republic of Korea**

This Preliminary Offering Memorandum is not, and under no circumstances is to be considered as, a public offering of securities in Korea for the purposes of the Financial Investment Services and Capital Market Act of Korea (the "FSCMA"). Neither the Company nor any Underwriter may make any representation with respect to the eligibility of any recipients of this Preliminary Offering Memorandum to acquire the Equity Shares offered hereby under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act of Korea and the regulations thereunder (the "FETA"). The Equity Shares offered hereby have not been registered under the FSCMA and the Equity Shares may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the FETA), except otherwise permitted by applicable laws and regulations of Korea, including, without limitation, the FSCMA and the FETA.

**Malaysia**

No approval from the Securities Commission of Malaysia is or will be obtained and no prospectus or any other offering material or document will be filed or registered with the Securities Commission of Malaysia in connection with the offer and sale of the Equity Shares. This Preliminary Offering Memorandum does not constitute and is not intended to constitute an invitation or offer for subscription or purchase of the Equity Shares, nor may this Preliminary Offering Memorandum or any other offering material or document relating to the Equity Shares be published or distributed, directly or indirectly, to any person in Malaysia unless such invitation or offer falls within (i) Schedule 5 to the Capital Markets and Services Act 2007 ("CMSA") as a transaction not required to be approved by the Securities Commission of Malaysia within the meaning of section 213 of the CMSA, and (ii) Schedule 6 to the CMSA as an "excluded offer or excluded invitation" within the meaning of section 229 of the CMSA, or Schedule 7 to the CMSA as an "excluded issue" within the meaning of section 230 of the CMSA. No offer or invitation in respect of the Equity Shares may be made in Malaysia except as an offer or invitation falling under Schedules 5, and 6 or 7 to the CMSA. Each initial purchaser has severally represented, warranted or agreed that the Equity Shares will not be offered, sold, transferred or otherwise disposed, directly or indirectly, nor any document or other material in connection therewith distributed, in Malaysia, other than in a transaction falling within under Schedules 5, and 6 or 7 to the CMSA.

**Japan**

The Equity Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the "SEL") and disclosure under the SEL has not been and will not be made with respect to the Equity Shares. No Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except (1) pursuant to an exemption from the registration requirements of the SEL and (2) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.



## PURCHASER REPRESENTATIONS AND TRANSFER RESTRICTIONS

*Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Equity Shares offered hereby.*

### U.S. Offer Purchaser Representations and Transfer Restrictions

If you purchase our Equity Shares offered in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, by accepting delivery of this Preliminary Offering Memorandum, submitting a bid to purchase Equity Shares and/or accepting delivery of any Equity Shares, you will be deemed to have represented and agreed to us, the Selling Shareholder and the Underwriters as follows:

- You (A) are a “qualified institutional buyer” (as defined in Rule 144A), (B) are aware that the sale of the Equity Shares to you is being made in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act and (C) are acquiring such Equity Shares for its own account or for the account of a “qualified institutional buyer”;
- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a “qualified institutional buyer” in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, or (v) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction;
- It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, will make any “directed selling efforts” as defined in Regulation S, or any “general solicitation” or “general advertising” as defined in Regulation D, with respect to the Equity Shares. It acknowledges and agrees that it is not purchasing any Equity Shares as a result of any directed selling efforts, or general solicitation or general advertising;
- The Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Equity Shares;
- You will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
- You will base your investment decision on a copy of the Preliminary Offering Memorandum. You acknowledge that neither the Company nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to the Company, the Offer, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Offer or the Equity Shares, other than (in the case of the Company and the Selling Shareholder only) the information contained in the Preliminary Offering Memorandum, as it may be supplemented; and
- You acknowledge and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the Selling Shareholder, the Underwriters, their affiliates and others will rely upon the truth and accuracy of the

foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgments, representations or agreements are no longer accurate you will promptly notify us; and if you are acquiring any of our Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgments, representations and agreements on behalf of each such account.

Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognized by us.

#### **Global Offer Purchaser Representations and Transfer Restrictions**

If you purchase our Equity Shares in the Global Offer, by accepting delivery of this Preliminary Offering Memorandum, submitting a bid to purchase Equity Shares and/or accepting delivery of my Equity Shares, you will be deemed to have represented and agreed as follows:

- You will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Preliminary Offering Memorandum) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorization required for you to purchase and accept delivery of Equity Shares, and you acknowledge and agree that none of us, the Selling Shareholder or the Underwriters and their respective affiliates shall have any responsibility in this regard;
- You certify that you are, or at the time the Equity Shares are purchased will be, (a) the beneficial owner of the Equity Shares, you are located outside the United States of America (within the meaning of Regulation S), and you have not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States; or (b) you are a broker-dealer acting on behalf of a customer and your customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, (ii) such customer is located outside the United States of America (within the meaning of Regulation S), and (iii) such customer has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States;
- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the U.S. Securities Act, have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, or (v) pursuant to an effective registration statement under the U.S. Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction;
- You agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer agrees) that neither you, nor any of your affiliates, nor any person acting on your behalf, will make any "directed selling efforts" as defined in Regulation S, or any "general solicitation" or "general advertising" as defined in Regulation D, with respect to the Equity Shares. You acknowledge and agree that you are not purchasing any Equity Shares as a result of any directed selling efforts, or general solicitation or general advertising.
- You will base your investment decision on a copy of the Preliminary Offering Memorandum. You acknowledge that neither the Company nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to the Company, the Offer, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Offer or

the Equity Shares, other than (in the case of the Company and the Selling Shareholder ) the information contained in the Preliminary Offering Memorandum, as may be supplemented. and

- You acknowledge and agree (or if you're a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the Selling Shareholder, the Underwriters, your affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgments, representations or agreements are no longer accurate, you will promptly notify us; and if you are acquiring any of our Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgments, representations and agreements on behalf of each such account.

Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions, will not be recognized by us.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Preliminary Offering Memorandum will be deemed to have represented, warranted and agreed to and with each Underwriter and the Company that:

- (1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (2) in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

## EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth the period end, average, high and low, reference rates for Rupees for the fiscal years/periods indicated as provided by RBI.

| <b>Period</b>                        | <b>Period End</b> | <b>Average<sup>(1)</sup></b> | <b>High</b> | <b>Low</b> |
|--------------------------------------|-------------------|------------------------------|-------------|------------|
| Fiscal 2006 .....                    | 44.61             | 44.28                        | 46.33       | 43.30      |
| Fiscal 2007 .....                    | 43.59             | 45.29                        | 46.95       | 43.14      |
| Fiscal 2008 .....                    | 39.97             | 40.24                        | 43.15       | 39.27      |
| Fiscal 2009 .....                    | 50.95             | 45.91                        | 52.06       | 39.89      |
| Fiscal 2010 .....                    | 45.14             | 47.42                        | 50.53       | 44.94      |
| Fiscal 2011 .....                    | 44.65             | 45.58                        | 47.57       | 44.03      |
| April 1, 2011 to June 30, 2011 ..... | 44.72             | 44.74                        | 45.38       | 44.04      |

(Source: RBI)

(1) Represents the average of the reference rates by RBI for all days during the period.

The following table sets forth the period end, average, high and low reference rates for the Rupee for each of the previous six months as provided by RBI.

| <b>Month</b>      | <b>Period End</b> | <b>Average<sup>(1)</sup></b> | <b>High</b> | <b>Low</b> |
|-------------------|-------------------|------------------------------|-------------|------------|
| March 2011 .....  | 44.65             | 44.99                        | 45.27       | 44.65      |
| April 2011 .....  | 44.38             | 44.37                        | 44.68       | 44.04      |
| May 2011 .....    | 45.03             | 44.90                        | 45.38       | 44.30      |
| June 2011 .....   | 44.72             | 44.85                        | 45.10       | 44.61      |
| July 2011 .....   | 44.16             | 44.42                        | 44.69       | 43.95      |
| August 2011 ..... | 46.02             | 45.28                        | 46.13       | 44.05      |

(Source: RBI)

(1) Represents the average of the daily reference rate for all days during the period

On September 2, 2011, the exchange rate of U.S.\$1.00 against the Indian Rupee was ` 45.

**The rates set out above was not the exchange rate used in, and may have differed at all relevant times from, the exchange rates used in the preparation of our financial statements**

## THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, the BSE and the NSE, and has not been independently verified by the Company, the Underwriters or any of their respective affiliates or advisors.*

### **Indian Stock Exchanges**

India's stock exchanges are regulated by the SEBI and the Government of India acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956, as amended (the "SCR Act") and the Securities Contracts (Regulation) Rules, 1957, as amended (the "SCR Rules"). Operational aspects such as the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members are regulated by the SCR Act and the SCR Rules, together with the rules, by-laws and regulations of the respective stock exchanges.

SEBI was established under the Securities and Exchange Board of India Act, 1992, as amended, to regulate the Indian securities markets, including stock exchanges and other intermediaries, promote and monitor self-regulatory organizations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

### **Listing**

The listing of securities on recognized Indian stock exchanges is regulated by the Companies Act, the SCR Act, the SCR Rules, the SEBI Act and various regulations issued, and regulations framed, by SEBI and the listing agreements of the respective stock exchanges. Under the SCR Rules, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of or non-compliance with any of the conditions of listing, subject to the company receiving prior notice of the intent of the stock exchange and upon being granted a hearing in the matter. It also has the power to direct the stock exchanges to amend their respective listing agreements or their by-laws.

A listed company is subject to continuing disclosure requirements pursuant to the terms of the Companies Act and the listing agreement entered into by it with the relevant stock exchanges.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2 rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. The SEBI proposes to subsequently move to a T+1 settlement system.

### **Takeover Code**

The acquisition of shares or voting rights in a public company listed on a stock exchange in India is subject to the provisions of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997, as amended (the "Takeover Code").

Any acquirer who acquires shares or voting rights that would entitle the acquirer to more than 5.00%, 10.00%, 14.00%, 54.00% or 74.00% of the shares or voting rights, as the case may be, in a listed company is required to disclose, at every stage, the aggregate of its shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company's shares are listed.

An acquirer is required to make an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in a company if: (a) such acquirer, while holding certain prescribed levels of shares or voting rights in such company, acquires shares or voting rights exceeding certain thresholds or (b) if such acquirer directly or indirectly acquires control over a company, regardless of whether there has been any acquisition of shares or voting rights in such company.

An acquirer that seeks to acquire any shares or voting rights pursuant to which the public shareholding in a company may be reduced to a level below the limits specified in the listing agreement between the company and the relevant stock exchange for the purpose of listing on a continuous basis, shall take necessary steps to facilitate compliance of the Company with the relevant provisions of such listing agreement, within the time period mentioned therein

The Takeover Code sets out the contents of the required public announcements as well as the manner for determination of the minimum offer price.

The Takeover Code, subject to certain specified conditions, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares by allotment in a public issue or a rights issue subject to the fulfillment of certain conditions and by allotment to the underwriters pursuant to an underwriting agreement.

### ***Insider Trading Regulations***

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 ("Insider Trading Regulations") have been issued by SEBI to prevent, prohibit and penalize insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealing either on his own behalf or on behalf of any other person in the securities of a company listed on a recognized stock exchange when in possession of "unpublished price sensitive information," communicating such information or counseling or procuring any other person to deal in securities on the basis of such information.

The Insider Trading Regulations require any person who holds more than 5% of shares or voting rights in any listed company to notify the company of the number of shares or voting rights and any change in such holdings. Further, all directors, promoters and promoter group and officers of a listed company are required to make periodic disclosure of their shareholdings or voting rights in the manner specified in the Insider Trading Regulations. Further, certain provisions pertaining to various requirements, including reporting requirements have also been extended to dependants of directors and designated employees of the company.

### ***Buy-back***

Under the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, as amended, a buy-back may be (a) from the existing security holders on a proportionate basis through a tender offer; (b) from the open market through (i) book-building process, or (ii) the stock exchange; (c) from odd-lot holders or (d) by purchasing the securities issued to employees pursuant to a scheme of stock option or sweat equity. Buy-backs through negotiated deals, whether on a stock exchange or through spot transactions or through any other private arrangement, are not permitted.

### ***De-listing of Securities***

The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("Delisting Regulations") are applicable to both compulsory and voluntary delisting of equity shares of a company from all or any of the recognized stock exchanges where such shares are listed. Following a compulsory delisting, a company, its whole time directors, its promoters and the companies promoted by any of them cannot directly or indirectly access the securities market or seek listing of any equity shares for a period of 10 years from the date of such delisting.

The Delisting Regulations allow a company to delist its equity shares from any or all recognized stock exchanges on which it is listed, provided an exit opportunity is given to shareholders. However, they provide that an exit opportunity need not be given to the shareholders in cases where the securities continue to be listed on a stock exchange having nationwide trading terminals. Presently, only the BSE and the NSE have nationwide trading terminals. When an exit option is required, the Delisting Regulations require a promoter intending to delist securities of a company to obtain the prior approval of the shareholders by a special resolution, make a public announcement in the manner provided for in the Delisting Regulations and make in principle application to, and obtain final approval of, the stock exchanges within one year of the passing of the shareholders resolution for delisting. A proposed delisting where no exit option is required to be given does not require a shareholders resolution and a resolution of the board of directors is sufficient.

## LEGAL MATTERS

Certain Indian legal matters with respect to the Equity Shares will be passed upon for the Company and the Selling Shareholder by Luthra & Luthra Law Offices and for the BRLMs by Amarchand & Mangaldas & Suresh A. Shroff & Co. Certain legal matters with respect to United States federal securities law will be passed upon for the Company and Selling Shareholder by DLA Piper Singapore Pte Ltd. and for the Underwriters by Ashurst Hong Kong.

## INDEPENDENT AUDITORS

The financial information of our Company have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI ICDR Regulations by Arun K. Agarwal & Associates, Kalyaniwalla & Mistry, Ray & Ray, M Kuppuswamy PSG & Co and S Bhandari & Co., independent statutory auditors of our Company for Fiscal 2011 and for the three months ended June 30, 2011, as stated in their report, which appears in the attached Red Herring Prospectus. M Kuppuswamy PSG & Co were replaced by Varma & Varma as statutory auditors of the Company for Fiscal 2012, who were appointed pursuant to Section 619 (2) of the Companies Act, by the Comptroller and Auditor General of India by letter (No./CA. V/ COY/ Central Government, ONGC (5)/ 55) dated August 18, 2011, subject to conditions mentioned therein. For more information, see "*Other Regulatory and Statutory Disclosures- Changes in Auditors in the past three years*" on pages 501-502 of the Red Herring Prospectus.

## INDEPENDENT RESERVE AND RESOURCE AUDITORS

For purposes of this Offer, we have appointed the following independent reserves consultants to audit certain of our reserves:

### *Domestic*

- Gaffney Cline & Associates Ltd ("GCA") has audited our reserves for the Mumbai High field as of March 31, 2011 based on our internal definitions and guidelines ("Mumbai High Audited Reserves"). GCA has also presented its estimates of our reserves under SPE PRMS 2007 International Standards for the Mumbai High field as of March 31, 2011, and prepared a reserves report thereon; and
- DeGolyer & MacNaughton ("D&M"), who have audited the reserves in 62 other domestic fields as of April 1, 2011, and prepared a reserves report thereon.

Based on our management estimates, the 1P, 2P and 3P reserves for the 63 domestic fields that were audited accounted for 82.50%, 79.20% and 77.96% of our total domestic 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

### *International*

- Sproule International Limited ("Sproule"), who have audited the reserves in substantially all our fields in Sudan as of April 1, 2011, and prepared a reserves report thereon. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan;
- D&M, who have audited the reserves in our Imperial Energy assets in Russia as of April 1, 2011, and prepared a reserves report thereon; and
- D&M, who have audited the reserves in all other international fields as of April 1, 2011, and prepared a reserves report thereon;

Based on our management estimates, the 1P, 2P and 3P reserves for the international fields that were audited accounted for 99.54%, 99.53% and 99.14% of our total international 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

The reserves opinion letter from our independent reserves consultant, GCA in respect of its reserves report is attached as Annexure A to this Red Herring Prospectus. Further, the certificates of the international reserves

consultants, D&M and Sproule, in respect of their respective reserves reports referred to above are attached as Annexure B, C, D and E to this Red Herring Prospectus. GCA, D&M and Sproule are together referred to as the "independent reserves consultants".




**RED HERRING PROSPECTUS**

Dated September 5, 2011

Please read section 60B of the Companies Act, 1956

**Book Building Offer**

# OIL AND NATURAL GAS CORPORATION LIMITED

Our Company was incorporated in New Delhi on June 23, 1993 under the Companies Act, 1956 (the "Companies Act") as Oil and Natural Gas Corporation Limited and was granted the certificate of commencement of business on August 10, 1993.

**Registered Office:** Tower II, Jeevan Bharati Building, 124, Indira Chowk, New Delhi 110 001, India; **Telephone:** +91 (11) 2331 0156; **Facsimile:** +91 (11) 2331 6413

**Corporate Office:** Tel Bhavan, Dehradun 248 003, India; **Telephone:** +91(135) 275 1011; **Facsimile:** +91 (135) 275 5298

**Company Secretary and Compliance Officer:** Mr. N.K.Sinha; **Telephone:** +91 (11) 2331 0878; **Facsimile:** +91 (11) 2331 6413;

**E-mail:** fpo2011@ongc.co.in; **Website:** www.ongcindia.com.

**PROMOTER: PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF PETROLEUM AND NATURAL GAS ("MoPNG"), GOVERNMENT OF INDIA**

**FURTHER PUBLIC OFFER OF 427,774,504 EQUITY SHARES OF ₹ 5 EACH ("EQUITY SHARES") OF OIL AND NATURAL GAS CORPORATION LIMITED ("ONGC" OR "OUR COMPANY") THROUGH AN OFFER FOR SALE BY THE PRESIDENT OF INDIA, ACTING THROUGH THE MoPNG, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER") FOR CASH AT A PRICE OF ₹ [●]\* PER EQUITY SHARE AGGREGATING UP TO ₹ [●] MILLION (THE "OFFER"). THE OFFER COMPRISES A NET OFFER TO PUBLIC OF 419,221,336 EQUITY SHARES (THE "NET OFFER") AND A RESERVATION OF 8,553,168 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER SHALL CONSTITUTE 5.00% OF THE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY AND THE NET OFFER SHALL CONSTITUTE 4.90% OF THE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.**

**THE PRICE BAND, THE MINIMUM BID LOT AND THE RUPEE AMOUNT OF THE RETAIL DISCOUNT AND EMPLOYEE DISCOUNT WILL BE DECIDED BY THE SELLING SHAREHOLDER IN CONSULTATION WITH THE COMPANY AND THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED IN THE FOLLOWING NEWSPAPERS : INDIAN EXPRESS (ALL EDITIONS), FINANCIAL EXPRESS (ALL EDITIONS), NEW INDIAN EXPRESS (ALL EDITIONS) AND JANSATTA (ALL EDITIONS) AT LEAST ONE WORKING DAY PRIOR TO THE OFFER OPENING DATE, WITH THE RELEVANT FINANCIAL RATIOS CALCULATED AT THE FLOOR PRICE AND AT THE CAP PRICE**

**THE FACE VALUE OF THE EQUITY SHARES IS ₹ 5 EACH.**

\*Discount of ₹ [●] and ₹ [●] to the Offer Price is being offered to the Retail Individual Bidders ("Retail Discount") and Eligible Employees Bidding in the Employee Reservation Portion ("Employee Discount") respectively.

In case of revision in the Price Band, the Offer Period will be extended for at least three additional Working Days after the revision of the Price Band subject to the Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period will be widely disseminated by notification to the Self Certified Syndicate Banks ("SCSBs"), the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("BRLMs") and at the terminals of the members of the Syndicate.

This Offer is being made through the Book Building Process where up to 50% of the Net Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") ("QIB Portion"). Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Offer Price. In addition, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. Further, 8,553,168 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received from them at or above the Offer Price. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion have an option to participate in the Offer either through the Bid cum Application Form or the ASBA Form. QIBs and Non Institutional Bidders must Bid through the ASBA process on a mandatory basis if they wish to participate in the Offer. ASBA Bidders may participate in this Offer by providing the details of the ASBA Accounts in which the corresponding Payment Amounts will be blocked by the SCSBs. For more information, please see "Offer Procedure" on page 510.

**GENERAL RISKS**

Investments in equity and equity-related securities involve a degree of risk and Bidders should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Bidders are advised to read the Risk Factors carefully before making an investment decision in this Offer. For making an investment decision, Bidders must rely on their own examination of our Company and this Offer, including the risks involved. The Equity Shares offered in this Offer have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. This being a fast track issue under Regulation 10 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("SEBI ICDR Regulations"), our Company has filed the Red Herring Prospectus with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("RoC") with a copy to SEBI and the Stock Exchanges. The attention of Bidders is invited to "Risk Factors" on page 20.

**THE COMPANY'S AND THE SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY**

Our Company and the Selling Shareholder, having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Company, the Selling Shareholder and this Offer which is material in the context of this Offer, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares are listed on the BSE and the NSE. The BSE is the Designated Stock Exchange for the Offer.

**BOOK RUNNING LEAD MANAGERS**

|                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                              | <b>REGISTRAR TO THE OFFER</b>                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>JM Financial Consultants Private Limited</b><br>141, Maker Chambers III,<br>Nariman Point, Mumbai 400 021,<br>Maharashtra, India<br>Telephone: +91 (22) 6630 3030<br>Facsimile: +91 (22) 2204 7185<br>Email: ongc.fpo@jmfincial.in<br>Investor Grievance Id.: grievance.ibd@jmfincial.in<br>Website: www.jmfincial.in<br>Contact Person: Ms. Lakshmi Lakshmanan<br>SEBI Registration No.: INM000010361                                                                 | <b>Citigroup Global Markets India Private Limited</b><br>12th Floor, Bakhtawar, Nariman Point,<br>Mumbai 400 021, Maharashtra, India<br>Telephone: +91 (22) 6631 9890<br>Facsimile: +91 (22) 6646 6366<br>Email: ongc.fpo@citigroup.com<br>Investor Grievance Id.: investors.cgmib@citigroup.com<br>Website: www.citibank.co.in; http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm<br>Contact Person: Mr. Shashank Pandey<br>SEBI Registration No.: INM000010718 | <b>DSP Merrill Lynch Limited</b><br>8 <sup>th</sup> Floor, Mafatlal Centre,<br>Nariman Point, Mumbai 400 021,<br>Maharashtra, India<br>Telephone: +91 (22) 6632 8000<br>Facsimile: +91 (22) 2204 8518<br>Email: ongc.fpo@baml.com<br>Investor Grievance Id.: india_merchantbanking@ml.com<br>Website: www.dspml.com<br>Contact Person: Mr. N S Shekhar<br>SEBI Registration No.: INM000011625                                                                                                    | <b>Link Intime India Private Limited</b><br>C-13, Pannalal Silk Mills Compound,<br>L.B.S. Marg, Bhandup (West),<br>Mumbai 400 078, Maharashtra, India<br>Telephone: +91 (22) 2596 0320<br>Facsimile: +91 (22) 2596 0329<br>E-mail: ongc.fpo@linkintime.co.in<br>Website: www.linkintime.co.in<br>Contact Person: Mr. Sachin Achar<br>SEBI Registration No.: INR000004058 |
|                                                                                                                                                                                                                                                                                                                                                                                        | <b>Morgan Stanley</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>NOMURA</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                          |
| <b>HSBC Securities and Capital Markets (India) Private Limited</b><br>HSBC Building, 52/ 60 M.G. Road,<br>Fort, Mumbai 400 001, Maharashtra, India<br>Telephone: +91 (22) 2268 5555<br>Facsimile: +91 (22) 2263 1984<br>E-mail: ongc.fpo@hsbc.co.in<br>Investor Grievance Id.: investorgrievance@hsbc.co.in<br>Website: http://www.hsbc.co.in/12/corporate/equities-global-investment-banking<br>Contact Person: Mr. Gaurav Shimpi<br>SEBI registration No.: INM000010353 | <b>Morgan Stanley India Company Private Limited</b><br>18F/19F, One Indiabulls Centre,<br>Tower 2, 841 Senapati Bapat Marg,<br>Mumbai 400 013, Maharashtra, India<br>Telephone: +91 (22) 6118 1000<br>Facsimile: +91 (22) 6118 1040<br>Email: ongc.fpo@morganstanley.com<br>Investor Grievance Id.: investor_india@morganstanley.com<br>Website: http://www.morganstanley.com/indiaofferdocuments<br>Contact Person: Ms. Mayuri Gupta<br>SEBI Registration No.: INM000011203    | <b>Nomura Financial Advisory &amp; Securities (India) Private Limited</b><br>Ceejay House, Level 11, Dr. Annie Besant Road,<br>Worli, Mumbai 400 018, Maharashtra, India<br>Telephone: +91 (22) 4037 4037<br>Facsimile: +91 (22) 4037 4111<br>E-mail: ongc.fpo-in@nomura.com<br>Investor Grievance Id.: investorgrievances-in@nomura.com<br>Website: http://www.nomura.com/asia/services/capital_raising/equity.shtml<br>Contact Person: Ms. Nisha Khetan<br>SEBI Registration No.: INM000011419 |                                                                                                                                                                                                                                                                                                                                                                          |

**OFFER PROGRAMME**
**OFFER OPENS ON : SEPTEMBER 20, 2011**
**OFFER CLOSES ON (FOR QIB BIDDERS) : SEPTEMBER 22, 2011**
**OFFER CLOSES ON (FOR ALL OTHER BIDDERS) : SEPTEMBER 23, 2011**

## TABLE OF CONTENTS

|                                                                                                                                                                                  |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>SECTION I – GENERAL .....</b>                                                                                                                                                 | <b>1</b>   |
| DEFINITIONS AND ABBREVIATIONS .....                                                                                                                                              | 1          |
| CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION .....                                                                             | 12         |
| NOTICE TO INVESTORS.....                                                                                                                                                         | 16         |
| FORWARD LOOKING STATEMENTS.....                                                                                                                                                  | 18         |
| <b>SECTION II - RISK FACTORS .....</b>                                                                                                                                           | <b>20</b>  |
| <b>SECTION III – INTRODUCTION.....</b>                                                                                                                                           | <b>56</b>  |
| SUMMARY OF INDUSTRY .....                                                                                                                                                        | 56         |
| SUMMARY OF BUSINESS.....                                                                                                                                                         | 58         |
| SUMMARY FINANCIAL INFORMATION .....                                                                                                                                              | 64         |
| THE OFFER.....                                                                                                                                                                   | 75         |
| GENERAL INFORMATION.....                                                                                                                                                         | 76         |
| CAPITAL STRUCTURE.....                                                                                                                                                           | 94         |
| OBJECTS OF THE OFFER .....                                                                                                                                                       | 100        |
| BASIS FOR OFFER PRICE .....                                                                                                                                                      | 101        |
| STATEMENT OF TAX BENEFITS .....                                                                                                                                                  | 105        |
| <b>SECTION IV- ABOUT US .....</b>                                                                                                                                                | <b>122</b> |
| INDUSTRY OVERVIEW: THE OIL AND GAS INDUSTRY .....                                                                                                                                | 122        |
| OUR BUSINESS .....                                                                                                                                                               | 142        |
| REGULATIONS AND POLICIES IN INDIA .....                                                                                                                                          | 199        |
| REGULATIONS OF THE RUSSIAN OIL AND GAS INDUSTRY .....                                                                                                                            | 208        |
| HISTORY AND CERTAIN CORPORATE MATTERS.....                                                                                                                                       | 214        |
| OUR MANAGEMENT .....                                                                                                                                                             | 238        |
| OUR PROMOTER AND GROUP COMPANIES.....                                                                                                                                            | 256        |
| DIVIDEND POLICY.....                                                                                                                                                             | 257        |
| <b>SECTION V – FINANCIAL INFORMATION.....</b>                                                                                                                                    | <b>258</b> |
| FINANCIAL STATEMENTS.....                                                                                                                                                        | 258        |
| SELECTED UNAUDITED STANDALONE FINANCIAL INFORMATION .....                                                                                                                        | 422        |
| MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....                                                                                      | 423        |
| FINANCIAL INDEBTEDNESS.....                                                                                                                                                      | 456        |
| STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY .....                                                                                                                         | 457        |
| <b>SECTION VI – LEGAL AND OTHER INFORMATION .....</b>                                                                                                                            | <b>460</b> |
| OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS.....                                                                                                                            | 460        |
| GOVERNMENT AND OTHER APPROVALS.....                                                                                                                                              | 487        |
| OTHER REGULATORY AND STATUTORY DISCLOSURES .....                                                                                                                                 | 490        |
| <b>SECTION VII – OFFER RELATED INFORMATION .....</b>                                                                                                                             | <b>503</b> |
| OFFER STRUCTURE .....                                                                                                                                                            | 503        |
| TERMS OF THE OFFER .....                                                                                                                                                         | 507        |
| OFFER PROCEDURE .....                                                                                                                                                            | 510        |
| <b>SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION.....</b>                                                                                                        | <b>552</b> |
| <b>SECTION IX – OTHER INFORMATION .....</b>                                                                                                                                      | <b>565</b> |
| MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION .....                                                                                                                            | 565        |
| DECLARATION .....                                                                                                                                                                | 567        |
| <b>ANNEXURE A - LETTER FROM GAFFNEY, CLINE &amp; ASSOCIATES ON THE MUMBAI HIGH FIELD IN INDIA OWNED BY OUR COMPANY .....</b>                                                     | <b>570</b> |
| <b>ANNEXURE B - CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON 62 SELECTED FIELDS IN INDIA OPERATED BY OUR COMPANY.....</b>                                                        | <b>584</b> |
| <b>ANNEXURE C - CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON ALL INTERNATIONAL FIELDS (EXCLUDING FIELDS IN SUDAN, SOUTH SUDAN AND THE IMPERIAL ENERGY ASSETS IN RUSSIA).....</b> | <b>589</b> |
| <b>ANNEXURE D - CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON IMPERIAL ENERGY ASSETS IN RUSSIA .....</b>                                                                          | <b>594</b> |
| <b>ANNEXURE E - CERTIFICATE FROM SPROULE INTERNATIONAL LIMITED ON SUBSTANTIALLY ALL FIELDS IN SUDAN AND SOUTH SUDAN.....</b>                                                     | <b>599</b> |

## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, all references in this Red Herring Prospectus to “our Company” or to “ONGC” are to Oil and Natural Gas Corporation Limited, a public limited company incorporated under the Companies Act and all references in this Red Herring Prospectus to “we” or “us” or “our” are to the Company, the Subsidiaries and the Joint Ventures, on a consolidated basis.

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Red Herring Prospectus, and references to any statute or regulations or policies includes any amendments or re-enactments thereto, from time to time.

#### Company-Related Terms

| Term                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Articles /Articles of Association     | The articles of association of our Company, as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Audit and Ethics Committee            | The audit committee of our Board of Directors described in “Our Management” on page 238.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Auditors                              | The statutory auditors of our Company for Fiscal 2011, and for the three months ended June 30, 2011, who were (a) Arun K Agarwal & Associates, (b) Kalyaniwalla & Mistry, (c) Ray & Ray, (d) M Kuppuswamy PSG & Co., and (e) S. Bhandari & Co.<br><br>M Kuppuswamy PSG & Co were replaced by Varma & Varma as statutory auditors of the Company for Fiscal 2012, who were appointed pursuant to Section 619 (2) of the Companies Act, by the Comptroller and Auditor General of India by letter (No./CA. V/ COY/ Central Government, ONGC (5)/ 55) dated August 18, 2011, subject to conditions mentioned therein. |
| Board or Board of Directors           | The board of directors of our Company or a duly constituted committee thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Bonus                                 | The allotment of 4,277,745,060 Equity Shares as bonus shares on February 10, 2011 in the ratio of one Equity Share of the Company for every one Equity Share held by way of capitalization of the general reserve and securities premium account.                                                                                                                                                                                                                                                                                                                                                                  |
| Corporate Office                      | The corporate office of our Company, located at Tel Bhavan, Dehradun 248 003, India.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Directors                             | The directors appointed on the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| FPO 2004                              | Disinvestment of 142,593,300 equity shares of the Company by the President of India, acting through the MoPNG on March 19, 2004.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| FPO Committee                         | A committee of the Board constituted by a Board resolution dated January 29, 2011, to expedite the decision making process in relation to the Offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Joint Ventures                        | The joint ventures of our Company mentioned in “History and Certain Corporate Matters” on page 214.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Key Approvals                         | Approvals and licenses under Indian laws, which our Company believes are key approvals for (i) ownership of oil and gas mining/ exploration rights and for undertaking mining/ exploration activities in relation to the Material Fields, (ii) conducting the refining operations of MRPL in India and (iii) conducting the business of OVL in India.                                                                                                                                                                                                                                                              |
| Material Fields                       | The 63 oil and gas reserve bearing fields of our Company in India, which, based on management estimates, together constitute 77.96% of the total domestic 3P reserves of our Company in India and 80.62% of the 3P reserves of our Company in India (excluding our participating interest in domestic JVs) as on April 1, 2011.                                                                                                                                                                                                                                                                                    |
| Memorandum /Memorandum of Association | The memorandum of association of our Company, as amended from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| MoPNG                                 | The Ministry of Petroleum and Natural Gas, Government of India.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| MRPL                                  | Mangalore Refinery and Petrochemicals Limited, subsidiary of our Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| OVL                                   | ONGC Videsh Limited, subsidiary of our Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Promoter                              | The President of India, acting through the MoPNG.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Registered Office                     | The registered office of our Company, at Tower II, Jeevan Bharati Building, 124, Indira Chowk, New Delhi 110 001, India.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Selling Shareholder                   | The President of India, acting through the MoPNG.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Stock Split                           | The split of 2,138,872,530 equity shares of ₹ 10 each of our Company into 4,277,745,060 Equity Shares, on February 10, 2011.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Term         | Description                                                                                                        |
|--------------|--------------------------------------------------------------------------------------------------------------------|
| Subsidiaries | The direct and indirect subsidiaries of our Company listed in “History and Certain Corporate Matters” on page 214. |

### Offer-Related Terms

| Term                                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allotted/Allotment/Allot                     | The transfer of Equity Shares to successful Bidders pursuant to this Offer.                                                                                                                                                                                                                                                                                                                                                 |
| Allottee                                     | A successful Bidder to whom an Allotment is made.                                                                                                                                                                                                                                                                                                                                                                           |
| Allotment Advice                             | The note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted Equity Shares after discovery of the Offer Price in accordance with the Book Building Process, including any revisions thereof.                                                                                                                                                                             |
| Amount Allotted                              | The product of the number of Equity Shares allotted and the Offer Price.                                                                                                                                                                                                                                                                                                                                                    |
| Application Supported by Blocked Amount/ASBA | The application (whether physical or electronic) used to make a Bid authorizing the SCSB to block the Payment Amount in the specified bank account maintained with such SCSB.                                                                                                                                                                                                                                               |
| ASBA Account                                 | Account maintained with an SCSB which will be blocked by such SCSB to the extent of the appropriate Payment Amount in relation to a Bid by an ASBA Bidder.                                                                                                                                                                                                                                                                  |
| ASBA Form                                    | The form, whether physical or electronic, in terms of which an ASBA Bidder shall make a Bid pursuant to the terms of the Red Herring Prospectus and which will be considered as an application for Allotment.                                                                                                                                                                                                               |
| ASBA Bidders                                 | Prospective investors in this Offer who Bid through the ASBA process.                                                                                                                                                                                                                                                                                                                                                       |
| ASBA Revision Form                           | The physical or electronic forms used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Forms.                                                                                                                                                                                                                                                                             |
| Bankers to the Offer/Escrow Collection Banks | The banks which are clearing members and registered with SEBI as bankers to the issue and with whom the Escrow Account(s) will be opened, in this case being Axis Bank Limited, HDFC Bank Limited, ICICI Bank Limited, IDBI Bank Limited, IndusInd Bank Limited, Kotak Mahindra Bank Limited, Punjab National Bank, State Bank of India, the Royal Bank of Scotland NV, UCO Bank, Union Bank of India and Yes Bank Limited. |
| Basis of Allotment                           | The basis on which the Equity Shares will be Allotted as described in “Offer Procedure–Basis of Allotment” on page 544.                                                                                                                                                                                                                                                                                                     |
| Bid                                          | An indication by a Bidder to make an offer to subscribe for Equity Shares in terms of this Red Herring Prospectus.                                                                                                                                                                                                                                                                                                          |
| Bid Price                                    | A price within the Price Band at which a Bidder Bids for the requisite quantity of Equity Shares in terms of this Red Herring Prospectus.                                                                                                                                                                                                                                                                                   |
| Bidder                                       | A prospective investor who makes a Bid in this Offer, and unless otherwise stated or implied, includes an ASBA Bidder.                                                                                                                                                                                                                                                                                                      |
| Bid Amount                                   | The highest value of the optional Bids as indicated in the Bid cum Application Form or ASBA Form, as the case may be.                                                                                                                                                                                                                                                                                                       |
| Bid cum Application Form                     | The form in terms of which a Bidder (other than an ASBA Bidder) makes a Bid in terms of the Red Herring Prospectus and which will be considered as an application for Allotment.                                                                                                                                                                                                                                            |
| Book Building Process                        | The book building process as described in Part A, Schedule XI of the SEBI ICDR Regulations.                                                                                                                                                                                                                                                                                                                                 |
| Book Running Lead Managers/BRLMs             | Book Running Lead Managers to the Offer, in this case being JM Financial Consultants Private Limited, Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited, HSBC Securities and Capital Markets (India) Private Limited, Morgan Stanley India Company Private Limited and Nomura Financial Advisory & Securities (India) Private Limited.                                                              |
| Cap Price                                    | The higher end of the Price Band, in this case being ₹ [●], and any revisions thereof, above which the Offer Price will not be finalized and above which no Bids will be accepted.                                                                                                                                                                                                                                          |
| Controlling Branches of the SCSBs            | Such branches of the SCSBs which co-ordinate Bids under this Offer by the ASBA Bidders with the Registrar to the Offer and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a> or at such other website as may be prescribed by SEBI from time to time.                                                                         |
| Cut-off Price                                | The Offer Price finalized by the Selling Shareholder in consultation with the Company and the BRLMs which will be any price within the Price Band. Only Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price.                                             |
| Demographic Details                          | The demographic details of the Bidders such as their address, PAN, occupation and bank account details.                                                                                                                                                                                                                                                                                                                     |

| Term                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Designated Branches          | Such branches of the SCSBs which shall collect the ASBA Forms and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a> or at such other website as may be prescribed by SEBI from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Designated Date              | The date on which the Escrow Collection Banks transfers the funds from the Escrow Accounts and the Registrar to the Offer issues instruction to SCSBs for transfer of funds from the ASBA Accounts to the Public Offer Accounts in terms of the Red Herring Prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Designated Stock Exchange    | Bombay Stock Exchange Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Eligible Employee            | <p>A permanent and full-time employee of our Company (excluding the Directors and such other persons not eligible under applicable laws, rules, regulations and guidelines), who are Indian nationals based, working and present in India as of the date submission of this Red Herring Prospectus with the RoC. For avoidance of doubt, employees of our Subsidiaries are not Eligible Employees for this purpose.</p> <p>An employee of our Company who is recruited against a regular vacancy but is on probation as on the date of submission of this Red Herring Prospectus with the RoC will be deemed a 'permanent employee' of our Company.</p>                                                                                                                          |
| Eligible NRI                 | An NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under this Offer and in relation to whom the Red Herring Prospectus constitutes an invitation to Bid on the basis of the terms thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Employee Discount            | The difference of ₹ [●] between the Offer Price and the differential lower price at which the Selling Shareholder and our Company have decided to Allot the Equity Shares to Eligible Employees bidding in the Employee Reservation Portion. The rupee amount of the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions). The Employee Discount is being offered to Eligible Employees bidding in the Employee Reservation Portion at the time of making a Bid. |
| Employee Reservation Portion | The portion of the Offer being 8,553,168 Equity Shares available for allocation to Eligible Employees, on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Equity Listing Agreements    | The equity listing agreements entered into by our Company with the Stock Exchanges, including all amendments made thereto from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Equity Share(s)              | Equity Shares of our Company with a face value of ₹ 5 each.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Escrow Account(s)            | Accounts opened with the Escrow Collection Banks for the Offer, in whose favour the Bidders (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Payment Amount.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Escrow Agreement             | The agreement dated August 26, 2011 entered among the Selling Shareholder, our Company, the Registrar to the Offer, the Escrow Collection Banks, the Book Running Lead Managers and the Syndicate Members for the collection of Payment Amounts and for remitting refunds, if any, to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof.                                                                                                                                                                                                                                                                                                                                                                                                              |
| First Bidder                 | The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Form or ASBA Revision Form, as the case may be.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Floor Price                  | The lower end of the Price Band below which the Offer Price will not be finalized, in this case being ₹ [●], and any revisions thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Mutual Funds                 | Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Mutual Funds Portion         | 5% of the QIB Portion or 10,480,533 Equity Shares, available for allocation to Mutual Funds only on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Net Offer                    | The Offer less the Employee Reservation Portion.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Non-Institutional Bidders    | All Bidders (including Sub-Accounts which are foreign corporates or foreign individuals) who are not Qualified Institutional Buyers, Retail Individual Bidders or Eligible Employees bidding under the Employee Reservation Portion.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Non-Institutional Portion    | The portion of this Offer being not less than 15% of the Net Offer consisting of 62,883,201 Equity Shares, available for allocation to Non-Institutional Bidders, on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Non-Resident Indian or NRI   | A person resident outside India, who is a citizen of India or a person of Indian origin and will have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Offer/ Offer for Sale        | Further Public offer of 427,774,504 Equity Shares by the Company through an offer for sale by the Selling Shareholder for cash at a price of ₹ [●] per Equity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Term                                   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        | Share, aggregating up to ₹ [●] million, consisting of the Net Offer and the Employee Reservation Portion.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Offer Agreement                        | The agreement dated August 26, 2011 entered into among our Company, the Selling Shareholder and the BRLMs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Offer Closing Date                     | September 23, 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Offer Opening Date                     | September 20, 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Offer/Offering Period                  | The period between the Offer Opening Date and the Offer Closing Date (inclusive of both days) and during which Bidders can submit their Bids, inclusive of any revision thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Offer Price                            | The final price at which Allotment will be made, as determined by the Selling Shareholder in consultation with the Company and the Book Running Lead Managers. A Retail Discount of ₹ [●] to the Offer Price is being offered to Retail Individual Bidders and an Employee Discount of ₹ [●] to the Offer Price is being offered to Eligible Employees bidding in the Employee Reservation Portion. The rupee amount of the Retail Discount and Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions). |
| Payment Amount                         | The amount for which payment is made by the Bidder and which, for all Bidders other than Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, shall mean the Bid Amount. For Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, the Payment Amount shall mean Bid Amount less Retail Discount or Employee Discount, as applicable.                                                                                                                                                                                                                                                                                                                                                                                                |
| Price Band                             | The price band between the Floor Price and Cap Price, including any revisions thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Pricing Date                           | The date on which the Offer Price is finalized by the Selling Shareholder in consultation with the Company and the Book Running Lead Managers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Prospectus                             | The prospectus to be filed with the RoC for this Offer on or after the Pricing Date, in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI ICDR Regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Public Offer Accounts                  | The bank accounts opened under Section 73 of the Companies Act with each of the Bankers to the Offer to receive money from the Escrow Accounts and SCSBs on the Designated Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Qualified Institutional Buyers or QIBs | Public financial institutions as defined in Section 4A of the Companies Act, FIIs and Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals), multilateral and bilateral financial institutions, Mutual Funds, scheduled commercial banks, state industrial development corporations, insurance companies registered with the IRDA, provident funds and pension funds with a minimum corpus of ₹ 250 million, the NIF and insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, GoI eligible for bidding in this Offer.                                                                                                                                                             |
| QIB Portion                            | The portion of the Offer being up to 50% of the Net Offer or up to 209,610,667 Equity Shares, available for allocation to QIBs, on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| QIB Offer Closing Date                 | September 22, 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Red Herring Prospectus or RHP          | This red herring prospectus dated September 5, 2011 issued in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI ICDR Regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Refund Account(s)                      | The account(s) opened with the Refund Banker(s), from which refunds of the whole or part of the Payment Amount (excluding the ASBA Bidders), if any, shall be made.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Refund Banks                           | The Bankers to the Offer with whom the Refund Accounts will be opened, in this case being IDBI Bank Limited (for refunds through RTGS), State Bank of India Limited (for refunds through physical refund warrants) and ICICI Bank Limited (for refunds through NECS and NEFT).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Registrar to the Offer/Registrar       | Link Intime India Private Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Registrar's Agreement                  | The agreement dated June 13, 2011 entered into amongst the Selling Shareholder, our Company and the Registrar to the Offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Retail Individual Bidders              | Bidders (including HUFs and NRIs), other than Eligible Employees submitting Bids under the Employee Reservation Portion, whose Payment Amount for Equity Shares in the Net Offer is less than or equal to ₹ 200,000 . The Retail Discount is being offered to Retail Individual Bidders at the time of making a Bid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| <b>Term</b>                           | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail Discount                       | The difference of ₹ [●] between the Offer Price and the differential lower price at which our Company and the Selling Shareholder has decided to Allot Equity Shares to Retail Individual Bidders. The rupee amount of the Retail Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions).                                                                                                |
| Retail Portion                        | The portion of this Offer being not less than 35% of the Net Offer, consisting of 146,727,468 Equity Shares, available for allocation to Retail Individual Bidders on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Revision Form                         | The form used by the Bidders, other than ASBA Bidders, to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s), as applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Self Certified Syndicate Bank or SCSB | The banks registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 offering services in relation to ASBA, including blocking of an ASBA Account in accordance with the SEBI ICDR Regulations and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">http://www.sebi.gov.in/pmd/scsb.html</a> . A list of the branches of the SCSBs where ASBA forms submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations will be forwarded by such members of the Syndicate is available at <a href="http://www.sebi.gov.in/pmd/scsb-asba.html">http://www.sebi.gov.in/pmd/scsb-asba.html</a> . |
| Stock Exchanges                       | The BSE and the NSE.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Syndicate                             | The Book Running Lead Managers and the Syndicate Members.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Syndicate ASBA Bidding Locations      | Bidding centres at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the members of the Syndicate shall accept ASBA Forms in terms of the SEBI Circular No. CIR/CFD/DIL/1/2011 dated April 29, 2011.                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Syndicate Agreement                   | The agreement dated August 26, 2011 entered into among our Company, the Selling Shareholder, the Registrar to the Offer and the Syndicate, in relation to the collection of Bids (other than Bids directly submitted to the SCSBs under the ASBA process).                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Syndicate SCSB Branches               | In relation to ASBA Bids submitted to a member of the Syndicate, such branches of the SCSBs at the Syndicate ASBA Bidding Locations named by the SCSBs to receive deposits of ASBA Forms from the members of the Syndicate, and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb-asba.html">http://www.sebi.gov.in/pmd/scsb-asba.html</a> or at such other website as may be prescribed by SEBI from time to time.                                                                                                                                                                                                                                                    |
| Syndicate Members                     | JM Financial Services Private Limited and HDFC Securities Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Transaction Registration Slip or TRS  | The slip or document issued by any of the members of the Syndicate to a Bidder (generated at each price and demand option) as proof of registration of the Bid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Underwriters                          | The Book Running Lead Managers and the Syndicate Members.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Underwriting Agreement                | The Agreement among the Underwriters, the Selling Shareholder and our Company to be entered into, on or after the Pricing Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| U.S. QIB                              | Qualified institutional buyers, as defined in Rule 144A under the U.S. Securities Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Working Day                           | All days, excluding Sundays and public holidays, on which commercial banks in Mumbai are open for business, except with reference to announcement of Price Band and Offer Period, where working day shall mean all days, excluding Saturdays, Sundays and public holidays, which are working days for commercial banks in Mumbai.                                                                                                                                                                                                                                                                                                                                                             |

### Conventional, General Terms and Abbreviations

| <b>Term</b>          | <b>Description</b>                                |
|----------------------|---------------------------------------------------|
| Act or Companies Act | Companies Act, 1956.                              |
| AFC                  | Annual Fixed Cost.                                |
| Amur                 | JSC Amur Shipbuilding Plant.                      |
| Amur SP              | Amur Shipbuilding Plant.                          |
| ASSOCHAM             | Associated Chambers of Commerce and Industry.     |
| Assam Act            | The Assam Taxation (On Specified Land) Act, 1990. |
| BGEPIIL              | BG Exploration and Production India Limited.      |
| BPCL                 | Bharat Petroleum Corporation Limited.             |
| BSE                  | The Bombay Stock Exchange Limited.                |
| BST                  | The Mumbai Sales Tax Act, 1959.                   |

| Term                                  | Description                                                                                                                                                             |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CAGR                                  | Compounded Annual Growth Rate.                                                                                                                                          |
| CC&L                                  | CC&L Engineering Private Limited.                                                                                                                                       |
| CDSL                                  | Central Depository Services (India) Limited.                                                                                                                            |
| Client ID                             | Beneficiary account number                                                                                                                                              |
| Citi                                  | Citigroup Global Markets India Private Limited.                                                                                                                         |
| Civil Code                            | The Civil Code of the Russian Federation.                                                                                                                               |
| CMD                                   | Chairman and Managing Director                                                                                                                                          |
| Commissioner                          | Commissioner of Income Tax (Appeals)                                                                                                                                    |
| Contract Labour Act                   | The Contract Labour (Regulation & Abolition) Act, 1970                                                                                                                  |
| CPSU                                  | Central Public Sector Undertakings.                                                                                                                                     |
| Crore                                 | 10 million.                                                                                                                                                             |
| CSR                                   | Corporate Social Responsibility.                                                                                                                                        |
| CVP                                   | Corporación Venezolana del Petróleo.                                                                                                                                    |
| DCCT                                  | Deputy Commissioner of Commercial Taxes.                                                                                                                                |
| DEPL                                  | Discovery Enterprises Private Limited.                                                                                                                                  |
| DoD                                   | Department of Disinvestment, MoF, GoI.                                                                                                                                  |
| Dolphin                               | Dolphin Drilling Limited.                                                                                                                                               |
| DIPP                                  | Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.                                                                  |
| Depositories                          | NSDL and CDSL.                                                                                                                                                          |
| Depositories Act                      | Depositories Act, 1996.                                                                                                                                                 |
| Depository Participant or DP          | A depository participant as defined under the Depositories Act.                                                                                                         |
| DGM                                   | Deputy General Manager.                                                                                                                                                 |
| Dir (HR)                              | Director (HR).                                                                                                                                                          |
| DP ID                                 | Depository Participant's Identity.                                                                                                                                      |
| DSPML                                 | DSP Merrill Lynch Limited.                                                                                                                                              |
| ED                                    | Executive Director                                                                                                                                                      |
| ECS                                   | Electronic clearing service.                                                                                                                                            |
| EEA                                   | Member States of the European Economic Area                                                                                                                             |
| EMO                                   | EMO Exploration and Production Limited.                                                                                                                                 |
| EGM                                   | Extraordinary general meeting of the shareholders of a company.                                                                                                         |
| EPA                                   | Environment (Protection) Act, 1986.                                                                                                                                     |
| EPS                                   | Earnings per share, i.e., profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year.                            |
| EUR                                   | Euro, the currency of the European Union                                                                                                                                |
| FCNR Account                          | Foreign Currency Non-Resident Account established in accordance with the FEMA.                                                                                          |
| FDI                                   | Foreign direct investment.                                                                                                                                              |
| FDI Circular                          | DIPP 'Circular 1 of 2011'.                                                                                                                                              |
| FEMA                                  | Foreign Exchange Management Act, 1999, together with rules and regulations thereunder.                                                                                  |
| FIIs                                  | Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI. |
| FII Regulations                       | Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995).                                                                            |
| FIPB                                  | Foreign Investment Promotion Board.                                                                                                                                     |
| FPO                                   | Further Public Offering.                                                                                                                                                |
| FTG                                   | Flag Telecom Group Limited.                                                                                                                                             |
| FVCI                                  | Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI.                               |
| GAIL                                  | GAIL (India) Limited                                                                                                                                                    |
| GBL                                   | Ganesh Benzoplast Limited.                                                                                                                                              |
| GDF                                   | G.D.F. International.                                                                                                                                                   |
| GDP                                   | Gross Domestic Product.                                                                                                                                                 |
| GIR No.                               | General Index Register Number.                                                                                                                                          |
| GNPOC                                 | Greater Nile Petroleum Operating Company.                                                                                                                               |
| GoAP                                  | The Government of Andhra Pradesh.                                                                                                                                       |
| GoI, Government or Central Government | Government of India.                                                                                                                                                    |
| GSFCL                                 | Gujarat State Fertilizers & Chemicals Limited.                                                                                                                          |
| GSPC                                  | Gujarat State Petroleum Corporation Limited.                                                                                                                            |
| Guide 2                               | Industry Guide 2 under the U.S. Securities Act                                                                                                                          |
| HDFC                                  | HDFC Securities Limited                                                                                                                                                 |
| HOEC                                  | Hindustan Oil Exploration Company.                                                                                                                                      |



| Term                                                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HPCL                                                 | Hindustan Petroleum Corporation Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| HSBC                                                 | HSBC Securities and Capital Markets (India) Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| HUF                                                  | Hindu Undivided Family.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| IFRS                                                 | International Financial Reporting Standards.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| IDA                                                  | Industrial Dearness Allowance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| ID Act                                               | Industrial Disputes Act, 1947.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| IFFCO                                                | Indian Farmers Fertilizers Cooperative Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| IL&FS                                                | Infrastructure Leasing and Financial Services Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Indo-Vietnam DTAA                                    | India-Vietnam double-taxation avoidance agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| IOCL                                                 | Indian Oil Corporation Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| IOOC                                                 | Iranian Offshore Oil Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| ISD                                                  | Input Service Distributor.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| IT Act                                               | Income Tax Act, 1961.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| ITAT                                                 | Income Tax Appellate Tribunal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Indian GAAP                                          | Generally Accepted Accounting Principles in India.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| IL & FS                                              | Infrastructure Leasing and Financial Services Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| IPO                                                  | Initial Public Offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Insurance Regulatory and Development Authority/ IRDA | Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999.                                                                                                                                                                                                                                                                                                                                                                                                       |
| JDL                                                  | Jindal Drilling & Industries Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| JIL                                                  | Jagson International Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| JM Financial                                         | JM Financial Consultants Private Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| KCCI                                                 | Kanara Chamber of Commerce and Industries.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| KIADB                                                | Karnataka Industrial Area Development Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| KPPA                                                 | Karnataka Parks Preservation Act, 1975.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| KPPOSA                                               | Karnataka Parks, Playfields and Open Spaces Act, 1985.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| LA Act                                               | Land Acquisition Act, 1894.                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| LAO                                                  | Land Acquisition Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| LEO                                                  | Labour Enforcement Officer (Central)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| MICR                                                 | Magnetic ink character recognition.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| MoEF                                                 | Ministry of Environment and Forests, GoI.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| MOGE                                                 | Myanma Oil and Gas Enterprise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| MoF                                                  | Ministry of Finance, GoI.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| MoPNG                                                | Ministry of Petroleum and Natural Gas, GoI.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Morgan Stanley                                       | Morgan Stanley India Company Private Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| MoU                                                  | Memorandum of Understanding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| N.A                                                  | Not Applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| NEFT                                                 | National Electronic Fund Transfer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| NIF                                                  | National Investment Fund set up by resolution number F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India.                                                                                                                                                                                                                                                                                                                                                      |
| NIOC                                                 | National Iranian Oil Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Non-Resident or NR                                   | A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian.                                                                                                                                                                                                                                                                                                                                                                                                       |
| NRE Account                                          | Non-Resident External Account established in accordance with the FEMA.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| NRO Account                                          | Non-Resident Ordinary Account established in accordance with the FEMA.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| NSDL                                                 | National Securities Depository Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| NSE                                                  | National Stock Exchange of India Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Nomura                                               | Nomura Financial Advisory & Securities (India) Private Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| OCB                                                  | A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Offer. |
| OCRPS                                                | Optionally convertible redeemable preference shares                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| OECD                                                 | Organization for Economic Cooperation and Development.                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| OIDA                                                 | Oil Industry Development Act, 1974.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| OIL                                                  | Oil India Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| OM                                                   | Office Memorandum.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| OMEL                                                 | ONGC Mittal Energy Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| OMENL                                                | OMEL Exploration and Production Nigeria Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| OTS                                                  | One Time Settlement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| PIL                                                  | Petronet India Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Term                               | Description                                                                                                                                                                                                         |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PIS or Portfolio Investment Scheme | The scheme contained in Schedule 2, FEMA by virtue of which registered FIIs are permitted to purchase shares of an Indian company through offer/ private placement.                                                 |
| PAN                                | Permanent Account Number allotted under the I.T. Act.                                                                                                                                                               |
| PDVSA                              | Petróleos de Venezuela S.A.                                                                                                                                                                                         |
| PMA                                | Permanent Machinery of Arbitrators.                                                                                                                                                                                 |
| PRP                                | Performance Related Pay.                                                                                                                                                                                            |
| P & P                              | PT Sempec Indonesia.                                                                                                                                                                                                |
| RBI                                | Reserve Bank of India.                                                                                                                                                                                              |
| Re.                                | One Indian Rupee.                                                                                                                                                                                                   |
| RIL                                | Reliance Industries Limited.                                                                                                                                                                                        |
| RoC                                | Registrar of Companies, National Capital Territory Delhi and Haryana.                                                                                                                                               |
| Rs. or ₹                           | Indian Rupees.                                                                                                                                                                                                      |
| Regulation S                       | Regulation S under the U.S. Securities Act                                                                                                                                                                          |
| RTGS                               | Real Time Gross Settlement.                                                                                                                                                                                         |
| RTI                                | Right to Information.                                                                                                                                                                                               |
| SCI                                | Shipping Corporation of India Limited.                                                                                                                                                                              |
| SCRA                               | Securities Contract (Regulations) Act, 1956.                                                                                                                                                                        |
| SCRR                               | Securities Contracts (Regulation) Rules, 1957.                                                                                                                                                                      |
| SEBI                               | Securities and Exchange Board of India constituted under the SEBI Act.                                                                                                                                              |
| SEBI Act                           | Securities and Exchange Board of India Act, 1992.                                                                                                                                                                   |
| SEBI Insider Trading Regulations   | SEBI (Prohibition of Insider Trading) Regulations, 1992.                                                                                                                                                            |
| SEBI ICDR Regulations              | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.                                                                                                                                              |
| SHI                                | Samsung Heavy Industries Company Limited, Korea.                                                                                                                                                                    |
| SIPD                               | Shell India Production Development BV.                                                                                                                                                                              |
| SPM                                | Single Point Mooring.                                                                                                                                                                                               |
| STT                                | Securities Transaction Tax.                                                                                                                                                                                         |
| Sub-Account                        | Sub-accounts registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, other than sub-accounts which are foreign corporates or foreign individuals. |
| Subsoil Law                        | Law of the Russian Federation No. 2395-1 "On Subsoil", dated February 21, 1992.                                                                                                                                     |
| Supreme Court                      | Supreme Court of India.                                                                                                                                                                                             |
| TDS                                | Tax deducted at source.                                                                                                                                                                                             |
| TERI                               | The Energy and Resources Institute.                                                                                                                                                                                 |
| Total                              | Total E and P Nigeria Deepwater F Limited.                                                                                                                                                                          |
| U.S. GAAP                          | Generally accepted accounting principles in the United States of America.                                                                                                                                           |
| U.S. Securities Act                | The U.S. Securities Act of 1933.                                                                                                                                                                                    |
| VCF(s)                             | Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996.                                                                                                  |
| WIS                                | Western India Shipyard Limited.                                                                                                                                                                                     |
| WNPOC                              | White Nile Petroleum Operating Company.                                                                                                                                                                             |

### Industry-Related Terms

| Term             | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1P               | Proved Reserves.                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2P               | Proved and Probable Reserves.                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3P               | Proved, Probable and Possible Reserves.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| ACL              | Assam Company Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Air Act          | Air (Prevention and Control of Pollution) Act, 1981.                                                                                                                                                                                                                                                                                                                                                                                                       |
| API              | American Petroleum Institute.                                                                                                                                                                                                                                                                                                                                                                                                                              |
| APM              | Administered Pricing Mechanism.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Asset            | If the context indicates, "Asset" may refer to an organizational unit within our Company.                                                                                                                                                                                                                                                                                                                                                                  |
| ASP              | Alkaline surfactant polymer                                                                                                                                                                                                                                                                                                                                                                                                                                |
| ATF              | Aviation Turbine Fuel.                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Audited Reserves | Reserve estimates of certain of our domestic and international fields based upon the SPE PRMS 2007 International Standards as audited by the independent reserve consultants as of April 1, 2011, excluding GCA who have audited our reserves for the Mumbai High field as of March 31, 2011. However, for presentational purposes, we refer to all audited reserve estimates and information in this Red Herring Prospectus as being as of April 1, 2011. |

| <b>Term</b>                    | <b>Description</b>                                                                                                                                                                                                                                                       |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Basin                          | A geological depression on the Earth's surface which is filled with sedimentary material.                                                                                                                                                                                |
| Bbls                           | Barrels.                                                                                                                                                                                                                                                                 |
| BCM                            | Billion cubic meters.                                                                                                                                                                                                                                                    |
| BPCL                           | Bharat Petroleum Corporation Limited.                                                                                                                                                                                                                                    |
| Bpd                            | Barrels per day.                                                                                                                                                                                                                                                         |
| CBM                            | Coal Bed Methane.                                                                                                                                                                                                                                                        |
| Cess                           | A duty of excise imposed under the Oil Industry Development Act, 1974 on crude oil produced in India and payable to the Central Government.                                                                                                                              |
| CGD                            | City Gas Distribution.                                                                                                                                                                                                                                                   |
| Condensate                     | Low vapor pressure hydrocarbons obtained from natural gas through condensation or extraction; condensate refers solely to those hydrocarbons that are liquid at normal surface temperature and pressure conditions.                                                      |
| Continental Shelf Law          | Russian Federal Law No. 187-FZ "On the Continental Shelf of the Russian Federation", dated November 30, 1995.                                                                                                                                                            |
| Contingent Resources           | Resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles.                                                                                                                     |
| Depletion                      | A measure of exhaustion of a wasting asset represented by periodic write off of cost. It is computed with reference to the amortization base by taking the related capital cost incurred, divided by proved developed hydrocarbon reserves and multiplied by production. |
| Depreciation                   | A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from the use, passage of time, obsolescence through technology and market changes.                                                                                       |
| Development                    | Following discovery, drilling and related activities necessary to begin production of oil or natural gas.                                                                                                                                                                |
| Development Well               | A well drilled within a proved area of an oil and gas reservoir and completed to a targeted horizon known to be productive.                                                                                                                                              |
| DGH                            | Directorate General of Hydrocarbons.                                                                                                                                                                                                                                     |
| D&M                            | DeGolyer & MacNaughton                                                                                                                                                                                                                                                   |
| Dry Well                       | A dry well, or dry hole, is either a well devoid of hydrocarbons, or a well where hydrocarbon indications are present but which is not economically feasible to develop.                                                                                                 |
| EEZ Law                        | Russian Federal Law No. 191-FZ "On the Exclusive Economic Zone of the Russian Federation", dated December 17, 1998.                                                                                                                                                      |
| E&P                            | Exploration and Production.                                                                                                                                                                                                                                              |
| Enhanced Oil Recovery or EOR   | Techniques used to increase or prolong production from oil and natural gas fields.                                                                                                                                                                                       |
| ERDMP Regulation               | Petroleum and Natural Gas Regulatory Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulation, 2010.                                                                                                                                    |
| Exploration                    | Systematically searching for oil and/or natural gas, by topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells.                                                                                                                |
| Exploratory Well               | A well drilled in an unproved area for the purpose of finding and producing oil and/or gas (includes exploratory-type stratigraphic test wells).                                                                                                                         |
| Finding Costs                  | A measurement used to evaluate the success of exploration activities, consisting of the ratio of exploration costs incurred in a given period in connection with such activities to reserves discovered as a result of such activities.                                  |
| FST                            | The Federal Tariff Service of the Russian Federation.                                                                                                                                                                                                                    |
| Gas Sale Guidelines            | Press note issued by the MoPNG on June 25, 2008 prescribing guidelines for the sale of natural gas by NELP contractors.                                                                                                                                                  |
| GCA                            | Gaffney Cline & Associates.                                                                                                                                                                                                                                              |
| HSD                            | High Speed Diesel.                                                                                                                                                                                                                                                       |
| IMR                            | Inspection, maintenance and repair.                                                                                                                                                                                                                                      |
| IOR                            | Improved Oil Recovery.                                                                                                                                                                                                                                                   |
| ISC                            | Insitu combustion                                                                                                                                                                                                                                                        |
| KL                             | Kiloliter.                                                                                                                                                                                                                                                               |
| L                              | Liter.                                                                                                                                                                                                                                                                   |
| LDO                            | Light Diesel Oil.                                                                                                                                                                                                                                                        |
| Liquefied Natural Gas or LNG   | Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.                                                                                                                         |
| Liquefied Petroleum Gas or LPG | Light gases such as butane and propane that exist as liquids under pressure.                                                                                                                                                                                             |
| LSHS                           | Low Sulphur Heavy Stock.                                                                                                                                                                                                                                                 |
| MDP                            | Master development plan                                                                                                                                                                                                                                                  |

| Term                                        | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Estimates                        | Reserve estimates of our domestic and international fields, as of April 1, 2011 have been adopted by the Reserve Estimate Committee. The reserve estimates for our domestic reserves are based on the internally-developed definitions, which are in part based on the SPE/WPC 1997 Standards while the reserve estimates for our international reserves are calculated on the basis of various standards that are applicable in the relevant jurisdiction in which the relevant reserves are located. |
| MEor                                        | Microbial Enhanced Oil Recovery.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Mines Act                                   | The Mines Act, 1952.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Ministry of Natural Resources               | The Ministry of Natural Resources and Ecology of the Russian Federation.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| MMbbls                                      | Million barrels.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Mmboe                                       | Million barrels of oil equivalent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| MCM                                         | Million cubic meters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| MMCM or MMSCM                               | Million standard cubic meters.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| MMSCUMD or MMSCMD                           | Million standard cubic meter per day.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| MMT                                         | Million metric tonnes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| MMToe                                       | Million metric tonnes oil equivalent                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| MMTA or MMTA                                | Million metric tonnes per annum.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| MS                                          | Motor spirit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| MT                                          | Metric tonnes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| MW                                          | Megawatt.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Natural Gas Pipelines Regulations           | Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008.                                                                                                                                                                                                                                                                                                                                                            |
| Natural Gas Pipeline Tariff Regulations     | Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008.                                                                                                                                                                                                                                                                                                                                                                                           |
| Natural Monopoly Law                        | Russian Federal Law No. 147-FZ "On the Natural Monopolies", dated August 17, 1995.                                                                                                                                                                                                                                                                                                                                                                                                                     |
| NELP                                        | New Exploration Licensing Policy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| NOCs                                        | National oil companies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| NGL                                         | Natural Gas Liquids.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| OALP                                        | Open Acreage Licensing Policy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| OCC                                         | Oil Coordination Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| OID Act                                     | Oil Industry (Development) Act, 1974                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| OID Board                                   | Oil Industry Development Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| OID Cess                                    | Oil Industry Development Cess.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Oil Mines Regulations                       | Oil Mines Regulations, 1984.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Oilfields Act                               | Oilfield (Regulations and Development) Act, 1948.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| OISD                                        | Oil Industry Safety Directorate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| OMCs                                        | GoI-controlled oil marketing companies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| OPEC                                        | Organisation of Petroleum Exporting Countries.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PDB                                         | Paraffin Degrading Bacteria.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| PDS                                         | Public Distribution System.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| PEL                                         | Petroleum Exploratory License.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Petroleum Act                               | Petroleum Act, 1934.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Petroleum and Minerals Pipelines Act        | Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962.                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Petroleum Rules                             | Petroleum Rules, 2002.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Petroleum Transportation Tariff Regulations | Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Products Pipeline Transportation Tariff) Regulations, 2010.                                                                                                                                                                                                                                                                                                                                                       |
| PFCC                                        | Petro-fluid catalytic cracking                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PML                                         | Petroleum Mining Lease.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| PNGRB                                       | Petroleum and Natural Gas Regulatory Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| PNG Rules                                   | Petroleum and Natural Gas Rules, 1959.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| PNGRB Act                                   | Petroleum and Natural Gas Regulatory Board Act, 2006.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| POL                                         | Petroleum, Oil and Lubricants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Possible Reserves                           | Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable Reserves.                                                                                                                                                                                                                                                                                                                                                                          |
| PPAC                                        | Petroleum Planning and Analysis Cell.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| PSA                                         | Production Sharing Agreements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PSA Law                                     | Russian Federal Law No. 225-FZ "On Production Sharing Agreements", dated December 30, 1995.                                                                                                                                                                                                                                                                                                                                                                                                            |
| PSC                                         | Production Sharing Contract.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| R&D                                         | Research and Development.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| REC                                         | Reserve Estimate Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Reserves                                    | Proved Reserves, Probable Reserves and Possible Reserves.                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| <b>Term</b>                           | <b>Description</b>                                                                                                                                                                                                                                                                 |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rosendra                              | The Russian Federal Agency for Subsoil Use.                                                                                                                                                                                                                                        |
| Rosprirodnadzor                       | The Russian Federal Service for Supervision in the Sphere of Environmental Use.                                                                                                                                                                                                    |
| Rostekhnadzor                         | The Russian Federal Service for Ecological, Technological and Nuclear Supervision.                                                                                                                                                                                                 |
| Royalty                               | With respect to domestic production, a statutory levy imposed under the Oilfield Act and PNG Rules payable to the respective State or Central Government granting the lease (Central Government in case of offshore) on crude oil and natural gas production.                      |
| SCM                                   | Standard cubic meter.                                                                                                                                                                                                                                                              |
| Seismic Data                          | Data recorded in either two dimensional (2-D) or three dimensional (3-D) form from sound wave reflections off of subsurface geology. This is used to understand and map geological structures for exploratory purposes to predict the potential location of undiscovered reserves. |
| SEZ                                   | Special Economic Zone.                                                                                                                                                                                                                                                             |
| SKO                                   | Superior Kerosene Oil.                                                                                                                                                                                                                                                             |
| SOO Rules                             | Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008.                                                                                                                                                                                                             |
| SPE                                   | Society of Petroleum Engineers.                                                                                                                                                                                                                                                    |
| SPE/WPC 1997 Standards                | Society of Petroleum Engineers/World Petroleum Congress 1997 Standards                                                                                                                                                                                                             |
| SPE PRMS 2007 International Standards | Society of Petroleum Engineers - Petroleum Resources Management System 2007 International Standards                                                                                                                                                                                |
| SPM                                   | Single point mooring                                                                                                                                                                                                                                                               |
| Sproule                               | Sproule International Limited.                                                                                                                                                                                                                                                     |
| SRU                                   | Sulphur recovery unit                                                                                                                                                                                                                                                              |
| Strategic Industries Law              | Russian Federal Law No. 57-FZ "On Procedure of Investing into the Legal Entities of Strategic Importance for Defense and Security the Country", dated April 29, 2008.                                                                                                              |
| TS Regulations                        | Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for the Natural Gas Pipelines) Regulations, 2009.                                                                                                                    |
| UCG                                   | Underground Coal Gasification.                                                                                                                                                                                                                                                     |
| VLCC                                  | Very Large Crude Carriers.                                                                                                                                                                                                                                                         |
| WAG                                   | Water alternate gas.                                                                                                                                                                                                                                                               |
| Workmen's Compensation Act            | Workmen's Compensation Act, 1923.                                                                                                                                                                                                                                                  |
| Water Act                             | Water (Prevention and Control of Pollution) Act, 1974.                                                                                                                                                                                                                             |
| WPC                                   | World Petroleum Congresses.                                                                                                                                                                                                                                                        |

The words and expressions used but not defined in this Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, SEBI Act, the SCRA, the Depositories Act and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in "Main Provisions of the Articles of Association", "Statement of Tax Benefits", "Regulations and Policies in India", "History and Certain Corporate Matters", "Regulation of the Russian Oil and Gas Industry", "Financial Statements", "Financial Indebtedness" and "Outstanding Litigation and Material Developments" on pages 552, 105, 199, 214, 208, 258, 456 and 460 respectively, will have the same meaning given to such terms in these respective sections.

## **CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION**

### **Certain Conventions**

All references in this Red Herring Prospectus to “India” are to the Republic of India. All references in this Red Herring Prospectus to the “U.S.”, “US”, “USA” or “United States” are to the United States of America.

### **Financial Data**

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our audited consolidated and unconsolidated financial statements as of and for the years ended March 31, 2010 and 2011, and unaudited consolidated and unconsolidated limited review financial statements as of and for the three months ended June 30, 2011, prepared in accordance with Indian GAAP and the Companies Act.

Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancy in any table between the total and the sums of the amounts listed are due to rounding off. There are significant differences between Indian GAAP, IFRS and US GAAP. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations. Any reliance by any persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI ICDR Regulations on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We urge you to consult your own advisors regarding such differences and their impact on our financial data.

### **Currency of Presentation**

All references to “Rupees” or “Rs.” or “₹” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$”, “U.S. Dollar”, “USD” or “US Dollars” are to United States Dollars, the official currency of the United States of America. All references to “EURO” or “EUR.” are to the Euro, the official currency of the European Union. All references to “SEK” are to the Swedish Krona, the official currency of Sweden. All references to “GBP” or “£” are to the Great Britain Pound, the official currency of the United Kingdom. All references to “R\$” are to the Brazilian Real, the official currency of Brazil. All references to “Naira” are to the Nigerian Naira, the official currency of Nigeria. All references to “RUR” are to the Russian Rouble, the official currency of Russia.

### **Market and Industry Data**

Market and industry data used throughout this Red Herring Prospectus has been obtained from various government, multilateral and industry publications. These publications generally state that the information contained therein has been obtained from sources believed to be reliable, but it has not been independently verified by us and its accuracy and completeness is not guaranteed and its reliability cannot be assured. Although we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified by us. The data used from these sources may have been reclassified by us for purposes of presentation. Data from various market sources may not be comparable. The extent to which the market and industry data is presented in this Red Herring Prospectus is meaningful depends upon the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different market and industry sources. We provide website sources for some of the industry data we present. The information on such websites do not form a part of this Red Herring Prospectus.

### **Exchange Rates**

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US dollar could be exchanged. The row titled ‘average’ in the table below is the average of the daily rate for each day in the period.

| <b>Period*</b> | <b>Period end (in ₹)</b> | <b>Period average (in ₹)</b> |
|----------------|--------------------------|------------------------------|
| Fiscal 2006    | 46.61                    | 44.28                        |

| Period*                        | Period end (in ₹) | Period average (in ₹) |
|--------------------------------|-------------------|-----------------------|
| Fiscal 2007                    | 43.59             | 45.29                 |
| Fiscal 2008                    | 39.97             | 40.24                 |
| Fiscal 2009                    | 50.95             | 45.91                 |
| Fiscal 2010                    | 45.14             | 47.42                 |
| Fiscal 2011                    | 44.65             | 45.58                 |
| April 1, 2011 to June 30, 2011 | 44.72             | 44.74                 |

\* Source: [www.rbi.org.in](http://www.rbi.org.in)

### Presentation of Reserves Estimates and Conversion of Data

Our management estimates of our reserves are calculated on the following basis:

- For our domestic reserves, we use internally-developed definitions. These internally-developed definitions are in part based on the reserves estimation definitions under the SPE/WPC 1997 Standards specified by the Society of Petroleum Engineers and the World Petroleum Congress. The SPE/WPC 1997 Standards were subsequently replaced by the SPE PRMS 2007 International Standards. However, we have not modified our internally-developed reserves estimation definitions to take into account SPE PRMS 2007 International Standards. For further information relating to the SPE/WPC 1997 Standards and the SPE PRMS 2007 International Standards, please see “Or Business- *Reserves Classification Standards*” on page 153. As a result of differences between our internally-developed definitions and SPE/WPC 1997 Standards, our management estimates of our reserves may significantly vary from reserves estimates prepared using either SPE PRMS 2007 International Standards or SPE/WPC 1997 Standards. Investors should therefore not place undue reliance on our management estimates of our reserves. For further information relating to the implications of the differences between these definitions, please see “Risk Factors - *Our crude oil and natural gas reserves estimates involve a degree of uncertainty and may not prove to be correct over time or may not accurately reflect actual reserves, or even if accurate, technical limitations may prevent us from producing crude oil or natural gas from these reserves*” on page 23.
- Our international reserves are calculated on the basis of various standards that are applicable in the relevant jurisdiction in which the relevant reserves are located.

For purposes of this Offer, we have appointed the following independent reserves consultants to audit and estimate certain of our reserves:

#### Domestic

- Gaffney Cline & Associates Ltd ("**GCA**") has audited our reserves for the Mumbai High field as of March 31, 2011 based on our internal definitions and guidelines ("Mumbai High Audited Reserves"). GCA has also presented its estimates of our reserves under SPE PRMS 2007 International Standards for the Mumbai High field as of March 31, 2011, and prepared a reserves report thereon; and
- DeGolyer & MacNaughton ("**D&M**"), who have audited the reserves in 62 other domestic fields as of April 1, 2011, and prepared a reserves report thereon.

Based on our management estimates, the 1P, 2P and 3P reserves for the 63 domestic fields that were audited accounted for 82.50%, 79.20% and 77.96% of our total domestic 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

#### International

- Sproule International Limited ("**Sproule**"), who have audited the reserves in substantially all our fields in Sudan as of April 1, 2011, and prepared a reserves report thereon. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan;

- D&M, who have audited the reserves in our Imperial Energy assets in Russia as of April 1, 2011, and prepared a reserves report thereon; and
- D&M, who have audited the reserves in all other international fields as of April 1, 2011, and prepared a reserves report thereon;

Based on our management estimates, the 1P, 2P and 3P reserves for the international fields that were audited accounted for 99.54%, 99.53% and 99.14% of our total international 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

The reserves opinion letter from our independent reserves consultant, GCA in respect of its reserves report is attached as Annexure A to this Red Herring Prospectus. Further, the certificates of the international reserves consultants, D&M and Sproule, in respect of their respective reserves reports referred to above are attached as Annexure B, C, D and E to this Red Herring Prospectus. GCA, D&M and Sproule are together referred to as the "independent reserves consultants".

Unless otherwise indicated, all reserves estimates and information derived therefrom contained in this Red Herring Prospectus are unaudited management estimates as of April 1, 2011. Other than GCA, the independent reserves consultants have also audited our domestic and international reserves estimates as of April 1, 2011. GCA has presented its estimates of our reserves under SPE PRMS 2007 for the Mumbai High field as of March 31, 2011; however, for presentational purposes, we refer to all audited reserves estimates and information in this Red Herring Prospectus as being as of April 1, 2011. Moreover, for uniformity of presentation, the "audited" reserves estimates in this Red Herring Prospectus incorporate GCA's SPE PRMS 2007 International Standards estimates of the Mumbai High Field (and not the Mumbai High Audited Reserves).

In auditing our reserves, the independent reserves consultants, D&M and Sproule, have relied on the SPE PRMS 2007 International Standards, which differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. GCA has audited our reserves based on our internally developed definitions and the SPE PRMS 2007 International Standards. The SPE PRMS 2007 International Standards also differ from the other reserves estimation standards used in the assessment of our international reserves. For further information, please see "Our Business- *Reserves Classification Standards*" on page 153. Our audited reserves information presented in this Red Herring Prospectus are therefore not comparable to our management estimates as of April 1, 2011 included in this Red Herring Prospectus.

We may in the future adopt the SPE PRMS 2007 International Standards for the preparation of our management reserves estimates. In such event, our management reserves estimated under the SPE PRMS 2007 International Standards will not be comparable to our management estimates included in this Red Herring Prospectus. The adoption of SPE PRMS 2007 International Standards could have a material impact on our current or then current estimates of reserves.

In this Red Herring Prospectus, we have also presented management estimates of our reserves for that part of our reserves for which no audit has been undertaken, including (i) management estimates for unaudited portion of reserves (owned and operated fields) and (ii) management estimates for unaudited portion of reserves (participating interest in JVs) (collectively, the "Management Estimates for Unaudited Portion"). Please see "Our Business- *Management Estimates of Reserves*" on page 152.

Our reporting policy is not, and is not required to be, derived from, or consistent with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission and differs from such requirements in certain material respects. Our reserves would differ from those described herein if determined in accordance with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission. There are currently no clear regulations governing public disclosure of potential reserves by oil and gas companies operating in India or their use in securities offering documents.

Evaluations of crude oil and natural gas reserves involve various uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. The crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect our best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (which are dynamic processes), and may differ from previous estimates. Reserves estimates are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics are difficult to estimate



and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting our reserve estimates include: the outcome of new production or drilling activities; assumptions regarding the future performance of wells and surface facilities; the results of field reviews; our ability to acquire new reserves from discoveries or extensions of existing fields; our ability to apply improved recovery techniques; and changed economic conditions.

In this Red Herring Prospectus, we report 1P, 2P and 3P reserves. Unless stated otherwise, all our 1P, 2P and 3P reserves consist of our participating interest in total global reserves, which in turn consists of our 100% interest in our independent oil and gas properties and our participating interest in joint venture and production-sharing contracts, without reflecting (i) our share of cash royalties payable to the Indian central government and Indian state governments, (ii) royalties or taxes payable to other governments, (iii) other contractual payments such as profit petroleum, production-linked payments and bonuses, and (iv) reimbursement for exploration expenses attributable to our participating interest. Royalties and taxes payable to Indian government entities are payable in cash and are not payable in kind. Our 1P, 2P and 3P reserves also do not include an adjustment for taxes or other amounts payable by us.

Although we generally report our reserves of crude oil and natural gas in metric tons and cubic meters, respectively, for purposes of presentation in this Red Herring Prospectus, we have converted quantities of domestic crude oil from metric tons to barrels at a rate of one metric ton to 7.5 barrels. The conversion ratio of one metric ton to 7.5 barrels is based on the weighted average specific gravity of all crude oil produced from our domestic fields, including fields operated through joint ventures. We have used crude oil conversion ratios for our international producing fields based on the respective specific gravities of crude oil/condensate produced from those fields areas as follows: Greater Nile Oil Project (Sudan and South Sudan): one metric ton to 7.3 barrels; Block 5A (South Sudan): one metric ton to 6.81 barrels; Vietnam condensate: one metric ton to 8.38 barrels; Shakalin (Russia): one metric ton to 7.57 barrels; Al Furat (Syria): one metric ton to 7.3 barrels; MECL (Colombia): one metric ton to 6.56 barrels; Carabobo (Venezuela): one metric ton to 6.29 barrels; Imperial (Russia): one metric ton to 7.66 barrels(1P); 7.72 barrels (2P) and 7.72 barrels (3P); Venezuela (San Cristobal): one metric ton to 6.57 barrels; and BC-10 (Brazil): one metric ton to 6.72 barrels. The conversion rate of metric ton to barrels for MRPL for crude oil processed was at the rate of 7.4 barrels, 7.4 barrels and 7.36 barrels for Fiscal 2010, Fiscal 2011 and for the three months ended June 30, 2011, respectively. Further, the conversion rate of metric ton to barrels for MRPL for refined products was at the rate of 7.5 barrels, 7.415 barrels and 7.38 barrels for Fiscal 2010, Fiscal 2011 and for the three months ended June 30, 2011, respectively. One metric ton of natural gas is equal to 1,000 standard cubic meters.

## NOTICE TO INVESTORS

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Red Herring Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”), or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act and referred to in this Red Herring Prospectus as “U.S. QIBs”; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Red Herring Prospectus as ‘QIBs’), in transactions exempt from the registration requirements of the U.S. Securities Act, and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

We conduct business activities with countries and persons that are subject to sanctions administered or enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control, the United Nations Security Council, the European Union and/or Her Majesty’s Treasury. Certain investors may not wish to invest in our Equity Shares as a result of such activities. Investors are urged to consider carefully the information in the Red Herring Prospectus with respect to our business activities in Iran, Sudan, Syria, Myanmar, Cuba, and Libya, and to review carefully *“Risk Factors- Many of the countries in which we operate, such as Iran, Sudan, Myanmar, Syria, Cuba, and Libya, are subject to certain international sanctions”* on page 29.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the “Relevant Implementation Date”), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 Amending Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to persons or entities that are “qualified investors” as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;
- to (i) fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than “qualified investors” as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the Underwriters; or
- in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State

and the expression “2010 Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (as amended, to the extent implemented in a Relevant Member State, by the 2010 Amending Directive) or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a “qualified investor” as so defined and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Company and the Underwriters with the provisions of Article 3(2) of the Prospectus Directive as amended (to the extent implemented) by Article 1(3) of the 2010 Amending Directive.

## FORWARD LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- the project completion dates, estimated project costs and total value of contracts awarded;
- variation in reserves data and estimates relating to contingent and prospective resources, and our actual production, revenues and expenditure;
- production volumes;
- the outcome of exploration and development activity;
- our ability to find, develop or acquire additional reserves;
- fluctuations or a substantial or extended decline in international prices for oil and gas;
- regulatory changes pertaining to the industries in India or other countries in which our Company has its businesses and our ability to respond to them;
- claims against us due to an environmental disaster, exploration accidents or any other uninsured event;
- our ability to successfully implement our strategy, our growth and expansion;
- regulatory changes in the oil and gas sector;
- general economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- technological changes in the future;
- our exposure to market risks;
- general economic and political conditions in India and which have an impact on our business activities or investments;
- terrorist attacks, civil disturbances, regional conflicts, accidents and natural disasters;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in India and globally;
- changes in domestic laws, regulations and taxes; and
- increasing competition in or other factors affecting the industry segments in which we operate.

For further discussion of factors that could cause our actual results to differ, please see “Risk Factors” and “Management Discussion and Analysis of Financial Condition and Results of Operations” on pages 20 and 423, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different

from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. None of our Company, the Selling Shareholder, the BRLMs and the Syndicate Members nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholder and the BRLMs will ensure that investors in India are informed of material developments until the Equity Shares to be sold pursuant to the Offer have been transferred or refund of application monies have been completed.

## SECTION II - RISK FACTORS

*An investment in equity securities involves a high degree of risk. The risks and uncertainties described below together with the other information contained in this Red Herring Prospectus should be carefully considered before making an investment decision in our Equity Shares. The risks described below are relevant to our business and the industry and countries in which we operate, as well as to the offering of Equity Shares. Additional risks, not presently known to us or that we currently deem immaterial, may also have an adverse effect on our business, results of operations and financial condition, as well as the price of the Equity Shares. You should carefully consider all the information in this Red Herring Prospectus (including our Financial Statements on page 258), as well as the risks and uncertainties described below, before making an investment in our Equity Shares. You should read this section in conjunction with the sections “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation”. If any one or some combinations of the following risks were to occur, our business, results of operations and financial condition could be materially and adversely affected, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline. You should pay particular attention to the fact that we are incorporated under the laws of India and are subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Red Herring Prospectus also contains forward-looking statements reflecting expectations and intentions that involve risks and uncertainties. No assurance can be given that those will prove to have been correct, and our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Red Herring Prospectus. Accordingly, you should not place undue reliance on such forward-looking information. See “Forward Looking Statements” on page 18.*

### **Internal Risk Factors**

- 1. Our Company is presently involved in 23 proceedings of a criminal nature, and any adverse decision in any of these proceedings may have a material adverse effect on our business, results of operations and financial condition.***

We are presently involved in 23 criminal proceedings which have been filed against us in various forums. Amongst the cases filed against us, five cases are pending before the Chief Judicial Magistrate, Alibaug, and the Judicial Magistrate, Surat, in relation to alleged breaches of the Factories Act, 1948. Additionally, there is one appellate proceeding before the Supreme Court, two appellate proceedings in the Bombay High Court, two appellate proceedings in the Allahabad High Court and the Jharkhand High Court, three proceedings before the Chief Judicial Magistrate, Bokaro, three proceedings before the Chief Judicial Magistrate, Gandhinagar, and one proceeding before the Chief Judicial Magistrate, Alipore, against our Company in relation to alleged breaches of the Contract Labour (Regulation and Abolition) Act, 1970. Further, there are two proceedings pending before the Bombay High Court and the Judicial Magistrate, First Class, Sivasagar, Assam, in relation to alleged negligence by our Company in terms of compliance with fire safety standards. Additionally, there are three more proceedings before the Judicial Magistrates at Ankleshwar and Mehsana against our Company for alleged non-compliance with various provisions of the Oil Mines Regulations, 1984 and one more proceeding before the Sessions Court, Ahmedabad for alleged offenses under the IPC and the Arms Act, 1959. For details of these cases, see “Outstanding Litigation and Material Developments” on page 460. We cannot provide any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us in the future.

- 2. We have previously not been in compliance with the provisions of the Listing Agreement in relation to the composition of our Board. Any such non-compliance in the future may have an adverse effect on our business and reputation.***

We have previously not been in compliance with the provisions of clause 49 of the Equity Listing Agreement in relation to the composition of our Board from January 1, 2006 to June 19, 2011. Further, SEBI had issued a show cause notice dated September 28, 2007 to us in terms of Rule 4 of the Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 for alleged non-compliance with Clause 49 I (A) of the Equity Listing Agreement relating to our failure to appoint the requisite number of independent directors on our Board in respect of the quarters ended March 2006, June 2006, September 2006, December 2006 and March 2007. In view of our submissions that the power to appoint independent directors on our Board vests with the President of India and that we had continuously followed up on the matter of appointment of independent directors on our Board with the MoPNG, the adjudication proceedings against us were disposed-off by order dated November 3, 2008 issued by the SEBI adjudicating

officer. However, we may still be subject to penalties or proceedings by the SEBI or the Stock Exchanges with respect to such non-compliance with the Equity Listing Agreement, and any future non-compliance by us with the Equity Listing Agreement could result in additional penalties and proceedings, which could have an adverse effect on our business and reputation.

**3. *Fluctuations in crude oil prices may adversely affect our revenues and profits and a substantial or extended decline in international prices for crude oil would have a material adverse effect on our business.***

Movements in the price of crude oil significantly affect our results of operations in both upstream and downstream activities. Declines in crude oil prices may adversely affect our results of operations, and substantial or extended declines may have a material adverse effect on our business, results of operations and financial condition, including our liquidity and our ability to finance planned capital expenditure. Historically, international prices for oil have been volatile and have fluctuated widely in response to changes in many factors. Lower oil prices may reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets which may result in decreased earnings or losses. Conversely, the GoI's mechanism for sharing in the under-recovery by public sector oil marketing companies can reduce or eliminate any benefit received by us with respect to increases in the price of crude oil. Rapid material and/or sustained changes in oil, gas and refined product prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the ensuing actions derived from those decisions may no longer be appropriate. A prolonged period of low oil prices may impact our ability to maintain our long-term investment program with a consequent effect on our growth rate and may impact shareholder returns, including dividends, or share price. Periods of global recession, such as the recent global recession in 2008, could impact the demand for our products and the prices at which they can be sold and could affect the viability of the markets in which we operate.

The prices we receive for our sales of crude oil are generally linked to international price levels for crude oil. The prices we receive for crude oil produced from our nomination blocks are also impacted significantly by our obligation to share in the under-recoveries of India's public sector oil marketing companies with respect to certain refined petroleum products. For further details, please see the risk factor below titled "*The requirement that we share in the under-recovery of the oil marketing companies as a result of Government subsidies on diesel, SKO and LPG may adversely affect our results of operations*". See also "Management's Discussion and Analysis of Results of Operation and Financial Condition - *Price Regulation in India*" on page 432. Crude oil and natural gas prices are also subject to external factors over which the Company has no control, including product demand connected with global economic conditions, industry inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries, exchange rate fluctuations, weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty. In particular, there was a significant upward trend in the international price of crude oil in the second half of Fiscal 2011 as a result of the global economic recovery and the severe political instability in North Africa and the Middle East and crude oil pricing experienced unprecedented dynamics. For example, the spread between WTI crude prices and Brent crude prices, which are two leading crude oil international benchmarks, reached unprecedented levels. While this did not materially affect our results of operations, there can be no assurance that global economic conditions and such political instability will not have an impact on crude oil pricing in the future that materially impacts our operations, both domestically and internationally.

Because crude oil is the largest cost component of refined products, our refining margins are primarily determined by the difference between the cost of crude oil and the prices of petroleum products produced by us. Refining margins are also volatile and are affected by the global and regional supply-and-demand balance for refined products and by changes in the price of crude oil used for refinery feedstock. Consequently, our refining business is also susceptible to fluctuation in crude oil prices. We have historically sourced a substantial portion of our crude oil feedstock for our refining operations from the Middle East, including Iran. Consequently, our refining business may be particularly susceptible to regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty in the region. In addition, we may suffer losses in our refining operations during periods of sharply increasing crude oil prices.

It is not possible to forecast future oil product price movements with accuracy. Fluctuations in crude oil prices may adversely affect our results of operations, and a substantial or extended decline in international prices for crude oil may have a material adverse effect on our business, results of operations and financial condition.

**4. *The requirement that we share in the under-recovery of Indian oil marketing companies as a result of Government subsidies on diesel, SKO and LPG may adversely affect our results of operations.***

The prices of retail sales of MS (until June 25, 2010), diesel, LPG for domestic use, and SKO for public distribution, by India's public sector oil marketing companies (BPCL, HPCL and IOCL) are capped by the GoI at a price below the international selling price for such products. The price caps are revised by the GoI from time to time. As a result, BPCL, HPCL and IOCL incur under-recoveries when they must purchase crude oil at a higher price than at which the corresponding refined products can be sold in India. The GoI operates a mechanism pursuant to which these under-recoveries are shared among the GoI, the public sector oil marketing companies and the public sector upstream companies (which include us, OIL and GAIL). The under-recoveries of SKO for public distribution and LPG for domestic use are allocated to ONGC, OIL and GAIL, whereas under-recoveries of HSD are allocated only to ONGC and OIL. Under-recoveries are determined and allocated by the GoI on quarterly basis. The upstream oil companies' share of the under-recovery is nominally allocated generally based on the upstream oil companies' relative financial performance (unconsolidated profit after tax) in prior years. However, there remains unpredictability as to the share of the under-recovery that is allocated to each upstream oil company. The upstream companies' share of the under-recovery is implemented through a discount on crude oil, domestic LPG and SKO for public distribution sold by upstream oil companies to the public sector oil marketing companies. In order to give effect to the discount, we issue credit notes to our public sector oil marketing customers for the applicable period once the relevant discount has been determined based on the GoI's allocation of the under-recovery sharing. The discounts on refined products, such as LPG or SKO, are factored as a whole into the net realized price of crude oil produced, and not applied to such products individually.

For Fiscal 2010 and Fiscal 2011, our obligation to share in such under-recoveries resulted in a discount of US\$ 15.71 and US\$ 35.64 per barrel of domestically produced crude oil, respectively. The GoI increased our Company's subsidy portion to 82.16% of these under-recoveries in Fiscal 2011 from 80.07% in Fiscal 2010. This increase has had an adverse impact on the value of our equity shares, and may have a material adverse effect on our business, results of operations and financial condition going forward. As a result of the global economic recovery, and more recently the severe political instability in North Africa and the Middle East, there was a significant upward trend in the international price of crude oil in the second half of Fiscal 2011. Consequently, the average price of Bonny Light Crude increased by 24.19% from US\$ 71.39 in Fiscal 2010 to US\$ 88.66 in Fiscal 2011. The increase in international crude oil prices resulted in significant increases in the under-recoveries of public sector oil marketing companies and consequently, in Fiscal 2011, the GoI allocated the upstream oil companies a 38.75% share of the oil marketing companies' under-recoveries, as compared to 31.33% and 30.98% in Fiscal 2010 and 2009, respectively. As a result of the GoI's allocation of an increased share of under-recoveries to the upstream oil companies, our share of the under-recoveries increased to 31.84% in Fiscal 2011, as compared to 25.09% and 26.50% in Fiscal 2010 and 2009, respectively. The discount per barrel granted to our public sector oil marketing customers increased by 126.86% from US\$15.71 in Fiscal 2010 to US\$35.64 in Fiscal 2011, resulting in a decrease of 3.88% in the post-discount price from US\$55.94 in Fiscal 2010 to US\$53.77 in Fiscal 2011. For the three months ended June 30, 2011, the average price of Bonny Light Crude was US\$ 119.20.

On July 22 2011, the MoPNG announced the share of under-recoveries to be borne by public sector upstream oil companies' (including our Company) for the three months ended June 30, 2011. The share of under-recoveries for public sector upstream oil companies for the three month period ended June 30, 2011 was ₹145.09 billion, or 33.3% of the total estimated under-recoveries of public sector oil marketing companies of ₹ 435.27 billion. Our Company's share of under-recoveries for the three months ended June 30, 2011 was ₹ 120.46 billion, which resulted in a post-discount per barrel price of US\$48.76 of domestically produced crude oil. Since the allocation of under-recoveries by the MoPNG may vary from quarter to quarter, the allocations of under-recoveries for the three months ended June 30, 2011 may not be indicative of the amount of under-recoveries that we will be allocated for full Fiscal 2012.

The MoPNG also makes available provisional rates for under-recoveries for the purposes of settling invoices for crude oil supplies from our Company to public sector oil marketing companies (BPCL, HPCL and IOCL) on a quarterly basis. Based on the aforementioned provisional rates for under-recoveries made available by MoPNG for the quarter ended September 30, 2011, we have prepared the July Working Results, which are estimates of our management, subject to change and have not been reviewed or audited by our Auditors. Historically, our Company's share of under-recoveries notified by the MoPNG after the end of a quarter and the under-recoveries arrived at based on provisional rates for under-recoveries made available by the MoPNG has varied significantly. Consequently, the working results of our Company for the four month period from April 1, 2011



to July 31, 2011, may differ materially if the same were prepared based on our Company's actual share of under recoveries notified by the MoPNG after the end of the quarter ended September 30, 2011. Investors should therefore not place undue reliance on our working results for the four month period from April 1, 2011 to July 31, 2011. For further details, please see "Selected Unaudited Standalone Financial Information" on page 422.

Additionally, the GoI may introduce other regulation relating to the pricing of petroleum products that could have a material adverse effect on our business, financial condition and results of operations. For example, in June 2008, the GoI formed the B.K. Chaturvedi committee to examine the financial impact of the increase in oil prices between Fiscal 2005 and Fiscal 2008 on upstream exploration firms, refiners and downstream marketing entities. Among other things, the committee has recommended that a special oil tax be levied on the domestic producers of crude oil on pre-NELP leases in lieu of the under-recovery sharing mechanism. These recommendations have not been implemented by the GoI. However, based on the recommendation of an expert group, headed by Mr. Kirit S. Parikh, the GoI on June 25, 2010 decided to deregulate the retail selling price of MS (petrol). The price of petrol was deregulated with effect from June 26, 2010. Although the prices of HSD, domestic LPG and PDS-kerosene were also increased marginally, the prices continued to be controlled and subject to the under-recovery sharing mechanism. Similarly, despite the deregulation of the retail price of MS, public sector oil marketing companies continue to consult with the GoI prior to increasing the price at which they sell MS, which may at times continue to result in under-recovery albeit at much lower levels than in prior years.

There can be no assurances as to the form of any future regulation implemented by the GoI relating to the under-recovery sharing mechanism, the pricing of petroleum products or as to its impact on our business, financial condition and results of operations.

***5. Our crude oil and natural gas reserves estimates involve a degree of uncertainty and may not prove to be correct over time or may not accurately reflect actual reserves, or even if accurate, technical limitations may prevent us from producing crude oil or natural gas from these reserves.***

Evaluations of crude oil and natural gas reserves involve multiple uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. Crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect our best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (processes that are continual and yield new results over time), and may differ from previous estimates.

Reserves estimates are subject to various uncertainties, including those relating to the reservoir parameters of crude oil and natural gas fields. These reservoir parameters may be difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting our reserves estimates include: new production or drilling activities; assumptions regarding future performance of wells and surface facilities; field reviews; the addition of new reserves from discoveries or extensions of existing fields; the application of improved recovery techniques; and changed economic conditions.

The reliability of reserves estimates depends on the quality and quantity of technical and economic data, the production performance of the fields, and consistency in oil and gas policies of the GoI and the governments of other countries where we have operations. The quantities of crude oil and natural gas that are ultimately recovered could be materially different from our reserves estimates, and downward revisions of our estimates could affect our results of operations and business plan. Published reserves estimates may also be subject to correction due to the subsequent application of published rules and guidance.

Our reporting policy is not, and is not required to be, derived from, or consistent with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission and differs from such requirements in certain material respects. Our reserves would differ from those described herein if determined in accordance with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission. There are currently no clear regulations governing public disclosure of potential reserves by oil and gas companies operating in India or their use in securities offering documents. We can give no assurance that the reserves estimates upon which we have made investment decisions accurately reflect actual reserves level, or even if accurate, that technical limitations will not prevent us from retrieving these reserves.

Further, we have provided certain estimates regarding crude oil and natural gas reserves in this Red Herring Prospectus. These estimates are based solely on volumetric analysis of our various license areas and are not used

by us as the primary basis for development capital expenditure decisions.

In calculating our domestic reserves, we use internally-developed definitions that are based in large part on the SPE/WPC 1997 Standards. Because our internally-developed definitions do not strictly comply with currently accepted international standards our reserves estimates may not be comparable with other publicly listed companies. Our international reserves have been calculated based on standards that vary according to the jurisdiction in which the operator and reserves are located. Our domestic and international management estimates of our reserves are approved by the REC. Our domestic reserves (other than domestic reserves held through joint ventures) have historically been audited independently every five years. However, there can be no assurance that we will conduct such audits every five years in the future.

For the purposes of this Offer, we appointed independent reserves consultants to audit certain of our reserves as of April 1, 2011. In auditing our reserves, the independent reserves consultants, D&M and Sproule, have relied on the SPE PRMS 2007 International Standards, which differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. GCA has audited our reserves based on our internally developed definitions and estimated the Mumbai High reserves under the SPE PRMS 2007 International Standards.

Unless otherwise indicated, all reserves estimates and information derived therefrom contained in this Red Herring Prospectus are unaudited management estimates as of April 1, 2011. Other than GCA, the independent reserves consultants have also audited our domestic and international reserves estimates as of April 1, 2011. GCA has presented its estimates of our reserves under SPE PRMS 2007 for the Mumbai High field as of March 31, 2011; however, for presentational purposes, we refer to all audited reserves estimates and information in this Red Herring Prospectus as being as of April 1, 2011. Moreover, for uniformity of presentation, the “audited” reserves estimates in this Red Herring Prospectus incorporate GCA’s SPE PRMS 2007 International Standards estimates of the Mumbai High Field (and not the Mumbai High Audited Reserves).

For the purposes of applying various accounting standards in preparing our financial statements, we do not take into account the audited estimates of our reserves but rely solely on the REC approved management estimates of our reserves.

There are certain variances between our management estimates of our reserves and our audited reserves. For further details, please see “Our Business—*Variation between Management Estimates and Audited Reserves*” on page 156.

There are certain variances between our audited proved developed reserves and our REC-approved management estimates of such reserves, which is attributable primarily to differences in the definitions used to assess reserves. The variance between our audited proved developed reserves and our REC approved management estimates of proved developed reserves are provided in this Red Herring Prospectus. The proportion of proved developed reserves to total proved reserves, and proved undeveloped reserves to total proved reserves is a significant factor in accounting for depletion and net producing assets in our financial statements. Depletion is calculated as the product of the value of the producing asset and the production volume of the asset, divided by the proved developed reserves of such asset. In the event of a downward revision in our proved developed reserves, depletion expenses in respect of the relevant producing field will increase, resulting in reduced profitability. Moreover, such downward revision in our proved developed reserves will result in our balance sheet recording a decline in net producing assets. At the same time, an increase in the proportion of proved undeveloped reserves to total proved reserves would indicate higher capital expenditure to be incurred in developing such reserves compared to proved developed reserves, which primarily requires operating expenditure and not capital expenditure.

In assessing our domestic and international reserves, if our management estimated reserves were based on the SPE PRMS 2007 International Standards, it is likely that our proved developed reserves would be much lower as a percentage of total proved reserves than at present. Consequently, our results of operations and financial condition could be materially different if we were to state our reserves in accordance with SPE PRMS 2007 International Standards, and investors should as a result not place undue reliance on our management estimates of our reserves. In addition, reserves in the Ratna field are included in our domestic management estimates. However, the Ratna field reserves have not been audited by the independent reserves consultants. As of April 1, 2011, our management estimates for the 1P, 2P and 3P reserves in the Ratna field were 2.72 MMtoe, 2.72 MMtoe and 3.60 MMtoe, respectively. The allocation of the Ratna field is currently under dispute, and we are unable to develop this field. Accordingly, in assessing our management estimates of reserves, you should not

assume that we will continue to benefit from the reserves of the Ratna field or bring such reserves into production. Accordingly, you should not rely on this crude oil or natural gas reserves data as the primary basis for your investment decision.

**6. *Our failure to adequately estimate the value of and effectively exploit the crude oil and natural gas assets we acquire may adversely impact our business, result of operations, growth and profitability.***

We have made significant acquisitions of oil and gas assets in recent years and are continually evaluating acquisition opportunities as part of our growth strategy to exploit our existing overseas exploration and production acreage, pursue attractive opportunities to acquire or obtain participation interests in additional assets, and obtain exploration and development concessions in various overseas locations. Except as disclosed in this Red Herring Prospectus, we have not entered into any definitive agreements with respect to acquisitions of any new assets; however, should we decide to do so, we may make significant investments which may not result in favorable returns due to, among other things, our failure to adequately estimate the value of and effectively exploit the assets we acquire in view of the uncertainties inherent to the nature of our business for such acquisitions. For instance, in connection with our acquisition of Imperial Energy in 2009, the production rates of the assets we acquired were substantially lower than we had initially estimated. As a result, the assets did not achieve targeted production, resulting in a significant production loss in fiscal 2010.

Each of our acquisitions will involve a number of challenges and uncertainties commonly encountered in making acquisitions of crude oil and natural gas assets of this nature, that may impact our investments in new assets, including:

- Reliability of given data in making accurate evaluations and estimates of reserves and production rates of the assets we acquire;
- Understanding the adequacy of technical data and undertaking adequate due diligence of risks relating to the assets;
- Planning for unforeseen technical and operating difficulties and expenditures, including assimilating the operations, systems and personnel associated with the acquired assets;
- Role of local partners and or consortia parties to mitigate risks associated with our acquisitions and overseas operations;
- Managing, reorganizing, expanding or otherwise modifying existing operations to meet future production needs; and
- Complying with various local and international industrial standards and guidelines applicable to the assets we acquire.

In addition, the Comptroller and Auditor General of India ("CAG") conducted a performance audit of the joint venture operations of OVL for the period April 2004 to March 2010 and has recently issued its report, Report No. 28 of 2010-11 (the "CAG Report"). The CAG Report noted certain inadequacies with respect to our evaluation of investment opportunities, in particular: inadequate due diligence of risks relating to the assets and insufficient technical studies in connection with the acquisition omitting to engage technical consultants to validate the prospects of projects assessed by the Company's in-house team of specialists; improper evaluation of reserves estimates resulting in unnecessary expenditures; deviating from industrial standards and guidelines prescribed in the "Petroleum Resources Management System"; and absence of documented policies and procedures for the evaluation of investments.

In view of the various technical and commercial risks that are inherent to our core business of exploration and exploitation of hydrocarbon resources, if we are unable to accurately estimate the value of or effectively exploit the oil and gas assets we acquire, the anticipated benefits of our acquisitions may not be fully realized, if at all, and we may become subject to increased costs and liabilities, which could have a material adverse effect on our business, financial condition and results of operations.

**7. *Any failure by us to effectively identify, manage and integrate acquisitions successfully could adversely affect our results of operations, business and prospects.***

We have made acquisitions of crude oil and natural assets in recent years and continue to evaluate merger and acquisition opportunities in India and internationally. We seek to exploit our existing overseas exploration and production acreage, pursue attractive opportunities to acquire or obtain participation interests in additional assets, and obtain exploration and development concessions in various overseas locations which may require

significant investments. However, we may not be able to fully realize all the anticipated benefits of any acquisition transactions within the anticipated time frame or at all due to inadequacies in our operations with respect to our evaluation, planning and analysis of such investment opportunities or factors that are beyond our control. In particular, such acquisitions involve a number of uncertainties and risks, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may become apparent only after the merger or acquisition is completed;
- integration and management of the operations and systems;
- diversion of management's attention from other ongoing business concerns; and
- regulatory challenges for completing and operating the acquired crude oil and natural gas assets.

Part of our growth strategy includes pursuing strategic acquisition and alliances. However, if we are unable to integrate the operations of acquired assets or businesses successfully, successfully establish and operate joint ventures in connection with such acquisition and alliances, derive favourable returns from our acquisitions, or manage such future acquisitions profitably, our growth plans may not be met and our cash generation and profitability may decline. Additionally, any acquisition that we make may result in the assumption of material liabilities. Assets we acquire may subject us to increased costs and liabilities, including environmental liabilities. The costs and liabilities associated with known risks may be greater than expected, and we may assume unforeseen contingent risks or latent liabilities that become apparent only after the acquisition is completed. Foreign acquisitions involve risks in addition to those mentioned above, including those related to integration of operations across different languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

***8. We have a limited international presence in the field of oil exploration, development and production and may be unable to match the international oil majors in the quantity and rate of reserves accretion and the discovery of commercially viable hydrocarbon reserves, which adversely affects our competitiveness.***

We have a limited international presence in the field of oil exploration, development and production. Most major international oil and gas exploration and production companies have been in the business of acquiring international assets for a long period of time and have accumulated a large share of the world's hydrocarbon resources. We have now initiated an aggressive strategy to build up our international oil and gas reserves through our wholly owned subsidiary, ONGC Videsh Limited, ("OVL"), but we may be unable to match the international oil majors in the quantity and rate of reserves accretion and discovery of commercially viable hydrocarbon reserves. As part of our strategy to build up our international oil and gas reserves, we may also venture into more difficult and hostile regions, both politically and geographically, where exploration, production and development will be more technologically challenging and expensive. In addition, the CAG recently identified certain inadequacies in our operations, particularly with respect to evaluation of our investment opportunities, formation of joint ventures and our internal control systems, which accordingly to CAG have inhibited our ability to exploit new opportunities with respect to our international oil and gas reserves. As a result, there can be no assurance that our future efforts to build up our international oil and gas reserves will be successful or that we will be able to match international oil majors in the quantity and rate of reserves accretion and the discovery of commercially viable hydrocarbon reserves. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

***9. We encounter competition from other crude oil and natural gas companies in all areas of our operations, which may adversely affect our business.***

The crude oil and natural gas companies are highly competitive. There is strong competition, especially with respect to acquiring rights to explore new sources of crude oil and natural gas in India.

Since 1999, exploration acreages in India have been offered by the GoI through a competitive bidding process pursuant to NELP, which provides access to both domestic and international bidders, including the world oil majors and our other competitors. Although we continue to conduct exploration activities in our nomination blocks and other blocks acquired prior to NELP, since 1999 all of our exploration blocks have been awarded in the NELP bidding rounds, and our acquisition of new domestic exploration acreage will continue to depend on our ability to compete successfully in NELP or successor competitive bidding programs. Domestic crude oil and natural gas companies as well as global crude oil majors, may seek to enter or further expand their presence in the oil and gas exploration and production industry in India, which could result in increased competition that could adversely affect our business by limiting the number of new exploration blocks that will be available to us in the future.

In particular, some of our potential foreign competitors are much larger, more established companies with substantially greater resources. In addition, we increasingly face significant competition in acquiring global assets from national oil companies of other countries. These companies may be able to bid more aggressively for exploration blocks and may be able to acquire a greater number of properties and prospects, including operatorships and licenses, in India and abroad, than we are able to acquire. Our ability to compete is also limited by our mandate for social responsibility as a "public sector undertaking", or PSU.

In addition, the MoPNG announced in September 2009 that the GoI intends to implement a shift from NELP to an Open Acreage Licensing Policy ("OALP"). Under OALP, all exploration areas in India that are not licenced or leased will be available for competitive bidding on a continuous basis without reference to pre-defined blocks or acreage. We expect that OALP will enhance competition for India's exploration acreages and permit increased competition from smaller crude oil and natural gas companies. There can be no assurances as to whether and when OALP will be implemented by the GoI or as to what form such policy will ultimately take. Consequently, there can be no assurances as to the impact that OALP or other regulatory changes will have on our ability to identify and acquire additional crude oil and natural gas exploration rights in India.

Additionally, the implementation of our group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. Our performance could be impeded if competitors develop or acquire intellectual property rights to technology that we require or if our innovation lags behind that of our industry.

***10. If we fail to acquire or find and develop additional reserves, or if we fail to redevelop existing fields, our reserves, production and profitability may decline materially from their current levels over time.***

Successful execution of our strategy depends critically on sustaining long-term reserves replacement. If upstream resources are not progressed in a timely and efficient manner, we will be unable to sustain long-term replacement of reserves. The majority of our proved reserves are in the Western Offshore, including Mumbai High field, which are all maturing resource provinces. Our nomination blocks have suffered a decline in production which was offset primarily by production from our joint venture blocks and our international projects. Unless we conduct successful exploration and development (or redevelopment) activities or acquire properties containing proved reserves, or both, our proved reserves will decline over time as existing reserves are produced. In addition, the volume of production from crude oil and natural gas properties generally declines as reserves are depleted. For example, Mumbai High field has been a major producing field since 1976 and accounted for approximately 32.00% of our total domestic crude oil and natural gas production from our owned and operated fields in Fiscal 2011. After initial development and recording its peak annual production in Fiscal 1990, Mumbai High field has experienced declining production levels. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, our Mumbai High field produced 10.84 MMT (81.30 MMBbls), 10.59 MMT (79.43 MMBbls) and 2.51 MMT (18.83 MMbbls) of crude oil and 5.03 BCM, 4.64 BCM and 1.13 BCM of natural gas, respectively. While we have introduced a plan for redevelopment of the Mumbai High field for improved and enhanced oil recovery and augmentation of production facilities to maintain production, we are experiencing significant cost overruns on some of our ongoing projects, including (i) the construction of the new Mumbai High North process complex; (ii) the redevelopment of Mumbai High South (phase II); and (ii) the development of various cluster fields in the Mumbai offshore basin. For further details, please see "History and Certain Corporate Matters—*Time and cost overruns*" on page 217. If our efforts to implement methods of enhancing production in mature reserves are not successful, production in those reserves will gradually decline.

Our future production will be highly dependent upon our success in acquiring or finding and developing additional reserves in a timely and cost-effective manner, and doing so will be increasingly challenging because development and redevelopment of mature fields require increased levels of expenditure. Additionally, we may fail to obtain sufficient data, or under-exploit our existing reserves and exploration acreages in a manner that impairs our ability to develop or redevelop fields, which could cause our reserves and production to decline. If we are unsuccessful in acquiring or finding and developing reserves or redeveloping our existing field, our reserves and production will decline, and our costs will increase, which will adversely affect our business, financial condition and results of operations. If we are unsuccessful, our total proved reserves and production will decline, which will adversely affect our results of operations and financial condition.

***11. We may encounter problems relating to the establishment or operation of joint ventures, which could adversely impact our strategy, business and results of operations.***

We have investments in various strategic joint ventures, which have been established to support our crude oil

and natural gas exploration and production business and to expand our E&P operations in India and internationally. Our business is therefore dependent on developing and maintaining continuing relationships with our current or potential strategic joint ventures. These joint ventures are subject to the risk of non-performance by our joint venture partners of their obligations, including their financial obligations, in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our business interests or goals, or those of our shareholders. Any disputes that may arise between us and our joint venture partners may cause delays in completion or the suspension or abandonment of the venture. Any of the foregoing may have an adverse effect on our business, prospects, financial condition and results of operations and our ability to implement our growth strategy.

The CAG conducted a performance audit of the joint venture operations of OVL for the period April 2004 to March 2010 and has noted certain inadequacies, particularly with respect to the formation of our joint ventures. The CAG Report noted that due to the absence of a structured and documented policy relating to the due diligence process for the formation of joint ventures, we were unable to mitigate applicable risks and leverage the benefits from certain of our joint venture partners. In particular, the CAG Report noted the following inadequacies with respect to certain of our specific joint ventures:

- Unrealistic estimates of reserves and production and our failure to mitigate risks by entering into a joint venture with a local partner in connection with our acquisition of Imperial Energy assets in January 2009 resulted in incurring significant losses;
- Insufficient planning, analysis and management in connection with our investment in two blocks in Nigeria, in particular with respect to our decision to enter into a joint venture without prior regulatory approval of the Nigerian government and subsequent geological and geophysical activities in contravention of Nigerian law, led to our failure to realize the intended benefits from our joint venture and the disallowance of the recovery of certain expenditures in connection with our investments in Nigeria;
- Our failure to leverage the financial strength and experience of a joint venture partner instead of appraising and investing in the Najwat Najem Block in Qatar by ourselves meant that we were unable to mitigate the risks associated with the investment, causing us to incur a loss with respect to the investment and relinquish the asset in 2008; and
- With respect to certain E&P assets where we are not the operating partner or a joint operating partner, the CAG Report noted that we have not exercised our right to conduct partner audits in a timely manner.

The CAG Report also made certain recommendations with respect to the development of a policy framework and guidelines for the formation of joint ventures in order to mitigate the risks by leveraging the financial strength and experience of joint venture partners, and to ensure that our joint venture partners are audited in a timely manner.

Although we have and continue to take these recommendations into consideration, to the extent we decide to implement them in full or in part, there can be no assurance that we will be able to prevent or avoid similar occurrences in the future, which could have a material adverse effect on our business and results of operations. In addition, as part of our growth strategy, we intend to continue to pursue suitable joint venture and strategic partnership opportunities in India and internationally. We may not be able to identify suitable joint venture or strategic partners or we may not complete transactions on terms commercially acceptable to us, or at all. We cannot assure you that we will be able to successfully form such alliances and ventures or realize the anticipated benefits of such alliance and joint ventures. Any unforeseen costs or losses could adversely affect our business, profitability and financial condition.

***12. We may be unable to effectively manage a variety of business, legal, regulatory, economic, social and political risks associated with our international operations.***

We have participating interests in assets located in various countries including Libya, Sudan, South Sudan, Iran, Syria, Brazil, Venezuela, Iraq, Vietnam, Myanmar and Russia. These international operations expose us to a variety of risks, including risks arising from:

- potential for political unrest, war or acts of terrorism in countries in which we operate such as Libya,

erstwhile Sudan (prior to separation of South Sudan), Syria and Myanmar. Countries across North Africa and the Middle East experienced widespread civil unrest and violence in early 2011. In addition, North Sudanese forces recently seized control of an area of South Sudan by force, creating significant political tension, and recent ethnic violence has increased fears of political instability within South Sudan. Although the recent violence in Sudan has not had an adverse impact on our oil-revenue sharing and operations, there can be no assurance that if such issues persist, our operations would not be adversely affected in the future. Furthermore, we have had to evacuate our lone representative from Libya and suspend all our operations there as a result of the recent civil war in that country;

- decrease in reserves estimates as a result of assets being lost due to political risk, which is not accounted for in our reserves estimates;
- difficulties in staffing and managing multiple international locations;
- any need to obtain governmental approvals and permits under unfamiliar regulatory regimes;
- increased costs resulting from the need to comply with complex foreign laws and regulations including those relating to payment of royalty, exploration and development of crude oil and natural gas reserves, trade restrictions, labour relations and tax laws that apply to our international operations;
- imposition of, or unexpected adverse changes in, the laws, regulatory requirements or trade policies of foreign governments;
- increased exposure to foreign currency exchange rate risk, particularly in the U.S. dollar;
- restrictions on transfer of funds into or out of a country;
- inability to obtain adequate insurance;
- inability to maintain or enforce legal rights and remedies, including those relating to intellectual property and trade secrets, at a reasonable cost or at all;
- challenges caused by distance, language and cultural differences and by doing business with foreign agencies and governments;
- credit risk and higher levels of payment fraud; and
- potentially adverse tax consequences.

We may be unsuccessful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or plan to do business. Our failure to manage these risks successfully could adversely affect our business, operating results and financial condition. Furthermore, we may face competition in other countries from companies that have more experience with operations in such countries or with international operations generally. If we are unable to successfully build our brand reputation and sale revenues in our international markets, it may limit our ability to grow our business.

***13. Many of the countries in which we operate, such as Iran, Sudan, Myanmar, Syria, Cuba, and Libya, are subject to certain international sanctions.***

We conduct business activities with countries and persons that are subject to sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union and/or Her Majesty's Treasury. Our activities with respect to these countries and persons subject us and our shareholders to a number of risks.

Existing sanctions against Iran, Sudan, Cuba, Myanmar, Syria, and Libya present challenges in conducting normal business operations, including international financial transfers. If these sanctions were to expand further, either in severity or in terms of the range of countries applying them, it could have a material adverse impact on our ability to conduct business in or with any of these countries. In the case of expanded sanctions against Iran, this could include a material adverse impact on our refining operations, in that MRPL has historically sourced

over half of its crude oil feedstock from Iran. Moreover, while MRPL does not sell or export its refined oil products to any countries or persons that are subject to sanctions, there can be no assurance that the counterparties to whom MRPL sells or exports its refined products will not on-sell or re-export such refined products to countries or persons subject to sanctions. In addition, as a result of our business activities with countries and persons that are subject to international sanctions, we may be subject to negative media or investor attention, which may distract management, consume internal resources and affect certain international investors' perceptions of our Company. Although we currently do not have an extensive international investor base, we expect to increase international holdings of our Equity Shares following the Offer, and therefore the trading price of our Equity Shares may become more susceptible to any divestments by international investors in response to changes in international sanctions regimes or changes in our business activities in countries subject to such regimes. In addition, if we were to increase our business in or with these countries, particularly relative to our total business, this could have a negative impact on our ability to raise money in international capital markets and on the international marketability of our securities.

The United States and the EU recently substantially expanded existing sanctions against Syria and the Syrian petroleum industry as a result of the continuing unrest in that country, and there can be no assurance that further sanctions will not affect our operations in that country. Furthermore, the U.S. Iran Sanctions Act ("ISA"), as amended by the U.S. Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, provides for a range of sanctions against companies, including non-US companies, that (i) undertake investments in the Iranian oil and gas sector, (ii) support refining activities in Iran, (iii) export refined petroleum products to Iran, or (iv) support such exports to Iran (in each case subject to certain U.S. Dollar thresholds). Although we do not believe we are subject to sanctions under ISA as a result of our past or current business activities in Iran, we may participate in projects in Iran, including the Farsi Block and South Pars, that, if they are approved by the Governments of India and Iran and we proceed, would cause us to exceed the U.S. Dollar thresholds and therefore subject us to potential sanctions under ISA. Although actual imposition of sanctions to date under ISA has been extremely rare, we can provide no assurance that the threat of ISA sanctions would not affect our ability to proceed with such projects in Iran or, if we were to proceed, that ISA sanctions would not be imposed against us. ISA sets forth a range of sanctions that can be imposed, which, at the extreme end, could prohibit us from engaging in business activities in the United States or with U.S. individuals or entities, and could also prohibit U.S. individuals or entities from buying or selling Equity Shares or receiving dividends or other distributions on Equity Shares. These sanctions have made banks increasingly reluctant to open letters of credit in favour of our crude oil feedstock supplier in Iran. We have encountered significant difficulty recently in this regard. Currently, exports of crude oil from Iran are continuing pursuant to an extension by our supplier of the deadline for payment. Although high-level negotiations are underway to ensure an uninterrupted supply of crude oil, there can be no assurances that the problem will be resolved satisfactorily. Given the amount of our crude oil feedstock that is sourced from Iran, any failure to find a mutually acceptable payment method for our crude oil from Iran that complies with all applicable sanctions or a readily available alternative source of crude oil meeting our refinery's specifications could have a material adverse impact on our business, financial condition and results of operations.

***14. Our inability to strengthen our internal control systems may have an adverse impact on our business and results of operations.***

The scale and scope of our operations require us to maintain sufficient and robust internal control systems and an effective monitoring mechanism with respect to our operations. In particular, with respect to our international exploration and production business operation, we are generally required to conduct internal audits relating to our financial and operational activities.

The CAG Report has noted the absence of a robust internal control system has led to certain deficiencies in the management of our operations. For example, the CAG Report noted that our budget in Fiscal 2010 was not mapped to the SAP system and that our Board had approved certain payments relating to Block 5B Sudan and Block 279 Nigeria in excess of the maximum permissible amounts without requisite approval of the Cabinet Committee of Economic Affairs. The CAG Report recommended we strengthen our internal control system, including with respect to internal audits and develop an effective monitoring mechanism for our financial and operational activities.

Although we have and continue to implement such internal control systems to the extent possible, there can be no assurance that we will be successful in developing and implementing policies and strategies that will be effective in managing risks relating our operations in India and internationally. Our failure to manage these risks successfully could adversely affect our business, operating results and financial condition.



**15. Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.**

Our operations could be subject to war, expropriation, terrorism, earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics, and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our revenue and financial condition and increase our costs and expenses. The ultimate impact on us, our significant suppliers and our general infrastructure as a result of such natural or manmade disasters or business interruptions is unknown, but our revenue, profitability and financial condition could suffer in the event of any such natural or manmade disasters or business interruptions.

The CAG Report has concluded that we have not formulated or implemented a comprehensive risk mitigation plan, and has also noted the lack of a documented risk management plan. The CAG report also observes that our Subsidiary OVL, has not formulated a documented disaster recovery plan or business continuity plan and depend on the system developed by our Company, to respond to a disaster situation. Although we have not experienced any such delays or disruption in the past, we cannot assure you that we will be able to effectively carry out our operations in a timely manner in the event such disruption occurs.

**16. We are exposed to risks brought about by asset concentration.**

Mumbai High field in the Western Offshore basin, has been a major producing field since 1976 and accounted for approximately 32.00% of our total domestic crude oil and natural gas production from our owned and operated fields in Fiscal 2011. In addition, Mumbai High field has been experiencing declining production levels since 1990. The concentration of our proved plus probable crude oil and natural gas reserves, as well as our crude oil production, increases our exposure to an event that could adversely affect the development or production of crude oil and natural gas in a limited geographic area, including catastrophic damage to wells, pipelines, installations, natural catastrophes, terrorist attacks and other acts of violence or events that could result in the loss of our crude oil or natural gas reserves or impact the supply of our crude oil and natural gas production. Hence, our future production will be highly dependent upon our success in acquiring or finding and developing additional reserves in a timely and cost-effective manner. If we are unsuccessful, our total proved reserves and production will decline, which will adversely affect our results of operations and financial condition.

**17. Our development, redevelopment and other projects have significant capital expenditure requirements and involve many uncertainties and operating risks. Accordingly, they may not be completed in a timely manner or at all, or may not operate as planned and therefore, we may not be able to realize profits from these projects and they may cause substantial losses.**

We intend to make substantial additional investments in new projects for our expansion plans, which will require significant capital expenditure. We will also need to incur capital expenditure relating to our overseas exploration and development activities. Such projects entail exploration, engineering, technological upgrades, construction and other commercial risks, and the projects currently contemplated by us may involve significant cost overruns, may not be completed in a timely manner or at all, or may not operate as planned. We experienced substantial cost overruns and delays caused by our inability to finance one of our Western Offshore projects in a timely manner because of limited budgetary allocations during the early 1990s, resulting in delayed production. We are also experiencing significant cost overruns on some of our ongoing projects, including (i) the construction of the new Mumbai High North process complex; (ii) the redevelopment of Mumbai High South (phase II); and (iii) the development of various cluster fields in the Mumbai offshore basin. Further, we cannot assure you that we will not experience similar cost overruns or delays in the expansion of our refinery or in the expansion or construction of our various petrochemical plants, power plants, special economic zones or other projects. Any delays or cost overruns in any of our projects may adversely affect our business, financial condition and results of operations.

Our development projects may be delayed or may not be entirely successful for many reasons, including financial constraints, cost overruns, lower crude oil and natural gas prices, equipment shortages, mechanical and technical difficulties, the failure to obtain necessary governmental approvals, and industrial action. These projects may also sometimes require the use of additional new and advanced technologies, which can be expensive to purchase and implement, and may not function as expected.

In addition, some of our development projects are located in difficult environments, such as the deep-water

projects in the Arabian Sea and Bay of Bengal, or will involve challenging reservoirs, which can exacerbate such problems. We have encountered delays and cost overruns in certain other development projects due to such factors as inflation, foreign currency exchange rate fluctuations, and unanticipated conditions prevailing in the areas of development activity. There is a risk that other development projects that we undertake may suffer from similar or additional problems.

In our marginal fields in the Western Offshore resource province, where we are increasingly developing smaller satellite fields with shorter life spans, we encounter the technological challenge of establishing re-usable facilities and platforms, and also face the challenge of remaining profitable. Our other development projects in mature fields, such as the heavy oil fields of Northern Gujarat where enhanced and improved recovery techniques are being utilized, also face potentially higher operating costs and capital expenditure. In addition, our development projects, particularly those in remote areas, could become less profitable, or unprofitable, if we experience a prolonged period of low oil or gas prices. For further details, please see "History and Certain Corporate Matters—*Time and cost overruns*" on page 217.

**18. *The oil and gas industry is highly regulated in India and the other countries where we currently or in the future conduct exploration and production activities and adverse changes in regulations could have a material adverse effect on our business, financial condition and results of operation.***

We are subject to comprehensive regulation in India and in the countries in which we conduct our international E&P activity, particularly in Russia. It is likely that any countries in which we operate in the future may also have comprehensive oil and gas regulations. Changes to such regulations could require changes to the manner in which we conduct our business, and result in an increase in compliance costs which could have a material adverse effect on our business, financial condition and results of operation.

For example, the Petroleum and Natural Gas Regulatory Board ("PNGRB") was established in India in 2007 and has the authority to, amongst other things, regulate refining, processing, storage, transportation (including laying of pipelines), distribution, marketing and import, export and sale of petroleum, petroleum products and natural gas, excluding the production of crude oil and natural gas, monitoring prices and taking corrective measures to prevent restrictive trade practices, imposing fees and other charges and regulating technical and safety standards and specifications relating to petroleum, petroleum products and natural gas. There can be no assurance that such rules, regulations and jurisprudence of the PNGRB will not evolve in a manner that results in a material adverse effect on our business, financial condition and results of operation, including through the imposition of pricing mechanisms for the sale of crude oil or natural gas.

In addition, the Indian oil and gas industry currently benefits from exemptions from custom duties, export duties and other charges on re-exportation on machinery, plant, equipment, materials and supplies imported solely and exclusively for use in petroleum operations. To the extent that such exemptions were to become unavailable due to changes in tax regulation, our costs for the procurement of such items would increase, which may result in a material adverse effect on our business, financial condition and results of operation. For further details, see "Regulations and Policies in India" on page 199.

**19. *Hydrocarbons exploration is capital-intensive and involves numerous risks, including the risk that, after substantial expenditures, we will encounter crude oil or natural gas reservoirs that may not be commercially viable for production.***

We are exploring various geographic areas in India, including new resource provinces that are onshore, and deep-water projects in the Arabian Sea, the Bay of Bengal and the Andaman Sea, where environmental conditions are challenging, limited data is available and costs can be higher. We have only limited experience in ultra deep-water exploration, which is a particularly high-risk and capital-intensive activity. We are carrying out exploration and development activities overseas through OVL in various countries either as operators or as non-operators where we have limited control over expenditure and drilling decisions. In addition, our use of advanced technologies requires high resolution surveys and infrastructure for interpretation, which involve greater exploration expenditures than traditional exploration practices.

The cost of drilling, completing and operating wells may vary at times for reasons beyond our control. As a result, we have in the past incurred, and may continue to incur, cost overruns, or may be required to curtail, delay or terminate drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or variations in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of drilling rigs and the delivery of equipment. We have encountered delays in domestic exploration projects due to the failure of third

party contractors hired for the project to complete their scope of work in a timely manner, as well as delays and cost overruns due to such factors as inflation, foreign currency exchange rate fluctuations and unanticipated conditions prevailing in the areas of exploration.

Our overall drilling activity, or drilling activity within a particular project area, may be unsuccessful. For example, we carried out exploration activities in Saurashtra onshore, the Bengal Basin and the Ganga basin without any commercial success so far, and OVL, along with its joint venture partners, carried out exploration activities in the early 1990s in Egypt, Tunisia and Yemen where one well each was drilled in these projects but no commercial discoveries were made. If such failures continue to occur in the future, they may have a material adverse effect on our business and results of operations.

***20. The non-availability of crude oil and natural gas transportation infrastructure will affect our ability to exploit our reserves in a cost-effective manner.***

Our ability to exploit any reserves discovered in a cost-effective manner will be dependent upon, among other things, the availability of the necessary infrastructure to transport crude oil and natural gas to potential buyers at a commercially acceptable price. Crude oil is usually transported by pipelines and ocean tankers to refineries, and natural gas is usually transported by pipelines to processing plants and end users. For example, we are currently conducting exploration activities in the deep waters of the Bay of Bengal on the east coast of India where no suitable transportation arrangements exist and infrastructure will have to be built if we are successful in our exploration in this region. We may not be successful in our efforts to arrange suitable infrastructure for the cost-effective transportation of our potential production. Similarly, we lack the infrastructure for natural gas transportation, and are dependent on third party providers to transport natural gas produced from our fields. Failure to develop our own natural gas transportation infrastructure, or to conclude natural gas transportation arrangements on commercially favourable terms with third parties could result in higher transportation costs, thereby reducing our profitability.

***21. Exploration and production of crude oil in deep and ultra-deep waters involves risks.***

Exploration and production of crude oil involves risks that are enhanced when carried out in deep and ultra-deep waters. As of June 30, 2011, we held 32 deep water NELP blocks and four deep water nomination blocks and we intend to intensify our exploration and development efforts, primarily through expansion of our deep water exploration activities in India. Our deep water program involves the deployment of certain drilling ships and includes the involvement of consultants for geological and geophysical studies, and deep-water drilling, technology, testing and completion services. We have limited experience in deepwater exploration, having commenced such operations only in 2003. Our activities, particularly deep water and ultra deep water drilling, present several risks, such as the risk of spills, explosions in pipelines and drilling wells and natural and geological disasters. The occurrence of any of these events or other accidents could result in personal injuries, loss of life, severe environmental damage with the resulting containment, clean-up and repair expenses, equipment damage and liability in civil and administrative proceedings.

The fire and explosion onboard the semisubmersible drilling rig Deepwater Horizon, which led to the oil spill affecting the Gulf of Mexico in April 2010, illustrates these risks. As a result of the spill, the US Department of Interior imposed a six month deep-water drilling moratorium in the region, implemented stringent new safety and environmental regulations, which deep-water drilling companies have to meet before they may resume operations in the region, and created two new agencies devoted to overseeing offshore drilling. The new safety and environmental rules tighten standards for well design, blowout preventers, safety certification, emergency response and worker training, among other things, which could increase the costs of exploration and production, reduce the area of operations and result in delays in obtaining the required permits for deep-water drilling companies operating in the region. The rules could also potentially influence regulators in other geographic regions, including the regions in which we operate, to implement similar regulatory initiatives and changes that could have an adverse effect on our business, financial condition and results of operations.

We also believe the accident in the Gulf of Mexico may lead to higher insurance costs for the crude oil and natural gas industry as a whole but we cannot predict the magnitude of such increase. In addition, our insurance policies may not cover all liabilities, and insurance may not be available for all risks. There can be no assurance that accidents will not occur in the future, that insurance will adequately cover the entire scope or extent of our losses or that we will not be found liable in connection with claims arising from these and other events.

***22. If we are unable to acquire land and associated surface rights to our crude oil and natural gas reserves, we may be unable to explore from our reserves which could materially and adversely affect our***

***business, results of operations and financial condition.***

We are required to acquire the land and associated surface rights overlying our crude oil and natural gas reserves prior to commencing exploration activities on such land. We may face difficulties in the acquisition of land in a timely manner, particularly in respect of land owned by private parties and forest land, resulting in delays in some of our projects. We have in the past experienced significant delays in obtaining relevant statutory and regulatory approvals for the acquisition of land and surface rights to commence exploration activities on some of our projects, including delays related to negotiation of rehabilitation packages for existing owners and displaced communities and the implementation of the rehabilitation and resettlement process. We cannot assure you that we will not face such delays in the future. Any inability to acquire land and associated surface rights to access our existing or future crude oil and natural gas reserves in a timely manner on commercially acceptable terms or at all could have a material and adverse effect on our business, results of operations and financial condition.

***23. Our PELs in our nomination blocks may not be renewed by the GoI, which will likely result in a reduction in our exploration activities in such areas.***

As of June 30, 2011, we held exploration licenses for 36 nomination blocks (24 onshore and 12 offshore) and 79 NELP blocks (33 onshore and 46 offshore). Of the 58 offshore blocks for which we hold exploration licenses, 36 blocks are located in deep water/ultra-deep water and 22 blocks are located in shallow water areas. In addition, as of June 30, 2011, we held 12 pre-NELP blocks (eight onshore and four offshore), of which we held participating interests in ten pre-NELP blocks and are the operator in two blocks. As of June 30, 2011, we had a total of 330 PMLs in our owned and operated producing domestic fields. The nomination PELs are in the final stage of their re-grant cycle period and may not be renewed by the Government beyond life cycle period. Most of our PELs in our nomination blocks will expire in 2013 and are therefore likely to reduce over the next few years, if not converted to mining leases. We have already applied for converting some of our PEL areas to mining leases. These areas include Sundulbari, Agartala Dome Extension area, South Kharatar and Vainateyam. If we are unsuccessful in our application to convert our PELs into mining leases before they expire, we will experience a reduction in the area available for our exploration activities in India.

***24. We are dependent on obtaining and maintaining rights to explore for and develop petroleum properties and any inability to obtain and maintain such rights could adversely affect our business, financial condition and results of operations.***

Under the applicable NELP regime, we are generally required to enter into a PSC and obtain various licences following the award of a block pursuant to a competitive bidding process before we can commence exploration activities. Our licences and leases are issued for terms of varying length both for our nomination and NELP blocks. Upon the expiry of the term of each of them, if the licence or lease has not been renewed, extended or replaced, the exploration and/or production activity will have to cease.

***25. We may not be successful in achieving commercially viable production of coal-bed methane ("CBM") in some of our CBM blocks which may have an adverse impact on our business and results of operations.***

We are involved in various non-conventional energy projects, including the development of CBM. We commenced CBM production from our pilot project in Jharkhand in January 2010. In addition, in February 2009, we also entered into an agreement with CC&L Engineering Private Limited ("CC&L") for the sale of CBM gas from our mines located at Jharkhand. We have limited prior experience in producing CBM and accordingly, there can be no assurances that we will be able to achieve commercially viable production of CBM at our remaining blocks or at any blocks that we may acquire in the future, which may have an adverse effect on our business and results of operations.

***26. Various statutory and regulatory approvals that are material to the conduct of our business and operations have not been received or are pending with various regulatory authorities and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

Our Company is engaged in the exploration and production of oil and gas in India and abroad. In this regard, as of June 30, 2011, our Company operates 340 crude oil and natural gas reserves bearing fields in India. In addition, as of June 30, 2011, we held petroleum exploratory licenses for 115 exploratory blocks in India to which we have not yet ascribed reserves. Of these 115 exploratory blocks, we have made hydrocarbon

discoveries in 25 such blocks. Our Company also undertakes exploration and production of oil and gas internationally through our Subsidiary, OVL. Our Company's refining operations in India are conducted through our Subsidiary, MRPL.

In the section entitled "Government and Other Approvals", we have made disclosures relating to 63 oil and gas reserve bearing fields of our Company in India, which, based on management estimates, together constitute 77.96% of the total domestic 3P reserves of our Company in India and 80.62% of the 3P reserves of our Company in India (excluding our participating interest in domestic JVs) as on April 1, 2011 ("Material Fields"). The Material Fields have been audited by independent consultants. The certificates and/or the opinion letter issued by such independent reserves consultants in relation to the Material Fields are attached as Annexure A and B to this Red Herring Prospectus.

We have disclosed in the section entitled "Government and Other Approvals" on page 487 a list of approvals and licenses, under Indian law, which our Company believes are key approvals for (i) ownership of oil and gas mining/ exploration rights and for undertaking mining/ exploration activities in relation to the Material Fields, (ii) conducting the refining operations of MRPL in India and (iii) conducting the business of OVL in India ("Key Approvals"). Only Key Approvals that have expired and/or are pending have been listed.

We have applied for, or are in the process of applying for, such Key Approvals. We may not receive such Key Approvals within the time frames anticipated by us or at all. If we fail to obtain, or experience material delays in obtaining or renewing Key Approvals, our operations could be substantially disrupted, which could have an adverse effect on our business prospects, financial condition and results of operations. For further details, please see "Government and Other Approvals" on page 487.

**27. We are involved in legal, regulatory and arbitration proceedings that, if determined against us, may have an adverse impact on our business and financial condition.**

There are certain outstanding legal proceedings against our Company pending at various levels of adjudication before various courts, tribunals, authorities and appellate bodies in India. Should any new development arise, such as change in applicable laws or rulings against us by the appellate courts or tribunals, we may need to make provisions in our financial statements, which may increase our expenses and current liabilities. We also receive requests for information under the Right to Information Act, 2005 from various third parties from time to time. In addition our Company is presently and in future may be subject to risks of litigation including public interest litigation, in relation to the environmental impact of our projects or construction activities of our projects. We cannot give you any assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business including the financial condition of our Company, the implementation of our current or future projects and our results of operations. Details of the proceedings that have been initiated against our Company and the amounts claimed against us in these proceedings, to the extent ascertainable, are set forth below:

(in ₹ million unless stated otherwise)

| Nature of Proceedings                                   | Number of Proceedings | Amount Involved                          |
|---------------------------------------------------------|-----------------------|------------------------------------------|
| Criminal                                                | 23                    | -                                        |
| Income Tax                                              | 126                   | 19,430.34*                               |
| Other proceedings relating to tax and statutory charges | 341                   | 63,223.39                                |
| Consumer Cases                                          | 22                    | 1.52                                     |
| Property and land Acquisition cases                     | 103                   | 37.22                                    |
| Commercial Court cases                                  | 121                   | 1,190.08 and USD 281.75 million          |
| Labour and Service Matters                              | 224                   | -                                        |
| Cases involving intellectual property                   | 1                     | 2.50                                     |
| Arbitration                                             | 149                   | 4,050 and USD 376.33 million.            |
| Motor Accident Claims                                   | 26                    | 7.29                                     |
| Miscellaneous cases                                     | 17                    | 8.50                                     |
| <b>Total</b>                                            | <b>1153</b>           | <b>87, 950.84 and USD 658.08 million</b> |

\* Please note that the aggregate amount claimed has already been paid under dispute and is being contested by our Company.

Further, details of proceedings that have been initiated against our domestic Subsidiaries and the amounts claimed against us in these proceedings, to the extent ascertainable, are set forth below:

(in ₹ million unless stated otherwise)

| Nature of Proceedings                              | Number of Proceedings | Amount Involved |
|----------------------------------------------------|-----------------------|-----------------|
| Criminal case                                      | 1                     | -               |
| Public Interest Litigation and Environment matters | 1                     | -               |

| Nature of Proceedings                                   | Number of Proceedings | Amount Involved                      |
|---------------------------------------------------------|-----------------------|--------------------------------------|
| Criminal case                                           | 1                     | -                                    |
| Income Tax                                              | 31                    | 22,792.16                            |
| Other proceedings relating to tax and statutory charges | 14                    | 312.23                               |
| Arbitration                                             | 2                     | 4.66 and USD 25 million              |
| Miscellaneous and Other Cases                           | 329                   | -                                    |
| <b>Total</b>                                            | <b>378</b>            | <b>23,109.05, and USD 25 million</b> |

Further, details of proceedings that have been initiated against our foreign Subsidiaries and the amounts claimed against us in those proceedings, to the extent ascertainable, are set forth below:

(in RUR million)

| Nature of Proceedings                                                      | Number of Proceedings | Amount Involved |
|----------------------------------------------------------------------------|-----------------------|-----------------|
| Environment matters                                                        | 1                     | 22.87           |
| Cases involving non-fulfillment of statutory obligation and other offences | 2                     | 6.44            |
| <b>Total</b>                                                               | <b>3</b>              | <b>29.31</b>    |

For further information, please see "Outstanding Litigation and Material Developments" on page 460.

**28. We are required to bear the entire royalty and/or OID cess burden in relation to certain blocks in which we are a licensee or hold a participating interest.**

In respect of seven pre-NELP blocks located in the Cambay, Rajasthan and Cauvery basin that are under production or exploration or in which a commercial discovery of hydrocarbons has been made, we are required, under the terms of the applicable PSCs, to bear 100% of the royalty burden (in respect of production from all these blocks) and the OID cess (in respect of production in some of these blocks). Our Company continues to bear the entire royalty burden in all such blocks and OID cess burden for some of these blocks notwithstanding our participating interest between 30.00% to 50.00% (certain blocks in which we hold 30.00% participating interest, we have an option to increase our participating interest up to 50.00%). Royalty expenses for crude oil and natural gas produced from our pre-NELP fields in Fiscal 2010, 2011 and for the three months ended June 30, 2011 were ₹5,008.05 million, ₹21,830.76 million and ₹8,723.26 million, respectively. This increase was primarily from increased production from one of these blocks, specifically, the RJ-ON-90/1 block in Rajasthan basin which initially came into production in August 2009 and has subsequently increased its production significantly. We acquired a 30.00% participating interest in this block in accordance with the terms of the applicable PSC signed in 1995. As the licensee, we currently pay the full royalty on all crude oil produced from the RJ-ON-90/1 block notwithstanding our participating interest being only 30.00%.

In addition, we are a party to arbitration proceedings with Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited (the "Cairn Companies") relating to the payment of OID cess on the commercial production of crude oil from the RJ-ON-90/1 block in Rajasthan. The Cairn Companies have claimed that they are not required to pay the OID cess on their share of the crude oil produced from this block. Pending resolution of this dispute, the Cairn Companies are paying their share of the OID cess under protest. For further information, please see "Outstanding Litigation and Material Developments" on page 460.

Cairn Energy PLC has announced the proposed sale of a substantial part of its shareholding in Cairn India Limited to Vedanta Resources PLC. According to a letter received from Cairn Energy PLC dated August 16, 2011 (the "Cairn PLC Letter") and pages 2 and 3 of the enclosed letter dated July 26, 2011 from the MoPNG, the GoI has granted its consent for the proposed transaction, subject to the following conditions and undertakings:

- Parent financial and performance guarantees furnished by Cairn Energy PLC in pursuance to relevant applicable article(s) of seven NELP PSCs and three pre-NELP PSCs, shall be substituted by parent financial and performance guarantees to be furnished by Vedanta Resources PLC which needs to be acceptable to the GoI and should be in the form and substance set out in the PSC;
- Vedanta Resources PLC to guarantee that the technical capability of Cairn India Limited is and shall be kept undisturbed and ensure continued production of oil and gas as per approved Field Development Plan from time to time. In case Vedanta Resources PLC fail to perform as guaranteed then GoI shall be entitled to stipulate additional conditions, as deemed fit, including change in operatorship of blocks;
- Vedanta Resources PLC also shall give an undertaking that they shall ensure adherence to the approved field development plans and work programs;
- Cairn India Limited and its affiliates shall provide the No Objection Certificate obtained from their

- consortium partner(s) for each of the blocks (except for Ravva (PKMG -1) and CB-OS/2 blocks) for the proposed transaction under the respective PSCs;
- e. Necessary approvals from other regulatory bodies such as SEBI, on the proposed transaction to be obtained and submitted by Vedanta Resources PLC;
  - f. Necessary security clearance from Ministry of Home Affairs in favour of the assignee, i.e., Vedanta Resources PLC to acquire the shareholding shall be obtained and submitted by the said assignee;
  - g. In respect to RJ-ON-90/1 block, the parties, i.e., Cairn India Limited, Cairn Energy India Pty Limited, Cairn Energy Hydrocarbon Limited and any other affiliate company of Cairn India Limited; and Vedanta Resources PLC and any other affiliate company of Vedanta Resources PLC, shall agree and give an undertaking that the royalty paid by ONGC is cost recoverable by ONGC as contract costs, as per the provisions of the PSC; and
  - h. In respect to RJ-ON-90/1 block, Cairn Energy India Pty Limited and Cairn Energy Hydrocarbon Limited shall withdraw the arbitration case relating to the dispute raised by them on payment of cess under the PSC.

Cairn Energy PLC has informed us (in the Cairn PLC Letter) that Cairn India Limited is in the process of obtaining the approval of its shareholders through a postal ballot for the conditions stipulated in (g) and (h) above. Cairn Energy PLC has also informed us in the Cairn PLC Letter that it has advised Cairn India Limited and GoI of its intention to vote its 52% stake in Cairn India Limited in favour of these conditions and, provided that there are no other impediments to the transaction completing in a timely manner, it will recommend their adoption by the board of Cairn India Limited. The Cairn PLC Letter further states that Cairn India Limited will announce the results of the postal ballot on September 14, 2011 and it is expected that Cairn India Limited will inform our Company immediately about the results of the ballot to request our "no objection certificate" for the proposed transaction under the respective PSCs. Cairn Energy PLC has requested us to deliver the "no objection certificate" within one week following the shareholder vote (i.e., September 21, 2011). After the receipt of the request for our "no objection certificate" from Cairn India Limited, our Board of Directors intends to consider such request, including considering all options that may be available to our Company after discussion and consultation with any advisors that we may appoint.

For information on the impact of acceptance of the pre-conditions set out by the GoI relating to payment of royalty and cess conditions stipulated in (g) and (h), please see "Our Business - *Producing Fields held through Joint Ventures - RJ-ON-90/1, Barmer, Rajasthan Onshore*" on page 173.

There can be no assurance that the shareholders of Cairn India Limited will adopt resolutions in favour of the conditions stipulated in (g) and (h) above. Furthermore there can be no assurance that the other conditions imposed by the GoI in connection with the proposed share sale will be fulfilled to the satisfaction of the GoI. In addition, there can be no assurance that Vedanta Resources PLC will proceed with the proposed share acquisition in Cairn India Limited. In the event the conditions stipulated by the GoI are not fulfilled and the proposed acquisition is not proceed with, we will be required to continue to bear 100% of the royalty burden on the total crude oil production from the RJ-ON-90/1 block in Rajasthan and our contention that the royalty paid by us is cost recoverable by us as contract cost, may not fructify. Furthermore, we may continue to be a party to the OID cess arbitration proceedings.

***29. We are effectively prohibited from exporting crude oil under our PSCs, which could restrict our ability to monetize applicable reserves.***

The PSCs signed by us under NELP effectively bar us from exporting crude oil, since under the terms of the PSCs we are under an obligation to sell all of our entitlement to crude oil in the domestic market until such time as the total availability of the crude oil and condensate from all domestic petroleum production activities meets the total national demand. There is currently a mismatch between the demand and the supply for crude oil in India, with the demand outweighing the domestic production of crude oil, and this mismatch is expected to continue in the long term. However, to the extent our NELP blocks yield crude oil that is not suitable for processing by refineries in India, it may be difficult to monetize such domestic crude oil reserves.

***30. The failure to complete our minimum work program could make us liable for penalties, and the GoI may call upon the relevant bank guarantees we have provided to secure our obligations.***

The PSCs for all NELP blocks include a contractual obligation to complete certain minimum work commitments in connection with the acquisition, processing and interpretation of 2D and 3D seismic data, and the drilling of exploratory and development wells. If we or our partners do not meet the minimum work

programme obligations under our PSCs, we or our partners (as the case may be) may be liable to pay penalties. In addition, the parties to such PSCs are required to furnish bank guarantees equivalent to the assessed amount for the minimum work program commitments in proportion to their participating interest in the PSC. Our minimum work program commitments are the most significant constituent of our contingent liabilities, and as of June 30, 2011 aggregated ₹ 106,210.72 million in capital commitments not provided for. In the event we fail to achieve our minimum work program commitments stipulated in a PSC, we could be liable to pay various penalties. Furthermore, the GoI can enforce bank guarantees to the extent of the incomplete portion of our minimum work program commitment, which could have a material adverse impact on our business, financial condition and results of operations.

***31. Operational failures and associated reputational consequences may lead to an increasingly stringent regulatory environment.***

Operational failures of companies operating in crude oil and natural gas exploration, development and production, together with associated reputational consequences, may lead to increasingly stringent environmental and other regulations. Changes in foreign environmental laws and regulations, or their interpretation, may require us to incur significant unforeseen expenditures to comply with such requirements, add significantly to operating costs, or may significantly limit drilling activity.

Given the possibility of unanticipated regulatory or other developments, including more stringent environmental laws and regulations, the amount and timing of future environmental compliance expenditures could vary substantially from their current levels. We cannot predict what additional environmental legislation or regulations will be enacted in the future or the potential effects on our financial position and results of operations, and potentially significant expenditures could be necessary in order to comply with future environmental laws. Also, such capital expenditures and operating expenses relating to environmental matters will be subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards that impose additional requirements on our operations. Accordingly, we cannot assure you that we will not be subject to stricter enforcement or interpretation of existing environmental laws and regulations, or that such laws and regulations will not become more stringent in the future.

***32. We are required to seek the approval of the GoI for certain decisions under our PSCs, which may limit our ability to take certain actions under those contracts.***

The PSCs that we have entered into with the GoI and the other parties are in a standard format and confer certain rights on the GoI and require us to seek the approval of the GoI in certain circumstances. For example:

- the GoI must approve any development plan, any appraisal plan, a minimum work program with respect to each exploration phase and any abandonment or site restoration plans;
- the GoI has the right to access the exploration acreage and to inspect and test the appliances used for measuring the volume and quality of petroleum, and may require the other parties to such PSCs to take remedial steps if it believes that the exploration activities are causing harm and damage to the environment;
- the operator of the exploration area cannot be changed without prior approval from the GoI; and
- in each exploration area, the GoI nominates two members of the management committee, which has a mandate to approve, *inter alia*, the annual work programs, proposals for approval of development plans, appointments of auditors and proposals for abandonment plans and site restorations.

Accordingly, governmental decisions have the potential to limit our ability to take certain actions under those contracts or to cause a delay in us taking such actions, which could have a material adverse effect on our business, financial condition and results of operations.

***33. Natural gas prices are controlled by the Government of India, which limits the profitability of our gas production business.***

Natural gas prices in India are generally set by the GoI through a variety of mechanisms. For natural gas produced from our nomination blocks, the prices are fixed by the GoI under the administered price mechanism (“APM”) regime adjusted for actual heat content. Since June 1, 2010, the MoPNG has fixed the price of APM natural gas produced by national oil companies, including ONGC, at US\$4.2/mmbtu less royalty. For customers in North-East India, the net consumer price is fixed at 60.00% of the above price (US\$ 2.52/mmbtu). According



to an MoPNG order, the difference between the APM gas price in India (excluding North-East India) and North-East India is paid to ONGC through a provision in the Union Budget of India. Because this pricing regime neither specifies the linkage of the APM price with market driven prices nor defines the timeframe for the revision of APM gas prices, it is difficult to ascertain the direction or extent of any changes in the APM price. Any future government decisions in this respect may affect our revenues from our natural gas business.

For natural gas produced from blocks acquired under the pre-NELP regime, the price is fixed by the GoI on a case-by-case basis, or, in certain instances, pursuant to the terms of the relevant contractual arrangements. At present, the price of natural gas from pre-NELP blocks is within the range of US\$3.5 and US\$6.2 per mmbtu. For natural gas produced from blocks acquired under the NELP regime, the price is market-driven but subject to the approval of the GoI on a case-by-case basis. Although we do not currently produce natural gas from our NELP blocks, the GoI has set the price at US\$4.2 per mmbtu on the one primarily gas-producing NELP block, in which we do not have any interest.

There can be no assurances that the operation of the price caps or the GoI budgetary allocation will not be changed in a way that will adversely affect our gas monetization strategy or otherwise have a material negative impact on our financial condition and results of operations.

***34. We rely on the GoI or its nominees to offtake crude oil, natural gas and petroleum products in kind. Their failure to do so could negatively impact on our business.***

Pursuant to our PSC's under NELP, the GoI is entitled to a pre-agreed share of all petroleum produced (less any petroleum to be allocated in respect of contract costs to the parties to the PSC, except the GoI), such share to be taken in either cash or in kind, at the option of the GoI. The proportions of such entitlements are specific to each PSC. The remaining petroleum is divided amongst the parties to the PSC (except the GoI) in proportion to their participating interests, such share of petroleum to be taken in cash or in kind and subject to relevant laws, including those related to taxation. While our Company has the right to lay pipelines and the GoI has an obligation to lift the crude oil on a current basis so as not to cause a restriction of production or inconvenience, there is an ongoing risk of offtake default. In particular, the responsibility (both financial and execution) of construction of infrastructure for offtake is not agreed upon at the time of entering into the PSC.

Similarly, the other parties to the PSCs have a similar obligation to offtake crude oil with the attendant risk of offtake defaults, including as a result of the inadequacy of infrastructure and transport logistics.

Some of our pre-NELP PSCs oblige sale of all crude oil to the GoI or its nominee. Though the obligation to make payments is with the GoI and it is the responsibility of the GoI to offtake crude oil on a current basis so as not to cause a restriction of production or inconvenience, there is a risk of offtake default as outlined for PSCs under NELP. Moreover, in our PSCs, the GoI typically nominates a third party to offtake crude oil and we have no control on the selection of this assignee.

Similarly, we lack the infrastructure for natural gas transportation, and are dependent on third party providers to transport natural gas produced from our fields. Failure to develop our own natural gas transportation infrastructure, or to conclude natural gas transportation arrangements on commercially favourable terms with third parties could result in higher transportation costs, thereby reducing our profitability.

We also sell most of the petroleum products from our refining business to national oil marketing companies in India, including IOCL and BPCL. These national oil marketing companies have their own refineries as well as other sources of supply, and only source products from our refinery to make up any shortfalls in their requirements.

There can be no assurance that we will be able to sell our refined products under commercially favourable terms or at all in the event that national oil marketing companies reduce their purchase of refined products from us.

***35. Cyclical downturns in the refining and petrochemical industry may adversely affect our margins and operating results.***

A significant portion of our revenue is attributable to sales of various refined and petroleum products in India. In Fiscal 2011, the consolidated sales of such refined and value-added products were ₹432,765.28 million and ₹100,598.53 million, respectively, while in the three months ended June 30, 2011, the consolidated sales of such refined and value-added products were ₹ 145,577.26 million and ₹ 29,507.60 million, respectively. The prices of these products are affected by worldwide prices of feedstock, such as crude oil, and end products such as natural gas, diesel, gasoline, jet fuel, naphtha, paraxylene, benzene, purified terephthalic acid, monoethylene glycol, polyester fibers, polyethylene, polypropylene, polyvinyl chloride, polybutadiene rubber, linear alkyl benzene and other chemicals. Historically, the prices of feedstock and end products have been cyclical and sensitive to relative changes in supply and demand, the availability of feedstock and general economic

conditions. From time to time, the markets for our petroleum and petrochemical products have experienced periods of increased imports or capacity additions, which have resulted in oversupply and declines in product prices and margins in the domestic market. In such situations in the past, we were forced to export these products. Exports may result in lower margins as export prices are lower than domestic prices. This is because domestic prices have historically been supported to a degree by the existence of import tariffs in the Indian market and the fact that, in exporting products, we face higher freight charges and tariffs imposed by other countries. The withdrawal or lessening of import tariffs in India would have an adverse effect on our margins and operating results. Any downturn resulting from existing or future excess industry capacity or otherwise may have a material adverse effect on our business, financial condition and results of operations.

***36. Our refinery operations are affected by the volatility in the prices and availability of supply of crude oil and other feedstock.***

Our refinery operations largely depend on the supply of crude oil, one of our principal raw materials. In the Fiscal 2010, 2011 and for the three months ended June 30, 2011, our imports of crude oil amounted to ₹255,397.39 million, ₹320,131.12 million and ₹112,180.48 million, respectively. We are capable of processing a wide range of crude oil, including crude oil from the Middle East, South America, the Far East, West Africa and India, although our choice of feedstock at any time depends on relative prices and yields. We acquire substantial portions of our requirements of crude oil from foreign sources through a combination of term purchase contracts and spot market purchases. We typically stock approximately 10 to 15 days of crude oil in our storage tanks. In recent years, we have sourced a substantial part of our crude oil requirement from the Middle East region, particularly from Iran and Saudi Arabia, and regions known to have high security risks. Events, such as hostilities, strikes, natural disasters, political developments in petroleum-producing regions (particularly in or affecting the Middle East), domestic and foreign government regulations and other events could interrupt our operations and the supply of crude oil and force us to incur significant additional costs. For example, in connection with our investment in Block-5B in Sudan, we were not able to implement scheduled seismic and drilling plans as a result of restrictions on access to the area imposed by the local authorities, which prohibited us from exploiting the assets we had acquired. An interruption in the supply of crude oil or our operations or our incurrence of significant additional costs as a result of any of these events could have a material adverse effect on our business, financial condition and results of operations. In addition, these events or other events, such as changes in the fiscal and regulatory environment in India, may adversely affect prices of crude oil generally or the price at which we are able to obtain a supply of crude oil, which may, under some circumstances, adversely affect our gross refining margin. The price of crude oil has been, and is expected to continue to be, volatile. A significant increase in the price of crude oil would have an adverse effect on our business, financial condition and results of operations if we were unable to pass on any such higher costs to our customers.

***37. Some of our Indian and international interests are located in politically and economically unstable areas which create security risks that have disrupted our operations in the past and could do so in the future.***

We face security risks in some of our assets and basins in Assam, Nagaland and Tripura, which are located in the North East region of India. We have suffered the adverse effects of insurgency, terrorism and civil strife in the region, and our oil installations have been targeted by insurgent groups. We have had several instances of attacks against our staff, including the kidnapping and killing of our officials in the North East region. We have experienced interruptions in our production and exploration activities due to these attacks. In other politically sensitive areas of India where we believe that there are hydrocarbon reserves, for instance Nagaland, we have been unable to carry on exploration activities because of the risk of insurgency or terrorism. In addition, our offshore installations in the open seas, such as in the Western Offshore resource province, are vulnerable in the event of acts of war or terrorism directed towards India. Minor security concerns throughout India include instances of oil pilferage, equipment sabotage and theft, which have an adverse effect on our operations.

We have limited insurance coverage for losses arising from war, civil war, revolution, rebellion, civil strife, riot, strike, and malicious and terrorist damage. For further details, please see "Our Business—Insurance" on page 197. Our onshore insurance policy does not provide coverage for damage to insured properties arising out of total or partial cessation of work, or retardation, interruption or cessation of any process or operations arising from such risks. Accordingly, we may remain susceptible to security threats that may have an adverse effect on the conduct of our operations.

We also have operations in countries where political, economic and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalization of property, civil strife, strikes, acts of war and insurrections. Any of these conditions occurring

could disrupt or terminate our operations, causing our development activities to be curtailed or terminated in these areas or our production to decline and could cause us to incur additional costs.

We have participating interests in assets located in various countries including Brazil, Venezuela, Iraq, Iran, Sudan, Vietnam, Myanmar, Syria, Libya and Russia, many of which have experienced instability in the recent past, or may experience instability in the future, which may have a material adverse effect on our operations in these countries.

For example, a referendum took place in Southern Sudan from January 9 to January 15, 2011 on whether the region should remain a part of Sudan or become independent. On February 7, 2011, the referendum commission published the final results, with approximately 98.00% voting in favor of independence. South Sudan became an independent state on July 9, 2011. Following the separation, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan. While operations are continuing uninterrupted, we are involved in discussions with the Government of Sudan and South Sudan to negotiate the legal framework of the current PSC to reflect the recent geopolitical changes to territorial sovereignty. We intend to enter into new PSCs with the Government of Sudan and South Sudan that govern our rights and obligations in respect of this project. In the meanwhile, we have established a non-formal arrangement with the governments of Sudan and South Sudan whereby requiring us to apportion royalty payments in the following manner: approximately 58.00% and 42.00% of the royalty payable in respect of these blocks will be payable to the Government of Sudan and South Sudan, respectively. However, there can be no assurance that we will be successful in signing new PSCs with the Governments of Sudan and South Sudan on favourable terms or at all. Although to date our production operations have not been affected, North Sudanese forces have seized control of an area of South Sudan by force, creating significant political tension, and recent ethnic violence has increased fears of political instability within South Sudan. Any such instability could interrupt or adversely impact our operations in South Sudan in the future. Similarly, North Africa and the Middle East experienced widespread civil unrest and violence in early 2011, which has continued and escalated in Libya and Syria.

The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental and health and safety protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. We buy, sell and trade crude oil and natural gas products in certain regulated commodity markets. Failure to respond to changes in trading regulations could result in regulatory action and damage to our reputation. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, or we could incur additional costs.

***38. Our exploration and production licenses in Russia may be suspended, amended or terminated prior to the end of their terms, and we may be unable to obtain or maintain various permits and authorizations.***

We conduct some of our operations in Russia (Imperial Energy assets) through various Russian subsidiaries under numerous geological study, exploration and production licenses. Russian licensing laws and regulations are unclear, contradictory and burdensome from a licensee's perspective. Even minor errors or omissions on the part of a license holder in respect of any of its licensing obligations could result in illegal subsoil use and, in certain cases, could lead to suspension or termination of the licenses or related contracts.

The Law of the Russian Federation No. 2395-1, "On Subsoil," dated 21 February 1992, as amended (the "Subsoil Law"), and many regulations issued thereunder govern Russia's licensing regime for the exploration, development and production of crude oil and natural gas. In addition, we must obtain and maintain other licenses, permits, authorizations, land use rights and approvals to develop our fields, and must comply with ongoing requirements, such as maintaining utilization levels, in order to remain in compliance with such requirements. The Subsoil Law provides that fines may be imposed, and licenses may be suspended, restricted, or terminated, if any of our Russian subsidiaries that hold a license fails to comply with license requirements or the Subsoil Law. The Subsoil Law also provides that license holders may renew licenses, so long as they are in compliance with their terms. For further information on the Russian regulation, please see "Regulation of the Russian Oil and Gas Industry" on page 208.

We may be unable to comply with certain license agreement requirements for some or all of these license areas. For example, our utilization levels at certain locations may not be in compliance with the terms of the relevant license agreement. If the authorities find that we have failed to fulfil the terms of our licenses, permits or

authorizations, or if we operate in our license areas in a manner that violates Russian law, they may impose fines on us or suspend or terminate our licenses. Furthermore, we may have to increase spending to comply with license terms. Any suspension, restriction or termination of our licenses could adversely affect our operating results and financial condition.

In addition, because we did not own or control our Russian subsidiaries at the time when they obtained their initial subsoil licenses, it cannot be certain that all of the licenses of our Russian subsidiaries were issued, or the preceding and current licenses were re-issued, in accordance with all applicable law and regulations at the time. If it is determined that any of the mineral licenses held by us were issued and/or re-issued in violation of applicable laws, such licenses would be subject to revocation. A loss of any such license could adversely affect our operating results and financial condition.

***39. Exploration activities in Russia involve numerous risks, including the risk our crude oil and natural gas fields in Russia will be re-assessed and declared as fields of "federal importance".***

The Russian Federal Agency for Subsoil Use approves the list of fields of federal importance ("Strategic Fields List"). The Strategic Fields List does not refer to any licensing area within which our Russian subsidiaries have the right to subsoil use. The reserves of our Russian subsidiaries' licensing areas are below the statutory threshold to be considered fields of "federal importance". Despite the fact that no field of our Russian subsidiaries has been qualified as a field of "federal importance", the volume of their reserves may be re-assessed in the future based on additional exploration results. If, as a result of such reassessment, the natural gas and/or crude oil reserves meet the statutory criteria, the relevant subsoil field may be included on the Strategic Fields List. Additionally, if during the process of geological survey under exploration licenses, our Russian subsidiaries discover that a particular licensing area may contain resources that would render it a field of "federal importance", the governmental committee of the Russian Federation will be entitled to prohibit the use of such area by our Russian subsidiaries if such use would "pose a threat to national security". This would adversely affect our prospects, operating results and financial condition.

***40. Our exploration, development and production operations are subject to various health, safety and environment risks and natural disasters, and resulting losses may cause material liabilities that are not covered by insurance.***

The nature of our operations exposes us to a wide range of significant health, safety, security and environmental risks. The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of our activities. Many of our major projects and operations are conducted through joint ventures and through contracting and subcontracting arrangements. Some of our international investments to date have been in the form of joint ventures where we are not the operator. In the course of such investments, we are dependent to an extent on the operating partner, including for the success of the joint venture. We also may disagree with actions proposed to be taken by the operating partner and may be exposed to liability for actions taken by the operating partner. These arrangements often involve complex risk allocation and indemnification arrangements. In certain cases, we may have less control of such activities than we would have if we had full operational control. Additionally, our joint venture partners or associated companies or contractual counterparties may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects.

There are risks of technical integrity failure as well as risks of natural disasters and other adverse conditions in many of the areas in which we operate which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents. The leaks of crude oil that we recently experienced in Mumbai High field in January 2011 are an example of the operational risks that we face in our activities. In addition, we have recently experienced a gas leak due to an uncontrolled well activity from a natural gas well at the Konaban field located in Tripura in June 2011. Although the gas leaked has been capped, such incidents are inherent to the nature of our business and may have an adverse impact on our financial condition and result of operations. All modes of transportation of hydrocarbons involve inherent risks. An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by road, rail, sea or pipeline. This is a significant risk due to the potential impact of a release on the environment and people and given the high volumes involved. In addition, our inability to provide safe environments for our workforce and the public could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to our reputation. We have ongoing legal proceedings for accidents that occurred at plants owned by us. For further details, please see "Outstanding Litigation and Material Developments" on page 460.

Our operations are often conducted in difficult or environmentally sensitive locations in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations. These operations are subject to various environmental laws, regulations and permits and the consequences of failure to comply with these requirements can include remediation obligations, penalties, loss of operating permits and other sanctions. Accordingly, inherent in our operations is the risk that if we fail to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to our reputation or licence to operate.

Crisis management plans and capability are essential to deal with emergencies at every level of our operations. If we do not respond or are perceived not to respond in an appropriate manner to either an external or internal crisis, our business and operations could be severely disrupted.

Exploration for and production of crude oil and natural gas is hazardous, and man-made and natural disasters, operator error or other accidents can result in oil spills, blowouts, cratering, fires, equipment failure, and loss of well control, which can injure or kill people, damage or destroy wells and production facilities, and damage property and the environment. Offshore operations are subject to marine perils, including severe storms and other adverse weather conditions, vessel collisions, and governmental regulations as well as interruptions or termination by governmental authorities based on environmental and other governmental considerations. Also, we run the risk that we may not find any economically productive natural gas or crude oil reservoirs. In addition, the costs of drilling, completing and operating wells could be subject to shortages of, or delays in obtaining, equipment, and the inadequacy or unavailability of, or other problems with, transportation facilities. Breakdowns in our equipment or that of contractors, or in the infrastructure on which we rely, could disrupt our operations and adversely affect our business. In particular, our computers, telecommunications and electronic systems and equipment are vulnerable to breakdowns, disruptions or other problems that may adversely affect our operations. We maintain insurance coverage against some, but not all, potential losses. Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through insurance policies, the limitations of liability set forth in our insurance policies may not be enforceable in all instances or may not protect us from liability for damages. These may lead to financial liability and other adverse consequences for us. Further, even where we have availed of insurance coverage, we may not be able to successfully assert our claims for any liability or loss under such insurance policies. This may have a material adverse effect on our business, financial condition and results of operations. For example, we have no insurance coverage for loss of profits or earnings, damaged or destroyed data or records, or damage or loss due to pollution or contamination arising out of our onshore exploration and production activities. Losses and liabilities arising from such events may significantly reduce our revenues or increase our costs (for example, by incurring extra costs on site restoration, disaster recovery and workers' compensation or rehabilitation) and have a material adverse effect on our financial condition and results of operations.

**41. We have significant contingent liabilities that we have not provided for in our balance sheet.**

As of June 30, 2011, as per our financial statements, our consolidated contingent liabilities not provided for were as follows:

| (₹ millions)                                                           |                            |
|------------------------------------------------------------------------|----------------------------|
| <b>Contingent Liabilities</b>                                          | <b>As of June 30, 2011</b> |
| Capital commitments not provided for <sup>(1)</sup>                    | 437,503.70                 |
| Claims against the Company / disputed demands not acknowledged as debt | 158,442.77                 |
| Bank guarantees                                                        | 21,726.81                  |
| Corporate guarantees                                                   | 37,327.75                  |
| <b>Total</b>                                                           | <b>655,001.03</b>          |

(1) Estimated amount of contracts to be executed on capital account, and estimated amount of minimum work program committed under various PSCs with GoI nominated blocks.

To the extent that any of these contingent liabilities become actual liabilities, they will adversely affect our results of operations and financial condition in the future.

**42. Much of our Company's equipment is old and significant expenditure may be required to maintain operability and operations integrity.**

Much of the equipment which the business of our Company utilizes including drilling equipment, production facilities and pipelines are old and require upgrading, revamping or replacement, particularly in our Mumbai High field, where much of the equipment is more than 35 years old. Moreover, we do not maintain insurance

policies for most of our heavy machinery in India. Despite the planned significant operating and capital expenditure, there can be no guarantee that the equipment will not suffer material damage through wear and tear, natural disasters or industrial accidents, or will not require further significant capital improvements or maintenance in the future which could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we may fail to maintain sufficient financing and budgetary controls, planning and monitoring systems, procurement coordination, scheduling for technology upgrading and maintenance and efficient use of hired services with respect to our equipment, all of which may increase the cost of our exploration and production activity which could have an adverse effect on our profitability.

***43. We may not be able to upgrade our existing technologies and to assimilate and acquire new, more advanced technologies in a timely and cost-effective manner.***

In order to optimize production from our reserves, carry out exploration in deep-water areas, exploit non-producing basins and acquire knowledge and expertise about frontier basins, it is necessary that we adopt advanced technology rapidly and cost-effectively, and train our personnel in the operation and maintenance of such technology. If we are unable to acquire such technology in a timely manner or fail to appropriately revamp existing technology, we may not be able to fully exploit our reserves.

As acquisition of technology is highly capital intensive, if such technology is not utilized in a productive and efficient manner, we may not realize the benefits we expect from such technology and our operations and profitability may be adversely affected. There can be no assurances that we will be able to successfully implement the technology on which our strategy is dependent and our failure to do so could have a material adverse effect on our business, financial condition and results of operations. In addition, if we are unable to acquire new technology we may have to incur even greater expense to lease such technology than we would have incurred to acquire it.

In addition, our ability to exploit in a cost-effective manner any reserves discovered will be dependent upon, among other things, the availability of the necessary infrastructure to exploit and transport crude oil and natural gas to potential buyers at a commercially acceptable price. Crude oil is usually transported by pipelines and ocean tankers to refineries, and natural gas is usually transported by pipelines to processing plants and end users. For example, we are currently conducting exploration activities in the deep waters of the Bay of Bengal on the east coast of India where no suitable transportation arrangements exist and infrastructure will have to be built if we are successful in our exploration in this region. We may not be successful in our efforts to arrange suitable infrastructure in time for the cost-effective transportation of our potential production.

***44. We may not be able to successfully limit our gas flare in connection with our natural gas production.***

As part of our strategy, we intend to focus on the commercialization of our natural gas reserves and to improve our utilization of natural gas. Our ability to do so successfully is in part dependent upon our ability to limit our gas flaring. In particular, we may be required to flare gas in the event we are unable to establish surface production facilities by the time we first begin production within any given field. As development drilling is undertaken in a field, we begin to install surface facilities to handle the field's production. However, there is often a time lag between the start of production and surface facilities being ready for production. If the field is producing associated gas before surface facilities are available to handle production, we are required to flare such gas, which results in a reduction in the amount of gas realized from our producing fields. Our inability to successfully limit gas flaring could have an adverse effect on our ability to successfully implement our gas monetization strategy. Additionally, regulations governing gas flaring are less restrictive in India than in many other parts of the world. If India were to adopt more restrictive gas flaring regulations, there can be no assurance that we would be able to comply with such regulations, or to do so without incurring significant cost, thereby adversely affecting our profitability.

***45. The loss of the services of skilled employees and of our key management personnel could adversely affect our business.***

While we believe we can draw upon a pool of adequately qualified candidates to meet our man-power needs, our business is dependant on our maintaining a skilled workforce. Several members of our senior management team have been with our company for several years and have extensive knowledge about our operations. If we lose the services of key management personnel, it may be difficult to find, relocate and integrate replacement

personnel in a timely manner, which could seriously affect our operations and the growth of our business. For instance, Mr. R.S. Sharma, our Chairman and Managing Director who retired on January 31, 2011 has not been replaced as yet. In particular, we depend on specific key talent such as geologists and upstream energy specialists. We face specific disadvantages in our efforts to attract and retain our management personnel. As a public sector undertaking, GoI policies regulate and control the emoluments, benefits and perquisites that we pay to our employees, including our key managerial and technical personnel and these policies may not permit us to pay market rates. Consequently, private sector market participants that are able to pay at market rates in exploration and production activities in the crude oil and natural gas industry have been attracting qualified personnel and diluting the talent pool available to public sector undertakings. The GoI could also promote or transfer some of our key members from the senior management team to take up positions either within or outside our Company. Additionally, we may not have in place the necessary systems and processes to develop key personnel internally, which may limit our ability to retain such personnel. Our failure to have or retain quality personnel in key positions and functions in place could have a material adverse effect on our business, financial condition and results of operations.

***46. We may incur material costs to comply with, or suffer material liabilities as a result of health, safety and environmental laws and regulations.***

Our operations are subject to extensive laws and regulations pertaining to pollution and protection of the environment and health and safety of workers. These laws and regulations govern, among other things, emissions to the air, discharges onto land and into water, maintenance of safe conditions in the workplace, the remediation of contaminated sites, and the generation, handling, storage, transportation, treatment and disposal of waste materials. We incur, and expect to continue to incur, significant capital and operating costs to comply with these requirements, including costs to reduce air emissions and discharges to the natural water bodies and to remedy contamination at various facilities where our products or wastes have been handled or disposed. We also could incur significant costs, including cleanup costs, fines and civil and criminal sanctions, if we fail to comply with these laws and regulations or the terms of our permits. In addition, future changes to environmental laws and regulations, such as changes in laws and regulations relating to climate change, could result in substantial additional capital expenditure, taxes and reduced profitability from increased operating costs or in restrictions on our revenue generation, operations or strategic growth opportunities.

We may incur environmental liabilities in respect of our operations even for environmental damage caused by acts or omissions of our contractors. Under the production-sharing arrangements entered into by us with various parties, we are required to indemnify the contractors, as well as the GoI and the relevant state government, for environmental damage and related losses caused by our exploration and production operations to the extent of our participating interest in such venture, subject to limited exceptions. Also, some of our service contracts limit the contractors' liability for pollution caused by their activities. For instance, in some contracts, we are obligated to indemnify the contractor for surface damage arising out of sub-surface damage caused by the personnel or equipment of the contractor irrespective of the cause for the damage, subject to limited exceptions. Our insurance coverage does not cover all potential liabilities that may arise as a result of environmental damage caused by contractors, our joint venture partners or by us and this may result in a material adverse impact on our results of operations. For example, our insurance policy in respect of our domestic onshore exploration and production operations does not cover liabilities arising from pollution or contamination. Similarly, our Russian subsidiaries do not have any insurance for environmental damage caused by their activities. Furthermore, in the event that new regulations for the reduction of gas flaring come into force on January 1, 2012 in Russia as anticipated, our costs and penalties payable in compensation for environmental damage for gas emission in excess of permitted levels will increase by several times.

***47. Domestic producers of crude oil and natural gas in India may face increased competition from importers and alternative sources of energy.***

Historically, domestic crude oil and natural gas producers in India have benefited from import tariffs payable on crude oil and natural gas imported into India. However, the tariff system is subject to fluctuations. Import tariffs were removed in June 2011. However, any increase or decrease in the rates at which such tariffs are levied may lead to increased competition from importers of crude, particularly as the gap between supply and demand for crude oil in India begins to lessen.

In addition, there is a relative lack of infrastructure for importing and distributing liquefied natural gas, which has limited the quantities of liquefied natural gas imported into India, resulting in reduced competition for domestic natural gas producers. However, the development of the liquefied natural gas market and related

infrastructure such as import terminals could lead to increases in natural gas imports and increased competition for the development and production of domestic natural gas.

Furthermore, in the long-term, commercially viable production of proposed substitutes for crude oil and natural gas such as fuel cells or bio-fuels may be available at cheaper prices than crude oil and natural gas, reducing the demand for crude oil and natural gas and having a material adverse effect on our results.

**48. The proposed adoption of IFRS could have a material adverse effect on the price of the Equity Shares.**

Public companies in India, including us, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI (“MCA”), through a press note dated January 22, 2010 (the “MCA Press Release”). The MCA through a press release dated February 25, 2011, announced that it will implement the converged accounting standards in a phased manner after various issues including tax-related issues are resolved. The MCA is expected to announce the date of implementation of the converged accounting standards at a later date. Our financial condition, results of operations, cash flows or changes in shareholders’ equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognized during that period and in the corresponding period in the comparative Fiscal year/period.

In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

**49. MRPL, our Subsidiary is currently not in compliance with Clause 49 of the equity listing agreement**

MRPL, our Subsidiary is currently not in compliance with the requirements under Clause 49 of the equity listing agreement that it has entered into with the Stock Exchanges. Currently, MRPL has eight non-independent directors. In order to ensure compliance with Clause 49 of the equity listing agreement it has entered into with the Stock Exchanges, MRPL is required to appoint six independent directors. MRPL may therefore be subject to proceedings by the SEBI or the Stock Exchanges as a result of any such non-compliance with the equity listing agreement. In the event that MRPL does not appoint the requisite number of independent directors in the future, it may be subject to further proceedings by the SEBI or the Stock Exchanges as a result of any such non-compliance in future.

**50. We had received a large number of investor complaints in relation to the FPO 2004, a number of which have still not been resolved.**

The President of India, acting through the MoPNG, sold a total of 142,179,154 Equity Shares to the public by way of the final sale document dated March 19, 2004 (“FPO 2004”). Since the FPO 2004, as on April 1, 2004 our Company had an opening balance of 25 investor complaints relating to the FPO 2004 and other reasons. Our Company received a total of 18,873 investor complaints from April 1, 2004 to June 30, 2011, of which our Company redressed 18,778 investor complaints, relating to the FPO 2004 and other reasons. As on June 30, 2011, our Company had 120 pending investor complaints relating to the FPO 2004. We cannot assure you that we will not receive such investor complaints in relation to this issue or otherwise or will be able to address all or a majority of them within a reasonable time or at all.

**51. Some of our Subsidiaries have incurred losses in the last two fiscal years and have a negative net worth.**

Some of our Subsidiaries have incurred losses during their last two financial years, as set forth in table below:

(In ₹million)

| Sr.No. | Name of Subsidiary Company   | Profit after Taxation |                  |
|--------|------------------------------|-----------------------|------------------|
|        |                              | Fiscal Year 2011      | Fiscal Year 2010 |
| 1.     | ONGC Narmada Limited         | (855.93)              | (117.32)         |
| 2.     | ONGC Satpayev E&P B.V        | (0.38)                | -                |
| 3.     | ONGC Caspian E&P B.V         | (8.37)                | -                |
| 4.     | Biancus Holdings Limited     | (45.55)               | (43.17)          |
| 5.     | Redcliffe Holdings Limited   | (68.33)               | (51.71)          |
| 6.     | Imperial Energy Nord Limited | (519.75)              | (336.37)         |



| Sr.No. | Name of Subsidiary Company              | Profit after Taxation |                  |
|--------|-----------------------------------------|-----------------------|------------------|
|        |                                         | Fiscal Year 2011      | Fiscal Year 2010 |
| 7.     | Imperial Energy (Cyprus) Limited        | (415.44)              | (313.13)         |
| 8.     | Imperial Energy Tomsk Limited           | (30.98)               | (28.94)          |
| 9.     | Imperial Energy Gas Limited             | (0.91)                | (1.42)           |
| 10.    | Imperial Frac Services (Cyprus) Limited | (0.91)                | (1.42)           |
| 11.    | Nefsilius Holdings Limited              | (3.64)                | (1.90)           |
| 12.    | Freshspring Investments Limited         | (0.91)                | (0.95)           |
| 13.    | RK Imperial Energy Kostanai Limited     | (0.91)                | (0.95)           |
| 14.    | OOO Nord Imperial                       | (2,562.33)            | (5,139.06)       |
| 15.    | OOO Alliancenerftegaz                   | (1,024.93)            | (1,688.03)       |
| 16.    | OOO Sibinterneft                        | (300.65)              | (228.20)         |
| 17.    | OOO Rus Imperial Group                  | (341.19)              | 335.90           |
| 18.    | OOO Imperial Trans Service              | (46.01)               | 0.47             |
| 19.    | OOO Imperial Energy Tomsk Gas           | (0.91)                | (2.37)           |

Some of our Subsidiaries have a negative net worth in the last two financial years, as set forth in table below:

(In ₹million)

| Sr.No. | Name of Subsidiary Company          | Net worth        |                  |
|--------|-------------------------------------|------------------|------------------|
|        |                                     | Fiscal Year 2011 | Fiscal Year 2010 |
| 1.     | ONGC Narmada Limited                | (1,355.91)       | (520.80)         |
| 2.     | San Agio Investments Limited        | (124.77)         | (264.91)         |
| 3.     | Redcliffe Holdings Limited          | (174.41)         | (108.31)         |
| 4.     | Imperial Energy Tomsk Limited       | (237.46)         | (209.40)         |
| 5.     | Imperial Energy Gas Limited         | (8.50)           | (7.67)           |
| 6.     | Freshspring Investments Limited     | (5.37)           | (4.96)           |
| 7.     | RK Imperial Energy Kostanai Limited | (4.92)           | (4.06)           |
| 8.     | OOO Nord Imperial                   | (4,010.94)       | (1,192.33)       |
| 9.     | OOO Sibinterneft                    | (860.41)         | (566.38)         |
| 10.    | OOO Imperial Trans Service          | (14.76)          | 34.75            |
| 11.    | OOO Imperial Energy Tomsk Gas       | (11.18)          | (10.38)          |
| 12.    | OOO Stratum                         | (0.45)           | (0.45)           |

**52. Our joint statutory auditors have relied on the unaudited financial statements of certain of our joint ventures and subsidiaries in connection with their audit of the financial statements that form the basis of the financial statements included in this Red Herring Prospectus.**

In connection with their audit of the financial statements that form the basis for the financial statements included in this Red Herring Prospectus, our joint statutory auditors have relied on the audit reports prepared by other auditors relating to certain of our subsidiaries and joint ventures, including contractual joint ventures. The audited financial statements were not available for certain of our subsidiaries, i.e, Carabobo One AB and Petro Carabobo Ganga B.V. and certain of our joint ventures, i.e., Dahej SEZ Limited and ONGC Mittal Energy Limited. Where audited financial information were not available, our joint statutory auditors have relied on unaudited financial statements certified by management in accordance with IGAAS For further information, please see “Financial Information - Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXXIIIA-Notes 1 and 33” on page 370.

**53. We do not own our Registered Office from which we operate.**

We do not own the premises on which our Registered Office is situated. The premises are owned by Life Insurance Corporation of India and have been leased to our Company pursuant to certain lease agreements for periods of six to nine years. We cannot assure you that we will own, or have the right to occupy, these premises in the future, or that we will be able to continue with the uninterrupted use of these properties, which may impair our operations and adversely affect our financial condition.

**54. We do not have any registered trademarks or copyrights, and failure to protect our intellectual property rights may have an impact on our business and results of operations.**

We have not registered the ONGC trademark or logo. We hold three patents and have one pending application for the technological advances we have made in our research and development activities. We operate in an extremely competitive environment, in both our existing business and our planned ventures into the downstream businesses of refining and retail marketing, where generating brand recognition will be a significant element of our business strategy. If we fail to protect our intellectual property rights, including trademarks, trade secrets and copyrights or otherwise fail to obtain registration of the patents we have applied or may apply for in the future, our business may be affected

***55. We are subject to stringent labor laws and trade union activity.***

India has stringent labor laws that protect the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers upon employee layoffs. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which may adversely affect our business and profitability. Our employees are represented by 24 registered trade unions of which 10 are recognized by us. All of the trade unions (including unrecognized trade unions) are affiliated with central trade unions. Our Company has entered into an agreement with all the recognized unions that is binding on all unionized categories of employees, effective January 1, 2007 which would be coterminous with the pay revision of executives but not beyond 10 years. We have in the past suffered disruptions in our operations due to strikes and lockouts by our employees, most recently in 2009. For further information of strikes and lock outs, please see "History and Certain Corporate Matters - Lock outs and strikes" on page 217. We cannot assure you that such disruptions will not occur in the future.

***56. Some of our records relating to forms filed with the Registrar of Companies required under the provisions of the Companies Act are not traceable.***

We are unable to trace copies of certain forms we have filed with the relevant Registrar of Companies in India. These forms are required to be filed under the provisions of the Companies Act, and include forms in respect of the allotment of equity shares. Moreover, we do not have appropriate records for transfers or disinvestments made by the President of India, acting through the MoPNG, in the past and have placed reliance on other documents, including share transfer committee minutes and post offer reports for corroborating the changes in the shareholding of the President of India, acting through the MoPNG, in the Company. We have not been able to obtain copies of such relevant documents, including from the Registrar of Companies.

***57. The interests of our Directors may cause conflicts of interest in the ordinary course of our business.***

Conflicts may arise in the ordinary course of decision-making by the Board. Some of our non-executive Directors may also be on the board of directors of certain companies engaged in businesses similar to the business of our Company. In accordance with the procedure laid down in the Companies Act, our Directors are required to disclose any conflict of interest to the Board, following which they are allowed to participate in any discussions concerning the matters tabled before the Board. Further, certain of our Directors also hold Equity Shares and are interested to the extent of any dividend payable to them in respect of the same. For details, see "Our Management- Shareholding of Directors in our Company" on page 252. Although in the past we have not had any incidence of conflict of interest, there is no assurance that our Directors will not provide competitive services or otherwise compete in business lines in which we are already present or will enter into in the future.

**Risk Factors relating to the Offer**

***58. The interests of the GoI as our controlling shareholder may conflict with your interests as a shareholder.***

Upon the completion of the Offer, the GoI will hold 5,915,188,188 equity shares, or approximately 69.14% of our paid up equity share capital. Additionally, as on June 30, 2011, IOCL and GAIL, each a GoI controlled company, held an aggregate of approximately 10.09% of our paid up equity share capital. Consequently, the GoI, acting through the MoPNG, will continue to control us and will have the power to elect and remove our directors and determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with other GoI-controlled companies such as GAIL, IOCL, BPCL or Oil India Limited or the proposed assertion of claims against such companies and other public sector companies. In addition, under the MoU signed with the MoPNG and our Articles of Association, the President of India may issue directives with respect to the conduct of our business or our affairs for as long as we remain a public sector Company

under the Companies Act. For instance, under Article 108 of our Articles of Association, we require the prior approval of the President of India to undertake any capital expenditure exceeding ₹ 5,000 million as long as the President of India continues to hold 51.00% of our equity share capital. Similarly, under Article 104 of our Articles of Association, the President of India, by virtue of holding 51.00% of our equity share capital, has the power to appoint the non-retiring Directors on our Board, i.e. one-third of the members of the Board, and also has the power to appoint our Chairman and Managing Director and determine the terms and conditions including remuneration and tenure applicable to the appointment. For further details, please see "Main Provisions of our Articles of Association" on page 552.

The interests of the GoI may be different from our interests or the interests of our other shareholders. In addition, most of the companies we do business with or compete with domestically are also GoI controlled entities and are subject to similar risks arising out of the GoI controlling interests in them. As a result, the GoI may take actions with respect to our business and the businesses of our peers and competitors that may not be in our or our other shareholders' best interests. The GoI could, by exercising its powers of control, delay or defer or initiate a change of control of our Company or a change in our capital structure, delay or defer a merger, consolidation, takeover or other business combinations involving us or our competitors and peers, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company or initiate a merger with another public sector undertaking. In particular, given the importance of the petroleum industry to the economy and the mass consumption of certain petroleum products by the Indian public, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximize our profits.

***59. Future sales of Equity Shares by shareholders, including by the GoI, or any future equity offerings by us may adversely affect the market price of the Equity Shares.***

Upon the completion of the Offer, the GoI will hold approximately 5,915,188,188 equity shares, or approximately 69.14%, of our paid up equity share capital. Additionally, as on June 30, 2011, IOCL and GAIL, each a GoI controlled company, held an aggregate of approximately 10.09% of our paid up equity share capital. The market price of the Equity Shares could be affected by sales of a large number of the Equity Shares by the GoI or another of our shareholders (including IOCL and GAIL) or by a perception that such sales may occur.

In addition, if we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through further equity offerings. As a purchaser of the Equity Shares, you may experience dilution to your shareholding to the extent that we conduct future equity or convertible equity offerings. Such dilutions can adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

***60. The proceeds from this Offer will not be available to us.***

As this Offer is an offer for sale of Equity Shares by the Selling Shareholder, the proceeds from this Offer will be remitted to the Selling Shareholder and our Company will not benefit from such proceeds.

***61. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.***

Pursuant to the Department of Public Enterprises Office Memorandum dated October 15, 2010, profit making oil PSUs are required to declare a minimum dividend of 30.00% of their post tax benefit. However, the amount of our future dividend payments, if any, is subject to the discretion of the Directors, and will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. There can be no assurance as to whether our Company will pay a dividend in the future and if so the level of such future dividends. For more information on our dividend policy, see "Dividend Policy" on page 257.

***62. We have in the last 12 months issued Equity Shares at a price which may be lower than the Offer Price.***

We have in the last 12 months made certain issuances of Equity Shares at a price that may be lower than the Offer Price.

| Date of issue/<br>allotment | No. of Equity<br>Shares | Face<br>Value<br>(₹) | Issue<br>price<br>(₹) | Consideration in<br>Cash/<br>other than<br>cash/bonus issue | Nature of allotment          |
|-----------------------------|-------------------------|----------------------|-----------------------|-------------------------------------------------------------|------------------------------|
| February 10,<br>2011        | 4,277,745,060           | 5.00                 | N/A                   | Bonus issue                                                 | Bonus issue in the ratio 1:1 |

**63. We have recorded negative cash flows from operations in recent periods. There is no assurance that such negative cash flows from operations shall not recur in future Fiscal periods.**

We had negative net cash flow from investing activities of ₹211,018.77 million, ₹244,153.80 million and ₹76,835.96 million in Fiscal 2010 and 2011 and for the three months period ended June 30, 2011, respectively, on a consolidated basis, and negative net cash flow from financing activities of ₹82,727.20 million, ₹117,602.66 million in Fiscal 2010 and 2011 and a positive net cash flow of ₹2,390.82 million for the three months period ended June 30, 2011, respectively, on a consolidated basis. For further information on our cash flows, please see “Management's Discussion and Analysis of Financial Condition and Result of Operations-Cash Flows” on page 450.

### **External Risk Factors**

**64. The global financial crisis and global and domestic economic conditions may have a material adverse effect on our business, financial condition and results of operations.**

In recent times, global financial markets experienced a period of unprecedented turmoil and upheaval characterized by extreme volatility and declines in prices of securities, diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse, nationalization or sale of financial institutions and an unprecedented level of governmental intervention. The Indian economy and financial markets were also significantly impacted by such global economic, financial and market conditions.

We are currently experiencing various developments adversely affecting the global economy such as rising national fiscal deficits, the downgrading of credit ratings of various significant financial institutions and developed countries including the United States and bailouts for various EU member states which have damaged investor confidence and caused increased volatility in global and Indian securities markets. Any further financial turmoil, especially in the United States of America, Europe or China, may continue to have a negative impact on the Indian economy. Indian financial markets also experienced the contagion effect of the volatility and turmoil in the global financial markets, which is evident from the sharp decline in the benchmark indices of SENSEX and NIFTY. A continuation of such economic conditions, either globally or domestically could result in future decreases in the demand for crude oil and natural gas and put downward pressure on the prices for crude oil and natural gas which have experienced significant volatility since July 2008. Additionally, due to the conditions in the global and domestic financial markets, we cannot be certain that funding will be available or that we would be able to raise funds, if needed or to the extent required and we may be unable to implement our strategy, including our exploration and development plans in existing acreage and our acquisition of additional acreage domestically and internationally.

**65. Our business and activities are regulated by the Competition Act, 2002. Any application of the Competition Act, 2002 to us may be unfavorable, and may have an adverse effect on our business and results of operations.**

The Indian Parliament has enacted the Competition Act, 2002 (the “Competition Act”) under the auspices of the Competition Commission of India to prevent business practices from having an adverse effect on competition, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Competition Act and the Competition Commission of India may affect industries in India. Any application of the Competition Act to us may be unfavourable, and may have an adverse effect on our business and results of operations.

**66. Regulation of greenhouse gas emissions could increase our operational costs and reduce demand for our products.**

Continued political attention to issues concerning climate change, the role of human activity in it and potential mitigation through regulation could have a material impact on the company's operations and financial results.

International agreements and national or regional legislation and regulatory measures to limit greenhouse emissions are currently in various stages of discussion or implementation. For instance, the Kyoto Protocol, along with other regulations, envision a reduction of greenhouse gas emissions through market-based regulatory programs, technology-based or performance-based standards or a combination of them.

These and other greenhouse gas emissions-related laws, policies and regulations, may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with these laws and regulations is uncertain and is expected to vary by jurisdiction depending on the laws enacted in each jurisdiction, the company's activities in it and market conditions. The company's exploration and production of crude oil and natural gas, and the conversion of crude oil and natural gas into refined products; the processing, liquefaction and re-gasification of natural gas; the transportation of crude oil, natural gas and related products and consumers' or customers' use of the company's products result in greenhouse gas emissions that could well be regulated. Some of these activities, such as consumers' use of the company's products, as well as actions taken by the company's competitors in response to such laws and regulations, are beyond the company's control.

The effect of regulation on the company's financial performance will depend on a number of factors, including, among others, the sectors covered, the greenhouse gas emissions reductions required by law, the extent to which we would be entitled to receive emission allowance allocations or need to purchase compliance instruments on the open market or through auctions, the price and availability of emission allowances and credits, and the impact of legislation or other regulation on the company's ability to recover the costs incurred through the pricing of the company's products. Material price increases or incentives to conserve or use alternative energy sources could reduce demand for products the company currently sells and adversely affect our sales volumes, revenues and margins.

***67. We are unable to quantify the effect of implementing an employees' stock option plan.***

The pay committee has recommended that all public sector undertakings should formulate an employees' stock option plan ("ESOP") and that 10.00% to 25.00% of the performance related payment should be paid as ESOPs. We are yet to formulate an ESOP for our employees, and therefore the effect of the implementation of such an ESOP scheme by our Company is not presently possible to quantify. However, if implemented we may experience dilution to our shareholding to the extent such ESOP is exercised by the employees.

***68. Changes in the GoI's policies in the future could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which may impact our future prospects.***

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The current central government, which came to power in May 2009, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization may change, and specific laws and policies affecting banking and finance companies, foreign investment and other matters affecting investment in our securities may change as well. Any major change in government policies might affect the growth of the Indian economy and thereby our growth prospects. Additionally, any change in these policies may have a significant impact on the crude oil and natural gas sector development and business and economic conditions in India generally, which may adversely affect our business, our future financial performance and the price of our Equity Shares.

***69. We are exposed to potentially adverse changes in the tax and royalty regimes of India and other jurisdictions in which we operate.***

We operate primarily in India and, also operate in 14 other countries around the world, and any of these countries, including India and the states of India or other countries in which we may operate in the future, could modify their tax or royalty laws in ways that would adversely affect us. Tax and royalty rates affecting the crude oil exploration and production industry tend to change in correlation to prices of crude oil. Significant changes

in the tax or royalty regimes of India, including the states of India, and other countries in which we operate could have a material adverse effect on our liquidity, financial condition and results of operations.

Our principal statutory levies expenses comprise royalties, which in Fiscal 2010, 2011 and for the three months ended June 30, 2011 were ₹103,592.72 million, ₹126,528.57 million and ₹ 39,273.35 million, respectively. Royalty for our international crude oil and natural gas operations is directly linked to the international prices of crude oil and natural gas.

Royalty on the production of crude oil, casing head condensate and natural gas is levied in accordance with the provisions of the Oilfields (Regulation and Development) Act, 1948 and the Petroleum & Natural Gas Rules. Oil industry development cess ("OID cess") is levied in terms of the provisions of Oil Industry (Development) Act, 1974. For details on the levels of royalty payable, please see "Management's Discussion and Analysis of Financial Condition and Results of Operation—*Statutory Levies*" on page 436.

Future changes in the tax provisions applicable to us could have a material adverse impact on our financial condition and results of operations.

***70. The regulatory framework in India is evolving, and regulatory changes as and when introduced by the GoI could have a material adverse effect on our business, financial condition and results of operations.***

We are subject to regulation and supervision by the GoI and its departments. In addition, so long as the GoI's shareholding in our Company equals or exceeds 51.00%, we will continue to be classified as a Government Company and will be subject to regulations generally applicable to PSUs in India as well as contractual obligations under the MoU signed with the MoPNG. These regulations concern personnel matters, including the appointment of key management personnel and the hiring, dismissal and compensation of employees, as well as budgeting and capital expenditure. As a PSU, our mandate includes a social responsibility that may not be consistent with our commercial objectives. For instance, the GoI mandates that public sector enterprises like us give preferences to other public sector enterprises over private sector companies when they bid for our contracts.

Under the current policy of the GoI, disputes between public sector enterprises such as our Company and GoI departments, or between different public sector enterprises, must be referred to, and clearance must be obtained from, a committee of secretaries of the GoI known as the Committee on Disputes (the "COD"), before any legal action may be commenced. This limits our ability to take legal action in the event of a dispute between us and another public sector enterprise or between the GoI and us.

In addition to regulations specific to PSUs, we are subject to various other governmental policies, laws and regulations in the crude oil and natural gas sector. The GoI has historically played a key role, and is expected to continue to play a key role, in regulating, reforming and restructuring the Indian oil and natural gas industry. It exercises substantial control over the growth of the industry, for example, by awarding blocks in NELP rounds. There can be no assurance that we will be successful in obtaining interests in blocks, awarded in NELP rounds in the future. In addition to its direct participation in the crude oil and natural gas exploration, development and production industry through the MoPNG and its indirect impact through environmental laws and regulations, the GoI awards licenses and leases for exploration, production, development, transportation and sale of hydrocarbons. While many GoI policies, such as the APM for regulating oil prices, have been liberalized, and there has been a move towards market orientation, we continue to be subject to regulated prices for gas, limitations on export of crude oil and natural gas, and requirements to contribute to GoI subsidies on diesel, LPG (for domestic use) and SKO (PDS). Further, in the exploration licenses and mining leases in which we have an interest, the GoI retains the ability to direct our actions in certain circumstances. Our ability to pursue our own strategy fully in relation to development, production and marketing of crude oil and natural gas and value-added products in accordance with our own commercial interests has been affected by such conditions. In addition, the GoI plays an important commercial role in the execution of crude oil and natural gas exploration, development and production activities in India, in particular through GoI-controlled companies such as Oil India and us. The oil and gas industry worldwide is characterized by relatively frequent changes in economic and fiscal policy by governments depending largely on the prevailing world oil and gas price environment with periods of high prices usually resulting in an increased tax burden for the industry (whether through amendments to legislation or PSCs, changes in interpretation of legislative or contractual terms or similar actions). Although the fiscal regime applicable to the Indian oil and gas industry has been relatively stable in the past, there can be no assurance that this stability will continue in the future.

Presently, MoPNG discharges certain regulatory functions relating to the petroleum industry in India. Additionally, the PNGRB Act came into force in India in April 2006. The PNGRB Act provides for the creation

of the PNGRB and vests the PNGRB with certain powers and functions relating to refining, storage and transportation of petroleum, petroleum products and natural gas. The majority of the provisions of the PNGRB Act came into effect from October 1, 2007, and the constitution of the PNGRB was re-notified with effect from October 1, 2007. In the future, Indian regulators, including the MoPNG and the PNGRB, may adopt new policies, laws or regulations. Our business could be materially adversely affected by any unfavorable regulatory changes.

In addition, existing Indian regulations require that we apply for and obtain various GoI licenses and other approvals, including in some cases extensions of exploration licenses awarded under the NELP, grants of mining leases, and renewals or extensions of mining leases, in order for us to conduct our exploration, development and production activities. If in the future we are unable to obtain any such necessary approvals, our level of reserves and production would be adversely affected.

***71. We are subject to risks arising from exchange rate fluctuations.***

The international prices of crude oil and value-added products, which account for the substantial majority of our sales revenues, are denominated in U.S. Dollars. Most of our expenditure as well as our accounts as a whole, are denominated in Indian Rupees. We also import crude oil as raw materials for our refining business, and incur such raw materials costs in U.S. Dollars. As a result, fluctuations in foreign exchange rates, in particular the exchange rate of U.S. Dollars for Indian Rupees, may materially affect our revenues and results of operations. We do not currently hedge our foreign currency exchange rate exposure. Our results of operations are also subject to fluctuations in the currencies of the countries in which we undertake our international exploration, development and production activities. We incur a portion of our operational expenditure in the local currencies of these countries, particularly relating to labor, local materials and services, royalties and tax. Fluctuations in the value of such currencies against the U.S. Dollar could impact our results of operations. For example, we experienced an increase in tax liability in Fiscal 2011 in connection with our operations in Venezuela because the significant devaluation of the Venezuelan Bolivar against the U.S. Dollar caused a revaluation of receivables and increased our taxable profit. Moreover, the reporting currency of our financial statements for certain of our Imperial Energy assets in Russia is the Russian Ruble, and fluctuations in the exchange rate of the Russian Ruble against the Indian Rupee or the U.S. Dollar, could affect our consolidated results of operations and financial condition.

***72. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade, and may also adversely affect the worldwide financial markets. In particular, certain of our mining facilities are located in geographically remote areas that may be more prone to vandalism or other attacks by members of terrorist or political groups. Terrorist attacks and other acts of violence or war may also result in a loss of business confidence, make travel and other services more difficult, and ultimately adversely affect our business. In addition, any deterioration in relations between India and its neighbouring countries might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years, and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have a negative impact on us. Such incidents could also create a larger perception that investment in Indian companies involves a higher degree of risk, and could have an adverse impact on our business and the price of our Equity Shares.

***73. Conditions in Indian stock exchanges may affect the price or liquidity of our Equity Shares.***

Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and other problems that have affected the market price and liquidity of the securities of Indian entities. These problems have included temporary closure of the Indian Stock Exchanges to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and imposed margin requirements. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected.

***74. The price of our Equity Shares may be volatile.***

The price of our Equity Shares on the Indian Stock Exchanges may fluctuate after this Offer as a result of

several factors including:

- volatility in the Indian and global securities markets;
- our results of operations and performance;
- performance of our competitors and perception in the Indian market about investment in the crude oil and natural gas sector;
- adverse media reports about us or the Indian crude oil and gas sector;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's privatisation, economic liberalisation and de-regulation policies;
- significant developments in India's Fiscal and environmental regulations; and
- material developments affecting the Government and economy of India.

There can be no assurance that the price at which the Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market in the future.

**75. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

Following the Offer, prices of our Equity Shares may be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on price movement of our Equity Shares reflected in these will be set by the stock exchanges, based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance can be given regarding your ability to sell your Equity Shares, or the price at which you may be able to sell your Equity Shares at any particular time.

**Prominent Notes:**

- Further public offer of 427,774,504 Equity Shares for cash at a price of ₹ [●] per Equity Share aggregating ₹ [●] million. The Offer comprises of the Net Offer and an Employee Reservation Portion. The Offer shall constitute 5.00% of the paid-up Equity Share capital of our Company and the Net Offer shall constitute 4.90% of the paid-up Equity Share capital of our Company. A Retail Discount of ₹ [●] to the Offer Price is being offered to Retail Individual Bidders and an Employee Discount of ₹ [●] to the Offer Price is being offered to Eligible Employees bidding in the Employee Reservation Portion.
- The average cost of acquisition of our Equity Shares by our Promoter is ₹ 0.41 which has been calculated on the basis of the average of amounts paid by our Promoter to acquire the Equity Shares currently held by it.
- The details of transactions by our Company with our Subsidiaries during the last financial year including the nature and cumulative value of the transactions are as follows:

| (₹ in million)        |                                     |
|-----------------------|-------------------------------------|
| Nature of Transaction | Financial Year ended March 31, 2011 |
| Sale of Products      | 55,730.43                           |
| Purchase of Products  | 5,758.15                            |
| Income received       | 2,262.42                            |
| Loan Outstanding      | 183,586.16                          |
| Amount Receivable     | 6,765.17                            |
| Amount Payable        | 613.52                              |

- The net worth of our Company as on March 31, 2010 and March 31, 2011 as per our consolidated audited financial statements and as on June 30, 2011, as per our consolidated, unaudited with limited review financial statements for the three months ended June 30, 2011, included in this Red Herring



Prospectus was ₹ 1,005,653.17 million, ₹ 1,145,311.86 million and ₹ 1,203,103.06 million, respectively.

- The net asset value per Equity Share as on March 31, 2010 (not adjusted for Bonus and Stock Split) and March 31, 2011, as per our consolidated audited financial statements and as on June 30, 2011 as per our consolidated, unaudited with limited review financial statements for the three months ended June 30, 2011, included in this Red Herring Prospectus was ₹ 470.18, ₹ 133.87 and ₹ 140.62, respectively.
- There has been no financing arrangement by which the Directors and their relatives have financed the purchase by any other person of securities of our Company (other than in the normal course of the business of the financing entity) during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.
- There has been no change in the name of our Company since its incorporation.
- The investors may contact any of the BRLMs for any complaint pertaining to the Offer. All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB, quoting the full name of the sole or first Bidder, ASBA Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of ASBA Form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs, as the case may be, where the ASBA Bid was submitted and ASBA Account number in which the amount equivalent to the Payment Amount was blocked.

## SECTION III – INTRODUCTION

### SUMMARY OF INDUSTRY

#### Overview of the Indian Economy

India is the world's largest democracy with a population of 1.17 billion (*Source: CIA Factbook, July 2010*), and one of the fastest growing economies in the world. It has grown at an average rate of 8.25% per annum during the last five years (*Source: EIU, December 2010*). India had an estimated real GDP of approximately U.S.\$3,738.7 billion (at 2005 prices) in 2010, which makes it the fourth largest economy in the world in purchasing power parity terms (*Source: EIU, December 2010*). India is expected to have the world's second highest rate of GDP compound average growth rate ("CAGR") growth of 6.15% during 2007 - 2020 (*Source: Energy Information Administration, International Energy Outlook 2010 – July 2010*).

India's economic growth has led to primary energy consumption growth at a CAGR of over 8.48% from 2006 to 2010 (*Source: BP Statistical Review of World Energy, June 2011*).

#### The Energy Scenario in India

In 2009, India surpassed Japan and became the world's fourth largest consumer of energy with a consumption of 3,518 mmboe. Crude oil and natural gas contributed approximately 40% of the total energy consumption in India in 2010, which is low compared to approximately 57% of the total energy consumption globally (*Source: BP Statistical Review of World Energy, June 2011*).

India's consumption for oil is expected to grow at an average annual growth rate of 2.03%, between 2005 and 2030 compared with expected world growth rate of 0.85%. India is also expected to experience one of the most rapid increases in consumption for natural gas in the world between 2005 and 2030 at 5.13% (*Source: Energy Information Administration, International Energy Outlook 2010 – July 2010*).

#### Evolution of the Oil and Gas Sector

The GoI entered the oil and gas sector by establishing the Oil and Natural Gas Directorate (the predecessor to our Company) in 1955. In the 1970s, the GoI implemented nationalization policies, taking over the operations of companies such as IBP, Esso, Caltex and Burmah-Shell. In 1974, our Company discovered the large Mumbai High offshore oil field, prompting the expansion of the Indian oil and gas sector.

From 1991 to 1997, the GoI employed a series of auctioning rounds which allowed for 100% foreign direct investment in the exploration and production sector in India (Pre-NELP rounds). During 1997 - 1998, the GoI formulated a comprehensive policy for inviting investments by nationalised and private participants in the sector known as the "New Exploration Licensing Policy" or NELP. So far eight rounds of NELP have been completed and 235 PSCs have been signed. Additionally, 33 CBM blocks have been awarded during four rounds of bidding. In the ninth and latest round of NELP (NELP IX), the GoI received 74 bids for 33 blocks out of 34 exploration blocks. The GoI is also planning to move to the Open Acreage Licensing Policy ("OALP") under which, companies can choose any block for offer at any time, without waiting for the regular bid rounds. (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

#### Oil and Natural Gas Production and Consumption

Domestic consumption of crude oil and natural gas has increased at a CAGR of 3.91% and 8.92% respectively during 2000 – 2010 to 3,319 mbpd of oil and 61.9 bcm of gas in 2010 whereas domestic production of oil and gas increased at a CAGR of 1.30% and 6.81% respectively during the same period (*Source: BP Statistical Review of Energy, June 2011*). During fiscal year 2010, the total production of oil and gas in India was 245.6 mmbbls and 47.5 bcm respectively. The contribution of private sector and joint venture companies to total India's oil and gas production has increased from 18.5% for fiscal 2006 to 33.6% for fiscal 2010 (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

India is one of the largest net importers of crude oil with approximately 77% of its oil demand satisfied through imports and net imports of 1,123 mmbbls in fiscal 2010 (Source: MoPNG - Basic Statistics on Indian Petroleum & Natural Gas, 2009 - 2010).

### **Exploration**

As of April 1, 2010, India's ultimate reserves are estimated at around 27.1 billion barrels of oil and oil equivalent gas (Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10). Domestic proved reserves of crude oil have increased at a CAGR of 5.51% over the 10-year period ended December 31, 2010, from 5.29 billion barrels to 9.04 billion barrels. Domestic gas reserves have increased at a CAGR of 6.68% over the same period, from 0.76 trillion cubic meters to 1.45 trillion cubic meters (Source: BP Statistical Review of Energy, June 2011).

India has a total sedimentary area of approximately 3.14 million sq. kms in India out of which an area of 2.2 million sq.kms has already been licensed. Our Company and RIL together account for 78.43% of the total domestic territory licensed for exploration. Our Company and OIL also hold the largest portion of leased acreage for oil and natural gas production, accounting collectively for approximately 79.4% of the total territory leased by the GoI for commercial production of crude oil and natural gas as of July 1, 2010 (Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10).

### **Crude Oil and Natural Gas Transportation**

There are over 12,000 km of crude pipelines in India operated by our Company, OIL, HPCL, IOCL and CIL. Our Company and IOCL are the largest operators, owning 52% and 37% of the crude pipeline infrastructure in India (Source: Wood Mackenzie, Upstream Service).

### **Refining**

The Indian crude oil refining sector consists of nine companies operating a total of 21 refineries, with a combined annual installed throughput capacity, as of fiscal 2011, of approximately 3.9 mmbbls per day (Petroleum Planning & Analysis Cell, [http://ppac.org.in/writereaddata/PT\\_installed.xls](http://ppac.org.in/writereaddata/PT_installed.xls)). Three GoI-owned national oil companies, IOCL, BPCL and HPCL, continue to dominate the refined petroleum product retail sector in India, accounting for more than 50% of domestic refining capacity and 98% of total operational retail petrol stations (Source: India's Downstream Petroleum Sector: Refined product pricing and refinery investment © OECD/International Energy Agency, 2010).

### **Alternate sources of energy**

Given the substantial gap between supply and demand in the energy sector in India and the limited amount of crude oil and natural gas reserves globally, the Government has focused its attention on alternate hydrocarbon extraction technologies such as coal-bed methane, shale play, underground coal gasification and gas hydrates (Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10).

### **Global Oil and Gas Market**

Total global oil proved reserves stood at 1,383 billion barrels and total gas proved reserves stood at 187 trillion cubic meters as of December 31, 2010. The majority of the global proved reserves are located in Middle East. Consumption of liquid fuels and other petroleum is expected to increase from 86.1 mmbbl/d in 2007 to 103.9 mmbbl/d in 2030. World's liquid fuels production in 2030 is expected to exceed the 2007 level of 84.8 mmbbl/d by 18 mmbbl/d. Natural gas is projected to be the fastest growing fossil fuel globally to 2030. Asia accounts for the world's largest production and consumption increments. (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010)

## SUMMARY OF BUSINESS

### Overview

We were the largest oil and gas exploration and production company in India in Fiscal 2010 (*Source: Hydrocarbon Exploration and Production Activities, India, 2009-10 report by Directorate General of Hydrocarbons ("HEPA Report 2009-2010")*). We also engage in exploration and production activities in 14 other countries through our wholly-owned subsidiary ONGC Videsh Limited ("OVL"). We have integrated downstream activities in India, including owning and operating an oil refinery in Mangalore with an installed capacity of 11.82 million tonnes per annum ("MMTPA"). We are present across the hydrocarbon value chain with operations in refining, petrochemicals, power and liquefied natural gas ("LNG") in addition to our exploration and production activities. According to the Platts Top 250 Global Energy Companies Rankings, 2010 (November 2010), we were ranked first among oil and gas companies globally in the exploration and production category, and 18th overall in these rankings which measure financial performance by examining each company's assets, revenues, profits and return on invested capital. Further our Company was ranked 172<sup>nd</sup> in the Forbes Global 2000 list of the world's biggest companies for 2011, based on sales, profits, assets and market capitalization.

According to our management estimates, our 1P, 2P and 3P crude oil and natural gas reserves, as of April 1, 2011, were 961.26 million metric tonnes oil equivalent ("MMtoe"), 1,426.26 MMtoe and 1,688.29 MMtoe, respectively. These 1P, 2P and 3P reserves estimates cover all of our crude oil and natural gas assets, including our 100% owned and operated blocks, as well as our participating interests in joint venture operations, both in India and internationally.

We have appointed independent reserves consultants to audit and estimate certain of our domestic and international crude oil and natural gas assets. As of April 1, 2011, the independent reserves consultants' estimates of our 1P, 2P and 3P crude oil and natural gas reserves were 729.03 MMtoe, 1,225.14 MMtoe, and 1,765.32 MMtoe, respectively. Our management estimates for the audited 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 827.25 MMtoe, 1,211.53 MMtoe and 1,408.37 MMtoe, respectively.

As of June 30, 2011, our Company operates 340 crude oil and natural gas reserves bearing fields in India. In addition, as of June 30, 2011, we held petroleum exploratory licenses for 115 exploratory blocks in India to which we have not yet ascribed reserves. Of these 115 exploratory blocks, we have made hydrocarbon discoveries in 25 such blocks. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total production from domestic and international operations aggregated 32.97 million metric tonnes ("MMT") (245.55 million barrels ("MMbbls")), 34.05 MMT (253.40 MMbbls) and 8.48 MMT (63.11 MMbbls) of crude oil, respectively, and 27.95 billion cubic metres ("BCM"), 28.02 BCM and 6.80 BCM of natural gas, respectively.

We conduct our domestic exploration and production activities through our independent operations as well as in consortia with other oil and gas companies, including Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, GAIL (India) Limited, Gujarat State Petroleum Corporation Limited, Oil India Limited, Cairn Energy, BP, and Petrocon India Limited. Our domestic production (excluding production from fields operated through joint ventures) represented 73.64% and 48.64% of India's total production of crude oil and natural gas, respectively, for Fiscal 2010. (*Source: HEPA Report 2009-2010 on page 70*).

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total domestic production aggregated 26.46 MMT (198.45 MMbbls), 27.28 MMT (204.60 MMbbls) and 6.75 MMT (50.63 MMbbls) of crude oil, respectively, and 25.59 BCM, 25.32 BCM and 6.16 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our domestic average daily production was approximately 543,699 barrels per day, 560,548 barrels per day and 556,374 barrels per day of crude oil, respectively, and 70.11 million cubic meters ("MCM") per day, 69.37 MCM per day and 67.69 MCM per day of natural gas, respectively.

Our international exploration and production activities are carried out by OVL and its subsidiaries through independent operations, as well as through projects we undertake in consortia with other oil and gas companies, including Indian Oil Corporation Limited, Oil India Limited, ExxonMobil, British Petroleum, China National Petroleum Company, Petronas, Petrobras Brasileiro S.A., Shell, Ecopetrol Oleo e Gas do Brazil Limitada, Repsol-YPF Cuba S.A., Sinopec International Petroleum Exploration and Production Corporation and Statoil Oil and Gas AS. As of the date of this Red Herring Prospectus, we held participating interests in 31 projects across 14 countries,

including in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Venezuela, Cuba, Myanmar and Colombia, comprising nine producing projects, 18 exploration blocks and four development blocks. In addition, we constructed a pipeline in Sudan covering a distance of 741 km for a Sudanese Government entity.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total international production aggregated 6.51 MMT (47.10 MMbbls), 6.77 MMT (48.80 MMbbls) and 1.73 MMT (12.48 MMbbls) of crude oil, respectively, and 2.36 BCM, 2.70 BCM and 0.64 BCM of natural gas, respectively. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, our international average daily production was approximately 129,041 barrels per day, 133,699 barrels per day and 137,143 barrels per day of crude oil, respectively, and 6.47 MCM per day, 7.40 MCM per day and 7.03 MCM per day of natural gas, respectively.

We are also present in downstream refining and marketing operations in India, primarily through our subsidiary Mangalore Refinery and Petrochemicals Limited ("MRPL"), which operates a refinery with an installed capacity of 11.82 MMTPA in Mangalore. We are in the process of increasing the capacity of this refinery to 15.00 MMTPA and the mechanical completion of this expansion is scheduled to be completed by October 2011. However, production at the full expanded capacity is expected to commence in December 2011. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL processed 12.50 MMT (92.50 MMbbls), 12.64 MMT (93.54 MMbbls) and 3.30 MMT (24.29 MMbbls) of crude oil, respectively. In addition, in Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL produced 11.68 MMT (87.60 MMbbls), 11.77 MMT (87.28 MMbbls) and 3.07 MMT (22.66 MMbbls) of refined products, respectively. Further, we are in the process of further integrating our operations in other areas, including the establishment of a mega petrochemicals complex and manufacturing facilities for the production of para-xylene and benzene. We are also involved in alternative energy projects, including research and development in shale gas, the development of CBM, a pilot project for UCG, the operation of a wind farm project and exploring the feasibility of establishing a nuclear power project.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our consolidated revenues were, ₹1,070,253.85 million, ₹1,245,440.62 million and ₹ 350,618.97 million, respectively, and our profit after tax was ₹194,035.32 million, ₹ 224,559.32 million and ₹ 54,744.88 million, respectively. Based on the information available on the website of the Bombay Stock Exchange Limited, as of August 18, 2011, we recorded the highest net income (consolidated) among all listed companies in India in Fiscal 2011. We have also been awarded the "Leading Oil and Gas Corporate of the Year" and "Exploration & Production - Company of the Year" for 2009-2010 in the PetroFed Oil and Gas Industry Award 2010 held by the Petroleum Federation of India.

## **Competitive Strengths**

We believe that our historical success and future prospects are directly related to a combination of the following competitive strengths:

### ***Largest crude oil and natural gas reserves, exploration area and production capability among Indian oil and gas companies engaged in exploration and production***

#### ***Reserves***

We have the largest proved reserves in India of any oil and gas company (*Source: HEPA Report 2009-2010, page 66*). We believe that our reserves provide us with an abundant and stable long-term source of hydrocarbons for crude oil and natural gas production.

According to our management estimates, our 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 961.26 MMtoe, 1,426.26 MMtoe and 1,688.29 MMtoe, respectively. These estimates include (i) 758.36 MMtoe, 1,024.74 MMtoe and 1,253.28 MMtoe of 1P, 2P and 3P reserves, respectively, relating to our domestic fields and (ii) 202.90 MMtoe, 401.52 MMtoe and 435.01 MMtoe of 1P, 2P and 3P reserves, respectively, relating to our international fields.

We have appointed independent reserves consultants to audit and estimate certain of our reserves as set forth in Annexures A, B, C, D and E. As of April 1, 2011, the independent reserves consultants' estimates of our 1P, 2P and 3P crude oil and natural gas reserves were 729.03 MMtoe, 1,225.14 MMtoe, and 1,765.32 MMtoe, respectively. Our corresponding management estimates for the audited 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 827.25 MMtoe, 1,211.53 MMtoe and 1,408.37 MMtoe, respectively.

We focus on reserves accretion through pursuing exploration and development activities, and we believe we have maintained a 3P oil and oil equivalent gas ("O+OEG") reserves replacement ratio greater than 1.0 for Fiscal 2011 in our domestic crude oil and natural gas fields based on our management estimates. We believe we will continue to accrete our reserves and increase our production through our extensive proved undeveloped crude oil and natural gas reserves and underexplored sedimentary basins.

#### *Exploration Area*

As of June 30, 2011, we owned and operated nomination blocks covering an aggregate area of approximately 72,444.89 sq.km. and our owned and operated New Exploration Licensing Policy ("NELP") blocks covered an aggregate area of approximately 406,705.00 sq.km. in India. As of July 1, 2010, we owned and operated a pre-NELP block covering an aggregate area of 60 sq.km. (Source: HEPA Report 2009-2010). However, we are currently pursuing a dispute in relation to the pre-NELP area with DGH. We believe that our strong operational capabilities and financial position enable us to pursue these exploration opportunities.

#### *Production*

We were the largest producer of crude oil and natural gas in India in Fiscal 2010 (Source: HEPA Report 2009-2010, page 70). In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total domestic production aggregated 26.46 MMT (198.45 MMbbls), 27.28 MMT (204.60 MMbbls) and 6.75 MMT (50.63 MMbbls) of crude oil, respectively, and 25.59 BCM, 25.32 BCM and 6.16 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our domestic average daily production was approximately 543,699 barrels per day, 560,548 barrels per day and 556,374 barrels per day of crude oil, respectively, and 70.11 MCM per day, 69.37 MCM per day and 67.69 MCM per day of natural gas, respectively. Our domestic production, excluding production from fields operated through joint ventures, represented approximately 73.64% and 48.64% of India's total production of crude oil and natural gas, respectively, in Fiscal 2010. (Source: HEPA Report 2009-2010, page 70).

#### ***Increasing international reserves and production***

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total international production aggregated 6.51 MMT (47.10 MMbbls), 6.77 MMT (48.80 MMbbls) and 1.73 MMT (12.48 MMbbls) of crude oil, respectively, and 2.36 BCM, 2.70 BCM and 0.64 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our international average daily production was approximately 129,041 barrels per day, 133,699 barrels per day and 137,143 barrels per day of crude oil, respectively, and 6.47 MCM per day, 7.40 MCM per day and 7.03 MCM per day of natural gas, respectively. We also focus on international reserves accretion, through independent efforts towards international discoveries, acquisitions, as well as through partnerships and joint ventures in producing assets internationally.

According to our management estimates, our international 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 202.90 MMtoe (comprising 104.56 MMT (756.40 MMbbls) of crude oil and 98.34 BCM of natural gas), 401.52 MMtoe (comprising 256.48 MMT (1846.49 MMbbls) of crude oil and 145.04 BCM of natural gas) and 435.01 MMtoe (comprising 270.46 MMT (1947.65 MMbbls) of crude oil and 164.55 BCM of natural gas), respectively.

Our international reserves are located in various countries, including in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Colombia, Venezuela and Myanmar. As of the date of this Red Herring Prospectus, we held participating interests in 31 projects across 14 countries, comprising nine producing projects, 18 exploration blocks and four development blocks. Internationally, we either own and operate or are members of production sharing consortia, covering an aggregate area of approximately 150,323 sq. km.

#### ***Technological capabilities in sustaining production from mature fields***

We deploy a wide array of secondary recovery, artificial lift, improved oil recovery ("IOR") and enhanced oil recovery ("EOR") techniques and strive to achieve maximum recovery from our crude oil reserves which are derived mainly from mature fields, particularly in India. As part of our reservoir management strategy, we employ these techniques from a relatively early stage in the life of oil fields to maximize our recoveries. We believe these measures have enabled us to arrest the decline in production of our mature domestic fields. We have also entered into a joint venture with The Energy and Resources Institute ("TERI") to combine our technical expertise and

research capabilities in order to further increase the efficiency of our crude oil recovery operations. For further details on our joint venture with TERI, see "History and Certain Corporate Matters" on page 214.

### ***Presence across the hydrocarbon value chain***

We have expanded our traditional strength in exploration and production by enhancing our presence across the hydrocarbon value chain. Our operations include extraction of value added products such as C2, C3, LPG, naphtha, SKO, ATF and HSD from gas and condensate streams. We are also present in downstream refining and marketing operations in India through our subsidiary MRPL, which operates a refinery with an installed capacity of 11.82 MMTPA. We hold a 12.50% equity interest in Petronet LNG Limited, which owns and operates a 10 MMTPA LNG receiving and re-gasification terminal at Dahej. We hold a 28.77% equity interest in Petronet MHB Limited which operates a cross-country petroleum products pipeline that allows the transportation of a variety of finished petroleum oil products from our refinery at Mangalore.

We are also in the process of commissioning a C2+ recovery plant from LNG stream at our Dahej facility and establishing a 1.10 MMTPA capacity mega-petrochemical complex at Dahej SEZ in Gujarat. Our C2+ extraction plant at Dahej and gas processing plant at Hazira will supply feedstock to this petrochemical plant. We are also setting up manufacturing facilities for the production of para-xylene and benzene from MRPL's aromatic streams through a joint venture, ONGC Mangalore Petrochemicals Limited, promoted by us. We are also establishing a 726.6 MW gas-based combined cycle power plant in Tripura through a joint venture, ONGC Tripura Power Company Limited, in which we hold a 49.52% equity stake.

### ***Crude oil and natural gas exploration experience and capabilities***

Since our inception, we have gained substantial exploration, development and production expertise, in particular with respect to the geological conditions in India. We believe that we have accumulated a large collection of raw and proprietary geological data relating to offshore and onshore regions in India, and that such knowledge and database represent a competitive advantage over other foreign and domestic oil and gas companies that compete with us in India for exploration, development and production acreage. In addition, our knowledge and experience in India enables us to attract prospective joint venture and production-sharing partners, which further improves our ability to pursue domestic exploration, development and production opportunities, and to obtain access to advanced technologies and techniques through such joint ventures and production-sharing partners. We also benefit from our skilled workforce and senior management team, who hold significant industry experience.

Our average finding costs and all-in production costs benefit from our low manpower costs, relatively high use of in-house services, utilization of depreciated infrastructure and equipment and effective use of our large base of geological data and expertise. We believe that our cost structure enables us to compete effectively even in an environment of low crude oil prices. We have installed various infrastructure, including drilling and work-over rigs, onshore and offshore production facilities, subsea and land pipelines, gas processing and fractionation facilities, exploration and transport vessels, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India.

We seek to continuously update our existing technology, as well as develop and adopt new and improved technology in exploration, development, production, refining and other areas of our business. Consequently, our research and development institutes form an integral part of our business and are instrumental in providing much of the technological and analytical support and scientific, engineering and technical know-how that are critical to our business. Likewise, our affiliated training institutes provide educational services and skills training to effectively develop our human resources and maintain our competitive edge. We have established several oil and gas research and development institutes, including the Keshava Deva Malaviya Institute of Petroleum Exploration, the Geodata Processing and Interpretation Centre, the Institute of Drilling Technology, the Institute of Reservoir Studies, the Institute of Oil and Gas Production Technology, the Institute of Engineering and Ocean Technology and the Institute of Biotechnology and Geotectonic Studies. These institutes also leverage research through international and national consortia, alliances and joint industry programs.

### **Strategy**

We intend to employ the following strategies to achieve our main objectives of better utilizing our resources and converting our exploration areas into crude oil and natural gas reserves.

### ***Increase our domestic exploration, development and production efforts***

We currently hold 32 deep water NELP blocks and four deep water nomination blocks and we intend to intensify our exploration and development efforts, primarily through expansion of our deep water exploration activities in India. Our deep water program involves the deployment of certain drilling ships and includes the involvement of consultants for geological and geophysical studies, and deep water drilling, technology, testing and completion services. In addition to our deep water program, we intend to increase our efforts to explore existing shallow water offshore basins, as well as explored and unexplored onshore basins and participate in the auction of NELP blocks in the future. In March 2011, the GoI conducted the NELP-IX bidding rounds pursuant to which 34 exploration blocks were offered to public and private sector companies. Our Company submitted bids for 28 blocks. As of the date of this Red Herring Prospectus, the results of the NELP-IX bidding rounds are still awaited. During Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our aggregate expenditure for seismic surveys, exploratory drilling and development drilling was ₹177,388.08 million ₹168,289.55 million and ₹42,557.34 million, respectively.

### ***Improve our oil and gas recovery and gas utilization levels in producing properties***

#### ***Crude Oil***

We seek to implement a number of advanced recovery technologies to redevelop our maturing fields and improve recovery of our crude oil reserves, with the goal of substantially increasing our current recovery rates. These measures include the greater use of extended-reach horizontal drilling, side tracks, in-fill drilling and water injection, as well as technologies using chemical and thermal methods to enhance oil recovery.

We have 21 IOR/EOR and redevelopment schemes in 15 major fields (onshore and offshore) of which, 15 schemes have been completed and six are currently under implementation. As of June 30, 2011, we had spent approximately ₹133,044.50 million on these six IOR/EOR and redevelopment programs and improved and enhanced oil recovery projects, and based on our planned expenditure, we currently expect to incur an estimated amount aggregating approximately ₹69,499.33 million in connection with these schemes currently under implementation. In addition, we also intend to increase the use of various enhanced oil recovery techniques to extend crude oil production plateau periods, mitigate future decline rates and potentially accelerate crude oil production.

#### ***Gas***

We seek to further improve our natural gas utilization through the reduction of gas flaring, principally through the implementation of advanced technology and techniques and the upgrading and expansion of the natural gas distribution network from our gas bearing domestic fields.

### ***Augment international reserves and production***

We intend to increase our production of crude oil, natural gas and other value added products by significantly expanding our international presence

We intend to increasingly focus on joint participation with other international exploration and production companies in producing assets through PSCs. As an example of our continuing efforts to expand internationally, we were awarded a block in Venezuela (Carabobo) and incorporated a joint venture company, PetroCarabobo S.A., in May 2010. In addition to our current international producing assets in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Colombia and Venezuela, we intend to continue to develop our existing blocks in Myanmar, where we have discovered natural gas deposits.

We seek to exploit our existing overseas exploration and production acreage, pursue attractive opportunities to acquire or obtain participation interests in additional assets and obtain exploration and development concessions in various overseas locations. In those geographic areas where we have limited experience and expertise, we intend to structure our investments as joint ventures, alliances or partnerships with entities possessing relevant experience and expertise. Further, we have entered into a non-exclusive framework agreement in December, 2010 with Sistema JSFC ("Sistema"), a major diversified industrial group of Russia, to explore the possibilities of jointly studying and participating in attractive oil and gas assets in Russia and in other countries. For further details, see "History and Certain Corporate Matters" on page 214.



### ***Capture value through forward integration***

We intend to pursue a strategy of forward integration in order to diversify our sources of revenue. We believe this strategy will enable us to maximize revenue from our crude oil and natural gas production by adding and extracting value through petrochemical feedstock and expanding into downstream sectors such as refining, processing, distribution and retailing. We are present in downstream refining and marketing operations in India through our subsidiary MRPL, located in Mangalore. In addition, we intend to enhance our presence in downstream businesses by processing a greater proportion of low price, high sulphur/high acid heavy crude oil, producing value-added products such as polypropylene (through the establishment of a modern petro-fluid catalytic cracking ("PFCC") unit) and sulphur (through the establishment of a sulphur recovery unit ("SRU")). We are also in the process of establishing a 1.10 MMTPA capacity mega-petrochemical complex in the Dahej SEZ in Gujarat; an aromatic complex in the Mangalore SEZ and setting up single point mooring ("SPM") facilities to enable receipt of crude oil from very large crude carrier tankers and improving our distribution network. We further intend to monetize our gas reserves where there is no market for gas, by setting up a gas-based power plant in Tripura.

### ***Continue to maintain high environment and safety standards***

Our commitment towards safe operations and safeguarding the environment are recognized through the following awards we have received since 2007:

- Safety Innovation Award 2010 in the Oil and Gas Sector, awarded by the Institution of Engineers of India in December 2010;
- Oil Industry Safety Award in Fiscal 2010 awarded by the Oil Industry Safety Directorate, MoPNG; and
- National Safety Award in the Mines Category in Fiscal 2008.

In addition, we have also received quality, health, safety and environment certificates from Indian Register Quality Systems, a certified body from the National Accreditation Board for Certification Bodies, including for the fields in the Cambay and Cauvery basin. As such, all our installations are QHSE certified against the quality, health, safety and environment (QHSE) standards. We also have crisis management teams that are responsible for managing crisis situations resulting from our operations.

We continue to strive to maintain high standards of occupational health, safety and environmental protection. Due to the nature of our operations, we intend to continue conducting internal and external audits to ensure compliance with health, safety and environmental protection norms, and to maintain effective waste prevention and reduction capabilities.

### ***Focus on non-conventional energy***

We continue to focus on non-conventional energy sources, including coal-bed methane ("CBM"), underground coal gasification ("UCG"), shale gas and gas hydrate, as well as renewable energy sources such as wind power. We commenced non-commercial CBM production from our pilot project in Jharkhand in January 2010 and discovered shale gas in the Damodar Valley in Jharkhand in January 2011. We discovered uranium deposits at certain of our crude oil and natural gas fields while drilling for hydrocarbons and we have entered into a memorandum of understanding with Uranium Corporation of India Limited ("UCIL") on November 11, 2008 in order to cooperate in the commercial exploration and production of uranium. We have set up a steering committee with UCIL to devise and monitor a joint work plan. We are also exploring the feasibility of establishing a nuclear power project and have had preliminary discussions with the Nuclear Power Corporation of India Limited in this regard.

The Institute of Reservoir Studies, one of our institutes, entered into a memorandum of understanding with Skochinsky Institute of Mining Moscow, Russia in December 2004 to pursue UCG. We believe that UCG will contribute to further diversification of our alternative energy operations and alternative sources of revenue. Further, we have entered into a memorandum of understanding with Gujarat Industries Power Company Limited in October 2005 to cooperate in the services, operations, development and research related to the UCG process as well as the production of gas, transportation, marketing and distribution operations in various areas.

For risks relating to our business, please refer to "Risk Factors" on page 20.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our unaudited with limited review standalone and consolidated financial statements as of and for the three months ended June 30, 2011, unaudited with limited review standalone statement of profit and loss for the three months ended June 30, 2010, and audited standalone and consolidated financial statements as of and for the years ended March 31, 2011 and 2010. These financial statements are presented in the section titled “Financial Information - *Financial Statements*” beginning on page 258. The summary financial information presented below should be read in conjunction with the standalone and consolidated financial statements of the Company, the significant accounting policies, notes to accounts and annexures thereto, and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 258 and 423.

### SUMMARY OF STANDALONE STATEMENT OF ASSETS AND LIABILITIES

(₹ in million)

|                                                                | Three months ended<br>30th June, 2011<br>(Unaudited with Limited<br>Review) | As at 31st<br>March,<br>2011 (Audited) | As at 31 <sup>st</sup> March,<br>2010 (Audited) |
|----------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------|
| <b>A. Fixed Assets</b>                                         |                                                                             |                                        |                                                 |
| Gross Block                                                    | 834,446.35                                                                  | 809,385.98                             | 715,537.79                                      |
| Less: Depreciation and Impairment                              | 638,488.99                                                                  | 622,990.53                             | 559,052.77                                      |
| <b>Net Block</b>                                               | <b>195,957.36</b>                                                           | <b>186,395.45</b>                      | <b>156,485.02</b>                               |
| <b>B. Capital work in progress</b>                             | <b>138,710.79</b>                                                           | <b>140,315.69</b>                      | <b>102,413.54</b>                               |
| <b>C. Producing Properties</b>                                 |                                                                             |                                        |                                                 |
| Gross Cost                                                     | 948,504.68                                                                  | 930,522.72                             | 843,112.16                                      |
| Less: Depletion and Impairment                                 | 509,012.92                                                                  | 494,766.15                             | 440,290.04                                      |
| <b>Net Producing Properties</b>                                | <b>439,491.76</b>                                                           | <b>435,756.57</b>                      | <b>402,822.12</b>                               |
| <b>D. Exploratory &amp; Development wells in Progress</b>      | <b>83,456.78</b>                                                            | <b>77,472.12</b>                       | <b>55,496.83</b>                                |
| <b>E. Investments</b>                                          | <b>58,629.31</b>                                                            | <b>53,328.38</b>                       | <b>57,720.33</b>                                |
| <b>F. Current Assets, Loans and Advances</b>                   |                                                                             |                                        |                                                 |
| Inventories                                                    | 43,011.16                                                                   | 41,189.84                              | 46,785.72                                       |
| Sundry Debtors                                                 | 36,909.18                                                                   | 38,458.98                              | 30,586.37                                       |
| Cash and Bank Balances                                         | 186,139.10                                                                  | 143,310.46                             | 108,279.29                                      |
| Deposit with Scheduled Bank under Site restoration Fund Scheme | 81,182.00                                                                   | 81,155.06                              | 74,031.06                                       |
| Loans and Advances                                             | 259,707.99                                                                  | 273,566.54                             | 271,697.74                                      |
| Other Current Assets                                           | 12,501.53                                                                   | 8,755.18                               | 6,333.05                                        |
| <b>Total</b>                                                   | <b>619,450.96</b>                                                           | <b>586,436.06</b>                      | <b>537,713.23</b>                               |
| <b>G. Loan Fund</b>                                            |                                                                             |                                        |                                                 |
| Unsecured Loans                                                | 1,131.14                                                                    | 0.00                                   | 49.75                                           |
| <b>H. Current Liabilities and Provisions</b>                   |                                                                             |                                        |                                                 |
| Current Liabilities                                            | 200,616.11                                                                  | 188,148.86                             | 120,875.63                                      |
| Provisions                                                     | 50,631.27                                                                   | 49,324.86                              | 74,124.02                                       |
| <b>I. Deferred Tax Liabilities (Net)</b>                       | <b>97,039.31</b>                                                            | <b>99,503.94</b>                       | <b>89,182.13</b>                                |
| <b>J. Liability for Abandonment Cost</b>                       | <b>177,793.91</b>                                                           | <b>175,642.55</b>                      | <b>164,006.68</b>                               |
| <b>Total</b>                                                   | <b>527,211.74</b>                                                           | <b>512,620.21</b>                      | <b>448,238.21</b>                               |
| <b>K. Net Worth (A+B+C+D+E+F-G-H-I-J)</b>                      | <b>1,008,485.22</b>                                                         | <b>967,084.06</b>                      | <b>864,412.86</b>                               |
| <b>Net Worth Represented by</b>                                |                                                                             |                                        |                                                 |
| <b>L. Share Capital</b>                                        | <b>42,777.59</b>                                                            | <b>42,777.59</b>                       | <b>21,388.87</b>                                |
| <b>M. Reserves and Surplus</b>                                 |                                                                             |                                        |                                                 |
| Capital Reserve                                                | 159.44                                                                      | 159.44                                 | 159.44                                          |
| Deferred Government Grant                                      | 33.76                                                                       | 34.73                                  | 39.45                                           |
| Securities Premium                                             | 0.00                                                                        | 0.00                                   | 168.12                                          |
| Insurance Reserves                                             | 0.00                                                                        | 0.00                                   | 2,500.00                                        |
| General Reserves                                               | 932,072.55                                                                  | 932,072.55                             | 848,569.86                                      |
| Profit and Loss Account                                        | 40,948.98                                                                   | 0.00                                   | 0.28                                            |
| <b>Total</b>                                                   | <b>973,214.73</b>                                                           | <b>932,266.72</b>                      | <b>851,437.15</b>                               |

|                                                                           | Three months ended<br>30th June, 2011<br>(Unaudited with Limited<br>Review) | As at 31st<br>March,<br>2011 (Audited) | As at 31 <sup>st</sup> March,<br>2010 (Audited) |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------|
| <b>N. Less: Miscellaneous Expenditure (to the extent not written-off)</b> | <b>7,507.10</b>                                                             | <b>7,960.25</b>                        | <b>8,413.16</b>                                 |
| <b>O. Net Worth (L+M-N)</b>                                               | <b>1,008,485.22</b>                                                         | <b>967,084.06</b>                      | <b>864,412.86</b>                               |

The above statement should be read with the significant accounting policies and notes to accounts in “Financial Information - Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexures XXXII and XXXIII A & B” on pages 288, 293 and 314 respectively.

#### SUMMARY OF STANDALONE PROFIT AND LOSS ACCOUNT

(₹ in million)

|                                                                 | Three months<br>ended 30 <sup>th</sup> June,<br>2011 (Unaudited<br>with Limited<br>Review) | Three months<br>ended 30 <sup>th</sup> June,<br>2010 (Unaudited<br>with Limited<br>Review) | Year ended 31 <sup>st</sup><br>March, 2011<br>(Audited) | Year ended 31 <sup>st</sup><br>March, 2010<br>(Audited) |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| <b>Income</b>                                                   |                                                                                            |                                                                                            |                                                         |                                                         |
| Gross Sales                                                     | 162,680.88                                                                                 | 137,106.69                                                                                 | 661,548.77                                              | 602,048.19                                              |
| Less: Excise Duty                                               | 691.25                                                                                     | 448.30                                                                                     | 3,098.80                                                | 2,185.42                                                |
| Net Sales                                                       | <b>161,989.63</b>                                                                          | <b>136,658.39</b>                                                                          | <b>658,449.97</b>                                       | <b>599,862.77</b>                                       |
| Other Income                                                    | 9,299.24                                                                                   | 4,979.88                                                                                   | 59,007.70                                               | 41,866.86                                               |
| <b>Total</b>                                                    | <b>171,288.87</b>                                                                          | <b>141,638.27</b>                                                                          | <b>717,457.67</b>                                       | <b>641,729.63</b>                                       |
| <b>Expenditure</b>                                              |                                                                                            |                                                                                            |                                                         |                                                         |
| (Increase)/Decrease in Stock                                    | (705.12)                                                                                   | (923.32)                                                                                   | (129.11)                                                | (1,180.38)                                              |
| Purchases                                                       | 6.43                                                                                       | 43.36                                                                                      | 138.35                                                  | 139.31                                                  |
| Production, Transportation., Selling & Distribution Expenditure | 69,401.93                                                                                  | 56,332.40                                                                                  | 275,300.61                                              | 243,199.46                                              |
| Depreciation, Depletion, Amortiasation and Impairment           | 41,217.88                                                                                  | 31,115.40                                                                                  | 159,256.53                                              | 146,431.88                                              |
| Financing Cost                                                  | 40.05                                                                                      | 27.63                                                                                      | 251.07                                                  | 144.23                                                  |
| Provisions and Write-Offs                                       | 616.34                                                                                     | 82.30                                                                                      | 6,114.27                                                | 2,974.01                                                |
| Adjustments relating to Prior period (Net)                      | 7.02                                                                                       | 126.57                                                                                     | 336.25                                                  | 182.69                                                  |
| <b>Total</b>                                                    | <b>110,584.53</b>                                                                          | <b>86,804.34</b>                                                                           | <b>441,267.97</b>                                       | <b>391,891.20</b>                                       |
| <b>Profit before Tax &amp; Extra Ordinary items</b>             | <b>60,704.34</b>                                                                           | <b>54,833.93</b>                                                                           | <b>276,189.70</b>                                       | <b>249,838.43</b>                                       |
| Extraordinary Items                                             | -                                                                                          | -                                                                                          | -                                                       | -                                                       |
| <b>Profit before Tax</b>                                        | <b>60,704.34</b>                                                                           | <b>54,833.93</b>                                                                           | <b>276,189.70</b>                                       | <b>249,838.43</b>                                       |
| Provisions for Taxation                                         |                                                                                            |                                                                                            |                                                         |                                                         |
| Current Tax (incl. Wealth Tax)                                  | 22,220.00                                                                                  | 18,256.00                                                                                  | 81,226.00                                               | 71,202.50                                               |
| Earlier years                                                   | -                                                                                          | -                                                                                          | (4,517.94)                                              | (199.41)                                                |
| Deferred Tax                                                    | (2,464.64)                                                                                 | (33.47)                                                                                    | 10,321.82                                               | 11,159.78                                               |
| Fringe benefit tax                                              | -                                                                                          | -                                                                                          | (80.20)                                                 | 0.00                                                    |
| <b>Profit after Tax as per Audited / Reviewed Accounts</b>      | <b>40,948.98</b>                                                                           | <b>36,611.40</b>                                                                           | <b>189,240.02</b>                                       | <b>167,675.56</b>                                       |
| Surplus at the beginning                                        | -                                                                                          | -                                                                                          | 0.28                                                    | 0.13                                                    |

|                                                                                                    | Three months ended 30 <sup>th</sup> June, 2011 (Unaudited with Limited Review) | Three months ended 30 <sup>th</sup> June, 2010 (Unaudited with Limited Review) | Year ended 31 <sup>st</sup> March, 2011 (Audited) | Year ended 31 <sup>st</sup> March, 2010 (Audited) |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Balance available for Appropriation</b>                                                         | <b>40,948.98</b>                                                               | <b>36,611.40</b>                                                               | <b>189,240.30</b>                                 | <b>167,675.69</b>                                 |
| <b>Appropriations</b>                                                                              |                                                                                |                                                                                |                                                   |                                                   |
| Proposed Dividend                                                                                  | -                                                                              | -                                                                              | 6,416.62                                          | 32,083.09                                         |
| Interim Dividend                                                                                   | -                                                                              | -                                                                              | 68,443.92                                         | 38,499.71                                         |
| Tax on Dividend                                                                                    | -                                                                              | -                                                                              | 12,156.46                                         | 11,615.61                                         |
| Transfer to General Reserves                                                                       | -                                                                              | -                                                                              | 102,223.30                                        | 85,477.00                                         |
| Balance Carried to Balance Sheet                                                                   | <b>40,948.98</b>                                                               | <b>36,611.40</b>                                                               | -                                                 | <b>0.28</b>                                       |
| <b>Earnings per Equity Share - Basic and Diluted (Restated) (₹)</b><br>(Face Value ₹ 5/-Per Share) | 4.79                                                                           | 4.28                                                                           | 22.12                                             | 19.60                                             |

The above statement should be read with the significant accounting policies and notes to accounts in “Financial Information - *Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexures XXXII and XXXIII A & B*” on pages 288, 293 and 314 respectively.

## SUMMARY OF STANDLAONE CASH FLOW

(in ₹ millions)

|                                                                                | Three Months Ended 30 <sup>th</sup><br>June, 2011 | Year Ended                                | Year Ended                    |
|--------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|-------------------------------|
|                                                                                | (Unaudited with Limited<br>Review)                | 31 <sup>st</sup> March, 2011<br>(Audited) | 31st March, 2010<br>(Audited) |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                                 |                                                   |                                           |                               |
| Net Profit before tax and extraordinary items                                  | 60,704.34                                         | 276,189.70                                | 249,838.43                    |
| Adjustments For:                                                               |                                                   |                                           |                               |
| Prior Period Items                                                             | 7.02                                              | 336.25                                    | 182.69                        |
| Recouped Costs<br>(Represented by Depreciation, Depletion<br>and Amortisation) |                                                   |                                           |                               |
| Gross Amount                                                                   | 41,217.88                                         | 159,256.53                                | 146,431.88                    |
| Actual expenditure                                                             | (22,854.46)                                       | (82,489.65)                               | (88,181.19)                   |
| Non-cash Recouped Costs                                                        | 18,363.42                                         | 76,766.88                                 | 58,250.69                     |
| -Interest on Borrowings                                                        | 40.05                                             | 251.07                                    | 144.23                        |
| - Foreign Exchange Loss/(Gain)                                                 | 176.02                                            | 520.55                                    | (1,948.82)                    |
| -Provision for Leave Encashment                                                | 609.85                                            | 2,246.13                                  | 507.46                        |
| -Provision for AS-15 Benefits                                                  | 708.72                                            | 2,834.85                                  | 1,510.22                      |
| -Other Provision and Write offs                                                | 571.60                                            | 5,620.80                                  | 2,340.11                      |
| -Interest Income                                                               | (6,766.73)                                        | (19,671.73)                               | (18,261.96)                   |
| -Excess Liability written Back                                                 | (248.06)                                          | (727.89)                                  | (913.03)                      |
| -Deferred Government Grant                                                     | (0.97)                                            | (4.72)                                    | (5.29)                        |
| -Dividend Income                                                               | (400.26)                                          | (5,527.71)                                | (3,263.20)                    |
|                                                                                | 13,060.66                                         | 62,644.48                                 | 38,543.10                     |
| Operating Profit before Working Capital<br>Changes                             | 73,765.00                                         | 338,834.18                                | 288,381.53                    |
| Adjustments for:-                                                              |                                                   |                                           |                               |
| -Debtors                                                                       | 848.86                                            | (9,418.61)                                | 10,573.29                     |
| -Loans and Advances                                                            | (4,615.71)                                        | (537.77)                                  | (13,664.46)                   |
| -Other Current Assets                                                          | 1,069.79                                          | (1,346.84)                                | (22.85)                       |
| -Deferred Revenue Expenditure                                                  | 453.15                                            | 452.91                                    | (2,641.23)                    |
| -Inventories                                                                   | (1,848.72)                                        | 5,644.48                                  | (6,417.00)                    |
| -Trade Payable and Other Liabilities                                           | 12,722.53                                         | 67,682.28                                 | (16,443.72)                   |
|                                                                                | 8,629.90                                          | 62,476.45                                 | (28,615.97)                   |
| Cash generated from Operations                                                 | 82,394.90                                         | 401,310.63                                | 259,765.56                    |
| Direct Taxes Paid (Net of tax refund)                                          | (8,211.40)                                        | (73,422.81)                               | (55,813.76)                   |
| Cash Flow before prior period                                                  | 74,183.50                                         | 327,887.82                                | 203,951.80                    |
| Prior period items (Cash items)                                                | (5.08)                                            | (319.36)                                  | (71.70)                       |
| <b>Net Cash Flow from Operating Activities 'A'</b>                             | <b>74,178.42</b>                                  | <b>327,568.46</b>                         | <b>203,880.10</b>             |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                                 |                                                   |                                           |                               |
| Purchase of Fixed Assets (Net)                                                 | (24,612.39)                                       | (137,715.89)                              | (90,495.70)                   |
| Exploratory and Development Drilling                                           | (9,320.84)                                        | (51,255.96)                               | (49,080.08)                   |
| Sale/(Purchase) of Investments                                                 | (5,300.92)                                        | 5,316.44                                  | (6,817.12)                    |
| Advance for Share Capital                                                      | (230.00)                                          | (6,682.99)                                | (5,983.75)                    |
| Investment in Associates                                                       | -                                                 | (958.50)                                  | -                             |
| Loans and advances to Subsidiary                                               | 5,245.78                                          | (10,245.43)                               | (5,378.41)                    |
| Loans to Public Sector Undertakings and Other<br>Bodies Corporate              | 88.36                                             | 340.04                                    | 320.60                        |
| Deposit with Public Sector Undertakings                                        | -                                                 | 15,000.00                                 | 5,000.00                      |
| Dividend Received from Subsidiary                                              | -                                                 | 1,506.42                                  | 1,506.42                      |

|                                                                 | Three Months Ended 30 <sup>th</sup><br>June, 2011 | Year Ended                                | Year Ended                    |
|-----------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|-------------------------------|
|                                                                 | (Unaudited with Limited<br>Review)                | 31 <sup>st</sup> March, 2011<br>(Audited) | 31st March, 2010<br>(Audited) |
| Dividend Received from Associates                               | -                                                 | -                                         | 24.50                         |
| Dividend Received from Others                                   | 400.26                                            | 4,021.29                                  | 1,732.28                      |
| Interest Received                                               | 1,950.64                                          | 18,917.65                                 | 25,451.04                     |
| Tax paid on Interest Income                                     | (634.82)                                          | (6,430.11)                                | (8,650.81)                    |
| <b>Net Cash Flow from Investing Activities 'B'</b>              | <b>(32,413.93)</b>                                | <b>(168,187.04)</b>                       | <b>(132,371.03)</b>           |
| <b>C. CASH FLOW FROM FINANCING<br/>ACTIVITIES:</b>              |                                                   |                                           |                               |
| Repayment of Long term Borrowings                               | 1,131.14                                          | (49.75)                                   | (217.60)                      |
| Dividend Paid                                                   | -                                                 | (100,481.31)                              | (68,422.98)                   |
| Tax on Dividend                                                 | -                                                 | (16,444.12)                               | (11,376.03)                   |
| Interest Paid                                                   | (40.05)                                           | (251.07)                                  | (144.23)                      |
| <b>Net Cash Flow from Financing Activities 'C'</b>              | <b>1,091.09</b>                                   | <b>(117,226.25)</b>                       | <b>(80,160.84)</b>            |
| Net increase/(decrease) in Cash and<br>Cash Equivalents (A+B+C) | <b>42,855.58</b>                                  | <b>42,155.17</b>                          | <b>(8,651.77)</b>             |
| Opening Balance Cash and Cash Equivalents                       | 224,465.52                                        | 182,310.35                                | 190,962.12                    |
| Closing Balance Cash and Cash Equivalents                       | <b>267,321.10</b>                                 | <b>224,465.52</b>                         | <b>182,310.35</b>             |
|                                                                 | <b>42,855.58</b>                                  | <b>42,155.17</b>                          | <b>(8,651.77)</b>             |

Notes:

- 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.
- 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.
- Cash and Cash equivalents represent:-

|                                                            | Three Months<br>ended 30 <sup>th</sup> June, 2011 | 2010-11           | 2009-10           |
|------------------------------------------------------------|---------------------------------------------------|-------------------|-------------------|
| a) Cash and Bank Balances                                  | 186,139.10                                        | 143,310.46        | 108,279.29        |
| b) Deposits with Bank under Site Restoration Fund Scheme * | 81,182.00                                         | 81,155.06         | 74,031.06         |
| <b>Total</b>                                               | <b>267,321.10</b>                                 | <b>224,465.52</b> | <b>182,310.35</b> |

- Brackets indicate cash outflow/ deduction.
- Previous year figures have been re-grouped/re-classified wherever necessary to confirm to the current periods presentation.

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

# SUMMARY OF CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(₹ in millions)

|                                                                 | Three months<br>ended 30 <sup>th</sup> June,<br>2011<br>(Unaudited with<br>Limited Review) | As at 31 <sup>st</sup> March,<br>2011<br>(Audited) | As at 31 <sup>st</sup> March,<br>2010<br>(Audited) |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <b>A. Goodwill on Consolidation</b>                             |                                                                                            |                                                    |                                                    |
| Gross                                                           | 109,838.22                                                                                 | 109,769.68                                         | 110,742.82                                         |
| Less: Amortisation                                              | 21,126.48                                                                                  | 19,841.11                                          | 15,357.36                                          |
| <b>Net</b>                                                      | <b>88,711.74</b>                                                                           | <b>89,928.57</b>                                   | <b>95,385.46</b>                                   |
| <b>B. Fixed Assets</b>                                          |                                                                                            |                                                    |                                                    |
| Gross Block                                                     | 1,025,167.61                                                                               | 999,484.10                                         | 901,926.40                                         |
| Less: Depreciation & Impairment                                 | 751,447.33                                                                                 | 730,833.46                                         | 658,164.47                                         |
| <b>Net Block</b>                                                | <b>273,720.28</b>                                                                          | <b>268,650.64</b>                                  | <b>243,761.93</b>                                  |
| <b>C. Capital work in progress (Net)</b>                        | <b>293,796.26</b>                                                                          | <b>273,786.29</b>                                  | <b>176,013.47</b>                                  |
| <b>D. Producing Properties</b>                                  |                                                                                            |                                                    |                                                    |
| Gross Cost                                                      | 1,196,393.29                                                                               | 1,170,870.96                                       | 1,031,074.13                                       |
| Less Depletion & impairment                                     | 619,425.35                                                                                 | 598,974.63                                         | 519,409.15                                         |
| <b>Net Producing Properties</b>                                 | <b>576,967.94</b>                                                                          | <b>571,896.33</b>                                  | <b>511,664.98</b>                                  |
| <b>E. Exploratory &amp; Development wells in Progress (Net)</b> | <b>111,887.54</b>                                                                          | <b>102,378.94</b>                                  | <b>80,124.91</b>                                   |
| <b>F. Investments</b>                                           | <b>49,136.70</b>                                                                           | <b>33,560.97</b>                                   | <b>51,593.14</b>                                   |
| <b>G. Deferred Tax Assets</b>                                   | <b>235.42</b>                                                                              | <b>238.20</b>                                      | <b>164.69</b>                                      |
| <b>H. Current Assets, Loans and Advances</b>                    |                                                                                            |                                                    |                                                    |
| Inventories                                                     | 86,762.71                                                                                  | 85,675.65                                          | 82,401.43                                          |
| Sundry Debtors                                                  | 104,208.21                                                                                 | 97,723.85                                          | 71,423.52                                          |
| Cash and Bank Balances                                          | 302,176.54                                                                                 | 205,620.14                                         | 149,702.47                                         |
| Deposit with Bank under Site Restoration Fund scheme            | 81,828.78                                                                                  | 81,262.48                                          | 74,138.43                                          |
| Loans and Advances                                              | 107,335.25                                                                                 | 109,905.74                                         | 120,566.90                                         |
| Other Current Assets                                            | 13,680.92                                                                                  | 9,129.88                                           | 7,456.63                                           |
| <b>Total</b>                                                    | <b>695,992.41</b>                                                                          | <b>589,317.74</b>                                  | <b>505,689.38</b>                                  |
| <b>I. Loan Fund</b>                                             |                                                                                            |                                                    |                                                    |
| Secured Loans                                                   | 6,685.56                                                                                   | 7,005.86                                           | 6,959.27                                           |
| Unsecured Loans                                                 | 59,549.80                                                                                  | 55,906.47                                          | 55,709.98                                          |
| <b>J. Current Liabilities and Provisions</b>                    |                                                                                            |                                                    |                                                    |
| Current Liabilities                                             | 438,235.68                                                                                 | 340,365.98                                         | 226,818.90                                         |
| Provisions                                                      | 52,401.02                                                                                  | 50,880.40                                          | 75,157.72                                          |
| <b>K. Deferred Tax Liability</b>                                | <b>108,620.92</b>                                                                          | <b>111,764.56</b>                                  | <b>103,076.90</b>                                  |
| <b>L. Liability for Abandonment Cost</b>                        | <b>200,863.29</b>                                                                          | <b>198,503.71</b>                                  | <b>174,590.37</b>                                  |
| <b>M. Minority Interest</b>                                     | <b>20,988.96</b>                                                                           | <b>20,018.84</b>                                   | <b>16,431.65</b>                                   |
| <b>Total</b>                                                    | <b>887,345.23</b>                                                                          | <b>784,445.82</b>                                  | <b>658,744.79</b>                                  |
| <b>N. Net Worth (A+B+C+D+E+F+G+H-I-J-K-L-M)</b>                 | <b>1,203,103.06</b>                                                                        | <b>1,145,311.86</b>                                | <b>1,005,653.17</b>                                |
| <b>Net Worth Represented by</b>                                 |                                                                                            |                                                    |                                                    |
| <b>O. Share Capital</b>                                         | <b>42,777.59</b>                                                                           | <b>42,777.59</b>                                   | <b>21,388.87</b>                                   |
| <b>P. Reserves and Surplus</b>                                  |                                                                                            |                                                    |                                                    |
| Capital Reserve                                                 | 1,009.36                                                                                   | 1,008.91                                           | 1,015.06                                           |
| Deferred Government Grant                                       | 33.76                                                                                      | 34.73                                              | 39.45                                              |
| Securities Premium                                              | 144.33                                                                                     | 144.33                                             | 312.45                                             |
| Capital Redemption Reserve                                      | 0.09                                                                                       | 0.09                                               | 0.09                                               |
| Insurance Reserves                                              | 0.00                                                                                       | 0.00                                               | 2,500.00                                           |
| General Reserves                                                | 961,470.09                                                                                 | 961,469.23                                         | 875,394.22                                         |
| Foreign Exchange Translation Reserve                            | 659.79                                                                                     | (1,933.82)                                         | (4,115.28)                                         |
| Debenture Redemption Reserve                                    | 6,535.79                                                                                   | 5,461.83                                           | 1,154.19                                           |

|                                                                           | Three months<br>ended 30 <sup>th</sup> June,<br>2011<br>(Unaudited with<br>Limited Review) | As at 31 <sup>st</sup> March,<br>2011<br>(Audited) | As at 31 <sup>st</sup> March,<br>2010<br>(Audited) |
|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Profit and Loss Account                                                   | 197,979.61                                                                                 | 144,309.55                                         | 116,377.36                                         |
| <b>Total</b>                                                              | <b>1,167,832.82</b>                                                                        | <b>1,110,494.85</b>                                | <b>992,677.54</b>                                  |
| <b>Q. Less: Miscellaneous Expenditure (to the extent not written-off)</b> | <b>7,507.35</b>                                                                            | <b>7,960.58</b>                                    | <b>8,413.24</b>                                    |
| <b>R. Net Worth (O+P-Q)</b>                                               | <b>1,203,103.06</b>                                                                        | <b>1,145,311.86</b>                                | <b>1,005,653.17</b>                                |

The above statement should be read with the significant accounting policies and notes to accounts in “Financial Information - Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexures XXXII A&B and XXXIII A &B” on pages 360, 369, 370 and 400, respectively.

#### SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in millions)

|                                                                              | Three months ended<br>30 <sup>th</sup> June, 2011<br>(Unaudited with<br>Limited Review) | Year ended 31 <sup>st</sup><br>March, 2011<br>(Audited) | Year ended 31 <sup>st</sup><br>March 2010<br>(Audited) |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|
| <b>Income</b>                                                                |                                                                                         |                                                         |                                                        |
| Gross Sales                                                                  | 351,509.60                                                                              | 1,227,685.75                                            | 1,061,688.44                                           |
| Less: Excise Duty                                                            | 12,391.70                                                                               | 51,534.46                                               | 44,142.77                                              |
| Net Sales                                                                    | <b>339,117.90</b>                                                                       | <b>1,176,151.29</b>                                     | <b>1,017,545.67</b>                                    |
| Other Income                                                                 | 11,501.07                                                                               | 69,289.33                                               | 52,708.18                                              |
| <b>Total</b>                                                                 | <b>350,618.97</b>                                                                       | <b>1,245,440.62</b>                                     | <b>1,070,253.85</b>                                    |
| <b>Expenditure</b>                                                           |                                                                                         |                                                         |                                                        |
| (Increase)/Decrease in Stock                                                 | 1,521.91                                                                                | (8,916.91)                                              | (3,728.81)                                             |
| Purchases                                                                    | 0.00                                                                                    | 0.64                                                    | 37.92                                                  |
| Production, Transportation, Selling & distribution Expenditure               | 210,049.60                                                                              | 684,645.19                                              | 571,725.94                                             |
| Depreciation, Depletion, Amortisation & Impairment                           | 51,137.46                                                                               | 206,263.38                                              | 187,188.30                                             |
| Financing Cost                                                               | 796.83                                                                                  | 4,374.43                                                | 5,021.90                                               |
| Provisions and Write-Offs (Net)                                              | 964.66                                                                                  | 15,799.01                                               | 5,995.57                                               |
| Adjustments relating to Prior period (Net)                                   | (3.18)                                                                                  | 111.71                                                  | (400.61)                                               |
| <b>Total</b>                                                                 | <b>264,467.28</b>                                                                       | <b>902,277.45</b>                                       | <b>765,840.21</b>                                      |
| <b>Profit before Tax and Extra Ordinary items</b>                            | <b>86,151.69</b>                                                                        | <b>343,163.17</b>                                       | <b>304,413.64</b>                                      |
| Extraordinary Items                                                          |                                                                                         |                                                         |                                                        |
| <b>Profit before Tax</b>                                                     | <b>86,151.69</b>                                                                        | <b>343,163.17</b>                                       | <b>304,413.64</b>                                      |
| Provisions for Taxations                                                     |                                                                                         |                                                         |                                                        |
| Current Tax (incl. Wealth Tax)                                               | 33,982.99                                                                               | 114,051.32                                              | 95,756.65                                              |
| Earlier years                                                                | 0.00                                                                                    | (7,853.61)                                              | (176.45)                                               |
| Deferred Tax                                                                 | (3,129.08)                                                                              | 8,795.93                                                | 11,557.72                                              |
| Fringe benefit tax                                                           | 0.00                                                                                    | (80.20)                                                 | 0.00                                                   |
| <b>Profit after Taxation</b>                                                 | <b>55,297.78</b>                                                                        | <b>228,249.73</b>                                       | <b>197,275.72</b>                                      |
| Add: Share of Profit/(Loss) in Associate                                     | 2.11                                                                                    | 30.00                                                   | 78.13                                                  |
| Less: Share of Profit/(Loss)-Minority Interest                               | 555.01                                                                                  | 3,720.41                                                | 3,318.53                                               |
| <b>Group Profit after Tax as per audited/ reviewed statement of accounts</b> | <b>54,744.88</b>                                                                        | <b>224,559.32</b>                                       | <b>194,035.32</b>                                      |
| Surplus at the beginning                                                     | 144,309.55                                                                              | 116,377.36                                              | 93,335.23                                              |
| Excess provision for dividend in earlier years                               | -                                                                                       | 1.47                                                    | -                                                      |



|                                                          | Three months ended<br>30 <sup>th</sup> June, 2011<br>(Unaudited with<br>Limited Review) | Year ended 31 <sup>st</sup><br>March, 2011<br>(Audited) | Year ended 31 <sup>st</sup><br>March 2010<br>(Audited) |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|
| Adjustment due to change in holding                      | -                                                                                       | (136.74)                                                | (21.32)                                                |
| <b>Balance available for Appropriations</b>              | <b>199,054.43</b>                                                                       | <b>340,801.41</b>                                       | <b>287,349.23</b>                                      |
| <b>Appropriations</b>                                    |                                                                                         |                                                         |                                                        |
| Proposed Dividend on Equity Shares                       | -                                                                                       | 6,416.62                                                | 32,083.09                                              |
| Tax on Proposed Dividend                                 | -                                                                                       | 1,412.54                                                | 5,705.15                                               |
| Interim Dividend                                         | -                                                                                       | 68,443.92                                               | 38,499.71                                              |
| Tax on Interim Dividend                                  | -                                                                                       | 11,115.52                                               | 6,287.01                                               |
| Capital Redemption Reserve                               | -                                                                                       | -                                                       | -                                                      |
| Transfer to General Reserve                              | 0.86                                                                                    | 104,795.62                                              | 87,242.72                                              |
| Transfer to Debenture Redemption Reserve                 | 1,073.96                                                                                | 4,307.64                                                | 1,154.19                                               |
| <b>Balance Carried to Balance Sheet</b>                  | <b>197,979.61</b>                                                                       | <b>144,309.55</b>                                       | <b>116,377.36</b>                                      |
| <b>Earnings per Equity Share - Basic and Diluted (₹)</b> | <b>6.40</b>                                                                             | <b>26.25</b>                                            | <b>22.68</b>                                           |
| <b>(Face Value ₹5/-Per Share)</b>                        |                                                                                         |                                                         |                                                        |

The above statement should be read with the significant accounting policies and notes to accounts in “Financial Information - *Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexures XXXII A&B and XXXIII A &B*” on pages 360, 369, 370 and 400, respectively.

# SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

(in ₹ millions)

|                                                                                | Three months ended<br>30 <sup>th</sup> June, 2011<br>(Unaudited with<br>Limited Review) | Year Ended                    |                               |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
|                                                                                |                                                                                         | 31st March, 2011<br>(Audited) | 31st March, 2010<br>(Audited) |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                                 |                                                                                         |                               |                               |
| Profit before tax and extraordinary items                                      | 86151.69                                                                                | 343,163.17                    | 304,413.64                    |
| Adjustments For:                                                               |                                                                                         |                               |                               |
| Prior Period Items                                                             | (3.18)                                                                                  | 115.95                        | (400.61)                      |
| Recouped Costs<br>(Represented by Depreciation, Depletion<br>and Amortisation) |                                                                                         |                               |                               |
| Gross Amount                                                                   | 51139.73                                                                                | 206,523.13                    | 187,173.65                    |
| Cash Outflows                                                                  | (24,221.54)                                                                             | (92,995.46)                   | (98,545.32)                   |
|                                                                                | 26918.19                                                                                | 113,527.67                    | 88,628.33                     |
| -Interest on Borrowings                                                        | 780.65                                                                                  | 5,114.64                      | 5,009.44                      |
| - Foreign Exchange Loss/(Gain)                                                 | 258.55                                                                                  | 603.11                        | (1,056.90)                    |
| -Provision for Gratuity                                                        | 2.32                                                                                    | 5.31                          | 25.28                         |
| -Provision for Leave Encashment                                                | 604.04                                                                                  | 2,317.45                      | 533.84                        |
| -Provision for AS-15 Benefits                                                  | 723.03                                                                                  | 2,861.43                      | 1,544.63                      |
| -Provision for Pay Revision                                                    | -                                                                                       | -                             | (116.46)                      |
| -Miscellaneous Expenditure written off                                         | 0.08                                                                                    | 0.30                          | 0.03                          |
| -Profit/Loss on sale of fixed assets                                           | 2.66                                                                                    | 18.42                         | 54.15                         |
| -Lease Income (Net)                                                            | (14.17)                                                                                 | (140.53)                      | -                             |
| -Other Provision and Write offs                                                | 917.35                                                                                  | 15,298.14                     | 5,285.75                      |
| -Interest Income                                                               | (8,075.23)                                                                              | (22,247.78)                   | (17,746.59)                   |
| -Excess Provision written Back                                                 | (249.31)                                                                                | (929.25)                      | (913.03)                      |
| -Deferred Government Grant                                                     | (0.97)                                                                                  | (4.72)                        | (5.29)                        |
| -Dividend Received                                                             | (391.04)                                                                                | (4,260.71)                    | (4,238.87)                    |
| -Profit on sale of investment                                                  | (0.76)                                                                                  | -                             | (9.05)                        |
|                                                                                | 21,472.21                                                                               | 112,279.43                    | 76,594.65                     |
| Operating Profit before Working Capital Changes                                | 107,623.90                                                                              | 455,442.60                    | 381,008.29                    |
| Adjustments for:-                                                              |                                                                                         |                               |                               |
| -Debtors                                                                       | (12,681.09)                                                                             | (33,725.60)                   | 1,091.84                      |
| -Loans and Advances                                                            | (3,524.46)                                                                              | 1,578.18                      | (12,337.85)                   |
| -Other Current Assets                                                          | 1,096.33                                                                                | (1,416.55)                    | (16.98)                       |
| -Deferred Revenue Expenditure/<br>Miscellaneous Expenditure W/off              | 453.15                                                                                  | 452.91                        | (2,641.23)                    |
| -Inventories                                                                   | (1,082.69)                                                                              | (3,925.27)                    | (17,272.75)                   |
| -Trade Payable and Other Liabilities                                           | 95,387.29                                                                               | 106,613.07                    | 14,980.85                     |
|                                                                                | 79,648.53                                                                               | 69,576.74                     | (16,196.12)                   |
| Cash generated from Operations                                                 | 187,272.43                                                                              | 525,019.34                    | 364,812.17                    |
| Direct Taxes Paid (Net of tax refund)                                          | (14,482.00)                                                                             | (105,192.24)                  | (77,483.72)                   |
| Cash Flow before prior period & Extra ordinary Items                           | 172,790.43                                                                              | 419,827.10                    | 287,328.45                    |
| Prior period items                                                             | (16.74)                                                                                 | (28.57)                       | 500.75                        |
| <b>Net Cash Flow from Operating Activities 'A'</b>                             | <b>172,773.69</b>                                                                       | <b>419,798.53</b>             | <b>287,829.20</b>             |

# SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

(in ₹ millions)

|                                                                        | Three months ended<br>30 <sup>th</sup> June, 2011<br>(Unaudited with<br>Limited Review) | Year Ended                    |                               |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
|                                                                        |                                                                                         | 31st March, 2011<br>(Audited) | 31st March, 2010<br>(Audited) |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                         |                                                                                         |                               |                               |
| Purchase of Fixed Assets (Net)                                         | (34,588.57)                                                                             | (196,853.09)                  | (123,123.39)                  |
| Exploratory and Development Drilling                                   | (23,277.78)                                                                             | (80,193.48)                   | (89,407.83)                   |
| Purchase of Investments                                                | (19,212.73)                                                                             | (12,506.82)                   | (31,410.34)                   |
| Sale of Investments                                                    | 3,639.87                                                                                | 32,014.91                     | 14,908.82                     |
| Advance for Share Capital                                              | (115.92)                                                                                | (6,682.99)                    | (5,983.75)                    |
| Loans to Public Sector Undertakings and Other Bodies Corporate         | 88.36                                                                                   | 340.04                        | 320.60                        |
| Deposit with Public Sector Undertakings                                | -                                                                                       | 15,000.00                     | 5,000.00                      |
| Foreign Currency Translation Adjustment                                | 2,524.16                                                                                | (3,306.02)                    | 6,009.95                      |
| Share of Dividend/Profit in Associate Company                          | -                                                                                       | -                             | 24.50                         |
| Investment in Associate Company                                        | 461.53                                                                                  | (958.50)                      | (430.59)                      |
| Project Development/ Preoperative expenditure                          | (2,459.97)                                                                              | (10,118.82)                   | (6,856.02)                    |
| Advance to Sudapet & Carry Finances                                    | (6,248.49)                                                                              | (11.51)                       | 257.17                        |
| Dividend Received from Others                                          | 578.54                                                                                  | 4,260.71                      | 1,595.25                      |
| Interest Received                                                      | 2,456.50                                                                                | 21,511.20                     | 26,727.67                     |
| Tax paid on Interest Income                                            | (681.46)                                                                                | (6,649.43)                    | (8,650.81)                    |
| <b>Net Cash Flow from Investing Activities 'B'</b>                     | <b>(76,835.96)</b>                                                                      | <b>(244,153.80)</b>           | <b>(211,018.77)</b>           |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                         |                                                                                         |                               |                               |
| Proceeds from issue of Share capital                                   | -                                                                                       | -                             | 0.19                          |
| Redemption of Preference Share Capital                                 | (45.93)                                                                                 | -                             | -                             |
| Advance against Equity                                                 | 152.88                                                                                  | 4,095.29                      | 2,874.43                      |
| Proceeds/(Repayment) of Term Loans/ Commercial Papers                  | 3322.69                                                                                 | 400.40                        | (3,038.74)                    |
| Dividend Paid                                                          | -                                                                                       | (101,427.32)                  | (69,377.54)                   |
| Tax on Dividend                                                        | -                                                                                       | (16,471.37)                   | (11,403.91)                   |
| Interest Paid                                                          | (1,038.82)                                                                              | (4,199.66)                    | (1,781.63)                    |
| <b>Net Cash Flow from Financing Activities 'C'</b>                     | <b>2,390.82</b>                                                                         | <b>(117,602.66)</b>           | <b>(82,727.20)</b>            |
| Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)           | <b>98,328.55</b>                                                                        | <b>58,042.07</b>              | <b>(5,916.77)</b>             |
| Cash and Cash Equivalents as at 1st April, 2011 (Opening Balance)      | <b>278,904.24</b>                                                                       | <b>219,966.71</b>             | <b>225,883.48</b>             |
| Add: Other Adjustments to Cash and Cash Equivalents in opening balance | <b>(29.65)</b>                                                                          | <b>895.46*</b>                | -                             |
|                                                                        | <b>278,874.59</b>                                                                       | <b>220,862.17</b>             | <b>225,883.48</b>             |
| Cash and Cash Equivalents as at 30th June, 2011(Closing Balance)       | <b>377,203.14</b>                                                                       | <b>278,904.24</b>             | <b>219,966.71</b>             |
|                                                                        | <b>98,328.55</b>                                                                        | <b>58,042.07</b>              | <b>(5916.77)</b>              |

\* Cash & cash equivalents as on 01.04.2010 includes ₹ 895.46 million on accounts of consolidation of Accounts of Dahej SEZ Ltd for the current period as it was not consolidated in year 2009-10.

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:-

|                                                          |                    | (₹ in million)    |                   |
|----------------------------------------------------------|--------------------|-------------------|-------------------|
|                                                          | 30th June,<br>2011 | 2010-11           | 2009-10           |
| a) Cash and Bank Balances                                | 302,176.54         | 205,620.14        | 149,702.47        |
| b) Deposits with Bank under Site Restoration Fund Scheme | 81,828.78          | 81,262.48         | 74,138.43         |
| Total                                                    | <b>384,005.32</b>  | <b>286,882.62</b> | <b>223,840.90</b> |

4. Cash and Cash equivalent excludes ₹ 6,802.18 million (Previous year 2010-11 ₹ 7,978.38 million and ₹ 3,874.16 million for year 2009-10) in current account /deposit account of interest warrant/ refund accounts, under lien, pledge with banks/Govt. authorities in respect of MRPL.
5. Cash Balance includes ₹ 9,020.35 million share of jointly controlled entities (Previous year ₹ 9,127 million in 2010-11 and ₹ 2,370.84 million for year 2009-10)
6. Brackets indicate cash outflow/ deduction.
7. Previous year figures have been re-grouped/re-classified wherever necessary to confirm to the current periods presentation.

## THE OFFER

|                                                              |  |                                                                                                    |
|--------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------|
| <b>Offer aggregating up to [●] million<sup>(1) (2)</sup></b> |  | 427,774,504 Equity Shares                                                                          |
| <i>Of which</i>                                              |  |                                                                                                    |
| Employee Reservation Portion <sup>(5)</sup>                  |  | 8,553,168 Equity Shares <sup>(4)</sup>                                                             |
| Therefore,                                                   |  |                                                                                                    |
| <b>Net Offer</b>                                             |  | 419,221,336 Equity Shares                                                                          |
| <i>Of which</i>                                              |  |                                                                                                    |
| A) QIB Portion <sup>(3)</sup>                                |  | Up to 209,610,667 Equity Shares <sup>(4)</sup>                                                     |
| <i>Of which</i>                                              |  |                                                                                                    |
| Available for allocation to Mutual Funds only                |  | 10,480,533 Equity Shares <sup>(4)</sup>                                                            |
| Balance for all QIBs including Mutual Funds                  |  | 199,130,134 Equity Shares <sup>(4)</sup>                                                           |
| B) Non-Institutional Portion                                 |  | Not less than 62,883,201 Equity Shares <sup>(4)</sup>                                              |
| C) Retail Portion <sup>(5)</sup>                             |  | Not less than 146,727,468 Equity Shares <sup>(4)</sup>                                             |
| <b>Pre and post-Offer Equity Shares</b>                      |  |                                                                                                    |
| Equity Shares outstanding prior to the Offer                 |  | 8,555,490,120 Equity Shares                                                                        |
| Equity Shares outstanding after the Offer                    |  | 8,555,490,120 Equity Shares                                                                        |
| Use of Offer proceeds                                        |  | See “Objects of the Offer” on page 100. Our Company will not receive any proceeds from this Offer. |

<sup>(1)</sup> The GoI acting through the MoPNG has conveyed its approval for the Offer through its letter (no. G-38011/47/2009-Fin.I) dated August 31, 2010.

<sup>(2)</sup> Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

<sup>(3)</sup> 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Offer Price. For more information, see “Offer Procedure” on page 510.

<sup>(4)</sup> In the event of over-subscription, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

<sup>(5)</sup> The Retail Discount and Employee Discount are being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion respectively, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion bidding at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion bidding at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please see “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.

Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable. Please see the “Offer Procedure” on page 510 for further information including rejection of Bids.

## GENERAL INFORMATION

To further the development of oil and natural gas exploration and mining in India, the Ministry of Natural Resources and Scientific Research, GoI set up the 'Oil and Natural Gas Commission' in 1956 ("**Commission**"). In October 1959, the Commission was converted into a statutory body pursuant to the Oil and Natural Gas Commission Act, 1959 (now repealed). The main functions of the Commission were to plan, promote, organize and implement programmes for development of petroleum resources and the production and sale of petroleum and petroleum products produced by it, and to perform such other functions as the Central Government may, from time to time, assign to it.

Our Company was incorporated under the Companies Act on June 23, 1993 as Oil and Natural Gas Corporation Limited and was granted the certificate of commencement of business on August 10, 1993. Pursuant to the Oil and Natural Gas Commission Act (Transfer of Undertaking and Repeal) Act, 1993, the undertakings of the Commission together with all its assets, movable and immovable properties, contracts, licenses and privileges along with all liabilities and obligations of the Commission in relation to its undertakings stood vested and were transferred to our Company on February 1, 1994. For further details, see "History and Certain Corporate Matters" on page 214.

### Corporate Office of our Company

Tel Bhavan  
Dehradun 248 003  
India  
Telephone: +91 (135) 275 1011  
Facsimile: +91 (135) 275 5298

### Registered Office of our Company

Tower II, Jeevan Bharati Building  
124, Indira Chowk  
New Delhi 110 001  
India  
Telephone: +91 (11) 2331 0156  
Facsimile: +91 (11) 2331 6413

| Details                         | Registration/Identification number |
|---------------------------------|------------------------------------|
| Registration Number             | 55-54155                           |
| Corporate Identification Number | L74899DL 1993GOI054155             |

### Address of the Registrar of Companies

Our Company is registered at the office of:

The Registrar of Companies  
National Capital Territory of Delhi and Haryana  
4<sup>th</sup> Floor, IFCI Tower  
61, Nehru Place  
New Delhi 110 019  
India  
Telephone: +91 (11) 2623 5704  
Facsimile: + 91 (11) 2623 5702

### Board of Directors

| Name, Designation and DIN                                                                                                 | Age | Address                                                              |
|---------------------------------------------------------------------------------------------------------------------------|-----|----------------------------------------------------------------------|
| Mr. A.K Hazarika<br><br><b>Designation:</b> <i>Chairman and Managing Director (Additional Charge); Director (Onshore)</i> | 58  | B-48, Chhota Singh Block<br>Asiad Games Village<br>New Delhi 110 049 |

| <b>Name, Designation and DIN</b>                                                                                     | <b>Age</b> | <b>Address</b>                                                                                               |
|----------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------|
| <b>DIN:</b> 00013302                                                                                                 |            |                                                                                                              |
| Mr. U.N. Bose<br><br><b>Designation:</b> <i>Director (Technology and Field Services)</i><br><br><b>DIN:</b> 00017101 | 58         | R-4, Nehru Enclave, Kalkaji<br>New Delhi 110 019                                                             |
| Mr. D. K Sarraf<br><br><b>Designation:</b> <i>Director (Finance)</i><br><br><b>DIN:</b> 00147870                     | 54         | B- 46 Chhota Singh Block<br>Asiad Games Village<br>New Delhi 110 049                                         |
| Mr. S. Vasudeva<br><br><b>Designation:</b> <i>Director (Offshore)</i><br><br><b>DIN:</b> 01594524                    | 57         | B-1/42, Safdarjung Enclave,<br>New Delhi 110 029                                                             |
| Mr. S.V. Rao<br><br><b>Designation:</b> <i>Director (Exploration)</i><br><br><b>DIN:</b> 03467068                    | 58         | C-1-406, Lok Everest<br>Mulund (West)<br>Mumbai 400 080                                                      |
| Mr. K.S. Jamestin<br><br><b>Designation:</b> <i>Director (HR)</i><br><br><b>DIN:</b> 03535309                        | 57         | B- 45, Chota Singh Block<br>Asiad Games Village<br>New Delhi 110 049                                         |
| Ms. L.M Vas<br><br><b>Designation:</b> <i>Government Nominee Director</i><br><br><b>DIN:</b> 02544627                | 57         | D1/163, Satya Marg<br>Chanakyapuri<br>New Delhi 110 021                                                      |
| Mr. S. Bhargava<br><br><b>Designation:</b> <i>Government Nominee Director</i><br><br><b>DIN:</b> 00247515            | 56         | C-II/106, Satya Marg<br>Chanakayapuri<br>New Delhi 110 021                                                   |
| Mr. S.S Rajsekar<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 00125641                  | 57         | “River Side”, No. 2,<br>River View Road<br>Kotturpuram<br>Chennai 600 085                                    |
| Mr. S. Balachandran<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 01962996               | 65         | D-1/38<br>Ravindra Nagar<br>New Delhi 110 003                                                                |
| Mr. Santosh Nautiyal<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 01127740              | 65         | 1454, ATS Greens Village, Noida-<br>Greater Noida Expressway<br>Sector 93A, Noida<br>Uttar Pradesh – 201 304 |
| Ms. Anita Das                                                                                                        | 62         | C-II/101, Moti Bagh<br>New Delhi 110 021                                                                     |

| <b>Name, Designation and DIN</b>                                                                            | <b>Age</b> | <b>Address</b>                                                                                                              |
|-------------------------------------------------------------------------------------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------|
| <b>Designation:</b> : <i>Independent Director</i><br><br><b>DIN:</b> 02751768                               |            |                                                                                                                             |
| Dr. D. Chandrasekharam<br><br><b>Designation:</b> : <i>Independent Director</i><br><br><b>DIN:</b> 00307736 | 63         | B-135 Central Area<br>Building 21<br>Indian Institute of Technology<br>Mumbai 400 076                                       |
| Mr. Deepak Nayyar<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 00348529        | 64         | 5-B, Friends Colony (West)<br>New Delhi 110 065                                                                             |
| Mr. Arun Ramanathan<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 00308848      | 62         | ‘Shreyas’, 6A, Sixth West Cross Street,<br>Shenoy Nagar,<br>Chennai 600 030                                                 |
| Ms. Usha Thorat<br><br><b>Designation:</b> <i>Independent Director</i><br><br><b>DIN:</b> 00542778          | 61         | Flat No. 3702, Tower IV<br>Strata Planet Godrej,<br>30 KK Marg<br>Sant Gadge Maharaja Chowk,<br>Mahalaxmi<br>Mumbai 400 011 |

For further details, see “Our Management” on page 238.

#### **Company Secretary and Compliance Officer**

Our Company has appointed Mr. N.K. Sinha, the Company Secretary as the compliance officer. His contact details are as follows:

**Mr. N.K Sinha**  
**Oil and Natural Gas Corporation Limited**  
Tower II, Jeevan Bharati Building  
124, Indira Chowk  
New Delhi 110 001  
India  
Telephone: +91 (11) 2331 0878  
Facsimile: +91 (11) 2331 6413  
E-mail: fpo2011@ongc.co.in

Bidders may contact our Company Secretary and Compliance Officer, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allotment or refunds and credit of Equity Shares in the respective beneficiary accounts.

#### **Book Running Lead Managers**

**JM Financial Consultants Private Limited**  
141, Maker Chambers III  
Nariman Point  
Mumbai 400 021  
Maharashtra, India  
Telephone: +91 (22) 6630 3030  
Facsimile: +91 (22) 2204 7185  
Email: ongc.fpo@jmfinancial.in  
Investor Grievance Id.: grievance.ibd@jmfinancial.in  
Website: www.jmfinancial.in



Contact Person: Ms. Lakshmi Lakshmanan  
SEBI Registration No.: INM000010361

**Citigroup Global Markets India Private Limited**

12<sup>th</sup> Floor, Bakhtawar  
Nariman Point  
Mumbai 400 021  
Maharashtra, India.  
Telephone: +91 (22) 6631 9890  
Facsimile: +91 (22) 6646 6366  
Email: [ongc.fpo@citi.com](mailto:ongc.fpo@citi.com)  
Investor Grievance Id.: [investors.cgmb@citi.com](mailto:investors.cgmb@citi.com)  
Website: [www.citibank.co.in](http://www.citibank.co.in) or <http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm>  
Contact Person: Mr. Shashank Pandey  
SEBI Registration No.: INM000010718

**DSP Merrill Lynch Limited**

8<sup>th</sup> Floor, Mafatlal Centre  
Nariman Point  
Mumbai 400 021  
Maharashtra, India  
Telephone: +91 (22) 6632 8000  
Facsimile: +91 (22) 2204 8518  
Email: [ongc.fpo@baml.com](mailto:ongc.fpo@baml.com)  
Investor Grievance Id.: [india\\_merchantbanking@ml.com](mailto:india_merchantbanking@ml.com)  
Website: [www.dspml.com](http://www.dspml.com)  
Contact Person: Mr. N S Shekhar  
SEBI Registration No.: INM000011625

**HSBC Securities and Capital Markets (India) Private Limited**

HSBC Building  
52/ 60 M.G. Road  
Fort, Mumbai 400 001  
Maharashtra, India  
Telephone: +91 (22) 2268 5555  
Facsimile: +91 (22) 2263 1984  
E-mail: [ongcfpo@hsbc.co.in](mailto:ongcfpo@hsbc.co.in)  
Investor Grievance Id.: [investorgrievance@hsbc.co.in](mailto:investorgrievance@hsbc.co.in)  
Website: <http://www.hsbc.co.in/1/2/corporate/equities-global-investment-banking>  
Contact Person: Mr. Gaurav Shimpi  
SEBI registration No.: INM000010353

**Morgan Stanley India Company Private Limited**

18F/19F, One Indiabulls Centre  
Tower 2, 841, Senapati Bapat Marg  
Elphinstone Road  
Mumbai 400 013  
Maharashtra, India  
Telephone: +91 (22) 6118 1000  
Facsimile: +91 (22) 6118 1040  
Email: [ongc\\_fpo@morganstanley.com](mailto:ongc_fpo@morganstanley.com)  
Investor Grievance Id.: [investors\\_india@morganstanley.com](mailto:investors_india@morganstanley.com)  
Website: <http://www.morganstanley.com/indiaofferdocuments>  
Contact Person: Ms. Mayuri Gupta  
SEBI Registration No.: INM000011203

**Nomura Financial Advisory & Securities (India) Private Limited**

Ceejay House, Level 11  
Dr. Annie Besant Road  
Worli, Mumbai 400 018

Maharashtra, India  
Telephone: + 91 (22) 4037 4037  
Facsimile: + 91 (22) 4037 4111  
Email: ongc.fpo-in@nomura.com  
Investor Grievance Id.: investorgrievances-in@nomura.com  
Website: [http://www.nomura.com/asia/services/capital\\_raising/equity.shtml](http://www.nomura.com/asia/services/capital_raising/equity.shtml)  
Contact Person: Ms. Nisha Khetan  
SEBI Registration No.: INM000011419

#### **Syndicate Members**

##### **JM Financial Services Private Limited**

Appejay House, Dinshaw Wacha Road  
Near K.C. College, Churchgate  
Mumbai 400 020  
Maharashtra, India  
Telephone: +91 (22) 6704 0404  
Facsimile: +91 (22) 6654 1511  
E-mail: deepak.vaidya@jmfinancial.in  
tn.kumar@jmfinancial.in  
Website: [www.jmfinancial.in](http://www.jmfinancial.in)  
Contact Persons: Mr. Deepak Vaidya/Mr. T.N. Kumar  
SEBI Registration number: BSE: INB011054831, NSE: INB231054835

##### **HDFC Securities Limited**

8<sup>th</sup> Floor, "I Think" Building  
Jolly Board Campus (Opposite Crompton Greaves Factory)  
Kanjunmarg (East)  
Mumbai 400 042  
Telephone: +91 (22) 3075 3442  
Facsimile: +91 (22) 3075 3435  
Email: sunil.raula@hdfcsec.com/ priya.rushi@hdfcsec.com  
Website: [www.hdfcsec.com](http://www.hdfcsec.com)  
Contact Persons: Mr. Sunil Raula  
SEBI Registration number: BSE: INB011109437; NSE: INB231109431

#### **Domestic Legal Counsel to our Company and the Selling Shareholder**

##### **Luthra & Luthra Law Offices**

103, Ashoka Estate  
24, Barakhambha Road  
New Delhi 110 001  
India  
Telephone: +91 (11) 4121 5100  
Facsimile: +91 (11) 2372 3909

#### **Domestic Legal Advisors to the BRLMs**

##### **Amarchand & Mangaldas & Suresh A. Shroff & Co.**

Amarchand Towers  
216, Okhla Industrial Estate, Phase – III  
New Delhi 110 020  
India  
Telephone: +91 (11) 2692 0500  
Facsimile: +91 (11) 2692 4900

#### **International Legal Counsel to our Company and the Selling Shareholder**

##### **DLA Piper Singapore Pte. Ltd.**

80, Raffles Place

#48-01 UOB Plaza 1  
Singapore 048624  
Telephone: +65 6512 9595  
Facsimile: +65 6512 9500

**International Legal Counsel to the Underwriters**

**Ashurst Hong Kong**

16/F, ICBC Tower  
Citibank Plaza  
3, Garden Road  
Central, Hong Kong  
Telephone: + 852 2846 8989  
Facsimile: +852 2868 0898

**Registrar to the Offer**

**Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West)  
Mumbai 400 078, Maharashtra, India  
Telephone: +91 (22) 2596 0320  
Facsimile: +91 (22) 2594 0329  
Email: [ongc.fpo@linkintime.co.in](mailto:ongc.fpo@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)  
Contact Person: Mr. Sachin Achar  
SEBI Registration No.: INR000004058

All grievances relating to this Offer may be addressed to the Registrar to the Offer quoting the full name of the sole or first Bidder, Bid cum Application Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the Syndicate Member, as the case may be, where the Bid was submitted and cheque or draft number and issuing bank thereof.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB, quoting the full name of the sole or first Bidder, ASBA Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of ASBA Form, name and address of the member of the Syndicate or the Designated Branch, as the case may be, where the ASBA Bid was submitted and ASBA Account number in which the amount equivalent to the Payment Amount was blocked.

**Statutory Auditors of our Company**

**Arun K. Agarwal & Associates**

210 South Extension Plaza 1  
389, Masjid Moth South Extension II  
New Delhi 110 049  
Delhi, India  
Telephone: +91 (11) 2625 1200  
Facsimile: +91 (11) 4603 5037  
Email: [arunagarwal\\_ca@rediffmail.com](mailto:arunagarwal_ca@rediffmail.com)  
Firm Registration No.: 003917N

**Kalyaniwalla & Mistry**

5<sup>th</sup> Floor  
127, M.G Road  
Mumbai, Maharashtra, India  
Telephone: +91 (22) 2267 7640  
Facsimile: +91 (22) 2267 3964  
Email: [eirani@mazars.in](mailto:eirani@mazars.in)  
Firm Registration No.: 104607W

**Ray & Ray**

6 Church Lane  
Kolkata 700 001  
West Bengal, India  
Telephone: +91 (33) 22438562  
Facsimile: +91 (33) 2248 0547  
Email: raynray@vsnl.com  
Firm Registration No.: 301072E

**M Kuppuswamy P S G & Co**

4-H Continental Plaza  
256 Annasalai  
Chennai 600 006  
Tamil Nadu, India  
Telephone: +91 (44) 2829 7168  
Facsimile: +91 (44) 4214 9969  
Email: audit@mkpsg.com  
Firm Registration No.: 001616S

**S. Bhandari & Co**

51 Nariman Bhavan  
5th Floor, Nariman Point  
Mumbai 400 021  
Maharashtra, India  
Telephone: +91 (22) 6633 2098  
Facsimile: +91 (22) 2285 0587  
Email: auditors@sbhandari.co.in  
Firm Registration No.: 000560C

The statutory auditors of our Company for Fiscal 2011, and for the three months ended June 30, 2011, were (a) Arun K Agarwal & Associates, (b) Kalyaniwalla & Mistry, (c) Ray & Ray, (d) M Kuppuswamy PSG & Co., and (e) S. Bhandari & Co. M Kuppuswamy PSG & Co were replaced by Varma & Varma, having their offices at Sreela Terrace, Level 4, Unit D, No. 10, First Main Road, Gandhi Nagar, Adayar, Chennai- 600 020, Tamil Nadu, India, as statutory auditors for Fiscal 2012, who were appointed pursuant to Section 619 (2) of the Companies Act, by the Comptroller and Auditor General of India by letter (No./CA. V/ COY/ Central Government, ONGC (5)/ 55) dated August 18, 2011, subject to conditions mentioned in the said letter with respect to their appointment.

Our Auditors are experts in relation to their reports on the financial information and the statement of tax benefits included in this Red Herring Prospectus.

**Bankers to the Offer and Escrow Collection Banks****Axis Bank Limited**

148, Statesman House  
Barakhamba Road  
New Delhi 110 001  
India  
Telephone: +91 (11) 2331 1043/ 4152 1301  
Facsimile: +91 (11) 2331 1054  
E-mail : newdelhi.branchhead@axisbank.com/  
amit.mishra@axisbank.com /  
ashish.dhall@axisbank.com  
Website: www.axisbank.com  
Contact Person: Mr. Amit Mishra/ Mr. Ashish Dhall  
SEBI Registration No: INBI000000017

**HDFC Bank Limited**

Fig- OPS Department  
Lodha, I-Think Techno Campus  
O-3 level, Next to Kanjunmarg Railway Station  
Kanjunmarg (East)  
Mumbai 400 042  
India  
Telephone: +91 (22) 3075 2928  
Facsimile: +91 (22) 2579 9801  
E-mail : deepak.rane@hdfcbank.com;  
ajit.mann@hdfcbank.com; figdelhi@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Deepak Rane/ Mr. Uday Dixit  
SEBI Registration No : INBI000000063

**ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg  
Mumbai 400 001  
India  
Telephone: +91 (22) 6631 0322/ 6631 0312  
Facsimile: +91 (22) 2261 1138/ 6631 0350  
E-mail : viral.bharani@icicibank.com  
Website: www.icicibank.com  
Contact Person: Mr. Viral Bharani  
SEBI Registration No: INBI000000004

**IndusInd Bank Limited**

CMS- Hub, Solitaire Corporate Park  
No. 1001, Building No. 10, Ground Floor  
Guru Hargovindji Marg  
Andheri East  
Mumbai 400 093  
India  
Telephone: +91 (22) 6772 3943  
Facsimile: +91 (22) 6623 8021  
E-mail : suresh.esaki@indusind.com  
Website: www.Indusind.com  
Contact Person: Mr. Suresh Esaki  
SEBI Registration No: INBI000000002

**Punjab National Bank**

PNB House, II Floor  
Sir. P.M. Road, Fort  
Mumbai 400 001  
India  
Telephone: +91 (22) 2262 1162/ 2262 1163  
Facsimile: +91 (22) 2262 1123  
E-mail: pnbcapsmumbai@pnb.co.in  
Website: www.pnbindia.com  
Contact Person: Shri N.K. Gupta  
SEBI Registration No: INBI 000000084

**The Royal Bank of Scotland N.V.**

Brady House, 14 Veer Nariman Road  
Hornimon Circle, Fort  
Mumbai 400 023  
India  
Telephone: +91 (22) 6658 5858/ 6658 5817/ 6658 5926  
Facsimile: +91 (22) 2204 2673  
E-mail : dhahesh.bachhawat@rbs.com; chaitali nandi@rbs.com  
Website: www.rbs.in  
Contact Person: Mr. Dhanesh Bachawat/ Ms. Chaitali Nandi  
SEBI Registration No: INBI000000968

**Union Bank of India**

Union Bank Bhavan  
239 Vidhan Marg  
Nariman Point  
Mumbai 400 021

**IDBI Bank Limited**

Unit no. 2, Corporate Park  
Sion Trombay Road  
Chembur  
Mumbai 400 071  
India  
Telephone: +91 (22) 6690 8402  
Facsimile: +91 (22) 2528 6173  
E-mail : ipoteam@idbi.co.in  
Website: www.idbibank.com  
Contact Person: Shri M.N. Kamat  
SEBI Registration No: INBI000000076

**Kotak Mahindra Bank**

5th Floor, Daani Corporate Park  
158 CTS Road, Santacruz (East)  
Mumbai 400 098  
India  
Telephone: +91 (22) 6759 5336/ 6605 6631  
Facsimile: +91 (22) 6759 5374  
E-mail : amit.kr@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Amit Kumar  
SEBI Registration No: INBI000000927

**State Bank of India**

Capital Market Branch  
Videocon Heritage (Killic House)  
Ground Floor, Charanjit Rai Marg  
Mumbai 400 001  
India  
Telephone: +91 (22) 2209 4932/ 22094927  
Facsimile: +91 (22) 2209 4921/ 2209 4922  
E-mail : nib.11777@sbi.co.in;  
sbi11777@yahoo.co.in  
Website: www.statebankofindia.com  
Contact Person: Mr. R.K. Prasad  
SEBI Registration No: INBI000000038

**UCO Bank**

D.N. Road Branch (Retail)  
UCO Bank Building  
D.N. Road  
Mumbai 400 023  
India  
Telephone: +91 (22) 4018 0101/ 4018 0105  
Facsimile: +91 (22) 2287 0754  
E-mail : bo.dnroad@mtnl.net.in  
Website: www.ucobank.com  
Contact Person: Mr. C. Palanisamy  
SEBI Registration No : INBI 000000066

**Yes Bank Limited**

2<sup>nd</sup> Floor, Tiecicon House  
Dr. E. Moses Road  
Mahalaxmi  
Mumbai 400 011

India  
Telephone: +91 (11) 2341 4229  
Facsimile: +91 (11) 2341 3686  
E-mail : hkbehra@unionbankofindia.com  
Website: www.unionbankofindia.com  
Contact Person: Mr. H.K. Behera  
SEBI Registration No: INBI00000006

India  
Telephone: +91 (22) 6622 9031  
Facsimile: +91 (22) 2497 4875  
E-mail : dlbtiservices@yesbank.in  
Website: www.yesbank.in  
Contact Person: Mr. Mahesh Shirali  
SEBI Registration No: INBI00000935

### **Refund Banks**

#### **IDBI Bank Limited**

Unit no. 2, Corporate Park  
Sion Trombay Road  
Chembur  
Mumbai 400 071  
India  
Telephone: +91 (22) 6690 8402  
Facsimile: +91 (22) 2528 6173  
E-mail : ipoteam@idbi.co.in  
Website: www.idbibank.com  
Contact Person: Shri M.N. Kamat  
SEBI Registration No: INBI00000076

#### **State Bank of India**

Capital Market Branch  
Videocon Heritage (Killic House)  
Ground Floor, Charanjit Rai Marg  
Mumbai 400 001  
India  
Telephone: +91 (22) 2209 4932/ 22094927  
Facsimile: +91 (22) 2209 4921/ 2209 4922  
E-mail : nib.11777@sbi.co.in; sbi11777@yahoo.co.in  
Website: www.statebankofindia.com  
Contact Person: Mr. R.K. Prasad  
SEBI Registration No: INBI 00000038

#### **ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg  
Mumbai 400 001  
India  
Telephone: +91 (22) 6631 0322/ 6631 0312  
Facsimile: +91 (22) 2261 1138/ 66310350  
E-mail : viral.bharani@icicibank.com  
Website: www.icicibank.com  
Contact Person: Mr. Viral Bharani  
SEBI Registration No: INBI 00000004

### **Self Certified Syndicate Banks**

The list of Designated Branches that have been notified by SEBI to act as SCSB for the ASBA process is provided on <http://www.sebi.gov.in/pmd/scsb.html>. For more information on the Designated Branches collecting ASBA Forms, see the above mentioned SEBI link.

### **Syndicate SCSB Branches**

In relation to ASBA Bids submitted to a member of the Syndicate, the list of branches of the SCSBs at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) named by the respective SCSBs to receive deposits of ASBA Forms from the members of the Syndicate is provided on <http://www.sebi.gov.in/pmd/scsb-asba.html>. For more

information on such branches collecting ASBA Forms from the members of the Syndicate at Syndicate ASBA Bidding Locations, see the above mentioned SEBI link.

### **Banker to our Company**

#### **State Bank of India**

Tel Bhavan Branch  
Kaulagarh Road, Dehradun  
Uttarakhand, India  
Telephone: +91 (135) 2754 442  
Facsimile: +91 (135) 2758 036  
E-mail : sbi.01576@sbi.co.in  
Website: www.statebankofindia.com

### **Experts**

Except for the following, our Company has not obtained any expert opinion.

- The reports of our Auditors on Standalone and Consolidated Financial Statements and the Statement of Tax Benefits included on pages 258, 329 and 105 respectively;
- The reserves opinion letter of GCA in respect of its reserve report in relation to its estimates of our crude oil and natural gas reserves in our Mumbai High field as of March 31, 2011, annexed to this Red Herring Prospectus as Annexure A;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in 62 other domestic fields in India as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure B;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in all international fields (excluding fields in Sudan, South Sudan and Imperial Energy assets in Russia), as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure C;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in our Imperial Energy assets in Russia as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure D; and
- The certificate of Sproule in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in substantially all our fields in Sudan as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure E. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.

The details of our independent reserve consultants are as follows:

#### **Gaffney Cline & Associates Ltd.**

Bentley Hall  
Blacknest, Alton  
Hampshire  
United Kingdom  
GU344PU  
Telephone: +44 (0) 1420 525366  
Facsimile: +44 (0) 1420 525367

#### **DeGolyer and MacNaughton**

5001 Spring Valley Road

Suite, 800 East  
Dallas, Texas 75224  
United States of America  
Telephone: +1(214) 368 6391  
Facsimile: +1 (214) 369 4061

**Sproule International Limited**

900, 140, Fourth Avenue  
SW, Calgary, AB T2P 3N3  
Canada  
Telephone: +1 (403) 294 5500  
Facsimile: +1 (403) 294 5590

**Inter se allocation of responsibilities among the Book Running Lead Managers**

The following table sets forth the *inter se* allocation of responsibilities for various activities among the Book Running Lead Managers:

| S. No. | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                            | Responsibility                                                        | Designated Coordinating Book Running Lead Manager |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------|
| 1.     | Capital structuring with relative components and formalities such as type of instruments, etc.                                                                                                                                                                                                                                                                                                                                                      | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | JM Financial                                      |
| 2.     | Due diligence of our Company including operations/management/business plans/legal, etc. drafting and design of this Red Herring Prospectus including the memorandum containing salient features of the Prospectus. The Book Running Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | JM Financial                                      |
| 3.     | Drafting and approving all statutory advertisements                                                                                                                                                                                                                                                                                                                                                                                                 | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | Nomura                                            |
| 4.     | Drafting and approving non-statutory advertisements including corporate advertisements                                                                                                                                                                                                                                                                                                                                                              | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | DSPML                                             |
| 5.     | Preparation and finalization of the road-show presentation                                                                                                                                                                                                                                                                                                                                                                                          | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | Citi                                              |
| 6.     | Preparation and finalization of the frequently asked questions for the road-show team                                                                                                                                                                                                                                                                                                                                                               | JM Financial, Citi, DSPML, HSBC Securities, Morgan Stanley and Nomura | Nomura                                            |



|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                      |                |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------|
| 7.  | Appointment of intermediaries, viz.,<br>i. Printer(s)<br>ii. Registrar to the Offer<br>iii. Advertising agency<br>iv. Bankers to the Offer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | Citi           |
| 8.  | Non-institutional and retail marketing of the Offer, which will cover, <i>inter alia</i> ,<br><ul style="list-style-type: none"> <li>Formulating marketing strategies, preparation of publicity budget</li> <li>Finalizing media and public relations strategy</li> <li>Finalizing centers for holding conferences for brokers, etc.</li> <li>Follow-up on distribution of publicity and Offer material including application form, prospectus and deciding on the quantum of the Offer material</li> <li>Finalizing collection centers</li> </ul>                                                                                                                                                                                                                                                                                                                                     | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | JM Financial   |
| 9.  | International Institutional marketing of the Offer, which will cover, <i>inter alia</i> ,<br><ul style="list-style-type: none"> <li>Institutional marketing strategy</li> <li>Finalizing the list and division of investors for one to one meetings, and</li> <li>Finalizing road show schedule and investor meeting schedules</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | Morgan Stanley |
| 10. | Domestic Institutional marketing<br><ul style="list-style-type: none"> <li>Domestic Institutional marketing of the Offer</li> <li>Finalizing the list and division of investors for one to one meetings</li> <li>Finalizing road show schedule and investor meeting schedules</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | DSPML          |
| 11. | Co-ordination with Stock Exchanges for Book Building Process software, bidding terminals and mock trading                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | HSBC           |
| 12. | Managing the book and finalisation of pricing in consultation with our Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | HSBC           |
| 13. | Post bidding activities including essential follow-up steps with Bankers to the Offer and Self Certified Syndicate Bank to get quick estimates of collection and advising the Company about the closure of Offer, management of escrow accounts, co-ordination of allocation, finalization of basis of Allotment/weeding out of multiple applications, intimation of allocation and dispatch of certificates or demat credit and refunds to bidders, dealing with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer, Self Certified Syndicate Banks and the bank handling refund business, etc. The designated coordinating Book Running Lead Manager shall be responsible for ensuring that the intermediaries fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company. | JM Financial,<br>Citi, DSPML,<br>HSBC<br>Securities,<br>Morgan Stanley<br>and Nomura | Nomura         |

### **Credit Rating**

As the Offer is of equity shares, credit rating is not required.

### **Trustees**

As the Offer is of equity shares, trustees are not required to be appointed.

### **IPO Grading Agency**

As this is not an initial public offer of equity shares, grading of the Offer is not required.

### **Monitoring Agency**

As this is an offer for sale, there is no requirement to appoint a monitoring agency.

### **Project Appraisal**

No project appraisal is required as this is an offer for sale.

### **Book Building Process**

Book building refers to the process of collection of Bids on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the ASBA Forms. The Offer Price will be determined by the Selling Shareholder in consultation with the Company and the BRLMs, after the Offer Closing Date. The principal parties involved in the Book Building Process are:

- 1) Our Company;
- 2) The Selling Shareholder;
- 3) The BRLMs;
- 4) Syndicate Members;
- 5) The Registrar to the Offer;
- 6) The Escrow Collection Banks; and
- 7) SCSBs.

This Offer is being made through the Book Building Process where up to 50% of the Net Offer will be allocated on a proportionate basis to QIBs. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds only. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Offer Price. In addition, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. Any Bidder may participate in this Offer through the ASBA process by providing the details of the ASBA Accounts in which the corresponding Payment Amounts will be blocked by the SCSBs. QIBs and Non-Institutional Bidders can participate in the Offer only through the ASBA process. For more information, specific attention is invited to “Offer Procedure” on page 510. Further 8,553,168 Equity Shares are reserved in the Offer for allocation on a proportionate basis to Eligible Employees bidding in the Employee Reservation Portion, subject to valid bids being received at or above the Offer Price.

Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

**In accordance with the SEBI ICDR Regulations, QIBs are not allowed to withdraw their Bid(s) after the QIB Offer Closing Date.** For further details, see “Offer Structure” on page 503.

We will comply with the SEBI ICDR Regulations and any other ancillary directions issued by SEBI for this Offer. In this regard, the Selling Shareholder has appointed the BRLMs to manage the Offer and procure subscriptions to the Offer.

**The Book Building Process under the SEBI ICDR Regulations is subject to change from time to time and Bidders are advised to make their own judgment about investment through this process prior to making a Bid in the Offer.**

**Steps to be taken by the Bidders for bidding:**

- Check eligibility for making a Bid. For further details, see “Offer Procedure” on page 510;
- Ensure that you have a PAN and the demat account details including DP ID and Client ID are correctly mentioned in the Bid cum Application Form or the ASBA Form, as the case may be. Based on these three parameters, the Registrar to the Offer will obtain details of the Bidders from the Depositories including Bidder’s name, bank account number etc.;
- Ensure that the Bid cum Application Form or the ASBA Form is duly completed as per the instructions given in the Red Herring Prospectus and in the respective forms;
- Except for bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN in the Bid cum Application Form or the ASBA Form (see “Offer Procedure” on page 510). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption for the Central or State Government and the officials appointed by the courts and for investors residing in the State of Sikkim is subject to the Depository Participants’ verifying the veracity of such claims of the investors by collecting sufficient documentary evidence in support of their claims. At the time of ascertaining the validity of these Bids, the Registrar will check from the Depository records for the appropriate description under the PAN field;
- Bids by QIBs will have to be submitted to the members of the Syndicate or their affiliates or SCSBs only; and
- Bids by ASBA Bidders may be submitted in the physical mode to the Syndicate on the prescribed ASBA Form at the Syndicate ASBA Bidding Locations and either in physical or electronic mode, to the SCSBs with whom the ASBA Account is maintained. ASBA Bidders should ensure that the specified bank accounts have adequate credit balance at the time of submission of the ASBA Form to the SCSB or the Syndicate ASBA Bidding Locations, as the case may be, to ensure that the ASBA Form is not rejected.

For further details, please see “Offer Procedure” on page 510.

**Illustration of Book Building Process and the Price Discovery Process**

*(Bidders should note that the following is solely for the purpose of illustration and is not specific to the Offer)*

Bidders can bid at any price within the Price Band. For instance, assuming a price band of ₹ 20 to ₹ 24 per share, an offer size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book shown below indicates the demand for the shares of the company at various prices and is collated from bids from various bidders.

| Bid Quantity | Bid Price (₹) | Cumulative Quantity | Subscription (%) |
|--------------|---------------|---------------------|------------------|
| 500          | 24            | 500                 | 16.67            |
| 1,000        | 23            | 1,500               | 50.00            |
| 1,500        | 22            | 3,000               | 100.00           |
| 2,000        | 21            | 5,000               | 166.67           |
| 2,500        | 20            | 7,500               | 250.00           |

The price discovery is a function of demand at various prices. The highest price at which the offeror is able to issue the desired number of shares is the price at which the book cuts off, i.e., ₹ 22 in the above example. The offeror, in consultation with the book running lead managers, will finalize the offer price at or below such cut off, i.e., at or below ₹ 22. All bids at or above this offer price and cut-off bids are valid bids and are considered for allocation in the respective categories.

## Withdrawal of the Offer

In accordance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Offer Opening Date, without assigning the reasons thereof. Provided, if the Selling Shareholder and our Company withdraw the Offer after the Offer Closing Date, our Company and the Selling Shareholder will give the reason thereof within two days of the Offer Closing Date by way of a public notice in the same newspapers where the pre-Offer advertisement had appeared. The Stock Exchanges shall also be informed promptly and the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Offer after the Offer Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with the Offer.

Notwithstanding the foregoing, the Offer is subject to obtaining the final trading approvals of the Stock Exchanges with respect to the Equity Shares issued in the Offer, which our Company will apply for only after Allotment and dispatch of refunds within 12 Working Days of the Offer Closing Date.

| OFFERING PROGRAMME |                    |                                            |                    |
|--------------------|--------------------|--------------------------------------------|--------------------|
| OFFER OPENS ON     | SEPTEMBER 20, 2011 | OFFER CLOSES ON<br>(FOR QIB BIDDERS)       | SEPTEMBER 22, 2011 |
|                    |                    | OFFER CLOSES ON<br>(FOR ALL OTHER BIDDERS) | SEPTEMBER 23, 2011 |

Bids and any revision in Bids will be accepted **only between 10 a.m. and 5.00 p.m. (Indian Standard Time)** during the Offer Period as mentioned above at the bidding centers mentioned in the Bid cum Application Form or in case of Bids submitted through ASBA Forms, the Designated Branches and the bidding centers of the members of the Syndicate at the Syndicate ASBA Bidding Locations (mentioned in the ASBA Form), **except that:**

- A) On the QIB Offer Closing Date, QIB Bids will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded till 4.00 p.m; and
- B) On the Offer Closing Date, Bids from Non Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until (i) 4.00 p.m in case of Bids by Non Institutional Bidders, and (ii) 5.00 p.m in case of Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, which may be extended up to such time as deemed fit by the Stock Exchanges.

Due to limitation of time available for uploading the Bids on the Offer Closing Date, Bidders other than QIB Bidders, are advised to submit their Bids one day prior to the Offer Closing Date and, no later than 3.00 p.m (Indian Standard Time) on the Offer Closing Date. Bidders, other than QIB Bidders, are cautioned that in the event a large number of Bids are received on the Offer Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Offer. Bids will only be accepted on Working Days.

On the Offer Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Offer Period in accordance with the SEBI ICDR Regulations. The Cap Price will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band and the upper

end of the Price Band will be revised accordingly. In case of revision of the Price Band, the Selling Shareholder, in consultation with the Company and the BRLMs may revise the Retail Discount and/or the Employee Discount.

**In case of revision in the Price Band, the Offer Period will be extended for at least three additional Working Days after revision of Price Band subject to the Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and by intimation to the SCSBs.**

### **Underwriting Agreement**

After the determination of the Offer Price, but prior to filing of the Prospectus with the RoC, the Selling Shareholder, our Company and the Underwriters shall enter into an underwriting agreement for the Equity Shares proposed to be offered through this Offer. The underwriting arrangement shall not apply to the subscription by the ASBA Bidders who have submitted their Bids directly to the SCSBs in this Offer. Pursuant to the terms of the underwriting agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The underwriting agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC)*

| <b>Name and Address of the Underwriters</b>                                                                                                                                                                                                       | <b>Indicative Number of Equity Shares to be Underwritten*</b> | <b>Amount Underwritten (In ₹ million)*</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------|
| <b>JM Financial Consultants Private Limited</b><br>141, Maker Chambers III<br>Nariman Point<br>Mumbai 400 021<br>Maharashtra, India<br>Telephone: +91 (22) 6630 3030<br>Facsimile: +91 (22) 2204 7185<br>Email: ongc.fpo@jmfinancial.in           | [●]                                                           | [●]                                        |
| <b>Citigroup Global Markets India Private Limited</b><br>12 <sup>th</sup> Floor, Bakhtawar<br>Nariman Point<br>Mumbai 400 021<br>Maharashtra, India<br>Telephone: +91 (22) 6631 9890<br>Facsimile: +91 (22) 6646 6366<br>Email: ongc.fpo@citi.com | [●]                                                           | [●]                                        |
| <b>DSP Merrill Lynch Limited</b><br>8 <sup>th</sup> Floor, Mafatlal Centre<br>Nariman Point<br>Mumbai 400 021<br>Maharashtra, India<br>Telephone: +91 (22) 6632 8000<br>Facsimile: +91 (22) 2204 8518<br>Email: ongc.fpo@baml.com                 | [●]                                                           | [●]                                        |

| Name and Address of the Underwriters                                                                                                                                                                                                                                                                            | Indicative Number of Equity Shares to be Underwritten* | Amount Underwritten (In ₹ million)* |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------|
| <b>HSBC Securities and Capital Markets (India) Private Limited</b><br>HSBC Building<br>52/ 60 M.G. Road<br>Fort, Mumbai 400 001<br>Maharashtra, India<br>Telephone: +91 (22) 2268 5555<br>Facsimile: +91 (22) 2263 1984<br>E-mail: ongcfpo@hsbc.co.in                                                           | [•]                                                    | [•]                                 |
| <b>Morgan Stanley India Company Private Limited</b><br>18F/19F, One Indiabulls Centre<br>Tower 2, 841, Senapati Bapat Marg<br>Elphinstone Road<br>Mumbai 400 013<br>Maharashtra, India<br>Telephone: +91 (22) 6118 1000<br>Facsimile: +91 (22) 6118 1040<br>Email: ongc_fpo@morganstanley.com                   | [•]                                                    | [•]                                 |
| <b>Nomura Financial Advisory &amp; Securities (India) Private Limited</b><br>Ceejay House, Level 11<br>Dr. Annie Besant Road<br>Worli, Mumbai 400 018<br>Maharashtra, India<br>Telephone: + 91 (22) 4037 4037<br>Facsimile: + 91 (22) 4037 4111<br>Email: ongc.fpo-in@nomura.com                                | [•]                                                    | [•]                                 |
| <b>JM Financial Services Private Limited</b><br>Appejay House, Dinshaw Wacha Road<br>Near K.C. College, Churchgate<br>Mumbai 400 020<br>Maharashtra, India<br>Telephone: +91 (22) 6704 0404<br>Facsimile: +91 (22) 6654 1511<br>E-mail: deepak.vaidya@jmfinancial.in/<br>tn.kumar@jmfinancial.in                | [•]                                                    | [•]                                 |
| <b>HDFC Securities Limited</b><br>8 <sup>th</sup> Floor, "I Think" Building<br>Jolly Board Campus (Opposite Crompton Greaves<br>Factory)<br>Kanjunmarg (East)<br>Mumbai 400 042<br>Telephone: +91 (22) 3075 3442<br>Facsimile: +91 (22) 3075 3435<br>Email: sunil.raula@hdfcsec.com/<br>priya.rushi@hdfcsec.com | [•]                                                    | [•]                                 |

\*The information will be finalized after determination of the Offer Price and finalization of the 'basis of allocation'.

Our Board believes that the Underwriters have sufficient resources to enable them to discharge their respective underwriting obligations in full. Each of the Underwriters is registered with SEBI under Section 12(1) of the SEBI Act or as a broker with the Stock Exchanges. Pursuant to a meeting of the Board held on [●], 2011, our Board have accepted and entered into the Underwriting Agreement dated [●], 2011.

Allocation among the Underwriters may not necessarily be in the proportion of their underwriting commitments. Notwithstanding the above table, the Underwriters will be severally responsible for ensuring payment with respect to the Equity Shares allocated to Bidders procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations mentioned in the underwriting agreement, will also be required to procure/subscribe for Equity Shares to the extent of the defaulted amount in accordance with the underwriting agreement.

## CAPITAL STRUCTURE

Our Equity Share capital as on the date of filing of this Red Herring Prospectus with the RoC is as below.

(₹ in million, except share data)

|                                                                                                            | Aggregate nominal value  | Aggregate Value at Offer Price |
|------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------|
| <b>A. Authorized Share Capital<sup>(1)</sup></b>                                                           |                          |                                |
| 30,000,000,000 Equity Shares                                                                               | 150,000.00               | -                              |
| <b>B. Issued and Subscribed Equity Share Capital before the Offer</b>                                      |                          |                                |
| 8,555,528,064 Equity Shares                                                                                | 42,777.64                | -                              |
| <b>C. Paid up Equity Share Capital before the Offer</b>                                                    |                          |                                |
| 8,555,490,120 Equity Shares <sup>(2)</sup>                                                                 | 42,777.45 <sup>(4)</sup> |                                |
| <b>D. Present Offer of 427,774,504 Equity Shares in terms of this Red Herring Prospectus<sup>(3)</sup></b> | 2,138.87                 | [•]                            |
| <b>E. Employee Reservation in terms of this Red Herring Prospectus</b>                                     |                          |                                |
| 8,553,168 Equity Shares                                                                                    | 42.77                    | [•]                            |
| <b>F. Net Offer to the Public</b>                                                                          |                          |                                |
| 419,221,336 Equity Shares                                                                                  | 2,096.11                 | [•]                            |
| <b>G. Of Which:</b>                                                                                        |                          |                                |
| (a) QIB Portion of up to 209,610,667 Equity Shares                                                         | 1,048.05                 | [•]                            |
| (b) Non-Institutional Portion of not less than 62,883,201 Equity Shares                                    | 314.42                   | [•]                            |
| (c) Retail Portion of not less than 146,727,468 Equity Shares                                              | 733.64                   | [•]                            |
| <b>H. Paid up Equity Share Capital after the Offer</b>                                                     |                          |                                |
| 8,555,490,120 Equity Shares                                                                                | 42,777.45 <sup>(4)</sup> | --                             |
| <b>I. Share Premium Account</b>                                                                            |                          |                                |
| Before the Offer                                                                                           | Nil                      |                                |
| After the Offer                                                                                            | Nil                      |                                |

<sup>(1)</sup> For information on changes in the authorized share capital of the Company, see "History and certain Corporate Matters" on page 214.

<sup>(2)</sup> The difference of 37,944 Equity Shares in the issued and subscribed Equity Share Capital before the Offer and the paid up Equity Share Capital before the Offer is due to the forfeiture of 18,972 equity shares of ₹ 10 each of the Company on account of non payment of call money by the allottees. The 18,972 equity shares of ₹ 10 each forfeited translated into 37,944 Equity Shares as a result of the split of face value of the equity share from ₹ 10 each to ₹ 5 each pursuant to a shareholders' resolution dated January 28, 2011.

<sup>(3)</sup> The GoI acting through the MoPNG has conveyed its approval to the Offer through its letter (no. G-38011/47/2009-Fin.I) dated August 31, 2010.

<sup>(4)</sup> Excludes Equity Shares forfeited amounting to ₹0.14 million, which, if added, increases the paid up Equity Share capital to ₹42,777.59 million.

The Promoter presently holds 74.14% of the paid up Equity Share capital of our Company. After the Offer, the shareholding of the Promoter will be 69.14% of paid-up Equity Share capital of our Company.

### Notes to the Capital Structure

#### 1. Build-up of Promoter's shareholding and Lock-in

##### (a) Details of the buildup of our Promoter's shareholding in our Company:

| Date of Allotment/Transfer <sup>(1)</sup> | Number of Equity Shares | Face Value (₹) | Issue price per Equity Share (₹) | Consideration for Issuance (cash, bonus, consideration other than cash) | Nature of Allotment/Transfer   | Cumulative Shareholding of the Promoter |
|-------------------------------------------|-------------------------|----------------|----------------------------------|-------------------------------------------------------------------------|--------------------------------|-----------------------------------------|
| June 30, 1993                             | 10                      | 10             | 10                               | Cash                                                                    | Subscription to the Memorandum | 10                                      |



| Date of Allotment/Transfer <sup>(1)</sup>                                                                                                                                                                                      | Number of Equity Shares      | Face Value (₹) | Issue price per Equity Share (₹) | Consideration for Issuance (cash, bonus, consideration other than cash) | Nature of Allotment/Transfer                                                                                                           | Cumulative Shareholding of the Promoter |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------|----------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| February 1, 1994 <sup>(2)</sup>                                                                                                                                                                                                | 342,853,716                  | 10             | 10                               | Consideration other than cash                                           | Allotment pursuant to section 4(1) of the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993 <sup>(3)</sup> | 342,853,726                             |
| May 26, 1995 <sup>(4)</sup>                                                                                                                                                                                                    | (6,857,000)                  | 10             | N.A <sup>(6)</sup>               | Cash                                                                    | Disinvestment by the President of India                                                                                                | 335,996,726                             |
| August 21, 1995 <sup>(5)</sup>                                                                                                                                                                                                 | 1,034,869,915 <sup>(7)</sup> | 10             | N.A                              | Bonus issue                                                             | Bonus issue in the ratio of 1:3.08                                                                                                     | 1,370,866,641                           |
| May 24, 1996 <sup>(4)</sup>                                                                                                                                                                                                    | (192,810)                    | 10             | N.A <sup>(6)</sup>               | Cash                                                                    | Disinvestment by the President of India                                                                                                | 1,370,673,831                           |
| July 13, 1999 <sup>(4)</sup>                                                                                                                                                                                                   | (171,334,226)                | 10             | N.A <sup>(6)</sup>               | Cash                                                                    | Disinvestment by the President of India                                                                                                | 1,199,339,605                           |
| March 29, 2004 <sup>(8)</sup>                                                                                                                                                                                                  | (142,179,154)                | 10             | N.A <sup>(6)</sup>               | Cash                                                                    | Disinvestment by the President of India                                                                                                | 1,057,160,451                           |
| November 8, 2006                                                                                                                                                                                                               | 528,580,222 <sup>(7)</sup>   | 10             | N.A                              | Bonus issue                                                             | Bonus issue in the ratio of 2:1                                                                                                        | 1,585,740,673                           |
| Pursuant to the shareholders resolution dated January 28, 2011 the face value of the equity shares of ₹ 10 each was split into face value of ₹ 5 each resulting in the Promoter's shareholding of 3,171,481,346 Equity Shares. |                              |                |                                  |                                                                         |                                                                                                                                        |                                         |
| February 10, 2011 <sup>(9)</sup>                                                                                                                                                                                               | 3,171,481,346                | 5              | N.A                              | Bonus issue                                                             | Bonus issue in the ratio of 1:1                                                                                                        | 6,342,962,692                           |

<sup>(1)</sup> The Equity Shares were fully paid on the date of allotment.

<sup>(2)</sup> February 1, 1994 was the effective date on which the undertakings of the Commission were transferred and vested in the Company in accordance with the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993.

<sup>(3)</sup> For further details, please see "History and Certain Corporate Matters" on page 214.

<sup>(4)</sup> Date of the Share Transfer Committee Meeting.

<sup>(5)</sup> Date of the Bonus Share Allotment Committee Meeting.

<sup>(6)</sup> Since these transfers are in the nature of transfer/disinvestments by the President of India, acting through the MoPNG, GoI, the issue price is not applicable.

<sup>(7)</sup> Differences between the number of Equity Shares pursuant to bonus ratios and the number of Equity Shares issued as disclosed in the table hereinabove are due to fractions.

<sup>(8)</sup> Based on the 78 Day Monitoring Report dated July 29, 2004, as per the basis of allocation approved by the designated stock exchange on March 29, 2004 and April 12, 2004, a total of 141,965,858 equity shares of ₹ 10 each were transferred pursuant to the FPO 2004. Subsequently, the GoI acting through the MoPNG approved the transfer of an additional 213,296 equity shares of ₹ 10 each vide its letter dated June 18, 2004.

<sup>(9)</sup> The bonus issue was approved pursuant to shareholders' resolution dated January 28, 2011 and bonus shares were allotted on February 10, 2011.

In relation to certain allotments of Equity Shares made by our Company, the required Form 2's required to be filed by the Company with the RoC are not traceable. Further, we do not have complete records for transfers or disinvestments made by the President of India, acting through the MoPNG, in the past. Please see "Risk Factor-Some of our records relating to forms filed with the Registrar of Companies required under the provisions of the Companies Act are not traceable" on page 48 for further details.

Except for the bonus Equity Shares issued on February 10, 2011, the Equity Shares have been held by the Selling Shareholder for a period of at least one year prior to the filing of this Red Herring Prospectus with the RoC. Further, all Equity Shares of the Selling Shareholder are held in dematerialised form.

**(b) Equity Shares issued for consideration other than cash:**

Except as detailed below, no Equity Shares have been issued by the Company for consideration other than cash:

| Date of Allotment             | Name of the Allottee                         | Number of Equity Shares | Face Value (₹) | Issue price per Equity Share (₹) | Consideration                 | Reason for Allotment                                                                                                    |
|-------------------------------|----------------------------------------------|-------------------------|----------------|----------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| February 1, 1994 <sup>^</sup> | The President of India, acting through MoPNG | 342,853,716             | 10             | N.A                              | Consideration other than cash | Allotment pursuant to Section 4(1) of the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993 |

<sup>^</sup> February 1, 1994 was the effective date on which the undertakings of the Commission were transferred and vested in the Company in accordance with the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993. The benefit accruing to the Company was in the nature of the undertakings of the Commission transferred to the Company in lieu of its equity shares. For further details, please see "History and Certain Corporate Matters" on page 214.

**(c) Equity Shares issued in last one year:**

| Date of Allotment | Name of the Allottee                                                                 | Number of Equity Shares | Face Value (₹) | Issue price per Equity Share (₹) | Consideration (cash, bonus, consideration other than cash) | Reason for Allotment                           |
|-------------------|--------------------------------------------------------------------------------------|-------------------------|----------------|----------------------------------|------------------------------------------------------------|------------------------------------------------|
| February 10, 2011 | Existing shareholders of the Company as on February 9, 2011, including the Promoter. | 4,277,745,060           | 5              | N.A                              | Bonus issue                                                | Bonus issue by the Company in the ratio of 1:1 |
| <b>Total</b>      |                                                                                      | <b>4,277,745,060</b>    |                |                                  |                                                            |                                                |

**(d) Details of Equity Shares locked in for one year:**

As per Regulation 34(b) of the SEBI ICDR Regulations, the requirement of minimum promoters' contribution is not applicable to the Offer. By a letter (No. G-38011/25/10-Fin.1) dated February 7, 2011 the Promoter has consented to lock in its post-Offer shareholding in our Company for a period of one year from the date of Allotment or for such other time as may be required in terms of Regulation 36(b) of the SEBI ICDR Regulations.

**(e) Other requirements in respect of lock-in:**

As per Regulation 39 read with Regulation 36(b) of the SEBI ICDR Regulations, the locked in Equity Shares held by the Promoter, as specified above, may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

In terms of Regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by the Promoter may be transferred to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

**2. Shareholding Pattern of our Company**

| Shareholders                                                | Pre-Offer (as on August 26, 2011) |                            | Post-Offer*          |                            |
|-------------------------------------------------------------|-----------------------------------|----------------------------|----------------------|----------------------------|
|                                                             | No. of Equity Shares              | Percentage of shareholding | No. of Equity Shares | Percentage of shareholding |
| <b>Promoter (A)</b>                                         |                                   |                            |                      |                            |
| President of India, including where acting through nominees | 6,342,962,692                     | 74.14                      | 5,915,188,188**      | 69.14                      |

| Shareholders                                                                      | Pre-Offer (as on August 26, 2011) |                            | Post-Offer*          |                            |
|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------|----------------------|----------------------------|
|                                                                                   | No. of Equity Shares              | Percentage of shareholding | No. of Equity Shares | Percentage of shareholding |
| <b>Sub-Total (A)</b>                                                              | <b>6,342,962,692</b>              | <b>74.14</b>               | <b>5,915,188,188</b> | <b>69.14</b>               |
| <b>Public shareholding (B)</b>                                                    |                                   |                            |                      |                            |
| <b>Institutions (B1)</b>                                                          |                                   |                            |                      |                            |
| Mutual Funds                                                                      | 153,951,057                       | 1.80                       | 153,951,057          | 1.80                       |
| Financial Institutions/Banks                                                      | 164,925,588                       | 1.93                       | 164,925,588          | 1.93                       |
| Insurance Companies                                                               | 296,401,585                       | 3.46                       | 296,401,585          | 3.46                       |
| Foreign Institutional Investors                                                   | 432,066,205                       | 5.05                       | 432,066,205          | 5.05                       |
| <b>Sub-Total (B)(1)</b>                                                           | <b>1,047,344,435</b>              | <b>12.24</b>               | <b>1,047,344,435</b> | <b>12.24</b>               |
| <b>Non-institutions (B2)</b>                                                      |                                   |                            |                      |                            |
| Bodies Corporate                                                                  | 991,350,891                       | 11.59                      | 991,350,891          | 11.59                      |
| Individuals                                                                       |                                   |                            |                      |                            |
| Individual shareholders holding nominal share capital up to ₹ 0.10 million        | 151,005,502                       | 1.77                       | 151,005,502          | 1.77                       |
| Individual shareholders holding nominal share capital in excess of ₹ 0.10 million | 12,703,284                        | 0.15                       | 12,703,284           | 0.15                       |
| Non Resident Indians                                                              | 4,445,994                         | 0.05                       | 4,445,994            | 0.05                       |
| Trusts                                                                            | 1,231,216                         | 0.01                       | 1,231,216            | 0.01                       |
| Foreign Nationals                                                                 | 1,560                             | 0.00                       | 1,560                | 0.00                       |
| Clearing Members                                                                  | 4,444,546                         | 0.05                       | 4,444,546            | 0.05                       |
| <b>Sub-Total (B)(2)</b>                                                           | <b>1,165,182,993</b>              | <b>13.62</b>               | <b>1,165,182,993</b> | <b>13.62</b>               |
| <b>Public (Pursuant to the Offer) (B)(3)</b>                                      | <b>Nil</b>                        | <b>Nil</b>                 | <b>427,774,504**</b> | <b>5.00</b>                |
| <b>Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)</b>                       | <b>2,212,527,428</b>              | <b>25.86</b>               | <b>2,640,301,932</b> | <b>30.86</b>               |
| <b>GRAND TOTAL (A)+(B)</b>                                                        | <b>8,555,490,120</b>              | <b>100.00</b>              | <b>8,555,490,120</b> | <b>100</b>                 |

\* This is based on the assumption that the existing shareholders, except the Selling Shareholder, shall continue to hold the same number of Equity Shares after the Offer. This does not include any Equity Shares that such shareholders (excluding our Promoter and Directors) may Bid for and be Allotted in the Offer.

\*\* Assuming that the Offer is fully subscribed.

3. A total of approximately 2% of the Offer, i.e. 8,553,168 Equity Shares, has been reserved for allocation to Eligible Employees on a proportionate basis, subject to receipt of valid Bids at the Offer Price and subject to the maximum Payment Amount by each Eligible Employee not exceeding ₹ 200,000. Only Eligible Employees are eligible to apply in this Offer under the Employee Reservation Portion. Eligible Employees bidding under the Employee Reservation Portion may also Bid in the Net Offer and such Bids will not be treated as multiple Bids. If the aggregate demand in the Employee Reservation Portion is greater than 8,553,168 Equity Shares at the Offer Price, allocation will be made on a proportionate basis.
4. Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.
5. A Bidder cannot make a bid for more than the number of Equity Shares offered through the Net Offer, subject to the maximum limit prescribed under relevant laws and as disclosed in the RHP, applicable to each category of Bidders.
6. Our Promoter and Directors will not participate in this Offer.

7. Neither our Promoter, nor our Directors or their immediate relatives have purchased or sold any Equity Shares during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.
8. Except as disclosed in “Our Management” on page 238, none of our Directors hold any Equity Shares.
9. The Company confirms that all further issues of capital by the Company whether by way of bonus issue of Equity Shares or any other manner after being listed on the Stock Exchanges, have been made in compliance with the relevant provisions of the applicable rules and regulations as prevailing at the time of such issuances.
10. As on August 26, 2011, the total number of holders of our Equity Shares is 538,007.
11. Except as disclosed under “Capital Structure – Notes to capital Structure – Note 1(b) – Equity Shares issued for consideration other than cash” on page 95, our Company has not issued any Equity Shares for consideration other than cash.
12. Our Company has not issued any Equity Shares out of its revaluation reserves.
13. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing this Red Herring Prospectus.
14. Our Company, Directors and/or the BRLMs have not entered into any buy-back or standby arrangements for purchase of Equity Shares.
15. There will be no further issue of capital whether by way of public issue, bonus shares, preferential allotment, rights issue, qualified institutions placement, or in any other manner during the period commencing from the submission of the RHP with RoC until the Equity Shares in the Offer have started trading. Further, our Company does not have any intention, proposal, negotiations or consideration to alter its capital structure by way of split /consolidation of the denomination of the Equity Shares, or issue of Equity Shares on a preferential basis or a qualified institutions placement or issue of bonus or rights issue or further public issue of shares or any other securities, within a period of six months from the Offer Opening Date.
16. Our Company will ensure that transactions in the Equity Shares by our Promoter between the date of filing of this Red Herring Prospectus and the Offer Closing Date will be intimated to the Stock Exchanges within 24 hours of such transaction.
17. As of August 30, 2011, the BRLMs and their associates do not hold any Equity Shares, except as set forth below:

| S. No. | Name of Entity                                              | Number of Equity Shares |
|--------|-------------------------------------------------------------|-------------------------|
| 1.     | HSBC Securities and Capital Markets (India) Private Limited | 1                       |
| 2.     | Merill Lynch Capital Markets Espana S.A., S.V.              | 985,219                 |
| 3.     | Nomura Mauritius Limited                                    | 1,085,900               |
| 4.     | Nomura Asset Management Limited                             | 383,954                 |
| 5.     | Citigroup Global Markets Mauritius Private Limited          | 466,563                 |
| 6.     | Morgan Stanley Mauritius Company Limited                    | 3,404,746               |

18. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares as on the date of this Red Herring Prospectus.
19. There will be one denomination of the Equity Shares, unless otherwise permitted by law.
20. We will comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
21. There has been no financing arrangement by which the Promoter, Directors and their relatives have financed the purchase by any other person of securities of our Company (other than in the normal

course of business of the financing entity) during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.

22. The Selling Shareholder by its letter dated February 7, 2011 (No. G-38011/25/10-Fin.1) has confirmed that the requirement of holding Equity Shares for a period of one year as on the date of filing the RHP with the RoC is not applicable as the Company is a government company engaged in infrastructure sector.
23. No Equity Shares held by our Promoter are subject to any pledge.
24. Our Company does not have any scheme of employee stock option or employee stock purchase.
25. Except as disclosed under “Capital Structure – *Notes to capital Structure – Note 1(c) – Equity Shares issued in last one year*” on page 96, our Company has not issued any Equity Shares at a price lesser than the Offer Price in the last one year preceding the date of filing this Red Herring Prospectus.

## OBJECTS OF THE OFFER

The object of the Offer is to carry out the disinvestment of 427,774,504 Equity Shares by the Selling Shareholder. Our Company will not receive any proceeds from the Offer and all proceeds shall go to the GoI.

### Offer-Related Expenses

The estimated Offer expenses are as under:

| S. No. | Activity Expense                                                                                                                                    | Amount<br>(₹ million) | Percentage of<br>Total<br>Estimated<br>Offer<br>Expenditure | Percentage of<br>Offer Size |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------|-----------------------------|
| 1.     | Fees of the Book Running Lead Managers*                                                                                                             |                       |                                                             |                             |
| 2.     | Underwriting commission, brokerage and selling commission (including commission and processing fees to SCSBs for ASBA Applications, as applicable)* | [●]                   | [●]                                                         | [●]                         |
| 3.     | Fees of the Registrar to the Offer*                                                                                                                 | [●]                   | [●]                                                         | [●]                         |
| 4.     | Fees of Advisors to the Offer*                                                                                                                      | [●]                   | [●]                                                         | [●]                         |
| 5.     | Fees to the Bankers to the Offer*                                                                                                                   | [●]                   | [●]                                                         | [●]                         |
| 6.     | Other Expenses (Auditors' fees, advertisement and marketing expenses, roadshow expenses, etc.) *                                                    | [●]                   | [●]                                                         | [●]                         |
|        | <b>Total</b>                                                                                                                                        | <b>[●]</b>            | <b>[●]</b>                                                  | <b>[●]</b>                  |

\* Will be incorporated at the time of filing of the Prospectus.

The Offer expenses will be borne by the GoI.

## BASIS FOR OFFER PRICE

The Offer Price will be determined by the Selling Shareholder in consultation with the BRLMs and the Company on the basis of an assessment of the market demand for the Equity Shares by way of the Book Building Process and on the basis of the qualitative and quantitative factors as described below. The face value of the Equity Shares is ₹ 5 each and the Offer Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Investors should also refer to “Risk Factors” and “Financial Information” on pages 20 and 258, to have an informed view before making the investment decision.

### Qualitative Factors

Some of the qualitative factors of the Company which form the basis for computing the Offer price are:

- Largest crude oil and natural gas reserves, exploration area and production capability among Indian oil and gas companies engaged in exploration and production ;
- Increasing international reserves and production ;
- Technological capabilities in sustaining production from mature fields ;
- Presence across the hydrocarbon value chain ; and
- Crude oil and natural gas exploration experience and capabilities.

For details, please see the sections “Our Business” and “Risk Factors” on pages 142 and 20 respectively of this Red Herring Prospectus.

### Quantitative Factors

On February 10, 2011, the face value of the Equity Shares of our Company was split into ₹ 5 each and consequently, 2,138,872,530 equity shares of ₹ 10 each were split into 4,277,745,060 equity shares of ₹ 5 each (“**Stock Split**”). Further, on February 10, 2011 our Company allotted 4,277,745,060 Equity Shares as bonus shares in the ratio of one equity share for every one share held by way of capitalization of the general reserves and securities premium account (“**Bonus**”). All the financials ratios are calculated based on outstanding Equity Shares after considering the Stock Split and Bonus issue.

#### 1. Earnings Per Share (“EPS”) <sup>(1)</sup>

##### As per standalone financial statements:

| Particulars                                     | EPS                               |        |
|-------------------------------------------------|-----------------------------------|--------|
|                                                 | (Face Value ₹ 5 per equity share) |        |
|                                                 | (₹/share )                        | Weight |
| Fiscal 2010 *                                   | ₹ 19.60                           | 1      |
| Fiscal 2011 *                                   | ₹ 22.12                           | 2      |
| <b>Weighted Average</b>                         | <b>₹ 21.28</b>                    |        |
| 3 months ended June 30, 2011 (not annualized)** | <b>₹ 4.79</b>                     |        |

\* As per standalone audited financial statements.

\*\* As per standalone unaudited with limited reviewed financial statements.

##### As per consolidated financial statements:

| Particulars                                     | EPS                               |        |
|-------------------------------------------------|-----------------------------------|--------|
|                                                 | (Face Value ₹ 5 per equity share) |        |
|                                                 | (₹/share )                        | Weight |
| Fiscal 2010 *                                   | ₹ 22.68                           | 1      |
| Fiscal 2011 *                                   | ₹ 26.25                           | 2      |
| <b>Weighted Average</b>                         | <b>₹ 25.06</b>                    |        |
| 3 months ended June 30, 2011 (not annualized)** | <b>₹ 6.40</b>                     |        |

\* As per consolidated audited financial statements.

\*\* As per consolidated unaudited with limited reviewed financial statements.

Notes:

(I) For the definition of EPS please refer to “Financial Information - Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexure XXX” and “Financial Information - Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXIX” on page 286 and page 358, respectively.

## 2. Price Earning Ratio (“P/E” Ratio)

**P/E Ratio in relation to Price Band of ₹ [●] - ₹ [●] per Equity Share of face value of ₹ 5 each:**

| Particulars                                          | P/E at the lower end of Price band (no. of times) | P/E at the higher end of Price band (no. of times) |
|------------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
| Based on Standalone EPS for Fiscal 2011 of ₹ 22.12 * | [●]                                               | [●]                                                |
| Based on Standalone Weighted Average EPS of ₹ 21.28  | [●]                                               | [●]                                                |

\* As per standalone audited financial statements.

| Particulars                                           | P/E at the lower end of Price band (no. of times) | P/E at the higher end of Price band (no. of times) |
|-------------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
| Based on Consolidated EPS for Fiscal 2011 of ₹ 26.25* | [●]                                               | [●]                                                |
| Based on Consolidated Weighted Average EPS of ₹ 25.06 | [●]                                               | [●]                                                |

\* As per consolidated audited financial statements.

## Industry P/E Ratio <sup>(1)</sup>

- i. Highest: 19.9x
- ii. Lowest: 8.5x
- iii. Industry Composite: 13.1x

Notes:

(I) The industry composite is the average data of the three peers, i.e., Cairn India Limited, Oil India Limited and Hindustan Oil Exploration Company Limited. The P/E Ratio for each of the peers has been calculated based on the closing price on September 2, 2011 on the NSE and the EPS sourced from the audited consolidated annual accounts as reported in the annual report or stock exchange website of the respective companies for the year ended March 31, 2011.

## 3. Average Return on Net Worth (“RONW”) <sup>(1)</sup>

**As per standalone financial statements:**

| Particulars                                     | RONW %        | Weight |
|-------------------------------------------------|---------------|--------|
| Fiscal 2010 *                                   | 19.40%        | 1      |
| Fiscal 2011 *                                   | 19.57%        | 2      |
| <b>Weighted Average</b>                         | <b>19.51%</b> |        |
| 3 months ended June 30, 2011 (not annualized)** | <b>4.06%</b>  |        |

\* As per standalone audited financial statements.

\*\* As per standalone unaudited with limited reviewed financial statements.

**As per consolidated financial statements:**

| Particulars                                     | RONW %        | Weight |
|-------------------------------------------------|---------------|--------|
| Fiscal 2010 *                                   | 19.29%        | 1      |
| Fiscal 2011 *                                   | 19.61%        | 2      |
| <b>Weighted Average</b>                         | <b>19.50%</b> |        |
| 3 months ended June 30, 2011 (not annualized)** | <b>4.55%</b>  |        |

\* As per consolidated audited financial statements.

\*\* As per consolidated unaudited with limited reviewed financial statements.



Notes:

(I) For definition of RONW please refer to “Financial Information - Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexure XXX” and “Financial Information - Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXIX” on page 286 and page 358, respectively.

#### 4. Minimum Return on Increased Net Worth required for maintaining pre-Offer EPS for the financial year 2011

There will be no change in the net worth post-Offer as the Offer is by way of offer for sale by the Selling Shareholder.

#### 5. Net Asset Value (“NAV”) per equity share <sup>(1)</sup>

The adjusted NAV per equity share of face value of ₹ 5 each is as under:

- i. As of March 31, 2011 is ₹ 113.04 on a standalone basis and ₹ 133.87 on a consolidated basis \*
- ii. As of June 30, 2011 is ₹ 117.88 on a standalone basis and ₹ 140.62 on a consolidated basis \*\*
- iii. Offer Price per Equity Share: ₹ [●] \*\*\*
- iv. As of March 31, 2011 after the Offer is ₹ 113.04 on a standalone basis and ₹ 133.87 on a consolidated basis \*\*\*\*
- v. As of June 30, 2011 after the Offer is ₹ 117.88 on a standalone basis and ₹ 140.62 on a consolidated basis \*\*\*\*

\* As per audited financial statements.

\*\* As per unaudited with limited reviewed financial statements.

\*\*\* Offer Price will be determined on the conclusion of the Book Building Process.

\*\*\*\* There will be no change in the Net Worth post-Offer, due to the Offer, as the Offer is by way of offer for sale by the Selling Shareholder.

Notes:

(I) For definition of NAV please refer to “Financial Information - Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexure XXX” and “Financial Information - Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXIX” on page 286 and page 358, respectively.

#### 6. Comparison of Accounting Ratios with Industry Peers

| Sr. No.                          | Name of the company                       | Consolidated | Year End       | Face Value (₹ per equity share) | Basic EPS (₹)          | P/E Ratio          | NAV (₹ per equity share) | RONW (%)              |
|----------------------------------|-------------------------------------------|--------------|----------------|---------------------------------|------------------------|--------------------|--------------------------|-----------------------|
| 1.                               | ONGC                                      | Consolidated | March 31, 2011 | ₹ 5 <sup>(1)</sup>              | ₹ 26.25 <sup>(1)</sup> | [●] <sup>(2)</sup> | ₹ 133.87 <sup>(1)</sup>  | 19.61% <sup>(1)</sup> |
| <b>Peer Group <sup>(3)</sup></b> |                                           |              |                |                                 |                        |                    |                          |                       |
| 2.                               | Oil India Limited                         | Consolidated | March 31, 2011 | ₹ 10                            | ₹ 119.93               | 10.8x              | ₹ 648.68                 | 18.49%                |
| 3.                               | Cairn India Limited                       | Consolidated | March 31, 2011 | ₹ 10                            | ₹ 33.36                | 8.5x               | ₹ 211.36                 | 15.78%                |
| 4.                               | Hindustan Oil Exploration Company Limited | Consolidated | March 31, 2011 | ₹ 10                            | ₹ 6.25                 | 19.9x              | ₹ 90.57                  | 6.90%                 |

Notes:

1) Face value, EPS, NAV per equity share and RONW of the Company are based on the consolidated audited financial statements of the Company for the year ended March 31, 2011 after considering the Stock Split and Bonus issue.

2) The P/E Ratio for the Company will be based on the Offer Price which will be determined on conclusion of Book Building Process and the EPS of the Company on a consolidated basis for the financial year ended March 31, 2011 after considering the Stock Split and Bonus issue.

- 3) *The EPS, NAV per equity share and RONW for each of the peers are based on the audited consolidated annual accounts as reported in the annual report or stock exchange website of the respective companies for the year ended March 31, 2011. The P/E Ratio for each of the peers has been calculated based on the closing price on September 2, 2011 on the NSE and the EPS sourced from the audited consolidated annual accounts for the year ended March 31,2011.*

The Offer Price of ₹ [●] has been determined by the Selling Shareholder in consultation with the Company and the BRLMs on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process and is justified in view of the above qualitative and quantitative parameters. Kindly note that a Retail Discount of ₹ [●] to the Offer Price is being offered to Retail Individual Bidders and an Employee Discount of ₹ [●] to the Offer Price is being offered to Eligible Employees bidding in the Employee Reservation Portion. Prospective investors should also review the entire Red Herring Prospectus, including, in particular the sections “Risk Factors”, “Our Business” and “Financial Information” on pages 20, 142 and 258, respectively.

## STATEMENT OF TAX BENEFITS

M/s Arun K Agarwal & Associates  
Chartered Accountants  
105, 1st Floor, South Ex. Plaza-I  
389, Masjid Moth, South Extn. Pt.II  
New Delhi – 110 049

M/s Kalyaniwalla & Mistry  
Chartered Accountants  
Kalpataru Heritage, 5th Floor  
127, MG Road, Fort  
Mumbai – 400 001

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

M/s S Bhandari & Co.  
Chartered Accountants  
51, Nariman Bhawan  
5<sup>th</sup> Floor, Nariman Point  
Mumbai – 400 021

M/s M Kuppuswamy P S G & Co  
Chartered Accountants  
4-H, Continental Plaza  
New No.256 (Old No.705),  
Anna Salai  
Chennai – 600 006

To,  
The Board of Directors  
Oil & Natural Gas Corporation Ltd.,  
Delhi.

Dear Sirs,

### **Statement of Possible Tax Benefits Available to the Company and its shareholders**

We hereby report that the enclosed statement provides the possible tax benefits presently available to the Company and to the shareholders of the Company under the Income tax Act, 1961 (as amended by the provisions of Finance Act, 2011) and Wealth Tax Act, 1957 presently in force in India. The statement does not take into account the provisions of the Direct Tax Code, 2010.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the abovementioned statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, investors are advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. While all reasonable care has been taken in the preparation of this statement, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

We do not express any opinion or provide any assurance as to whether:

- (i) the company or its shareholders will continue to obtain these benefits in future; or
- (ii) the conditions prescribed for availing the benefits have been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This statement is intended solely for information and for inclusion in the offer document in connection with the proposed further public offer (FPO) of equity shares of the company in accordance with SEBI Regulations and is not to be circulated or referred to for any other purpose without our prior written consent.

**For M/s. Arun K. Agarwal & Associates**  
**Chartered Accountants**  
**Firm Registration No.003917N**

**For M/s. Kalyaniwalla & Mistry**  
**Chartered Accountants**  
**Firm Registration No. 104607W**

**Rajesh Surolia**  
**Partner (Membership No.088008)**

**Ermin K. Irani**  
**Partner (Membership No.035646)**

**For M/s. Ray & Ray**  
**Chartered Accountants**  
**Firm Registration No.301072E**

**For M/s. S. Bhandari & Co.**  
**Chartered Accountants**  
**Firm Registration No. 000560C**

**A.K. Sharma**  
**Partner (Membership No.080085)**

**P. P. Pareek**  
**Partner (Membership No.071213)**

**For M/s. M. Kuppuswamy P S G & Co.**  
**Chartered Accountants**  
**Firm Registration No.001616S**

**M N Ravi**  
**Partner (Membership No. 083751)**

**Place: New Delhi**  
**Dated: August 29, 2011**

## STATEMENT OF TAX BENEFITS

### I. SPECIAL TAX BENEFITS

#### A. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME-TAX ACT, 1961 (HEREINAFTER REFERRED TO AS “THE ACT”)

##### 1. Profits and gains of business consisting of prospecting for, extraction or production of mineral oils

Section 42 of the Act grants special allowances to an assessee who has entered into an agreement with the Central Government for the association or participation of the Central Government, or any person authorized by it, in the business of the assessee of prospecting for, extracting or producing mineral oils. The said section states that such an assessee will be entitled to such allowances as are specified in the agreement which the assessee enters into with the Central Government. This section, read with such an agreement with the Central Government, permits an assessee to claim allowances which may be inadmissible on general principles, e.g. allowances relating to diminution or exhaustion of wasting capital assets or allowances in respect of expenditure which would be regarded on capital account on the ground that it brings an asset of enduring benefit into existence or constitutes initial expenditure incurred in setting the profit earning machinery in motion.

The company will be entitled to, in lieu of, or in addition to, the allowances admissible under the Act such allowances as are specified in the agreement which the company has entered into, or may enter into in future, with the Central Government.

##### 2. **Site Restoration Fund**

Section 33ABA of the Act is applicable to an assessee carrying on business of prospecting for or extraction or production of petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee for such business.

Deduction is allowed to the assessee in respect of the amount deposited by the assessee during the previous year:

a. In a special account with the State Bank of India in pursuance of a Scheme approved by the Central Government; or

b. In the Site restoration account opened by the assessee in pursuance of the Site Restoration Fund Scheme, 1999, framed by the Central Government.

Deduction is allowed for the amount(s) deposited subject to a maximum of 20 per cent of the profits of such business under the head ‘Profits and Gains of business or profession’ before setting off losses brought forward from earlier years under section 72 of the Act and before deduction under this section.

Any amount standing to the credit of the special account or the Site Restoration account is not allowed to be withdrawn, except in accordance with the said scheme.

If the amount standing to the credit of the assessee in the special account is utilized for the purpose of any expenditure for such business, it will not be allowed in computing the income chargeable under the head profit and gains of business or profession.

##### 3. **Production or refining of mineral oil**

Deduction under section 80IB(9) of the Act is available to a company in respect of

the profits derived from the undertaking which is engaged in production and refining of mineral oils, for the first seven years commencing from the year in which the undertaking starts commercial production or refining of mineral oil. However, as per amendment made by Finance Act, 2011, no deduction is admissible under this section for profits derived from blocks licensed under a contract awarded after 31-03-2011. The company has been claiming deduction under section 80IB(9) of the Act in its Return of Income. However, the Income tax Department has not allowed this deduction. The company has filed appeals before the Appellate Authorities contesting this disallowance.

#### **4. Generation or generation and distribution of power**

Deduction under section 80IA(4) of the Act is available to the company in respect of the profits derived from an undertaking which is engaged either in generation or generation and distribution of power, for any ten consecutive assessment years falling within the first fifteen years commencing from the year in which the undertaking starts to generate power or commences transmission or distribution of power.

### **B. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS OF THE COMPANY**

There are no special tax benefits available to the shareholders of the Company.

## **II. GENERAL TAX BENEFITS**

The Income Tax Act, 1961 (as amended by the provisions of Finance Act, 2011) and Wealth Tax Act, 1957, presently in force in India, make available the following general tax benefits which are available to all companies or to their shareholders. Several of these benefits are dependent on the companies or their shareholders fulfilling certain conditions prescribed under the relevant provisions of the statute or respective Acts.

### **A. BENEFITS TO THE COMPANY UNDER THE ACT**

The Company will be entitled to exemption or deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

#### **(a) Dividends exempt under section 10 (34) and 10(35)**

Under section 10 (34) of the Act, the Company will be eligible for exemption of income by way of dividend (Interim or final) referred in section 115-O derived from another domestic Company.

The Company will be eligible for exemption of income received from units of mutual funds specified under section 10 (23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of section 10 (35) of the Act.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

#### **(b) Computation of Capital Gains**

Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company, listed securities, units of UTI, units of Mutual Fund specified under section 10 (23D) or zero coupon bonds will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as notified from time to time.

As per the provisions of section 112(1)(b) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1) of the Act, if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund, where the transaction of sale is subject to Securities Transaction Tax ("STT"), shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the Company will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gains of the said year. Balance loss, if any, as per provisions of section 74, can be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares/units purchased within a period of three months prior to the record date and sold / transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

**(c) Exemption of capital gains from income tax**

- (i) Under section 10(38) of the Act, any income arising on or after 1<sup>st</sup> October 2004 from transfer of a long-term capital asset, being an equity share in a company or unit of an equity oriented fund will be exempt provided that the transaction of sale of such shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB of the Act.
- (ii) According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of

transfer. If only a part of the capital gains are so reinvested, the exemption shall be allowed to the extent of amount invested. However, investments made in the said bonds during any financial year should not exceed Rupees fifty lakhs. If the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

**(d) Computation of Business Income**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its non-tonnage business income:-

- (i) Under Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

Under Section 35 (1) (ii) of the Act, any sum paid to a scientific research association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research is eligible for weighted deduction to the extent of 1.75 times (175%) of the sum paid.

Under Section 35(1)(iia) of the Act any sum paid to a company registered in India which has as its main object the conduct of scientific research and development and is approved by the prescribed authority and fulfils such conditions as may be prescribed shall be eligible for deduction at 1.25 times (125%) of the amount so paid.

Under section 35(1)(iii) any sum paid to an approved research association or notified university, college or other institution to be used for research in social science or statistical research is eligible for deduction to the extent of 1.25 times (125%) of the sum so paid.

Similarly, payments to a National Laboratory, university or Indian Institute of Technology in respect of approved programmes of scientific research are also eligible for weighted deduction of 2 times (200%) of the sum paid under section 35(2AA).

Under section 35(2AB) of the Act, 200% deduction is admissible for any expenditure (not being cost of land or building) incurred by the Company on scientific research on in-house research and development facility approved by the prescribed authority.

- (ii) Subject to compliance with certain conditions laid down in section 32 of the Act, the company will be entitled to allowance for depreciation (including additional depreciation on eligible plant and machinery) in respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income tax Rules, 1962.

Unabsorbed depreciation allowance can be carried forward indefinitely and can be set off in the subsequent years.

- (iii) Under Section 72 of the Act, where the loss under the head 'profits and gains of business or profession' could not be set off in the same assessment



year because either the company had no income under any other head or the income was less than the loss, such loss which could not be set off in the same assessment year, can be carried forward to the following assessment years and it shall be set off against the profit and gains of business or profession for eight successive assessment years subject to the conditions set-out in the said section.

**(e) Computation of tax on Book Profit**

Section 115JB of the Act provides that the company is liable to pay income tax at the rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on the “Book Profit” as computed in accordance with the provisions of the said section, where the total tax payable as computed under the regular provisions of the Act is less than 18.5% of the “Book Profit”.

Section 115JAA(1A) of the Act provides for tax credit in respect of any tax paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006 (hereinafter referred to as MAT credit). MAT credit is the difference between tax paid under section 115JB of the Act and the tax computed as per the regular provisions of the Act. Such MAT credit carried forward is available for set-off in the year in which the Company is liable to pay tax under the regular provisions of the Act. Such tax credit is available for set off up to ten years from the year in which the credit becomes allowable. The amount which can be set-off is restricted to the difference between the tax payable under the regular provisions of the Act and the tax payable under the provisions of section 115JB in that year.

**(f) Tax rebates (Tax credits):**

As per the provisions of section 90 of the Act, the Company is entitled to credit for taxes on income paid in foreign countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties). The Company shall be entitled to deduction from the Income-tax paid in India of a sum calculated on doubly taxed income to the extent of the relief provided in the Tax Treaties entered into with the respective foreign countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases the provisions of the Act shall apply to the extent they are more beneficial to the company. Section 91 of the Act provides for unilateral relief in respect of taxes paid in foreign countries with whom India has not entered into bilateral tax treaty.

**(g) Deduction of dividend received from subsidiary company while computing Dividend Distribution Tax liability of the ultimate holding company**

Every domestic company is liable to pay Dividend Distribution Tax (DDT) on the amount of dividend distributed by it whether interim or final @16.2225% (including surcharge, education cess and secondary & higher education cess). However, while computing the DDT liability of a domestic company which is the ultimate holding company, the amount of dividend so paid or distributed shall be reduced by the amount of dividend received from its subsidiary company where the subsidiary company has paid DDT on such dividend.

Thus, the ultimate holding company is eligible to take credit for the dividend distributed by its subsidiary company while computing the amount of DDT payable by itself on the dividend distributed.

**B. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS:**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from a domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is

allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

**(b) Computation of Capital Gains**

Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital asset if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of shares held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of shares held for 12 month or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as notified from time to time.

As per the provisions of section 112(1)(b) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1) of the Act, if the tax on long term capital gains resulting on transfer of listed securities, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is subject to STT, shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the resident shareholders will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gains of the said year. Balance loss, if any, as per provisions of section 74 can be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

**(c) Exemption of capital gains from income tax**

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares will be exempt from tax provided that the transaction of sale of such equity shares is chargeable to STT.

- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only a part of the capital gains are so reinvested, the exemption shall be allowed to the extent of amount invested. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, investment made in the said bonds during any financial year should not exceed Rupees fifty lakhs.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The assessee should not own more than one residential house as on the date of sale/ transfer of the original long term capital asset. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the assessee purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

**(d) Deduction in respect of STT paid against Business Income**

Under section 36(1)(xv) of the Act, the amount of STT paid by an assessee in respect of taxable securities transactions offered to tax as "Profit and gains of business or profession" shall be allowable as a deduction against such Business Income.

**C. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS:**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

**(b) Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital assets if they are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of such shares held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of shares held for 12 months or less are considered as “short term capital gains”.

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is re-converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term capital gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus education cess and secondary & higher education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112(1)(c), if the tax on long term gains resulting on transfer of listed securities calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus education cess and secondary & higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus education cess and secondary & higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short term capital gains arising on equity shares, where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus education cess and secondary & higher education cess).

Also, section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Section 206AA of the Income-tax Act, which overrides all other provisions of the Income-tax Act, provides that where the recipient of any income, sum or amount on which tax is to be withheld fails to furnish his Permanent Account Number (PAN) (Tax Identification Number in India) to the person responsible to withhold tax (deductor), tax shall be withheld at ‘higher’ of the following rates:

- a) The rate mentioned in the relevant provisions of the Income-tax Act; or
- b) The rate in force (as defined by section 2(37A) of the Act. Section 2(37A), in the context of withholding from non-residents, states that tax rate specified in the Finance Act or the tax rate specified in the Double Taxation Avoidance Agreements (DTAA's) which India has entered into with other countries whichever is beneficial to the deductee shall apply; or
- c) 20%

Thus, where a non-resident shareholder has not been allotted a PAN in India, and tax is required to be withheld on Capital Gains on sale of shares, the rate of withholding tax would be the higher of the tax rates stated above. The non-resident assessee is free to thereafter obtain a PAN, file his Return of Income and claim refund of tax excessively deducted due to the provisions of section 206AA.

Further the tax benefits related to capital gains are subject to the CBDT circular no. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular,

the individual will be able to enjoy the concessional benefits of taxation on capital gains.

**(i) Capital gains tax - Options available under the Act**

**Where shares have been subscribed in convertible foreign exchange**

Option of taxation under Chapter XII-A of the Act:

Non-resident Indians [as defined in section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to, in convertible foreign exchange:

- According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable education cess and secondary & higher education cess) without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of a foreign exchange asset shall not be chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset (new asset). If part of such net consideration is invested within the prescribed period of six months in any specified asset, the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the foreign exchange asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the new asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred.
- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

- As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

### **Where shares have been subscribed in Indian Rupees:**

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as notified from time to time.

As per the provisions of section 112(1)(c) of the Act, long term capital gains that are not exempt u/s. 10(38) of the Act as computed above would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary & higher education cess). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable education cess and secondary higher education cess).

As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

### **(ii) Exemption of capital gain from income tax**

Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented mutual fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed to the extent of amount invested. Provided that investments made on or after 1st April 2007, in the said bonds during the financial year should not exceed Rupees fifty lakhs. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house provided that the individual does not own more than one residential house, other than the new asset, on the date of transfer of the original asset. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net

consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The assessee should not own more than one residential house as on the date of sale/ transfer of the original long term capital asset. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the assessee purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, as per provisions of section 74 can be carry forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

(c) **Deduction in respect of STT paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.

(d) **Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**D. BENEFITS AVAILABLE TO OTHER NON-RESIDENT INDIVIDUAL SHAREHOLDERS:**

(a) **Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of Section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

(b) **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of such assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary and higher education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short term capital gains of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess).

As per the provisions of Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70 Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, as per provisions of section 74 could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long term capital gains.

**(c) Exemption of capital gains from income tax**

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007, in the said bonds during any financial year should not exceed Rupees fifty lakhs. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.



However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

**(d) Deduction in respect of Securities Transaction Tax paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

**(e) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**E. BENEFITS AVAILABLE TO MUTUAL FUNDS**

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax subject to the conditions as Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

**F. BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (‘FII’s’):**

**(a) Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

**(b) Taxability of capital gains**

Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the

transaction of sale of such equity shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.

The income by way of capital gains [other than those covered under section 10(38) of the Act] realized by FII's on sale of the shares of Company would be taxed at the following rates as per section 115AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

According to provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains which are not exempt under section 10(38), shall not be chargeable to tax to the extent such capital gains are invested in notified bonds within six months from the date of transfer. If only a part of the capital gain is reinvested, the exemption shall be allowed to the extent of amount invested. The investment in the said bonds during any financial year should not exceed Rupees fifty lakhs. However, if the assessee transfers or converts the notified bonds into money within three years from the date of their acquisition, the amount of capital gain arising from the transfer of the original asset which was not charged to tax, will be deemed to be income by way of capital gain in the year in which the notified bonds are transferred or converted into money.

**(c) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**(d) Deduction in respect of Securities Transaction Tax paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.

**G. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957**

The company shall be charged to wealth-tax @ 1% on amount by which its net wealth determined on the basis of its residential status, on the corresponding valuation date relevant to the assessment year exceeds Rupees thirty lakhs subject to section 2(ea) r.w.s. 2(m) of the Wealth Tax Act, 1957.

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no wealth tax will be payable on the market value of shares of the company held by its shareholders.

**Notes:**

1. All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by the joint holders.
2. The above statement of possible direct tax benefits sets out the provision of law in summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, investors are advised to consult their tax advisors with respect to specific tax implications arising out of their participation in the issue.

## SECTION IV- ABOUT US

### INDUSTRY OVERVIEW: THE OIL AND GAS INDUSTRY

The information set forth in this section is based on publicly available information from various sources, including officially prepared material from the GoI and its various ministries, including the MoPNG, which we have not independently verified. Note that the DGH, MoPNG and other independent sources provide its data in metric tons and cubic feet; for convenience we have converted such data from metric tons to barrels, using a conversion factor of 1 metric ton per 7.33 barrels and converted from cubic feet to cubic meters using a conversion factor of 1 cubic meter per 35.3146 cubic feet. All the absolute numbers are rounded off and percentages are calculated based on the actual numbers.

#### Indian Oil and Gas Industry

##### Overview of the Indian Economy

India is the world's largest democracy with a population of 1.17 billion (Source: CIA Factbook, July 2010), and one of the fastest growing economies in the world. It has grown at an average rate of 8.25% per annum during the last five years (Source: EIU, December 2010). India had an estimated real GDP of approximately US\$3,738.7 billion (at 2005 prices) in 2010, which makes it the fourth largest economy in the world after the United States, China and Japan, in purchasing power parity terms (Source: EIU, December 2010). India is expected to have the world's second highest rate of GDP compound average growth rate ("CAGR") growth of 6.15% during 2007 - 2020 behind China (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010).

##### GDP in Purchasing Power Parity terms (at 2005 prices)

| YE Dec. 31 (US\$ bn) | 2007   | 2015   | 2020   | CAGR 2007 – 2020 |
|----------------------|--------|--------|--------|------------------|
| World                | 63,130 | 81,120 | 97,433 | 3.39%            |
| OECD countries       | 36,361 | 40,819 | 46,146 | 1.85%            |
| Non OECD countries   | 26,769 | 40,301 | 51,286 | 5.13%            |
| China                | 6,820  | 12,732 | 17,353 | 7.45%            |
| India                | 2,918  | 4,847  | 6,342  | 6.15%            |

Source: Energy Information Administration, International Energy Outlook 2010 – July 2010

India's economic growth has led to primary energy consumption growth at a CAGR of 8.48% from 2006 to 2010 (Source: BP Statistical Review of World Energy, June 2011). Although, India's energy needs are projected to increase at a rapid rate in the coming decades, domestic energy resources are limited.

#### The Energy Scenario

In 2009, India surpassed Japan and became the world's fourth largest consumer of energy, behind the United States, China and Russia with a consumption of 3,518 mmbae (Source: BP Statistical Review of World Energy, June 2011). Over the past few years, consumption of energy has risen in India along with India's economic growth.

##### Top 10 primary energy consuming countries

| Year Ended December 31, (mmbae) | 2006   | 2007   | 2008   | 2009   | 2010   |
|---------------------------------|--------|--------|--------|--------|--------|
| China                           | 12,679 | 13,654 | 14,714 | 16,036 | 17,828 |
| US                              | 17,022 | 17,296 | 16,877 | 16,156 | 16,754 |
| Russia                          | 5,041  | 4,984  | 4,991  | 4,799  | 5,064  |
| India                           | 2,774  | 2,999  | 3,233  | 3,518  | 3,842  |
| Japan                           | 3,828  | 3,781  | 3,729  | 3,467  | 3,672  |
| Germany                         | 2,415  | 2,267  | 2,274  | 2,253  | 2,342  |
| Canada                          | 2,347  | 2,390  | 2,458  | 2,291  | 2,321  |

| Year Ended December 31, (mmboe) | 2006  | 2007  | 2008  | 2009  | 2010  |
|---------------------------------|-------|-------|-------|-------|-------|
| South Korea                     | 1,665 | 1,728 | 1,731 | 1,735 | 1,869 |
| Brazil                          | 1,498 | 1,616 | 1,670 | 1,716 | 1,861 |
| France                          | 1,910 | 1,868 | 1,873 | 1,789 | 1,850 |

Source: BP Statistical Review of World Energy, June 2011 - includes data converted as per the conversion factor provided at the beginning of this section

Coal has been the dominant fuel in the Indian energy sector representing 52.96% of the total primary energy consumption in 2010 (Source: BP Statistical Review of World Energy, June 2011). Oil's share of India's energy mix has remained relatively stable, representing 29.66% of the total primary energy consumption in 2010 (Source: BP Statistical Review of World Energy, June 2011). Oil consumption is expected to grow at a CAGR of 2.03% during 2005 – 2030 (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010). Gas is currently a minor fuel in the overall energy mix in India; however, gas consumption is expected to grow at a CAGR of 5.13% during 2005 to 2030 (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010). In India, crude oil and natural gas contributed approximately 40% of the total energy consumption in 2010, which is low as compared to global standards where oil and gas contributed approximately 57% of the total energy consumption (Source: BP Statistical Review of World Energy, June 2011).

### Primary energy consumption – Energy sources

#### Domestic consumption

| Year Ended December 31, | Total domestic primary energy consumption (mmboe) | Energy sources (% of total domestic consumption) |           |             |               |        |
|-------------------------|---------------------------------------------------|--------------------------------------------------|-----------|-------------|---------------|--------|
|                         |                                                   | Coal                                             | Crude Oil | Natural Gas | Hydroelectric | Others |
| 2000                    | 2,296                                             | 54.71                                            | 31.12     | 7.47        | 5.55          | 1.15   |
| 2001                    | 2,304                                             | 54.88                                            | 30.77     | 7.80        | 5.19          | 1.37   |
| 2002                    | 2,478                                             | 53.55                                            | 32.93     | 7.63        | 4.59          | 1.30   |
| 2003                    | 2,568                                             | 54.39                                            | 32.28     | 7.68        | 4.48          | 1.17   |
| 2004                    | 2,758                                             | 54.15                                            | 31.95     | 7.84        | 5.05          | 1.01   |
| 2005                    | 2,944                                             | 55.28                                            | 29.78     | 8.54        | 5.40          | 1.00   |
| 2006                    | 2,774                                             | 51.56                                            | 31.79     | 8.88        | 6.71          | 1.06   |
| 2007                    | 2,999                                             | 52.04                                            | 31.41     | 8.80        | 6.77          | 0.98   |
| 2008                    | 3,233                                             | 52.35                                            | 32.55     | 8.43        | 5.89          | 0.77   |
| 2009                    | 3,518                                             | 52.21                                            | 31.46     | 9.56        | 5.00          | 1.75   |
| 2010                    | 3,842                                             | 52.96                                            | 29.66     | 10.63       | 4.81          | 1.95   |

#### Worldwide consumption

| Year Ended December 31, | Total worldwide primary energy consumption (mmboe) | Energy sources (% of total worldwide consumption) |           |             |               |        |
|-------------------------|----------------------------------------------------|---------------------------------------------------|-----------|-------------|---------------|--------|
|                         |                                                    | Coal                                              | Crude Oil | Natural Gas | Hydroelectric | Others |
| 2000                    | 66,671                                             | 24.37                                             | 38.69     | 23.72       | 6.78          | 6.43   |
| 2001                    | 67,182                                             | 24.47                                             | 38.37     | 24.22       | 6.38          | 6.56   |
| 2002                    | 69,375                                             | 25.49                                             | 37.64     | 24.15       | 6.27          | 6.45   |
| 2003                    | 71,840                                             | 26.67                                             | 37.16     | 23.91       | 6.16          | 6.10   |
| 2004                    | 75,433                                             | 27.20                                             | 36.91     | 23.57       | 6.25          | 6.07   |
| 2005                    | 77,875                                             | 27.83                                             | 36.34     | 23.65       | 6.27          | 5.90   |
| 2006                    | 79,479                                             | 28.05                                             | 36.07     | 23.59       | 6.43          | 5.86   |
| 2007                    | 81,395                                             | 28.77                                             | 35.48     | 23.88       | 6.27          | 5.61   |
| 2008                    | 82,940                                             | 29.04                                             | 35.00     | 24.01       | 6.46          | 5.48   |

| Year Ended December 31, | Total worldwide primary energy consumption (mmboe) | Energy sources (% of total worldwide consumption) |           |             |               |        |
|-------------------------|----------------------------------------------------|---------------------------------------------------|-----------|-------------|---------------|--------|
|                         |                                                    | Coal                                              | Crude Oil | Natural Gas | Hydroelectric | Others |
| 2009                    | 83,292                                             | 29.09                                             | 34.40     | 23.42       | 6.48          | 6.61   |
| 2010                    | 87,978                                             | 29.63                                             | 33.56     | 23.81       | 6.46          | 6.54   |

*Note: Others include Nuclear energy and renewable energy. Primary energy comprises commercially traded fuels only.*

*Source: BP Statistical Review of Energy June 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 and 2002- includes data converted as per the conversion factor provided at the beginning of this section*

India produced 77.85% of its domestic coal consumption, 24.89% of its domestic oil consumption and 82.23% of its domestic gas consumption in 2010. The remainder of India's consumption was sourced from imports (Source: BP Statistical Review of World Energy, June 2011).

Over the past five years, domestic natural gas consumption has grown significantly in absolute terms, from approximately 35.7 bcm for the year ended December 31, 2005 to approximately 61.9 bcm for the year ended December 31, 2010 (Source: BP Statistical Review of World Energy, June 2011), representing a CAGR of approximately 11.64%. While natural gas consumption as a percentage of total domestic energy consumption increased from 8.54% for the year ended December 31, 2005 to 10.63% for the year ended December 31, 2010, this proportion remains well below the world average of 23.81% for the year ended December 31, 2010 (Source: BP Statistical Review of World Energy, June 2011). Domestic natural gas consumption has historically been limited by supply constraints caused by low growth in domestic production.

The consumption of petroleum products has grown from 885 mmbbls for the year ended March 31, 2007 to 1,039 mmbbls, for the year ended March 31, 2011 representing a CAGR of approximately 4.09% (Source: Petroleum Planning and Analysis Cell - [http://ppac.org.in/writereaddata/PT\\_Consumption\\_H.xls](http://ppac.org.in/writereaddata/PT_Consumption_H.xls)).

### Evolution of the Oil and Gas Sector

The Indian oil and gas industry traces its beginnings to the initial discoveries of crude oil in October 1889 in Digboi, Assam in the far northeast region of India by the Assam Railway and Trading Company. The industry saw modest growth in exploration, development and production activity for the next century. Following independence, the GoI made accelerated development of the oil and gas sector a major priority, given the industry's strategic significance for industrial development as well as defence. In the 1950s, the GoI entered the oil and gas sector by establishing the Oil and Natural Gas Directorate (the predecessor to our Company) in 1955, creating state-owned refinery companies (Indian Refineries Limited in 1958 and Indian Oil Company Limited in 1959, which were merged in 1964 to form the Indian Oil Corporation ("IOCL")), and forming exploration and development joint ventures with existing domestic and foreign oil and gas companies (Oil India Limited ("OIL") with the Burma Oil Company and the Assam Oil Company, and Indo-Stanvac Petroleum Company Limited, a joint venture between the GoI and Standard Vacuum Oil Company). The industry increased in size in the 1960s and became increasingly dominated by state-owned entities and joint ventures between the GoI and private oil and gas companies.

In the 1970s, the GoI implemented nationalization policies, taking over the operations of companies such as IBP, Esso, Caltex and Burmah-Shell. Following nationalization, only state-owned enterprises were allowed to participate in the oil and gas industry (other than Castrol, which was permitted to remain in the niche lubricant segment). Virtually all aspects of the oil and gas industry were highly regulated, including investment, exploration, production, distribution and pricing of all petroleum products sold in the market. In 1974, our Company discovered the large Mumbai High offshore oil field, prompting the large-scale expansion in the Indian oil and gas sector. We carried out our development programs and commenced oil production from Mumbai High North in 1976 and Mumbai High South in 1980.

In the 1990s, as India's reliance on oil imports increased, the GoI embarked on a series of reforms aimed at reducing India's dependence on imports, deregulating the industry, improving efficiency and encouraging private and foreign investment. Measures included opening the refining segment to private investment, permitting the sale of limited amounts of LPG and kerosene by private entities outside of the state-owned distribution channels, and allowing foreign oil companies to enter the domestic lubricant market.

From 1991 to 1997, the GoI employed a series of auctioning rounds, which allowed for 100% foreign direct investment in the exploration and production sector in India. These are now popularly referred to as the “Pre-NELP rounds”. During the Pre-NELP rounds, the GoI entered into production sharing contracts on a case-to-case basis as there was no notified policy or framework pursuant to which the GoI granted acreages.

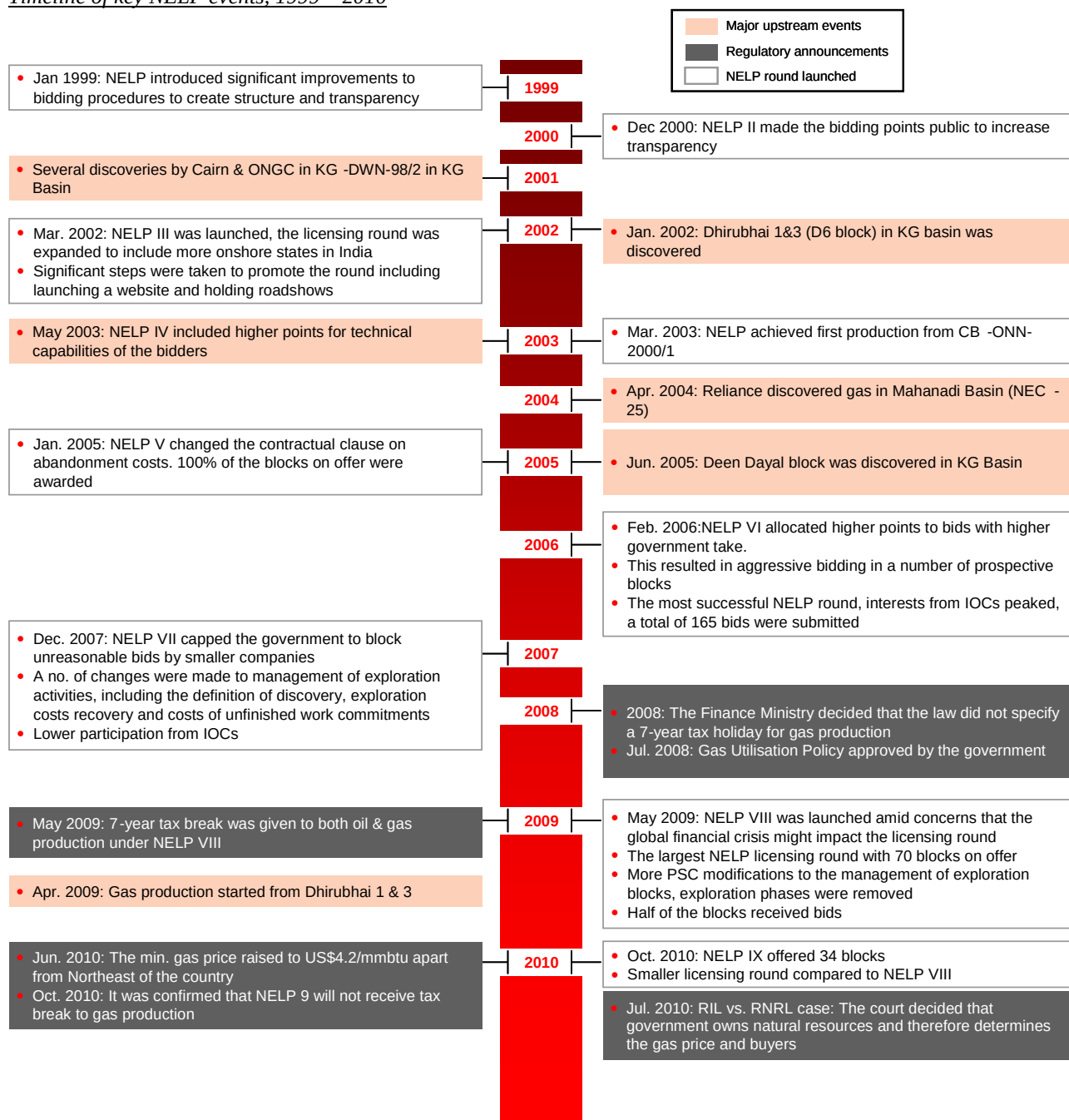
Under the Industrial Policy prevailing at the time, exploration blocks were offered for exploration and production only to national oil companies. Private companies had access to hydrocarbon resources prior to NELP only through joint venture arrangements entered into with the GoI, instead of complete participation through a bidding process. These joint venture arrangements contemplated mandatory participation of the GoI through the national oil companies.

The GoI offered acreages for exploration in various rounds including in the years 1980, 1982, 1986, 1991 and 1995. In 1986, the GoI extended the offering of oil and gas acreages to private or international investors apart from entering into nomination production sharing contracts with national oil companies on an ad-hoc basis. The GoI further liberalised the petroleum exploitation and exploration policy in 1991 inviting discovered fields for joint or independent development to national oil companies as well as to private or international investors, on a competitive bidding basis under the policy as it existed in 1991.

During 1997 - 1998, the GoI formulated a comprehensive policy for inviting investments by nationalised and private participants in the sector. The policy was notified in February 1999 as the “New Exploration Licensing Policy” or NELP. Under the NELP, participants were offered exploration blocks for carrying out E&P activities in India. Companies would bid for the minimum work commitment for each phase of exploration, indicating in their bids the share of profit petroleum expected by them at various levels of returns, based on either multiples of investment recovered or on post-tax rates of return. The companies winning the blocks would enter into PSCs with the GoI. The thrust of NELP was to ensure a level playing field between the national oil companies and the private participants. Under the first round of NELP bidding, the GoI invited bids for 48 blocks for exploration of oil and natural gas. To date, eight rounds of NELP have been completed. So far 235 PSC’s have been signed, out of which 168 are in operation. Additionally, 33 CBM blocks have been awarded during four rounds of bidding (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

NELP VIII was launched in April 2009 and was closed in October 2009. The GoI offered 70 blocks, the highest number of exploration blocks ever offered under NELP. Total area of these blocks were about 0.163 million square kilometer and offered blocks comprise of 24 deepwater, 28 shallow water and 18 onshore. GoI awarded 32 blocks in this NELP round and our Company and its partners won 17 of the blocks. In this round, the GoI introduced a number of changes to the bidding process and the PSC contract to enhance transparency and consistency (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*). In the ninth and latest round of NELP (NELP IX), the GoI received 74 bids for 33 blocks out of 34 exploration blocks. A total of 37 companies comprising of 8 foreign companies and 29 Indian companies have either bid on their own or as a part of consortia. (*Source: <http://www.pib.nic.in/newsite/erelease.aspx?relid=71301>*).

### Timeline of key NELP events, 1999 – 2010



Source: Wood Mackenzie, Upstream Service

Although, according to DGH, the NELP has been an outstanding success, the GoI is planning to move to the Open Acreage Licensing policy (“OALP”) regime in the near future. Under this policy, companies can choose any block for offer at any time, without waiting for the regular bid rounds under NELP. The blocks will be awarded to the party giving the best bid at any time of the year. To implement this policy of the GoI, DGH is taking steps to create the National Data Repository (Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10).

### **Oil and Natural Gas Production and Consumption**

In India, domestic production of oil and gas lags domestic consumption of oil and gas, which results in reliance on imports. Domestic consumption of crude oil and natural gas has increased at a CAGR of 3.91% and 8.92%, respectively, during 2000 – 2010 whereas domestic production of oil and gas increased at a CAGR of 1.30% and 6.81%, respectively, during the same period.



The following table sets forth the total domestic production and consumption of crude oil and natural gas for calendar years 2000 through 2010.

| Calendar Year | Oil Production (kbpd) | Oil consumption (kbpd) | Deficit | Deficit (%) |
|---------------|-----------------------|------------------------|---------|-------------|
| 2000          | 726                   | 2,261                  | 1,535   | 67.91%      |
| 2001          | 727                   | 2,288                  | 1,561   | 68.23%      |
| 2002          | 753                   | 2,376                  | 1,623   | 68.30%      |
| 2003          | 756                   | 2,420                  | 1,664   | 68.74%      |
| 2004          | 773                   | 2,574                  | 1,801   | 69.98%      |
| 2005          | 738                   | 2,567                  | 1,829   | 71.25%      |
| 2006          | 762                   | 2,571                  | 1,809   | 70.37%      |
| 2007          | 769                   | 2,835                  | 2,066   | 72.89%      |
| 2008          | 768                   | 3,068                  | 2,300   | 74.97%      |
| 2009          | 754                   | 3,211                  | 2,457   | 76.51%      |
| 2010          | 826                   | 3,319                  | 2,493   | 75.11%      |

| Calendar Year | Gas Production (bcm) | Gas Consumption (bcm) | Deficit | Deficit (%) |
|---------------|----------------------|-----------------------|---------|-------------|
| 2000          | 26.4                 | 26.4                  | 0.0     | 0.00%       |
| 2001          | 26.4                 | 26.4                  | 0.0     | 0.00%       |
| 2002          | 27.6                 | 27.6                  | 0.0     | 0.00%       |
| 2003          | 29.5                 | 29.5                  | 0.0     | 0.00%       |
| 2004          | 29.2                 | 31.9                  | 2.6     | 8.25%       |
| 2005          | 29.6                 | 35.7                  | 6.0     | 16.94%      |
| 2006          | 29.3                 | 37.3                  | 8.0     | 21.44%      |
| 2007          | 30.1                 | 40.1                  | 10.0    | 24.90%      |
| 2008          | 30.5                 | 41.3                  | 10.8    | 26.11%      |
| 2009          | 39.2                 | 51.0                  | 11.8    | 23.14%      |
| 2010          | 50.9                 | 61.9                  | 11.0    | 17.77%      |

*Note: Oil consumption comprises' inland demand, international aviation, marine bunkers, refinery fuel and loss, Fuel ethanol and biodiesel.*

*Source: BP Statistical Review of Energy June 2011*

Our Company and OIL together (both majority controlled by GoI) have a significant share of India's production of both crude oil and natural gas. Although deregulation and other government initiatives such as the introduction of NELP rounds have increased the level of private sector participation in the domestic production sector, the industry is still dominated by two GoI-controlled entities.

The following table provides a breakdown of India's major producers of crude oil and natural gas for fiscal 2010:

| Producer     | Crude oil (mmbbls) | (%)           | Natural gas (bcm) | (%)           |
|--------------|--------------------|---------------|-------------------|---------------|
| ONGC         | 180.8              | 73.6%         | 23.1              | 48.6%         |
| OIL          | 26.2               | 10.7%         | 2.4               | 5.1%          |
| Pvt / JV     | 38.6*              | 15.7%*        | 22.0*             | 46.3%*        |
| <b>Total</b> | <b>245.6</b>       | <b>100.0%</b> | <b>47.5</b>       | <b>100.0%</b> |

*\* Includes ONGC's share of production in the JVs in which it participates*

*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*

The remainder of the domestic crude oil and gas production comes primarily from public sector/private sector joint ventures. Significant private-sector participants in India's hydrocarbon production joint ventures include RIL, Cairn India Limited ("CIL") and smaller state-owned enterprises such as Gujarat State Petroleum Corporation Limited ("GSPC").

During fiscal year 2010, the total production of oil and gas in India was 245.6 mmbbls and 47.5 bcm respectively. The contribution of private sector and joint venture companies to total India's oil and gas production has increased from 18.5% for fiscal 2006 to 33.6% for fiscal 2010 (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

India's consumption for oil is expected to grow at an average annual growth rate of 2.03%, between 2005 and 2030 which may be compared with China's expected average annual oil consumption growth rate of 3.36%. In contrast, world growth rate is expected to be 0.85% (Source: *Energy Information Administration, International Energy Outlook 2010 – July 2010*).

*Global oil consumption (mmbpd) 2005 – 2030*

|       | 2005 | 2015 | 2020 | 2025 | 2030  | CAGR  |
|-------|------|------|------|------|-------|-------|
| India | 2.6  | 3.2  | 3.6  | 3.9  | 4.3   | 2.03% |
| China | 6.7  | 10.0 | 11.6 | 13.5 | 15.3  | 3.36% |
| World | 84.0 | 88.7 | 92.1 | 97.6 | 103.9 | 0.85% |

Source: *Energy Information Administration, International Energy Outlook 2010 - July 2010*

India is also expected to experience one of the most rapid increases in consumption for natural gas in the world between 2005 and 2030 at 5.13%. A deficit in natural gas has developed in the last six years.

*Global natural gas consumption (bcm) 2005 – 2030*

|       | 2005  | 2015  | 2020  | 2025  | 2030  | CAGR  |
|-------|-------|-------|-------|-------|-------|-------|
| India | 35.7  | 87.8  | 110.4 | 121.8 | 124.6 | 5.13% |
| China | 60.0  | 173.0 | 222.5 | 268.4 | 307.2 | 6.75% |
| World | 2,908 | 3,531 | 3,859 | 4,103 | 4,256 | 1.53% |

Source: *Energy Information Administration, International Energy Outlook 2010 - July 2010*

India is one of the largest net importers of crude oil with approximately 77% of its oil demand satisfied through imports. India's net imports in fiscal 2010 was 1,123 mmbbls and import value stood at ₹ 3,754 billion in fiscal 2010 (Source: *MoPNG - Basic Statistics on Indian Petroleum & Natural Gas, 2009 - 2010*).

Given the substantial gap between supply and demand in the energy sector in India and the limited amount of crude oil and natural gas reserves globally, the GoI has increasingly focused its attention on alternate hydrocarbon extraction technologies such as underground coal gasification, CBM and shale gas.

## Exploration

As of April 1, 2010, India's ultimate reserves are estimated at around 27.1 billion barrels of oil and oil equivalent gas. During fiscal 2010, accretion of in-place reserves and ultimate reserves are estimated to be in the order of 4.0 billion barrels and 1.2 billion barrels of oil and oil equivalent of gas (O+OEG) respectively (Source: *DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

The following table provides a breakdown of India's reserves and resources by company as of 1<sup>st</sup> April 2010:

| Company      | Initial in-place resources (bn boe) | (%)            | Ultimate reserves (bn boe) | (%)            |
|--------------|-------------------------------------|----------------|----------------------------|----------------|
| ONGC         | 50.2                                | 68.49%         | 18.2                       | 66.92%         |
| OIL          | 8.7                                 | 11.87%         | 3.2                        | 11.61%         |
| Pvt / JV     | 14.4                                | 19.64%         | 5.8                        | 21.47%         |
| <b>Total</b> | <b>73.3</b>                         | <b>100.00%</b> | <b>27.1</b>                | <b>100.00%</b> |

Source: *DGH – Hydrocarbon Exploration and Production Activities 2009-10*

Domestic proved reserves of crude oil have increased at a CAGR of 5.51% over the 10-year period ended December 31, 2010, from 5.29 billion barrels to 9.04 billion barrels. Domestic gas reserves however, have increased at a CAGR of 6.68% over the same period, from 0.76 trillion cubic meters to 1.45 trillion cubic meters. Despite a strong growth in reserves, India accounts for only 0.65% and 0.77% of global oil and gas proved reserves respectively (Source: *BP Statistical Review of Energy, June 2011*).

India has a total sedimentary area of approximately 3.14 million sq. kms in India out of which an area of 2.2 million sq.kms has already been licensed. There have been discoveries of oil and gas both in the offshore and onland basins of India with 28 discoveries in 2009-10. There have been 118 oil and gas discoveries under the PSC regime of which 82 have been in NELP blocks (Source: *DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

### ***Sedimentary basins***

India covers an area of approximately 3,134,700 square kilometers in 26 sedimentary basins divided into four categories based on degree of prospectivity as shown below:

| Basin Category | Nature                                                                                                | No. of Basins | Onland and Offshore Areas (square kilometers) | Basins                                                                                                                                        |
|----------------|-------------------------------------------------------------------------------------------------------|---------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Category I     | Proven commercial production                                                                          | 7             | 518,500                                       | Cambay, Assam Shelf, Mumbai offshore, Krishna-Godavari, Cauvery, Assam-Arakan Fold Belt, Rajasthan                                            |
| Category II    | Identified prospectivity – Known accumulation of hydrocarbons, but no commercial production           | 3             | 164,000                                       | Kutch, Mahanadi-NEC, Andaman-Nicobar                                                                                                          |
| Category III   | Geologically prospective basins – Indicated hydrocarbons that are considered geologically prospective | 6             | 641,000                                       | Himalayan Foreland, Ganga, Vindhyan, Saurashtra, Kerala-Konkan-Lakshadweep, Bengal                                                            |
| Category IV    | Potentially prospective basins                                                                        | 10            | 461,200                                       | Karewa, Spiti-Zaskar, Satpura South Rewa-Damodar, Narmada, Deccan Syneclise, Bhima-Kaladgi, Cuddapah, Pranhita-Godavari, Bastar, Chhattisgarh |
| Sub-total      | N.A.                                                                                                  | 26            | 1,784,700                                     | N.A.                                                                                                                                          |
| Deep waters    | N.A.                                                                                                  | -             | 1,350,000                                     | N.A.                                                                                                                                          |
| <b>TOTAL</b>   | <b>N.A.</b>                                                                                           | <b>26</b>     | <b>3,134,700</b>                              | N.A.                                                                                                                                          |

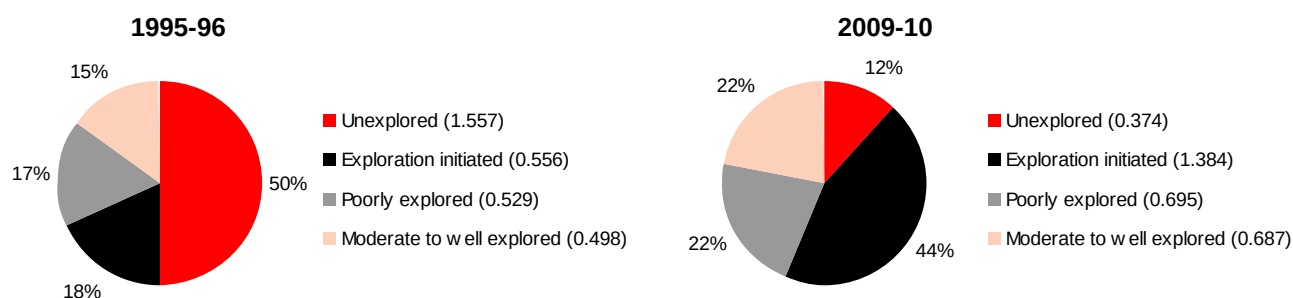
Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10

### ***Exploration activity***

Domestic exploration and development activity was historically highly regulated, with work being exclusively undertaken by two national oil companies, our Company and OIL. Given that exploration and development activities are very capital intensive and that historically only two national oil companies were engaged in the business, the sector received a low level of investment. After more than a decade of private sector participation, these two companies still account for approximately 84% of domestic crude oil production, and 54% of natural gas production, during fiscal 2010 (Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10).

Exploration activities have increased with the entry of new participants, and significant steps have been taken in exploring the hydrocarbon potential of the sedimentary basins of India. Despite these steps, the moderate to well-explored area accounts for only 22% of total sedimentary basin area as of March 31, 2010, up from 15% as of March 31, 1996 as is evident from the following table:

| Level of exploration in   | Area (million square kilometers) |              |              |              |
|---------------------------|----------------------------------|--------------|--------------|--------------|
| Sedimentary basin areas   | 1995-96                          | 1998-99      | 2004-05      | 2009-10      |
| Unexplored                | 1.557                            | 1.276        | 0.698        | 0.374        |
| Exploration Initiated     | 0.556                            | 0.837        | 1.155        | 1.384        |
| Poorly Explored           | 0.529                            | 0.529        | 0.689        | 0.695        |
| Moderate To Well Explored | 0.498                            | 0.498        | 0.598        | 0.687        |
| <b>Total</b>              | <b>3.140</b>                     | <b>3.140</b> | <b>3.140</b> | <b>3.140</b> |



Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10

### Exploration licenses

Our Company and RIL together account for 78.43% of the total domestic territory licensed for exploration. The following table below sets forth the amount of acreage granted to licensees under petroleum exploration licenses (PELs) as of July 1, 2010:

| Company/Operator                                   | PEL area at July 1, 2010 |            |
|----------------------------------------------------|--------------------------|------------|
|                                                    | Square Kilometers        | %          |
| ONGC                                               | 581,398                  | 50.75      |
| RIL                                                | 317,120                  | 27.68      |
| CIL                                                | 43,287                   | 3.78       |
| BHP Billiton                                       | 39,704                   | 3.47       |
| OIL                                                | 26,674                   | 2.33       |
| Hindustan Oil Exploration Company Limited ("HOEC") | 23,709                   | 2.07       |
| Others*                                            | 113,640                  | 9.92       |
| <b>Total</b>                                       | <b>1,145,534</b>         | <b>100</b> |

\* Others include Santos, Focus, ENi Prize Petroleum, GSPC, OAO Gazprom, Jubilant Oil and Gas Pvt. Ltd, Geo Global Resources Inc, Essar Oil Limited, NAFTOGAZ, BP Exploration, BGEPIL, Canoro Resources Limited, Bengal Energy, Tullow Oil Plc, Adani Welspun, Niko Resources Limited, GAIL, Hardy Exploration & Production (India) Inc, Deep Energy, PetroGas, IOCL, Hong Kong and China Gas Company Limited ("HCIL"), Mercator Petroleum, Omkar Natural, National Thermal Power Corporation Limited ("NTPC"), Jay Polychem (India) limited ("JPIL"), Vasundhara.

Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10

In order to carry out exploration and exploitation of oil and gas resources a company has to apply first to the GoI, followed by the respective state governments of India for grant of a petroleum exploration license ("PEL") in accordance with the Petroleum and Natural Gas Rules, 1959, as amended ("PNG Rules"). Upon receipt of requisite approvals/consents as applicable, such state government then grants a PEL initially for a period of four years and a renewal for further periods of one year each till the expiry of the exploration period(s) provided under the agreement, if any, or unless otherwise specified by the Central Government in this regard. Upon grant of the PEL and in the event the PEL is prospective then the area can be applied for the grant of a mining lease to the GoI and the respective state governments of India in accordance with the PNG Rules. A mining lease is typically issued for a period of 20 years.

### Leased domestic production area

Our Company and OIL also hold the largest portion of leased acreage for oil and natural gas production, accounting collectively for approximately 79.4% of the total territory leased by the GoI for commercial production of crude oil and natural gas as of July 1, 2010. The following table sets forth the amount of domestic production area granted to lessees under petroleum mining leases, or PMLs, in effect as of July 1, 2010:

| Company/Operator | ML Area   |       |
|------------------|-----------|-------|
|                  | Sq. km    | (%)   |
| ONGC             | 24,688.18 | 66.37 |

| Company/Operator | ML Area          |              |
|------------------|------------------|--------------|
|                  | Sq. km           | (%)          |
| OIL              | 4,849.01         | 13.04        |
| CIL              | 3,756.96         | 10.10        |
| BG-RIL-ONGC      | 2,678.00         | 7.20         |
| RIL              | 389.41           | 1.05         |
| Others*          | 834.29           | 2.24         |
| <b>Total</b>     | <b>37,195.85</b> | <b>100.0</b> |

\* Others include Selan, Oilex, HOEC, Hardy, Niko, Joshi Technology India Limited ("JTI"), Canoro, Heramac, GSPC, Interlink, Geoenpro, Hydro. Res. Dev., Prize Petroleum Company Limited ("PPCL")

Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10

## Crude Oil and Natural Gas Transportation

Crude oil produced onshore is primarily transported to refineries through trunk pipelines, with a small percentage transported by road tankers. Crude oil produced offshore is transported by trunk pipelines to onshore facilities for processing and then supplied through pipelines and marine tankers to refiners, with a small percentage transported by ships directly from offshore. There are over 12,000 km of crude pipelines in India, both onshore and offshore, operated by our Company, OIL, Hindustan Petroleum Corporation Limited ("HPCL"), IOCL and CIL. Our Company and IOCL are the largest operators, owning 52% and 37% of the crude pipeline infrastructure in India (Source: Wood Mackenzie, Upstream Service).

There are presently three major pipeline entities in gas transportation across India i.e. GAIL, Reliance Gas Transportation Infrastructure Limited ("RGITL") and Gujarat State Petronet Limited ("GSPL"). GAIL operates a 7,000 km trunk pipeline to evacuate natural gas from our Company and Petronet LNG Limited ("PLL"), which is approximately 67% owned by GAIL which is also the operator. RGITL is operating the 1,375 km East West pipeline to evacuate gas from KG-D6 gas owned and operated by RIL in Andhra Pradesh. This pipeline passes through Andhra Pradesh, Maharashtra and Gujarat and is focused on tapping the Northern and Western India markets. GSPL is mainly focused on servicing the gas requirements of Gujarat. GAIL also operates regional gas pipeline network across India (Source: Petroleum Planning & Analysis Cell – Gas pipeline network in India).

### Gas pipeline network by different operators

| Operator     | Length (km)   | % of Total  |
|--------------|---------------|-------------|
| GAIL         | 7,241         | 67%         |
| RGITL        | 1,375         | 13%         |
| GSPL         | 1,660         | 15%         |
| AGCL/OIL*    | 500           | 5%          |
| <b>Total</b> | <b>10,776</b> | <b>100%</b> |

\* approximately

Source: Petroleum Planning & Analysis Cell – Gas pipeline network in India

## Refining

The Indian crude oil refining sector consists of nine companies operating a total of 21 refineries, with a combined annual installed throughput capacity, as of March 31, 2011, of approximately 3.9 mmbbls per day. With the exception of the Reliance refineries and Essar's Vadinar refinery, all of India's domestic refiners are public-sector enterprises. (Petroleum Planning & Analysis Cell, [http://ppac.org.in/writereaddata/PT\\_installed.xls](http://ppac.org.in/writereaddata/PT_installed.xls))

India's GoI-controlled oil marketing companies ("OMCs") are the key players in the downstream petroleum sector. Each of the top four refining players, RIL, IOCL, HPCL and Bharat Petroleum Corporation Limited ("BPCL"), is a member of the Fortune Global 500 list of the world's 500 largest companies (Source: Fortune).

### Major Refining Companies

The domestic refining sector has undergone significant consolidation beginning in 2001 as several refining companies lacking marketing and distribution operations have been acquired by other domestic oil and gas

companies pursuing a vertical integration strategy. In March 2001, IOCL acquired controlling stakes in Bongaigaon Refineries and Petrochemicals Limited (“BRPL”) and Chennai Petroleum Corporation Limited (“CPCL”), and BPCL acquired controlling stakes in Kochi Refineries Limited (“KRL”) and Numaligarh Refineries Limited (“NRL”). Our Company acquired a controlling stake in our subsidiary, Mangalore Refinery and Petrochemicals Limited (“MRPL”) in March 2003.

The three Indian GoI-owned national oil companies, IOCL, BPCL and Hindustan Petroleum Corporation Limited (“HPCL”), continue to dominate the refined petroleum product retail sector in India, accounting for more than 50% of domestic refining capacity and 98% of total operational retail petrol stations (*Source: India’s Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/International Energy Agency, 2010).

Other industry players include four publicly-owned corporations:

- MRPL is our Company’s downstream Subsidiary, which operates a single integrated refinery and petrochemicals plant in Mangalore (*Source: India’s Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/International Energy Agency, 2010).
- Chennai Petroleum Corporation Limited (CPCL) is a subsidiary of IOCL, and operates two refineries in the state of Tamil Nadu (*Source: India’s Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/International Energy Agency, 2010).
- Essar Energy (“Essar”) is a private sector refining company promoted by the Indian conglomerate, the Essar Group, and listed on the London Stock Exchange with refining operations in Vadinar, Gujarat.
- RIL is a private sector refining company, listed on the Indian stock exchange with refining operations in Jamnagar, Gujarat.

#### *Refining Capacity as of March 31, 2011*

|                 | IOCL | BPCL | HPCL | RIL  | Essar | MRPL |
|-----------------|------|------|------|------|-------|------|
| Refining (mbpd) | 1.21 | 0.56 | 0.30 | 1.20 | 0.21  | 0.24 |

*Note: Installed refining capacity for IOCL and BPCL include the capacities of their respective subsidiaries in proportion to their equity shareholding*

*Source: Petroleum Planning & Analysis Cell, [http://ppac.org.in/writereaddata/PT\\_installed.xls](http://ppac.org.in/writereaddata/PT_installed.xls)*

#### Refining End Products

As set out in its 11th Five-Year Plan, the GoI seeks to establish India as a global refined product exporting hub, both by instructing OMCs to take a more outward-oriented operating stance, and by encouraging private-sector refiners to invest in export-oriented refining capacity. OMCs look to first supply the Indian market, and then to export the balance of refined product produced. Private-sector refiners, however, have no operational directive to first supply domestic markets (*Source: India’s Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/International Energy Agency, 2010).

The following table sets out information on the production, import, export and domestic consumption of major categories of refined petroleum products for the periods (year ended March 31) indicated:

| Product                              | (mmbbbls)   | 2007  | 2008  | 2009  | 2010  | 2011  |
|--------------------------------------|-------------|-------|-------|-------|-------|-------|
| Liquefied Petroleum Gas              | Production  | 62.0  | 65.0  | 67.2  | 75.8  | 70.7  |
|                                      | Imports     | 16.7  | 20.8  | 17.2  | 19.9  | 31.8  |
|                                      | Exports     | 0.8   | 0.7   | 0.8   | 1.0   | 0.4   |
|                                      | Consumption | 79.5  | 88.0  | 89.4  | 96.3  | 105.0 |
| Naphtha / Natural Gas liquids        | Production  | 133.2 | 131.8 | 120.6 | 137.7 | 141.6 |
|                                      | Imports     | 38.9  | 43.9  | 36.6  | 12.7  | 14.9  |
|                                      | Exports     | 61.7  | 68.1  | 53.4  | 72.6  | 66.3  |
|                                      | Consumption | 101.8 | 97.4  | 102.0 | 74.3  | 78.3  |
| Motor spirits (Gasoline/Petrol /ATF) | Production  | 91.9  | 103.9 | 117.4 | 165.3 | 260.6 |
|                                      | Imports     | 3.1   | 2.4   | 2.9   | 2.8   | 12.1  |

| Product                          | (mmbbls)    | 2007  | 2008  | 2009  | 2010  | 2011  |
|----------------------------------|-------------|-------|-------|-------|-------|-------|
|                                  | Exports     | 26.5  | 31.2  | 39.1  | 71.6  | 98.4  |
|                                  | Consumption | 68.1  | 75.7  | 82.5  | 94.0  | 141.3 |
|                                  |             |       |       |       |       |       |
| Kerosene                         | Production  | 63.2  | 58.8  | 62.0  | 64.7  | 57.9  |
|                                  | Imports     | 10.4  | 18.2  | 10.6  | 7.2   | 9.7   |
|                                  | Exports     | 1.1   | 1.0   | 0.6   | 0.3   | 0.1   |
|                                  | Consumption | 69.7  | 68.6  | 68.2  | 68.2  | 65.4  |
|                                  |             |       |       |       |       |       |
| High Speed Diesel                | Production  | 393.4 | 428.7 | 462.0 | 536.9 | 570.2 |
|                                  | Imports     | 7.1   | 21.6  | 20.0  | 18.6  | 14.6  |
|                                  | Exports     | 83.3  | 104.9 | 100.9 | 135.0 | 145.1 |
|                                  | Consumption | 314.4 | 349.4 | 379.0 | 412.3 | 439.7 |
|                                  |             |       |       |       |       |       |
| Fuel oil/low sulphur heavy stock | Production  | 113.8 | 117.0 | 130.2 | 131.1 | 151.6 |
|                                  | Imports     | 21.9  | 26.8  | 19.1  | 6.6   | 6.7   |
|                                  | Exports     | 27.6  | 34.6  | 43.5  | 37.9  | 47.5  |
|                                  | Consumption | 92.5  | 93.2  | 92.3  | 85.2  | 79.7  |

Source: Petroleum Planning & Analysis Cell, [http://ppac.org.in/writereaddata/PT\\_import\\_H.xls](http://ppac.org.in/writereaddata/PT_import_H.xls),  
[http://ppac.org.in/writereaddata/PT\\_production\\_H.xls](http://ppac.org.in/writereaddata/PT_production_H.xls),  
[http://ppac.org.in/writereaddata/PT\\_Consumption\\_H.xls](http://ppac.org.in/writereaddata/PT_Consumption_H.xls)

### Refining capacity outlook

GoI-controlled OMCs have invested strongly in refinery capacity in recent years. Between 2007 and 2012 – the years of India's 11th Five Year Plan – these will have added over 600mbpd in greenfield refining capacity and close to 300mbpd in brownfield capacity.

Private-sector refinery investment in India, too, is shown to be robust in both the recent past and in the near future. From the commissioning of Reliance Industry Limited's (RIL) Jamnagar II refinery in late 2008 to the scheduled commissioning of Essar Oil's Vadinar II refinery in 2012, private-sector refiners will have added around 1.2mmbpd of new refining capacity (*Source: India's Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/International Energy Agency, 2010).

Large increases in refining capacity resulting from the construction of new refineries and upgrades at existing refineries, domestic refining capacity now exceeds domestic demand for refined petroleum products, and India has become a net exporter of refined petroleum products.

With forecasted total domestic refining capacity of 4.96 mmbpd by 2012, India will become the world's fourth largest refining centre, after the United States, China and Japan. India currently consumes petroleum products at a rate of just over 3 mmbpd, which is expected to grow at slightly more than 4% per annum to 3.44 mmbpd in 2012. (*Source: India's Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/ International Energy Agency, 2010).

As a combined result of public-sector and private-sector refinery investments in the recent past, India is expected to emerge by 2012 as Asia's largest refined product exporter, surpassing Singapore. (*Source: India's Downstream Petroleum Sector: Refined product pricing and refinery investment* © OECD/ International Energy Agency, 2010).

### **Alternate sources of energy**

Given the substantial gap between supply and demand in the energy sector in India and the limited amount of crude oil and natural gas reserves globally, the Government has focused its attention on alternate hydrocarbon extraction technologies such as coal-bed methane, shale play, underground coal gasification and gas hydrates. (*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*).

### Coal Bed Methane

Coal-bed methane (“CBM”) is natural gas derived from coal that can be extracted by depressurization. Having the fourth largest proven coal reserves and being the third largest coal producer in the world, India holds significant prospects for commercial discovery of CBM. The GoI formulated a CBM policy in 1997 to explore and produce CBM in India and started awarding CBM blocks through international bidding rounds in 2001.

The total sedimentary area for CBM exploration is of the order of 26,000 sq. km. By the end of the third round of bidding in October 2006, 26 blocks were awarded, covering an area of 13,600 sq km spread over the states of West Bengal, Jharkhand, Rajasthan, Gujarat, Madhya Pradesh, Chhattisgarh, Maharashtra and Andhra Pradesh. The prognosticated CBM resource calculated for the awarded 26 CBM blocks is about 1,472 bcm, out of which 237 bcm has been established as gas-in-place.

In July 2010, the Government of India concluded the fourth round of bidding and awarded a further seven blocks covering an area of 3,727 sq km. New states identified in the fourth round of bidding are Orissa, Tamil Nadu and Assam.

Commercial CBM production commenced from 1 block in Raniganj (South) on 14th July 2007, which now contributes 0.15 MMSCMD. Four more blocks are expected to start commercial production in the near future. The total CBM production figure is expected to be around 7.4 MMSCMD by the year 2014-15.

*Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10*

### Shale Gas

Shale gas has gained prominence particularly in the United States, where it now contributes about/more than 17% of total gas production. The experience in the United States with shale gas has encouraged other countries to similarly venture into exploration and exploitation. Although shale gas was recognized much earlier, two things in particular, horizontal multilateral drilling with slick water tracing and improved prices of gas in the US markets, have changed the scenario rapidly since 2001.

There are large basinal segments in India, which appear interesting from a shale gas point of view, by drawing analogy from US basins. Damodar Basin and Cambay basin have taken priority for shale gas exploration. Basic data is also being generated (through direct gas measurements) in other basins, such as Krishna-Godavari and Cauvery, to evaluate prospectivity. The GoI, through DGH, has taken the initiative of identifying prospective areas for shale gas exploration in India. *(Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10)*

### Oil Shale

Oil shale are fine grained sedimentary rocks containing relatively large amount of organic matter from which significant quantities of shale oil and gas can be extracted. The product thus generated is known as synthetic crude or simply “syncrude”. In India oil shale prospects have been identified in Assam-Arakan Basin and Rajasthan Basin. DGH has completed a project in Assam-Arakan Basin in association with Bureau de Recherches Géologiques et Minières, France (“BRGM”) and Mineral Exploration Corporation Limited (“MECL”), India, to identify and estimate resources in respect of oil shale deposits and syncrude potential in the northeast part of India covering an area of about 250 sq km and spanning three blocks.

BRGM estimates syncrude resources in the three blocks at 2,932 mmbbls of oil up to a depth of 500m. DGH, based on the advice of the Secretary of the MoPNG, has prepared a vision document for commercial exploration of shale oil and entered into a memorandum of understanding with IOCL for extraction technology. *(Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10)*

### Underground Coal Gasification

Underground coal gasification is the process by which one extracts a coal gas from otherwise unminable coal reserves. Still in its early stages of development, underground coal gasification could provide India with a significant source of energy in the future given India’s sizable coal deposits. *(Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10)*



### Gas Hydrates

India is among a small group of nations to have begun research and development activities on methane hydrates as a source of hydrocarbons. It is ranked third after the United States and Japan with regards to the progress made in this direction.

The National Gas Hydrate Program (NGHP) is a consortium of national E&P companies (ONGC, GAIL and OIL) and National Research Institutions (National Institute of Oceanography, National Geophysical Research Institute and National Institute of Ocean Technology) which is steered by the MoPNG and technically coordinated by the DGH. NGHP has been given the responsibility of exploring gas hydrates in India.

India has already established the physical presence of marine methane hydrates in the offshore deepwater of Krishna-Godavari, Mahanadi and Andaman areas.

(Source: DGH – Hydrocarbon Exploration and Production Activities 2009-10).

### **Global Oil and Gas Market**

Total global proved oil reserves stood at 1,383 billion barrels and total proved gas reserves stood at 187 trillion cubic meters as of December 31, 2010. The majority of the global proved reserves are located in Middle East.

| <b>Oil: Proved reserves</b>     | <b>1990</b>   | <b>2000</b>   | <b>2009</b>   | <b>2010</b>   | <b>Share of total</b> |
|---------------------------------|---------------|---------------|---------------|---------------|-----------------------|
|                                 | <b>mmbbls</b> | <b>mmbbls</b> | <b>mmbbls</b> | <b>mmbbls</b> | <b>In 2010</b>        |
| Total North America             | 96,293        | 68,879        | 74,637        | 74,348        | 5.4%                  |
| Total South and Central America | 71,525        | 97,908        | 237,585       | 239,438       | 17.3%                 |
| Total Europe & Eurasia          | 80,799        | 107,928       | 139,235       | 139,661       | 10.1%                 |
| Total Middle East               | 659,614       | 696,689       | 752,605       | 752,531       | 54.4%                 |
| Total Africa                    | 58,725        | 93,386        | 130,332       | 132,077       | 9.5%                  |
| Total Asia Pacific              | 36,285        | 40,103        | 42,168        | 45,152        | 3.3%                  |
| Total World                     | 1,003,241     | 1,104,893     | 1,376,562     | 1,383,207     | 100.0%                |

| <b>Natural Gas: Proved reserves</b> | <b>1990</b> | <b>2000</b> | <b>2009</b> | <b>2010</b> | <b>Share of total</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|-----------------------|
|                                     | <b>bcm</b>  | <b>bcm</b>  | <b>bcm</b>  | <b>bcm</b>  | <b>In 2010</b>        |
| Total North America                 | 9,545       | 7,542       | 9,920       | 9,934       | 5.3%                  |
| Total S. & Cent. America            | 5,171       | 6,878       | 7,470       | 7,408       | 4.0%                  |
| Total Europe & Eurasia              | 54,539      | 55,942      | 62,999      | 63,079      | 33.7%                 |
| Total Middle East                   | 37,989      | 59,145      | 75,666      | 75,803      | 40.5%                 |
| Total Africa                        | 8,553       | 12,464      | 14,693      | 14,727      | 7.9%                  |
| Total Asia Pacific                  | 9,863       | 12,281      | 15,838      | 16,191      | 8.7%                  |
| Total World                         | 125,659     | 154,252     | 186,586     | 187,142     | 100.0%                |

Source: BP Statistical Review of World Energy June 2011

### **Global oil consumption and supply**

Consumption of liquid fuels and other petroleum increases from 86.1 mmbbl/d in 2007 to 103.9 mmbbl/d in 2030. Although world liquid fuels consumption actually declined in 2008 (to 85.8 mmbbl/d) and again in 2009 (to an estimated 84.1 mmbbl/d) as the global economic recession deepened, it is expected to recover in the future as economic growth resumes. More than 80% of the projected increase in total liquid fuels consumption is expected for the nations of non-OECD Asia and the Middle East, where EIA expects strong economic growth. The transportation sector accounts for the largest increment in total liquid fuels demand, making up nearly 80% of the world increase (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010).

World's liquid fuels production in 2030 is expected to exceed the 2007 level by 18 mmbbl/d. Increases in production are expected for both OPEC and non-OPEC producers. Overall, 51% of the total increase is expected

to come from non-OPEC areas, including 33% from non-OPEC unconventional liquid fuels production alone. OPEC produces 47 mmbbl/d in 2035 and non-OPEC producers provide 64 mmbbl/d (Source: Energy Information Administration, International Energy Outlook 2010 – July 2010).

|                             | 2007        |             | 2015        |             | 2020        |             | 2030         |              |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| (mn barrels per day)        | Production  | Consumption | Production  | Consumption | Production  | Consumption | Production   | Consumption  |
| North America               | 15.4        | 25.1        | 16.2        | 24.6        | 16.9        | 25.0        | 18.3         | 26.4         |
| OECD Europe                 | 5.4         | 15.3        | 3.5         | 14.0        | 3.1         | 13.4        | 2.9          | 13.6         |
| Asia                        | 8.6         | 25.2        | 8.1         | 27.8        | 8.1         | 30.7        | 8.6          | 37.4         |
| Middle East                 | 24.6        | 6.4         | 26.8        | 7.2         | 27.9        | 7.8         | 32.7         | 9.5          |
| Africa                      | 10.7        | 3.1         | 12.4        | 3.5         | 12.7        | 3.6         | 13.3         | 4.2          |
| Central and South America   | 7.3         | 6.0         | 8.6         | 6.6         | 9.8         | 6.7         | 11.7         | 7.5          |
| Non-OECD Europe and Eurasia | 12.8        | 5.1         | 13.1        | 4.9         | 13.8        | 4.9         | 16.4         | 5.1          |
| <b>Total World</b>          | <b>84.8</b> | <b>86.1</b> | <b>88.7</b> | <b>88.7</b> | <b>92.1</b> | <b>92.1</b> | <b>103.9</b> | <b>103.9</b> |

Source: Energy Information Administration, International Energy Outlook 2010 – July 2010.

### Gas production and consumption

Natural gas is projected to be the fastest growing fossil fuel globally to 2030. Asia accounts for the world's largest production and consumption increments. The Middle East has the world's second largest production and consumption increments. The Middle East's share in global consumption is expected to expand from 5% in 1990 and 12% in 2010 to 17% in 2030. Its share in global production grows from 15% in 2010 to 19%. Despite North America's continued production growth, it is outpaced by other regions and its share in the global total declined from 26% in 2010 to 19% in 2030.

Source: BP Energy Outlook January 2011

### Oil Prices

In the past five years, oil prices have shown an upward trend and reached an all-time high of US\$145 per barrel in July 2008. In the subsequent six months, oil price decreased significantly, falling to US\$34 per barrel in December 2008 due to global recession. OPEC countries introduced production cuts to bring oil prices at a comfortable level.



Source: EIA Weekly dated June 8, 2011

## Country overviews

### Russia

Russia holds the world's eighth largest crude oil reserves, with proven oil reserves of 60 billion barrels as of January 1, 2010. Most of Russia's resources are located in Western Siberia, between the Ural Mountains and the Central Siberian Plateau. Russia is a net exporter of crude oil and oil products. In 2009 Russia produced an estimated 9.9 mmbbl/d of oil and consumed an estimated 2.9 mmbbl/d of oil. Roughly 4.0 mmbbl/d of the 7 mmbbl/d exported in 2009 were in the form of crude oil, the remaining 3.0 mmbbl/d was exported as refined product. The Sakhalin group of fields in the Far East is expected to contribute to most of Russia's oil production in the near term. In the longer-term, untapped oil reserves in Eastern Siberia, the Caspian Sea, and Sakhalin are expected to play a larger role. Russia has 40 oil refineries with a total crude oil processing capacity of 5.4 mmbbl/d, according to Oil & Gas Journal.

Russia also holds the world's largest natural gas reserves, with approximately 47,600 bcm as of January 1, 2010 and accounting for about a quarter of the world's total proven reserves. In 2009, Russia was the world's second-largest natural gas producer (546 bcm), second only to the United States (594 bcm), and the world's largest gas exporter (207 bcm).

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Sudan

Oil plays a major role in the Sudanese economy and represented over 90% of Sudan's export earnings in 2009, according to the International Monetary Fund. For South Sudan (Juba), oil represented 98% of total revenues for the year compared to Khartoum at 65%.

According to Oil & Gas Journal, Sudan had five billion barrels of proved oil reserves as at January 2010, a significant increase from the estimated 563 mmbbls in 2006. The majority of reserves are located in the South in the Muglad and Melut basins. In 2009, EIA estimates that crude oil production averaged around 485,000 bbl/d, with consumption around 90,000 bbl/d. The remaining crude was exported almost exclusively to Asian markets. Sudan has three refineries located in Khartoum, Port Sudan, and El-Obeid with cumulative capacity of 131,700 bbl/d.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal and International Monetary Fund))*

Following the recent widespread violence and conflicts, the erstwhile Sudan has been formally separated and divided into two independent countries, namely, Sudan and South Sudan on July 9, 2011. The crude oil reserves, production, consumption and export estimates stated above are prior to the separation of Sudan and South Sudan.

### Vietnam

Vietnam has an estimated 2.28 billion barrels of oil equivalent of commercial reserves remaining as of January 1, 2011. PetroVietnam is the Vietnam's national oil company and is the top ranked holder of commercial reserves. The other reserve holders in the top five are Chevron, PTTEP, Mitsui and our Company. Exploration activity in Vietnam will focus on the "frontier" Nam Con Son acreage, the Phu Khanh Basin and the Mekong Delta.

Gas accounts for the majority of the remaining reserves, most of which has remained undeveloped due to low gas prices and the lack of infrastructure. However, rising prices are encouraging development of these untapped reserves and there are plans for the construction of a second pipeline to gain access to stranded reserves. Gas production in Vietnam reached approximately 0.02 bcm per day in 2010 and is expected to rise to 0.03 bcm per day by 2016 as Chevron's Malay Basin project and PetroVietnam's Hai Thach/Moc Tinh start production.

Liquids production in Vietnam peaked in 2004 at approximately 400,000 bbl/d and had declined to approximately 300,000 bbl/d in 2010. The Bach Ho field is the main source of Vietnam's oil production and is currently in terminal decline. New projects have been insufficient to fill the gap and liquids production in Vietnam is expected to further decline from 2013.

*(Source: Wood Mackenzie, Upstream Service)*

### Venezuela

Venezuela is one of the world's largest exporters of crude oil and the largest in the Western Hemisphere. As a founding member of the Organization of the Petroleum Exporting Countries (OPEC), Venezuela is an important player in the global oil market.

According to Oil & Gas Journal, Venezuela had 99.4 billion barrels of proven oil reserves as of January 1, 2010, the largest in South America. Venezuela is a significant supplier of crude oil to the world market in 2008, Venezuela had net oil exports of 1.89 mmbbl/d, eighth-largest in the world and the largest in the Western Hemisphere. EIA estimates that Venezuela's crude oil production (excluding other oil liquids) averaged 2.2 mmbbl/d in 2009, about 190,000 bbl/d lower than 2008 levels. Venezuela holds billions of barrels in extra-heavy crude oil and bitumen deposits, most of which are situated in the Orinoco Belt in central Venezuela. According to a study released by the U.S. Geological Survey, the mean estimate of recoverable oil resources from the Orinoco Belt is 513 billion barrels of crude oil and approximately 3,800 bcm of natural gas. Venezuela had 1.28 mmbbl/d of crude oil refining capacity in 2010, all operated by Petróleos de Venezuela, S.A. ("PdVSA").

Venezuela had approximately 5,000 bcm of proven natural gas reserves as of January 1, 2010, the second largest in the Western Hemisphere behind the United States. In 2008, Venezuela produced 24.0 bcm of natural gas, and consuming 25.5 bcm.

*Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal and U.S. Geological Survey)*

### Colombia

Colombia has seen an increase in oil production in recent years following a period of steady decline. The Colombian government has enacted a series of regulatory reforms to make the sector more attractive to foreign investors. In addition, it has implemented a partial privatization of state oil company Ecopetrol in an attempt to revive its upstream oil industry. According to Colombian government, the oil sector received \$2.95 billion in foreign direct investment (FDI) in 2009.

According to Oil & Gas Journal, Colombia had 1.36 billion barrels of proven crude oil reserves as of January 1, 2010, the fifth-largest in South America. It produced an estimated 680,000 bbl/d of oil in 2009, up from 600,000 bbl/d in 2008. With oil consumption reaching an estimated 282,000 bbl/d in 2008, Colombia exports about half of its oil production. EIA expects Colombian oil production to rise to 760,000 bbl/d in 2010 and 810,000 bbl/d in 2011. Colombia had 285,850 bbl/d of crude oil refining capacity in 2009 across 5 refineries owned by Ecopetrol, the Colombian national oil company.

Colombia had proven natural gas reserves of 112 bcm in January 1, 2010. It produced 9.0 bcm of dry natural gas in 2008, while consuming 7.5 bcm. The bulk of Colombia's natural gas reserves are located in the Llanos basin, although the Guajira basin accounts for the majority of current production.

*Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal and Colombian Government)*

### Syria

According to Oil & Gas Journal, Syria had 2.5 billion barrels of proven oil reserves as of January 1, 2010, mainly in the eastern part of Syria near the border with Iraq and along the Euphrates River; a number of smaller fields are located in the center of Syria. Since peaking at 583,000 bbl/d in 1996, Syrian crude oil production has declined to an estimated 368,000 bbl/d in 2009. Total liquids production, which includes crude and natural gas liquids (NGL), is estimated at about 400,000 bbl/d in 2009. In 2009, Syria's net petroleum exports were estimated to be 148,000 bbl/d. Syria's total refining capacity was approximately 240,000 bbl/d as at January 2010.

Syria's proven natural gas reserves were estimated at 240 bcm as of January 1, 2010, about half of which is associated gas. In 2008, Syria produced an estimated 5.9 bcm of natural gas, imported 0.141 bcm and consumed 6.0 bcm.

*Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal)*

### Brazil

Brazil is the ninth largest energy consumer in the world and the third largest in the Western Hemisphere, behind the United States and Canada.

According to Oil and Gas Journal, Brazil has 12.9 billion barrels of proven oil reserves in 2011, the second-largest in South America after Venezuela. The offshore Campos and Santos Basins, located off of Brazil's southeast coast, hold the vast majority of Brazil's proven reserves. In 2010, Brazil produced 2.7 mmbbl/d of liquids, of which 75% was crude oil. Based on its January 2011 Short-Term Energy Outlook, EIA forecasts Brazilian oil production to reach 2.9 mmbbl/d in 2011 and 3.0 mmbbl/d in 2012. Brazil's oil consumption averaged 2.52 mmbbl/d in 2009. Brazil has 1.9 mmbbl/d of crude oil refining capacity spread amongst 13 refineries.

Brazil had 365 bcm of proven natural gas reserves as of January 1, 2011. The Campos, Espírito Santo, and Santos Basins hold the majority of reserves. In 2009, Brazil produced 10.3 bcm of natural gas – the majority of this production was associated with oil.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Iran

Iran, a member of the Organization of the Petroleum Exporting Countries (OPEC), ranks among the world's top three holders of both proven oil and natural gas reserves. Iran is OPEC's second largest producer and exporter after Saudi Arabia, and in 2008 was the fourth-largest exporter of crude oil globally after Saudi Arabia, Russia, and the United Arab Emirates. Natural gas accounts for half of Iran's total domestic energy consumption, while the remaining half is predominately oil consumption. The continued exploration and production of the offshore South Pars natural gas field in the Persian Gulf is a key part of Iran's energy sector development plan.

According to Oil & Gas Journal, Iran had an estimated 137.6 billion barrels of proven oil reserves as of January 1, 2010, or roughly 10% of the world's total reserves. Iran has 40 producing fields (27 onshore and 13 offshore) with the majority of crude oil reserves located in the southwestern Khuzestan region near the Iraqi border. Iran produced approximately 4.2 mmbbl/d of total liquids in 2008, approximately 3.9 mmbbl/d of which were crude oil, or about 5% of global production. Iran's 2009 crude oil production capacity is estimated to be 3.9 mmbbl/d. Of the total liquids produced in 2008, approximately 1.7 mmbbl/d was consumed in Iran, with the remaining 2.4 mmbbl/d exported primarily to Asia and OECD Europe countries, making Iran the fourth largest exporter in the world. Iran's total refinery capacity in 2009 was approximately 1.5 mmbbl/d, across the nine refineries operated by the National Iranian Oil Refining and Distribution Company ("NIORDC"), a National Iranian Oil Company ("NIOC") subsidiary.

As at January 2010, Iran's estimated proven natural gas reserves stand at approximately 29,600 bcm, second only to Russia. In 2008, Iran produced an estimated 116 bcm of natural gas and consumed an estimated 119 bcm.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Iraq

Iraq was the world's 12th largest oil producer in 2009, and has the world's fourth largest proven petroleum reserves after Saudi Arabia, Canada, and Iran. Only a fraction of Iraq's known fields are in development and Iraq is considered as one of the few places in the world where vast reserves, both proven and unknown, remain to be exploited.

According to Oil & Gas Journal, Iraq's proven oil reserves stand at 115 billion barrels, although these statistics have not been revised since 2001. In 2009, Iraq's crude oil production averaged 2.4 mmbbl/d, similar to 2008 levels. Approximately two-thirds of production comes from the North and South Rumaila fields in southern Iraq, with the remainder from the north-central fields near Kirkuk. Of the total crude oil production in 2009, 1.8 mmbbl/d were exported.

Iraq's proven natural gas reserves stand at approximately 3,200 bcm as of January 1, 2010 and is ranked the tenth largest in the world. An estimated 70% of the proven gas reserves lie in Basra governorate (province) in the south of Iraq. Iraqi natural gas production increased significantly from 2.3 bcm in 2003 to 14.8 bcm in 2008.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Nigeria

The Nigerian economy is heavily dependent on the oil sector which, according to the International Monetary Fund (IMF), accounts for over 95% of export earnings and about 65% of government revenues. The oil industry is primarily located in the Niger Delta where it has been a source of conflict.

According to Oil & Gas Journal, Nigeria had an estimated 37.2 billion barrels of proven oil reserves as at January 2010. The majority of reserves are found along the Nigeria's Niger River Delta and offshore in the Bight of Benin, the Gulf of Guinea and the Bight of Bonny. In 2009, total oil production in Nigeria was slightly over 2.2 mmbbl/d, making it the largest oil producer in Africa. Crude oil production averaged 1.8 mmbbl/d for the year. In 2009, Nigeria exported most of its total oil production, approximately 1.9 mmbbl/d.

Nigeria had an estimated approximately 5,200 bcm of proven natural gas reserves as of January 2010, making Nigeria the eighth largest natural gas reserve holder in the world and the largest in Africa. In 2008, Nigeria produced about 39.6 bcm of marketed natural gas (gross production of 73.6 bcm), ranking Nigeria as 23rd in the world.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal and International Monetary Fund))*

### Cuba

Cuba produced 52,600 bbl/d of oil in 2008, roughly the same as 2007. In 2008, Cuba consumed an estimated 176,000 bbl/d, making the island a net oil importer. Most of Cuba's oil production is from fields in the northern Matanzas province and is in the form of a heavy, sour crude that requires specific processing. The U.S. Geological Survey mean estimate for undiscovered oil reserves in the North Cuba Basin (the basin north and west of the island in the Gulf of Mexico) is 4.6 billion barrels. Cupet estimates that all of Cuba's offshore basins could contain in excess of 20 billion barrels of undiscovered oil reserves.

*Source: Energy Information Administration, Independent Statistics and Analysis (with reference to U.S. Geological Survey and Cupet)*

### Libya

The Libyan economy is heavily dependent on the hydrocarbon industry which, according to the International Monetary Fund (IMF), accounted for over 95% of export earnings and an estimated 80% of fiscal revenues in 2008.

Libya is a member of OPEC and holds the largest proven oil reserves in Africa, followed by Nigeria and Algeria. According to Oil & Gas Journal, Libya had total proven oil reserves of 44 billion barrels as of January 2010, the largest reserves in Africa. About 80% of Libya's proven oil reserves are located in the Sirte basin, which is responsible for most of the Libya's oil output. Oil production peaked at over 3 mmbbl/d in the late 1960s and has since been in decline, reaching 1.65 mmbbl/d in 2009. With domestic consumption of 280,000 bbl/d in 2009, Libya had estimated net exports (including all liquids) of 1.5 mmbbl/d. Libya has five domestic refineries, with a combined capacity of 378,000 bbl/d.

Libya's proven natural gas reserves as of January 1, 2010 were estimated at approximately 1,500 bcm. Libya produced 30.3 bcm of gross natural gas in 2008 of which 15.9 bcm was marketed dry natural gas – the remainder was vented, flared or re-injected to enhance oil recovery. In 2008, Libya consumed 5.5 bcm and exported 10.4 bcm of natural gas to Europe, of this, 9.9 bcm was exported by pipeline, with the remaining 0.5 bcm in the form of liquefied natural gas (LNG).

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal and International Monetary Fund))*

### Kazakhstan

Kazakhstan has the second largest oil reserves as well as the second largest oil production among the former Soviet republics after Russia. With production of 1.54 mmbbl/d in 2009, Kazakhstan is already a major producer, and continued development of its Tengiz, Karachaganak, and Kashagan fields is expected to at least double its current production by 2019.

According to Oil & Gas Journal, Kazakhstan's proven oil reserves stand at 30 billion barrels as of January 1, 2010. In 2009, Kazakhstan's total oil production reached 1.54 million bbl/d while domestic oil consumption averaged 241,000 bbl/d. Around 50% of Kazakhstan's oil reserves are located in the western part where the 5 largest onshore oil fields, Tengiz, Karachaganak, Aktobe, Mangistau, and Uzen, are located. In 2009, Kazakhstan had net oil exports of about 1.3 million bbl/d. According to the Oil and Gas Journal, Kazakhstan had three domestic refineries with a crude oil distillation capacity of 345,100 bbl/d as of January 1, 2010.

According to Oil & Gas Journal, Kazakhstan's estimated proven gas reserves, which is predominantly associated gas, stand at approximately 2,400 bcm as of January 1, 2010. Over 50% of natural gas reserves are located in the Karachaganak oil and gas field with estimated proven gas reserves of 1,360 bcm. Kazakhstan shifted from being a net natural gas importer to a net exporter of 3.8 bcm in 2009. Annual marketed natural gas production has increased from 4.6 bcm in 1999 to 11.0 bcm in 2009.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Myanmar

According to Oil & Gas Journal, Myanmar's proven oil reserves stood at 50 million barrels as of 2009. In 2009, Myanmar's total oil production reached 18,880 bbl/d while domestic oil consumption averaged 36,000 bbl/d. In 2009, Myanmar had net oil imports of 17,120 bbl/d. According to the Oil and Gas Journal, Myanmar had a crude oil distillation capacity of 57,000 bbl/d as of January 1, 2010.

According to Oil & Gas Journal, Myanmar's estimated proven gas reserves stood at approximately 280 bcm as of January 1, 2010. Production of natural gas in 2009 was 12 bcm while net exports of natural gas stood at 8 bcm.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

### Uzbekistan

According to Oil & Gas Journal, Uzbekistan's proven oil reserves stood at 590 million barrels as of 2009. In 2009, Uzbekistan's total oil production reached 70,880 bbl/d while domestic oil consumption averaged 145,000 bbl/d. In 2009, Uzbekistan had net oil imports of about 74,120 bbl/d. According to the Oil and Gas Journal, Uzbekistan had a crude oil distillation capacity of 222,000 bbl/d as of January 1, 2010.

According to Oil & Gas Journal, Uzbekistan's estimated proven gas reserves stood at approximately 1,840 bcm as of January 1, 2010. Production of natural gas in 2009 was 61 bcm while net exports of natural gas stood at 15 bcm.

*(Source: Energy Information Administration, Independent Statistics and Analysis (with reference to Oil & Gas Journal))*

## OUR BUSINESS

### Overview

We were the largest oil and gas exploration and production company in India in Fiscal 2010 (*Source: Hydrocarbon Exploration and Production Activities, India, 2009-10 report by Directorate General of Hydrocarbons ("HEPA Report 2009-2010")*). We also engage in exploration and production activities in 14 other countries through our wholly-owned subsidiary ONGC Videsh Limited ("OVL"). We have integrated downstream activities in India, including owning and operating an oil refinery in Mangalore with an installed capacity of 11.82 million tonnes per annum ("MMTPA"). We are present across the hydrocarbon value chain with operations in refining, petrochemicals, power and liquefied natural gas ("LNG") in addition to our exploration and production activities. According to the Platts Top 250 Global Energy Companies Rankings, 2010 (November 2010), we were ranked first among oil and gas companies globally in the exploration and production category, and 18th overall in these rankings which measure financial performance by examining each company's assets, revenues, profits and return on invested capital. Further our Company was ranked 172<sup>nd</sup> in the Forbes Global 2000 list of the world's biggest companies for 2011, based on sales, profits, assets and market capitalization.

According to our management estimates, our 1P, 2P and 3P crude oil and natural gas reserves, as of April 1, 2011, were 961.26 million metric tonnes oil equivalent ("MMtoe"), 1,426.26 MMtoe and 1,688.29 MMtoe, respectively. These 1P, 2P and 3P reserves estimates cover all of our crude oil and natural gas assets, including our 100% owned and operated blocks, as well as our participating interests in joint venture operations, both in India and internationally.

We have appointed independent reserves consultants to audit and estimate certain of our domestic and international crude oil and natural gas assets. As of April 1, 2011, the independent reserves consultants' estimates of our 1P, 2P and 3P crude oil and natural gas reserves were 729.03 MMtoe, 1,225.14 MMtoe, and 1,765.32 MMtoe, respectively. Our management estimates for the audited 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 827.25 MMtoe, 1,211.53 MMtoe and 1,408.37 MMtoe, respectively.

As of June 30, 2011, our Company operates 340 crude oil and natural gas reserves bearing fields in India. In addition, as of June 30, 2011, we held petroleum exploratory licenses for 115 exploratory blocks in India to which we have not yet ascribed reserves. Of these 115 exploratory blocks, we have made hydrocarbon discoveries in 25 such blocks. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total production from domestic and international operations aggregated 32.97 million metric tonnes ("MMT") (245.55 million barrels ("MMbbls")), 34.05 MMT (253.40 MMbbls) and 8.48 MMT (63.11 MMbbls) of crude oil, respectively, and 27.95 billion cubic metres ("BCM"), 28.02 BCM and 6.80 BCM of natural gas, respectively.

We conduct our domestic exploration and production activities through our independent operations as well as in consortia with other oil and gas companies, including Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, GAIL (India) Limited, Gujarat State Petroleum Corporation Limited, Oil India Limited, Cairn Energy, BP, and Petrocon India Limited. Our domestic production (excluding production from fields operated through joint ventures) represented 73.64% and 48.64% of India's total production of crude oil and natural gas, respectively, for Fiscal 2010. (*Source: HEPA Report 2009-2010 on page 70*).

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total domestic production aggregated 26.46 MMT (198.45 MMbbls), 27.28 MMT (204.60 MMbbls) and 6.75 MMT (50.63 MMbbls) of crude oil, respectively, and 25.59 BCM, 25.32 BCM and 6.16 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our domestic average daily production was approximately 543,699 barrels per day, 560,548 barrels per day and 556,374 barrels per day of crude oil, respectively, and 70.11 million cubic meters ("MCM") per day, 69.37 MCM per day and 67.69 MCM per day of natural gas, respectively.

Our international exploration and production activities are carried out by OVL and its subsidiaries through independent operations, as well as through projects we undertake in consortia with other oil and gas companies, including Indian Oil Corporation Limited, Oil India Limited, ExxonMobil, British Petroleum, China National Petroleum Company, Petronas, Petrobras Brasileiro S.A., Shell, Ecopetrol Oleo e Gas do Brazil Limitada, Repsol-YPF Cuba S.A., Sinopec International Petroleum Exploration and Production Corporation and Statoil Oil and Gas AS. As of the date of this Red Herring Prospectus, we held participating interests in 31 projects



across 14 countries, including in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Venezuela, Cuba, Myanmar and Colombia, comprising nine producing projects, 18 exploration blocks and four development blocks. In addition, we constructed a pipeline in Sudan covering a distance of 741 km for a Sudanese Government entity.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total international production aggregated 6.51 MMT (47.10 MMbbls), 6.77 MMT (48.80 MMbbls) and 1.73 MMT (12.48 MMbbls) of crude oil, respectively, and 2.36 BCM, 2.70 BCM and 0.64 BCM of natural gas, respectively. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, our international average daily production was approximately 129,041 barrels per day, 133,699 barrels per day and 137,143 barrels per day of crude oil, respectively, and 6.47 MCM per day, 7.40 MCM per day and 7.03 MCM per day of natural gas, respectively.

We are also present in downstream refining and marketing operations in India, primarily through our subsidiary Mangalore Refinery and Petrochemicals Limited ("MRPL"), which operates a refinery with an installed capacity of 11.82 MMTA in Mangalore. We are in the process of increasing the capacity of this refinery to 15.00 MMTA and the mechanical completion of this expansion is scheduled to be completed by October 2011. However, production at the full expanded capacity is expected to commence in December 2011. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL processed 12.50 MMT (92.50 MMbbls), 12.64 MMT (93.54 MMbbls) and 3.30 MMT (24.29 MMbbls) of crude oil, respectively. In addition, in Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL produced 11.68 MMT (87.60 MMbbls), 11.77 MMT (87.28 MMbbls) and 3.07 MMT (22.66 MMbbls) of refined products, respectively. Further, we are in the process of further integrating our operations in other areas, including the establishment of a mega petrochemicals complex at Dahej and establishment of manufacturing facilities for the production of para-xylene and benzene at Mangalore. We are also involved in alternative energy projects, including research and development in shale gas, the development of CBM, a pilot project for UCG, the operation of a wind farm project and exploring the feasibility of establishing a nuclear power project.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our consolidated revenues were, ₹1,070,253.85 million, ₹1,245,440.62 million and ₹ 350,618.97 million, respectively, and our profit after tax was ₹ 194,035.32 million, ₹ 224,559.32 million and ₹ 54,744.88 million, respectively. Based on the information available on the website of the Bombay Stock Exchange Limited, as of August 18, 2011, we recorded the highest net income (consolidated) among all listed companies in India in Fiscal 2011. We have also been awarded the "Leading Oil and Gas Corporate of the Year" and "Exploration & Production - Company of the Year" for 2009-2010 in the PetroFed Oil and Gas Industry Award 2010 held by the Petroleum Federation of India.

## **Competitive Strengths**

We believe that our historical success and future prospects are directly related to a combination of the following competitive strengths:

### ***Largest crude oil and natural gas reserves, exploration area and production capability among Indian oil and gas companies engaged in exploration and production***

#### ***Reserves***

We have the largest proved reserves in India of any oil and gas company (*Source: HEPA Report 2009-2010, page 66*). We believe that our reserves provide us with an abundant and stable long-term source of hydrocarbons for crude oil and natural gas production.

According to our management estimates, our 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 961.26 MMtoe, 1,426.26 MMtoe and 1,688.29 MMtoe, respectively. These estimates include (i) 758.36 MMtoe, 1,024.74 MMtoe and 1,253.28 MMtoe of 1P, 2P and 3P reserves, respectively, relating to our domestic fields and (ii) 202.90 MMtoe, 401.52 MMtoe and 435.01 MMtoe of 1P, 2P and 3P reserves, respectively, relating to our international fields.

We have appointed independent reserves consultants to audit and estimate certain of our reserves as set forth in Annexures A, B, C, D and E. As of April 1, 2011, the independent reserves consultants' estimates of our 1P, 2P and 3P crude oil and natural gas reserves were 729.03 MMtoe, 1,225.14 MMtoe, and 1,765.32 MMtoe, respectively. Our corresponding management estimates for the audited 1P, 2P and 3P crude oil and natural gas

reserves as of April 1, 2011 were 827.25 MMtoe, 1,211.53 MMtoe and 1,408.37 MMtoe, respectively.

We focus on reserves accretion through pursuing exploration and development activities, and we believe we have maintained a 3P oil and oil equivalent gas ("O+OEG") reserves replacement ratio greater than 1.0 for Fiscal 2011 in our domestic crude oil and natural gas fields based on our management estimates. We believe we will continue to accrete our reserves and increase our production through our extensive proved undeveloped crude oil and natural gas reserves and underexplored sedimentary basins.

#### *Exploration Area*

As of June 30, 2011, we owned and operated nomination blocks covering an aggregate area of approximately 72,444.89 sq.km. and our owned and operated New Exploration Licensing Policy ("NELP") blocks covered an aggregate area of approximately 406,705.00 sq.km. in India. As of July 1, 2010, we owned and operated a pre-NELP block covering an aggregate area of 60 sq.km. (Source: *HEPA Report 2009-2010*). However, we are currently pursuing a dispute in relation to the pre-NELP area with DGH. We believe that our strong operational capabilities and financial position enable us to pursue these exploration opportunities.

#### *Production*

We were the largest producer of crude oil and natural gas in India in Fiscal 2010 (Source: *HEPA Report 2009-2010, page 70*). In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total domestic production aggregated 26.46 MMT (198.45 MMbbls), 27.28 MMT (204.60 MMbbls) and 6.75 MMT (50.63 MMbbls) of crude oil, respectively, and 25.59 BCM, 25.32 BCM and 6.16 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our domestic average daily production was approximately 543,699 barrels per day, 560,548 barrels per day and 556,374 barrels per day of crude oil, respectively, and 70.11 MCM per day, 69.37 MCM per day and 67.69 MCM per day of natural gas, respectively. Our domestic production, excluding production from fields operated through joint ventures, represented approximately 73.64% and 48.64% of India's total production of crude oil and natural gas, respectively, in Fiscal 2010. (Source: *HEPA Report 2009-2010, page 70*).

#### ***Increasing international reserves and production***

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our total international production aggregated 6.51 MMT (47.10 MMbbls), 6.77 MMT (48.80 MMbbls) and 1.73 MMT (12.48 MMbbls) of crude oil, respectively, and 2.36 BCM, 2.70 BCM and 0.64 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our international average daily production was approximately 129,041 barrels per day, 133,699 barrels per day and 137,143 barrels per day of crude oil, respectively, and 6.47 MCM per day, 7.40 MCM per day and 7.03 MCM per day of natural gas, respectively. We also focus on international reserves accretion, through independent efforts towards international discoveries, acquisitions, as well as through partnerships and joint ventures in producing assets internationally.

According to our management estimates, our international 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 202.90 MMtoe (comprising 104.56 MMT (756.40 MMbbls) of crude oil and 98.34 BCM of natural gas), 401.52 MMtoe (comprising 256.48 MMT (1846.49 MMbbls) of crude oil and 145.04 BCM of natural gas) and 435.01 MMtoe (comprising 270.46 MMT (1947.65 MMbbls) of crude oil and 164.55 BCM of natural gas), respectively.

Our international reserves are located in various countries, including in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Colombia, Venezuela and Myanmar. As of the date of this Red Herring Prospectus, we held participating interests in 31 projects across 14 countries, comprising nine producing projects, 18 exploration blocks and four development blocks. Internationally, we either own and operate or are members of production sharing consortia, covering an aggregate area of approximately 150,323 sq. km.

#### ***Technological capabilities in sustaining production from mature fields***

We deploy a wide array of secondary recovery, artificial lift, improved oil recovery ("IOR") and enhanced oil recovery ("EOR") techniques and strive to achieve maximum recovery from our crude oil reserves which are derived mainly from mature fields, particularly in India. As part of our reservoir management strategy, we employ these techniques from a relatively early stage in the life of oil fields to maximize our recoveries. We believe these measures have enabled us to arrest the decline in production of our mature domestic fields. We have also entered into a joint venture with The Energy and Resources Institute ("TERI") to combine our technical expertise and research capabilities in order to further increase the efficiency of our crude oil recovery

operations. For further details on our joint venture with TERI, see "History and Certain Corporate Matters" on page 214.

### ***Presence across the hydrocarbon value chain***

We have expanded our traditional strength in exploration and production by enhancing our presence across the hydrocarbon value chain. Our operations include extraction of value added products such as C2, C3, LPG, naphtha, SKO, ATF and HSD from gas and condensate streams. We are also present in downstream refining and marketing operations in India through our subsidiary MRPL, which operates a refinery with an installed capacity of 11.82 MMTPA. We hold a 12.50% equity interest in Petronet LNG Limited, which owns and operates a 10 MMTPA LNG receiving and re-gasification terminal at Dahej. We hold a 28.77% equity interest in Petronet MHB Limited which operates a cross-country petroleum products pipeline that allows the transportation of a variety of finished petroleum oil products from our refinery at Mangalore.

We are also in the process of commissioning a C2+ recovery plant from LNG stream at our Dahej facility and establishing a 1.10 MMTPA capacity mega-petrochemical complex at Dahej SEZ in Gujarat. Our C2+ extraction plant at Dahej and gas processing plant at Hazira will supply feedstock to this petrochemical plant. We are also setting up manufacturing facilities for the production of para-xylene and benzene from MRPL's aromatic streams through a joint venture, ONGC Mangalore Petrochemicals Limited, promoted by us. We are also establishing a 726.6 MW gas-based combined cycle power plant in Tripura through a joint venture, ONGC Tripura Power Company Limited, in which we hold a 49.52% equity stake.

### ***Crude oil and natural gas exploration experience and capabilities***

Since our inception, we have gained substantial exploration, development and production expertise, in particular with respect to the geological conditions in India. We believe that we have accumulated a large collection of raw and proprietary geological data relating to offshore and onshore regions in India, and that such knowledge and database represent a competitive advantage over other foreign and domestic oil and gas companies that compete with us in India for exploration, development and production acreage. In addition, our knowledge and experience in India enables us to attract prospective joint venture and production-sharing partners, which further improves our ability to pursue domestic exploration, development and production opportunities, and to obtain access to advanced technologies and techniques through such joint ventures and production-sharing partners. We also benefit from our skilled workforce and senior management team, who hold significant industry experience.

Our average finding costs and all-in production costs benefit from our low manpower costs, relatively high use of in-house services, utilization of depreciated infrastructure and equipment and effective use of our large base of geological data and expertise. We believe that our cost structure enables us to compete effectively even in an environment of low crude oil prices. We have installed various infrastructure, including drilling and work-over rigs, onshore and offshore production facilities, subsea and land pipelines, gas processing and fractionation facilities, exploration and transport vessels, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India.

We seek to continuously update our existing technology, as well as develop and adopt new and improved technology in exploration, development, production, refining and other areas of our business. Consequently, our research and development institutes form an integral part of our business and are instrumental in providing much of the technological and analytical support and scientific, engineering and technical know-how that are critical to our business. Likewise, our affiliated training institutes provide educational services and skills training to effectively develop our human resources and maintain our competitive edge. We have established several oil and gas research and development institutes, including the Keshava Deva Malaviya Institute of Petroleum Exploration, the Geodata Processing and Interpretation Centre, the Institute of Drilling Technology, the Institute of Reservoir Studies, the Institute of Oil and Gas Production Technology, the Institute of Engineering and Ocean Technology and the Institute of Biotechnology and Geotectonic Studies. These institutes also leverage research through international and national consortia, alliances and joint industry programs.

### **Strategy**

We intend to employ the following strategies to achieve our main objectives of better utilizing our resources and converting our exploration areas into crude oil and natural gas reserves.

### ***Increase our domestic exploration, development and production efforts***

We currently hold 32 deep water NELP blocks and four deep water nomination blocks and we intend to intensify our exploration and development efforts, primarily through expansion of our deep water exploration activities in India. Our deep water program involves the deployment of certain drilling ships and includes the involvement of consultants for geological and geophysical studies, and deep water drilling, technology, testing and completion services. In addition to our deep water program, we intend to increase our efforts to explore existing shallow water offshore basins, as well as explored and unexplored onshore basins and participate in the auction of NELP blocks in the future. In March 2011, the GoI conducted the NELP-IX bidding rounds pursuant to which 34 exploration blocks were offered to public and private sector companies. Our Company submitted bids for 28 blocks. As of the date of this Red Herring Prospectus, the results of the NELP-IX bidding rounds are still awaited. During Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our aggregate expenditure for seismic surveys, exploratory drilling and development drilling was ₹177,388.08 million ₹168,289.55 million and ₹42,557.34 million, respectively.

### ***Improve our oil and gas recovery and gas utilization levels in producing properties***

#### *Crude Oil*

We seek to implement a number of advanced recovery technologies to redevelop our maturing fields and improve recovery of our crude oil reserves, with the goal of substantially increasing our current recovery rates. These measures include the greater use of extended-reach horizontal drilling, side tracks, in-fill drilling and water injection, as well as technologies using chemical and thermal methods to enhance oil recovery.

We have 21 IOR/EOR and redevelopment schemes in 15 major fields (onshore and offshore) of which, 15 schemes have been completed and six are currently under implementation. As of June 30, 2011, we had spent approximately ₹133,044.50 million on these six IOR/EOR and redevelopment programs and improved and enhanced oil recovery projects, and based on our planned expenditure, we currently expect to incur an estimated amount aggregating approximately ₹69,499.33 million in connection with these schemes currently under implementation. In addition, we also intend to increase the use of various enhanced oil recovery techniques to extend crude oil production plateau periods, mitigate future decline rates and potentially accelerate crude oil production.

#### *Gas*

We seek to further improve our natural gas utilization through the reduction of gas flaring, principally through the implementation of advanced technology and techniques and the upgrading and expansion of the natural gas distribution network from our gas bearing domestic fields.

### ***Augment international reserves and production***

We intend to increase our production of crude oil, natural gas and other value added products by significantly expanding our international presence

We intend to increasingly focus on joint participation with other international exploration and production companies in producing assets through PSCs. As an example of our continuing efforts to expand internationally, we were awarded a block in Venezuela (Carabobo) and incorporated a joint venture company, PetroCarabobo S.A., in May 2010. In addition to our current international producing assets in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Colombia and Venezuela, we intend to continue to develop our existing blocks in Myanmar, where we have discovered natural gas deposits.

We seek to exploit our existing overseas exploration and production acreage, pursue attractive opportunities to acquire or obtain participation interests in additional assets and obtain exploration and development concessions in various overseas locations. In those geographic areas where we have limited experience and expertise, we intend to structure our investments as joint ventures, alliances or partnerships with entities possessing relevant experience and expertise. Further, we have entered into a non-exclusive framework agreement in December, 2010 with Sistema JSFC ("Sistema"), a major diversified industrial group of Russia, to explore the possibilities of jointly studying and participating in attractive oil and gas assets in Russia and in other countries. For further details, see "History and Certain Corporate Matters" beginning on page 214.

### ***Capture value through forward integration***

We intend to pursue a strategy of forward integration in order to diversify our sources of revenue. We believe this strategy will enable us to maximize revenue from our crude oil and natural gas production by adding and extracting value through petrochemical feedstock and expanding into downstream sectors such as refining, processing, distribution and retailing. We are present in downstream refining and marketing operations in India through our subsidiary MRPL, located in Mangalore. In addition, we intend to enhance our presence in downstream businesses by processing a greater proportion of low price, high sulphur/high acid heavy crude oil, producing value-added products such as polypropylene (through the establishment of a modern petro-fluid catalytic cracking ("PFCC") unit) and sulphur (through the establishment of a sulphur recovery unit ("SRU")). We are also in the process of establishing a 1.10 MMTPA capacity mega-petrochemical complex in the Dahej SEZ in Gujarat; an aromatic complex in the Mangalore SEZ and setting up single point mooring ("SPM") facilities to enable receipt of crude oil from very large crude carrier tankers and improving our distribution network. We further intend to monetize our gas reserves where there is no market for gas, by setting up a gas-based power plant in Tripura.

### ***Continue to maintain high environment and safety standards***

Our commitment towards safe operations and safeguarding the environment are recognized through the following awards we have received since 2007:

- Safety Innovation Award 2010 in the Oil and Gas Sector, awarded by the Institution of Engineers of India in December 2010;
- Oil Industry Safety Award in Fiscal 2010 awarded by the Oil Industry Safety Directorate, MoPNG; and
- National Safety Award in the Mines Category in Fiscal 2008.

In addition, we have also received quality, health, safety and environment certificates from Indian Register Quality Systems, a certified body from the National Accreditation Board for Certification Bodies, including for the fields in the Cambay and Cauvery basin. As such, all our installations are QHSE certified against the quality, health, safety and environment (QHSE) standards. We also have crisis management teams that are responsible for managing crisis situations resulting from our operations.

We continue to strive to maintain high standards of occupational health, safety and environmental protection. Due to the nature of our operations, we intend to continue conducting internal and external audits to ensure compliance with health, safety and environmental protection norms, and to maintain effective waste prevention and reduction capabilities.

### ***Focus on non-conventional energy***

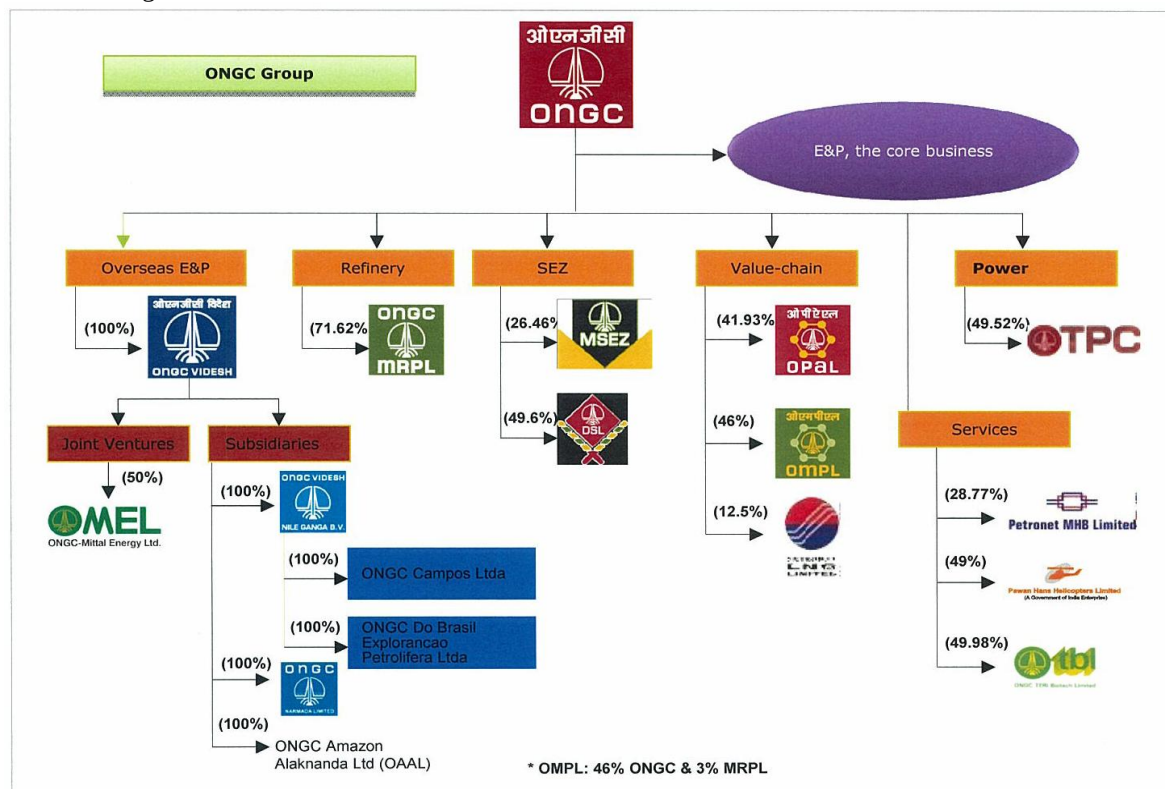
We continue to focus on non-conventional energy sources, including coal-bed methane ("CBM"), underground coal gasification ("UCG"), shale gas and gas hydrate, as well as renewable energy sources such as wind power. We commenced non-commercial CBM production from our pilot project in Jharkhand in January 2010 and discovered shale gas in the Damodar Valley in Jharkhand in January 2011. We discovered uranium deposits at certain of our crude oil and natural gas fields while drilling for hydrocarbons and we have entered into a memorandum of understanding with Uranium Corporation of India Limited ("UCIL") on November 11, 2008 in order to cooperate in the commercial exploration and production of uranium. We have set up a steering committee with UCIL to devise and monitor a joint work plan. We are also exploring the feasibility of establishing a nuclear power project and have had preliminary discussions with the Nuclear Power Corporation of India Limited in this regard.

The Institute of Reservoir Studies, one of our institutes, entered into a memorandum of understanding with Skochinsky Institute of Mining Moscow, Russia in December 2004 to pursue UCG. We believe that UCG will contribute to further diversification of our alternative energy operations and alternative sources of revenue. Further, we have entered into a memorandum of understanding with Gujarat Industries Power Company Limited in October 2005 to cooperate in the services, operations, development and research related to the UCG process as well as the production of gas, transportation, marketing and distribution operations in various areas.

## Our Company

We trace our history to the establishment of the Oil and Natural Gas Commission in 1956 (the "Commission"). In October 1959, the Commission was converted into a statutory body. The Commission commenced offshore seismic surveys in the Gulf of Cambay in 1963. Our Company was incorporated on June 23, 1993 as Oil and Natural Gas Corporation Limited. The undertakings of the Commission were vested in our Company and were legally transferred to our Company on February 1, 1994.

The following chart summarizes our structure as of June 30, 2011:



## Exploration and Production Business

### Crude Oil and Natural Gas Reserves

A majority of our domestic reserves are located offshore, primarily in the offshore fields along the western continental shelf of India and in the Krishna-Godavari basin off the eastern coast of Andhra Pradesh. We hold additional offshore reserves located in the Cauvery basin extending from the southeastern coast of India and in the Kutch basin in the Arabian Sea along the northwestern coast of India. Our onshore reserves are primarily concentrated in the Cambay basin in the state of Gujarat in western India, in the Assam and Assam-Arakan basin, in the northeast of India and in the onshore portion of the Krishna-Godavari basin in Andhra Pradesh. We have additional onshore reserves in the Cauvery basin and in Rajasthan. As of June 30, 2011, we had a total of 330 PMLs in our owned and operated producing domestic fields.

In this Red Herring Prospectus, we report 1P, 2P and 3P reserves. Unless stated otherwise, all our 1P, 2P and 3P reserves consist of our participating interest in total global reserves, which in turn consists of our 100% interest in our independent oil and gas properties and our participating interest in joint venture and production-sharing contracts, without reflecting (i) our share of cash royalties payable to the Indian central government and Indian state governments, (iii) other contractual payments such as profit petroleum, production-linked payments and bonuses, and (iv) reimbursement for exploration expenses attributable to our participating interest. Royalties and taxes payable to Indian government entities are payable in cash and are not payable in kind. Our 1P, 2P and 3P reserves also do not include an adjustment for taxes or other amounts payable by us.

Although we generally report our reserves of crude oil and natural gas in metric tons and cubic meters, respectively, for purposes of presentation in this Red Herring Prospectus, we have converted quantities of domestic crude oil from metric tons to barrels at a rate of one metric ton to 7.5 barrels. The conversion ratio of

one metric ton to 7.5 barrels is based on the weighted average specific gravity of all crude oil produced from our domestic fields, including fields operated through joint ventures. We have used crude oil conversion ratios for our international producing fields based on the respective specific gravities of crude oil/condensate produced from those fields areas as follows: Greater Nile Oil Project (Sudan and South Sudan): one metric ton to 7.3 barrels; Block 5A (South Sudan): one metric ton to 6.81 barrels; Vietnam condensate: one metric ton to 8.38 barrels; Sakhalin (Russia): one metric ton to 7.57 barrels; Al Furat (Syria): one metric ton to 7.3 barrels; MECL (Colombia): one metric ton to 6.56 barrels; Carabobo (Venezuela): one metric ton to 6.29 barrels; Imperial (Russia): one metric ton to 7.66 barrels (1P); 7.72 barrels (2P) and 7.72 barrels (3P); Venezuela (San Cristobal): one metric ton to 6.57 barrels; and BC-10 (Brazil): one metric ton to 6.72 barrels. The conversion rate of metric ton to barrels for MRPL for crude oil processed was at the rate of 7.4 barrels, 7.4 barrels and 7.36 barrels for Fiscal 2010, Fiscal 2011 and for the three months ended June 30, 2011, respectively. Further, the conversion rate of metric ton to barrels for MRPL for refined products was at the rate of 7.5 barrels, 7.415 barrels and 7.38 barrels for Fiscal 2010, Fiscal 2011 and for the three months ended June 30, 2011, respectively. One metric ton of natural gas is equal to 1,000 standard cubic meters.

### ***Presentation of Reserves Estimates***

We estimate our reserves annually on April 1 of each year. These management estimates are approved by our Reserves Estimate Committee ("REC"), which is chaired by the Director (Exploration) and includes all basin managers, asset managers, heads of all exploration institutes and other relevant members. For our domestic operations through joint ventures, reserves estimates are approved by the management committee of the relevant joint venture, which consist of our representatives and representatives of the other joint venture partners, the DGH and the operator and are adopted by the REC with reference to our equity interest in the respective joint ventures. Our domestic reserves (other than domestic reserves held through joint ventures) are audited independently every five years.

Our management estimates of our reserves are calculated on the following basis:

- For our domestic reserves, we use internally-developed definitions. These internally-developed definitions are in part based on the reserves estimation definitions under the SPE/WPC 1997 Standards specified by the Society of Petroleum Engineers and the World Petroleum Congress. The SPE/WPC 1997 Standards were subsequently replaced by the SPE PRMS 2007 International Standards. However, we have not modified our internally-developed reserves estimation definitions to take into account SPE PRMS 2007 International Standards. For further information relating to the SPE/WPC 1997 Standards and the SPE PRMS 2007 International Standards, see "Our Business- *Reserves Classification Standards*" on page 153. As a result of differences between our internally-developed definitions and SPE/WPC 1997 Standards, our management estimates of our reserves may significantly vary from reserves estimates prepared using either SPE PRMS 2007 International Standards or SPE/WPC 1997 Standards. Investors should therefore not place undue reliance on our management estimates of our reserves. For further information relating to the implications of the differences between these definitions, please see "Risk Factors - *Our crude oil and natural gas reserves estimates involve a degree of uncertainty and may not prove to be correct over time or may not accurately reflect actual reserves, or even if accurate, technical limitations may prevent us from producing crude oil or natural gas from these reserves*" on page 23.
- Our international reserves are calculated on the basis of various standards that are applicable in the relevant jurisdiction in which the relevant reserves are located.

For purposes of this Offer, we have appointed the following independent reserves consultants to audit certain of our reserves:

#### ***Domestic***

- Gaffney Cline & Associates Ltd ("**GCA**") has audited our reserves for the Mumbai High field as of March 31, 2011 based on our internal definitions and guidelines ("Mumbai High Audited Reserves"). GCA has also presented its estimates of our reserves under SPE PRMS 2007 International Standards for the Mumbai High field as of March 31, 2011, and prepared a reserves report thereon; and
- DeGolyer & MacNaughton ("**D&M**"), who have audited the reserves in 62 other domestic fields as of April 1, 2011, and prepared a reserves report thereon.

Based on our management estimates, the 1P, 2P and 3P reserves for the 63 domestic fields that were audited accounted for 82.50%, 79.20% and 77.96% of our total domestic 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

#### *International*

- Sproule International Limited ("**Sproule**"), who have audited the reserves in substantially all our fields in Sudan as of April 1, 2011, and prepared a reserves report thereon. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan;
- D&M, who have audited the reserves in our Imperial Energy assets in Russia as of April 1, 2011, and prepared a reserves report thereon; and
- D&M, who have audited the reserves in all other international fields as of April 1, 2011, and prepared a reserves report thereon;

Based on our management estimates, the 1P, 2P and 3P reserves for the international fields that were audited accounted for 99.54%, 99.53% and 99.14% of our total international 1P, 2P and 3P reserves, respectively, as of April 1, 2011.

The reserves opinion letter from our independent reserves consultant, GCA in respect of its reserves report is attached as Annexure A to this Red Herring Prospectus. Further, the certificates of the international reserves consultants, D&M and Sproule, in respect of their respective reserves reports referred to above are attached as Annexure B, C, D and E to this Red Herring Prospectus. GCA, D&M and Sproule are together referred to as the "independent reserves consultants".

Unless otherwise indicated, all reserves estimates and information derived therefrom contained in this Red Herring Prospectus are unaudited management estimates as of April 1, 2011. Other than GCA, the independent reserves consultants have also audited our domestic and international reserves estimates as of April 1, 2011. GCA has presented its estimates of our reserves under SPE PRMS 2007 for the Mumbai High field as of March 31, 2011; however, for presentational purposes, we refer to all audited reserves estimates and information in this Red Herring Prospectus as being as of April 1, 2011. Moreover, for uniformity of presentation, the "audited" reserves estimates in this Red Herring Prospectus incorporate GCA's SPE PRMS 2007 International Standards estimates of the Mumbai High Field (and not the Mumbai High Audited Reserves).

In auditing our reserves, the independent reserves consultants, D&M and Sproule, have relied on the SPE PRMS 2007 International Standards, which differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. GCA has audited our Mumbai High reserves based on our internally developed definitions and estimated the reserves under the SPE PRMS 2007 International Standards. The SPE PRMS 2007 International Standards also differ from the other reserves estimation standards used in the assessment of our international reserves. For further information, see "Our Business- *Reserves Classification Standards*" on page 153. Our audited reserves information presented in this Red Herring Prospectus are therefore not comparable to our management estimates as of April 1, 2011 included in this Red Herring Prospectus.

We may in the future adopt the SPE PRMS 2007 International Standards for the preparation of our management reserves estimates. In such event, our management reserves estimated under the SPE PRMS 2007 International Standards will not be comparable to our management estimates included in this Red Herring Prospectus. The adoption of SPE PRMS 2007 International Standards could have a material impact on our current or then current estimates of reserves. In this Red Herring Prospectus, we have also presented management estimates of our reserves for that part of our reserves for which no audit has been undertaken, including (i) management estimates for unaudited portion of reserves (owned and operated fields) and (ii) management estimates for unaudited portion of reserves (participating interest in JVs) (collectively, the "Management Estimates for Unaudited Portion"). See "Our Business- *Management Estimates of Reserves*" on page 152.



Our reporting policy is not, and is not required to be, derived from, or consistent with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission and differs from such requirements in certain material respects. Our reserves would differ from those described herein if determined in accordance with oil and gas reserves reporting requirements for filings with the US Securities and Exchange Commission. There are currently no clear regulations governing public disclosure of potential reserves by oil and gas companies operating in India or their use in securities offering documents.

Evaluations of crude oil and natural gas reserves involve various uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. The crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect our best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (which are dynamic processes), and may differ from previous estimates. Reserves estimates are subject to various uncertainties, including those relating to the reservoir parameters of crude oil and natural gas fields. These reservoir parameters may be difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting our reserves estimates include: the outcome of new production or drilling activities; assumptions regarding the future performance of wells and surface facilities; the results of field reviews; our ability to acquire new reserves from discoveries or extensions of existing fields; our ability to apply improved recovery techniques; and changed economic conditions.

### Audited Reserves

The following table sets forth our 1P, 2P and 3P reserves as audited and estimated by the independent reserves consultants as of April 1, 2011:

|                                             | Independent Reserve Consultants | Audited Reserves               |                   |                  |
|---------------------------------------------|---------------------------------|--------------------------------|-------------------|------------------|
|                                             |                                 | 1P                             | 2P                | 3P               |
| Domestic                                    |                                 |                                |                   |                  |
| Oil                                         |                                 | MMT (MMbbls) <sup>(1)(2)</sup> |                   |                  |
| Onshore <sup>(3)</sup>                      | D&M                             | 125.24 (939.30)                | 143.88 (1,079.10) | 177.99(1,334.93) |
| Offshore (Mumbai High) <sup>(6)(7)(8)</sup> | GCA                             | 130.80(981.00)                 | 226.90(1,701.75)  | 265.00(1,987.50) |
| Offshore (Others) <sup>(3)</sup>            | D&M                             | 69.58 (521.85)                 | 90.25 (676.88)    | 109.19 (818.93)  |
| Gas                                         |                                 | BCM                            |                   |                  |
| Onshore <sup>(3)</sup>                      | D&M                             | 100.41                         | 130.33            | 146.83           |
| Offshore (Mumbai High) <sup>(6)(7)(8)</sup> | GCA                             | 37.70                          | 53.20             | 80.60            |
| Offshore (Others) <sup>(3)</sup>            | D&M                             | 135.30                         | 231.89            | 300.25           |
| Oil and Oil Equivalent                      |                                 | MMtoe                          |                   |                  |
| Onshore <sup>(3)</sup>                      | D&M                             | 225.65                         | 274.21            | 324.82           |
| Offshore(Mumbai High) <sup>(6)(7)(8)</sup>  | GCA                             | 168.50                         | 280.10            | 345.60           |
| Offshore (Others) <sup>(3)</sup>            | D&M                             | 204.88                         | 322.14            | 409.44           |
| International                               |                                 |                                |                   |                  |
| Oil                                         |                                 | MMT (MMbbls) <sup>(1)(2)</sup> |                   |                  |
| Sudan <sup>(4)</sup>                        | Sproule                         | 15.60(111.5)                   | 20.70(147.80)     | 25.20(180.20)    |
| Others <sup>(5)</sup>                       | D&M                             | 54.09(384.42)                  | 214.39(1,538.83)  | 498.88(3,720.27) |
| Gas                                         |                                 | BCM                            |                   |                  |
| Sudan <sup>(4)</sup>                        | Sproule                         | -                              | -                 | -                |
| Others <sup>(5)</sup>                       | D&M                             | 60.31                          | 113.60            | 161.38           |
| Oil and Oil Equivalent                      |                                 | MMtoe                          |                   |                  |
| Sudan <sup>(4)</sup>                        | Sproule                         | 15.60                          | 20.70             | 25.20            |
| Others <sup>(5)</sup>                       | D&M                             | 114.40                         | 327.99            | 660.26           |

- (1) For purposes of this Red Herring Prospectus, we have reported our reserves of crude oil in both metric tons and barrels. Crude oil reserves information presented in metric tons have been converted, for presentation purposes, into barrels at certain specified conversion rates, which vary depending on the relevant producing field. For further information, see "Certain Conventions, Use of Market Data and Currency of Presentation - *Presentation of Reserves Information*" on page 13.
- (2) Crude oil reserves information presented herein in metric tons (in MMT) are audited. Crude oil reserves information presented in barrels (in MMbbls) are not audited. Crude oil reserves information presented in barrels are based on audited reserves information presented in metric tons (in MMT) and converted, for presentation purposes, into barrels (in MMbbls) at certain conversion rates.
- (3) Represents audited reserves estimates of 62 domestic onshore and offshore fields as undertaken by D&M.
- (4) Represents audited reserves estimates of the fields in GNPOC and Block-5A in Sudan as undertaken by Sproule. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.
- (5) Represents audited reserves estimates of all international fields as undertaken by D&M, other than the fields in Sudan.

- (6) In accordance with standard practice, GCA does not provide oil and oil equivalent gas estimate of the reserves. The Company has converted the GCA reported volume at the rate of one BCM of natural gas equivalent to one MMT of crude oil to arrive at the figure, thus the GCA estimates for the 1P, 2P and 3P crude oil and natural gas reserves of the Mumbai High field as of March 31, 2011 were 130.80 MMT for crude oil and 37.70 BCM for natural gas (combined as 168.50 MMtce by ONGC) for 1P, 226.90 MMT for crude oil and 53.20 BCM for natural gas (combined as 280.10 MMtce by ONGC) for 2P, and 265.00 MMT for crude oil and 80.60 BCM for natural gas (combined as 345.60 MMtce by ONGC) for 3P.
- (7) The Mumbai High Reserves estimates presented to GCA for audit were set out incrementally i.e. Proved, Probable and Possible, based upon the format presented in the REC approved management estimates while the GCA reserves estimates presented above represent the form under SPE PRMS 2007 International Standards i.e. 1P (Proved), 2P (Proved and Probable) and 3P (Proved, Probable and Possible).
- (8) Other than GCA, the independent reserves consultants have also audited our domestic and international reserves estimates as of April 1, 2011. GCA has presented its estimates of our reserves under SPE PRMS 2007 for the Mumbai High field as of March 31, 2011; however, for presentational purposes, we refer to all audited reserves estimates and information in this Red Herring Prospectus as being as of April 1, 2011. Moreover, for uniformity of presentation, the “audited” reserves estimates in this Red Herring Prospectus incorporate GCA’s SPE PRMS 2007 International Standards estimates of the Mumbai High Field (and not the Mumbai High Audited Reserves).

## Management Estimates of Reserves

The following table sets forth information relating to our management estimates of our crude oil and natural gas reserves as of April 1, 2011:

|                                               | Management Estimates for the Audited Portion of Reserves <sup>(1)</sup> |                 |                 | Management Estimates for Unaudited Portion (other than JVs) <sup>(2)(4)</sup> |               |               | Management Estimates for Unaudited Portion of JVs (our Interest) <sup>(3)</sup> |               |               | Total Management Estimates |                 |                 |
|-----------------------------------------------|-------------------------------------------------------------------------|-----------------|-----------------|-------------------------------------------------------------------------------|---------------|---------------|---------------------------------------------------------------------------------|---------------|---------------|----------------------------|-----------------|-----------------|
|                                               | 1P                                                                      | 2P              | 3P              | 1P                                                                            | 2P            | 3P            | 1P                                                                              | 2P            | 3P            | 1P                         | 2P              | 3P              |
| <b>Crude Oil</b>                              |                                                                         |                 |                 |                                                                               |               |               |                                                                                 |               |               |                            |                 |                 |
| Domestic (Onshore) (MMT)                      | 144.63                                                                  | 170.06          | 185.00          | 35.15                                                                         | 46.32         | 50.76         | 10.13                                                                           | 12.32         | 12.32         | 189.91                     | 228.70          | 248.08          |
| Domestic (Onshore) (MMbbls)                   | 1,084.73                                                                | 1,275.45        | 1,387.50        | 263.63                                                                        | 347.40        | 380.70        | 75.98                                                                           | 92.40         | 92.40         | 1,424.33                   | 1,715.25        | 1,860.60        |
| Domestic (Mumbai High) (MMT)                  | 119.92                                                                  | 131.70          | 185.96          | -                                                                             | -             | -             | -                                                                               | -             | -             | 119.92                     | 131.70          | 185.96          |
| Domestic (Mumbai High) (MMbbls)               | 899.40                                                                  | 987.75          | 1,394.70        | -                                                                             | -             | -             | -                                                                               | -             | -             | 899.40                     | 987.75          | 1,394.70        |
| Domestic (Other Offshore) (MMT)               | 72.97                                                                   | 85.09           | 97.57           | 10.12                                                                         | 23.00         | 33.32         | 7.74                                                                            | 7.90          | 8.04          | 90.83                      | 115.99          | 138.93          |
| Domestic (Other Offshore) (MMbbls)            | 547.28                                                                  | 638.18          | 731.78          | 75.90                                                                         | 172.50        | 249.90        | 58.05                                                                           | 59.25         | 60.30         | 681.23                     | 869.93          | 1,041.98        |
| International (Sudan) (MMT) <sup>(5)</sup>    | 23.12                                                                   | 27.50           | 37.77           | -                                                                             | -             | -             | 0.93                                                                            | 1.88          | 3.74          | 24.05                      | 29.38           | 41.51           |
| International (Sudan) (MMbbls) <sup>(5)</sup> | 165.54                                                                  | 197.23          | 271.92          | -                                                                             | -             | -             | 6.80                                                                            | 13.58         | 27.00         | 172.34                     | 210.81          | 298.91          |
| International (Others) (MMT)                  | 80.51                                                                   | 227.10          | 228.95          | -                                                                             | -             | -             | -                                                                               | -             | -             | 80.51                      | 227.10          | 228.95          |
| International (Others) (MMbbls)               | 584.06                                                                  | 1,635.67        | 1,648.73        | -                                                                             | -             | -             | -                                                                               | -             | -             | 584.06                     | 1,635.68        | 1,648.73        |
| <b>Total Oil (MMT)</b>                        | <b>441.15</b>                                                           | <b>641.45</b>   | <b>735.25</b>   | <b>45.27</b>                                                                  | <b>69.32</b>  | <b>84.08</b>  | <b>18.80</b>                                                                    | <b>22.10</b>  | <b>24.10</b>  | <b>505.22</b>              | <b>732.87</b>   | <b>843.43</b>   |
| <b>Total Oil (MMbbls)</b>                     | <b>3,281.01</b>                                                         | <b>4,734.28</b> | <b>5,434.63</b> | <b>339.53</b>                                                                 | <b>519.90</b> | <b>630.60</b> | <b>140.83</b>                                                                   | <b>165.23</b> | <b>179.70</b> | <b>3,761.36</b>            | <b>5,419.42</b> | <b>6,244.92</b> |
| <b>Natural Gas</b>                            |                                                                         |                 |                 |                                                                               |               |               |                                                                                 |               |               |                            |                 |                 |
| Domestic (Onshore) (BCM)                      | 114.92                                                                  | 139.67          | 153.65          | 38.91                                                                         | 62.30         | 67.71         | 1.86                                                                            | 2.73          | 2.73          | 155.69                     | 204.70          | 224.09          |
| Domestic (Mumbai High) (BCM)                  | 46.46                                                                   | 58.28           | 72.64           | -                                                                             | -             | -             | -                                                                               | -             | -             | 46.46                      | 58.28           | 72.64           |
| Domestic (Other Offshore) (BCM)               | 126.38                                                                  | 227.09          | 282.28          | 14.10                                                                         | 42.07         | 83.10         | 15.07                                                                           | 16.21         | 18.20         | 155.55                     | 285.37          | 383.58          |
| International (Sudan) (BCM) <sup>(5)</sup>    | 0.00                                                                    | 0.00            | 0.00            | -                                                                             | -             | -             | -                                                                               | -             | -             | 0.00                       | 0.00            | 0.00            |
| International (Others) (BCM)                  | 98.34                                                                   | 145.04          | 164.55          | -                                                                             | -             | -             | -                                                                               | -             | -             | 98.34                      | 145.04          | 164.55          |
| <b>Total Gas (BCM)</b>                        | <b>386.10</b>                                                           | <b>570.08</b>   | <b>673.12</b>   | <b>53.01</b>                                                                  | <b>104.37</b> | <b>150.81</b> | <b>16.93</b>                                                                    | <b>18.94</b>  | <b>20.93</b>  | <b>456.04</b>              | <b>693.39</b>   | <b>844.86</b>   |
| <b>Total Oil and Oil Equivalent (MMtce)</b>   | <b>827.25</b>                                                           | <b>1,211.53</b> | <b>1,408.37</b> | <b>98.28</b>                                                                  | <b>173.69</b> | <b>234.89</b> | <b>35.73</b>                                                                    | <b>41.04</b>  | <b>45.03</b>  | <b>961.26</b>              | <b>1,426.26</b> | <b>1,688.29</b> |

- (1) Represents management estimates of certain of our fields (100% owned and operated) for which the reserves have also been audited by independent reserves consultants. See “Our Business- Audited Reserves” on page 151.
- (2) Represents management estimates and includes 100% owned and operated fields for which the reserves have not been audited by independent reserves consultants.
- (3) Represents fields that are not operated independently by us for which the reserves have not been audited by independent reserves consultants.
- (4) Reserves in the Ratna field are included in our domestic management estimates, however, the Ratna field reserves have not been audited by the independent reserves consultants. As of April 1, 2011, our management estimates for the 1P, 2P and 3P reserves in the Ratna field were 2.72 MMtce, 2.72 MMtce and 3.60 MMtce, respectively. The allocation of the Ratna field is currently under dispute and we are unable to develop this field. Accordingly, in assessing our management estimates of reserves, you should not assume that we will continue to benefit from the reserves of the Ratna field or bring such reserves into production.
- (5) Represents management estimates of the fields in Sudan which have been audited prior to the separation of Sudan and South Sudan. Consequently, the management estimates do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed

territories of South Sudan.

The following table sets forth information relating to our management estimates of our crude oil and natural gas reserves as of April 1, 2010 and 2011:

|                                               | Management Estimate Reserves for Owned & Operated Fields <sup>(1)</sup> |                 |                 |                 |                 |                 | Management Estimate Reserves for JV (with Participating Interest) <sup>(1)</sup> |               |                 |               |                 |                 |
|-----------------------------------------------|-------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------------------------------------------------------------------|---------------|-----------------|---------------|-----------------|-----------------|
|                                               | As of April 1,                                                          |                 |                 |                 |                 |                 | As of April 1,                                                                   |               |                 |               |                 |                 |
|                                               | 2010                                                                    |                 |                 | 2011            |                 |                 | 2010                                                                             |               |                 | 2011          |                 |                 |
|                                               | 1P                                                                      | 2P              | 3P              | 1P              | 2P              | 3P              | 1P                                                                               | 2P            | 3P              | 1P            | 2P              | 3P              |
| <b>Crude Oil</b>                              |                                                                         |                 |                 |                 |                 |                 |                                                                                  |               |                 |               |                 |                 |
| Domestic (Onshore) (MMT)                      | 177.71                                                                  | 214.96          | 233.79          | 179.78          | 216.38          | 235.76          | 12.19                                                                            | 14.38         | 14.38           | 10.13         | 12.32           | 12.32           |
| Domestic (Onshore) (MMbbls)                   | 1,332.82                                                                | 1,612.20        | 1,753.43        | 1,348.35        | 1,622.85        | 1,768.20        | 91.43                                                                            | 107.85        | 107.85          | 75.98         | 92.40           | 92.40           |
| Domestic (Offshore) (MMT)                     | 215.31                                                                  | 253.99          | 329.64          | 203.01          | 239.79          | 316.85          | 8.95                                                                             | 9.11          | 9.25            | 7.74          | 7.90            | 8.04            |
| Domestic (Offshore) (MMbbls)                  | 1,614.83                                                                | 1,904.92        | 2,472.30        | 1,522.58        | 1,798.43        | 2,376.38        | 67.13                                                                            | 68.33         | 69.38           | 58.05         | 59.25           | 60.30           |
| International (Onshore and Offshore), (MMT)   | 16.88                                                                   | 100.01          | 100.76          | 17.18           | 96.94           | 96.94           | 80.78                                                                            | 107.79        | 124.40          | 87.38         | 159.54          | 173.52          |
| International (Onshore and Offshore) (MMBbls) | 128.09                                                                  | 765.76          | 771.48          | 131.61          | 748.35          | 748.35          | 584.13                                                                           | 777.30        | 895.65          | 624.79        | 1,098.14        | 1,199.29        |
| <b>Total (MMT)</b>                            | <b>409.90</b>                                                           | <b>568.96</b>   | <b>664.19</b>   | <b>399.97</b>   | <b>553.11</b>   | <b>649.55</b>   | <b>101.92</b>                                                                    | <b>131.28</b> | <b>148.03</b>   | <b>105.25</b> | <b>179.76</b>   | <b>193.88</b>   |
| <b>Total (MMbbls)</b>                         | <b>3,075.74</b>                                                         | <b>4,282.88</b> | <b>4,997.21</b> | <b>3,002.54</b> | <b>4,169.63</b> | <b>4,892.93</b> | <b>742.69</b>                                                                    | <b>953.48</b> | <b>1,072.88</b> | <b>758.82</b> | <b>1,249.79</b> | <b>1,351.99</b> |
| <b>Natural Gas</b>                            |                                                                         |                 |                 |                 |                 |                 |                                                                                  |               |                 |               |                 |                 |
| Domestic (Onshore) (BCM)                      | 150.63                                                                  | 198.67          | 215.60          | 153.83          | 201.97          | 221.36          | 1.59                                                                             | 2.46          | 2.46            | 1.86          | 2.73            | 2.73            |
| Domestic (Offshore) (BCM)                     | 193.66                                                                  | 301.38          | 395.90          | 186.94          | 327.44          | 438.02          | 16.86                                                                            | 18.00         | 20.00           | 15.07         | 16.21           | 18.20           |
| International (Onshore and Offshore), (BCM)   | 4.99                                                                    | 12.86           | 14.72           | 5.31            | 14.32           | 14.32           | 83.35                                                                            | 136.13        | 158.36          | 93.03         | 130.72          | 150.22          |
| <b>Total (BCM)</b>                            | <b>349.28</b>                                                           | <b>512.91</b>   | <b>626.22</b>   | <b>346.08</b>   | <b>543.73</b>   | <b>673.70</b>   | <b>101.80</b>                                                                    | <b>156.59</b> | <b>180.82</b>   | <b>109.96</b> | <b>149.66</b>   | <b>171.15</b>   |
| <b>Grand Total (MMtoe)</b>                    | <b>759.18</b>                                                           | <b>1,081.87</b> | <b>1,290.41</b> | <b>746.05</b>   | <b>1,096.84</b> | <b>1,323.25</b> | <b>203.72</b>                                                                    | <b>287.87</b> | <b>328.85</b>   | <b>215.21</b> | <b>329.42</b>   | <b>365.03</b>   |

(1) The management estimates of 1P, 2P, 3P reserves stated above have not been audited or reviewed by any independent reserves consultants, and investors are urged not to place undue reliance on our management estimates.

## Reserves Classification Standards

### SPE/WPC 1997 Standards

The definitions prescribed by SPE/WPC 1997 Standards take into account not only the probability that hydrocarbons are physically present in a given geological formation but also the economic viability of recovering the reserves (including factors such as exploration and drilling costs, ongoing production costs, transportation costs, taxes, prevailing prices for the products and other factors that influence the economic viability of a given deposit).

Our internally-developed definitions are similar to the definitions in the SPE/WPC 1997 Standards, and reserves are classified as “proved” based on both geological and commercial factors. Under the SPE/WPC 1997 Standards, proved reserves are “those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty, from a given date forward, from known reservoirs and under current economic conditions, operating conditions and government regulations”. Our internally-developed definitions similarly define proved reserves as “quantities of crude oil and natural gas that are estimated to be commercially recoverable with a high degree of certainty from known accumulations, from a given day forward, under existing economic conditions, by established operating practices and under current government regulations”

The SPE/WPC 1997 definitions further define Unproved Reserves to be “Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves or possible reserves. Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications. Probable reserves are those

unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves.”

An evaluation of proved, probable and possible oil and natural gas reserves involves various uncertainties. The accuracy of any reserves evaluation depends on the quality of available information, and engineering and geological interpretation. Based on the results of drilling, testing and production after the review date, reserves may be restated upwards or downwards. Changes in the price of crude oil, natural gas or gas-condensate may also affect our proved, probable and possible reserves estimates because the reserves are evaluated based on prices and costs as of a specified date.

#### *Reserve Status Categories under the SPE/WPC 1997 Standards*

Reserves status categories define the development and producing status of wells and reservoirs.

*Developed.* Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be sub-categorized as producing or non-producing.

- *Producing.* Reserves subcategorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.
- *Non-producing.* Reserves subcategorized as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (i) completion intervals which are open at the time of the estimate but which have not started producing, (ii) wells which were shut-in for market conditions or pipeline connections, or (iii) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

*Undeveloped reserves:* Undeveloped reserves are expected to be recovered: (i) from new wells on undrilled acreage, (ii) from deepening existing wells to a different reservoir, or (iii) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

#### ***SPE PRMS 2007 International Standards***

As a result of a number of factors, including the continued evolution of the industry driven in part by technological advancements, as well as the international expansion of the exploration and production sector and the increasing role of unconventional resources in meeting global energy needs, the definitions in the SPE/WPC 1997 Standards were replaced by definitions in the SPE PRMS 2007 International Standards. The SPE PRMS 2007 International Standards develops on previous industry efforts and incorporates best practices identified in other international petroleum and minerals classification systems to achieve a high level of consistency in estimating resource quantities. The SPE PRMS 2007 International Standards is a project based standard that employs additional classification and categorization terminology.

In auditing our reserves, the independent reserves consultants, D&M and Sproule, have relied on the SPE PRMS 2007 International Standards, which differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. GCA has audited our Mumbai High reserves based on our internally developed definitions and estimated the reserves under the SPE PRMS 2007 International Standards. The definition of petroleum reserves in accordance with the SPE PRMS 2007 International Standards are set out below:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must therefore satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates.

*Proved Reserves.* Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree

of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90.00% probability that the quantities actually recovered will equal or exceed the estimate.

*Unproved Reserves.* Unproved Reserves are based on geo-science and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.

- *Probable Reserves.* Probable Reserves are those additional Reserves which analysis of geo-science and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50.00% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- *Possible Reserves.* Possible Reserves are those additional reserves which analysis of geo-science and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible Reserves (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10.00% probability that the actual quantities recovered will equal or exceed the 3P estimate.

#### *Reserve Status Categories under the SPE PRMS 2007 International Standards*

Reserves status categories define the development and producing status of wells and reservoirs.

*Developed Reserves.* Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. When required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

- *Developed Producing Reserves.* Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.
- *Developed Non-Producing Reserves.* Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (i) completion intervals which are open at the time of the estimate but which have not yet started producing, (ii) wells which were shut-in for market conditions or pipeline connections, or (iii) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

*Undeveloped Reserves.* Undeveloped Reserves are quantities expected to be recovered through future investments: (i) from new wells on undrilled acreage in known accumulations, (ii) from deepening existing wells to a different (but known) reservoir, (iii) from infill wells that will increase recovery, or (iv) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be reclassified as proved reserves is dependent upon future, drilling, testing and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element.

#### ***Differences between SPE/WPC 1997 Standards and SPE PRMS 2007 International Standards***

Following are the significant differences between the definitions in the SPE/WPC 1997 Standards and the SPE PRMS 2007 International Standards:

*Proved Reserves.* Proved Reserves are those quantities of petroleum which by analysis of geo-science and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date

forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. In the SPE/WPC 1997 Standards, instead of “defined economic conditions”, “current economic conditions” is used.

**Probable Reserves.** Probable Reserves are those additional reserves which analysis of geo-science and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves. In the SPE/WPC 1997 Standards the words “are more likely than not to be recoverable” were used to define probable reserves.

**Possible Reserves.** Possible Reserves are those additional reserves which analysis of geo-science and engineering data indicate are less likely to be recoverable than Probable Reserves. The SPE/WPC 1997 Standards of Possible Reserves and the SPE PRMS 2007 International Standards of possible reserves are essentially the same.

There are inherent differences between the SPE/WPC 1997 Standards and the SPE PRMS 2007 International Standards, including in the determination of the economic limit of the fields (SPE/WPC 1997 Standards uses current economic conditions and operating methods i.e. current prices and costs for proved reserves and “possible improvements in economic conditions for unproved reserves whereas the SPE PRMS 2007 International Standards uses forecast pricing and costs) as well as the methodology of estimation in utilizing the uncertainty-based scenario system over the risk-based incremental method. In addition, the SPE PRMS 2007 International Standards estimates reserves based on project concept, i.e. estimating those in-place quantities that can be recovered by each project and classifying the project(s) based on its maturity status or chance of commerciality. A project may be defined at various levels and stages of maturity; it may include one or many wells and associated production and processing facilities. A project may, for instance, constitute the development of a single reservoir or field, or an incremental development for a producing field, or the integrated development of several fields and associated facilities with a common ownership.

### Variation between Management Estimates and Audited Reserves

#### Domestic Reserves

The following table sets forth our management estimates of our domestic reserves and our audited domestic reserves as of April 1, 2011:

| Fields                                                  | Independent Reserve Consultants |                           | Management Estimate Reserves |          |          | Audited Reserves      |                       |                        |
|---------------------------------------------------------|---------------------------------|---------------------------|------------------------------|----------|----------|-----------------------|-----------------------|------------------------|
|                                                         |                                 |                           | 1P                           | 2P       | 3P       | 1P                    | 2P                    | 3P                     |
| 62 fields                                               | D&M                             | Oil plus Condensate (MMT) | 217.60                       | 255.15   | 282.57   | 194.82                | 234.13                | 287.18                 |
| Mumbai High <sup>(1)(2)(3)</sup>                        | GCA                             | Oil plus Condensate (MMT) | 119.92                       | 131.70   | 185.95   | 130.80                | 226.90                | 265.00                 |
| Total oil plus condensate (MMT)                         |                                 |                           | 337.52                       | 386.85   | 468.52   | 325.62                | 461.03                | 552.18                 |
| 62 fields                                               | D&M                             | Gas (BCM)                 | 241.29                       | 366.76   | 435.93   | 235.71                | 362.22                | 447.08                 |
| Mumbai High <sup>(1)(2)(3)</sup>                        | GCA                             | Gas (BCM)                 | 46.46                        | 58.28    | 72.64    | 37.70                 | 53.20                 | 80.60                  |
| Total gas (BCM)                                         |                                 |                           | 287.75                       | 425.04   | 508.57   | 273.41                | 415.42                | 527.68                 |
| Total oil plus oil equivalent gas for 63 fields (MMtoe) |                                 |                           | 625.27                       | 811.89   | 977.09   | 599.03 <sup>(1)</sup> | 876.45 <sup>(1)</sup> | 1079.86 <sup>(1)</sup> |
| Uncertified reserves (owned and operated) (MMtoe)       |                                 |                           | 98.29                        | 173.69   | 234.89   | N.A.                  |                       |                        |
| Domestic JV (our participating interest) (MMtoe)        |                                 |                           | 34.80                        | 39.16    | 41.30    |                       |                       |                        |
| Grand Total (Certified and Uncertified) (MMtoe)         |                                 |                           | 758.36                       | 1,024.74 | 1,253.28 |                       |                       |                        |

- (1) In accordance with standard practice, GCA does not provide oil and oil equivalent gas estimate of the reserves. The Company has converted the GCA reported volume at the rate of one BCM of natural gas equivalent to one MMT of crude oil to arrive at the figure, thus the GCA estimates for the 1P, 2P and 3P crude oil and natural gas reserves of the Mumbai High field as of March 31, 2011 were 130.80 MMT for crude oil and 37.70 BCM for natural gas (combined as 168.50 MMtoe by ONGC) for 1P, 226.90 MMT for crude oil and 53.20 BCM for natural gas (combined as 280.10 MMtoe by ONGC) for 2P, and 265.00 MMT for crude oil and 80.60 BCM for natural gas (combined as 345.60 MMtoe by ONGC) for 3P.
- (2) The Mumbai High field reserves estimates presented to GCA for audit were set out incrementally i.e. Proved, Probable and Possible, based upon the format presented in the REC approved management estimates while the GCA reserves estimates presented above represent the form under SPE PRMS 2007 International Standards i.e. 1P (Proved), 2P (Proved and Probable) and 3P (Proved, Probable and Possible).
- (3) Other than GCA, the independent reserves consultants have also audited our domestic and international reserves estimates as of April 1, 2011. GCA has presented its estimates of our reserves under SPE PRMS 2007 for the Mumbai High field as of March 31, 2011; however, for presentational purposes, we

refer to all audited reserves estimates and information in this Red Herring Prospectus as being as of April 1, 2011. Moreover, for uniformity of presentation, the “audited” reserves estimates in this Red Herring Prospectus incorporate GCA’s SPE PRMS 2007 International Standards estimates of the Mumbai High Field (and not the Mumbai High Audited Reserves).

### International Reserves

The following table sets forth our management estimates of our international reserves and our audited international reserves as of April 1, 2011:

| Block, Country                                                              | Management Estimate Reserves (MMtoe) |               |               | Audited Estimates (MMtoe) |               |               |
|-----------------------------------------------------------------------------|--------------------------------------|---------------|---------------|---------------------------|---------------|---------------|
|                                                                             | 1P                                   | 2P            | 3P            | 1P                        | 2P            | 3P            |
| <b>Reserves submitted for audit by independent reserves consultants</b>     |                                      |               |               |                           |               |               |
| Imperial, Russia                                                            | 22.49                                | 111.26        | 111.26        | 19.05                     | 110.89        | 382.68        |
| Sakhalin-1, Russia                                                          | 107.04                               | 139.57        | 139.57        | 49.62                     | 97.72         | 140.56        |
| Greater Nile Oil Project, Sudan <sup>(1)</sup>                              | 16.52                                | 20.27         | 30.02         | 10.60                     | 14.30         | 17.50         |
| Block 5 A, Sudan <sup>(1)</sup>                                             | 6.60                                 | 7.23          | 7.75          | 5.00                      | 6.40          | 7.70          |
| AFPC, Syria                                                                 | 3.21                                 | 3.21          | 4.03          | 2.23                      | 3.50          | 4.31          |
| Block 24, Syria                                                             | 1.81                                 | 3.54          | 3.67          | 0.25                      | 2.75          | 4.11          |
| Block BC-10, Brazil                                                         | 5.98                                 | 6.66          | 6.66          | 3.96                      | 7.83          | 7.83          |
| MECL, Colombia                                                              | 4.13                                 | 5.11          | 5.89          | 3.82                      | 4.78          | 5.58          |
| San Cristobal, Venezuela                                                    | 12.69                                | 12.69         | 12.69         | 6.17                      | 11.12         | 12.69         |
| Block 06.1, Vietnam                                                         | 11.21                                | 15.28         | 19.48         | 11.21                     | 14.59         | 17.86         |
| Blocks A1, A3, Myanmar                                                      | 10.30                                | 21.82         | 37.25         | 9.75                      | 19.13         | 28.97         |
| Carabobo-1, Blocks, Venezuela                                               | 0.00                                 | 52.99         | 52.99         | 8.35                      | 55.69         | 55.69         |
| <b>Sub Total</b>                                                            | <b>201.98</b>                        | <b>399.64</b> | <b>431.26</b> | <b>130.00</b>             | <b>348.70</b> | <b>685.46</b> |
| <b>Reserves not submitted for audit by independent reserves consultants</b> |                                      |               |               |                           |               |               |
| GNPOC, Sudan <sup>(2)</sup>                                                 | 0.91                                 | 1.60          | 3.04          |                           |               |               |
| Block 5 A, Sudan <sup>(2)</sup>                                             | 0.02                                 | 0.28          | 0.71          |                           |               |               |
| <b>Sub Total</b>                                                            | <b>0.93</b>                          | <b>1.88</b>   | <b>3.75</b>   |                           |               |               |
| <b>Grand Total</b>                                                          | <b>202.90</b>                        | <b>401.52</b> | <b>435.01</b> |                           |               |               |

- (1) Represents audited reserves estimates of the fields in GNPOC and Block-5A in Sudan as undertaken by Sproule. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule’s reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this RHP, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.
- (2) Represents management estimates of the fields in Sudan which have been audited prior to the separation of Sudan and South Sudan. Consequently, the management estimates do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.

The following is a summary of certain key differences between our management estimates of our domestic and international reserves and the audited estimates for such fields.

### Domestic Reserves

The principal differences between our management estimates of our domestic reserves and the audited domestic reserves, as audited by D&M and GCA, are briefly discussed below:

**Mumbai High field.** Management estimates of our 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 166.38 MMtoe, 189.98 MMtoe and 258.59 MMtoe, respectively. GCA’s estimates of the 1P, 2P and 3P crude oil and natural gas reserves under the SPE PRMS 2007 International Standards as of March 31, 2011, as converted by us into oil equivalents, were 168.50 MMtoe, 280.10 MMtoe and 345.60 MMtoe, respectively. The principal difference between our management estimates and GCA’s estimates was that our management estimates were prepared using our internally-developed definitions and the SPE/WPC 1997 Standards while GCA estimates were prepared based on the SPE PRMS 2007 International Standards. Further, we only considered estimates based on an existing development plan which is scheduled to be completed in Fiscal 2012, while GCA took into account longer term development plans for the field, which included an increased water injection program that would result in higher ultimate recovery, thereby resulting in higher 2P and 3P reserves.

**Other fields.** Management estimates of the 1P, 2P and 3P crude oil and natural gas reserves relating to the other 62 fields as of April 1, 2011 were 458.89 MMtoe, 621.91 MMtoe and 718.50 MMtoe, respectively. D&M’s audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves for these 62 fields as of April 1, 2011 were 430.52 MMtoe, 596.35 MMtoe and 734.25 MMtoe, respectively.

The principal difference between D&M's audited estimates and our management estimates are reductions in 1P and 2P reserves pursuant to the D&M audit that resulted from delays in the implementation of our development plans with respect to our ageing fields in Assam. Management's estimates of the 1P, 2P and 3P crude oil and natural gas reserves in the fields in Assam that were audited by D&M as of April 1, 2011 were 76.99 MMtoe, 99.76 MMtoe and 104.36 MMtoe, respectively, while D&M's audited estimates were 56.81 MMtoe, 67.85 MMtoe and 94.19 MMtoe, respectively. Our management estimates for the Assam fields took account of three IOR/EOR schemes that we are currently implementing at a total estimated project cost of ₹27,776.50 million. Because these IOR schemes are not yet completed, D&M has classified a portion of management estimated "proved" and "probable" reserves in the "possible" category.

#### *International reserves*

The principal differences between our management estimates of our international reserves and the audited international reserves, as audited by D&M and Sproule, are briefly discussed below:

*Sakhalin-1.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves of the Sakhalin - 1 asset as of April 1, 2011 were 107.04 MMtoe, 139.57 MMtoe and 139.57 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves of the Sakhalin - 1 asset as of April 1, 2011 were 49.62 MMtoe, 97.72 MMtoe and 140.56 MMtoe, respectively.

The principal reasons for the difference between our management estimates and the audited estimates are as follows:

- We use oil and natural gas reserves estimates prepared by the Sakhalin-1 consortium in accordance with Russian reserves estimation standards which differ from the SPE PRMS 2007 International Standards used by D&M for their audit. Consequently:
  - The Sakhalin-1 consortium has based its reserves estimates on field development plans and production forecasts through 2054, while D&M has based its audited proved estimates on production forecasts through 2031, which corresponds to the current term of the existing production sharing contract for Sakhalin-1 and a ten year extension. The production sharing contract for the Sakhalin-1 field provides for further ten year extensions to the extent that the Sakhalin-1 consortium can continue to demonstrate extractable, economically viable volumes of hydrocarbons. While we have assumed such extension beyond 2031 in our management estimates of 1P reserves, the audited reserves include such volumes as 2P and 3P reserves.
  - D&M has estimated 1P gas reserves based on volumes covered by the Sakhalin-1 consortium's existing sales contracts, whereas the Sakhalin-1 consortium (including OVL) has determined that additional volumes are economically recoverable pursuant to future contracts and extensions given the marketability it has identified consequent to the significant investment to be undertaken to develop gas transportation infrastructure for the transportation of field production to the delivery point.

*Imperial Energy Assets.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves of the Imperial Energy assets as of April 1, 2011 were 22.49 MMtoe, 111.26 MMtoe and 111.26 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P reserves of Imperial Energy assets, as of April 1, 2011, were 19.05 MMtoe, 110.89 MMtoe and 382.68 MMtoe, respectively. The principal reason for the difference between our management estimates and the audited reserves for our 1P crude oil and natural gas reserves was because D&M's estimates did not account for certain development plans that we believe we may be able to implement in the future. The principal reason for the difference between our management estimates and the audited 3P crude oil and natural gas reserves is that we did not account for certain 3P reserves in the absence of more extensive physical inputs such as seismic surveys and exploratory drilling.

*Block A1 and A3, Myanmar.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves for the Myanmar assets, as of April 1, 2011, were 10.30 MMtoe, 21.82 MMtoe and 37.25 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves for the Myanmar assets, as of April 1, 2011, were 9.75 MMtoe, 19.13 MMtoe and 28.97 MMtoe, respectively. The principle reason for the difference between our management estimates and D&M's audited 1P, 2P and 3P crude oil and natural gas reserves estimates was due to differences in our reservoir mapping interpretation and the petro-physical parameters to estimate the initial gas volume.

*Sudan.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves for our Sudan assets, as of April 1, 2011, were 23.12 MMtoe, 27.50 MMtoe and 37.77 MMtoe, respectively. Sproule's audited estimates for such 1P, 2P and 3P crude oil and natural gas reserves were 15.60 MMtoe, 20.70 MMtoe and 25.20 MMtoe,



respectively as of April 1, 2011. The principal differences between the management estimates and Sproule's audited estimates are as follows: Management estimates of 1P, 2P and 3P crude oil and natural gas reserves for the assets as of April 1, 2011, in the Greater Nile Oil Project (Block 1, Block 2 and Block 4), were 16.52 MMtoe, 20.27 MMtoe and 30.02 MMtoe, respectively. Sproule's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves, as of April 1, 2011, were 10.60 MMtoe, 14.30 MMtoe and 17.50 MMtoe, respectively. The principal reasons for the differences in the management estimates and Sproule's audited estimates was that we included in our reserves certain discovered resources that are recoverable but not producible due to economic, political or technological reasons or yet to be evaluated for production/ economic potential. Sproule did not consider such resources to be as reserves as defined by SPE PRMS 2007 International Standards. Further, the production decline rates considered by Sproule were higher compared to the production decline rates considered by us.

The audit process for the audited reserves estimates and the management estimates was conducted prior to the separation of Sudan and South Sudan. Consequently, the audited reserves estimates and the management estimates do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.

*Block XXIV, Syria.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves for the Block XXIV assets, as of April 1, 2011, were 1.81 MMtoe, 3.54 MMtoe and 3.67 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves for the Block XXIV assets, as of April 1, 2011, were 0.25 MMtoe, 2.75 MMtoe and 4.11 MMtoe, respectively. The principal reason for the difference between our management estimates and D&M's audited reserves estimates was because D&M's estimates did not account for development plans for certain areas that we believe we may be able to implement in the future. In addition, the lower audited 1P and 2P crude oil and natural gas reserves compared to our management estimates was primarily due to a difference in the performance analysis of a particular field.

*San Cristobal, Venezuela.* Management estimates of 1P, 2P and 3P crude oil and natural gas reserves for the San Cristobal block, as of April 1, 2011, were 12.69 MMtoe, 12.69 MMtoe and 12.69 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves for the San Cristobal block, as of April 1, 2011, were 6.17 MMtoe, 11.12 MMtoe and 12.69 MMtoe, respectively. The principal reason for the difference between our and D&M's audited 1P crude oil and natural gas reserves estimates was because D&M's estimates did not account for a proposed water injection program that we believe we will be able to implement in the future.

*Carabobo, Venezuela.* Management estimates of 2P and 3P crude oil and natural gas reserves for the Carabobo block, as of April 1, 2011, were 52.99 MMtoe and 52.99 MMtoe, respectively. D&M's audited estimates of the 1P, 2P and 3P crude oil and natural gas reserves for the Carabobo block, as of April 1, 2011, were 8.35 MMtoe, 55.69 MMtoe and 55.69 MMtoe, respectively. The principal reason for the difference between our management estimates and the audited crude oil and natural gas reserves is that we did not account for certain reserves as 1P reserves in the absence of further field information.

### ***Developed and Undeveloped Reserves***

#### ***Proved Developed Reserves***

As of April 1, 2011, according to our management estimates, our domestic proved developed crude oil and natural gas reserves, estimated in accordance with our internal definitions, were 540.83 MMtoe. As of April 1, 2011, according to our management estimates, our international proved developed crude oil and natural gas reserves, estimated in accordance with the various standards that are applicable in the relevant jurisdiction in which the relevant reserves are located, were 55.00 MMtoe.

We have appointed independent reserves consultants to audit certain of our domestic and international crude oil and natural gas assets and to prepare reserves estimates in accordance with the SPE PRMS 2007 International Standards. Pursuant to its standard practice, GCA, one of the independent reserves consultants, does not provide oil and oil equivalent gas estimate of the reserves and hence, we have converted the GCA estimated reserves into the oil equivalent values as stated below.

As of April 1, 2011, the audited estimates of our domestic proved developed crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 373.08 MMtoe. As of April 1, 2011, according to our management estimates, our domestic proved developed crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 468.55 MMtoe.

As of April 1, 2011, the audited estimates of our international proved developed crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 48.13 MMtoe. As of April 1, 2011, according to our management estimates, our international proved developed crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 55.00 MMtoe.

#### *Proved Undeveloped Reserves*

As of April 1, 2011, according to our management estimates, our domestic proved undeveloped crude oil and natural gas reserves, estimated in accordance with our internal definitions, were 217.53 MMtoe. As of April 1, 2011, according to our management estimates, our international proved undeveloped crude oil and natural gas reserves, estimated in accordance with the various standards that are applicable in the relevant jurisdiction in which the relevant reserves are located, were 147.91 MMtoe.

We have appointed independent reserves consultants to audit certain of our domestic and international crude oil and natural gas assets and to prepare reserves estimates in accordance with the SPE PRMS 2007 International Standards. Pursuant to its standard practice, GCA, one of the independent reserves consultants, does not provide oil and oil equivalent gas estimate of the reserves and hence, we have converted the GCA estimated reserves into the oil equivalent values as stated below.

As of April 1, 2011, the audited estimates of our domestic proved undeveloped crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 225.94 MMtoe. As of April 1, 2011, according to our management estimates, our domestic proved undeveloped crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 156.72 MMtoe.

As of April 1, 2011, the audited estimates of our international proved undeveloped crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 81.88 MMtoe. As of April 1, 2011, according to our management estimates, our international proved undeveloped crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 146.98 MMtoe.

The SPE PRMS 2007 International Standards differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. The SPE PRMS 2007 International Standards also differ from the other reserves estimation standards used in the assessment of our international reserves. For further information, see “Our Business- *Reserves Classification Standards*” on page 153. Our audited reserves information presented in this Red Herring Prospectus are therefore not comparable to our management estimates as of April 1, 2011 included in this Red Herring Prospectus. Reserves attributable to investment plans already approved and under implementation are generally considered as “proved developed” by our management, while the independent reserves consultants have categorized these reserves, in accordance with SPE PRMS 2007 International Standards, as “proved undeveloped.”

### **Crude Oil and Natural Gas Production**

The following tables set forth certain information relating to our domestic and international crude oil and natural gas production in Fiscal 2009, 2010, 2011 and for the three months ended June 30, 2011:

#### ***Crude Oil Production***

| <b>Crude Oil Production</b>                   | <b>Fiscal</b>         |                       |                       | <b>Three months ended June 30, 2011</b> |
|-----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------------------|
|                                               | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           |                                         |
| <b>Domestic Production</b>                    |                       |                       |                       |                                         |
| Independent Operations                        | 25.48(191.08)         | 24.67 (185.02)        | 24.42(183.15)         | 5.93 (44.48)                            |
| Joint Venture Operations                      | 1.65 (12.38)          | 1.79(13.43)           | 2.86 (21.45)          | 0.82 (6.15)                             |
| <b>Total Domestic Production</b>              | <b>27.13 (20.46)</b>  | <b>26.46 (198.45)</b> | <b>27.28 (204.60)</b> | <b>6.75 (50.63)</b>                     |
| <b>International Production</b>               |                       |                       |                       |                                         |
| Independent Operations                        | 0.08 (0.57)           | 0.54 (4.12)           | 0.77 (5.90)           | 0.21 (1.62)                             |
| Joint Venture Operations                      | 6.48 (46.95)          | 5.97(42.98)           | 6.00(42.90)           | 1.52 (10.86)                            |
| <b>Total International Production</b>         | <b>6.56 (47.52)</b>   | <b>6.51 (47.10)</b>   | <b>6.77 (48.80)</b>   | <b>1.73 (12.48)</b>                     |
| <b>Consolidated ONGC Group Oil Production</b> | <b>33.69 (250.98)</b> | <b>32.97 (245.55)</b> | <b>34.05 (253.40)</b> | <b>8.48 (63.11)</b>                     |

## Natural Gas Production

(BCM)

| Natural Gas Production                                | Fiscal       |              |              | Three months ended June 30, 2011 |
|-------------------------------------------------------|--------------|--------------|--------------|----------------------------------|
|                                                       | 2009         | 2010         | 2011         |                                  |
| <b>Domestic Production</b>                            |              |              |              |                                  |
| Independent Operations                                | 22.49        | 23.1         | 23.09        | 5.60                             |
| Joint Venture Operations                              | 2.95         | 2.49         | 2.23         | 0.56                             |
| <b>Total Domestic Production</b>                      | <b>25.44</b> | <b>25.59</b> | <b>25.32</b> | <b>6.16</b>                      |
| <b>International Production</b>                       |              |              |              |                                  |
| Independent Operations                                | -            | -            | -            | -                                |
| Joint Venture Operations                              | 2.22         | 2.36         | 2.7          | 0.64                             |
| <b>Total International Production</b>                 | <b>2.22</b>  | <b>2.36</b>  | <b>2.7</b>   | <b>0.64</b>                      |
| <b>Consolidated ONGC Group Natural Gas Production</b> | <b>27.66</b> | <b>27.95</b> | <b>28.02</b> | <b>6.80</b>                      |

## Consolidated Crude Oil and Natural Gas Production

(MMtoe)

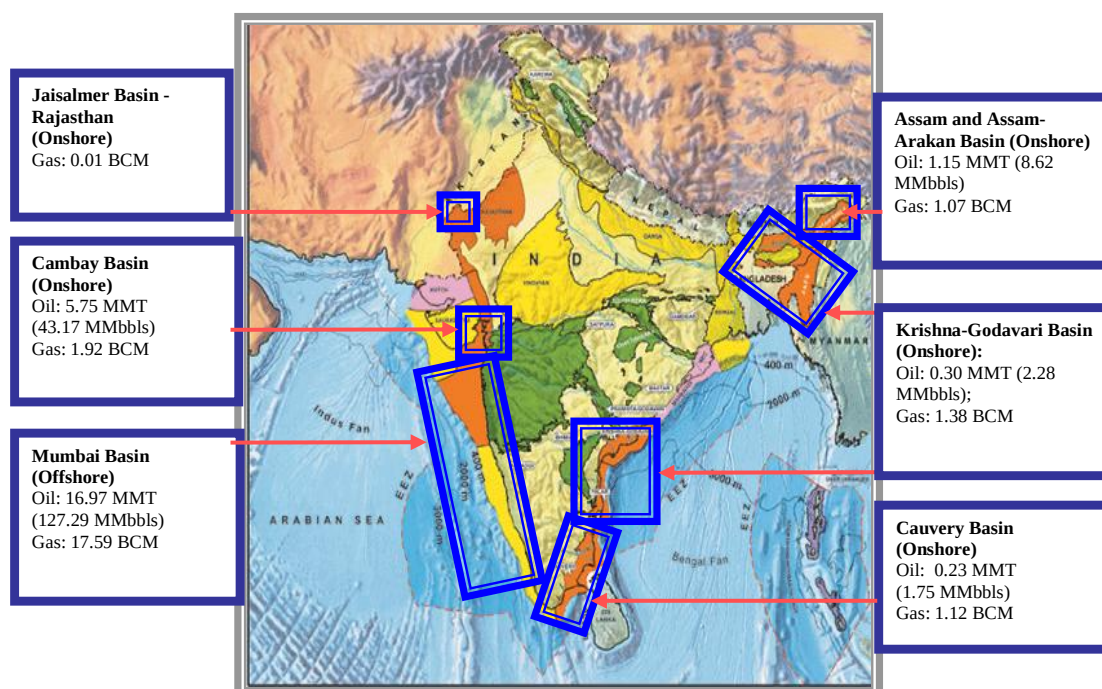
| Crude Oil and Natural Gas Production                                | Fiscal       |              |              | Three months ended June 30, 2011 |
|---------------------------------------------------------------------|--------------|--------------|--------------|----------------------------------|
|                                                                     | 2009         | 2010         | 2011         |                                  |
| <b>Domestic Production</b>                                          |              |              |              |                                  |
| Independent Operations                                              | 47.97        | 47.77        | 47.51        | 11.53                            |
| Joint Venture Operations                                            | 4.6          | 4.28         | 5.09         | 1.38                             |
| <b>Total Domestic Production</b>                                    | <b>52.57</b> | <b>52.05</b> | <b>52.6</b>  | <b>12.91</b>                     |
| Independent Operations                                              | 0.08         | 0.54         | 0.77         | 0.21                             |
| Joint Venture Operations                                            | 8.7          | 8.33         | 8.7          | 2.16                             |
| <b>Total International Production</b>                               | <b>8.78</b>  | <b>8.87</b>  | <b>9.47</b>  | <b>2.37</b>                      |
| <b>Consolidated ONGC Group Crude Oil and Natural Gas Production</b> | <b>61.35</b> | <b>60.92</b> | <b>62.07</b> | <b>15.28</b>                     |

## Our Principal Producing Areas

### Domestic Producing Areas

Our domestic onshore producing areas are located in the states of Gujarat, Rajasthan, Assam, Tripura, Tamilnadu, Andhra Pradesh and in the Cambay, Jaisalmer, Assam and Assam Arakan, Krishna-Godavari and Cauvery basins. Our domestic offshore producing fields include the Mumbai offshore basin off the west coast of India, and the Cauvery and Krishna-Godavari basins off the east coast of India.

The following map sets forth certain information relating to our onshore and offshore basins and the producing fields within such basins, including production in Fiscal 2011:



Note: The production numbers above exclude the production from the joint venture operated fields in these basins.

### Owned and Operated Producing Fields

The following table sets forth certain information relating to the producing basins where we own and operate our principal producing fields and the production for such fields in Fiscal 2010, 2011 and for the three months ended June 30, 2011:

| Name of the Basin | Assets (ONGC operated) | Some of the Major Producing Fields | Type (Onshore / Offshore) | Production  |          |       | Production  |          |       | Production                       |          |       |
|-------------------|------------------------|------------------------------------|---------------------------|-------------|----------|-------|-------------|----------|-------|----------------------------------|----------|-------|
|                   |                        |                                    |                           | Fiscal 2010 |          |       | Fiscal 2011 |          |       | Three months ended June 30, 2011 |          |       |
|                   |                        |                                    |                           | Oil         | Oil      | Gas   | Oil         | Oil      | Gas   | Oil                              | Oil      | Gas   |
|                   |                        |                                    |                           | (MMT)       | (MMbbls) | (BCM) | (MMT)       | (MMbbls) | (BCM) | (MMT)                            | (MMbbls) | (BCM) |
| <b>Mumbai</b>     | Mumbai High            | Mumbai High                        | Offshore                  | 10.84       | 81.3     | 5.03  | 10.59       | 79.43    | 4.64  | 2.51                             | 18.83    | 1.13  |
|                   | Bassein and Satellite  | South Bassein                      |                           | 1.02        | 7.65     | 11.27 | 1.08        | 8.1      | 11.8  | 0.24                             | 1.80     | 2.84  |
|                   | Heera                  | Heera and South Heera              |                           | 2.46        | 18.45    | 0.67  | 2.44        | 18.30    | 0.65  | 0.65                             | 4.84     | 0.17  |
|                   | Neelam                 | Neelam                             |                           | 0.95        | 7.13     | 0.50  | 0.97        | 7.27     | 0.50  | 0.21                             | 1.58     | 0.09  |
|                   |                        | Condensate*                        |                           | 1.88        | 14.1     | -     | 1.9         | 14.19    | -     | 0.45                             | 3.37     | -     |
| <b>Cambay</b>     | Mehsana                | Sobhasan, Santhal and North Kadi   | Onshore                   | 2.2         | 16.5     | 0.18  | 2.27        | 16.97    | 0.19  | 0.58                             | 4.35     | 0.05  |
|                   | Ahmedabad              | Kalol and Jhalora                  |                           | 1.67        | 12.53    | 0.28  | 1.67        | 12.54    | 0.26  | 0.41                             | 3.09     | 0.07  |
|                   | Ankleshwar             | Ankleshwar and Gandhar             |                           | 1.72        | 12.9     | 1.47  | 1.64        | 12.31    | 1.46  | 0.39                             | 2.96     | 0.34  |

| Name of the Basin                                   | Assets (ONGC operated) | Some of the Major Producing Fields                                       | Type (Onshore / Offshore) | Production   |               |              | Production   |               |              | Production                       |              |             |
|-----------------------------------------------------|------------------------|--------------------------------------------------------------------------|---------------------------|--------------|---------------|--------------|--------------|---------------|--------------|----------------------------------|--------------|-------------|
|                                                     |                        |                                                                          |                           | Fiscal 2010  |               |              | Fiscal 2011  |               |              | Three months ended June 30, 2011 |              |             |
|                                                     |                        |                                                                          |                           | Oil (MMT)    | Oil (MMbbls)  | Gas (BCM)    | Oil (MMT)    | Oil (MMbbls)  | Gas (BCM)    | Oil (MMT)                        | Oil (MMbbls) | Gas (BCM)   |
|                                                     | Cambay                 | -                                                                        |                           | 0.19         | 1.5           | 0.01         | 0.18         | 1.35          | 0.01         | 0.05                             | 0.38         | 0.00        |
| Jaisalmer                                           | -                      | Manhera Tibba                                                            | Onshore                   | -            | -             | 0.01         | -            | -             | 0.01         | -                                | -            | 0.00        |
| Assam and Assam Arakan                              | Assam                  | Lakwa-Lakhamani, Gel eki and Rudrasagar                                  | Onshore                   | 1.19         | 8.93          | 0.47         | 1.15         | 8.62          | 0.46         | 0.30                             | 2.26         | 0.12        |
|                                                     | Tripura                | Manikyanagar, Konaban, Agartala Dome and Baramura                        |                           | -            | -             | 0.56         | -            | -             | 0.61         | -                                | -            | 0.16        |
| Krishna-Godavari                                    | Rajahmundry            | Kesana palli West, Gopavaram, Pasarlapudi, Tatipaka, and Kesava daupalem | Onshore                   | 0.3          | 2.25          | 1.48         | 0.3          | 2.28          | 1.38         | 0.08                             | 0.59         | 0.33        |
| Cauvery                                             | Karaikal               | Kamalapuram, Kuthalam and Periyattinam                                   | Onshore                   | 0.24         | 1.8           | 1.18         | 0.23         | 1.75          | 1.12         | 0.06                             | 0.46         | 0.30        |
| <b>Total from ONGC owned and operated fields</b>    |                        |                                                                          |                           | <b>24.66</b> | <b>185.04</b> | <b>23.11</b> | <b>24.42</b> | <b>183.11</b> | <b>23.09</b> | <b>5.93</b>                      | <b>44.48</b> | <b>5.60</b> |
| * Condensate receipt from Offshore at Uran & Hazira |                        |                                                                          |                           |              |               |              |              |               |              |                                  |              |             |

## Owned and Operated Offshore Producing Fields

### Mumbai Offshore Basin

The Mumbai Offshore basin, the largest offshore basin in India (*Source: HEPA Report 2009-2010, page 10*), is located off the west coast of India and covers an area of approximately 116,000 sq.km. We made our first crude oil discovery in this basin in 1974. As of June 30, 2011, we held 24 PMLs covering an area of 14,857.31 sq. km. in this basin. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, total production from Mumbai Offshore basin was 17.15 MMT (128.63 MMbbls), 16.97 MMT (127.29 MMbbls) and 4.06 MMT (30.42 MMbbls) of crude oil and 17.47 BCM, 17.59 BCM and 4.23 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 352,411 barrels per day and 47.86 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 348,740 barrels per day and 48.19 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 334,286 barrels per day and 46.48 MCM per day, respectively.

The major producing fields within this basin are Mumbai High, South Bassein, Heera and South Heera and Neelam, brief descriptions of which are set out below.

### *Mumbai High*

The Mumbai High field is a major offshore crude oil and natural gas producing area in the Mumbai Offshore basin, and represented 32.00% of our total domestic crude oil and natural gas production from our owned and operated fields in Fiscal 2011.

The Mumbai High field is located around 160 km west of Mumbai in the Arabian sea. This field acts as a hub for a growing number of small satellite fields and therefore the Mumbai High infrastructure represents a key resource for future offshore developments. The first discovery well was drilled in 1974. The hydrocarbon discovery in this field was made by us under a nomination PEL. We carried out our development programs and commenced oil production from Mumbai High North in 1976 and Mumbai High South in 1980. In 2001, we commenced a field redevelopment program to improve oil production rates and to increase the field's ultimate oil recovery. In 2008, we commenced phase II of the redevelopment program for installation of new wellhead platforms, electric submersible pumps for improved artificial lift and maintaining the fluid production and water injection rates. The gas produced from this field is used for power generation and to supply lift gas. The surplus gas is exported to shore through pipeline for onward sale. A peak crude oil production rate of 420,000 barrels of oil per day was achieved in 1988.

Our management estimates of our 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 166.38 MMtoe, 189.98 MMtoe and 258.59 MMtoe, respectively. GCA's estimates of the 1P, 2P and 3P crude oil and natural gas reserves as of March 31, 2011, as converted by us into oil equivalents, were 168.50 MMtoe, 280.10 MMtoe and 345.60 MMtoe, respectively. The principal difference between our management estimates and GCA's estimates was that we only considered estimates based on an existing development plan which is scheduled to be completed in Fiscal 2012, while GCA took into account longer term development plans for the field, which included an increased water injection program that would result in higher ultimate recovery, thereby resulting in higher 2P and 3P reserves. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, the total production from the Mumbai High field was 10.84 MMT (81.30 MMbbls), 10.59 MMT (79.43 MMbbls) and 2.51 MMT (18.83 MMbbls) of crude oil, respectively, and 5.03 BCM, 4.64 BCM and 1.13 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 222,740 barrels per day and 13.78 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 217,616 barrels per day and 12.71 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 206,923 barrels per day and 12.42 MCM per day, respectively.

### *South Bassein*

The South Bassein field is located within the Bassein and Satellite asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from South Bassein field was 1.02 MMT (7.65 MMbbls), 1.08 MMT (8.10 MMbbls) and 0.24 MMT (1.80 MMbbls) of crude oil, respectively, and 11.27 BCM, 11.80 BCM and 2.84 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 20,959 barrels per day and 30.88 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 22,191.78 barrels per day and 32.33 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 19,780 barrels per day and 31.21 MCM per day, respectively.

### *Heera and South Heera*

The Heera and South Heera fields are located within the Heera asset and the hydrocarbon discovery in these fields was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Heera and South Heera fields was 2.46 MMT (18.45 MMbbls), 2.44 MMT (18.30 MMbbls) and 0.65 MMT (4.84 MMbbls) of crude oil, respectively, and 0.67 BCM, 0.65 BCM and 0.17 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 50,548 barrels per day and 1.84 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 50,137 barrels per day and 1.78 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 53,187 barrels per day and 1.88 MCM per day, respectively.

## *Neelam*

The Neelam field is located within the Neelam asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, total production from Neelam field was 0.95 MMT (7.13 MMbbls), 0.97 MMT (7.28 MMbbls) and 0.21 MMT (1.58 MMbbls) of crude oil, respectively, and 0.50 BCM, 0.50 BCM and 0.09 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 19,534 barrels per day and 1.37 MCM per day, while in Fiscal 2011, the average daily production of crude oil and natural gas was 19,945 barrels per day and 1.37 MCM per day. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 17,363 barrels per day and 0.95 MCM per day, respectively.

## **Owned and Operated Onshore Producing Fields**

### **Cambay Basin**

The Cambay basin is one of our most significant onshore crude oil and natural gas producing areas. The basin is located primarily in the state of Gujarat and covers approximately 53,500 sq. km. The basin is a rift basin which extends from Surat in the south to Sanchor in the north. In the north, the basin narrows, but continues beyond Sanchor to pass into the Barmer Basin of Rajasthan. On the southern side, the basin merges with the Mumbai Offshore Basin in the Arabian Sea. As of June 30, 2011, we held 169 PMLs covering an area of 5,599.00 sq. km. in this basin.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, total production from the Cambay basin was 5.79 MMT (43.43 MMbbls), 5.75 MMT (43.13 MMbbls) and 1.43 MMT (10.73 MMbbls) of crude oil, respectively, and 1.94 BCM, 1.92 BCM and 0.46 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 118,986 barrels per day and 5.32 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 118,164 barrels per day and 5.26 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 117,912 barrels per day and 5.05 MCM per day, respectively.

The major producing fields within this basin are Sobhasan, Santhal, North Kadi, Kalol, Jhalora, Ankleshwar and Gandhar, brief descriptions of which are set out below:

### *Sobhasan*

The Sobhasan field is located within the Mehsana asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Sobhasan field was 0.43 MMT (3.23 MMbbls), 0.39 MMT (2.93 MMbbls) and 0.10 MMT (0.71 MMbbls) of crude oil, respectively, and 42.90 MCM, 47.00 MCM and 12.00 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 8,849 barrels per day and 0.12 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 8,027 barrels per day and 0.13 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 7,802 barrels per day and 0.14 MCM per day, respectively.

### *Santhal*

The Santhal field, a multilayered reservoir, is located within the Mehsana asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, total production from Santhal field was 0.41 MMT (3.08 MMbbls), 0.51 MMT (3.83 MMbbls) and 0.14 MMT (1.06 MMbbls) of crude oil, respectively. There is no gas production in this field. In Fiscal 2010, the average daily production of crude oil was 8,438 barrels per day while in Fiscal 2011, the average daily production of crude oil was 10,493 barrels per day. For the three months ended June 30, 2011, the average daily production of crude oil was 11,648 barrels per day.

### *North Kadi*

The North Kadi field is located within the Mehsana asset in the Cambay basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, total production from North Kadi field was 0.68 MMT (5.18 MMbbls), 0.66 MMT (4.91 MMbbls) and 0.16 MMT (1.20 MMbbls) of crude oil, respectively, and 39.70 MCM, 34.00 MCM and 7.00 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 14,192 barrels per day and 0.11 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 13,452 barrels per day and 0.09 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 13,187 barrels per day and 0.08 MCM per day, respectively.

#### *Kalol*

The Kalol field is located within the Ahmedabad asset in the Cambay basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Kalol field was 0.41 MMT (3.08 MMbbls), 0.39 MMT (2.91 MMbbls) and 0.10 MMT (0.76 MMbbls) of crude oil, respectively, and 116.00 MCM, 114.36 MCM and 30.30 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 8,438 barrels per day and 0.32 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 7,973 barrels per day and 0.31 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 8,352 barrels per day and 0.33 MCM per day, respectively.

#### *Jhalora*

The Jhalora field is located within the Ahmedabad asset in the Cambay basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Jhalora field was 0.25 MMT (1.88 MMbbls), 0.27 MMT (1.99 MMbbls) and 0.07 MMT (0.50 MMbbls) of crude oil, respectively, and 16.40 MCM, 16.38 MCM and 4.09 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 5,151 barrels per day and 0.04 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 5,452 barrels per day and 0.04 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 5,495 barrels per day and 0.04 MCM per day, respectively.

#### *Ankleshwar*

The Ankleshwar field is located in the Ankleshwar asset in the Cambay basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Ankleshwar field was 0.15 MMT (1.13 MMbbls), 0.14 MMT (1.04 MMbbls) and 0.05 MMT (0.34 MMbbls) of crude oil, respectively, and 13.2 MCM, 8.93 MCM and 15.63 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 3,096 barrels per day and 0.04 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 2,849 barrels per day and 0.02 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 3,736 barrels per day and 0.17 MCM per day, respectively.

#### *Gandhar*

The Gandhar field, a multilayered reservoir, is located within the Ankleshwar asset in the Cambay basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Gandhar field was 1.28 MMT (9.6 MMbbls), 1.22 MMT (9.18 MMbbls) and 0.35 MMT (2.61 MMbbls) of crude oil, respectively, and 1,221.10 MCM, 1,193.07 MCM and 326.75 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 26,301 barrels per day and 3.35 MCM per day,



respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 25,151 barrels per day and 3.27 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 28,681 barrels per day and 3.59 MCM per day, respectively.

### **Jaisalmer Basin (Rajasthan)**

The Jaisalmer basin, situated in western Rajasthan, covers an area of approximately 45,000 sq. km. The basin is limited by the India-Pakistan border in the north and west and the Aravalli-Delhi ranges in the east. The basin is divided into three sub-basins, namely, the Kishangarh sub-basin in the east, the Shahgarh sub-basin in the west and the Miajlar sub-basin in the south. As of the June 30, 2011, we held five PMLs covering an area of 884.85 sq.km. in this basin.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Jaisalmer basin was 0.01 BCM, 0.01 BCM and 0.004 BCM of natural gas, respectively. We do not produce crude oil at this basin. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 0.03 MCM per day, 0.03 MCM per day and 0.04 MCM per day, respectively.

The major natural gas producing field of the Jaisalmer basin is the Manhera Tibba field which was discovered in 1967. The hydrocarbon discovery in this field was made by us under a Nomination PEL. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Manhera Tibba field was 0.01 BCM, 0.01 BCM and 0.004 BCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 0.03 MCM per day, 0.03 MCM per day and 0.04 MCM per day, respectively.

### **Assam and Assam-Arakan Basin**

The Assam and Assam-Arakan basin is located on the north-eastern plunge of the Shillong-Mikir uplift and bounded by the Arunachal Himalayas in the north, the Naga Schuppen Belt in the southeast and by the Assam-Arakan Fold Belt in the south. The plains of Bangladesh lie to its west and south. The areas in the Assam and Assam Arakan basin in which we have an interest lie in the states of Assam, Tripura, Mizoram, Manipur and Nagaland. The basin covers an area of approximately 116,000 sq. km. As of June 30, 2011, we held 58 PMLs covering an area of 2,962.20 sq km. in the basin.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Assam and Assam-Arakan basin was 1.19 MMT (8.93 MMbbls), 1.15 MMT (8.63 MMbbls) and 0.30 MMT (2.26 MMbbls) of crude oil, respectively, and 1.03 BCM, 1.05 BCM and 0.12 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 24,466 barrels per day and 2.82 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 23,644 barrels per day and 2.88 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 24,835 barrels per day and 1.32 MCM per day, respectively.

The major producing fields within this basin are Lakwa-Lakhmani, Geleki and Rudrasagar, brief descriptions of which are set out below:

#### *Lakwa-Lakhmani*

The Lakwa-Lakhmani fields are located within the Assam asset and form the eastern and western part of the Lakwa structure in the Assam and Assam-Arakan basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Lakwa-Lakhmani field was 0.31 MMT (2.33 MMbbls), 0.29 MMT (2.20 MMbbls) and 0.08 MMT (0.58 MMbbls) of crude oil, respectively, and 44.60 MCM, 50.00 MCM and 16.00 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 6,384 barrels per day and 0.12 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 6,027 barrels per day and 0.14 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 6,374 barrels per day and 0.18 MCM per day, respectively.

### *Geleki*

The Geleki field within the Assam asset, is located in the southern fringe of the upper Assam valley in the Assam and Assam-Arakan basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Geleki field was 0.40 MMT (3.00 MMbbls), 0.38 MMT (2.85 MMbbls) and 0.10 MMT (0.72 MMbbls) of crude oil, respectively, and 139.30 MCM, 129.00 MCM and 36.00 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 8,219 barrels per day and 0.38 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 7,808 barrels per day and 0.35 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 7,912 barrels per day and 0.40 MCM per day, respectively.

### *Rudrasagar*

The Rudrasagar field is located within the Assam asset in the Assam and Assam-Arakan basin and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Rudrasagar field was 0.14 MMT (1.05 MMbbls), 0.13 MMT (0.94 MMbbls) and 0.04 MMT (0.28 MMbbls) of crude oil, respectively, and 33.70 MCM, 37.00 MCM and 9.00 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 2,877 barrels per day and 0.09 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 2,575 barrels per day and 0.10 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 3,077 barrels per day and 0.10 MCM per day, respectively.

### *Tripura*

The Tripura asset located within the Assam and Assam-Arakan basin is a gas producing area. The major natural gas producing fields within the Tripura asset are Manikyanagar, Konaban, Agartala, Dome and Baramura. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, natural gas production from the fields in the Tripura asset was 562.20 MCM, 609.97 MCM and 159.66 MCM, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our average daily production of natural gas was 1.54 MCM per day, 1.67 MCM per day and 1.75 MCM per day, respectively. We are currently implementing the ONGC Tripura Power Project, which we intend to complete by December 2011 (Unit I) and March 2012 (Unit II), respectively. We intend to meet this project's natural gas requirement using the natural gas sourced from our producing assets in Tripura.

### **Krishna-Godavari basin**

The Krishna-Godavari basin is located on the east coast of India and extends both onshore and offshore. The onshore portion covers an area of approximately 15,000 sq.km. The thickness of the sedimentary fill is approximately five km. The basin has extensive seismic coverage in the onshore and shallow water areas. Recently, a number of commercial discoveries of gas have been made in the deep water areas. As of June 30, 2011 we held 35 PMLs covering an area of 958.56 sq km. in this basin.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from the Krishna-Godavari basin was 0.30 MMT (2.25 MMbbls), 0.30 MMT (2.28 MMbbls) and 0.08 MMT (0.59 MMbbls) of crude oil, respectively, and 1.48 BCM, 1.38 BCM and 0.33 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 6,164 barrels per day and 4.05 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 6,247 barrels per day and 3.78 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 6,484 barrels per day and 3.63 MCM per day, respectively.

The major producing fields within this basin are Kesanapalli West, Gopavaram, Pasarlapudi, Tatipaka, and Kesavadaupalem, brief descriptions of which are set out below. The Pasarlapudi, Tatipaka, and Kesavadaupalem fields only produce natural gas.

### *Kesanapalli West*

The Kesanapalli West field is located within the Rajahmundry asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Kesanapalli West field was 0.07 MMT (0.53 MMbbls), 0.10 MMT (0.74 MMbbls) and 0.03 MMT (0.23 MMbbls) of crude oil, respectively, and 140.00 MCM, 108.00 MCM and 24.37 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 1,452 barrels per day and 0.38 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 2,027 barrels per day and 0.30 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 2,527 barrels per day and 0.27 MCM per day, respectively.

### *Gopavaram*

The Gopavaram field, a multi-layered sand reservoir, is located within the Rajahmundry asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Gopavaram field was 0.18 MMT (1.35 MMbbls), 0.16 MMT (1.20 MMbbls) and 0.04 MMT (0.29 MMbbls) of crude oil, respectively, and 14.6 MCM, 14.0 MCM and 3.52 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 3,699 barrels per day and 0.04 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 3,288 barrels per day and 0.04 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 3,187 barrels per day and 0.04 MCM per day, respectively.

### *Pasarlupudi*

The Pasarlupudi field, a multi-layered sand reservoir, is located within the Rajahmundry asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total natural gas production from Pasarlupudi field was 396.70 MCM, 384.00 MCM and 51.21 MCM, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 1.09 MCM per day, 1.05 MCM per day and 0.56 MCM per day, respectively.

### *Tatipaka*

The Tatipaka field, a multi-layered sand reservoir, is located within the Rajahmundry asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total natural gas production from Tatipaka field was 81.90 MCM, 68.00 MCM and 11.31 MCM, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 0.22 MCM per day, 0.19 MCM per day and 0.12 MCM per day, respectively.

### *Kesavadasupalem*

The Kesavadasupalem field, a multi-layered sand reservoir, is located within the Rajahmundry asset, and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total natural gas production from Kesavadasupalem field was 348.10 MCM, 396.00 MCM and 95.49 MCM, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 0.95 MCM per day, 1.08 MCM per day and 1.05 MCM per day, respectively.

### **Cauvery Basin**

The Cauvery onshore basin is located in the state of Tamil Nadu and covers an area of approximately 25,000 sq. km. As of June 30, 2011, we held 28 PMLs covering an area of 1,054.66 sq. km. in this basin.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from the Cauvery basin was 0.24 MMT (1.80 MMbbls), 0.23 MMT (1.75 MMbbls) and 0.06 MMT (0.46 MMbbls) of crude oil, respectively, and 1.18 BCM, 1.12 BCM and 0.30 BCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 4,932 barrels per day and 3.23 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 4,795 barrels per day and 3.07 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 5,055 barrels per day and 3.30 MCM per day, respectively.

The major producing fields within this basin are Kamalapuram, Kuthalam and Periyapattinam, brief descriptions of which are set out below:

#### *Kamalapuram*

The Kamalapuram field, a multi-layered sand reservoir, is located within the Kariakal asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Kamalapuram field was 0.04 MMT (0.30 MMbbls), 0.05 MMT (0.37 MMbbls) and 0.01 MMT (0.11 MMbbls) of crude oil, respectively, and 21.0 MCM, 14.19 MCM and 3.32 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 822 barrels per day and 0.06 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 1,014 barrels per day and 0.04 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 1209 barrels per day and 0.04 MCM per day, respectively.

#### *Kuthalam*

The Kuthalam field, a multi-layered sand reservoir, is located within the Kariakal asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Kuthalam field was 0.02 MMT (0.15 MMbbls), 0.02 MMT (0.11 MMbbls) and 0.004 MMT (0.03 MMbbls) of crude oil, respectively, and 243.00 MCM, 195.95 MCM and 52.37 MCM of natural gas, respectively. In Fiscal 2010, the average daily production of crude oil and natural gas was 411 barrels per day and 0.67 MCM per day, respectively, while in Fiscal 2011, the average daily production of crude oil and natural gas was 301 barrels per day and 0.54 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 330 barrels per day and 0.58 MCM per day, respectively.

#### *Periyapattinam*

The Periyapattinam field is located within the Kariakal asset and the hydrocarbon discovery in this field was made by us under a nomination PEL.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the total production from Periyapattinam field was 272.6 MCM, 248.58 MCM and 76.71 MCM of natural gas, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, the average daily production of natural gas was 0.75 MCM per day, 0.68 MCM per day and 0.84 MCM per day, respectively.

## Producing Fields held through Joint Ventures

The following table sets forth certain information relating to the producing fields in which we hold participating interests through joint ventures:

| Name of the Basin                | Assets (Joint Venture operated)                                     | Major Producing Fields                        | Type     | Our Share of Production |                     |                     | Our Share of Production |                     |                     | Our Share of Production          |             |             |
|----------------------------------|---------------------------------------------------------------------|-----------------------------------------------|----------|-------------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|----------------------------------|-------------|-------------|
|                                  |                                                                     |                                               |          | (Fiscal 2010)           |                     |                     | (Fiscal 2011)           |                     |                     | Three months ended June 30, 2011 |             |             |
|                                  |                                                                     |                                               |          | Oil                     | Oil                 | Gas                 | Oil                     | Oil                 | Gas                 | Oil                              | Oil         | Gas         |
|                                  |                                                                     |                                               |          | (MM T)                  | (MMbbls)            | (BCM)               | (MMT)                   | (MMbbls)            | (BCM)               | (MMT)                            | (MMbbls)    | (BCM)       |
| <b>Mumbai offshore</b>           | Panna and Mukta and Mid and South Tapti                             | Panna and Mukta and Mid and South Tapti       | Offshore | 0.78                    | 5.83                | 2.1                 | 0.55                    | 4.13                | 1.74                | 0.15                             | 1.13        | 0.45        |
| <b>Krishna-Godavari Offshore</b> | Ravva                                                               | Ravva                                         | Offshore | 0.64                    | 4.8                 | 0.22                | 0.54                    | 4.05                | 0.25                | 0.15                             | 1.13        | 0.05        |
| <b>Cauvery Offshore</b>          | CY-OS-90/1                                                          | PY-3                                          | Offshore | 0.03                    | 0.2                 | 0.01                | 0.06                    | 0.45                | 0.02                | 0.02                             | 0.15        | 0.00        |
| <b>Cambay Offshore</b>           | CB-OS-2                                                             | Gauri, Laxmi and CB-X                         | Offshore | 0.21                    | 1.55                | 0.15                | 0.16                    | 1.2                 | 0.15                | 0.03                             | 0.23        | 0.03        |
| <b>Barmer, Rajasthan</b>         | RJ-ON-90/1                                                          | Mangala, Aishwarya, Rageshwari and Saraswathi | Onshore  | 0.13                    | 1.00                | 0.01                | 1.54                    | 11.55               | 0.07                | 0.48                             | 3.60        | 0.00        |
| <b>Cambay Onshore</b>            | Pramoda and South Pramoda (CB-ON-07), Unnawa (CB-ON-03 and CB-ON-2) | Pramoda, South Pramoda and Unnawa             | Onshore  | 0.00 <sup>(1)</sup>     | 0.06 <sup>(1)</sup> | 0.00 <sup>(1)</sup> | 0.00 <sup>(1)</sup>     | 0.04 <sup>(1)</sup> | 0.01 <sup>(2)</sup> | 0.00                             | 0.00        | 0.00        |
| <b>Total</b>                     |                                                                     |                                               |          | <b>1.79</b>             | <b>13.44</b>        | <b>2.49</b>         | <b>2.85</b>             | <b>21.42</b>        | <b>2.24</b>         | <b>0.83</b>                      | <b>6.24</b> | <b>0.53</b> |

(1) The production from such fields are negligible.

(2) Includes 0.01 BCM of natural gas production in Fiscal 2011 from RJ-ON-6 field in the Barmer, Rajasthan, operated through a joint venture.

## Panna and Mukta and Mid and South Tapti, Mumbai Offshore

The Panna field located 50 km east of the Mumbai High field and 95 km north-west of Mumbai, covers an area of approximately 430 sq. km. The Mukta field located 110 km north-west of Mumbai and 25 km east of the Mumbai High field, covers an area of approximately 777 sq. km. The South and Mid Tapti fields located approximately 200 km north of Mumbai, cover an area of approximately 1,471 sq. km. The fields in this basin were initially discovered and put into production by us under a nomination PEL. Subsequently, the GoI elected to offer interests in these fields to private sector participants and we entered into PSCs and JOAs for both the Panna and Mukta fields, and the Mid and South Tapti fields in December 1994. The PSCs and JOAs are valid for an initial term of 25 years, subject to extension by mutual agreement.

The joint venture parties and their respective participating interests are set out below:

| Parties                                                | Participating Interest | Operator                           |
|--------------------------------------------------------|------------------------|------------------------------------|
| ONGC                                                   | 40.00%                 | Joint Operator-ONGC-BGEPIL and RIL |
| BG Exploration and Production India Limited ("BGEPIL") | 30.00%                 |                                    |
| Reliance Industries Limited ("RIL")                    | 30.00%                 |                                    |

### *Panna and Mukta*

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production in the Panna and Mukta fields was 0.70 MMT (5.25 MMbbls), 0.49 MMT (3.68 MMbbls) and 0.14 MMT (1.05 MMbbls) of crude oil, respectively, and 0.83 BCM, 0.62 BCM and 0.21 BCM of natural gas, respectively. In Fiscal 2010, our share of the average daily production of crude oil and natural gas was 14,384 barrels per day and 2.27 MCM per day, respectively, while in Fiscal 2011, our share of the average daily production of crude oil and natural gas at the Panna and Mukta fields was 10,082 barrels per day and 1.70 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 11,538 barrels per day and 2.31 MCM per day, respectively.

### *Mid and South Tapti*

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production in the Mid and South Tapti fields was 0.08 MMT (0.6 MMbbls), 0.06 MMT (0.45 MMbbls) and 0.01 MMT (0.08 MMbbls) of crude oil, respectively, and 1.27 BCM, 1.11 BCM and 0.24 BCM of natural gas, respectively. In Fiscal 2010, our share of the average daily production of crude oil and natural gas was 1,644 barrels per day and 3.48 MCM per day, respectively, while in Fiscal 2011, our share of the average daily production of crude oil and natural gas at the Mid and South Tapti fields was 1,233 barrels per day and 3.04 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 879 barrels per day and 2.64 MCM per day, respectively.

### **Ravva, Krishna-Godavari Offshore**

The Krishna-Godavari offshore basin located in the Bay of Bengal, covers an area of 25,000 sq. km. We have discovered multiple fields in the shallow water portion of the basin, including the Ravva field. In addition, we have made discoveries in the deep water portion of the basin, including the G-1, G-4 and Vashista. As of June 30, 2011, we held 10 PMLs covering an area of 1,351.10 sq. km. in this basin.

The major producing field within this basin is the Ravva field, brief description of which is set out below:

The Ravva field located off the Amlapuram coast in the shallow waters of the Krishna-Godavari offshore block, covers an area of approximately 331.26 sq.km. These fields were initially discovered and put into production by us under a nomination PEL. Subsequently, the GoI elected to offer interests in these fields to private sector participants and we entered into a PSC and JOA for the Ravva field in October 1994. The PSC and the JOA are valid for an initial term of 25 years, subject to extensions granted by the GoI for a further period of five years, or for a period of 35 years in the event of commercial production of non-associated natural gas.

The joint venture parties and their respective participating interests are set out below:

| Parties                            | Participating Interest | Operator                      |
|------------------------------------|------------------------|-------------------------------|
| ONGC                               | 40.00%                 | Caim Energy India Pty Limited |
| Caim Energy India Pty Limited      | 22.50%                 |                               |
| Petrocon India Limited             | 25.00%                 |                               |
| Ravva Oil (Singapore Pte.Limited). | 12.50%                 |                               |

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production for Ravva field was 0.64 MMT (4.8 MMbbls), 0.54 MMT (4.05 MMbbls) and 0.15 MMT (1.13 MMbbls) of crude oil, respectively, and 0.22 BCM, 0.25 BCM and 0.05 BCM of natural gas, respectively. In Fiscal 2010, our share of the average daily production of crude oil and natural gas was 13,151 barrels per day and 0.60 MCM per day, respectively, while in Fiscal 2011, our share of the average daily production of crude oil and natural gas for this field was 11,096 barrels per day and 0.68 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 12,418 barrels per day and 0.55 MCM per day, respectively.

### **CY-OS-90/1 (PY-3), Cauvery Offshore**

The Cauvery offshore basin located in the Bay of Bengal, covers a shallow offshore area of approximately 30,000 sq.km. and a deep water offshore area of approximately 95,000 sq.km. We have made three hydrocarbon

discoveries in the shallow water portion of the basin. Our producing fields in Cauvery offshore basin are generally operated through joint venture agreements.

The major producing field within this basin is the PY-3 field, a brief description of which is set out below:

The CY-OS-90/1 (PY-3) block, located 70 km off the Pondicherry coast in the Cauvery offshore block, covers an area of approximately 81 sq. km. The hydrocarbon discovery in this field was made by us prior to the pre-NELP PEL. We have entered into a PSC and JOA for the CY-OS-90/1 (PY-3) block in December 1994. The PSC and JOA are valid for an initial term of 25 years, subject to extension by mutual agreement for a further period of five years, or for a period of 35 years in the event of commercial production of non-associated natural gas.

The joint venture parties and their respective participating interests are set out below:

| Parties                                    | Participating Interest | Operator                                  |
|--------------------------------------------|------------------------|-------------------------------------------|
| ONGC                                       | 40.00%                 | Hardy Exploration & Production India Inc. |
| Hardy Exploration & Production India Inc.  | 18.00%                 |                                           |
| Hindustan Oil Exploration Company ("HOEC") | 21.00%                 |                                           |
| Tata Petrodyne Limited                     | 21.00%                 |                                           |

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production for CY-OS-90/1 (PY-3) was 0.03 MMT (0.23 MMbbls), 0.06 MMT (0.45 MMbbls) and 0.02 MMT (0.15 MMbbls) of crude oil, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil was 630 barrels per day, 1,233 barrels per day and 1,648 barrels per day, respectively.

#### **Block CB-OS/2, Cambay Offshore**

Block CB-OS/2 is located in the Cambay offshore basin on the west coast of India in the gulf of Khambhat and covers an area of approximately 313 sq. km. It consists of three ring fenced development areas, namely Lakshmi, Gauri and CB-X. The hydrocarbon discovery in these fields was made by us under a pre-NELP PEL.

We entered into a PSC and JOA for the CB-OS/2 block in June 1998, to carry out hydrocarbon exploration and exploitation activities in the CB/OS-2 contract area. The PSC and the JOA are valid for an initial term of 25 years, subject to extensions granted by the GoI for a further period of five years, or for a period of 35 years in the event of commercial production of non-associated natural gas.

The joint venture parties and their respective participating interests are set out below:

| Parties                        | Participating Interest | Operator                       |
|--------------------------------|------------------------|--------------------------------|
| ONGC                           | 50.00%                 | Caim Energy India Pty. Limited |
| Tata Petrodyne Limited         | 10.00%                 |                                |
| Caim Energy India Pty. Limited | 6.70%                  |                                |
| Caim Energy India West B.V.    | 13.20%                 |                                |
| Caim Energy Cambay B.V.        | 10.10%                 |                                |
| Caim Energy India Gujarat B.V. | 10.00%                 |                                |

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production from CB-OS/2 was 0.21 MMT (1.58 MMbbls), 0.16 MMT (1.20 MMbbls) and 0.03 MMT (0.23 MMbbls) of crude oil and 0.15 BCM, 0.15 BCM and 0.03 BCM of natural gas, respectively. In Fiscal 2010, our share of the average daily production of crude oil and natural gas was 4,329 barrels per day and 0.41 MCM per day, respectively, while in Fiscal 2011, our share of the average daily production of crude oil and natural gas for this field was 3,288 barrels per day and 0.41 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of crude oil and natural gas was 2,527 barrels per day and 0.33 MCM per day, respectively.

#### **RJ-ON-90/1, Barmer, Rajasthan Onshore**

The RJ-ON-90/1 block located in the Rajasthan onshore basin, covers an area of approximately 3,111 sq.km. We entered into a PSC and JOA for the RJ-ON-90/1 block in May 1995, which is located in Rajasthan. The PSC and JOA are valid for an initial term of 25 years, subject to extension by mutual agreement for a further period of five years, or for a period of 35 years in the event of commercial production of natural gas.

The joint venture parties and their respective participating interests are set out below:

| Parties                           | Participating Interest | Operator                        |
|-----------------------------------|------------------------|---------------------------------|
| ONGC                              | 30.00%                 | Cairn Energy India Pty. Limited |
| Cairn Energy India Pty. Limited   | 35.00%                 |                                 |
| Cairn Energy Hydrocarbons Limited | 35.00%                 |                                 |

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of production for RJ-ON-90/1 was 0.13 MMT (0.98 MMbbls), 1.54 MMT (11.55 MMbbls) and 0.48 MMT (3.60 MMbbls) of crude oil, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil was 2,685 barrels per day, 31,644 barrels per day and 39,560 barrels per day, respectively. The associated and non-associated gas produced from this field is used for power generation, internal heating and for pipeline heating purpose.

In accordance with the terms of the applicable PSC, we acquired a 30.00% participating interest in the RJ-ON-90/1 Pre-NELP block and as the licensee, we currently pay the royalty on the entire crude oil and natural gas produced from this block notwithstanding our 30.00% participating interest. We are also currently a party to arbitration proceedings with Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited (together the "Cairn Companies") relating to the payment of OID cess on the commercial production of crude oil from the RJ-ON-90/1 block in Rajasthan. For further information on the aforementioned arbitration proceedings, please see "Outstanding Litigation and Material Developments" on page 460. Please also see "Risk Factors - *We are required to bear the entire royalty and/or OID cess burden in relation to certain blocks in which we are a licensee or hold a participating interest*" on page 36.

Cairn Energy PLC has announced the proposed sale of a substantial part of its shareholding in Cairn India Limited to Vedanta Resources PLC. According to a letter received from Cairn Energy PLC dated August 16, 2011 (the "Cairn PLC Letter") and pages 2 and 3 of the enclosed letter dated July 26, 2011 from the MoPNG, the GoI has granted its consent for the proposed transaction, subject to the following conditions and undertakings:

- Parent financial and performance guarantees furnished by Cairn Energy PLC in pursuance to relevant applicable article(s) of seven NELP PSCs and three pre-NELP PSCs, shall be substituted by parent financial and performance guarantees to be furnished by Vedanta Resources PLC which needs to be acceptable to the GoI and should be in the form and substance set out in the PSC;
- Vedanta Resources PLC to guarantee that the technical capability of Cairn India Limited is and shall be kept undisturbed and ensure continued production of oil and gas as per approved Field Development Plan from time to time. In case Vedanta Resources PLC fail to perform as guaranteed then GoI shall be entitled to stipulate additional conditions, as deemed fit, including change in operatorship of blocks;
- Vedanta Resources PLC also shall give an undertaking that they shall ensure adherence to the approved field development plans and work programs;
- Cairn India Limited and its affiliates shall provide the No Objection Certificate obtained from their consortium partner(s) for each of the blocks (except for Ravva (PKMG -1) and CB-OS/2 blocks) for the proposed transaction under the respective PSCs;
- Necessary approvals from other regulatory bodies such as SEBI, on the proposed transaction to be obtained and submitted by Vedanta Resources PLC;
- Necessary security clearance from Ministry of Home Affairs in favour of the assignee, i.e., Vedanta Resources PLC to acquire the shareholding shall be obtained and submitted by the said assignee;
- In respect to RJ-ON-90/1 block, the parties, i.e., Cairn India Limited, Cairn Energy India Pty Limited, Cairn Energy Hydrocarbon Limited and any other affiliate company of Cairn India Limited; and Vedanta Resources PLC and any other affiliate company of Vedanta Resources PLC, shall agree and give an undertaking that the royalty paid by ONGC is cost recoverable by ONGC as contract costs, as per the provisions of the PSC; and
- In respect to RJ-ON-90/1 block, Cairn Energy India Pty Limited and Cairn Energy Hydrocarbon Limited shall withdraw the arbitration case relating to the dispute raised by them on payment of cess under the PSC.

Cairn Energy PLC has informed us (in the Cairn PLC Letter) that Cairn India Limited is in the process of obtaining the approval of its shareholders through a postal ballot for the conditions stipulated in (g) and (h) above. Cairn Energy PLC has also informed us in the Cairn PLC Letter that it has advised Cairn India Limited and GoI of its intention to vote its 52% stake in Cairn India Limited in favour of these conditions and, provided that there are no other impediments to the transaction completing in a timely manner, it will recommend their



adoption by the board of Cairn India Limited. The Cairn PLC Letter further states that Cairn India Limited will announce the results of the postal ballot on September 14, 2011 and it is expected that Cairn India Limited will inform our Company immediately about the results of the ballot to request our “no objection certificate” for the proposed transaction under the respective PSCs. Cairn Energy PLC has requested us to deliver the “no objection certificate” within one week following the shareholder vote (i.e., September 21, 2011). After the receipt of the request for our “no objection certificate” from Cairn India Limited, our Board of Directors intends to consider such request, including considering all options that may be available to our Company after discussion and consultation with any advisors that we may appoint.

If the pre-conditions set out by the GoI, including those relating to payment of royalty and cess stipulated in (g) and (h) above, are accepted, it would result in the following:

- (1) Our Company would be able to recover the total amount of royalty paid as contract cost in the RJ-ON-90/1 block.

The PSC provides that contract costs are recovered first from the revenues relating to the RJ-ON-90/1 block. After recovery of the contract costs, the remaining revenues, i.e., ‘Profit Petroleum’, is shared between the GoI and Contractor (the term “Contractor” is defined in the PSC to mean the Cairn Companies and our Company) based on an investment multiple achieved by the Cairn Companies at the end of the preceding year in the manner specified in the PSC:

| Investment multiple at the end of the preceding fiscal year | GoI Share <sup>(1)</sup> | Contractor Share <sup>(1) (2)</sup> |
|-------------------------------------------------------------|--------------------------|-------------------------------------|
| Less than 1.5                                               | 20%                      | 80%                                 |
| Equal to or more than 1.5 but less than 2.0                 | 30%                      | 70%                                 |
| Equal to or more than 2.0 but less than 2.5                 | 40%                      | 60%                                 |
| Equal to or more than 2.5                                   | 50%                      | 50%                                 |

1) Percentage of Profit Petroleum.

2) Contractor refers to the Cairn Companies and our Company.

The Contractor's share of Profit Petroleum as above is shared among the Cairn Companies and our Company in the ratio of their respective participating interests. For information on a model PSC and related agreements please see “Our Business - Exploration and Development - Domestic Exploration and Development” on page 181.

In accepting that the royalty paid by us is cost recoverable as contract costs, we will be able to recover total royalty paid in relation to the RJ-ON-90/1 block. Because royalty paid by our Company would first be recovered as contract costs, there would also be a reduction in the amount of Profit Petroleum to be shared among the parties to the PSC i.e. GoI, Cairn Companies and our Company. Furthermore, there would be an impact on the investment multiple calculations because the net cash flows will decrease as a result of royalties paid being treated as contract costs, which in turn may impact the sharing between the GoI and Contractor.

The following table summarizes the total crude oil production, average production per day and total revenue of the entire RJ-ON-90/1 block, as well as royalty paid by our Company in Fiscal 2010 (i.e. from August 29, 2009 (the date of commencement of production) to March 31, 2010), Fiscal 2011 and the three months ended June 30, 2011 in relation to the RJ-ON-90/1 block:

|                                              | Total Crude Oil Production <sup>(1)</sup> | Average Production per day <sup>(1) (2)</sup> | Total Revenue <sup>(1)</sup> | Royalty Paid by our Company <sup>(1)</sup> |                             | Royalty Per Barrel of Production <sup>(4)</sup> |                      |
|----------------------------------------------|-------------------------------------------|-----------------------------------------------|------------------------------|--------------------------------------------|-----------------------------|-------------------------------------------------|----------------------|
|                                              | MMbbls                                    | Bbls                                          | US\$ Million                 | ₹ Million                                  | US\$ Million <sup>(3)</sup> | ₹                                               | US\$                 |
| Fiscal 2010 <sup>(5)</sup>                   | 3.18                                      | 14,803                                        | 205.69                       | 1,206.67                                   | 26.30                       | 379.46                                          | 8.27                 |
| Fiscal 2011                                  | 36.76                                     | 100,699                                       | 2,789.33                     | 18,425.80                                  | 406.84                      | 501.25                                          | 11.07                |
| Three months ended June 30, 2011 (Unaudited) | 11.37                                     | 124,926                                       | 1,188.58                     | 7,784.88 <sup>(6)</sup>                    | 174.10 <sup>(6)</sup>       | 684.69 <sup>(6)</sup>                           | 15.31 <sup>(6)</sup> |

1) For the entire RJ-ON-90/1 block.

2) Average Production per day (Bbls) = Total Crude Oil Production/ number of days.

3) Exchange rate calculated as the then prevailing weighted average realisation rate.

4) Royalty Per Barrel of Production = Royalty Paid by our Company/ Total Crude Oil Production.

5) From August 29, 2009 (date of commencement of production) to March 31, 2010.

6) In calculating the royalty for three months ended June 30, 2011, we have provisionally adopted the post well-head cost per barrel during Fiscal 2010 because the post well-head costs for Fiscal 2011 have not yet been finalized.

The royalty in relation to the RJ-ON-90/1 block is payable at an effective rate of approximately 16.66% on the well-head price. The well-head price is determined by deducting from the sale price, post well-head levies (if included in the sale price) and specific deductions for post well-head costs. The per unit post well-head cost is determined based on the actual post well-head expenditure reported in the previous year's audited accounts. In the case of RJ-ON-90/1 we have provisionally adopted the post well-head cost per barrel during Fiscal 2010 in calculating the royalty for three months ended June 30, 2011 because the post well-head costs for Fiscal 2011 have not yet been finalized. For further information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations - *Statutory Levies – Pre-NELP*" on page 436.

- (2) Withdrawal of the ongoing proceedings initiated by the Cairn Companies against the GoI and our Company relating to the payment of OID cess on the commercial production of crude oil from the RJ-ON-90/1 block in Rajasthan. For further information, please see "Outstanding Litigation and Material Developments" on page 460.

## International Producing Areas



As of the date of this Red Herring Prospectus, we held participating interests in 31 projects across 14 countries, including in Russia, Sudan, South Sudan, Vietnam, Brazil, Syria, Venezuela, Cuba, Myanmar and Colombia, comprising nine producing projects, 18 exploration blocks and four development blocks. In addition, we have constructed a pipeline in Sudan covering a distance of 741 km, for a Sudanese Government entity.

### ***Sudan and South Sudan - Greater Nile Oil Project***

Blocks 1, 2 and 4, located in the Muglad Basin in Sudan and South Sudan, cover an area of approximately 49,500 sq.km. (the "Greater Nile Oil Project") and are currently in production, with certain exploration activities ongoing. We currently hold a 25.00% participating interest in the Greater Nile Oil Project, together with Petronas Carigali Nile Limited ("Petronas"), which holds a 30.00% participating interest, CNPC International (Nile) Limited ("CNPC"), which holds a 40.00% participating interest and Sudan National Petroleum Corporation ("Sudapet"), which holds the remaining 5.00% participating interest (together the "Consortium"). The Greater Nile Oil Project is operated by the Greater Nile Petroleum Operating Company ("GNPOC"), which is owned by the Consortium members in proportion to their respective participating interests in the project.

Following the recent widespread violence and conflicts, the erstwhile Sudan has been formally separated and divided into two independent countries, namely, Sudan and South Sudan on July 9, 2011. Following the separation, the portions of blocks in the Greater Nile Oil Project fall within the newly formed territories of South Sudan. While operations are continuing uninterrupted, we are involved in discussions with the Government of

Sudan and South Sudan to negotiate the legal framework of the current PSC to reflect the recent geopolitical changes to territorial sovereignty. We intend to enter into new PSCs with the Government of Sudan and South Sudan that govern our rights and obligations in respect of this project. In the meanwhile, we have established a non-formal arrangement with the governments of Sudan and South Sudan whereby requiring us to apportion royalty payments in the following manner: approximately 58.00% and 42.00% of the royalty payable in respect of these blocks will be payable to the Government of Sudan and South Sudan, respectively.

The initial term of the PSC is 25 years commencing from November 29, 1996, with an option for an additional five year period with the permission of the Government of Sudan. Under the terms of the contractual arrangements governing our interest in the blocks, we make statutory and contractual payments to the Government of Sudan, including royalties and taxes.

Under the PSC, 45.00% of all crude oil and gas produced is allocated to cost recovery and the remainder is allocated to profit sharing. The 55.00% of production allocated for profit sharing is shared in accordance with the table set out below:

|                           | Oil, ≤25,000 barrels <sup>(1)</sup> | Oil, 25,000 - 50,000 barrels <sup>(1)</sup> | Oil, ≥50,000 barrels <sup>(1)</sup> | Gas, ≤250 million of cubic feet per day | Gas, 250 - 500 million of cubic feet per day | Gas, ≥500 million of cubic feet per day |
|---------------------------|-------------------------------------|---------------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------------|-----------------------------------------|
| Government                | 60.00%                              | 70.00%                                      | 80.00%                              | 60.00%                                  | 70.00%                                       | 80.00%                                  |
| Consortium <sup>(2)</sup> | 40.00%                              | 30.00%                                      | 20.00%                              | 40.00%                                  | 30.00%                                       | 20.00%                                  |

(1) Figures refer to average daily production.

(2) Profits are divided amongst the consortium in proportion to their participating interests.

The Minister for Energy and Mining, Government of Sudan may terminate the PSC on the occurrence of generally accepted instances such as failure to meet work obligations, failure to make payments when they become due, the occurrence of any insolvency event or if we knowingly make false statements or representations that have material adverse consequences to the Government of Sudan.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 2.13 MMT (15.52 MMbbls), 1.80 MMT (13.15 MMbbls) and 0.42 MMT (3.03 MMbbls) of crude oil, respectively, which represented 32.70%, 26.58% and 24.28% of our total international production of crude oil for those respective periods. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 42,520 barrels per day, 36,027 barrels per day and 33,297 barrels per day, respectively. In Fiscal 2011, our total capital expenditure with respect to this project was ₹4,090.60 million and we further expect to incur an estimated amount of approximately ₹4,794.00 million during Fiscal 2012. We continue to make investment in the blocks to arrest the decline in the producing fields, and toward exploration activity. We have made additional discoveries in the block that could come into production

### **South Sudan –Block-5A**

Block-5A, located in South Sudan, covers an area of approximately 20,917 sq. km and is currently in production. We currently hold a 24.13% participating interest in this block, together with Petronas, which holds a 67.88% participating interest, and Sudapet, which holds the remaining 8.00% participating interest. Block-5A is operated by the White Nile Petroleum Operating Company (“WNPOC”). Petronas and Sudapet jointly own WNPOC.

Following the separation of Sudan and South Sudan, block-5A falls entirely within the newly formed territories of South Sudan. While operations are continuing uninterrupted, we are involved in discussions with the Government of and Sudan and South Sudan to amend the current PSC to reflect the recent geopolitical change such that the government of South Sudan assumes the rights and obligations under the existing PSC. In the meanwhile, we have entered into an informal arrangement with the Government of Sudan and South Sudan whereby we make all royalty and other statutory payments exclusively to the Government of South Sudan.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 0.25 MMT (1.68 MMbbls), 0.23 MMT (1.54 MMbbls) and 0.06 MMT (0.39 MMbbls) of crude oil, respectively, which represented 3.84%, 3.40% and 3.47% of our total international production of crude oil for that period. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 4,602 barrels per day, 4,219 barrels per day and 4,286 barrels

per day, respectively. In Fiscal 2011, our total capital expenditure with respect to this block was ₹455.00 million and we further expect to incur an estimated amount of approximately ₹993.90 million during Fiscal 2012.

### ***Russia – Sakhalin-I***

The Sakhalin-I project, located in Russia, consists of three fields (Odoptu, Chavvyo and Arkutun-Dagi) covering an area of approximately 1,146 sq. km. and is currently in production. We currently hold a 20.00% participating interest in the project, together with Exxon Mobil, which holds a 30.00% participating interest, Sodeco, a consortium of Japanese companies, which holds a 30.00% participating interest, Sakhalinmorneftegaz-Shelf, which holds an 11.50% participating interest and Rosneft, which holds the remaining 8.50% participating interest through its subsidiaries (together the "Consortium"). The project is operated by Exxon Mobil.

The production sharing agreement for the Sakhalin-I project was signed on June 30, 1995, and the commerciality of the blocks was declared in 2001. The initial term of this agreement is 20 years, commencing from the date of declaration of commerciality, subject to extensions to the extent that commercially exploitable hydrocarbons continue to be present in the project. The consortium has submitted production plans and reserves reports to the relevant authorities, showing the existence of sufficient reserves to continue production until 2054.

Under the production sharing agreement, a royalty of 8.00% of gross revenues is payable to the Government of Russia. The future gross revenues of the project less the royalty form the revenues available for sharing among the consortium and the Government of Russia. The consortium's operating expenses, capital costs, and abandonment costs are fully recoverable from the consortium's revenues available for sharing, subject to certain limits.

The revenues from the project in excess of recovered costs are divided between the consortium and the Government of Russia at various levels depending on the project's rate of return. A 35.00% profit tax is levied on the taxable income of each consortium party, which is the party's profit share less certain expenses not eligible for cost recovery.

The production sharing agreement may be terminated, subject to a 90 day rectification period, under the following circumstances: (i) assignment to a third party in breach of the provisions of the production sharing agreement; (ii) intentionally presenting false information to the state in relation to hydrocarbon operations; (iii) repeated and significant breach of the production sharing agreement; and (iv) stoppage of hydrocarbon operations for a period of over 360 consecutive days (except as a result of force majeure).

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 1.53 MMT (11.60 MMbbls), 1.47 MMT (11.16 MMbbls) and 0.41 MMT (3.07 MMbbls) of crude oil, respectively, which represented 23.49%, 21.71% and 23.70% of our total international production of crude oil for that period. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 31,780 barrels per day, 30,575 barrels per day and 33,736 barrels per day, respectively.

### ***Russia – Imperial Energy***

In 2009, we acquired Imperial Energy, a company with crude oil and natural gas assets in Russia. As a result of this acquisition, we currently hold a total of 14 licenses covering an area of approximately 13,702 sq. km., of which five are production licenses, three are combined exploration and production licenses and six are exploration licenses. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 0.54 MMT (4.12 MMbbls), 0.77 MMT (5.90 MMbbls) and 0.21 MMT (1.62 MMbbls) of crude oil, respectively, which represented 8.29%, 11.37% and 12.14% of our total international production of crude oil for those periods, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 11,288 barrels per day, 16,164 barrels per day and 17,802 barrels per day, respectively.

We must obtain licenses from Russian governmental authorities to explore and produce crude oil and natural gas from the fields. Exploration licenses give licensees the exclusive right to explore resources from the fields/blocks in a defined licensing area and are valid for about five years from issuance and registration. Production licenses give the licensees the exclusive right to extract resources from subsoil fields in a defined area and are valid for approximately 20 years from issuance. Combined licenses permit both exploration and production and are valid for about 25 years from issuance. The Russian Subsidiaries' production and combined

licenses expire between 2027 and 2030. The license to Mayskoe field, which is the largest producing field of LLC Alianceneftegaz, expires in 2027. The license to Snezhnoye field, which is LLC Nord Imperial largest producing field, expires in 2029. All exploration licenses issued to LLC Alianceneftegaz expire on December 31, 2012.

Licenses require the Russian Subsidiaries to make various commitments. Production and combined licenses require, *inter alia*: extracting annually an agreed target amount of reserves; conducting agreed minimum drilling and other exploratory and development activities; protecting the ecology in the fields from damage and meeting certain environmental requirements; providing geological information and data to the relevant authorities; submitting on a regular basis formal progress reports and geological data to regional authorities; performing certain obligations according to certain "social responsibility" undertakings and paying the mineral resources extraction tax and other local and federal charges when due.

The economic lives of the Russian Subsidiaries' licensed fields can extend significantly beyond the license expiration dates. Under Russian law, the holder of the license is entitled to renew the licenses to the end of the economic lives of the fields, provided that certain conditions are met. Article 10 of the Subsoil Law provides for that a license to use a field "shall be" extended at its scheduled termination at the initiative of the subsoil user if necessary to finish production of the field, provided that there are no violations of the conditions of the license (licensing agreement). In 2007 and subsequently in 2009, LLC Alianceneftegaz extended the terms of six of its exploration licenses till the end of 2012.

For a discussion of risks relating to the Russian Subsidiaries' licenses, please see "Risk Factors" on page 20, the exploration and production licenses may be suspended, amended or terminated prior to the end of their terms, and the Russian Subsidiaries may be unable to obtain or maintain various permits and authorizations. For further information on material Russian regulations, please see "Regulations of the Russian Oil and Gas Industry" on page 208.

#### **Vietnam – Block 06.1**

Block 06.1, located in Vietnam, covers an area of approximately 955 sq. km and is currently in production. We currently hold a 45.00% participating interest in the block, together with BP, which holds a 35.00% participating interest, and PetroVietnam, which holds a 20.00% participating interest. Block 06.1 is currently operated by BP, but BP has announced its intention to sell its interest in the block and transfer the operatorship to its affiliate TNK BP.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the block was 0.04 MMT (0.35 MMbbls), 0.04 MMT (0.32 MMbbls) and 0.01 MMT (0.08 MMbbls) of condensate, respectively, and 1.97 BCM, 2.25 BCM and 0.54 BCM of natural gas, respectively, which represented 0.61%, 0.59% and 0.58% of our total international production of condensate, respectively, and 83.46%, 83.58% and 84.38% of our total international production of natural gas, respectively, for those periods. In Fiscal 2010, our share of the average daily production of condensate and natural gas from the block was 959 barrels per day and 5.40 MCM per day, respectively, while in Fiscal 2011 our share of the average daily production of condensate and natural gas was 877 barrels per day and 6.16 MCM per day, respectively. For the three months ended June 30, 2011, the average daily production of condensate and natural gas was 879 barrels per day and 5.93 MCM per day, respectively.

The term of the PSC is 35 years from 1988, subject to further extension. Under the terms of the PSC, we and BP are entitled to up to 50.00% of the gross production of crude oil and natural gas as cost recovery.

Revenues with respect to natural gas and crude oil production in excess of recovered costs in a given period are divided between BP and OVL, as the non-governmental participants, and PetroVietnam as follows:

| <b>Profit sharing of natural gas</b>                                                | <b>PetroVietnam</b> | <b>BP/OVL</b> |
|-------------------------------------------------------------------------------------|---------------------|---------------|
| For gross production up to and including 1.3 BCM/year                               | 50.00%              | 50.00%        |
| For additional gross production above 1.3 BCM/year up to and including 2.0 BCM/year | 55.00%              | 45.00%        |
| For additional gross production above 2.0 BCM/year up to and including 2.5 BCM/year | 60.00%              | 40.00%        |
| For additional gross production above 2.5 BCM/year up to and including 3.0 BCM/year | 65.00%              | 35.00%        |
| For additional gross production above 3.0 BCM/year                                  | 70.00%              | 30.00%        |

| <b>Profit sharing of oil (gross production of crude oil in barrels of oil per day (BOPD))</b> | <b>PetroVietnam</b> | <b>BP/OVL</b> |
|-----------------------------------------------------------------------------------------------|---------------------|---------------|
| ≤ 10,000                                                                                      | 50.00%              | 50.00%        |

|                  |        |        |
|------------------|--------|--------|
| 10,000 - 50,000  | 60.00% | 40.00% |
| 50,000 - 70,000  | 65.00% | 35.00% |
| 70,000 - 100,000 | 70.00% | 30.00% |
| Over 100,000     | 80.00% | 20.00% |

#### ***Venezuela – San Cristobal project***

The San Cristobal project, located in Venezuela, consists of one block covering an area of approximately 160 sq. km. and is currently in production. We currently hold a 40.00% participating interest in the San Cristobal project, together with Corporacion Venezolana Del Petroleo, S.A. ("CVP"), which holds a 60.00% participating interest. The project is operated by Petrolera IndoVenezolana S.A., a joint venture company owned by us and CVP in proportion to our respective participating interests in the project.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the block was 0.70 MMT (4.62 MMbbls), 0.76 MMT (4.97 MMbbls) and 0.23 MMT (1.48 MMbbls) of crude oil, respectively, which represented 10.75%, 11.22% and 13.29% of our total international production of crude oil, respectively, for those periods. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the block was 12,658 barrels per day, 13,616 barrels per day and 16,264 barrels per day, respectively.

#### ***Colombia – Mansarovar Energy project***

The Mansarovar Energy project, located in Columbia, consists of two blocks covering an area of approximately 197 sq. km. and is currently in production. We currently hold a participating interest of 50.00% in the project, together with a subsidiary of Sinopec, which holds a 50.00% participating interest. The project is operated by Mansarovar Energy Colombia Ltd ("MECL"), a joint venture company in which the consortium members hold equal interests. MECL holds a 100% participating interest in the Velasquez block and a 50.00% participating interest in the Nare block together with the Colombian national oil company, Ecopetrol S.A., which holds the remaining 50.00% participating interest in the Nare block.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 0.41 MMT (2.68 MMbbls), 0.47 MMT (3.07 MMbbls) and 0.13 MMT (0.85 MMbbls) of crude oil, respectively, which represented 6.30%, 6.94% and 7.51% of our total international production of crude oil, respectively, for those periods. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 7,342 barrels per day, 8,411 barrels per day and 9,341 barrels per day, respectively.

#### ***Brazil – Block BC-10***

Block BC-10, located in Brazil, consists of one block covering an area of approximately 600 sq. km. and is currently in production. We currently hold a 15.00% interest in the Block BC-10 project through a PSC, together with Shell, which holds a 50.00% interest, and Petrobras, which holds a 35.00% participating interest. The block is operated by Shell.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 0.19 MMT (1.29 MMbbls), 0.57 MMT (3.85 MMbbls) and 0.12 MMT (0.83 MMbbls) of crude oil, respectively, which represented 2.92%, 8.42% and 6.94% of our total international production of crude oil, respectively, for those periods. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 3,534 barrels per day, 10,548 barrels per day and 9,121 barrels per day, respectively.

#### ***Syria – Al Furat Petroleum Company (AFPC project)***

The AFPC project, located in Syria, covers an area of approximately 1,935 sq. km. and is currently in production. We currently hold a 12.92% participating interest in the Ash Sham concession, a 14.53% participating interest in the Deir Ez Zor concession and a 13.95% participating interest in the gas utilization agreement for this project. The other parties in the project are Syria Shell Petroleum Development B.V., Fulin Investments SARL and Mittal Investments. The project is operated by Syria Shell Petroleum Development B.V. Under the terms of the contractual arrangements governing our interest in the asset, we make customary payments to the Government of Syria.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our share of total production from the project was 0.72 MMT (5.24 MMbbls), 0.66 MMT (4.83 MMbbls) and 0.15 MMT (1.10 MMbbls) of crude oil, respectively, which represented 11.06%, 9.75% and 8.67% of our total international production of crude oil respectively, for those periods. In Fiscal 2010, our share of the average daily production of crude oil from the project was 14,356 barrels per day, while in Fiscal 2011, our share of the average daily production of crude oil from the project was 13,233 barrels per day. For the three months ended June 30, 2011, our share of the average daily production of crude oil from the project was 12,088 barrels per day. In Fiscal 2011, our total capital expenditure with respect to this project was ₹7,377.00 million and we further expect to incur an estimated amount of approximately ₹619.40 million during Fiscal 2012. We continue to make investments in these blocks to arrest the decline of crude oil and natural gas production from these fields, but we do not intend to conduct further exploration activity.

## **Exploration and Development**

### ***Domestic Exploration and Development***

India has a total of 26 sedimentary basins. (Source: HEPA Report 2009-2010, pg. 13) The basins in India are categorized on the basis of their prospectivity into category-I, where commercial production has commenced, category-II, where hydrocarbons have accumulated but no commercial production has commenced, category-III, where geologically prospective hydrocarbon shows are indicated, and category-IV, which has uncertain potential that may be prospective by analogy. We conduct exploration activity in six of India's category-I basins: Cambay, Assam and Assam-Arakan, Mumbai offshore, Krishna-Godavari, Cauvery and Jaisalmer basins.

In addition, we are also undertaking domestic exploratory activities in category-II basins including the Mahanadi, Kutch, Andaman and Nicobar basins. We have discovered hydrocarbons in the Mahanadi basin and we intend to commence hydrocarbon production in the near future. Further, we have carried out domestic exploration in category-III basins including the Vindhyan, Himalayan Foreland and Ganga basins, and category-IV basins including the Pranhita-Godavari basin.

Historically, the GoI awarded PELs only to its two state owned upstream oil and gas companies i.e. our Company and Oil India Limited. Such PELs were awarded on a nomination basis. Subsequently, the GoI conducted eight bidding rounds pursuant to which certain exploration blocks were offered to private and public sector companies, which are referred to as the pre-NELP blocks. In 1999, the GoI introduced the New Exploration Licensing Policy ("NELP") pursuant to which, a total of eight bidding rounds have been completed and the NELP blocks have been awarded. In March 2011, the GoI conducted the NELP-IX bidding pursuant to which 34 exploration blocks were offered to public and private sector companies. Our Company submitted bids for 28 blocks. As of the date of this Red Herring Prospectus, the results of the NELP-IX bidding rounds are still awaited.

As of June 30, 2011, we held exploration licenses for 36 nomination blocks (24 onshore and 12 offshore) and 79 NELP blocks (33 onshore and 46 offshore). Of the 58 offshore blocks for which we hold exploration licenses, 36 blocks are located in deep water/ultra-deep water and 22 blocks are located in shallow water areas. In addition, as of June 30, 2011, we held 12 pre-NELP blocks (eight onshore and four offshore), of which we held participating interests in ten pre-NELP blocks and are the operator in two blocks. The onshore exploration acreages are distributed among the states of Andhra Pradesh, Assam, Gujarat, Himachal Pradesh, Madhya Pradesh, Nagaland, Rajasthan, Tamil Nadu Tripura and West Bengal. In Fiscal 2010, 2011 and in the three months ended June 30, 2011, we made 21, 24 and five notified hydrocarbon discoveries, respectively.

Under the pre-NELP rounds, we were restricted from submitting bids as an operator for the blocks offered to oil and gas companies. As per the pre-NELP policy, our Company could participate in such bidding rounds only for a participating interest of 10.00% or more subject to the terms and conditions of the rounds. Pursuant to the NELP policies, any oil and gas company in India engaged in exploration and production activities would be able participate in such bidding rounds conducted by the GoI.

Other than with respect to our nomination blocks, our exploration and development activities are governed by the terms of the PSCs that we enter into with the other joint venture parties. For blocks we acquired under NELP, the PSCs are typically in the form prescribed by regulations (the "Model PSC"). The Model PSC is an agreement between the party or parties holding an interest in the block and the GoI, under which the party or parties holding an interest in the block bear exploration risks and development and production costs in return for a stipulated share of the production resulting from this effort. The costs are recovered from commercial

production. The Model PSC defines the participating interests of the consortium members and designates an operator for the block. Where multiple parties hold an interest in the block, such parties are required to enter into a JOA. The contract period under the PSC includes an exploratory phase, including two sub-phases, during which time the block is operated under a PEL, and a development and production phase, during which time the block is operated under a PML.

Among other things, the Model PSC requires the approval of the management committee for the block or the GoI for (i) a programme appraising any discovery, delineating petroleum reservoirs in terms of thickness and lateral extent and determining quantity of recoverable petroleum therein; (ii) a plan with respect to development of each commercial discovery; (iii) an annual work programme for the contract period; (iv) a minimum work program with respect to each exploration phase; and (v) any abandonment or site restoration plans. The parties to the PSC are free to market oil and gas in the domestic market and have the option to amortise exploration and drilling expenditures over a period of 10 years from first commercial production. Further, companies are required to prepare appraisal programmes of commercial discoveries made under NELP Blocks, as well as development plans of such discoveries, in consultation with DGH within a specified period. The Model PSC features cost recovery to the parties holding an interest in the block and share of profit petroleum to the GoI. Pursuant to the Model PSC, the parties holding an interest in the block are entitled to recover contract costs out of a percentage of the total value of petroleum produced from the relevant block each year. The contract costs include (a) exploration costs, (b) development costs, (c) production costs and (d) royalty payments to the GoI or the relevant State Government out of the cost petroleum, pursuant to which the portion of the total value of petroleum produced and saved from the contract area which the contractor is entitled to take in a particular period, for the recovery of contract costs. Additionally, if during any year the cost petroleum is not sufficient to enable the parties to recover in full the contract costs due for recovery in that year, the unrecovered cost is allowed to be carried forward to subsequent year(s). The maximum amount of cost petroleum to which the parties are entitled is 100% of the total value of the petroleum produced from the contract area. The other benefits under NELP include an income tax exemption for seven years from the start of commercial production; exemptions from, among other things, payment of signature, discovery or production bonus, and customs duty on imports required for petroleum operations; minimum expenditure commitments during the exploration period; and private companies are permitted to be awarded blocks without the national oil companies being partners in the block.

In case of jointly owned blocks under a PSC, the parties to the PSC (excluding the GoI) are required to execute and provide the GoI with a copy of a JOA consistent with the PSC, which typically provides for, among other things: (a) appointment, resignation, removal and responsibilities of the operator; (b) establishment of an operating committee chaired by a representative of the operator; (c) functions of the operating committee taking into account provisions of the PSC; and (d) contribution to costs, disposal of petroleum and assignment between parties to the JOA. No change in Operatorship under the PSC can be effected without the GoI's consent. Further, in certain JOA's which we have entered into (including in relation to jointly operated blocks such as Panna, Mukta and Tapti, Company operated blocks such as KG-DWN-98/2 and MN-OSN-2000/2, and blocks operated by our JV partners such as CB-ON/7, Ravva, RJ-ON-90/1, CB-OS/2 and CB-ON/2), if a contracting party proposes to assign its participating interest to any person other than its affiliate, the JOA's confer a pre-emptive right on the non-assigning parties to acquire the participating interest of the assigning party on terms and conditions as specified in the JOA.

### ***Onshore basins***

#### **Cambay basin**

As of June 30, 2011, we were undertaking exploration activities in a total of six nomination PELs, covering an area of approximately 1,636.27 sq. km. in the Cambay basin. In addition, we were operating in ten NELP blocks covering 3,453.00 sq. km., including one in Cambay Gulf and four pre-NELP blocks, including one in Cambay Gulf. For a description of the basins, please see "Our Business- Owned and Operated Onshore Producing Fields" on page 165.

#### **Jaisalmer basin**

We are currently pursuing exploration and development activities in the Jaisalmer basin. However, to date our exploratory efforts have not been successful in terms of any hydrocarbon discovery. As of June 30, 2011, we held non-operating interests in two pre-NELP blocks, covering an area of approximately 4,905.70 sq. km. For a



description of the basins, please see " Our Business- *Owned and Operated Onshore Producing Fields* " on page 165.

#### **Assam and Assam-Arakan basin**

As of June 30, 2011, we held 11 nomination PEL blocks, covering an area of approximately 6,054.08 sq. km. We are currently engaged in exploratory activities in Assam, Tripura, Mizoram and Manipur. In addition, interests in seven blocks have been awarded under various NELP blocks, of which, we operate six blocks and Oil India Limited operates in the remaining block. Our exploratory activities are currently suspended in Nagaland until a memorandum of understanding is signed with the Nagaland Government. For description of the basins, please see " Our Business- *Owned and Operated Onshore Producing Fields* " on page 165.

#### **Krishna-Godavari basin**

As of June 30, 2011, we held two nomination PEL blocks, covering an area of approximately 3,632.20 sq. km. in the Krishna-Godavari basin. For description of the basins, please see " Our Business- *Owned and Operated Onshore Producing Fields*" on page 165.

#### **Cauvery basin**

As of June 30, 2011, we held two nomination PEL blocks, covering an area of approximately 2,504.78 sq. km and operated four NELP blocks, covering an area of approximately 2,606.00 sq. km. in the Cauvery basin. As a result of our exploratory efforts, we have made many discoveries in the Cauvery basin including the Bhuvanagiri, Kuthalam-Kali, Nannilam, Kamalapuram, Narimanam, Thiruvarur, Pallivaramangalam – Vijayapuram, Kovilkalappal, Pundi, Kanjirangudi, Periyapattinam and Perungulam. For description of the basins, please see " Our Business- *Owned and Operated Onshore Producing Fields* " on page 165.

#### **Offshore basins**

##### **Mumbai Offshore basin**

As of June 30, 2011, we operated in six nomination PEL blocks, covering an area of approximately 31,727.06 sq. km. and three NELP blocks, covering an area of approximately 8,033.00 sq.km. For description of the basins, please see "Our Business- *Owned and Operated Offshore Producing Fields*" on page 163.

##### **Kutch - Saurashtra Offshore basins**

We commenced our exploration activity in the basin in 1965 and we made our first commercial discovery of hydrocarbons in 1984. As of June 30, 2011, we held two nomination PEL blocks, covering an area of approximately 17,969.00 sq. km. and three NELP blocks, covering an area of approximately 9,095.00 sq. km.

##### **Kerala-Konkan basin**

The Kerala-Konkan Offshore basin lies south of Mumbai offshore basin covering an area of approximately 94,000 sq.km. To date, our exploratory efforts have not been successful in terms of hydrocarbon discovery. As of June 30, 2011, we held four NELP blocks, covering an area of approximately 64,347.00 sq. km. for further pursuing our exploratory activities.

##### **Cauvery basin**

As of June 30, 2011, we operate six NELP blocks covering an area of approximately 69,848.00 sq. km. For description of the basins, please see "Our Business- *Producing Fields held through Joint Ventures*" on page 171.

##### **Krishna-Godavari basin**

Our exploration of the Krishna-Godavari offshore basin commenced in 1979 and the first deepwater discovery of G-1 field was made in 1980 and a second discovery of substantial accumulation of hydrocarbons at the Ravva field in Krishna-Godavari offshore basin was made in 1987. As of June 30, 2011, we held four nomination PELs covering an area of approximately 1,456.50 sq. km. and 14 NELP blocks, covering an area of approximately

82,057.00 sq. km. For description of the basins, please see "Our Business- *Producing Fields held through Joint Ventures*" on page 171.

#### ***Other basins***

We are also pursuing exploration activities in other domestic basins such as Vindhyan and Satpura.

#### **International Exploration and Development**

##### ***Cuba – Blocks 25, 26, 27, 28, 29, 35A and 36 ; Blocks 34 and 35;***

Blocks 25, 26, 27, 28, 29, 35A and 36, located in Cuba's Exclusive Economic Zone, consist of seven deep water exploration blocks covering an area of approximately 5,269 sq. km. We currently hold a 30.00% non-operating interest in the blocks, together with Repsol-YPF Cuba S.A., which holds a 40.00% participating interest, and Statoil Oil, which holds a 30.00% participating interest, and Gas AS, which holds a 30.00% participating interest. The blocks are operated by Repsol-YPF Cuba S.A.

In Fiscal 2011, our total capital expenditure with respect to these blocks was ₹174.30 million and we further expect to incur an estimated amount of approximately ₹907.10 million during Fiscal 2012.

We also hold a 100% operating interest in two additional deep water exploration blocks, 34 and 35, located in Cuba's Exclusive Economic Zone, covering an area of approximately 4,300 sq.km. In Fiscal 2011, our total capital expenditure with respect to these blocks was ₹136.40 million and we further expect to incur an estimated amount of approximately ₹458.40 million during Fiscal 2012.

##### ***Venezuela – Carabobo project***

The Carabobo project, located in the Orinoco heavy oil belt in eastern Venezuela, consists of one block covering an area of approximately 383 sq.km. We currently hold a 11.00% participating interest in the project, together with Indoil Netherlands B.V., which holds a 7.00% participating interest, Repsol YPF, which holds an 11.00% participating interest, and Petroliaam Nasional Berhad, which holds an 11.00% participating interest comprising a total of 40.00% ownership interest in Petrocarabobo S.A. ("Petrocarabobo"), a mixed company set up by the Government of the Bolivarian Republic of Venezuela to develop the Carabobo 1 North and Carabobo 1 Central blocks. The Corporación Venezolana del Petróleo (CVP), a subsidiary of Petróleos de Venezuela S.A. (PDVSA), Venezuela's state oil company, holds the remaining 60.00% participating interest in the project. Petrocarabobo, is currently engaged in the preparatory stages of constructing heavy oil production facilities and associated infrastructure. A service company has been incorporated to manage, coordinate and supervise the construction of these facilities.

##### ***Libya – Contract Area 43***

Contract Area 43, located in the Cyrenaica offshore basin in the Mediterranean sea off the coast of Libya, consists of four blocks covering an area of approximately 7,449 sq. km. We currently hold a 100% operating interest in these blocks. As a result of the recent armed conflict in Libya, our lone representative in Libya has been evacuated from Tripoli and we have currently suspended all our operations in these blocks.

In Fiscal 2011, our total capital expenditure with respect to these blocks was ₹156.00 million and we further expect to incur an estimated amount of approximately ₹391.80 million during Fiscal 2012.

##### ***Colombia – Blocks RC-8, RC-9, RC-10; Block SSJN-7; CPO-5***

Blocks RC-8, RC-9 and RC-10, located in water depths of 70 to 1,500 meters offshore of Colombia, cover an area of approximately 2,770 sq. km, 2,120 sq. km and 2,680 sq. km, respectively. We currently hold a 40.00% participating interest in Block RC-8, together with Ecopetrol, which holds a 40.00% participating interest, and Petrobras, which holds a 20.00% participating interest. We operate Block RC-8.

We currently hold a 50.00% participating interest in each of Blocks RC-9 and RC-10, together with Ecopetrol, which also holds a 50.00% participating interest in each of those blocks. Block RC-9 is operated by Ecopetrol, and we operate Block RC-10.

In addition, we currently hold a 50.00% participating interest in Block SSJN-7, covering an area of approximately 2,707 sq.km, together with Pacific Stratus Energy, Columbia, which holds the remaining 50.00% participating interest. Block SSJN-7 is operated by Pacific Stratus Energy.

We also currently hold a 70.00% participating interest in Block CPO-5 covering an area of approximately 1,992 sq.km, together with Petrodorado South America S.A., which holds the remaining 30.00% participating interest. We operate Block CPO-5.

#### ***Nigeria – Blocks 279, 285***

Oil Prospecting License ("OPL") 279, a deep water offshore exploration block in Nigeria, covers an area of approximately 1,125 sq. km. ONGC Mittal Energy Limited ("OMEL"), a joint venture between OVL and Mittal Energy in which we hold a 49.98% participating interest, currently owns a 45.50% participating interest in the block through its wholly owned subsidiary company, OMEL Exploration and Production Nigeria Limited ("OMENL"), together with EMO Exploration and Production Limited ("EMO"), a Nigerian company that holds a 40.00% participating interest, and Total E and P Nigeria Deepwater F Limited ("Total"), which holds a 14.50% participating interest. The OPL 279 block is operated by OMEL.

OPL 285, a deep water offshore exploration block in Nigeria, covers an area of approximately 1,167 sq. km. OMEL, through its wholly owned subsidiary, OMENL, holds a 64.33% participating interest in the block, together with EMO, which holds a 10.00% participating interest, and Total, which holds a 25.67% participating interest. The OPL 285 block is operated by OMENL.

#### ***Brazil – Blocks BM-S-73, BM-ES-42, BM-S-74, Blocks BM-SEAL-4, BM-BAR-1***

Blocks BM-S-73 and BM-ES-42, located in water depths of around 200 meters to 1,500 meters offshore of Brazil, cover an area of approximately 160 sq.km. and 725 sq. km., respectively. We currently hold a 43.50% participating interest in the deep water offshore block BM-S-73, together with Petrobras Brasileiro S.A., which holds a 43.50% participating interest, and Ecopetrol Oleo e Gas do Brazil Limitada, which holds the remaining 13.00% participating interest. We are the operator of Block BM-S-73. We hold a 100% participating interest in Block BM-ES-42 through our wholly owned subsidiary ONGC Campos Limitada.

ONGC Campos Limitada also currently holds a 43.50% participating interest in Block BM-S-74, a deep water block also located offshore of Brazil, covering an area of approximately 165 sq.km, together with Petrobras, which holds a 43.50% participating interest, and Ecopetrol, which holds a 13.00% participating interest. Block BM-S-74 is operated by Petrobras.

ONGC Campos Limitada also currently holds a 25.00% participating interest in Blocks BM-SEAL-4 and BM-BAR-1, covering an area of approximately 1,132 sq.km and 1,217 sq.km, respectively, together with Petrobras, which holds the remaining 75.00% participating interests in those blocks. Blocks BM-SEAL-4 and BM-BAR-1 are operated by Petrobras and are currently in the exploratory phase.

#### ***Syria – Block XXIV***

Block-XXIV, an onshore block located in the central eastern part of Syria, covers an area of approximately of 1,927 sq. km. We currently hold a 60.00% participating interest in the block, together with IPR Mediterranean Exploration Limited ("MEL"), which holds a 25.00% participating interest, and Tri-Ocean Mediterranean ("Tri-Ocean"), which holds the remaining 15.00% participating interest. Block-XXIV is operated by MEL. The exploration activities in the block have led to certain discoveries. The development rights with respect to the relevant fields have been granted by the Syrian Government. According to the contract for exploration, development and production of petroleum in respect of Block-XXIV, an operating company, Al Rashid Petroleum Company ("RPC"), has been formed to conduct and oversee development and production operations. Syria's national petroleum company holds 50.00% of the shares in RPC, 30.00% is held by us, 12.50% is held by MEL, with the remaining 7.50% being held by Tri-Ocean.

In Fiscal 2011, our total capital expenditure with respect to this block was ₹575.20 million and we further expect to incur an estimated amount of approximately ₹1,212.20 million during Fiscal 2012.

#### ***Myanmar – Blocks A-1, A-3;***

Blocks A-1 and A-3, located off the coast of Myanmar, are two adjacent blocks covering an area of approximately 2,129 sq. km and 3,441 sq. km, respectively. We currently hold a 17.00% non-operating interest in Blocks A-1 and A-3, together with GAIL (India) Limited, which holds an 8.50% participating interest, Daewoo International Corporation of Korea, which holds a 51.00% participating interest, and KOGAS of Korea, which holds an 8.50% participating interest. The remaining 15.00% participating interest in these blocks has been relinquished to the Myanmar state oil and gas company, Myanma Oil and Gas Enterprise ("MOGE"), by the other parties in accordance with the gas terms agreement and the PSCs for Blocks A-1 and A-3. Blocks A-1 and A-3 are operated by Daewoo International Corporation of Korea.

There has been a commercial discovery of gas in three fields within these blocks and the consortium is implementing a joint field development plan for these fields. Under the terms of the contractual arrangements governing our interest in the block, we will make statutory and contractual payments to the Government of Myanmar, including royalties and taxes.

In Fiscal 2011, our total capital expenditure with respect to these blocks was ₹961.80 million and we further expect to incur an estimated amount of approximately of ₹5,198.50 million during Fiscal 2012. We also hold interests in the development of the pipeline infrastructure (both offshore and onshore) related to these fields, for which our total investment in Fiscal 2011 was ₹719.50 million and we further expect to incur an estimated amount of approximately ₹4,321.70 million during Fiscal 2012.

#### ***Vietnam - Block 128***

Block 128, a deep water block offshore of Vietnam, covers an area of approximately 7,058 sq.km. We currently hold a 100% participating interest in the block and act as the operator.

#### ***Iraq – Block 8***

Block-8, a large onshore exploration block located in the western desert in Iraq, covers an area of approximately 10,500 sq.km. We hold a 100% participating interest in the Block-8 project. We entered into an exploration and development contract for Block-8 with the Government of Iraq in November 2000, which is currently under re-negotiation. In addition, we are currently exploring certain crude oil and natural gas blocks in Iraq and we may make certain investments in such blocks subject to the outcome of the ongoing due diligence process.

#### ***Iran – Farsi offshore exploration block***

Farsi, an exploration block located in the Persian Gulf offshore of Iran in water depths of 20-90 meters, covers an area of approximately 3,500 sq.km. We currently hold a 40.00% participating interest in the block, together with the Indian Oil Corporation Limited, which holds a 40.00% participating interest, and Oil India Limited, which holds a 20.00% participating interest. We operate the Farsi Block.

We completed our exploration activity with respect to the block pursuant to an exploration services contract with the National Iranian Oil Company that expired in June 2009. Our exploration activity resulted in a commercial discovery of natural gas, and we have submitted a development plan to the Iranian Offshore Oil Company ("IOOC"), a subsidiary of the National Iranian Oil Company ("NIOC"). The draft master development plan (MDP) has been submitted to IOOC, which has been designated by NIOC for development of Farzad 'B' and is under finalization. We have not entered into any binding term-sheets, memoranda of understanding or definitive agreements in respect of development activities in Farsi Block, and any such development activities will require GoI approval.

#### ***Kazakhstan - Satpayev Block***

We have recently acquired a participating interest in the Satpayev block located in the Caspian Sea, Kazakhstan, for exploration of crude oil and natural gas, subject to approval by the Kazakhstan Government.

#### **Non-Conventional Energy Production, Exploration and Development**

We are involved in non-conventional energy projects, including research and development in shale gas, the development of CBM, the setting up of a pilot project for UCG and research in gas hydrates. We commenced non-commercial CBM production from our pilot project in Jharkhand in January 2010.

In February 2009, we entered into an agreement with CC&L Engineering Private Limited ("CC&L") for the sale of CBM gas from our mines located at Jharkhand. Pursuant to the agreement, we have agreed to supply CBM gas to CC&L on a take or pay basis through a gas transportation network to be built by CC&L (subject to Petroleum and Natural Gas Regulatory Board ("PNGRB") approval) for sale in the nearby locations of West Bengal and Jharkhand.

We have also been involved closely with DGH and GAIL in developing a national program for gas hydrate exploration in India's coastal and deep waters and in conducting scientific and engineering research at our R&D institutes. The Institute of Reservoir Studies, which is one of our institutes, entered into a memorandum of understanding with Skochinsky Institute of Mining Moscow, Russia on December 13, 2004, to pursue UCG. We believe that UCG will contribute to the further diversification of our alternative energy operations. In addition, we entered into a memorandum of understanding with Gujarat Industries Power Company Limited on October 19, 2005 to cooperate the services, operations, development and research related to the UCG process as well as the production of gas, transportation, marketing and distribution operations in various areas.

In addition, we have set up a 51 MW capacity wind farm project in Gujarat in October 2008. We also intend to establish wind farm projects in Rajasthan of 102 MW capacity for supply of electricity to the state grid. We discovered shale gas in well RNSG-1 near Durgapur in West Bengal on January 25, 2011 and we have commenced a pilot shale gas project in the Damodar basin. This pilot project will help in establishing the presence of shale gas in the Damodar basin. We commenced our first shale gas well drilling in association with Schlumberger in September 2010. We discovered uranium deposits at certain of our crude oil and natural gas fields while drilling for hydrocarbons and we have entered into a memorandum of understanding with UCIL on November 11, 2008 in order to cooperate in the commercial exploration and production of uranium. We have set up a steering committee with UCIL to devise and monitor a joint work plan. We are also exploring the feasibility of establishing a nuclear power project and have had preliminary discussions with the Nuclear Power Corporation of India Limited in this regard.

### **Oil Field Services**

We provide a range of in-house oil field services to support our exploration, development and production activities. Our in-house oil field services include geophysical data acquisition and analysis, drilling, mud engineering, cementing, electro-logging, well stimulation, work-over services, well testing, a variety of general engineering services, and inspection, maintenance and repair ("IMR"), services.

### **Geophysical Services**

As of June 30, 2011, we had deployed 26 seismic data acquisition crews (24 of which we own and two of which are hired) for onshore and offshore seismic data acquisition. We process and interpret our seismic data in-house through various centers located in India.

### **Drilling Services**

We provide a comprehensive range of drilling, mud engineering, well design and well cementing support. We own and operate 68 onshore drilling rigs of different capacities, as well as nine offshore drilling rigs. In addition, we currently operate 20 leased onshore rigs, and 25 leased offshore rigs. We have experience in advanced drilling technology. Our mud engineering and well cementing support requirements are met through our in-house and external contract resources. We also maintain teams of crisis management personnel trained to respond to emergencies, such as uncontrolled flow from wells.

### **Well Services**

We provide in-house work-over, stimulation and well testing support for our production operations. We own and operate 58 onshore work-over rigs and 107 well stimulation units. Substantially all of our internal requirements for the design, installation, operation and maintenance of artifices lift systems, well completion, well testing and wireline operations are met by our in-house service teams.

### **Electro-Logging Services**

We provide electro-logging services through 27 in-house units, of which 23 are in onshore areas and four are in offshore areas. We also have 35 contractual units of which ten are deployed in onshore areas and 25 in offshore

areas. Additionally, we have nine contractual LWD units, of which two are deployed in onshore areas and seven in offshore areas.

### **Engineering Services**

Our in-house engineering services personnel provide specialized services for detailed engineering and management of all work relating to the design and construction of onshore and offshore production facilities, the laying and maintenance of onshore and offshore pipelines and the maintenance of equipment.

### **Technical Services**

Our in-house technical services personnel provide policy guidelines on equipment management, standardization, technical audits, identification, acquisition, assimilation and dissemination of new techniques and technology relating to oil field equipment and services. We operate workshops that provide support for major repairs and maintenance of various types of equipment.

### **Inspection, Maintenance and Repair; Offshore Logistics**

Our requirements for underwater inspection, maintenance and repair of our offshore platforms, jackets, risers, sub-sea pipelines and other marine equipment are met primarily through the use of in-house services. We own and utilize one multi-purpose support vessel and one diving support vessel to perform these services, as well as to provide fire fighting, pollution control, rescue support and diving assistance for offshore operations. We also own and operate 15 supply vessels that provide logistical and standby support to our offshore production operations.

To complement our in-house oil field services, we engage third party contractors to provide additional services on an as needed basis to support our exploration, development and production activities.

### **Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) Techniques**

We undertake a wide range of secondary recovery, artificial lift, IOR and EOR techniques to achieve maximum recovery from our oil reserves, primarily from our mature fields. As part of our reservoir management strategy, we implement these techniques at a relatively early stage in the life of our oil fields to maximize our recoveries. We have adopted 21 IOR/EOR and redevelopment schemes in the onshore and offshore fields. Of these 21 schemes, 15 schemes have been completed, and the remaining six are under implementation.

The following table sets forth certain information relating to the six IOR/EOR projects currently under implementation:

| IOR/EOR Schemes                     | Estimated Project Cost | Expenditure as of June 30, 2011 | Balance Planned Expenditure |
|-------------------------------------|------------------------|---------------------------------|-----------------------------|
|                                     |                        |                                 | (₹ million)                 |
| Mumbai High South Redevelopment     | 88,134.10              | 67,060.80                       | 17,003.50                   |
| Mumbai High North Redevelopment     | 71,333.90              | 20,911.60                       | 46,753.38                   |
| Heera and South Heera Redevelopment | 23,053.00              | 24,169.60                       | 0.00 <sup>(1)</sup>         |
| IOR Geleki                          | 16,741.10              | 13,047.60                       | 2,988.29                    |
| IOR Lakwa-Lakhmani                  | 6,636.90               | 5,738.30                        | 685.09                      |
| IOR Rudrasagar                      | 4,388.50               | 2,116.60                        | 2,069.07                    |
| <b>Total</b>                        | <b>210,287.50</b>      | <b>133,044.50</b>               | <b>69,499.33</b>            |

(1) The total expenditure incurred has already exceeded the estimated cost of the project.

We intend to expand our use of various enhanced oil recovery techniques to extend crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production. As of June 30, 2011, our total capital expenditure with respect to these onshore and offshore schemes was ₹133,044.50 million.

#### **Onshore**

We have implemented and completed IOR/EOR and redevelopment schemes in the onshore fields including Kalol, Gandhar, North Kadi, Sobhasan, Jotana, and Santhal fields. In addition, we have three IOR/EOR schemes at Lakwa, Geleki and Rudrasagar fields in the Assam and Assam-Arakan basin which are currently ongoing.

#### **Offshore**

We have implemented and completed IOR/EOR and redevelopment schemes in the offshore fields including the Heera Part-I and Part-II, Neelam, Mumbai High North and Mumbai High South fields in the Mumbai Offshore Basin.

Descriptions of various EOR techniques are set out below:

- *Insitu combustion (ISC)*. This technique is being employed to recover oil from the heavy oil belt of the Mehsana asset, which in normal reservoir conditions is very viscous and immobile. The *insitu* method imparts heat energy to the reservoir to raise the temperature and thereby reduce the viscosity to improve mobility. This technique is being employed at a commercial scale in Balol and Santhal fields and pilot schemes are being implemented in Bechraji and Lanwa fields.
- *Microbial enhanced oil recovery ("MEOR")*. This process involves injection of selected microorganisms (bacterial consortium) along with nutrients in the reservoir. A certain incubation period is spent in the reservoir. During this period the injected microorganisms grow, proliferate and produce useful metabolites such as bio-surfactant, gases, solvent and acids. The bacterial consortium is non-pathogenic and non-toxic. MEOR field trials are underway in the Ahmedabad asset, Mehsana asset and Ankleshwar asset in the Cambay basin.
- *Miscible gas injection*. This is an EOR technique applied in gas condensate reservoirs to maintain reservoir pressure and improve recovery factor. Miscible gas injection is being carried out in the Cambay basin.
- *Water alternate gas ("WAG")*. This EOR technique has been tried as a pilot project in the GS-11 sand of Gandhar field at Ankleshwar asset and is showing positive results. There are plans for implementing the scheme on a full scale in GS-11. The scheme has also been commenced in the central part of the GS-9/GS-4 sands.
- *Alkaline surfactant polymer ("ASP")*. This EOR technique has already been implemented in Viraj and K-IV sand of Jhalora fields. The scheme is also planned for the K-XII sand of Kalol field in the Ahmedabad asset.

## Sales and Marketing of Crude Oil and Natural Gas

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, our consolidated revenues from sales of crude oil were ₹ 527,286.09 million, ₹558,497.86 million and ₹ 143,612.45 million, respectively, and our revenues from sales of natural gas were ₹ 81,404.71 million, ₹135,824.08 million and ₹ 32,812.29 million, respectively.

The following table sets forth certain information relating to our domestic sales of crude oil for the periods indicated:

| Crude Oil                                      |               | Fiscal                |                       | Three months ended<br>June 30, 2011 |
|------------------------------------------------|---------------|-----------------------|-----------------------|-------------------------------------|
|                                                |               | 2010                  | 2011                  |                                     |
| Volume sold <sup>(2)</sup>                     | MMT (MMbbls)  | 20.64 (154.80)        | 20.38 (152.85)        | 4.95 (37.12)                        |
| Volume sold <sup>(3)</sup>                     | MMT (MMbbls)  | 1.68 (12.60)          | 2.55 (18.88)          | 0.74 (5.46)                         |
| <b>Total</b>                                   |               | <b>22.33 (167.40)</b> | <b>22.93 (171.73)</b> | <b>5.69 (42.58)</b>                 |
| Benchmark                                      | (US\$/barrel) | 71.39 <sup>(1)</sup>  | 88.66 <sup>(1)</sup>  | 119.20                              |
| Average ₹ to US\$ exchange rate <sup>(4)</sup> | ₹/US\$        | 47.42                 | 45.58                 | 44.74                               |
| Benchmark                                      | (₹/barrel)    | 3,385                 | 4,041                 | 5,333                               |
| Gross (Pre-discount) Price <sup>(5)</sup>      | (₹/barrel)    | 3,397                 | 4,075                 | 5,426                               |
| Discount <sup>(6)</sup>                        | (₹/barrel)    | 745                   | 1,625                 | 3,245                               |
| Net Realized (post-discount) Price             | (₹/barrel)    | 2,653                 | 2,451                 | 2,181                               |
| Net Realized (post-discount) Price             | (US\$/barrel) | 55.94                 | 53.77                 | 48.76                               |

- (1) Benchmark is calculated as the average price per barrel of Bonny Light crude to which sales of our domestic crude oil, from our nomination blocks (other than North East crude), as well as some of the crude from joint ventures, are benchmarked.
- (2) The volume sold represents the quantity excluding joint ventures (nominated fields)
- (3) The volume sold represents our share from the joint ventures
- (4) Source: RBI.
- (5) Gross price including royalty payable to the GoI or to the relevant state governments.

- (6) The calculation of average discount per barrel is based on the total discount (in accordance with the GOI's quarterly discount orders) and the quantity of crude oil sold from nominated blocks—the entire share of our under-recoveries is considered in computing the discount on crude oil prices. For further details, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Price Regulation in India" on page 432.

The following tables set forth certain information with respect to our international sales of crude oil for the periods indicated.

| Crude Oil                                          |          | Fiscal |       | Three months ended<br>June 30, 2011 |
|----------------------------------------------------|----------|--------|-------|-------------------------------------|
|                                                    |          | 2010   | 2011  |                                     |
| <b>International</b>                               |          |        |       |                                     |
| Volume sold                                        | MMT      | 4.97   | 5.5   | 1.47                                |
| Volume sold <sup>(1)</sup>                         | MMbbl    | 36.28  | 40.05 | 10.60                               |
| Average Benchmark Price (assumed as Brent (dated)) | US\$bbl  | 69.62  | 86.73 | 117.04                              |
| Average FE Rate                                    | ₹/US\$   | 47.44  | 45.55 | 44.71                               |
| Average Realized Price                             | US\$/bbl | 63.01  | 78.86 | 107.85                              |

<sup>(1)</sup> The average realised price is a combination of prices prevailing until May 31, 2010 and subsequent to May 31, 2010. For example, the average realised price of US\$3.44/MMBTU is a combination of the following prices: US\$1.95/MMBTU until May 31, 2010 and US\$4.20/MMBTU subsequent to May 30, 2010.

The following table sets forth certain information with respect to our domestic sales of natural gas for the periods indicated:

| Natural Gas                               |            | Fiscal |                       | Three months ended June<br>30, 2011 |
|-------------------------------------------|------------|--------|-----------------------|-------------------------------------|
|                                           |            | 2010   | 2011                  |                                     |
| <b>Nominated Fields</b>                   |            |        |                       |                                     |
| Volume sold                               | MCM        | 18,235 | 18,224                | 4,379                               |
| Average Realized Price (gross of royalty) | US\$/MCM   | 67.82  | 136.38 <sup>(1)</sup> | 148.79                              |
|                                           | ₹/MCM      | 3,216  | 6,216 <sup>(1)</sup>  | 6,657                               |
|                                           | US\$/MMBTU | 1.71   | 3.44 <sup>(1)</sup>   | 3.75                                |
| <b>Joint Ventures (Pre-NELP)</b>          |            |        |                       |                                     |
| Volume sold                               | MCM        | 2,361  | 2,025                 | 499                                 |
| Average Realized Price (gross of royalty) | US\$/MCM   | 185.62 | 186.57                | 193.09                              |
|                                           | ₹/MCM      | 8,802  | 8,504                 | 8,639                               |
|                                           | US\$/MMBTU | 4.68   | 4.7                   | 4.87                                |
| Average FE Rate                           | ₹/US\$     | 47.42  | 45.58                 | 44.74                               |

<sup>(1)</sup> The average realised price is a combination of prices prevailing until May 31, 2010 and subsequent to May 31, 2010. For example, the average realised price of US\$3.44/MMBTU is a combination of the following prices: US\$1.95/MMBTU until May 31, 2010 and US\$4.20/MMBTU subsequent to May 30, 2010.

The following tables set forth certain information with respect to our international sales of natural gas for the periods indicated:

| Natural Gas                     |            | Fiscal |          | Three months ended<br>June 30, 2011 |
|---------------------------------|------------|--------|----------|-------------------------------------|
|                                 |            | 2010   | 2011     |                                     |
| <b>International</b>            |            |        |          |                                     |
| Volume sold                     | MCM        | 1290.2 | 1,398.23 | 398.00                              |
| Weighted Average Realized Price | US\$/MMBTU | 3.06   | 3.22     | 3.54                                |
|                                 | ₹/MMBTU    | 145.18 | 146.68   | 158.27                              |
| Average FE Rate                 | ₹/US\$     | 47.44  | 45.55    | 44.71                               |

## Domestic Sales and Marketing of Crude Oil and Natural Gas

The GoI, acting through the MoPNG, allocates our current domestic crude oil production from the pre-NELP and nomination blocks to three GoI-controlled refinery companies: Indian Oil Corporation ("IOCL"), Bharat Petroleum Corporation Limited ("BPCL") and Hindustan Petroleum Corporation ("HPCL") and their respective subsidiaries as well as MRPL's refinery which also consumes a portion of our domestic crude oil. While the MoPNG continues to allocate domestic crude oil to these public sector undertaking refiners on an annual basis, the commercial terms are negotiated based on international benchmarks. The memoranda of understandings with our consumer public sector undertakings for supply of crude oil expired in 2004. However, such supplies are continuing on the basis of our mutual understanding with them. Our domestic crude oil produced from nominated fields other than crude oil produced in North Eastern States, is benchmarked to Nigerian Bonny Light crude, wherein the prices of crude oil are determined as per mutual understanding of the parties. The crude oil produced from North Eastern States (including Assam) is benchmarked to a basket of internationally traded crude oils as advised by the MoPNG.



We entered into a gas supply agreement with GAIL on July 7, 2006 for a period of 15 years and also supply natural gas to Assam Gas Company Limited in Assam and directly to various small and medium industrial consumers across India.

### **Value-Added Products**

In addition to the production of crude oil and natural gas, we also produce several value-added products, including LPG, naphtha, kerosene, ATF, pure ethane, pure propane, pure butane, ethane-propane mix, HSD, low sulphur heavy stock ("LSHS"), LDO and sulphur. Except for LSHS and LDO, these products are extracted from natural gas and condensate or LNG at our facilities at Hazira and Dahej in Gujarat and Uran in Maharashtra. LSHS and LDO are produced at our mini plants located at Tatipaka in Andhra Pradesh and Kuthalam in Tamil Nadu, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we produced 1.10 MMT, 1.05 MMT and 0.24 MMT of LPG from Hazira, Uran, Ankleshwar and Gandhar plants, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we also produced 0.16 MMT, 0.12 MMT and 0.02 MMT of kerosene respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we produced 1.59 MMT, 1.57 MMT and 0.37 MMT of naphtha from Hazira, Uran, Ankleshwar, Gandhar, Tatipaka and Kuthalam plants, respectively. We have a gas-based LPG plant at Uran and fractionating plants based on gas and condensate. We produced approximately 0.53 MMT, 0.39 MMT and 0.09 MMT of ethane-propane in Fiscal 2010, 2011 and for the three months ended June 30, 2011, respectively.

Sale of value-added products, including naphtha, ethane, propane, LPG, SKO, ATF and LSHS also form a part of our revenues. A large portion of the HSD we produce is consumed internally which reduces the costs of our operations. The products such as LPG and SKO, whose prices are controlled by the GoI, are supplied to various public sector oil marketing companies in accordance with the applicable MoPNG guidelines, while the other products are either marketed by us to direct bulk purchasers, or to public sector oil marketing companies. We are a major exporter of naphtha and have also been awarded the "Premier Trading House" status by the Directorate General of Foreign Trade, Ministry of Commerce, based on our export performance. We also supply petrochemical feedstock, including pure ethane and a mix of ethane and propane.

In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we sold 1.11 MMT, 1.06 MMT and 0.24 MMT of LPG, respectively. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we also sold 0.17 MMT, 0.12 MMT and 0.02 MMT of kerosene, respectively. In addition, in Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we sold 1.60 MMT, 1.60 MMT and 0.35 MMT of naphtha, respectively. We sold 0.53 MMT, 0.39 MMT and 0.09 MMT of ethane-propane, in Fiscal 2010, 2011 and for the three months ended June 30, 2011, respectively. We are in the process of commissioning a C2+ extraction plant at Dahej SEZ. When operational, the plant will produce pure ethane, propane and butane from LNG. Further, we intend to supply the feedstock requirement of the upcoming OPaL Petrochemical Complex at Dahej SEZ through our C2+ extraction plant at Dahej and naphtha from our Hazira and Uran plants.

### **Transportation of Crude Oil, Natural Gas and Value Added Products**

As of March 31, 2011, our domestic onshore production facilities include over 20,884 km of pipeline (including internal well flowlines) and our offshore platforms are connected to each other and to our land-based facilities by a network of over 6,946 km of pipeline. The pipelines are meant for upstream operations of crude oil and natural gas production.

*Transportation of Crude Oil.* The crude oil we produce offshore is primarily transported through pipelines to a shore terminal at Uran, from which it is then transported through land and sea pipelines to Mumbai-based refineries and to other refineries by marine vessels that are loaded from the ports of Jawahar Dweep and Jawaharlal Nehru Port Trust. Small quantities of crude oil are transported directly from offshore locations to coastal refineries by ship using dedicated SPM facilities.

The crude oil produced from onshore fields in the western and eastern regions is transported through pipelines directly to the refineries. In the eastern region, the crude oil is transported through a pipeline owned and operated by Oil India Limited. Our crude oil production from Krishna-Godavari basin is currently transported by road to the holding site at Sursani Yanam where it is loaded, along with crude oil from Ravva, into ocean tankers and shipped to IOCL's Bongaigaon Refinery and HPCL's Vizag Refinery. Our crude oil production from Cauvery basin is transported by pipeline to the nearby Chennai Petroleum Corporation Limited (CBR) mini-refinery.

*Transportation of Natural Gas.* We deliver natural gas to our customers at our inland installation fence. Further mid-stream transportation of natural gas is carried out by GAIL and other customers, which is regulated by PGNRB. We have a large network of offshore pipelines as part of our upstream network through which natural

gas is transported to terminals of Uran and Hazira plants for processing, and thereafter it is delivered for sale to GAIL from the inland installation fences of these terminals.

*Transportation of Value-Added Products.* The ethane, propane and naphtha we produce at our Uran plant are transported through pipelines and road tankers, the LPG we produce at our Hazira, Uran, Ankleshwar and Gandhar plants is transported through pipelines, rail rakes and road tankers. The kerosene we produce at our Hazira, Tatipaka and Kuthalam plants is transported through pipelines or road tankers.

## **Refining Business**

We are one of the major domestic refiners in India, and own and operate a 11.82 MMTPA refinery located at the western port of Mangalore in Karnataka on the coast of the Arabian Sea through our 71.62% owned subsidiary, MRPL. Our refinery facility has loading facilities which includes two oil jetties equipped to handle ocean tanker deliveries of crude oil and off-take of refined products. We also intend to construct a SPM station at our jetty for handling very large crude carriers. In Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL processed 12.50 MMT (92.50 MMbbls), 12.64 MMT (93.54 MMbbls) and 3.30 MMT (24.29 MMbbls) of crude oil, respectively. In addition, in Fiscal 2010, 2011 and for the three months ended June 30, 2011, MRPL produced 11.68 MMT (87.60 MMbbls), 11.77 MMT (87.28 MMbbls) and 3.07 MMT (22.66 MMbbls) of refined products, respectively. We produce and market a variety of refined petroleum products, primarily to HPCL, IOCL and BPCL. In cases where production exceeds domestic demand, we market our excess production to various exporters. We source our feedstock primarily through foreign supply contracts. We have entered into a feedstock supply contract with the National Iranian Oil Company for a 12-month period commencing from April 1, 2011. We also receive our refinery's remaining crude oil requirements primarily from our Mumbai High offshore production facilities and from our production sharing operations in the Greater Nile Oil Project, in Sudan. For Fiscal 2010 and 2011 and for the three months ended June 30, 2011, approximately 54.00%, 57.00% and 65.00%, respectively, of MRPL's crude oil feedstock for the refinery (measured by cost of supply) was sourced from Iran. We are in the process of increasing the capacity of this refinery to 15.00 MMTPA and the mechanical completion of this expansion is scheduled to be completed by October 2011. However, production at the full expanded capacity is expected to commence in December 2011. The basic detailed engineering work for this expansion has been fully completed. A polypropylene unit is also under construction and is scheduled for completion in April 2012.

We expect the expansion of our refinery to facilitate the upgrading of low value products to high value products. It will enable us to refine crude oil with higher sulfur content, higher API and higher TAN and to upgrade our entire HSD yield into BS III/IV grade. The expansion will also allow us to commence production of paraxylene, benzene, petroleum coke and polypropylene. Further, it is expected to significantly increase our production of LPG.

Although price controls and other aspects of domestic sales and marketing have been deregulated, supply and distribution arrangements continue to be characterized by a substantial degree of coordination among industry participants. We intend to improve our sales and marketing efforts by obtaining access to leased storage and handling facilities at selected locations, registering with sales tax authorities in various states in India to permit direct sales in those locations and obtaining an exemption under naphtha and solvent control regulations.

## **Joint Ventures and Associates**

### ***ONGC Tripura Power Company Limited***

ONGC Tripura Power Company Limited is a joint venture among our Company, Infrastructure Leasing and Financial Services Limited ("IL&FS") and the Government of the State of Tripura. We currently hold 49.52% of the equity interest in the joint venture and IL&FS and the Government of the State of Tripura hold 49.52% and 0.96%, respectively. The venture has been set up to construct a 726.6 MW (2 x 363.3 MW) combined cycle gas turbine-based power plant at Pallatana, Tripura. The natural gas for the power plant will be supplied from our natural gas production in Tripura, which will enable us to monetize a portion of our natural gas reserves in the region, which is currently underserved by the necessary infrastructure to enable sales to third party consumers. For further information, please see "History and Certain Corporate Matters" on page 214.

### ***ONGC Petro-additions Limited***

OPaL is a joint venture among our Company and Gujarat State Petroleum Corporation Limited and certain other parties. We currently hold 41.93% of the equity interest in the joint venture, Gujarat State Petroleum

Corporation Limited holds 8.07% and the remaining equity interest is held by certain individuals. The venture was set up to construct a large petrochemical plant at Dahej in Gujarat. OPaL was conceptualized as a value chain integration project to utilize petrochemical grade feedstock (naphtha and C2+ streams) to produce higher value products like high-density polyethylene, linear low-density polyethylene, polypropylene, benzene and butadiene. When the petrochemical plant becomes operational, we plan to leverage the value of these products to set up further downstream value addition projects with strategic partners for various derivatives. For further information, please see "History and Certain Corporate Matters" on page 214.

The estimated cost of this project was ₹195,350.00 million and our aggregate investment in this project as of June 30, 2011 was ₹ 9,703.20 million. The contract for the dual-feed cracker and associated units has been awarded to Linde, Germany and Samsung Engineering, Korea and the project management consultancy contract has been awarded to Engineers India Limited.

#### ***Dahej Special Economic Zone Limited and Mangalore Special Economic Zone Limited***

We made a strategic decision to locate our major export oriented joint ventures within SEZs. Accordingly, we, together with the respective State Government industrial development agencies, established SEZs at Dahej in the State of Gujarat and Mangalore in the State of Karnataka.

- ***Dahej Special Economic Zone Limited***

We currently hold a 49.60% equity interest in Dahej SEZ Limited, which was established as a strategic alliance with Gujarat Industrial Development Corporation to develop a multi-product SEZ at Dahej, Gujarat. For further information, please see "History and Certain Corporate Matters" on page 214.

- ***Mangalore Special Economic Zone Limited***

We are establishing a petrochemicals-sector specific SEZ located in coastal Karnataka, Mangalore. The SEZ is being established along with the Karnataka Industrial Area Development Board, the industrial development agency of the State of Karnataka which holds a 26.00% equity interest in the project, IL&FS, which holds a 50.00% equity interest and Kanara Chamber of Commerce and Industries which holds a 0.04% equity interest. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***ONGC Mangalore Petrochemicals Limited***

ONGC Mangalore Petrochemicals Limited is an SPV in which we hold a 46.00% equity interest. We are in the process of establishing an aromatic complex through an SPV, for value addition of the aromatic rich naphtha stream of our refinery, concurrent with its expansion to 15.00 MMTPA. The aromatic complex will produce paraxylene and benzene within the Mangalore SEZ adjacent to our refinery, which is also being positioned as the anchor industry for the proposed petroleum, chemicals and petrochemicals investment region in Mangalore. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***ONGC TERI Biotech Limited***

We entered into an agreement with The Energy and Resources Institute ("TERI") in 2006 to establish an SPV, ONGC TERI Bio-tech Limited, to provide biotechnological solutions to increase oil production from stripper oil wells and to control environment pollution in oil fields. We hold a 49.98% equity interest in this SPV, TERI holds a 48.02% equity interest and the remaining 2.00% equity interest is held by various financial institutions. ONGC TERI Biotech Limited has provided its technology to various oil wells within and outside India. We have not made any recent investments in this SPV. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***Petronet MHB Limited***

We jointly own the Mangalore-Hassan-Bangalore cross-country petroleum products pipeline through a joint venture wherein our Company and HPCL have a 28.77% equity interest each, in Petronet MHB Limited. The initial capital investment made in this project was approximately ₹6,394.00 million in 2003. The pipeline is 362.373 kilometres long which runs from our refinery at Mangalore to Devangonthi in Bangalore with a tap off point at Hassan located in the interior of the state of Karnataka. This pipeline allows the transportation of a

variety of finished petroleum oil products such as kerosene, diesel, motor spirit, aviation turbine fuel and naphtha from our refinery. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***Petronet LNG Limited***

Petronet LNG Limited is promoted by four public sector undertakings in the Indian oil and gas sector: ONGC, IOCL, GAIL, BPCL and GDF International. Petronet LNG Limited imports LNG and provides a terminal for re-gasification at Dahej in Gujarat. We hold a 12.50% equity interest in Petronet LNG Limited, which currently owns and operates a 10 MMTPA LNG receiving and re-gasification terminal at Dahej, and is setting up another such terminal of 5 MMTPA capacity at Kochi by 2012. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***Pawan Hans Helicopters Limited***

We currently hold a 49.00% equity interest in the Pawan Hans Helicopters Limited ("PHHL") and the remaining 51.00% equity interest is held by the GoI. PHHL is engaged in the business of, *inter alia*, planning, promoting, developing, organising, providing and operating air support services to meet the requirements of the petroleum sector which would include services by helicopter and such other services as may be determined. PHHL provides helicopter support for our offshore operations. For further information, please see "History and Certain Corporate Matters" on page 214.

#### ***Other Projects and Business Initiatives***

##### ***Sudan - Pipeline project***

We have constructed a refined product pipeline in Sudan (741-km multi-product pipeline from Khartoum refinery to Port Sudan) that we have leased to the Sudanese Ministry of Energy and Mining pending completion of the payments due for construction. Pursuant to the terms of the lease, we are entitled to receive certain payments through June 2014, at which time ownership of the pipeline will be transferred to the Government of Sudan. We were involved in an arbitration with the Government of Sudan regarding the terms of ownership of the pipeline. However, we recently reached a settlement whereby 70.00% ownership in the pipeline would be retrospectively transferred to the Government of Sudan as of October 1, 2006 while the remaining 30.00% ownership would be transferred on September 1, 2014. In addition, as set forth in the arbitral award, the consortium members are also liable to make certain payments to Government of Sudan. In the interim, our Company and the other consortium members will continue to receive the revenues from the pipeline and after September 1, 2014, we will be entitled to use the pipeline for the transportation of crude oil.

##### ***Memorandum of Understanding with GAIL (India)***

We entered into a memorandum of understanding with GAIL on July 24, 2007 to form a joint working group to monetize the gas reserves discovered by us in the Krishna-Godavari and Mahanadi basins. We believe this memorandum of understanding will facilitate the production, processing, transportation, distribution and marketing of gas from new sources to identified markets.

##### ***Memorandum of Understanding with Bharat Petroleum Corporation Limited***

We entered into a memorandum of understanding with BPCL on February 23, 2010 to form a joint working group to monetize the gas being produced by us. We believe this memorandum of understanding will facilitate the acquisition, transportation, distribution and marketing of gas from new and existing sources to identified markets.

##### ***C2-C3-C4 Extraction Plant***

The C2-C3-C4 plant was conceptualized to extract rich fractions (C2, C3 and C4) from LNG sourced by Petronet LNG Limited to capitalize on the opportunity for the conversion of rich fractions to olefins and further conversion to polymers as part of value chain integration. This plant is based on a novel method of extracting rich fractions by utilizing the cryogenic temperature of LNG in contrast to conventional C2-C3 extraction plants based on natural gas. Capital and operating costs for the new process are, as such, lower than those of

conventional processes. The products of the C2+ extraction plant will also serve as feedstock for the upcoming petrochemical plant by OPaL.

#### *CGD and Pipelines*

We intend to focus on the city gas distribution (“CGD”) business in India, and intend to participate in the bidding process invited by Petroleum and Natural Gas Regulatory Board for the development and operation of CGD networks in various cities. We have entered into strategic partnerships with several companies including BPCL for joint bidding in selected cities or geographical areas in India.

#### *Framework Agreement with Sistema, Russia*

OVL has entered into a non-exclusive framework agreement dated December 21, 2010 with Sistema, a leading diversified industrial group of Russia to explore the possibilities of jointly studying and participating in attractive oil and gas assets in Russia and in third countries. For further details, see “History and Certain Corporate Matters” on page 214.

#### *Memorandum of Understanding with ENARSA*

On October 14, 2009, we entered into a memorandum of understanding with Energia Argentina S.A. (“ENARSA”), the national oil company of Argentina, for cooperation in the exploration and production of hydrocarbon resources, offshore and in deep sea, in India, Argentina and/or in a third country. We believe this collaboration will enable us to focus on new reserves of oil and gas.

#### *Memorandum of Understanding with Uzbekneftegaz*

On May 17, 2011, we entered into a memorandum of understanding with Uzbekneftegaz, the national oil and gas company of Uzbekistan, for cooperation in the exploration and production of hydrocarbon resources on-land, offshore and in deep sea, in Uzbekistan and/or in a third country. The memorandum also provides for the exchange of research, technology and training. We believe this collaboration will provide new opportunities to acquire further crude oil and natural gas reserves overseas.

#### *Memorandum of Understanding with Ashok Leyland Project Services Limited*

On December 10, 2007, we entered into a non-binding memorandum of understanding with Ashok Leyland Project Services Limited, an associate company of the Hinduja group, for mutual cooperation for exploration and production in relation to certain projects in Iran, including the phase 12 development of the South Pars gas field and the Azadegan fields in Iran. As of the date of this Red Herring Prospectus, we have not entered into any binding term-sheets, memoranda of understanding or definitive agreements in respect of any development, exploration or production activities in relation to these fields, and any such activities will need to be approved by the GoI.

### **Competition**

Although we encounter competition from other oil and natural gas companies in all areas of our operations, we believe the primary area in which we face competition domestically is for the acquisition of licences for exploratory prospects in the NELP bidding process. The companies that have been granted exploration licences in various rounds of NELP include other Indian public sector companies, as well as over 50 private companies, both domestic and international, including British Gas, Petro Gas, Reliance Industries Limited and Essar Oil Limited.

### **Research and Development**

We have a significant research and development capabilities and we focus on developing more efficient and effective ways to improve our exploration, development and production activities. Recent examples of our efforts include (i) development plans for improved oil recovery, (ii) technology schemes for enhanced oil recovery and microbial enhanced oil recovery (MEOR), (iii) using paraffin degrading bacteria (“PDB”) and flow assurance, (iv) working with TERI for the development of rapid techniques for detection of gaseous hydrocarbon oxidizers for geo-microbial surveys, (v) development of the process for mass cultivation of

selected microalgae for hydrocarbon production and (vi) exploring the feasibility of establishing a nuclear power project.

Our research and development institutes are equipped with laboratories, computer processing systems and computer workstations, and utilize specialized multi-disciplinary expert teams. In Fiscal 2010 and 2011 and for the three months ended June 30, 2011, we spent approximately ₹2,199.45 million, ₹3,716.77 million and ₹812.19 million, respectively, on our research and development activities, which represented 0.34%, 0.52% and 0.23%, respectively, of our total revenues on a standalone basis. These institutes also leverage research through international and national consortia, alliances and joint industry programs. A list of our principal research and development institutes is set forth below:

*Keshava Deva Malaviya Institute of Petroleum Exploration*, Dehra Dun, established in 1962, focuses on exploration related activities. The institute undertakes projects on integrated basin analysis and evaluation, and generates improved concepts and models that help in creating new exploration and production opportunities in petroliferous basins and breakthroughs in less explored and frontier basins.

*Geodata Processing and Interpretation Centre*, Dehra Dun, established in 1987, focuses on seismic data processing, seismic and log data interpretation, software development and application of new technologies for improved processing and interpretation.

*Institute of Drilling Technology*, Dehra Dun, established in 1978, is a centre for drilling related technologies. Major functional areas of IDT are drilling technology, drilling fluid engineering, cementation and cementing materials.

*Institute of Reservoir Studies*, Ahmedabad, established in 1978, is the centre for reservoir management studies. The main functions of IRS are reservoir characterization, simulation and management, oil and gas field development, enhanced oil recovery and well productivity enhancement.

*Institute of Oil and Gas Production Technology*, Mumbai, established in 1984, focuses on oil and gas production and processing-related work. It provides technological solutions to enhance production and improve the economics of operations. Production engineering, process engineering, artificial lift engineering and corrosion engineering are the major functional groups in IOGPT.

*Institute of Engineering and Ocean Technology*, Mumbai, established in 1983, is the centre for offshore engineering. Its principal areas of work are risk analysis and conceptual engineering, structural engineering, geotechnical engineering and materials and corrosion engineering.

*Institute of Biotechnology and Geotectonic Studies*, Jorhat, established in 1989, works in the areas of geo-microbial petroleum prospecting, microbial enhanced oil recovery and soil bioremediation.

*ONGC Energy Centre Trust*, Delhi, established in 2005, undertakes, promotes and manages projects for improving and developing commercially viable energy mediums and sources including research in the field of vertical integration of hydrocarbons and renewable sources of energy.

## **Training**

We seek to provide all of our employees, executives and staff, with regular and periodic training and development to help them acquire the new knowledge and skills necessary for our training initiatives that are primarily conducted through our training institutes in India.

*ONGC Academy*, Dehradun, established in 1982, is the nodal agency for training and development of our human resources. The institute also provides training to other domestic and overseas companies. The academy's programs include induction training, specialized functional training, management training, computer training, a corporate strategic program, an integrated professional program and an emerging technology program.

*Institute of Petroleum Safety, Health and Environment Management*, Goa, established in 1989, promotes standards of safety, health and environment management through training. Its main functions are the provision of practical and theoretical training in the areas of safety, occupational health, environmental management, petroleum safety related risk studies and environment related consultancy.

## **Employees**

As of August 1, 2011, we had 33,009 permanent employees, of whom 10,696 were employed in our onshore and offshore producing assets, 3,100 were employed in exploratory basins, 12,684 were employed in oil field

services, 1,610 were employed in plants, 1,348 were employed in our research institutes, and 2,420 were employed in various corporate functions.

Our employees are represented by 24 registered trade unions of which 10 are recognized by us. All of the trade unions (including unrecognized trade unions) are affiliated with central trade unions. We have entered into an agreement with all the recognized unions that is binding on all unionized categories of employees, effective January 1, 2007, which is coterminous with the pay revision of executives but not beyond 10 years. We believe, we enjoy good relations with our employees. There have been no instances of labour unrest in the Company that have had a material adverse effect on our operations.

### **Insurance**

We maintain a range of insurance policies in relation to our business and operations that is customary for our industry, including, for example, insurance policies that cover property damage to certain onshore properties, certain risks associated with our offshore and international activities, and certain risks associated with our refinery, including losses of certain property and machinery and business interruption insurance. We believe that our insurance coverage is appropriate for our business risks.

### **Health, Safety and Environment ("HSE")**

We are committed to maintaining high standards of occupational health, safety and environmental protection. Due to the nature of our operations, we conduct several internal and external audits to assist our compliance with health, safety and environmental protection norms, and to maintain effective waste prevention and reduction capabilities. Third party audits are conducted for our offshore and onshore installations by established national and international HSE agencies.

We are subject to a wide range of rules and regulations including various environmental laws. In addition, we also have to comply with the Oil Industry Safety Directorate ("OISD"), an organization under the control of the MoPNG, which issues safety guidelines. Further, we are also subject to the safety regulations prescribed by the Directorate General of Mines and Safety or DGMS. Each work center has teams dedicated to HSE, which execute the safety guidelines prescribed by OISD as well as DGMS. Our HSE teams are also responsible for obtaining necessary licenses and clearances from the State Pollution Control Boards.

### **Corporate Social Responsibility ("CSR")**

We seek to integrate our business values and operations in an ethical and transparent manner to demonstrate our commitment to sustainable development and to improve our fulfilment of social responsibilities and environmental and economic practices in an attempt to create a positive impact on the society. We have incurred an expenditure of ₹2,688.00 million, ₹2,190.30 million and ₹ 82.50 million for the various CSR projects in accordance with the government guidelines, in Fiscal 2010, 2011 and for the three months ended June 30, 2011, respectively. In Fiscal 2010, our annual CSR budget allocation was increased from 0.75% to 2.00% of our net profit of the previous year. We have also issued our first 'sustainability report (2009-10)' wherein we reviewed our internal policies, vision, mission, strategy and performance management systems in order to identify issues critical for us and our shareholder which would impact our sustainability performance. We also implemented a whistle blower policy in December 2009. Further, we have also contributed towards environmental protection by engaging in tree plantation and other afforestation initiatives. We have also focused on the promotion of various sporting activities on a national and an international level.

### **Intellectual Property**

We rely on a combination of trademark, patents, copyrights and contractual provisions, if any, to protect our intellectual property, including our brand identity. We currently do not have any registered trademarks in India. We currently have patents for a various techniques including "a process for enhanced recovery of crude oil from oil wells using novel multi-microbial strain" in India, "a process for enhanced recovery of crude oil from oil wells using novel microbial consortium" in the United States, and "a process for the treatment of the oily effluent produced by the petroleum upstream oil industries" in India, see "Risk Factors - *We do not have any registered trademarks or copyrights, and failure to protect our intellectual property rights may have an impact on our business and result of operations*" on page 47.

### **Properties**

In addition, to our crude oil and natural gas assets, we lease our Registered Office and we own our Corporate Office. Further, our Subsidiaries currently own or lease a variety of properties primarily for office space throughout India. We believe our properties are sufficient for us to conduct our business in its present form.



## REGULATIONS AND POLICIES IN INDIA

*Our Company is engaged in exploration and production of oil and natural gas in and outside India. The following is an overview of the important laws, regulations and policies which are relevant to our business in India. The description of law, regulations and policies set out below are not exhaustive, and are only intended to provide general information to Bidders and is neither designed nor intended to be a substitute for professional legal advice.*

*Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, various labour laws and other miscellaneous laws such as the Trade Marks Act, 1999 apply to us as they do to any other Indian company. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

### **The executive authority and regulators on exploration and production of oil and natural gas in India**

#### *Ministry of Petroleum & Natural Gas*

The Ministry of Petroleum & Natural Gas (“**MoPNG**”) is the executive authority entrusted with responsibility for exploration and production of oil and natural gas, their refining, distribution and marketing, import, export and the conservation of petroleum products and liquefied natural gas. The MoPNG gets its authority under item number 53 of list 1 of the seventh schedule to the Constitution of India which reads ‘regulation and development of oilfields and mineral oil resources; petroleum and petroleum products; and other liquids and substances declared by Parliament by law to be dangerously inflammable’. Among other things, the MoPNG administers the provisions of the laws relating to oil and natural gas in India such as the Petroleum Act, 1934, The Oilfields (Regulation and Development) Act, 1948, The Petroleum Pipelines (Acquisition of Right of User in Land) Act, 1962 and The Oil Industry (Development) Act, 1974.

#### *Directorate General of Hydrocarbons*

The Directorate General of Hydrocarbons (“**DGH**”) is a regulatory body under the administrative control of the MoPNG. The objective of the DGH is to promote sound management of the Indian petroleum and natural gas resources having a balanced regard for the environment, safety, technological and economic aspects of petroleum activity. The functions and responsibilities of DGH include the following:

- a) To provide technical advice to the MoPNG on issues relevant to the exploration and optimal exploitation of hydrocarbons in India and on the strategy of taking up exploration and exploitation of oil and gas reserves abroad by the national oil companies;
- b) To review the exploration programmes of companies operating under PELs granted under the Oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959 with a view to advising the Government on the adequacy of these programmes;
- c) To reassess the hydrocarbon reserves discovered and estimated by the operating companies in discussion with them;
- d) To advise the Government on the offering of acreage for exploration to companies as well as matters relating to the relinquishment of acreage by companies;
- e) To review and audit concurrently the management of petroleum reservoirs by operating companies and advise on any mid-course correction required to ensure sound reservoir management practices in line with the optimal exploitation of reserves and the conservation of petroleum resources; and
- f) To regulate, among other things, the preservation, upkeep and storage of data and samples pertaining to petroleum exploration, drilling, production of reservoirs and to cause the preparation of data packages for acreage on offer to companies.

Other authorities and regulators in the oil and natural gas sector include the Petroleum and Natural Gas Regulatory Board, the Oil Industry Development Board and Directorate General of Mines and Safety. The roles and functions of such authorities and regulators are described below.

### **Significant policies, legislations, rules and regulations on exploration and production of oil and gas in India**

- I. The significant policies and guidelines of the Government of India on the exploration and production of oil and gas are as described below.

#### *New Exploration Licensing Policy, 1999*

In keeping with the liberalized policy of the Government of India for attracting private investments in the oil and gas sector, the Government of India formulated the 'New Exploration Licensing Policy' ("**NELP**"). NELP came into effect on February 10, 1999. The key features of NELP are as follows.

- a) There is no mandatory state participation.
- b) Government companies such as our Company and Oil India Limited compete for obtaining the petroleum exploration licenses ("**PELs**") on competitive basis instead of the earlier system of granting them PELs on nomination basis. Our Company and Oil India Limited get the same fiscal and contract terms as available to private companies.
- c) There is open availability of exploration acreages to provide a continuous window of opportunities to oil companies.
- d) There is freedom to the contractors for marketing of crude oil and gas in the domestic market.
- e) Companies are exempted from payments of import duty on the goods imported for petroleum operations.
- f) A seven year tax holiday from the date of commencement of commercial production is available.
- g) Contractors are allowed full cost recovery (i.e. exploration cost, development cost and production cost) with unlimited carry-forward period on contract area basis unlike the previous regime where exploration cost was allowed to be recovered on contract area basis and development and production cost on field-wise basis.
- h) Companies such as our Company and Oil India Limited are to be paid international price for oil discoveries made in the blocks offered under NELP.
- i) NELP regime would apply only against contracts signed under NELP.

Under NELP, the first round of offer for exploration of oil and natural gas was in the year 1999 and second to eighth rounds were in the years 2000, 2002, 2003, 2005, 2006, 2008 and 2009 respectively. In 2010, MoPNG made an announcement inviting offers for exploration of oil and natural gas under the ninth round of NELP. The ninth round of NELP closed on March 18, 2011. 'Directorate General of Hydrocarbons' ("**DGH**") is the nodal agency for the implementation of NELP.

#### *Open Acreage Licensing Policy*

As per the report of the DGH on 'Hydrocarbon Exploration and Production Activities', 2009-10, the intention of the Government of India is to move to 'Open Acreage Licensing Policy' regime ("**OALP**") in the near future. Under OALP, it is expected that companies will be able to choose any block for offer at any time without waiting for the regular bid rounds under NELP. The blocks will be awarded to the party giving the best bid at any time of the year. The DGH is taking steps to implement OALP.

#### *Guidelines for management of oil and gas resources*

The MoPNG has laid down certain guidelines for the management of oil and gas resources. Accordingly, the DGH will review and monitor the progress and performance of the NOCs to the extent that optimal exploratory inputs are being provided in each of the PEL area in accordance with generally accepted international petroleum industry practices. Further, in line with the guidelines applicable under the PSCs, the DGH is required to frame guidelines for reporting of hydrocarbon reserves by NOCs for their nomination fields. The NOCs are required to prepare the appraisal programme and development plan of the discoveries made under Nomination Blocks in consultation with the DGH. The DGH, in consultation with NOCs, decides milestones and timelines for monitoring of appraisal programme and development plan.

- II. The significant Indian legislations on the exploration and production of oil and gas are as described below.

#### *The Petroleum and Natural Gas Regulatory Board Act, 2006*

The Petroleum and Natural Gas Regulatory Board Act, 2006 ("**PNGRB Act**") provides for the establishment of the 'Petroleum and Natural Gas Regulatory Board' ("**PNGR Board**") to regulate the refining, processing, storage, transportation, distribution, marketing, import, export and sale of petroleum, petroleum products and

natural gas excluding production of crude oil and natural gas so as to, *inter alia*, protect the interests of consumers and entities engaged in specified activities relating to these products. The objective of the PNGR Board is also to ensure the uninterrupted and adequate supply of such products in India and to promote competitive markets connected therewith.

Every entity desirous of marketing any notified petroleum or petroleum products or natural gas, or establishing or operating a liquefied natural gas terminal, or establishing storage facilities for petroleum, petroleum products or natural gas exceeding such capacity as may be specified by regulations and fulfilling the eligibility conditions as may be prescribed is required to make an application to the PNGR Board for its registration.

The functions of the PNGR Board include the protection of the interests of consumers by fostering fair trade and competition amongst the entities, registration of entities in accordance with the PNGRB Act, the declaration of pipelines as common carrier or contract carrier, regulation of certain activities and the performance of such other functions as may be entrusted to it by the Central Government to carry out the provisions of the PNGRB Act. The powers of the PNGR Board include adjudication of certain disputes and receiving complaints.

The PNGR Board may, by notification, make regulations consistent with the PNGRB Act and the rules made thereunder to carry out the provisions of the PNGRB Act.

#### *The Oil Industry (Development) Act, 1974*

The Oil Industry (Development) Act, 1974 (“**OID Act**”) provides for, *inter alia*, the establishment of the ‘Oil Industry Development Board’ (“**OID Board**”) for the development of the oil industry and for that purpose to levy a duty of excise on crude oil and natural gas.

The functions of OID Board are, *inter alia*, rendering financial and other assistance for the promotion of all such measures as are conducive to the development of the oil industry. Before rendering any such assistance to any oil industry concern or other person, the OID Board shall have regard to such directions as the Central Government may issue in this regard. The OID Board may apply to the courts for certain reliefs in case an oil industrial concern or other persons default on repayments of loans or violate the terms of the assistance agreement. One of the reliefs is the transfer of the management of the oil industrial concern to OID Board.

#### *The Petroleum Mineral Pipelines (Acquisition of Right of User In Land) Act, 1962*

The Petroleum and Minerals Pipelines (Acquisition of Right to User Inland) Act, 1962 (“**Petroleum and Minerals Pipelines Act**”) provides for, *inter alia*, the acquisition of right of user in land for laying pipelines for the transport of petroleum and minerals.

As per the Petroleum and Minerals Pipelines Act, whenever it appears to the Central Government that it is necessary in public interest that for the transport of petroleum or any mineral from one locality to another locality, pipelines may be laid by that Government or by any State Government or a corporation and that for the purpose of laying such pipelines it is necessary to acquire the right of user in any land which such pipelines may be laid, it may, by notification in the Official Gazette, declare its intention to acquire the rights of user therein. Where the right of user in any land has vested in the Central Government or in any State Government or corporation, the Petroleum and Minerals Pipelines Act makes it lawful for any person authorized by the Central Government or any State Government or corporation, as the case may be, and his servants and workmen to enter upon the land and lay pipelines or to do any other act necessary for the laying of pipelines.

#### *The Mines Act, 1952*

The Mines Act, 1952 (“**Mines Act**”), along with the rules and regulations therein, seeks to regulate the working condition in mines (including oil and natural gas extraction facilities) by providing for measures to be taken for the safety of the workers employed. The Mines Act has been enacted with the objective of providing for the health, safety and welfare of workers employed in the mines against industrial and occupational hazards. The enactment provides duties, guidelines and standards that are to be maintained during mining operations and management of mines; hours and limitation of employment; leave with wages of mine workers. It empowers the Central Government to appoint qualified persons as inspectors and chief inspectors of mines who shall have the power to inspect and examine any part of the mine at any time, in order to ascertain whether the provisions of the Mines Act, and the rules and regulations therein, are being followed. General disobedience of orders or non compliance of provisions of the Mines Act may result in both criminal and civil penalties.

The Mines Act is administered through the DGMS, with the objective of reduction in risk of occupational diseases and casualty to persons employed in mines, is the regulatory agency for safety in mines and oversees compliance with the Mines Act and the rules and regulations thereunder.

#### *The Oilfields (Regulation and Development) Act, 1948*

The Oilfields (Regulation and Development) Act, 1948 (“**Oilfields Act**”) provides for the regulation of oilfields and the development of mineral resources.

The Oilfields Act provides that any mining lease granted contrary to its provisions would be void and that no mining lease can be granted otherwise than in accordance with rules made under it. The Oilfields Act grants power to the Central Government to make rules for regulating the grant of mining leases or for prohibiting the grant of such leases in respect of any mineral oil or any area. Such rules may provide for, *inter alia*, the manner in which, the mineral oils or areas in respect of which and the persons by whom, applications for mining lease may be made and the authority by which, the terms on which and conditions subject to which, mining leases may be granted. The holder of mining lease is required to pay royalty in respect of any mineral oil mined, excavated or collected.

The Central Government also has the power to make rules for the conservation and development of mineral oils.

#### *The Petroleum Act, 1934*

The Petroleum Act, 1934 (“**Petroleum Act**”) regulates the import, transport, storage, production, refining and blending of petroleum. As per the Petroleum Act, no one shall import, transport or store any petroleum except in accordance with the rules framed under it. Central Government has been empowered to frame rules in this regard. Central Government may authorize any officer to inspect and take sampling of petroleum. The Petroleum Act provides detailed procedures for testing of petroleum.

III. The significant Indian rules and regulations on exploration and production of oil and gas are as described below.

#### *Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008*

The Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 (“**SOO Rules**”), notified by the MoPNG under the Oilfields (Regulation and Development) Act, 1948 for regulation of safety in offshore oil and gas exploration, exploitation, production drilling and matters connected therewith. The OISD is the authority that exercises the powers under the SOO Rules.

SOO Rules requires, *inter alia*, the licensee, the lessee, or as the case may be, the operator to undertake the petroleum activities in a safe manner, both in relation to an individual and an overall consideration of all the factors of importance to planning and implementation of such activities as regards health, safety and environment. Consent for new and existing mobile or fixed offshore installation is required from the competent authority within the period specified in the SOO Rules. The SOO Rules require operators of offshore installations to intimate the competent authority within 30 days of commencement, or cessation of operations. The operator is also responsible for providing health-related resources, establishing a safety management system, carrying out risk assessment, maintaining information and records for petroleum activities including the permanent plugging of wells, accidental pollution, recovery, rescue and remedial actions taken, and environment reporting.

Such entities are also required to prepare a strategy for emergency preparedness against situations of hazard and accident including health emergency. Prior to starting well activities, a programme is required to be prepared by the licensee, the lessee, or as the case may be, the operator which describes the individual activities and the equipment to be used and the facilities or parts thereof including all machinery and equipment are required to be maintained, in such a manner that they are capable of carrying out their intended functions in all phases of their life.

#### *The Petroleum Rules, 2002*

The Petroleum Rules, 2002 (“**Petroleum Rules**”) seeks to regulate the delivery and dispatch of petroleum. Under the Petroleum Rules, no person is permitted to deliver or dispatch any petroleum to anyone in India other than the holder of a storage licence issued under the Petroleum Rules or his authorized agent or a port authority or railway administration or a person who is authorized under the Petroleum Act, 1934 to store petroleum without a licence. Petroleum Rules prohibits employment of children under the age of eighteen years and a person who is in a state of intoxication. Petroleum Rules also seek to regulate the importation of petroleum through licenses.

*The Petroleum and Natural Gas Rules, 1959*

The Petroleum and Natural Gas Rules, 1959 (“**PNG Rules**”) regulate the prospecting and mining of petroleum and natural gas. Prospecting for petroleum is permitted only upon receiving a petroleum exploration license (“**PEL**”) granted under the PNG Rules, and mining petroleum is permitted only upon receiving a petroleum mining lease (“**PML**”) granted under the PNG Rules. A PEL or a PML in respect of any land or mineral underlying the ocean within the territorial waters or continental shelf of India vested in the Union is granted by the Central Government. In respect of any land vested in a State Government, a PEL or a PML is granted by the State Government with the previous approval of the Central Government.

The PNG Rules require the payment of royalty on petroleum where a PML is granted. A PEL or PML may be cancelled by the central Government or the State Government, as the case may be, in the event that the licensee or the lessee fails to fulfil, or contravenes, any of the terms, covenants and conditions contained therein, fails to use the land covered by it bona fide for the purposes for which it has been granted, or uses such land for a purpose other than that for which it has been granted.

*Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Products Pipeline Transportation Tariff) Regulations, 2010*

The Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Products Pipeline Transportation Tariff) Regulations, 2010 (“**Petroleum Transportation Tariff Regulations**”), made by the PNGR Board, apply *inter alia*, to entities authorized for laying, building, operating or expanding a petroleum and petroleum products pipeline. The petroleum and petroleum products pipeline tariff in respect of entities covered under the Petroleum Transportation Tariff Regulations is determined for different tap-off points (a facility on the pipeline from where the petroleum products are diverted into a delivery terminal or into a spur line or another pipeline which may also be called the intermediate delivery station) as per the specified procedure which shall be charged on a non-discriminatory basis. The procedure that has been specified for determination of petroleum and petroleum products pipeline tariff is determined by benchmarking against alternate mode of transports, that is, rail at a level of 75% except LPG where it will be 100% on a train load basis for equivalent rail distance along the petroleum and petroleum product pipeline route.

*Petroleum and Natural Gas Regulatory Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulation, 2010*

Petroleum and Natural Gas Regulatory Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulation, 2010 (“**ERDMP Regulation**”), made by the PNGR Board, covers the identification of emergencies, the mitigation measures that attempt to reduce and eliminate the risk or disaster, the preparedness to develop plans for actions when disaster or emergencies occur, the responses that mobilize the necessary emergency services and the post disaster recovery with aim to restore the affected area to its original conditions. ERDMP Regulation applies to, *inter alia*, hydrocarbon processing installations, pipeline such as natural gas etc., commercial petroleum storage facilities and any other installation as may be notified by the PNGR Board from time to time.

Accordingly, ERDMP Regulation provides for, *inter alia*, classification of emergencies, implementation schedule, consequences of defaults or non-compliance, pre-emergency planning, emergency mitigation measures, emergency preparedness measures, infrastructure requirements, resources for controlling emergency, medical facilities and emergency recovery procedures.

For further details pricing regulations in relation to crude oil and petroleum products in India, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations- *Price Regulation in India*” on page 432.

*Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Product Pipelines) Regulations, 2010*

Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Product Pipelines) Regulations, 2010 (“**Petroleum Pipelines Regulations**”), made by the PNGR Board, applies, *inter alia*, to an entity which is laying, building, operating or expanding or which proposes to lay, build, operate or expand a petroleum and petroleum products pipelines for transporting one or more petroleum products, including LPG and LNG. The laying, building, operating or expanding of a petroleum and petroleum products pipelines can be initiated either through expression of interest by an entity or on its own motion by the PNGR Board. The Petroleum Pipelines Regulations lays down the bidding criteria and the criteria for selection of an entity for laying, building, operating or expanding of petroleum and petroleum product pipelines through the expression of interest route. The fixation and recovery of petroleum and petroleum product pipelines tariff and the quality of service standards has also been provided by the Petroleum Pipelines Regulations.

*Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Natural Gas Pipelines) Regulations, 2009*

Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for the Natural Gas Pipelines) Regulations, 2009 (“**TS Regulations**”), made by the PNGR Board, cover pipeline designs, material and equipments, welding, fabrication, installation, testing, commissioning, operation and maintenance and corrosion control of common carrier or contract carrier natural gas pipelines (transmission or sub transmission) including safety requirements for natural gas pipelines. The TS Regulations apply to, *inter alia*, all the entities authorised by the PNGR Board to lay, build, operate or expand natural gas pipelines under the Natural Gas Pipelines Regulations (as defined below) and any other natural gas pipeline including dedicated pipelines notified by the PNGR Board from time to time.

The TS Regulations lay down standards with the intent to ensure uniform application of design principles and to guide in selection and application of materials and components, equipment and systems and uniform operation and maintenance of the natural gas pipeline system and primarily focus on safety aspects of the employees and public and facilities associated with natural gas pipelines. The PNGR Board has been empowered to monitor the compliance to these regulations either directly or through an accredited third party.

*Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008*

Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 (“**Natural Gas Pipelines Regulations**”), made by the PNGR Board, applies, *inter alia*, to an entity which is laying, building, operating or expanding or which proposes to lay, build, operate or expand a natural gas pipeline. The laying, building, operating or expanding of a natural gas pipeline can be initiated either through expression of interest by an entity or on its own motion by the PNGR Board. The Natural Gas Pipelines Regulations lays down the bidding criteria and the criteria for selection of an entity for laying, building, operating or expanding of a natural gas pipeline through the expression of interest route. The fixation and recovery of natural gas pipeline tariff and the quality of service standards has also been provided by the Natural Gas Pipelines Regulations.

*Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008*

Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (“**Natural Gas Pipeline Tariff Regulations**”), made by the PNGR Board, applies to entities that have been authorized to lay, build, operate or expanding a natural gas pipeline under the Natural Gas Pipelines Regulations. The Natural Gas Pipeline Tariff Regulations lays down the procedure for determination of natural gas pipeline tariff. For determination of natural gas pipeline tariff, entities have to submit form for data submission as prescribed under the Natural Gas Pipeline Tariff Regulations.

*Oil Mines Regulations, 1984*

Oil Mines Regulations, 1984 (“**Oil Mines Regulations**”) apply to every oil mine in India. The Oil Mines Regulations, *inter alia*, lays down detailed provisions with regard to the duties of persons employed in mines

such as examination of equipments, usage of safeguards, safety devices and other appliances. Duties have been provided for other entities as well such as the manager, the installation manager, safety officer and fire officer who are required to be appointed with respect to the oil mines. The Oil Mines Regulations also regulate production activities in oil mines, transportation of oil through pipelines, machinery, plant and equipment apart from laying down the requirements for protection measures against gases and fires and general safety provisions.

#### IV. Press note regarding sale of natural gas by NELP contractors

The MoPNG issued a press note on June 25, 2008 prescribing guidelines for the sale of natural gas by NELP contractors ("**Gas Sale Guidelines**"). The Gas Sale Guidelines are applicable for an initial period of five years. Contractors are permitted to sell gas from NELP to consumers in accordance with marketing priorities determined by GoI on the basis of the formula for determining the price as approved by GoI. The Gas Sale Guidelines also provide that in case consumers in a particular sector which is higher in priority are not in a position to take gas when it becomes available, it would go to the sector next in the order of priority. The priority for supply of gas from a particular source would be applicable only amongst those customers who are connected to an existing and available pipeline network connected to a source. The Gas Sale Guidelines provide that the priority would not impact the process of price discovery as all the customers would participate in the price discovery process and would be eligible for utilizing natural gas subject to priority.

#### **Foreign investment in petroleum and natural gas sector in India**

Foreign investment in Indian securities is primarily regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made.

##### *Foreign direct investment in petroleum and natural gas sector*

The DIPP has issued 'Circular 1 of 2011', with effect from April 1, 2011, (the "**FDI Circular**") which consolidates the policy framework on FDI. The FDI Circular consolidates and subsumes all the press notes, press releases, and clarifications on FDI issued by DIPP as on March 31, 2011. The GoI proposes to update the FDI Circular every six months and therefore, the FDI Circular will be valid until the DIPP issues an updated circular on September 30, 2011.

As per the FDI Circular, FDI up to 100% under the automatic route is permitted in exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/ LNG pipelines, LNG Regasification infrastructure, market study and formulation and petroleum refining in the private sector. Such investment is subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies. Further, FDI up to 49% under the government route is permitted for petroleum refining by the public sector undertakings without any disinvestment or dilution of domestic equity in the existing public sector undertakings.

##### *Investment by FIIs*

Apart from investment under FDI route as above, registered FIIs are permitted to purchase shares of an Indian company through offer/ private placement under schedule 2 to FEMA ("**Portfolio Investment Scheme** or **PIS**") subject to the ceiling specified hereunder, provided that, in case of a public offer, the price of the shares to be issued is not less than the price at which shares are issued to Indian residents.

The ceiling under the PIS is that the total holding by each FII/SEBI approved sub-account of FII shall not exceed 10% of the total paid-up equity capital or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holding of all FIIs/sub-accounts of FIIs put together shall not exceed 24% of paid up-equity capital or paid up value of each series of convertible debentures. Pursuant to the RBI Master Circular on Foreign Investment dated July 1, 2011, any increase in FII limit over 24.00% requires the approval of the shareholders of the Company as well as the RBI.

The 10% individual limit and the 24% aggregate limit, as described above, would be applicable even when FIIs invest under the FDI route.

### **Environmental laws and regulations**

Our business is subject to environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Major environmental laws applicable to our operations include the Environmental (Protection) Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981. Pollution Control Boards (“PCBs”) have been constituted in several states in India to implement the provisions of some of the environmental laws and companies are required to obtain their approvals in relation to certain activities affecting the environment.

#### *The Environment (Protection) Act 1986 (the “EPA”)*

The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling and abating environmental pollution. This includes the power to make rules for, *inter alia*, determining the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plan, equipment, machinery and the examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines of up to ₹ 100,000 or imprisonment of up to five years, or both.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of government analysts.

#### *The Water (Prevention and Control of Pollution) Act 1974 (the “Water Act”)*

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central PCB and the State PCBs. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State PCB, which is empowered to establish standards and conditions that are required to be complied with. In certain cases, the State PCB may cause the local Magistrates to restrain the activities of any such person who is likely to cause pollution. Penalties for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central PCB has powers, *inter alia*, to specify and modify standards for streams and wells, while the State PCBs have powers, *inter alia*, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

#### *The Air (Prevention and Control of Pollution) Act 1981 (the “Air Act”)*

Pursuant to the provisions of the Air Act, any person establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State PCB prior to establishing or operating such industrial plant. The State PCB is required to grant consent within a period of four months of receipt of an application, and may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State PCB. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area then no industrial plant may be operated in that area without the prior consent of the State PCB.

Under the Air Act, the Central PCB has powers, *inter alia*, to specify standards for quality of air, while the State PCBs have powers, *inter alia*, to inspect any control equipment, industrial plant or manufacturing process, to



advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

*The Environment Impact Assessment Notification S.O. 1533(E) (the ‘EIA Notification’)*

The EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986, as amended, provides that the prior environmental clearance of the Ministry of Environment and Forests or State Environment Impact Assessment Authority, as the case may be, is required for the establishment of any new project and for the expansion or modernisation of existing projects specified in the EIA Notification. The EIA Notification states that the obtaining of prior environmental clearance includes a maximum of four stages, i.e., screening, scoping, public consultation and appraisal.

An application for prior environmental clearance is made after the identification of prospective site(s) for the project and/or activities to which the application relates but before commencing any construction activity, or preparation of land, at the site by the applicant. Certain projects which require approval from the State Environment Impact Assessment Authority may not require an Environment Impact Assessment Report. For projects that require preparation of an Environment Impact Assessment Report, public consultation involving both public hearing for ascertaining concerns of local affected persons and obtaining written responses from other concerned persons having a plausible stake in the environmental aspects of the project or activity is conducted by the State PCB. The Expert Appraisal Committee or State Level Expert Appraisal Committee, as the case may be, makes an appraisal of the project only after a Final EIA Report is submitted addressing the questions raised in the public consultation process. The prior environmental clearance granted for a project or activity is valid for the life of a project as estimated by Expert Appraisal Committee or State Level Expert Appraisal Committee subject to a maximum of 30 years for mining projects and five years in the case of all other projects and activities. This period of validity may be extended by the regulatory authority concerned (the Ministry of Environment and Forests or the State Environment Impact Assessment Authority, as the case may be) by a maximum period of five years.

*Forest (Conservation) Act, 1980 (the ‘Forest Conservation Act’)*

The Forest Conservation Act has been enacted to protect forests and for matters connected therewith or ancillary or incidental thereto in India. The Forest Conservation Act requires prior approval of the GoI, through MoEF, for any land covered by forest to be leased or used for industrial purposes and the de-reservation of any land notified as a ‘Reserved Forest’ by a state government under the Indian Forest Act, 1927.

Under the Forest (Conservation) Rules, 2003, issued by the GoI pursuant to the Forest Conservation Act, a party wishing to carry out operations in a block covered by forests or in areas that have been declared ‘Reserved Forest’ under the Indian Forest Act 1927, are required to submit an application for approval to the MoEF. Clearance under the Forest Conservation Act typically requires undertakings and payments to be made for the cost of re-forestation, in accordance with schemes notified by the state government, in the relevant areas.

## REGULATIONS OF THE RUSSIAN OIL AND GAS INDUSTRY

*This section contains a brief overview of some key aspects of the current regulatory regime for the oil and gas industry in Russia.*

### Applicable Legislation

Russian oil and gas industry regulation is still evolving, with federal, regional and local authorities each developing applicable rules and regulations.

The regulation of legal and economic relations in the Russian oil and gas industry is generally based on the Constitution of the Russian Federation of 1993, the Civil Code of the Russian Federation (the "**Civil Code**"), Law of the Russian Federation No. 2395-1 "On Subsoil", dated February 21, 1992, as amended (the "**Subsoil Law**"), Federal Law No. 147-FZ "On the Natural Monopolies", dated August 17, 1995, as amended (the "**Natural Monopoly Law**"), Federal Law No. 187-FZ "On the Continental Shelf of the Russian Federation", dated November 30, 1995, as amended (the "**Continental Shelf Law**"), Federal Law No. 225-FZ "On Production Sharing Agreements", dated December 30, 1995, as amended (the "**PSA Law**"), Federal Law No. 57-FZ "On Procedure of Investing into the Legal Entities of Strategic Importance for Defense and Security the Country", dated April 29, 2008 with amendments (the "**Strategic Industries Law**"), Federal Law No. 191-FZ "On the Exclusive Economic Zone of the Russian Federation", dated December 17, 1998, as amended (the "**EEZ Law**"), the Tax Code of the Russian Federation, and other laws and subordinate legislation, including regulations concerning, *inter alia*, mineral rights issues and transportation of hydrocarbons.

### Principal Regulatory Authorities

The principal authority in the Russian oil and gas industry is:

- *the Ministry of Natural Resources and Ecology of the Russian Federation* (the "**Ministry of Natural Resources**"), which executes functions on development of the state policy and normative-legal regulation in the sphere of natural resources management, environmental protection and ecological safety;

The Ministry of Natural Resources consist of the following:

*the Federal Agency for Subsoil Use* (the "**Rosnedra**"), which executes functions for provision of government services and management of state assets in the sphere of subsoil use as well as organizes the conduct of state geological studies, issues and terminates exploration and production subsoil licenses;

*the Federal Service for Supervision in the Sphere of Environmental Use* ("**Rosprirodnadzor**"), which controls and supervises the sphere of nature management and, within the bounds of its competence, the sphere of environmental protection, supervises license holders' compliance with the terms of subsoil licenses as well as ecological standards in the sphere of subsoil use;

Other regulating authorities in the Russian oil and gas industry are:

- *the Federal Service for Ecological, Technological and Nuclear Supervision* ("**Rostekhnadzor**"), which oversees compliance with the industrial safety;
- *the Ministry of Energy*, which determines the governmental policy and prepares legal acts regulating the energy sector, and performs the function of management of the state property in the energy sector;
- *the Federal Tariff Service of the Russian Federation* (the "**FST**"), which establishes, among other things, oil transportation tariffs; and
- *the Federal Taxation Service of the Russian Federation*, which carries out functions on the control and supervision of observance of the legislation of the Russian Federation on taxes and tax collections.

The structure of the federal executive bodies is established by the President of the Russian Federation and is subject to frequent change. The regional authorities also have certain jurisdiction over the matters of subsoil use.

### Subsoil Use Regime

The Subsoil Law provides for the general licensing regime with respect to exploration for and production of hydrocarbons and other natural resources in the Russian Federation. There is no private ownership with respect

to mineral deposits and the state owns the subsoil and mineral resources located therein. A company exploring and developing subsoil in Russia does not own subsoil until it is extracted from the ground. The state grants the right to use underground resources (i.e., mineral rights) to commercial entities pursuant to a subsoil license.

### **Regulation of Oil Production**

In order to produce oil, a company must obtain a number of licenses and permits including, *inter alia*, a subsoil license, a mining allotment, land use permits, operating licenses, a favorable environmental assessment, and other approvals and authorizations.

### **Subsoil Licensing Procedure**

The procedure of granting licenses for use of subsoil for geological research, exploration and production of mineral resources is regulated primarily by the Subsoil Law. The Subsoil Law provides for the following types of subsoil use:

- (i) regional geological survey, including geological and geophysical jobs, geological survey, geological engineering survey, R&D, paleontological and other jobs;
- (ii) geological study, including search and evaluation of mineral deposits, as well as geological survey and evaluation of suitability of subsoil blocks for construction and operation of subsurface structures, not related to extraction of mineral resources;
- (iii) exploration and production of mineral resources, including utilization of mining and processing wastes;
- (iv) construction and operation of subsurface structures, not related to production mineral resources;
- (v) formation of specially protected sites bearing scientific, cultural, esthetic, sanitary and other significance;
- (vi) recovery of mineralogical, paleontological and other geological collection materials.

Under the Subsoil Law, as currently in effect, a geological exploration license may be issued for a maximum term of five years and a production license may be issued for the useful life of the mineral reserves field, calculated on the basis of a feasibility study for exploration and production that ensures rational use and protection of the subsoil. In practice, however, Rosnedra, being the subsoil resources administrator, issues production licenses for the period of up to twenty years and combined licenses (for exploration and production) for twenty-five years (including five years for exploration and 20 years for production). Currently, licenses are issued either by Rosnedra or its local agency.

The procedures for obtaining a subsoil license may differ depending on the type of subsoil license sought. Generally, an exploration and production license or a combined license for geological study (search, exploration) and production of mineral resources is awarded through a tender or auction.

Auction and tender procedures are enlisted in the Administrative regulations of the Federal Agency on Subsoil Use for execution of the state function on organization and holding of tenders and auctions for the right of subsurface use in the established manner (registered in Ministry of Justice of the Russian Federation, 05.08.2009 N 14476).

The Subsoil Law allows for licenses for exploration and production of mineral resources to be issued without a tender or auction procedure only in case if the fact is established that a natural deposit was discovered in the subsurface block by the subsurface user that had carried out geological exploration activities at this block.

The time period for usage of the subsurface block may be extended at the initiative of the subsurface user in case of necessity to finish prospecting and evaluating or developing the natural deposit or to complete the abandonment actions provided that the license holder has not violated the terms of its license.

### ***Transfer of Mineral Rights***

The transferability of mineral rights in Russia is restricted by law. Subsoil licenses cannot be sold or transferred to another entity except in certain limited circumstances specified in the Subsoil Law, including, but not limited to, circumstances related to a license holder's corporate reorganization (e.g., a transformation, merger, or spin-off). A subsoil license may not be assigned as security or pledged to a third party.

### ***Subsoil Plots of Federal Importance***

In April 2008, the Subsoil Law was amended to provide criteria for determining subsoil plots of federal importance and to define grounds for establishment and termination of rights to use subsoil plots of federal importance.

Pursuant to the Subsoil Law, the list of criteria for determining which subsoil plots constitute subsoil plots of federal importance includes, *inter alia*, areas containing 70 million tons or more of oil productive capacity, areas containing 50 billion cubic meters or more of gas reserves, subsoil plots located in inland sea waters, territorial seas or on the continental shelf of the Russian Federation; and areas used for defense or security purposes. The specific list of subsoil plots of federal importance is published in the official publication of the Russian Government.

Subsoil plots of federal importance may be developed only by legal entities that are organized under the laws of the Russian Federation. Subsoil plots of federal importance located on or extending into the continental shelf of the Russian Federation may be developed only by Russian legal entities that have at least five years of experience in the development of subsoil areas located in the continental shelf of the Russian Federation and in which the Government of the Russian Federation (acting for example through the Federal Property Fund or a similar institution) holds an equity or voting interest of more than 50 per cent.

The Subsoil Law prohibits the transfer of a subsoil plot of federal importance to any entity in which a foreign investor has the ability to (i) directly or indirectly control more than 10 per cent of its voting shares, (ii) control its management by contract or otherwise, or (iii) appoint the sole executive body of the license holder or more than 10 per cent of its collective executive body or members of its board of directors or other management committee. Such transfer is only permitted in limited circumstances pursuant to a decision of the Russian Government.

Similar restrictions are set out in the Strategic Industries Law, under which a prior governmental approval is required for any transaction relating to a legal entity conducting exploration for, appraisal of and production of mineral resources within subsoil plots of federal importance (a "**Strategic Mining Company**"), where a foreign investor or its affiliates obtain the right to (i) directly or indirectly control 10 per cent. or more the voting shares in the Strategic Mining Company, (ii) control its management by contract or otherwise, or (iii) appoint the sole executive body of the Strategic Mining Company or 10 per cent. or more of its collective executive body or members of its board of directors or other management committee.

Special rules apply to investors that are foreign states or international organizations or are controlled by a foreign state or an international organization ("**State-Controlled Foreign Investors**"). Such investors are not entitled to enter into a transaction that leads to the establishment of control over Russian legal entities of strategic importance to national defense and state secrecy, and which conduct at least one of the types of activities listed in the Strategic Industries Law. In particular, State-Controlled Foreign Investors are not allowed to (i) directly or indirectly control 10 per cent. or more of the voting shares in the Strategic Mining Company, (ii) control the management of the Strategic Mining Company by contract or otherwise, or (iii) appoint the sole executive body of the Strategic Mining Company or 10 per cent. or more of its collective executive body, members of its board of directors or other management committee. Prior governmental approval is required for a State-Controlled Foreign Investor that directly or indirectly acquires rights to more than 5 per cent. of the voting shares in a Strategic Mining Company. Transactions entered into in breach of the Strategic Industries Law are deemed to be void.

#### *Maintenance and Termination of a Subsoil License*

A license granted under the Subsoil Law is generally accompanied by the terms of subsoil use (earlier it was accompanied by the license agreement). Under the terms of subsoil use, the subsoil user makes certain environmental, safety and production commitments. For example, the licensee will make a production commitment to bring the field into production by a certain date and to extract an agreed upon volume of natural resources each year. The terms of subsoil use may also contain commitments with respect to the region's social and economic development as well as other terms and conditions, including reporting requirements and mineral tax payment terms.

A license holder and/or its management may be fined for failing to comply with the subsoil license terms and the subsoil license may be revoked, suspended or limited in certain circumstances, including, *inter alia*, if:

- (i) there is a direct threat to life or health of people, working or living in the zone of influence of work, related to subsoil use;
- (ii) the subsoil user violates major license terms;
- (iii) the subsoil user consistently violates the established rules of subsoil use;
- (iv) there are emergency situations (natural disaster, military activities etc.);
- (v) the subsoil user did not commence to use the subsurface resources in due scopes within the time frame stipulated by the license;
- (vi) a company or other economic entity, provided with subsoil resources for usage, is liquidated;
- (vii) at the initiative of the license holder;
- (viii) the subsoil user does not submit accounting statements, stipulated by the RF Legislation “On subsoil resources”;
- (ix) at the initiative of the subsoil user upon application.

When a license expires, the licensee must return the land to a condition adequate for future use. Although most of the conditions set out in a licensing agreement are based on mandatory rules contained in Russian law, certain provisions of the terms of subsoil use are left to the discretion of the subsoil administrator and are often negotiated between the parties. Commitments relating to safety and the environment, however, are generally not negotiated.

The fulfillment of the conditions of a license is a major factor in the good standing of the license. If a subsoil licensee fails to fulfill the conditions of a license, upon notice, the right to subsoil use may be terminated by the subsoil administrator. However, if a subsoil licensee cannot meet certain deadlines or achieve certain volumes of exploration work or production output as set forth in a license, the licensee has the right to apply to amend the relevant license conditions, although such proposed amendments may be denied.

If the licensee does not agree with a decision of the licensing authorities, including a decision relating to a license termination or the refusal to re-issue an existing license, the licensee may appeal the decision through administrative or judicial proceedings. In certain cases of termination, the licensee has the right to attempt to cure the violation within three months of its receipt of notification of the violation. If the issue has been resolved within such a three-month period, no termination or other action may be taken.

### ***Land Use***

Pursuant to the Subsoil Law, provision of the land plots for execution of jobs, related to geological survey and other subsoil use, is done in accordance with the procedure, stipulated by the Russian Federation legislation, after the design of the abovementioned jobs has been approved.

In accordance with the Land Code and Forest Code of the Russian Federation, land plots are registered in the following manner:

Land plots located on agricultural lands are provided for development of mineral deposits after the mining allotment has been registered, soil reclamation design has been approved and earlier exhausted soils have been restored.

Land plots for geological study of subsoil resources and development of mineral deposits, being in state or municipal property, are provided for leasing by governmental or local regulatory bodies within the frame of their authority.

### ***Mining Allotment***

Pursuant to the Subsoil Law, a subsoil area is provided to a subsoil user as a "mining allotment," i.e., a geometric block of subsoil. Preliminary mining allotment boundaries are determined at the time the license is issued. Final mining allotment boundaries are established after the technical design has been developed and positively reviewed by the state authorities, and are certified in a mining allotment act issued to the license holder.

Currently, in accordance with the Provision on preparation, coordination and approval of the natural deposits development designs and other design documents for execution of jobs, related to subsoil block use, mineral resources and subsoil usage types-wise, the design documents are approved by the Committee, created by the Federal agency on subsoil use, including representatives of the Ministry of Natural Resources and Ecology of

the Russian Federation, the Federal Agency on subsoil use, the Federal Service for Supervision in the Sphere of Natural Resource Use, the Federal Service for Ecological, Technological and Atomic Supervision.

The license holder may commence production operations within the license area only after the final mining allotment boundaries have been determined and a mining allotment act has been received.

### ***Operational Licenses***

Certain activities associated with subsoil field development require licensees to obtain additional licenses and/or authorizations if the licensee carries out those activities independently. Such activities include those that are inherent to the production, such as operation of equipment working under pressure of more than 0.07 MPa or water heating temperature of more than 115 degrees C, storage, transportation, processing and sale of hydrocarbons, construction of pipelines, wells and other facilities, storage and utilization of waste, water production, etc. These types of activity may also include, inter alia, the operation of fire-hazardous facilities and assembly and maintenance of fire-prevention devices. Most operational licenses are issued by Rostekhnadzor for a maximum term of five years. In order to receive the license, the applicant must provide evidence that it meets the license and/or authorization requirements, which may include, inter alia, demonstrating availability of qualified personnel and equipment required for operations and the ability to take adequate environmental, health and safety measures. In addition, all equipment used at the oil and gas extracting facilities must be certified by Rostekhnadzor for such use.

### ***Environmental Permits***

Russian environmental legislation establishes a regime of “payment for negative environment impact” (ecological payments) administered by Rosprirodnadzor, which issues permits for emission of pollutants into the atmosphere, permits for discharge of pollutants into the water pools, wastes discharge limits. Payment standards are set for pollution under the permitted discharge and emission limits and for pollution in excess of such limits. Apart from the obligatory ecological payments, there are also fines for certain other violations of environmental regulations. The environmental protection legislation also contains an obligation to make compensatory payments into the federal and/or local budgets for all environmental losses caused by pollution.

Subsoil licenses generally require certain environmental commitments. The process of license blocks development is accompanied by periodic audits of compliance with requirements of the environmental protection legislation carried out by the supervisory authorities. While in the past these evaluations generally have not resulted in substantial limitations on natural resource exploration and development activities, they are expected to become increasingly strict in the future.

### ***Native Title Issues***

Russian law provides for certain protections to the indigenous people of the Russian Far North, Siberia and the Far East, which may create additional obligations for a subsoil user carrying out activities within those indigenous people's territories.

### ***Crude Oil and Oil products Transportation***

Transneft and Transnefteproduct, the state-controlled monopolies, control the trunk pipelines for the transportation of crude oil and oil products in Russia, respectively. The Ministry of Energy allocates Transneft pipeline network and sea terminal capacity to oil producers for export deliveries on a quarterly basis, generally in proportion to the volume of crude oil that such producers declare they will deliver in the upcoming quarter, the volume of crude oil that such producers delivered to the Transneft pipeline system in the previous quarter, and Transneft's overall capacity. Once the access rights are allocated, oil producers generally cannot increase their allotted capacity in the export pipeline system, although they have limited flexibility in altering delivery routes. Oil producers are generally allowed to assign their access rights to others.

Transneft has very limited ability to transport individual batches of crude oil, which results in the blending of crude oil of differing qualities. Transneft does not currently operate a "quality bank" system. Under a quality bank system, oil companies that supply lower-quality (heavy and sour) crude oil to the system pay more for the use of pipelines than those who supply higher-quality crude oil. (Alternatively, suppliers of lower-quality crude oil might directly compensate suppliers of higher quality crude oil for the deterioration in crude quality due to blending.) Although Transneft and the Russian Government are currently discussing the introduction of a

quality bank for the Transneft system, such proposals generally meet with aggressive resistance from producers with lower-quality reserves, as well as regional authorities where such reserves are located.

Deliveries through Transnefteproduct are based on the applications of oil companies in proportion to the Transnefteproduct pipeline capacity. The FST sets the tariffs for the use of Transneft and Transnefteproduct pipelines.

### **Production Sharing Agreements**

The Subsoil Law provides for the possibility of utilizing production sharing agreements ("PSAs"). PSAs are commercial arrangements between the Russian Federation and investors relating to the sharing of production of oil and other mineral resources. Under the PSA Law, in exchange for relief from most types of taxes (except profits taxes), an investor agrees to give the Russian government a share of the oil that it produces, generally after the investor has recovered its development costs. The PSA Law governs petroleum operations carried out pursuant to PSAs and establishes the principal legal framework for state regulation of PSAs relating to oil and gas field development and production. Under the PSA Law, the Russian Federation is represented (in its relations with investors under PSAs) by the government or the state bodies authorized by it. The PSA Law contains stabilization rules purporting to protect investors against adverse changes in federal and regional laws and regulations, including certain uncertainties in tax laws and regulations.

The PSA Law provides that operations conducted under a PSA pursuant to the PSA Law will be governed by the PSA itself and will not be affected by contrary provisions of any other laws, including the Subsoil Law. Practically, the special legal regime for PSAs have been abolished, except for certain "exceptional cases" (i.e., the existing PSAs projects and certain new offshore shelf projects). PSAs entered into by the Russian Federation prior to the enactment of the PSA Law (including Sakhalin-1) are "grandfathered" so that their provisions will be effective even if they are inconsistent with the PSA Law and certain other Russian laws. The Company currently participates in one PSA in Russia, which is the Sakhalin-1 project.

### **Continental Shelf and the Exclusive Economic Zone**

Offshore hydrocarbon operations in areas on the continental shelf (generally within a 200 nautical mile limit) are separately governed by the Continental Shelf Law. Activities that take place on the continental shelf of the Russian Federation, including the drilling and laying of pipelines and the operation of oil and gas extraction facilities, fall under the jurisdiction of not only the agencies operating within the auspices of the Ministry of Natural Resources, but also several other governmental entities, including the Federal Security Service, governmental technical oversight agency Federal Service for Ecological, Technological and Nuclear Supervision, and the Federal Fishery Agency. Our activities governed by the Continental Shelf Law include both exploration and development activities at Sakhalin-1.

The "exclusive economic zone" of the Russian Federation is the marine area located from Russia's 12-mile territorial sea limit up to 200 nautical miles from the low water line (or as otherwise provided by international law or treaty), including all islands located within this area. Oil and gas exploration and extraction activities that are carried out within this area are governed by EEZ Law, in addition to the Subsoil Law, the Continental Shelf Law, the PSA Law (if applicable) and any international treaties to which the Russian Federation is a party.

The EEZ Law focuses on protecting and monitoring the natural resources of the exclusive economic zone, including fish, sea mammals, mollusks and crustaceans, as well as minerals and tides. The EEZ Law establishes a framework of protective measures with respect to dumping, accidents at sea, and protection and conservation of ice-bound and other specially designated areas. Users of resources in the exclusive economic zone must pay fees to the federal budget for such use.

## HISTORY AND CERTAIN CORPORATE MATTERS

To further the development of oil and natural gas exploration and mining in India, the Ministry of Natural Resources and Scientific Research, GoI set up the ‘Oil and Natural Gas Commission’ in 1956 (“**Commission**”). In October 1959, the Commission was converted into a statutory body pursuant to the Oil and Natural Gas Commission Act, 1959 (now repealed). The main functions of the Commission were to plan, promote, organize and implement programmes for development of petroleum resources and the production and sale of petroleum and petroleum products produced by it, and to perform such other functions as the Central Government may, from time to time, assign to it.

Our Company was incorporated under the Companies Act on June 23, 1993 as Oil and Natural Gas Corporation Limited and was granted the certificate of commencement of business on August 10, 1993. Pursuant to the Oil and Natural Gas Commission Act (Transfer of Undertaking and Repeal) Act, 1993, the undertakings of the Commission together with all its assets, movable and immovable properties, contracts, licenses and privileges along with all liabilities and obligations of the Commission in relation to its undertakings stood vested in our Company and were transferred to our Company on February 1, 1994.

### Change in our Registered Office

Our registered office is located at Tower II, Jeevan Bharati Building, 124 Indira Chowk, New Delhi 110 001. There has been no change in the registered office of our Company since its incorporation.

### Major events

The following table illustrates the major events in the history of our Company.

| Calendar year | Key events, milestones and achievements                                                          |
|---------------|--------------------------------------------------------------------------------------------------|
| 1993          | Our Company was incorporated as ‘Oil and Natural Gas Corporation Limited’.                       |
| 1994          | The undertakings of the Commission were transferred to our Company.                              |
| 1995          | The Equity Shares were listed on the BSE and the NSE.                                            |
| 1997          | Our Company was granted the ‘Navratna’ status.                                                   |
| 2003          | Our Company acquired Mangalore Refinery and Petrochemicals Limited, our Subsidiary.              |
| 2004          | Our Promoter disinvested 142,179,154 of its equity shares in the Company through a public offer. |
| 2010          | Our Company was granted the ‘Maharatna’ status.                                                  |

### Certifications, awards and recognitions

Our Company has received certifications, awards and recognitions for achieving and maintaining high standards in various aspects of our business. Set forth below is a description of some of the certifications, awards and recognitions received by our Company in the last three fiscal years.

| Year            | Certification/ Award/ Recognition                                                                                                                                                                                            |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Global</b>   |                                                                                                                                                                                                                              |
| 2009            | Awarded the Golden Peacock Award for occupational health and safety.                                                                                                                                                         |
| 2010            | Ranked 1 <sup>st</sup> among oil and gas exploration and production companies in the world and 18 <sup>th</sup> among leading global energy majors as per ‘Platts 250 Global Energy Company’ list.                           |
| 2010            | Awarded 1 <sup>st</sup> runners up for ‘Best Presented Accounts and Corporate Governance Disclosure Awards 2009’ by South Asian Federation of Accountants, an apex body of South Asian Association for Regional Cooperation. |
| 2010            | Selected as the ‘Natural Gas STAR Program’s International Partner of the Year’ by the United States Environmental Protection Agency.                                                                                         |
| 2010            | Awarded the Golden Peacock Award for climate security.                                                                                                                                                                       |
| <b>National</b> |                                                                                                                                                                                                                              |
| 2010            | Awarded the gold trophy for ‘SCOPE Meritorious Award for ‘Research & Development, Technology Development & Innovation’ for 2008-09.                                                                                          |
| 2010            | Awarded the 2 <sup>nd</sup> ‘PSU Awards’ for highest market capitalization by ‘Dalal Street Investment Journal PSU’ awards.                                                                                                  |
| 2010            | Awarded the ‘BML Munjal Award’ for excellence in learning and development in                                                                                                                                                 |



| Year | Certification/ Award/ Recognition                                                                                                                                                                                       |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2011 | public sector category.<br>Awarded the “Leading Oil and Gas Corporate of the Year” and “Exploration and Production Company of the Year” in the Petroleum Federation of India’s Annual Oil and Gas Industry Awards 2010. |

### Our main objects

Our main objects as contained in our Memorandum of Association are:

| Clause | Particulars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | To acquire the whole or any part of the undertaking, business, the assets/liabilities, rights, obligations, powers, goodwill, privileges; functions and associated establishment and personnel of whatever nature of the Oil and Natural Gas Commission (established under the Oil and Natural Gas Commission Act {No. 43 of 1959}) and for that purpose to enter into and carry into effect such agreements/ contracts/ arrangements as may become necessary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 2      | To plan, promote, organise and implement programmes for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and for all matters connected therewith.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 3      | To plan, promote, organise, exploit and implement programmes for the efficient development of petroleum and petroleum products and alternate resources of energy and the production, distribution, conservation and sale of petroleum and other products/ services produced by it and for all the matters connected therewith.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4      | To carry out exploration and to develop and optimise production of hydrocarbons and to maximise the contribution to the economy of the country. To carry out geological, geophysical or any other kind of surveys for exploration of petroleum resources; to carry out drillings and other prospecting operations; to probe and estimate the reserves of petroleum resources; to undertake, encourage and promote such other activities as may lead to the establishment of such reserves including geological, chemical, scientific and other investigations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 5      | To search for, purchase, take on lease or licence, obtain concessions over or otherwise acquire, any estate or interest in, develop the resources of, work, dispose of, or otherwise turn to account, land or sea or any other place in the whole of India or in any other part of the world containing, or thought likely to contain, petroleum, petroleum resource or alternate source of energy or other oils in any form, asphalt, bitumen or similar substances or natural gas, chemicals or any substances used, or which is thought likely to be useful for any purpose for which petroleum or other oils in any form, asphalt, bitumen or similar substances, or natural gas is, or could be used and to that end to organise, equip and employ expeditions, commissions, experts and other agents and to sink wells, to make borings and otherwise to search for, obtain, exploit, develop, render suitable for trade, petroleum, other mineral oils, natural gas, asphalt, or other similar substances or products thereof. |
| 6      | To undertake, assist, encourage or swap or promote the production of petroleum resources and to carry on in all their respective branches all or any of the business of producing, treating (including redefining of crude oil), storing, transportation, importing, exporting, swapping and generally dealing in, or with, petroleum and other crude oils, asphalt, bitumen, natural gas, refinery gases, liquefied petroleum gas, and all other kinds of petroleum products, chemicals and any such substances aforesaid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 7      | To carry on in all their respective branches the marketing and distribution of all kinds of petroleum products and to purchase or otherwise acquire, manufacture, refine, treat, reduce, distill, blend, purify and pump, store, hold, transport, use, experiment with, market, distribute, exchange, supply, sell and otherwise dispose of import; export and trade and generally deal in any and all kinds of petroleum and petroleum products, oil, gas, and other volatile substances, asphalt, bitumen, bituminous substances, carbon, carbon black, hydro-carbon and mineral substances and the products or the by products which may be derived, produced, prepared, developed, compounded, made or manufactured therefrom and substances obtained by mixing or treating any of the foregoing with other substances.                                                                                                                                                                                                           |
| 8      | To carry on all or any of the businesses of the sale and purchase of petroleum and other crude oils, asphalt, bitumen, natural gas, liquefied petroleum gas, chemicals and all kinds of petroleum products and to treat and turn to account in any manner whatsoever any petroleum and other crude oils, asphalt, bitumen, natural gas, liquefied petroleum gas, and all kinds of petroleum products,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Clause | Particulars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        | chemicals, and any such substances as aforesaid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 9(a)   | To establish, provide, maintain and perform scientific, technical, engineering, project management consulting/contracting services including but without limiting to technical studies, design, construction, maintenance and repair of all kinds of works and buildings, procurement, inspection, expediting, management of construction and related services for petroleum reservoir, storage and transportation of oil, gas and other minerals by pipeline in or otherwise, seismic data acquisition, interpretation logging, drilling, cementing, other oil field related equipment. |
| 9(b)   | To promote, organise or carry on the business of consultancy services in any field of activity in which the Company is engaged in or connected therewith.                                                                                                                                                                                                                                                                                                                                                                                                                                |

### Changes in our Memorandum of Association

Except as stated below, our Memorandum of Association has not undergone any change since the incorporation of our Company.

| Date of Amendment | Details of Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 28, 2011  | The capital clause of our Memorandum of Association was changed from “The authorised share capital of the Company is ₹ 15000,00,00,000 (₹ fifteen thousand crores) divided into 1500,00,00,000 (One thousand five hundred crores) equity shares of ₹ 10 (₹ Ten) each” to “The authorised share capital of the Company is ₹ 15000,00,00,000 (₹ fifteen thousand crores) divided into 3000,00,00,000 (Three thousand crores) equity shares of ₹ 5 (₹ Five) each” |

### Listing

The Equity Shares were listed on the BSE and the NSE pursuant to the relaxation under Rule 19(2)(b) of the SCRR, granted by the Stock Exchange Section, Department of Economic Affairs, Ministry of Finance, GoI vide its letter dated February 6, 1992. This exemption was also conveyed and granted to all public sector enterprises vide the guidelines (No. DPE/12(4)/91-Fin) dated February 7, 1992, issued by the Department of Public Enterprises, Ministry of Industry, GoI. The BSE and the NSE granted the listing approvals on July 29, 1995 and July 20, 1995, respectively.

As on August 26, 2011, the total number of holders of our Equity Shares are 538,007.

### Holding company

Our Company does not have a holding company.

### Other details regarding our Company

*Details regarding the description of the activities, products, market of each segment, the growth of the our Company, profits due to foreign operations together with the country-wise analysis, the standing of our Company with reference to the prominent competitors with reference to its products, management, major suppliers and customers, environmental issues, segment, capacity/facility creation, location of plant, products, marketing and competition*

Please see “Our Business” on page 142 and “Our Management” on page 238.

*Injunction or restraining order, if any, with possible implications*

Our Company is not operating under any injunction or restraining order.

*Details regarding acquisition of business/undertakings, mergers, amalgamation, revaluation of assets, if any*

Our Company has neither acquired any entity, business or undertakings nor undertaken any mergers, amalgamation and revaluation of assets in the last fiscal year.

*Capital raising activities through equity and debt*

Apart from the issuances of 6,639,300 equity shares of our Company of ₹ 10 each and 600 equity shares of our Company of ₹ 10 each on December 23, 1994 and May 29, 1995, respectively, to the then existing employees of our Company, our Company has not raised capital through equity.

For details of our Company's debt facilities as on June 30, 2011, please see "Financial Indebtedness" on page 456.

#### *Changes in the activities of the Company during the last five years*

There have been no changes in the activities of the Company during the last five years which may have had a material effect on the profits and loss account of our Company including discontinuance of lines of business, loss of agencies or markets and similar factors.

#### *Defaults or rescheduling of borrowings with financial institutions/ banks and conversion of loans into equity*

There have been no defaults or rescheduling with financial institutions or banks. Further, none of our loans have been converted into Equity Shares.

#### *Lock outs and strikes*

The Oil Sector Officers Association, an organization of many of the officers of the public sector oil and gas companies, went on a strike from January 7, 2009 with regard to wage hike. The strike was called off on the evening of January 9, 2009. The strike resulted in disruptions of normal operations of our Company.

#### *Time and cost overruns*

Our Company submits a periodical report to 'Ministry Monitoring Cell, MoPNG on time and cost overruns with regard to major ongoing projects of our Company costing more than ₹ 1,000 million. The monthly progress report for July 2011, submitted to the Ministry Monitoring Cell, MoPNG is as follows:

| Sl. no.                  | Name of projects costing more than ₹ 1,000 million                                   | Cost overrun (in ₹ million) | Time overrun (in months) |
|--------------------------|--------------------------------------------------------------------------------------|-----------------------------|--------------------------|
| <b>Onshore projects</b>  |                                                                                      |                             |                          |
| 1                        | 'Improved Oil Recovery', Rudrasagar, Assam- Arakan basin                             | 2,196.30                    | 48                       |
| 2                        | 'Improved Oil Recovery', Geleki, Assam- Arakan basin                                 | 8,932.10                    | 72                       |
| 3                        | 'Improved Oil Recovery', Lakwa-Lakhmani, Assam- Arakan basin                         | 2,343.10                    | 48                       |
| 4                        | 'C2-C3' projects and liquefied petroleum gas recovery project, Dahez, Gujarat        | 751.6                       | 26                       |
| 5                        | Liquefied petroleum gas processing project, Rajahmundry, Andhra Pradesh              | 186.20                      | 23                       |
| <b>Offshore projects</b> |                                                                                      |                             |                          |
| 6                        | Integrated development of 'G-1' and 'GS-15' fields, near the coast of Andhra Pradesh | 9,550.80                    | 73                       |
| 8                        | Development of C series fields                                                       | -                           | 35                       |
| 9                        | Heera and South Heera redevelopment                                                  | -                           | 16                       |
| 10                       | Development of B-22 cluster fields                                                   | 5,974.20                    | 18                       |
| 11                       | Construction of new Mumbai High North process complex                                | 34,731.10                   | 24                       |
| 12                       | Offshore grid interconnectivity and installation of electrical submersible pumps     | -                           | 24                       |
| 14                       | Development of B-46 cluster fields                                                   | 207.50                      | 22                       |
| 15                       | Development of B-193 cluster fields                                                  | 23,846.60                   | 22                       |
| 16                       | Mumbai High South redevelopment, phase II                                            | 31,003.40                   | 34                       |
| 18                       | Additional gas processing facility, Hazira                                           | -                           | 15                       |
| 19                       | 'MNW-NF' platform bridge project                                                     | -                           | 35                       |
| 20                       | Revamping of 'WIN' platform                                                          | 5,041.4                     | 24                       |
| 21                       | Heera reconstruction                                                                 | 2,316.80                    | 20                       |
| 22                       | Development of north Tapti gas field                                                 | 1,660.60                    | 12                       |
| 23                       | Additional gas processing units, Uran                                                | -                           | 13                       |
| 24                       | Neelam Reconstruction                                                                | -                           | 8                        |

## Subsidiaries of our Company

1. ONGC Videsh Limited
2. Mangalore Refinery and Petrochemicals Limited
3. Biancus Holdings Limited
4. Carabobo One AB
5. Freshspring Investments Limited
6. Imperial Energy Corporation Plc
7. Imperial Energy (Cyprus) Limited
8. Imperial Energy Gas Limited
9. Imperial Energy Limited
10. Imperial Energy Nord Limited
11. Imperial Energy Tomsk Limited
12. Imperial Frac Services (Cyprus) Limited
13. Jarpeno Limited
14. Nefsilius Holdings Limited
15. ONGC Amazon Alaknanda Limited
16. ONGC Campos Ltda.
17. ONGC Caspian E&P B.V.
18. ONGC Do Brasil Exploracao Petrolifera Ltda.
19. ONGC Narmada Limited
20. ONGC Nile Ganga (Cyprus) Ltd.
21. ONGC Nile Ganga (San Cristobal) B.V.
22. ONGC Nile Ganga B.V.
23. ONGC Satpayev E&P B.V.
24. OOO Allianceneftgaz
25. OOO Imperial Energy Tomsk Gas
26. OOO Imperial Trans Service
27. OOO Nord Imperial
28. OOO Rus Imperial Group
29. OOO Sibinterneft
30. OOO Stratum
31. Petro Carabobo Ganga B.V.
32. Redcliffe Holdings Limited
33. RK Imperial Energy Kostanai Limited
34. San Agio Investments Limited

### *Our Indian Subsidiaries*

#### **1. ONGC Videsh Limited (“OVL”)**

OVL was incorporated on March 5, 1965 under the Companies Act as Hydrocarbons India Private Limited. The name of OVL was subsequently changed to its present name ‘ONGC Videsh Limited’ and a fresh certificate of incorporation was granted on June 15, 1989. OVL has its registered office at 601, “Kailash”, 26, Kasturba Gandhi Marg, New Delhi 110 001. OVL is authorised to engage in the business of, *inter alia*, searching, purchasing or taking on lease resources or lands containing petroleum, natural gas or similar substances in and outside India.

The authorised share capital of OVL is ₹ 10,000 million divided into 100,000,000 equity shares of ₹ 100 each. The issued, subscribed and paid-up share capital of OVL is ₹ 10,000 million consisting of 100,000,000 equity shares of ₹ 100 each.

The shareholding pattern of OVL, as on June 30, 2011, is as follows:

| Name of shareholder                                      | No. of equity shares of ₹ 100 each | % of issued capital |
|----------------------------------------------------------|------------------------------------|---------------------|
| Oil and Natural Gas Corporation Limited and its nominees | 100,000,000                        | 100                 |
| <b>Total</b>                                             | <b>100,000,000</b>                 | <b>100.00</b>       |

## 2. Mangalore Refinery and Petrochemicals Limited (“MRPL”)

MRPL was incorporated on March 7, 1988 under the Companies Act and has its registered office at Mudapadav, Kuthethoor, P.O. via Katiapalla, Mangalore 575 030. MRPL is authorised to engage in the business of, *inter alia*, purchasing or acquiring crude oil and manufacturing, importing or exporting of petrochemical products and all kinds of petroleum or petroleum products, except marketing of such formula petroleum products as are governed by the administered price scheme of the GoI.

The authorised share capital of MRPL is ₹ 20,000 million divided into 1,900,000,000 equity shares of ₹ 10 each and 100,000,000 preference shares of ₹ 10 each. The issued, subscribed and paid-up share capital of MRPL is approximately ₹ 17,617.85 million consisting of 1,752,598,777 equity shares of ₹ 10 each and 9,186,242 preference shares of ₹ 10 each.

The equity shares of MRPL are listed on NSE and BSE. The shareholding pattern of the equity shares of MRPL, as on June 30, 2011 (as reported on the BSE website) is as follows:

| Serial no.                                             | Category of shareholders                                               | Number of shareholders | Total number of shares | Number of shares held in dematerialised form | Total shareholding as a percentage of total number of shares |                       | Shares pledged or otherwise encumbered |                      |
|--------------------------------------------------------|------------------------------------------------------------------------|------------------------|------------------------|----------------------------------------------|--------------------------------------------------------------|-----------------------|----------------------------------------|----------------------|
|                                                        |                                                                        |                        |                        |                                              | As a percentage of A+B                                       | As a percentage A+B+C | Number of shares                       | As a percentage      |
| (I)                                                    | (II)                                                                   | (III)                  | (IV)                   | (V)                                          | (VI)                                                         | (VII)                 | (VIII)                                 | (IX)=(VIII)/(IV)*100 |
| <b>(A) Shareholding of promoter and promoter group</b> |                                                                        |                        |                        |                                              |                                                              |                       |                                        |                      |
| <b>(1) Indian</b>                                      |                                                                        |                        |                        |                                              |                                                              |                       |                                        |                      |
| A                                                      | Individuals/Hindu undivided family                                     | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| B                                                      | Central Government/State Government                                    | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| C                                                      | Bodies Corporate                                                       | 2                      | 1,552,507,615          | 1,255,354,097                                | 88.58                                                        | 88.58                 | -                                      | -                    |
| D                                                      | Financial Institutions/Banks                                           | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| E                                                      | Any Other (specify)                                                    | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
|                                                        | <b>Sub-Total (A) (1)</b>                                               | <b>2</b>               | <b>1,552,507,615</b>   | <b>1,255,354,097</b>                         | <b>88.58</b>                                                 | <b>88.58</b>          | -                                      | -                    |
| <b>(2) Foreign</b>                                     |                                                                        |                        |                        |                                              |                                                              |                       |                                        |                      |
| A                                                      | Individuals(Non-Resident Individuals)                                  | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| B                                                      | Bodies Corporate i.e. OCBs                                             | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| C                                                      | Institutions                                                           | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| D                                                      | Any Other (specify)                                                    | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
|                                                        | <b>Sub-Total (A) (2)</b>                                               | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
|                                                        | <b>Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)</b> | <b>2</b>               | <b>1,552,507,615</b>   | <b>1,255,354,097</b>                         | <b>88.58</b>                                                 | <b>88.58</b>          | -                                      | -                    |
| <b>(B) Public Shareholding</b>                         |                                                                        |                        |                        |                                              |                                                              |                       |                                        |                      |
| <b>(1) Institutions</b>                                |                                                                        |                        |                        |                                              |                                                              |                       |                                        |                      |
| A                                                      | Mutual Funds/UTI                                                       | 41                     | 3,781,970              | 3,633,512                                    | 0.22                                                         | 0.22                  | -                                      | -                    |
| B                                                      | Financial Institutions/Banks                                           | 53                     | 33,591,633             | 33,544,283                                   | 1.92                                                         | 1.92                  | -                                      | -                    |
| C                                                      | Central Government/State Government(s)                                 | 3                      | 2,700                  | 2,700                                        | -                                                            | -                     | -                                      | -                    |
| D                                                      | Venture Capital Fund                                                   | -                      | -                      | -                                            | -                                                            | -                     | -                                      | -                    |
| E                                                      | Insurance Companies                                                    | 3                      | 640,565                | 640,565                                      | 0.04                                                         | 0.04                  | -                                      | -                    |

| Serial no.  | Category of shareholders                                                              | Number of shareholders | Total number of shares | Number of shares held in dematerialised form | Total shareholding as a percentage of total number of shares |               | Shares pledged or otherwise encumbered |   |
|-------------|---------------------------------------------------------------------------------------|------------------------|------------------------|----------------------------------------------|--------------------------------------------------------------|---------------|----------------------------------------|---|
| F           | Foreign Institutional Investors                                                       | 54                     | 25,535,878             | 25,535,778                                   | 1.46                                                         | 1.46          | -                                      | - |
| G           | Foreign Venture Capital Investors                                                     | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
| H           | Any Other (specify)                                                                   | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | <b>Sub-Total (B) (1)</b>                                                              | <b>154</b>             | <b>63,552,746</b>      | <b>63,356,838</b>                            | <b>3.63</b>                                                  | <b>3.63</b>   | -                                      | - |
| <b>(2)</b>  | <b>Non-Institutions</b>                                                               |                        |                        |                                              |                                                              |               |                                        |   |
| A           | Bodies Corporate                                                                      | 2,544                  | 9,313,201              | 9,172,449                                    | 0.53                                                         | 0.53          | -                                      | - |
| B           | Individuals                                                                           |                        |                        |                                              |                                                              |               |                                        |   |
| I           | Individual Shareholders holding nominal Share Capital value up to ₹ 1,00,000          | 528,296                | 121,511,925            | 75,810,848                                   | 6.93                                                         | 6.93          | -                                      | - |
| Ii          | Individual Shareholders holding nominal Share Capital value in excess of ₹ 1,00,000   | 231                    | 5,694,435              | 5,671,535                                    | 0.32                                                         | 0.32          | -                                      | - |
| C           | <b>Any Other (specify)</b>                                                            |                        |                        |                                              |                                                              |               |                                        |   |
|             | Clearing member                                                                       | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | NRI's                                                                                 | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | Trusts and Foundations                                                                | 25                     | 18,855                 | 17,730                                       | 0.00                                                         | 0.00          | -                                      | - |
|             | Any other                                                                             | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | <b>Sub-Total (B) (2)</b>                                                              | <b>531,096</b>         | <b>136,538,416</b>     | <b>90,672,562</b>                            | <b>7.79</b>                                                  | <b>7.79</b>   | -                                      | - |
|             | <b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>                                   | <b>531,250</b>         | <b>200,091,162</b>     | <b>154,029,400</b>                           | <b>11.42</b>                                                 | <b>11.42</b>  | -                                      | - |
|             | <b>Total (A)+(B)</b>                                                                  | <b>531,252</b>         | <b>1,752,598,777</b>   | <b>1,409,383,497</b>                         | <b>100.00</b>                                                | <b>100.00</b> | -                                      | - |
| <b>(C )</b> | <b>Share held by Custodian and against which Depository Receipts have been issued</b> |                        |                        |                                              |                                                              |               |                                        |   |
| C1          | Promoter and promoter group                                                           | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
| C2          | Public                                                                                | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | <b>Total C= C1 + C2</b>                                                               | -                      | -                      | -                                            | -                                                            | -             | -                                      | - |
|             | <b>Grand Total (A)+(B)+(C )</b>                                                       | <b>531,252</b>         | <b>1,752,598,777</b>   | <b>1,409,383,497</b>                         | <b>100.00</b>                                                | <b>100.00</b> | -                                      | - |

MRPL has not been in compliance with clause 49 of the equity listing agreement. For details, see “Risk Factors-*MRPL, our Subsidiary is currently not in compliance with Clause 49 of the equity listing agreement*” on page 46.

#### *Our foreign Subsidiaries*

##### **1. Biancus Holdings Limited (“BHL”)**

BHL was incorporated on April 5, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. BHL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of BHL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of BHL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of BHL, as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of EURO 1.71 each | % of issued capital |
|---------------------|----------------------------------------|---------------------|
| Jarpeno Limited     | 1,000                                  | 100.00              |

| Name of shareholder | No. of equity shares of<br>EURO 1.71 each | % of issued capital |
|---------------------|-------------------------------------------|---------------------|
| <b>Total</b>        | <b>1,000</b>                              | <b>100.00</b>       |

## 2. Carbobob One AB (“CoAB”)

CoAB was incorporated on February 5, 2010 under the laws of Sweden and has its registered office at Kungsgatan 55, 5 tr, hoger, S-11122 Stockholm, Sweden. CoAB is primarily engaged in the business of owning of shares as authorised by its articles of association.

The authorised share capital of CoAB is not less than SEK 100,000 and not more than SEK 400,000 divided into not less than 1,000 shares and not more than 4,000 shares of SEK 100 each. The issued, subscribed and paid-up share capital of CoAB is SEK 100,000 divided into 1,000 shares of SEK 100 each.

The shareholding pattern of CoAB, as on June 30, 2011, is as follows:

| Name of shareholder | No. of shares of SEK<br>100 each | % of issued capital |
|---------------------|----------------------------------|---------------------|
| ONGC Videsh Limited | 1,000                            | 100                 |
| <b>Total</b>        | <b>1,000</b>                     | <b>100.00</b>       |

## 3. Freshspring Investments Limited (“FIL”)

FIL was incorporated on September 5, 2005 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. FIL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of FIL is EUR 17,100 divided into 10,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of FIL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of FIL, as on June 30, 2011, is as follows:

| Name of shareholder          | No. of equity shares of<br>EUR 1.71 each | % of issued capital |
|------------------------------|------------------------------------------|---------------------|
| San-Agio Investments Limited | 1                                        | 0.10                |
| Jarpeno Limited              | 999                                      | 99.90               |
| <b>Total</b>                 | <b>1,000</b>                             | <b>100.00</b>       |

## 4. Imperial Energy (Cyprus) Limited (“IECL”)

IECL was incorporated on May 27, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. IECL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of IECL is EUR 18,810 divided into 11,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of IECL is EUR 18,810 divided into 11,000 shares of EUR 1.71 each.

The shareholding pattern of IECL, as on June 30, 2011, is as follows:

| Name of shareholder          | No. of equity shares of<br>EUR 1.71 each | % of issued capital |
|------------------------------|------------------------------------------|---------------------|
| Jarpeno Limited              | 10,999                                   | 99.99               |
| Imperial Energy Nord Limited | 1                                        | 0.01                |
| <b>Total</b>                 | <b>11,000</b>                            | <b>100.00</b>       |

## 5. Imperial Energy Corporation Plc

IECP was incorporated on February 24, 2004 under the laws of England and Wales and has its registered office at Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom. IECP is currently under liquidation.

Before being placed into liquidation on February 23, 2010, the principal activities of IECF were exploration and development of oil.

The authorised share capital of IECF is £5 million divided into 200,000,000 ordinary shares of £0.025 each. The issued, subscribed and paid-up share capital of IECF is approximately £2.62 million consisting of 104,607,145 ordinary shares of £0.025 each.

The shareholding pattern of IECF, as on June 30, 2011, is as follows:

| Name of shareholder | No. of ordinary shares of £0.025 each | % of issued capital |
|---------------------|---------------------------------------|---------------------|
| Jarpeno Limited     | 104,607,145                           | 100.00              |
| <b>Total</b>        | <b>104,607,145</b>                    | <b>100.00</b>       |

#### 6. Imperial Energy Gas Limited (“IEGL”)

IEGL was incorporated on September 5, 2007 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. IEGL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of IEGL is EUR 15,000 divided into 15,000 shares of EUR 1 each. The issued, subscribed and paid-up share capital of IEGL is EUR 2,000 divided into 2,000 shares of EUR 1 each.

The shareholding pattern of IEGL as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of EUR 1 each | % of issued capital |
|---------------------|------------------------------------|---------------------|
| Jarpeno Limited     | 2,000                              | 100.00              |
| <b>Total</b>        | <b>2,000</b>                       | <b>100.00</b>       |

#### 7. Imperial Energy Limited (“IEL”)

IEL was incorporated on July 22, 2002 under the laws of England and Wales and has its registered office at Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom. IEL is currently under liquidation. Before being placed into liquidation on February 23, 2010, the principal activities of IEL were exploration and development of oil.

The authorised share capital of IEL is £100 divided into 100 ordinary shares of £1 each. The issued, subscribed and paid-up share capital of IEL is £1 consisting of 1 ordinary shares of £1 each.

The shareholding pattern of IEL as on June 30, 2011, is as follows:

| Name of shareholder             | No. of ordinary shares of £1 each | % of issued capital |
|---------------------------------|-----------------------------------|---------------------|
| Imperial Energy Corporation Plc | 1                                 | 100.00              |
| <b>Total</b>                    | <b>1</b>                          | <b>100.00</b>       |

#### 8. Imperial Energy Nord Limited (“IENL”)

IENL was incorporated on August 25, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. IENL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of IENL is EUR 18,810 divided into 11,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of IENL is EUR 18,810 divided into 11,000 shares of EUR 1.71 each.

The shareholding pattern of IENL as on June 30, 2011, is as follows:



| Name of shareholder              | No. of equity shares of<br>EUR 1.71 each | % of issued capital |
|----------------------------------|------------------------------------------|---------------------|
| Imperial Energy (Cyprus) Limited | 1                                        | 0.01                |
| Jarpeno Limited                  | 10,999                                   | 99.99               |
| <b>Total</b>                     | <b>11,000</b>                            | <b>100.00</b>       |

## 9. Imperial Energy Tomsk Limited (“IETL”)

IETL was incorporated on May 21, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. IETL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of IETL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of IETL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of IETL as on June 30, 2011, is as follows:

| Name of shareholder      | No. of equity shares of<br>EUR 1.71 each | % of issued capital |
|--------------------------|------------------------------------------|---------------------|
| Jarpeno Limited          | 850                                      | 85.00               |
| City Investments Limited | 150                                      | 15.00               |
| <b>Total</b>             | <b>1,000</b>                             | <b>100.00</b>       |

## 10. Imperial Frac Services (Cyprus) Limited (“IFCCL”)

IFCCL was incorporated on April 19, 2007 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. IFCCL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of IFCCL is EUR 17,100 divided into 10,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of IFCCL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of IFCCL as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of<br>EUR 1.71 each | % of issued capital |
|---------------------|------------------------------------------|---------------------|
| Jarpeno Limited     | 1,000                                    | 100.00              |
| <b>Total</b>        | <b>1,000</b>                             | <b>100.00</b>       |

## 11. Jarpeno Limited (“JL”)

JL was incorporated on October 15, 2007 under the laws of Cyprus and has its registered office at 4<sup>th</sup> floor, 12 Esperidon, 1087 Nicosia, Cyprus. JL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of JL is USD 193,560 divided into 1,350 ordinary shares of USD 1.00 each and 192,210 optionally convertible redeemable preference shares (“OCRPS”) of USD 1.00 each. The issued, subscribed and paid-up share capital of JL is USD 193,560 consisting of 1,350 ordinary shares and 192,210 OCRPS of USD 1.00 each.

The shareholding pattern of JL, as on June 30, 2011, is as follows:

| Name of shareholder    | No. of shares of USD 1<br>each | % of issued capital |
|------------------------|--------------------------------|---------------------|
| <i>Ordinary Shares</i> |                                |                     |
| ONGC Videsh Limited    | 1,350                          | 100.00              |
| <b>Total</b>           | <b>1,350</b>                   | <b>100.00</b>       |
| <i>OCRPS</i>           |                                |                     |
| ONGC Videsh Limited    | 192,210                        | 100.00              |

| Name of shareholder | No. of shares of USD 1 each | % of issued capital |
|---------------------|-----------------------------|---------------------|
| <b>Total</b>        | <b>192,210</b>              | <b>100.00</b>       |

## 12. Nefsilius Holdings Limited (“NHL”)

NHL was incorporated on September 27, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. NHL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of NHL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of NHL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of NHL as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of EURO 1.71 each | % of issued capital |
|---------------------|----------------------------------------|---------------------|
| Jarpeno Limited     | 1,000                                  | 100.00              |
| <b>Total</b>        | <b>1,000</b>                           | <b>100.00</b>       |

## 13. ONGC Amazon Alaknanda Limited (“OAAL”)

OAAL was incorporated on August 8, 2006 under the laws of Bermuda and has its registered office at Dorchester House, 7, Church Street, Hamilton, Bermuda. OAAL is engaged in the business of purchasing the 50.00% of the shares of Mansarovar Energy Colombia Limited incorporated in Bermuda.

The authorised share capital of OAAL is USD 500 million divided into 10,000,000 equity shares of USD 1 each and 490,000,000 preference shares of USD 1 each. The issued, subscribed and paid-up share capital of OAAL is USD 437.50 million consisting of 12,000 equity shares of USD 1 each and 437,488,000 preference shares of USD 1 each.

The shareholding pattern of OAAL, as on June 30, 2011, is as follows:

| Name of shareholder             | No. of shares of USD 1 each | % of issued capital |
|---------------------------------|-----------------------------|---------------------|
| <b>Equity share capital</b>     |                             |                     |
| ONGC Videsh Limited             | 12,000                      | 100                 |
| <b>Total</b>                    | <b>12,000</b>               | <b>100.00</b>       |
| <b>Preference share capital</b> |                             |                     |
| ONGC Videsh Limited             | 437,488,000                 | 100                 |
| <b>Total</b>                    | <b>437,488,000</b>          | <b>100.00</b>       |

## 14. ONGC Campos Ltda. (“OCL”)

OCL was incorporated on September 6, 2000 under the laws of Brazil and has its registered office at Avenida das Americas 3500, Bloco 1, Sala 518, Barra da Tijuca, Rio de Janeiro, RJ 22640102. OCL is primarily engaged in the business of development, exploration and production liquid or gas hydrocarbons, offshore and onshore in Brazil as well as trading oil, gas and its derivatives.

The authorised share capital of OCL is R\$. 353.96 million divided into 353,958,052 quotas of R\$. 1 each. The issued, subscribed and paid-up share capital of OCL is R\$. 353.96 million consisting of 353,958,052 quotas of R\$. 1 each

The shareholding pattern of OCL, as on June 30, 2011, is as follows:

| Name of quotaholder   | No. of quotas of R\$ 1 each | % of issued capital |
|-----------------------|-----------------------------|---------------------|
| ONGC Nile Ganga B.V.  | 353,958,051                 | 99.99               |
| Mr. Arun Kumar Sharma | 1                           | Negligible          |
| <b>Total</b>          | <b>353,958,052</b>          | <b>100.00</b>       |

#### 15. ONGC Caspian E&P B.V. (“OCE&P”)

OCE&P was incorporated on June 7, 2010 under the laws of Netherland and has its registered office at KingsFordweg 151 office 13.04, 1043 GR, Amsterdam, The Netherlands. OCE&P is primarily engaged in the business of exploration, production, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

The authorised share capital of OCE&P is EURO 90,000 divided into 90,000 equity shares of EURO 1 each. The issued, subscribed and paid-up share capital of OCE&P is EURO 36,000 consisting of 36,000 equity shares of EURO 1 each.

The shareholding pattern of OCE&P, as on June 30, 2011, is as follows:

| Name of shareholder  | No. of equity shares of EUR 1 each | % of issued capital |
|----------------------|------------------------------------|---------------------|
| ONGC Nile Ganga B.V. | 36,000                             | 100.00              |
| <b>Total</b>         | <b>36,000</b>                      | <b>100.00</b>       |

#### 16. ONGC Do Brasil Exploracao Petrolifera Ltda (“ODBEPL”)

ODBEPL was incorporated on November 18, 2005 under the laws of Brazil and has its registered office at Avenida Das Americas, 4200 – BLOCO 08 Sala 304 Parte Bara da Tijuca, Rio De Janero. ODBEPL is authorised to engage in the business of exploration and exploitation of accumulations of oil, natural gas and other fluid hydrocarbons.

The authorised share capital of ODBEPL is R\$ 1,000 divided into 1,000 quotas of R\$ 1 each. The issued, subscribed and paid-up share capital of ODBEPL is R\$. 1,000 consisting of 1,000 quotas of R\$.1 each.

The shareholding pattern of ODBEPL as on June 30, 2011, is as follows:

| Name of quotaolder      | No. of quotas of R\$ 1 each | % of issued capital |
|-------------------------|-----------------------------|---------------------|
| ONGC Nile Ganga B.V.    | 999                         | 99.99               |
| Mr. Ranbir Singh Butola | 1                           | 0.01                |
| <b>Total</b>            | <b>1,000</b>                | <b>100.00</b>       |

#### 17. ONGC Narmada Limited (“ONL”)

ONL was incorporated on December 7, 2005 under the laws of Nigeria and has its registered office at 13, Ologun Agbaje Street, Victoria Island, Lagos, Nigeria. ONL is primarily engaged in the business of exploration, prospecting and mining of oil, gas and other hydrocarbons.

The authorised share capital of ONL is Naira 20 million divided into 20,000,000 equity shares of Naira 1 each. The issued, subscribed and paid-up share capital of ONL is Naira 20 million consisting of 20,000,000 equity shares of Naira 1 each.

The shareholding pattern of ONL, as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of Naira 1 each | % of issued capital |
|---------------------|--------------------------------------|---------------------|
| ONGC Videsh Limited | 19,999,999                           | 99.99               |
| Mr. Sat Pal Garg    | 1                                    | <i>Negligible</i>   |
| <b>Total</b>        | <b>20,000,000</b>                    | <b>100.00</b>       |

#### 18. ONGC Nile Ganga (Cyprus) Limited (“ONGCL”)

ONGCL was incorporated on November 26, 2007 under the laws of Cyprus and has its registered office at Themistokli Dervi 3, Julia House, P.C. 1066, Nicosia, Cyprus. ONGCL is primarily engaged in the business of marine engineers to offshore or onshore drilling, exploration and production of rigs platforms pipelines and ancillary equipment and vessels and other activities related to exploration and production of hydrocarbons or oil or minerals.

The authorised share capital of ONGCL is USD 100,000 divided into 10,000,000 shares of USD 0.01 each. The issued, subscribed and paid-up share capital of ONGCL is USD 2,412.23, divided into 241,223 shares of USD 0.01 each.

The shareholding pattern of ONGCL, as on June 30, 2011, is as follows:

| Name of shareholder  | No. of shares of USD 0.01 each | % of issued capital |
|----------------------|--------------------------------|---------------------|
| ONGC Nile Ganga B.V. | 241,223                        | 100.00              |
| <b>Total</b>         | <b>241,223</b>                 | <b>100.00</b>       |

#### 19. ONGC Nile Ganga (San Cristobal) B.V. (“ONGSCB”)

ONGSCB was incorporated on February 29, 2008 under the laws of Netherland and has its registered office at KingsFordweg 151 office 13.04, 1043 GR, Amsterdam, The Netherlands. ONGSCB is primarily engaged in the business of exploration, production, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

The authorised share capital of ONGSCB is EURO 90,000 divided into 90,000 equity shares of EURO 1 each. The issued, subscribed and paid-up share capital of ONGSCB is EURO 54,000 consisting of 54,000 equity shares of EURO 1 each.

The shareholding pattern of ONGSCB as on June 30, 2011, is as follows:

| Name of shareholder  | No. of equity shares of EUR 1 each | % of issued capital |
|----------------------|------------------------------------|---------------------|
| ONGC Nile Ganga B.V. | 54,000                             | 100.00              |
| <b>Total</b>         | <b>54,000</b>                      | <b>100.00</b>       |

#### 20. ONGC Nile Ganga B.V. (“ONGB”)

ONGB was incorporated on September 29, 1995 as under the laws of Netherlands and has its registered office at Kingsfordweg 151, Regus Teleport Towers, 1043GR, Amsterdam, The Netherlands. ONGB is primarily engaged in the business of exploration, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

The authorised share capital and paid-up share capital of ONGB is EUR 130,756 and EUR 65,129.20 respectively and is as detailed below.

| Sl. no. | Class of shares | Face value (EUR) | Authorised capital (No. of shares) | Paid-up capital (No. of shares) |
|---------|-----------------|------------------|------------------------------------|---------------------------------|
| 1       | Class A         | 453.78           | 100                                | 40                              |
| 2       | Class B         | 453.78           | 100                                | 100                             |
| 3       | Class C         | 1.00             | 40,000                             | 1,600                           |

The shareholding pattern of ONGB, as on June 30, 2011, is as follows:

| Sl. No.               | Name of shareholder        | Number of shares | % of issued capital |
|-----------------------|----------------------------|------------------|---------------------|
| <i>Class A Shares</i> |                            |                  |                     |
| 1                     | ONGC Videsh Limited        | 40               | 100.00              |
|                       | <b>Total</b>               | <b>40</b>        | <b>100.00</b>       |
| <i>Class B Shares</i> |                            |                  |                     |
| 1                     | ONGC Videsh Limited        | 100              | 100.00              |
|                       | <b>Total</b>               | <b>100</b>       | <b>100.00</b>       |
| <i>Class C Shares</i> |                            |                  |                     |
| 1                     | ONGC Videsh Limited        | 880              | 55.00               |
| 2                     | ONGC Mittal Energy Limited | 720              | 45.00               |
|                       | <b>Total</b>               | <b>1,600</b>     | <b>100.00</b>       |

## 21. ONGC Satpayev E&P B.V. (“OSE&P”)

OSE&P was incorporated on June 7, 2010 under the laws of Netherland and has its registered office at KingsFordweg 151 office 13.04, 1043 GR, Amsterdam, The Netherlands. OSE&P is primarily engaged in the business of exploration, production, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

The authorised share capital of OSE&P is EURO 90,000 divided into 90,000 equity shares of EURO 1 each. The issued, subscribed and paid-up share capital of OSE&P is EURO 18,000 consisting of 18,000 equity shares of EURO 1 each.

The shareholding pattern of OSE&P, as on June 30, 2011, is as follows:

| Name of shareholder     | No. of equity shares of EURO 1 each | % of issued capital |
|-------------------------|-------------------------------------|---------------------|
| ONGC Caspian E & P B.V. | 18,000                              | 100.00              |
| <b>Total</b>            | <b>18,000</b>                       | <b>100.00</b>       |

## 22. OOO Alliancenneftegaz (“OA”)

OA was incorporated on September 18, 2001 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. OA is primarily engaged in the business of exploration and production as authorised by its charter.

The charter capital of OA is RUR 50,000 and the paid-up charter capital of OA is RUR 50,000.

The shareholding pattern of OA, as on June 30, 2011, is as follows:

| Name of participant              | Participant share in charter capital (in RUR) | % of issued charter capital |
|----------------------------------|-----------------------------------------------|-----------------------------|
| Imperial Energy (Cyprus) Limited | 50,000                                        | 100.00                      |
| <b>Total</b>                     | <b>50,000</b>                                 | <b>100.00</b>               |

## 23. OOO Imperial Energy Tomsk Gas (“OIETG”)

OIETG was incorporated on March 26, 2008 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. OIETG is primarily engaged in the business of production of petroleum gas.

The charter capital of OIETG is RUR 10,000 and the paid-up charter capital of OIETG is RUR 10,000.

The shareholding pattern of OIETG, as on June 30, 2011, is as follows:

| Name of participant                | Participant share in charter capital (in RUR) | % of issued capital |
|------------------------------------|-----------------------------------------------|---------------------|
| Imperial Energy Gas Limited        | 9,500                                         | 95.00               |
| Tomsk Regional State Property Fund | 500                                           | 5.00                |
| <b>Total</b>                       | <b>10,000</b>                                 | <b>100.00</b>       |

## 24. OOO Imperial Trans Service (“OITS”)

OITS was incorporated on July 18, 2008 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. OITS is primarily engaged in the business of transportation services.

The charter capital of OITS is RUR 100,000 and the paid-up charter capital of OITS is RUR 100,000.

The shareholding pattern of OITS, as on June 30, 2011, is as follows:

| Name of participant        | Participant share in charter capital (in RUR) | % of issued capital |
|----------------------------|-----------------------------------------------|---------------------|
| Nefsilius Holdings Limited | 99,900                                        | 99.90               |
| Jarpeno Limited            | 100                                           | 0.10                |
| <b>Total</b>               | <b>100,000</b>                                | <b>100.00</b>       |

## 25. OOO Nord Imperial (“ONI”)

ONI was incorporated on October 18, 2004 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. ONI is primarily engaged in the business of exploration and production as authorised by its charter.

The charter capital of ONI is RUR 100,000 and the paid-up charter capital of ONI is RUR 100,000.

The shareholding pattern of ONI, as on June 30, 2011, is as follows:

| Name of participant          | Participant share in charter capital (in RUR) | % of issued charter capital |
|------------------------------|-----------------------------------------------|-----------------------------|
| Imperial Energy Nord Limited | 100,000                                       | 100.00                      |
| <b>Total</b>                 | <b>100,000</b>                                | <b>100.00</b>               |

## 26. OOO Rus Imperial Group (“ORIG”)

ORIG was incorporated on December 4, 2006 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. ORIG is primarily engaged in the business of drilling and other exploration and production related services.

The charter capital of ORIG is RUR 100,000 and the paid-up charter capital of ORIG is RUR 100,000.

The shareholding pattern of ORIG, as on June 30, 2011, is as follows:

| Name of participant        | Participant share in charter capital (in RUR) | % of issued capital |
|----------------------------|-----------------------------------------------|---------------------|
| Redcliffe Holdings Limited | 100,000                                       | 100.00              |
| <b>Total</b>               | <b>100,000</b>                                | <b>100.00</b>       |

## 27. OOO Sibinterneft (“OS”)

OS was incorporated on February 14, 2003 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. OS is primarily engaged in the business of exploration and production as authorised by its charter.

The charter capital of OS is RUR 100,000 and the paid-up charter capital of OS is RUR 100,000.

The shareholding pattern of OS, as on June 30, 2011, is as follows:

| Name of participant              | Participant share in charter capital (in RUR) | % of issued capital |
|----------------------------------|-----------------------------------------------|---------------------|
| Imperial Energy Tomsk Limited    | 55,900                                        | 55.90               |
| Sheshko Lyudmila Petrovna        | 35,400                                        | 35.40               |
| Tsaregradskiy Sergey Viktorovich | 2,000                                         | 2.00                |
| Zelvenskii Yury Davidovich       | 1,800                                         | 1.80                |
| Adahovskaya Galina Nikolaevna    | 1,200                                         | 1.20                |
| Burkovsky Vladimir Grigorievich  | 800                                           | 0.80                |
| Zelvenskii Alexander Davidovich  | 800                                           | 0.80                |
| Efimova Elena Viktorovna         | 800                                           | 0.80                |
| Keondzhyan Vitaly Pavlovich      | 500                                           | 0.50                |
| Pavlov Oleg Germanovich          | 400                                           | 0.40                |

| Name of participant            | Participant share in charter capital (in RUR) | % of issued capital |
|--------------------------------|-----------------------------------------------|---------------------|
| Zheltyakov Sergei Mikhailovich | 400                                           | 0.40                |
| <b>Total</b>                   | <b>100,000</b>                                | <b>100.00</b>       |

## 28. OOO Stratum (“OSt”)

OSt was incorporated on April 26, 2006 under the laws of Russia and has its registered office at 51a, bld. 15, prospect Kirova, Tomsk, 634041, Russia. OSt is primarily engaged in the business of exploration and production activities as authorised by its charter.

The charter capital of OSt is RUR 100,000 and the paid-up charter capital of OSt is RUR 100,000.

The shareholding pattern of OSt, as on June 30, 2011, is as follows:

| Name of participant        | Participant share in charter capital (in RUR) | % of issued capital |
|----------------------------|-----------------------------------------------|---------------------|
| Nefsilius Holdings Limited | 99,900                                        | 99.90               |
| Jarpeno Limited            | 100                                           | 0.10                |
| <b>Total</b>               | <b>100,000</b>                                | <b>100.00</b>       |

## 29. Petro Carabobo Ganga B.V. (“PCG”)

PCG was incorporated on February 26, 2010 under the laws of Netherlands and has its registered office at Kings Fordweg 151 office 13.04, 1043 GR, Amsterdam, The Netherlands. PCG is primarily engaged in the business of exploration, production, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

The authorised share capital of PCG is EURO 90,000 divided into 90,000 equity shares of EUR 1 each. The paid-up share capital of PCG is EURO 18,000 consisting of 18,000 equity shares of EUR 1 each.

The shareholding pattern of PCG, as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of EUR 1 each | % of issued capital |
|---------------------|------------------------------------|---------------------|
| Carabobo One AB     | 18,000                             | 100                 |
| <b>Total</b>        | <b>18,000</b>                      | <b>100.00</b>       |

## 30. Redcliffe Holdings Limited (“RHL”)

RHL was incorporated on March 11, 2006 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. RHL is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of RHL is EUR 17,100 divided into 10,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of RHL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of RHL, as on June 30, 2011, is as follows:

| Name of shareholder         | No. of equity shares of EUR 1.71 each | % of issued capital |
|-----------------------------|---------------------------------------|---------------------|
| Jarpeno Limited             | 999                                   | 99.90               |
| Freshspring Investments Ltd | 1                                     | 0.10                |
| <b>Total</b>                | <b>1,000</b>                          | <b>100.00</b>       |

## 31. R.K. Imperial Energy (Kostanai) Limited (“RIEKL”)

RIEKL was incorporated on June 22, 2004 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. RIEKL is primarily engaged in the business of

investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of RIEKL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of RIEKL is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of RIEKL, as on June 30, 2011, is as follows:

| Name of shareholder | No. of equity shares of EUR 1.71 each | % of issued capital |
|---------------------|---------------------------------------|---------------------|
| Jarpeno Limited     | 1,000                                 | 100.00              |
| <b>Total</b>        | <b>1,000</b>                          | <b>100.00</b>       |

### 32. San Agio Investments Limited (“SAI”)

SAI was incorporated on April 8, 2006 under the laws of Cyprus and has its registered office at 3, Chrysanthou Mylona Str., Limassol CY-3030, Cyprus. SAI is primarily engaged in the business of investment holding company, to administer any kind of investment, to carry on the business of merchants, sellers, commission agents, etc., as authorized by its memorandum of association and articles of association.

The authorised share capital of SAI is EUR 1,710 divided into 1,000 shares of EUR 1.71 each. The issued, subscribed and paid-up share capital of SAI is EUR 1,710 divided into 1,000 shares of EUR 1.71 each.

The shareholding pattern of SAI, as on June 30, 2011, is as follows:

| Name of shareholder        | No. of equity shares of EUR 1.71 each | % of issued capital |
|----------------------------|---------------------------------------|---------------------|
| Redcliffe Holdings Limited | 1,000                                 | 100.00              |
| <b>Total</b>               | <b>1,000</b>                          | <b>100.00</b>       |

### *Accumulated profits and losses of the Subsidiaries*

All of the accumulated profits or losses of the Subsidiaries have been accounted for by our Company in its consolidated financial statements in Fiscal 2011 and the quarter ended June 30, 2011.

### *Interest of the Subsidiaries in the Company*

None of our Subsidiaries hold any Equity Shares in the Company. We have entered into certain business contracts with our Subsidiaries. For details, please see “Risk Factors- *Prominent Notes to Risk Factors*” on page 54.

### *Subsidiaries under liquidation*

In order to streamline its corporate group, OVL decided to undertake solvent liquidation of certain Subsidiaries. Accordingly, the following Subsidiaries are under liquidation (“**Liquidation Subsidiaries**”).

1. Imperial Energy Corporation Plc; and
2. Imperial Energy Limited.

To facilitate the liquidations and to ensure that the operations of Imperial Frac Services (Cyprus) Limited, Freshspring Investments Limited, Redcliffe Holdings Limited, Imperial Energy Tomsk Limited, Imperial Energy (Cyprus) Limited, R.K.Imperial Energy (Kostanai) Limited, Biancus Holdings Limited, Imperial Energy Nord Limited, Imperial Energy Gas Limited, Nefsilius Holdings Limited, OOO Imperial Energy (liquidated), OOO Stratum, OOO Imperial Trans Service and Imperial Energy Finance (Jersey) Limited (liquidated) (“**Other Subsidiaries**”) are not adversely affected by the liquidations, Jarpeno Limited and Imperial Energy Corporation Plc entered into a framework agreement dated February 23, 2010 (“**Framework Agreement**”).

As per the Framework Agreement, Jarpeno Limited and Imperial Energy Corporation Plc shall procure, among other things, that prior to the Liquidation Subsidiaries entering into solvent liquidation processes, (i) the Other Subsidiaries shall be transferred from the Liquidation Subsidiaries to Jarpeno Limited and (ii) certain loans of



the Other Subsidiaries shall be novated to Jarpeno Limited. The Framework Agreement shall remain in force until each of the Liquidation Subsidiaries have been dissolved.

#### *Other confirmations*

Our Subsidiaries have not completed any public or rights issue in the ten years preceding this Red Herring Prospectus. Our Subsidiaries have not been declared sick companies under the Sick Industrial Companies (Special Provisions) Act, 1985. Some of our Subsidiaries, as stated above, are under liquidation. Further, no application has been made in respect of any of our Subsidiaries to the registrar of companies for striking off their names.

#### **Incorporated Joint Ventures of our Company**

The following are the incorporated Joint Ventures of our Company:

1. ONGC Mangalore Petrochemicals Limited
2. Petronet MHB Limited
3. Petronet LNG Limited
4. ONGC TERI Biotech Limited
5. Mangalore SEZ Limited
6. ONGC Petro additions Limited
7. ONGC Tripura Power Company Limited
8. Dahej SEZ Limited

In addition to the above mentioned joint ventures of our Company, OVL, MRPL, our Subsidiaries and our Joint Ventures have entered into or may enter into joint venture agreements with other parties in the ordinary course of their business, including in relation to acquisition of interests in crude oil and natural gas assets internationally. As of the date of this RHP, such joint ventures were, ONGC Mittal Energy Limited, Shell MRPL Aviation Fuels & Services Private Limited, OOO Imperial Frac Service and North East Transmission Company Limited.

The brief details of the incorporated Joint Ventures and key agreements entered into by our Company in relation to the joint venture arrangements, as on the date of this Red Herring Prospectus, are described below.

#### **1. ONGC Mangalore Petrochemicals Limited (“OMPL”)**

OMPL was originally incorporated on December 19, 2006, under the Companies Act, as Mangalore Petrochemicals Limited. Subsequently, the name of the joint venture company was changed to ONGC Mangalore Petrochemicals Limited and a fresh certificate of incorporation was granted on April 30, 2007. OMPL has its registered office at Plot No. A-1, Opposite KSSIDC Building, Rajaji Nagar Industrial Estate, Bengaluru 560 010. OMPL is authorised to engage in the business of, *inter alia*, purchasing, acquiring, manufacturing, importing and exporting in any kind of petrochemicals and related products and substances. The authorised share capital of OMPL is ₹ 20,000 million divided into 2,000,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of OMPL is ₹ 0.50 million consisting of 50,000 equity shares of ₹ 10 each. As on June 30, 2011, our Company held 46% of the equity shares of OMPL. The other equity shareholders of OMPL are MRPL and certain individuals.

As on the date of this Red Herring Prospectus, our Company has not entered into any joint venture agreement or a shareholders' agreement in relation to the OMPL's joint venture business.

#### **2. Petronet MHB Limited (“PMHBL”)**

PMHBL was incorporated on July 31, 1998, under the Companies Act and has its registered office at 332, 1<sup>st</sup> Floor, Darus Salam building, Queen's Road, Bengaluru 560 052. PMHBL is authorised to engage in the business of, *inter alia*, transportation of petroleum products through pipelines. The authorised share capital of PMHBL is ₹ 6,000 million divided into 600,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of PMHBL is approximately ₹ 5,487.07 million consisting of 548,707,264 equity shares of ₹ 10 each. As on June 30, 2011, our Company held 28.77% of the equity shares of PMHBL. The other equity shareholders of PMHBL are Hindustan Petroleum Corporation Limited, Petronet India Limited, certain financial institutions and certain individuals.

*Shareholders' agreement dated October 28, 1998 between Petronet India Limited ("PIL") and Hindustan Petroleum Corporation Limited ("HPCL")*

PIL and HPCL entered into a shareholders' agreement with the objective of forming, incorporating and sponsoring a joint venture company, PMHBL, to, *inter alia*, construct and operate a pipeline for transportation of petroleum products as a common carrier from Mangalore to Bangalore via Hassan. PMHBL shall have the role of offering pipeline and connected facilities as a common carrier to oil marketing and refining companies and subject to availability of capacity and operating parameters to any other person from any point for transporting the petroleum products on payment of the necessary tariffs as may be decided by PMHBL from time to time.

*Tripartite agreement dated August 23, 2006 among PIL, HPCL and our Company*

PIL, HPCL and our Company entered into a tripartite agreement for the participation of all three companies in the ownership and management of PMHBL. As per the terms of this agreement, HPCL would acquire the shares of PMHBL held by PIL and within 30 days of acquisition of these shares, HPCL would offer a portion of the said shares to our Company at the same acquisition price subject to the approval of the board of directors of HPCL and our Company. Our Company and HPCL had obtained the in principle approval of their respective boards to pursue the finalisation of the above restructuring. In addition, our Company and HPCL have agreed to equally share the additional equity required on account of this restructuring.

The tripartite agreement has been made part of the shareholders' agreement dated October 28, 1998 (described above) and the draft shareholders' agreement to be executed between our Company and HPCL has been agreed to be reviewed and finalised for its execution concurrent to the exit of PIL from PMHBL.

### **3. Petronet LNG Limited ("PLL")**

PLL was incorporated on April 2, 1998, under the Companies Act and has its registered office at First Floor, World Trade Centre, Babar Road, New Delhi 110 001. PLL is engaged in the business of, *inter alia*, importing LNG and set up LNG terminals in India. The authorised share capital of PLL is ₹ 12,000 million divided into 1,200,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of PLL is approximately ₹ 7,500 million consisting of 750,000,044 equity shares of ₹ 10 each. The equity shares of PLL are listed on the NSE and the BSE. As on June 30, 2011, our Company held 12.50% of the equity shares of PLL and is one of the promoters of PLL. The other promoters, who are also equity shareholders of PLL are GAIL (India) Limited, Bharat Petroleum Corporation Limited and Indian Oil Corporation Limited.

*Shareholders' agreement dated June 2, 2001 among BPCL, GAIL, IOCL, G.D.F. International, a company incorporated under the laws of France ("GDF") and our Company*

BPCL, GAIL, IOCL, GDF and our Company entered into a shareholders' agreement for the import and utilization of LNG, with equity participation by BPCL, GAIL, IOCL and our Company as promoters. The business of the PLL is, *inter alia*, the business as enumerated in its memorandum of association and as per the terms and conditions of any agreement entered into in relation to the project for the setting up of a solid cargo port and a LNG terminal along with associated facilities such as jetty, storage tanks, regasification plants etc. with a capacity of 5 million metric tons per annum at Dahej, State of Gujarat.

Any further issue of equity shares of PLL is required to be offered and issued to the shareholders in proportion. In the event any party is unable to subscribe to the further issue of shares, it has the option of nominating a third party to subscribe to those shares. Subject to any decision of the GoI to the contrary and the provisions of the Companies Act, 1956, the total shareholding of the government companies in PLL shall not at any time exceed 50% of the equity share capital. As long as any of the parties to the shareholders' agreement hold a minimum of 10% of the equity share capital, such party shall be entitled to nominate one person for appointment as a director and to seek his removal therefrom. With regard to certain reserved matters such as making any inter-corporate investments, any changes in the memorandum of association or articles of association, no resolution shall be deemed as passed or decision taken at a meeting of the board unless there is an affirmative vote either in the meeting or by written communication by the director nominated by each promoter. However, in the event in the

event, any resolution on the reserved matters is not passed due to any director nominated by any of the promoters not casting an affirmative vote and the remaining directors insisting on passing of such resolution, procedures have been provided for resolving such a situation.

The parties to the shareholders' agreement have agreed that the total cap on investment made by GDF in PLL shall be an aggregate of USD 38 million unless otherwise decided by GDF. The shareholders' agreement contains certain restriction on transferability of shares such that after five years from the date of signing of the shareholders' agreement, if any of the parties desire to sell their shares in PLL, sale of such shares can only be done in a prescribed manner. The shareholders' agreement will terminate, among other things, in respect of any party which ceases to be a shareholder.

#### **4. ONGC TERI Biotech Limited ("OTBL")**

OTBL was incorporated on March 26, 2007, under the Companies Act and has its registered office at The Energy and Resources Institute, Darbari Seth Block, IHC Complex, Lodhi Road, New Delhi 110 003. OTBL is authorised to engage in the business of, *inter alia*, selling, distributing and providing consultancy and other services using technologies specifically such as microbially enhanced oil recovery technology, wax deposition prevention technology to oil and gas (hydrocarbon) industry within India and abroad. The authorised share capital of OTBL is ₹ 10 million divided into 1,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of OTBL is ₹ 0.50 million consisting of 50,000 equity shares of ₹ 10 each. As on June 30, 2011, our Company held 49.98% of the equity shares of OTBL. The other equity shareholders of OTBL are The Energy and Resources Institute and certain individuals.

*Joint venture agreement dated March 22, 2006 between The Energy and Resources Institute ("TERI") and our Company*

TERI and our Company entered into a joint venture agreement to undertake the bioremediation of oil contaminated sites, treatment of oily sludge and drill cuttings in India and abroad; to undertake and implement activities of 'Microbial Enhanced Oil Recovery Technology' initially in India and to subsequently look for opportunities abroad; and to undertake and implement activities of wax deposition prevention technology in the oil wells in India and abroad. The terms, conditions and modalities for the implementation of the technology through joint venture and to bid for similar opportunities in India and abroad are to be jointly formulated by our Company and TERI.

It is agreed in the joint venture agreement to set up a joint venture company which would analyse or evaluate the value addition that could result from application of biotechnology to the oil and gas industry and to take steps to develop service facilities. The joint venture company would also identify the actions taken, if any, and their timeliness in order to make the services available initially in India and subsequently abroad.

TERI and our Company shall be entitled to appoint equal number of nominees in the board of directors of the joint venture company. The chairman of the board of directors of the joint venture company shall be a nominee of our Company who shall have the casting vote rights. The role of our Company is to manage, assist and facilitate the joint venture in the development of the required expertise for the supervision and monitoring of site operations in respect of the envisaged activities. The role of our Company is also to extend the necessary financial and commercial support in the form of infusion of share capital and loan for the initial procurement of capital equipment for the project to be undertaken by the joint venture. Our Company has also agreed to assist in the marketing of such specialized services and in the identification of specific opportunities based upon analysis of well problems and evolving optimum solutions with TERI. Our Company and TERI have agreed to transfer/provide rights to use of all technology/know-how developed/patented in-house to the joint venture company without charging any fee including royalty from the joint venture company.

The joint venture agreement can be terminated by either party by giving the other party an advance written notice of 90 days. Upon the termination of the joint venture agreement, among other things, our Company shall have the first right to purchase all equipment procured for field implementation while TERI will have first right to purchase all lab-related equipment of the joint venture.

#### **5. Mangalore SEZ Limited ("MSEZ")**

MSEZ was incorporated on February 24, 2006, under the Companies Act and has its registered office at No. 16, Pranava Park, 3<sup>rd</sup> Floor, Infantry Road, Bengaluru 560 001. MSEZ is authorised to engage in the business of,

*inter alia*, establishing and developing special economic zones, economic trading zones and any other zones with infrastructure facilities. The authorised share capital of MSEZ is ₹ 4,250 million divided into 425,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of MSEZ is approximately ₹ 500.01 million consisting of 50,001,200 equity shares of ₹ 10 each. As on June 30, 2011, our Company holds 26% of the equity shares of MSEZ. The other equity shareholders of MSEZ are Karnataka Industrial Area Development Board, Infrastructure Leasing and Financial Services Limited, Kanara Chamber of Commerce and Industries and certain individuals.

*Shareholders' agreement dated March 29, 2007, among Mangalore SEZ Limited ("MSEZ"), Infrastructure Leasing and Financial Services Limited ("IL&FS"), Kanara Chamber of Commerce and Industries ("KCCI"), Karnataka Industrial Area Development Board ("KIADB") and our Company*

MSEZ, IL&FS, KCCI, KIADB and our Company entered into a shareholders' agreement to record the terms and conditions governing the investments of IL&FS, KCCI, KIADB and our Company in MSEZ, their respective rights and obligations in relation to the shareholding, management and administration of the MSEZ, the execution of the project and other related matters including their inter-se understanding as shareholders of MSEZ.

Our Company and IL&FS have the right to appoint up to eight directors equally and our Company is authorized to appoint the chairman from amongst its nominee directors as long as our Company holds 26% of the equity shares of MSEZ. The quorum with regard to any board meeting of MSEZ would be deemed present only if at least one director nominated by our Company is present. For certain matters that have been specified in the shareholders' agreement such as any change in the nature or major activities of MSEZ, the declaration of dividends, the entry into any related party arrangements and any change in the capital structure, borrowings or lending or investment of funds exceeding ₹ 500 million in a financial year, a decision of the board can only be reached if approved by a majority of the votes cast and with the affirmative vote of at least one director nominated by our Company and the IL&FS (along with its affiliates) present and voting. On the matters requiring a special resolution of the shareholders' meeting, the agreement of the IL&FS and our Company is required.

The shareholders' agreements provides for certain restrictions on transferability of shares such as shares being locked-in for a period of three years. Further, after the expiry of the lock-in period, if certain parties to the shareholders' agreement desire to transfer any shares or voting interest, among other things, they will have to first make an offer for the sale of such shares or voting rights to the other parties to the shareholders' agreement who are not selling their shares in accordance with the terms and procedures set forth in the shareholders' agreement. The shareholders' agreement can be terminated, *inter alia*, by mutual agreement.

## **6. ONGC Petro additions Limited ("OPaL")**

OPaL was incorporated on November 15, 2006, under the Companies Act and has its registered office at 4<sup>th</sup> Floor, VCCI Commercial Complex, Makarpura, Vadodra 390 010, Gujarat. OPaL is authorised to engage in the business of, *inter alia*, purchasing, acquiring, manufacturing, importing and exporting any kind of petrochemical products and other related substances. The authorised share capital of OPaL is ₹ 80,000 million divided into 8,000,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of OPaL is ₹ 0.50 million consisting of 50,000 equity shares of ₹ 10 each. As on June 30, 2011, our Company holds 41.93% of the equity shares of OPaL. The other equity shareholders of OPaL are Gujarat State Petroleum Corporation and certain individuals.

As on the date of this Red Herring Prospectus, our Company has not entered into any joint venture agreement or a shareholders' agreement in relation to the OPaL's joint venture business.

## **7. ONGC Tripura Power Company Limited ("OTPCL")**

OTPCL was originally incorporated on September 27, 2004, under the Companies Act as Tripura Power Development Company Private Limited. Subsequently, the name of the joint venture company was changed to ONGC Tripura Power Company Private Limited and a fresh certificate of incorporation was granted on December 20, 2005. The joint venture company was converted to a public company, the word 'private' was deleted from its name and a fresh certificate of incorporation was granted on December 30, 2008. OTPCL has its registered office at ONGC Tripura assets, Badarghat complex, Agartala, Tripura 799 014. OTPCL is authorised to engage in the business of, *inter alia*, procuring, generating, importing and exporting electricity and

any products derived from or connected with any other form of energy. The authorised share capital of OTPCL is ₹ 10,000 million divided into 1,000,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of OTPCL is approximately ₹ 2,701.60 million (consisting of 200,004 equity shares of ₹ 10 each fully paid up and 539,920,000 equity shares of ₹ 10 each on which ₹ 5 has been paid up). As on June 30, 2011, our Company holds 49.52% of the equity shares of OTPCL. The other equity shareholders of OTPCL are Infrastructure Leasing and Financial Services Limited, the Government of the State of Tripura and certain individuals.

*Shareholders' agreement dated September 18, 2008 among Infrastructure Leasing and Financial Services Limited ("IL&FS"), Government of the State of Tripura ("GoT"), ONGC Tripura Power Company Limited ("OTPCL") and our Company*

IL&FS, GoT, OTPCL and our Company entered into a shareholders' agreement to collaborate and carry on the business of generation of electricity, to set out the terms of joint ownership of OTPCL and the manner in which the business of OTPCL would be conducted. OTPCL's business would be the execution and performance of the project to design, procure, construct, erect and the commissioning and development, operation and maintenance of the approximately 726.6 MW gas based combined cycle turbine power project at Pallatana in Udaipur district of the State of Tripura.

The obligation of our Company includes ensuring gas supply to the power project at Pallatana. The board of directors of OTPCL would consist of not less than eight directors and not more than 10 directors. Our Company has the right to nominate at least four directors to the Board of OTPCL till the time that it maintains 50% shareholding. Our Company has the right to nominate the chairman from amongst its nominated directors. With respect to certain reserved matters as set out in the annexure to the shareholders' agreement such as OTPCL changes to financial year, dividend policy, making any amendment to the memorandum of association, a resolution at a board meeting shall not be passed without the affirmative vote of at least one director nominated by us and one director nominated by IL&FS, and a resolution at a general meeting shall not be passed without a three-fourths majority of the shareholders.

The shareholders' agreement provides for certain restrictions on transferability of shares. In the event that any party at any time after the expiry of certain period intended to transfer all or part of the shares in OTPCL, other parties have the right to purchase those shares under certain circumstances. Further, if our Company proposes to transfer its shares such that its shareholding is reduced to less than 26% of the equity shares capital of OTPCL, IL&FS has the right to transfer its shares to the proposed buyer on the same terms and conditions. The shareholders' agreement can be terminated by, inter alia, by service of a notice by one party to the other upon the occurrence of certain 'events of default' such as a party suffering a bankruptcy event or committing a funding default.

## **8. Dahej SEZ Limited ("DSEZL")**

DSEZL was incorporated on September 21, 2004, under the Companies Act and has its registered office at Block no. 14, 3<sup>rd</sup> floor, Udyog Bhavan, sector 11, Gandhinagar 382 017, Gujarat. DSEZL is authorised to engage in the business of, *inter alia*, establishing and developing special economic zones, power generation, infrastructure facilities etc. The authorised share capital of DSEZL is ₹ 1,000 million divided into 100,000,000 equity shares of ₹ 10 each. The issued, subscribed and paid-up share capital of DSEZL is ₹ 0.50 million consisting of 50,000 equity shares of ₹ 10 each. As on June 30, 2011, our Company holds 49.60% of the equity shares of DSEZL. The other equity shareholders of DSEZL are Gujarat Industrial Development Corporation Limited and few individuals.

As on the date of this Red Herring Prospectus, our Company has not entered into any joint venture agreement or a shareholders' agreement in relation to the DSEZL's joint venture business.

### **Associate of our Company**

Set forth below are the particulars of an associate of our Company in which we hold a significant equity interest.

## **Pawan Hans Helicopters Limited ("PHHL")**

PHHL was incorporated on October 15, 1985, under the Companies Act, as Helicopter Corporation of India Limited. The name was subsequently changed to Pawan Hans Limited and a fresh certificate of incorporation

was granted on May 5, 1987. The name was again changed to its present name Pawan Hans Helicopters Limited and a fresh certificate of incorporation was granted on June 28, 1996. PHHL has its registered office at Safdarjung Airport, New Delhi 110 003. PHHL is engaged in the business of, *inter alia*, planning, promoting, developing, organising, providing and operating air support services to meet the requirements of the petroleum sector which would include services by helicopter and such other services as may be determined.

The authorised share capital of PHHL is ₹ 2,500 million divided into 250,000 equity shares of ₹ 10,000 each. The issued, subscribed and paid-up share capital of PHHL is ₹ 2,456.16 million consisting of 245,616 equity shares of ₹ 10,000 each. As on June 30, 2011, our Company holds approximately 49.00% of the equity share capital of PHLL. The other shareholder of PHHL is the President of India.

### **Other material agreements**

#### *Memorandum of understanding with MoPNG*

Our Company enters into an annual memorandum of understanding with the MoPNG. This memorandum of understanding is a negotiated agreement between the MoPNG and our Company and sets out certain targets based on financial and non-financial parameters (“**MoU Targets**”). At the end of the year, the performance of our Company is evaluated vis-à-vis the MoU Targets.

For the Fiscal 2012, the memorandum of understanding with the MoPNG was signed on March 24, 2011 (“**MoPNG MoU**”). As per the MoPNG MoU, our Company has undertaken to achieve performance levels for fiscal 2012 on four parameters viz. static financial parameters, dynamic parameters, sector-specific parameters and enterprise-specific parameters. With regard to commitments and assistance from the MoPNG, the MoPNG MoU provides for, *inter alia*, reimbursement of cess and royalty paid by our Company on the production share of other partners, fiscal stability in pre-NELP exploratory blocks and reimbursement of past cost claim of our Company for discovered fields handed over to joint ventures, tapering of royalty rates and review of the existing subsidy-sharing scheme.

#### *Framework agreement dated December 21, 2010 between ONGC Videsh Limited and Sistema JSFC*

OVL and Sistema JSFC, a company formed and existing under the laws of the Russia Federation (“**Sistema**”) entered into a framework agreement on December 21, 2010 (“**Sistema Framework Agreement**”) to set forth the results of a meeting between OVL and Sistema on December 1 and 2, 2010, regarding potential transactions involving (i) Sistema’s majority stake in JSC Bashneft and 49% stake in RussNeft, each of which owns and operates numerous fields and refining assets, (ii) OVL’s 100% stake in Imperial Energy Corp., which owns and operates fields in Russia, and (iii) such other oil and gas assets which Sistema and OVL may acquire in Russia before definitive agreements are signed. The substantive provisions of the Sistema Framework Agreement are intended solely as the basis for further good faith discussions between Sistema and OVL, are not legally binding and create no legal obligation on either Sistema or OVL. Further, OVL and Sistema have also agreed to explore the potential for cooperation in the exploration and development of specific projects relating to the upstream and downstream oil business.

OVL and Sistema intend to consider a potential combination/ merger of and investment into some or all of the hydrocarbon properties and assets viz. Bashneft, RussNeft, Imperial Energy Corp. and such other oil and gas assets which OVL and Sistema may acquire in Russia before definitive agreements are signed. Unless the parties mutually agree otherwise, OVL’s stake in the merging entity shall be 25%. OVL and Sistema all intend to consider joint investment in each other’s existing and future exploratory assets in Russia, Cuba, Brazil, Colombia, Libya, Iran, Vietnam, Myanmar and Nigeria. Unless the parties mutually agree otherwise, Sistema’s economic interest shall be at a minimum be equivalent to OVL’s stake in the merging entity. The Sistema Framework Agreement will continue in effect for nine months, unless terminated earlier by either party in writing or extended in writing by both the parties.

### **Collaborations**

Our Company has not entered into any collaboration with any third party as per paragraph (2) (VIII) (B) (1) (c) of Part A, Schedule VIII of the SEBI ICDR Regulations.

### **Strategic partners**

Our Company has not entered into any arrangements with any strategic partners within the meaning of the SEBI ICDR Regulations.

**Financial partners**

Apart from our various arrangements with our bankers, which are undertaken in the ordinary course of our business, our Company does not have any other financial partners within the meaning of the SEBI ICDR Regulations.

## OUR MANAGEMENT

Our Articles of Association require us to have not less than four and not more than 21 Directors. We currently have 16 Directors, of which six are whole-time Directors, two are Government Nominee Directors and eight are Independent Directors.

| Name, Father's Name, Designation, Occupation, DIN and Nationality                                                                                                                                                                                                                    | Age (Years) | Address                                                                | Other Directorships                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mr. A.K. Hazarika</b><br><br><b>Father's Name:</b> (Late) Mr. Tileswar Hazarika<br><br><b>Designation:</b> Chairman and Managing Director (Additional Charge); Director (Onshore)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 00013302<br><br><b>Nationality:</b> Indian | 58          | B-48, Chhota Singh Block<br>Asiad Games Village<br>New Delhi 110 049   | a. Mangalore Refinery and Petrochemicals Limited<br>b. Mangalore SEZ Limited<br>c. ONGC Mangalore Petrochemicals Limited<br>d. ONGC Petro-Additions Limited<br>e. ONGC Teri Biotech Limited<br>f. ONGC Tripura Power Company Limited<br>g. ONGC Videsh Limited |
| <b>Mr. U.N. Bose</b><br><br><b>Father's Name:</b> (Late) Mr. Nityanand Bose<br><br><b>Designation:</b> Director (Technology and Field Services)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 00017101<br><br><b>Nationality:</b> Indian                                      | 58          | R-4, Nehru Enclave, Kalkaji<br>New Delhi 110 019                       | a. Engineers India Limited<br>b. ONGC Videsh Limited                                                                                                                                                                                                           |
| <b>Mr. D.K. Sarraf</b><br><br><b>Father's Name:</b> Late Mr. Jai Deva Sarraf<br><br><b>Designation:</b> Director (Finance)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 00147870<br><br><b>Nationality:</b> Indian                                                           | 54          | B- 46 Chhota Singh Block,<br>Asiad Games Village,<br>New Delhi 110 049 | a. Mangalore Refinery and Petrochemicals Limited<br>b. Mangalore SEZ Limited<br>c. ONGC Mangalore Petrochemicals Limited<br>d. ONGC Petro-additions Limited<br>e. ONGC Tripura Power Company Limited<br>f. ONGC Videsh Limited<br>g. Petronet LNG Limited      |
| <b>Mr. S. Vasudeva</b><br><br><b>Father's Name:</b> Mr. Bishamber Lal Vasudeva<br><br><b>Designation:</b> Director (Offshore)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 01594524<br><br><b>Nationality:</b> Indian                                                        | 57          | B-1/42, Safdarjung Enclave<br>New Delhi 110029                         | a. Mangalore Refinery and Petrochemicals Limited<br>b. ONGC Petro-additions Limited<br>c. ONGC Videsh Limited<br>d. Pawan Hans Helicopters Limited                                                                                                             |
| <b>Mr. S.V. Rao</b>                                                                                                                                                                                                                                                                  | 58          | C-1-406, Lok Everest                                                   | a. ONGC Videsh Limited                                                                                                                                                                                                                                         |



| Name, Father's Name, Designation, Occupation, DIN and Nationality                                                                                                                                                                                 | Age (Years) | Address                                                                | Other Directorships                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Father's Name:</b> (Late) Mr. Vyas Rao Kulkarni<br><br><b>Designation:</b> Director (Exploration)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 03467068<br><br><b>Nationality:</b> Indian                                              |             | Mulund (West)<br>Mumbai 400 080                                        | b. Energistics                                                                                                                                                                                                                                         |
| <b>Mr. K.S. Jamestin</b><br><br><b>Father's name:</b> Mr. Kizhakkikutu Scaria<br><br><b>Designation:</b> Director (HR)<br><br><b>Occupation:</b> Service<br><br><b>DIN:</b> 03535309<br><br><b>Nationality:</b> Indian                            | 57          | B-45, Chota Singh Block<br>Asiad Games Village<br>New Delhi 110 049    | a. ONGC Videsh Limited<br>b. ONGC Tripura Power Company Limited                                                                                                                                                                                        |
| <b>Ms. L.M. Vas</b><br><br><b>Father's Name:</b> Mr. Vernon Leslie Joseph Dcruz<br><br><b>Designation:</b> Government Nominee Director<br><br><b>Occupation:</b> Government Service<br><br><b>DIN:</b> 02544627<br><br><b>Nationality:</b> Indian | 57          | D1/163, Satya Marg<br>Chanakyapuri<br>New Delhi 110 021                | NIL                                                                                                                                                                                                                                                    |
| <b>Mr. S. Bhargava</b><br><br><b>Father's Name:</b> Mr. Moti Lal Bhargava<br><br><b>Designation:</b> Government Nominee Director<br><br><b>Occupation:</b> Government Service<br><br><b>DIN:</b> 00247515<br><br><b>Nationality:</b> Indian       | 56          | C-II/106, Satya Marg<br>Chanakayapuri<br>New Delhi 110 021             | a. GAIL (India) Limited<br>b. Indian Oil Corporation Limited                                                                                                                                                                                           |
| <b>Mr. S.S. Rajsekar</b><br><br><b>Father's Name:</b> Mr. Chidambaram Subramaniam<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Business Consultant                                                                   | 57          | "River Side", No. 2, River View Road<br>Kotturpuram<br>Chennai 600 085 | a. Chennai Consultancy Services Private Limited<br>b. Chidbhava Constructions and Properties Private Limited<br>c. Coromandel Engineering Company Limited<br>d. ONGC TERI Biotech Limited<br>e. Tamilnadu Corporation for Development of Women Limited |

| Name, Father's Name, Designation, Occupation, DIN and Nationality                                                                                                                                                                                     | Age (Years) | Address                                                                                                       | Other Directorships                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>DIN:</b> 00125641<br><br><b>Nationality:</b> Indian                                                                                                                                                                                                |             |                                                                                                               |                                                                                                                               |
| <b>Mr. S. Balachandran</b><br><br><b>Father's Name:</b> Mr. V. Srinivasan<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Retired Government official<br><br><b>DIN:</b> 01962996<br><br><b>Nationality:</b> Indian         | 65          | D-1/38<br>Ravindra Nagar<br>New Delhi 110 003                                                                 | a. Dredging Corporation of India<br>b. ONGC Petro-additions Limited<br>c. PTC Energy Limited<br>d. PTC India Limited          |
| <b>Mr. Santosh Nautiyal</b><br><br><b>Father's Name:</b> Mr. Debi Prasad Nautiyal<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Retired Government official<br><br><b>DIN:</b> 01127740<br><br><b>Nationality:</b> Indian | 65          | 1454, ATS Greens Village,<br>Noida-Greater Noida<br>Expressway, Sector 93A,<br>Noida<br>Uttar Pradesh 201 304 | a. Central Warehousing Corporation<br>b. Mangalore SEZ Limited<br>c. NTPC Limited<br>d. ONGC Mangalore Petrochemicals Limited |
| <b>Ms. Anita Das</b><br><br><b>Father's Name:</b> Mr. J.K. Verma<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Retired Government official<br><br><b>DIN:</b> 02751768<br><br><b>Nationality:</b> Indian                  | 62          | C-II/101, Moti Bagh<br>New Delhi 110 021                                                                      | a. ONGC Tripura Power Company Limited                                                                                         |
| <b>Dr. D. Chandrasekharam</b><br><br><b>Father's Name:</b> (Late) Mr. D. Baliah<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Professor<br><br><b>DIN:</b> 00307736<br><br><b>Nationality:</b> Indian                     | 63          | B-135, Central Area<br>Building 21<br>Indian Institute of Technology<br>Mumbai 400 076                        | a. Indian Rare Earths Limited<br>b. Western Coalfields Limited                                                                |
| <b>Mr. Deepak Nayyar</b>                                                                                                                                                                                                                              | 64          | 5-B, Friends Colony (West),<br>New Delhi 110 065                                                              | a. Birla Corporation Limited<br>b. ICRA Limited                                                                               |

| Name, Father's Name, Designation, Occupation, DIN and Nationality                                                                                                                                                                               | Age (Years) | Address                                                                                                      | Other Directorships                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Father's name:</b> (Late) Mr. Sohan Lal Nayyar<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Professor<br><br><b>DIN:</b> 00348529<br><br><b>Nationality:</b> Indian                                             |             |                                                                                                              | c. Steel Authority of India Limited                                                                                                                                               |
| <b>Mr. Arun Ramanathan</b><br><br><b>Father's name:</b> Mr. R.V. Ramanathan<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Retired government official<br><br><b>DIN:</b> 00308848<br><br><b>Nationality:</b> Indian | 62          | 'Shreyas', 6A, Sixth West Cross Street, Shenoy Nagar, Chennai 600 030                                        | a. Indian Clearing Company Limited<br>b. JCT Electronics Limited<br>c. National Textiles Corporation<br>d. Shipping Corporation of India Limited<br>e. United Stock Exchange Ltd. |
| <b>Ms. Usha Thorat</b><br><br><b>Father's name:</b> (Late) Mr. Ramchandra Mangudi<br><br><b>Designation:</b> Independent Director<br><br><b>Occupation:</b> Retired<br><br><b>DIN:</b> 00542778<br><br><b>Nationality:</b> Indian               | 61          | Flat No. 3702, Tower IV Strata Planet Godrej, 30 KK Marg Sant Gadge Maharaja Chowk, Mahalaxmi Mumbai 400 011 | NIL                                                                                                                                                                               |

#### Details of Directors

**Mr. A.K. Hazarika**, aged 58 years, is the Director (Onshore) of our Company holding additional charge of the post of the Chairman and Managing Director. Mr. Hazarika holds a Bachelor's degree in Mechanical Engineering from Assam Engineering College, Guwahati. He has approximately 35 years of experience in the petroleum and natural gas sector, including 30 years experience in several field and staff assignments of our Company in various disciplines including holding the posts of regional cementing in-charge and head/chief well services. Mr. Hazarika joined our Company in March 1977 and has since then handled various assignments in our Company. As Director (Onshore) of our Company, Mr. Hazarika is responsible for *inter alia*, performance management for all onshore assets of our Company.

**Mr. U.N. Bose**, aged 58 years, is the Director (Technology and Field Services) in our Company. Mr. Bose holds a Bachelor's degree in Mechanical Engineering from the University of Nagpur. He has 35 years of experience in the exploration and production industry. Mr. Bose joined our Company in April, 1976 and has since then, handled various assignments in our Company. While in our Company, Mr. Bose has been involved in the Directional Drilling Department as well as in Horizontal/ Multilateral well drilling. He has also been involved in establishing a Well Control School at the Institute of Drilling Technology, Dehradun with accreditation from the International Association of Drilling Contractors, USA, the International Alliance of Well Control and the International Well Control Forum, UK. During his tenure in our Company as Chief, Drilling Services, the ultra

deep water campaign “Sagar Samriddhi” was initiated. As Director (Technology and Field Services) of our Company, Mr. Bose is responsible, *inter alia*, for performance management of drilling, well, technical and infocom services.

**Mr. D.K. Sarraf**, aged 54 years, is the Director (Finance) of our Company. Mr. Sarraf holds a Bachelor’s degree and a Master’s degree in Commerce from the University of Delhi. He is also a member of the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India. Mr. Sarraf has 28 years of experience in the petroleum and natural gas sector and has served in the Oil Coordination Committee under the MoPNG. Mr. Sarraf joined our Company in September 1991 and has, since then, handled various assignments in our Company. He has also served in Oil India Limited and OVL. As Director (Finance) of our Company, Mr. Sarraf is responsible, *inter alia*, for formulating strategic financial policies and implementation thereof, appraisal of capital expenditure and investment proposals, development of financial management information and control systems, treasury management and ensuring sound corporate governance practices.

**Mr. S. Vasudeva**, aged 57 years, is the Director (Offshore) of our Company. Mr. Vasudeva holds a Bachelor’s Degree in Chemical Engineering from National Institute of Technology, Raipur and an advanced Diploma in Management from Indira Gandhi National Open University, New Delhi. He has also served as the chairperson of the Mumbai division of the Society of Petroleum Engineers as well as the chairperson of the SPE India Council. Mr. Vasudeva has 34 years of experience in the petroleum and natural gas sector. Furthermore, he is also on the board of SPE International as an “At-Large” Director. He joined our Company as an executive trainee in 1976 and has, since then, handled various assignments in our Company, primarily relating to off-shore oil fields. Prior to becoming a Director of our Company, Mr. Vasudeva has served in the Offshore Joint-Venture segment of our Company. As Director (Offshore) of our Company, Mr. Vasudeva is responsible, *inter alia*, for performance management of offshore producing assets of our Company.

**Mr. S.V. Rao**, aged 58 years, is the Director (Exploration) of our Company. Mr. Rao holds a Bachelor’s degree in Science and a Master’s degree in Applied Geology from the University of Bombay. He has approximately 36 years of experience in the exploration and exploitation of oil and gas fields, well-site investigation, geological and geophysical assessment. Mr. Rao joined our Company in March 1977 and has, since then, handled various assignments for our Company, including the geological and geophysical assessment of the KG-PG and Western Offshore Basins, the supervision and monitoring of geological operations at the oil and gas wells of our Company at Ankleshwar Asset and Cauvery basin as well as officiating as the Head of the Exploration and Development Directorate, Dehradun, the ED-Chief, Offshore Exploration and Development and In-Charge of the Western Offshore Basin and deep water areas of our Company. As Director (Exploration) of our Company, Mr. Rao is responsible, *inter alia*, for the entire value chain of the exploration process.

**Mr. K.S. Jamestin**, aged 57 years, is the Director (HR) of our Company. Mr. Jamestin holds a Bachelor’s Degree in Electronics and Communications Engineering from the University of Kerala, Trivandrum and a Master’s Degree in Business Administration from the Indira Gandhi National Open University, New Delhi. He is a Project Management Professional as certified by the Project Management Institute, Mumbai and has also completed an Executive Development Programme for senior executives of our Company from the Indian School of Business, Hyderabad in February 2005. Mr. Jamestin has 34 years of experience in the petroleum and natural gas sector. He joined our Company in March 1977, and has, since then handled various assignments in our Company, including officiating as the Chief (Human Resources Development), Head, Regional Office, Mumbai, as well as being the project leader for Project ICE, the Systems Applications and Products- Enterprise Resource Planning project of our Company. As Director (HR) of our Company, Mr. Jamestin is responsible, *inter alia*, for implementation of the HR policies of the Company.

**Ms. L.M. Vas**, aged 57 years, is a nominee of the GoI on our Board. Ms. Vas holds a Bachelor’s degree in English from Madras University, a Bachelor’s degree in Law from the University of Delhi, a Master’s degree in Economics from Himachal Pradesh University and a Master of Philosophy degree in Social Sciences from Punjab University. Ms. Vas is an officer of the Indian Administrative Service of the 1977 batch and has served on both the Central and State Governments. She has 30 years of working experience in the field of Public Administration and has completed various assignments at senior-managerial and policy making levels, in the State Government of Uttar Pradesh and the GoI in diverse fields such as commerce, education and culture and health and family welfare. She is currently posted as Special Secretary, Department of Economic Affairs, MoF. Ms. Vas has approximately two years of experience in the petroleum and natural gas sector and joined our Board on December 16, 2008.

**Mr. S. Bhargava**, aged 56 years, is a nominee of the GoI on our Board. Mr. Bhargava has a Bachelor's degree in Science, a Master's degree in Physics from the University of Calcutta and a Master's degree in Public Administration. Mr. Bhargava is an officer of the Indian Administrative Service of the 1979 batch and has served in various State and Central Government posts. Prior to joining the MoPNG, Mr. Bhargava has served as Joint Secretary in the Ministry of Chemicals and Fertilisers, Department of Fertilisers, GoI. He has approximately one year of experience in the petroleum and natural gas sector and joined our Board on March 15, 2010.

**Mr. S.S. Rajsekar**, aged 57 years, is an Independent Director on our Board. Mr. Rajsekar holds a Bachelor's degree in Chemical Engineering from AC College of Technology, Chennai. He has over 30 years experience in real estate promotion and trade and rural agriculture management and social and community development. Mr. Rajsekar has also been involved in social projects in and around Tamil Nadu. He has approximately two years of experience in the petroleum and natural gas sector and was appointed on our Board on November 11, 2008.

**Mr. S. Balachandran**, aged 65 years, is an Independent Director on our Board. He holds a Bachelor's degree in Chemistry from Madras University and a Master's degree in Chemistry from Madurai University. Mr. Balachandran was a member of 1971 batch of Indian Railway Accounts Service. He was Additional Member (Budget) in the Railway Ministry and also served as a Managing Director of Indian Railway Finance Corporation Limited, a Public Financial Institution. He has also served as a director on the Boards of Railtel Corporation (Public Sector Undertaking), Pipavav Rail Corporation and Karnataka Rail Infrastructure Development Enterprises (Joint Ventures). He served as Deputy Secretary of Union Public Service Commission and as joint director of the Office of the Comptroller and Auditor General of India. He had served with Nigerian Railway Corporation as Chief Data Processing Officer in Lagos. He has approximately two years of experience in the petroleum and natural gas sector and was appointed on our Board on November 11, 2008.

**Mr. Santosh Nautiyal**, aged 65 years, is an Independent Director on our Board. He holds a Bachelor's degree in Arts from Allahabad University and Master's degree in Political Sciences from Allahabad University. Mr. Nautiyal is an officer of the Indian Administrative Service of the 1968 batch. He has almost 38 years experience in various fields, and has served on the Boards of the National Mineral Development Corporation Limited and Kudremukh Iron Ore Company Limited. Mr. Nautiyal has also worked as the Managing Director, Industrial Promotion and Investment Corporation of Orissa Limited; Principal Secretary to the Government of Orissa; Joint Secretary, Ministry of Steel, GoI; Additional Secretary, Department of Consumer Affairs and Chairman, Food Corporation of India. He has approximately two years of experience in the petroleum and natural gas sector and was appointed on our Board on November 11, 2008.

**Ms. Anita Das**, aged 62 years, is an Independent Director on our Board. She holds a Bachelor's degree in English from Miranda House, University of Delhi, a Post-graduate degree in Arts from the University of Delhi, and a Post-graduate diploma in Development Finance from the University of Birmingham. She has served as an officer in the Indian Administrative Service of the 1972 batch. She has been involved in the field of industrial promotion at the state level as well as in Small and Medium Industries sector with the United Nations Industrial Development Organisation with special emphasis on development of industrial clusters in the formal and informal sectors. She also has wide experience in the area of finance, budgeting, institutional finance and human resource development and has served in the Ministry of Health and Family Welfare as Secretary to the GoI. She has approximately one and a half years of experience in the petroleum and natural gas sector and was appointed on our Board on August 5, 2009.

**Dr. D. Chandrashekharam**, aged 63 years, is an Independent Director on our Board. He holds a Bachelor's degree in Geology, a Master's degree in Applied Geology and a Doctor of Philosophy degree in Volcanology and Geochemistry from the Indian Institute of Technology, Mumbai. Dr. Chandrashekharam has over 30 years of research and teaching experience in the field of Earth Sciences, including, *inter alia*, officiating as the Head of the Department of Earth Sciences, Head, Centre of Studies in Resource Engineering at the Indian Institute of Technology, Mumbai; serving as a Senior Scientist at the Centre for Earth Science Studies, Thiruvananthapuram and as a Senior Scientist at the Centre for Water Resources Development, Kerala. He is also currently a member of the International Geothermal Association (where he also serves on the board), the Geothermal Resources Council, USA the Current Science Association, India and the International Association for Hydrogeologists. Dr. Chandrashekharam has over 20 years of experience in petroliferous basins of India and was appointed on our Board on March 11, 2011.

**Mr. Deepak Nayyar**, aged 64 years, is an Independent Director on our Board. Mr. Nayyar holds a Master's degree in Economics from Delhi University and a Doctorate of Philosophy degree in Economics from Oxford University. He is currently a Professor of Economics at Jawaharlal Nehru University, New Delhi. Mr. Nayyar

has, in the past, taught at the University of Oxford, the University of Sussex, and the Indian Institute of Management, Calcutta, officiated as the Vice Chancellor of the University of Delhi, Chief Economic Adviser to the GoI and Secretary in the MoF. He also served as a member of the National Knowledge Commission of India, GoI and the vice-president of the International Association of Universities, Paris. Mr. Nayyar is currently an Honorary Fellow of Balliol College, Oxford and the Chairman of the Board of Governors of the UNU World Institute for Development Economics Research, Helsinki. He received the V.K.R.V. Rao Award for his contribution to research in Economics in the year 1989. He was appointed on our Board on June 20, 2011.

**Mr. Arun Ramanathan**, aged 62 years, is an Independent Director on our Board. Mr. Ramanathan holds a Bachelor's degree in Science from the Loyola College, Chennai, a Master's degree in Business Management from the University of Madras and a Master of Philosophy degree in Economics from Cambridge University, United Kingdom. He is also an Associate Member of the Institute of Cost & Works Accountants of India. Mr. Ramanathan is an officer of the Indian Administrative Services of the 1973 batch and has served in various posts in the Central and state governments, including, *inter alia* as the Union Finance Secretary, Secretary, Ministry of Chemicals and Fertilizers, Chairman of the Tamil Nadu Industrial Development Corporation Limited, Special Commissioner, Commercial Taxes (Government of Tamil Nadu) and Secretary to the Governor of Tamil Nadu. Mr. Ramanathan was appointed on our Board on June 20, 2011.

**Ms. Usha Thorat**, aged 61 years, is an Independent Director on our Board. She holds a Bachelor's degree in Arts and a Master's degree in Economics from Delhi School of Economics. She joined the Reserve Bank of India in April 1972. Ms. Thorat was the Deputy-Governor of the RBI and in this capacity, represented the RBI at the Basel Committee on Banking Supervision and was nominated by the RBI on the Board of SEBI. She has approximately 38 years experience in the banking industry, ranging from foreign exchanges and reserves management, debt management (for central and state governments), development and regulation of money, foreign exchange and government security markets to rural planning and credit and cooperative banking. Ms. Thorat has also, in the past, served as a member of the Faculty of the RBI Staff College, the Chairperson of the Deposit Insurance and Credit Guarantee Corporation and as a director on the National Bank for Agricultural and Rural Development. She was appointed on our Board on June 20, 2011.

#### **Relationship between our Directors**

None of our Directors are related to each other.

#### **Directorships in other listed companies**

None of our Directors is or was a director on any listed company during the last five years preceding the date of filing of this Red Herring Prospectus, whose shares have been or were suspended from being traded on the Stock Exchanges, during the term of their directorship in such companies.

None of our Directors is or was a director on any listed company which has been or was delisted from the any stock exchange during the term of their directorship in such companies.

#### **Borrowing Powers of our Board**

Our Board has been authorised by the shareholders of our Company by a resolution dated September 21, 2005 to borrow money not exceeding ₹200,000 million in excess of and in addition to the paid up capital and free reserves of our Company upon terms and conditions that it deems fit.

#### **Details of Appointment of our Directors**

Our Directors are appointed by the President of India through the MoPNG.

| Name of Directors | Appointment Letter/MoPNG Order                | Term                                                                                                                                                                                                                                                                                           |
|-------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. A.K. Hazarika | No. 31011/1/2003-CA dated September 9, 2004;  | From the date of assumption of charge i.e., September 9, 2004 for a period of five years or until the date of superannuation or until further orders, whichever is earlier.                                                                                                                    |
|                   | No. 31011/2/2008-CA dated August 12, 2009;    | Further extended beyond September 8, 2009 until the date of superannuation on September 30, 2012 or until further orders, whichever is earlier.                                                                                                                                                |
|                   | No. C-31011/2/2011-CA dated January 31, 2011; | Additional charge entrusted to Mr. A.K. Hazarika as Chairman and Managing Director of our Company on an ad-hoc basis for a period of three months with effect from February 1, 2011 or till a regular incumbent is appointed, or until further orders, whichever event occurs at the earliest. |
|                   | No. C-31011/2/2011-CA dated April 29, 2011;   | Further extended with effect from May 1, 2011 for a period of three months, or till the appointment of a regular incumbent, or until further orders, whichever is the earliest;                                                                                                                |
|                   | No. C-31011/2/2011-CA dated July 29, 2011     | Further extended with effect from August 1, 2011 for a period of three months, or till the appointment of a regular incumbent, or until further orders, whichever is the earliest.                                                                                                             |
| Mr. U.N. Bose     | No. 31011/6/2004-CA dated September 27, 2005; | Five years from the date of appointment i.e., September 27, 2005 or till the date of superannuation or until further orders, whichever is earlier.                                                                                                                                             |
|                   | No. 31011/2/2010-CA dated September 21, 2010; | Further extended beyond September 26, 2010 for a period of three months or until further orders and subject to the decision of the Competent Authority, whichever is earlier.                                                                                                                  |
|                   | No. C-31011/2/2010-CA dated November 18, 2010 | Further extended beyond September 26, 2010 until the date superannuation on November 30, 2012 or until further orders, whichever is earliest.                                                                                                                                                  |
| Mr. D.K. Sarraf   | No. 37011/2/07-CA dated December 27, 2007     | Five years from the date of assumption of charge i.e., December 27, 2007, until the date of superannuation or until further orders, whichever is earlier.                                                                                                                                      |
| Mr. S. Vasudeva   | No. C-31011/4/2007-CA dated January 16, 2009  | Five years from the date of appointment i.e., February 1, 2009 or till the date of superannuation or until further orders, whichever is earliest.                                                                                                                                              |
| Mr. S.V. Rao      | No. C-31011/3/2009-CA dated February 25, 2011 | Five years from the date of assumption of charge, i.e. February 25, 2011, till the date of superannuation or until further orders, whichever is earliest.                                                                                                                                      |
| Mr. K.S. Jamestin | No. C-31011/7/2009-CA dated May 25, 2011      | Five years from the date of assumption of charge or till the date of superannuation or until further orders, whichever is earliest.                                                                                                                                                            |
| Ms. L.M. Vas      | No. 31023/1/2007-CA dated December 12, 2008   | From December 12, 2008, until further orders from the MoPNG.                                                                                                                                                                                                                                   |

| <b>Name of Directors</b> | <b>Appointment Letter/MoPNG Order</b>         | <b>Term</b>                                                                                                           |
|--------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Mr. S. Bhargava          | No. C-31019/1/2006-CA dated March 15, 2010    | With effect from March 15, 2010, until further orders from the MoPNG.                                                 |
| Mr. S.S. Rajsekar        | No. C-34011/24/2005-CA dated November 4, 2008 | Three years from the date of joining the Board i.e., November 11, 2008 or until further orders, whichever is earlier. |
| Mr. S. Balachandran      | No. C-34011/24/2005-CA dated November 4, 2008 | Three years from the date of joining the Board i.e., November 11, 2008 or until further orders, whichever is earlier. |
| Mr. Santosh Nautiyal     | No. C-34011/24/2005-CA dated November 4, 2008 | Three years from the date of joining the Board i.e., November 11, 2008 or until further orders, whichever is earlier. |
| Ms. Anita Das            | No. C-34011/24/2005-CA dated August 4, 2009   | Three years from the date of joining the Board i.e., August 5, 2009 or until further orders, whichever is earlier.    |
| Dr. D. Chandrasekharam   | No. C-34011/24/2005-CA dated March 11, 2011   | Three years from from the date of assumption of charge of the post or until further orders, whichever is earliest.    |
| Mr. Deepak Nayyar        | No. C-34011/24/2005-CA dated June 20, 2011    | Three years from the date of joining the Board, until further order, whichever is earlier.                            |
| Mr. Arun Ramanatham      | No. C-34011/24/2005-CA dated June 20, 2011    | Three years from the date of joining the Board, until further order, whichever is earlier.                            |
| Ms. Usha Thorat          | No. C-34011/24/2005-CA dated June 20, 2011    | Three years from the date of joining the Board, until further order, whichever is earlier.                            |

Except for our whole-time Directors who are entitled to benefits upon termination of their employment with us along with certain post retirement medical benefits, none of our other Directors are entitled to any benefit upon termination of their employment with us.

### **Remuneration of our Directors**

The following table sets forth the details of the gross remuneration for our current whole-time Directors for the Fiscal 2011.

*(in ₹ million)*

| <b>S. No.</b> | <b>Name</b>       | <b>Salary and allowances</b> | <b>Benefits</b> | <b>Performance related pay</b> | <b>Various contributions</b> | <b>Total</b> |
|---------------|-------------------|------------------------------|-----------------|--------------------------------|------------------------------|--------------|
| 1.            | Mr. A.K. Hazarika | 1.85                         | 0.41            | 1.48                           | 0.65                         | 4.39         |
| 2.            | Mr. U.N. Bose     | 2.12                         | 0.30            | 1.47                           | 0.63                         | 4.52         |
| 3.            | Mr. D.K. Sarraf   | 1.98                         | 0.07            | 1.43                           | 0.53                         | 4.01         |
| 4.            | Mr. S. Vasudeva   | 1.69                         | 0.38            | 1.39                           | 0.47                         | 3.93         |
| 5.            | Mr. S.V. Rao      | 0.19                         | -               | 1.44                           | 0.30                         | 1.93         |

Since Mr. K.S. Jamestin was appointed post March 31, 2011 as a Director, he did not receive any remuneration as a Director for the Fiscal 2011.

Our Government-nominee Directors, Ms. L.M Vas and Mr. S. Bhargava are not entitled to any remuneration or fees from us as they have been nominated by the GoI. Our Independent Directors are paid sitting fees of ₹ 20,000 for attending each meeting of our Board and its committees, as applicable, pursuant to a resolution of our Board dated February 25, 2008. The following table sets forth the sitting fees paid to our Independent Directors for the Fiscal 2011.



| (in ₹ million) |                       |              |
|----------------|-----------------------|--------------|
| S. No.         | Name                  | Sitting Fees |
| 1.             | Mr. S.S. Rajsekar     | 0.98         |
| 2.             | Mr. S. Balachandran   | 1.06         |
| 3.             | Mr. Santosh Nautiyal  | 0.94         |
| 4.             | Ms. Anita Das         | 0.84         |
| 5.             | Dr. D. Chandrashekhar | 0.02         |

Since Mr. Deepak Nayyar, Mr. Arun Ramanatham and Ms. Usha Thorat were appointed as Independent Directors post March 31, 2011, they did not receive any sitting fees for the Fiscal 2011.

### Contingent and deferred compensation payable to Directors

There is no contingent or deferred compensation which has accrued to any of the directors of the Company for the Fiscal 2011.

### Bonus or Profit Sharing Plan for the Directors

There was no separate bonus or profit sharing plan for our Directors for the Fiscal 2011.

### Details of terms and conditions of appointment of our whole-time Directors

The terms and conditions governing the appointment of Mr. A.K. Hazarika, Mr. U.N. Bose, Mr. D.K. Sarraf and Mr. S. Vasudeva are set forth below.

#### 1. *Letter No. 31011/1/2003-CA dated September 6, 2005 from the MoPNG to our Company regarding terms and conditions of appointment of Mr. A.K. Hazarika.*

Mr. A.K. Hazarika was appointed as the Director (Onshore) of our Company by the President of India pursuant to MoPNG letter No. 31011/1/2003-CA dated September 9, 2004. His appointment was extended beyond September 8, 2009 until the date of superannuation on September 30, 2012 or until further orders, whichever is earlier by letter No. 31011/2/2008-CA dated August 12, 2009. He is also currently acting as the Chairman and Managing Director of our Company.

The terms and conditions governing the appointment of Mr. A.K. Hazarika as per the above mentioned order are as under:

|                                          |                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term                                     | Five years with effect from September 9, 2004 or till the date of superannuation, whichever is earlier.<br><br>His term was extended by MoPNG letter (No. 31011/2/2008-CA) dated August 12, 2009 beyond September 8, 2009 until the date of superannuation on September 30, 2012 or until further orders, whichever is earlier.                                           |
| Basic salary                             | ₹ 84,420                                                                                                                                                                                                                                                                                                                                                                  |
| Dearness Allowance                       | Dearness allowance would be paid in accordance with the New Industrial Dearness Allowance Scheme spelt out in the DPE's Office Memorandum dated June 25, 1999.                                                                                                                                                                                                            |
| Housing and furnishing                   | Entitled to suitable residential accommodation from our Company, including Company-leased accommodation. Accommodation can also be taken on a self lease basis provided that a lease deed in favour of our Company is executed or on the basis of existing lease deeds. Housing rent allowance at the rates indicated in the DPE's Office Memorandum dated June 25, 1999. |
| Contributory Provident Fund and Gratuity | Entitled to provident fund and gratuity as per the rules of the Company.                                                                                                                                                                                                                                                                                                  |
| Conveyance                               | Entitled to facility of staff car for private use, subject to certain ceilings.                                                                                                                                                                                                                                                                                           |
| City Compensatory Allowance              | Eligible as per existing rates approved for its executives subject to an overall ceiling of ₹ 300 in A-1, ₹ 240 in A class cities, ₹ 180 and ₹ 120 in B-1 and B-2 class cities respectively.                                                                                                                                                                              |
| Other benefits and perquisites           | Entitled to medical facilities, travelling allowance, leave travel concession, disability leave etc. in accordance with the rules of the Company.                                                                                                                                                                                                                         |
| Productivity Linked Incentive Scheme     | Eligible for Productivity Linked Incentive Scheme as per DPE's Office Memorandum dated June 25, 1999 if it has been introduced in the Company.*                                                                                                                                                                                                                           |
| Leave                                    | As per the leave rules of our Company.                                                                                                                                                                                                                                                                                                                                    |

|                                                                         |                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Club Membership                                                         | Eligible to become member of two clubs at the Company's expense subject to the membership being coterminous with directorship.                                                                                                                                                                         |
| Restriction on joining Private Commercial Undertakings after Retirement | After retirement from the services of our Company, shall not accept any appointment or post whether advisory or administrative, in any company, Indian or foreign, which has business relations with the Company, within two years from the date of his retirement, without prior approval of the GoI. |
| Conduct Discipline and Appeal                                           | Subject to the Conduct, Discipline and Appeal Rules of our Company, with the Disciplinary Authority being the President of India.                                                                                                                                                                      |

\* This has subsequently been replaced by DPE Office Memorandums dated November 26, 2008, February 9, 2009 and April 2, 2009.

**2. Letter No. C-31011/5/2009-CA dated May 31, 2010 from the MoPNG to our Company regarding terms and conditions of appointment of Mr. U.N. Bose.**

Mr. U.N. Bose was appointed as the Director (Technology and Field Services) of our Company by the President of India pursuant to MoPNG letter no. 31011/6/2004-CA dated September 27, 2005, no. 31011/2/2010-CA dated September 21, 2010 and no. C-31011/2/2010-CA dated November 18, 2010.

The terms and conditions governing the appointment of Mr. U.N. Bose as per the above mentioned order are as under:

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term                                                                    | Five years from the initial date of appointment by MoPNG letter no. 31011/6/2004-CA dated September 27, 2005 or till the date of superannuation or until further orders, whichever is earlier.<br><br>His term was extended by MoPNG letter no. C-31011/2/2010-CA dated November 18, 2010 until the date of superannuation on November 30, 2012 or until further orders, whichever is earlier. |
| Basic salary                                                            | ₹ 84,420 per month.                                                                                                                                                                                                                                                                                                                                                                            |
| Dearness Allowance                                                      | In accordance with the new Industrial Dearness Allowance Scheme as spelt out in the DPE's OM dated November 26, 2008 and April 2, 2009.                                                                                                                                                                                                                                                        |
| Housing and furnishing                                                  | Entitled to suitable residential accommodation from our Company including Company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of our Company is executed or on the basis of existing lease deeds. Housing rent allowance at the rates indicated in the DPE's Office Memorandum dated November 26, 2008.                     |
| Conveyance                                                              | Entitled to the facility of staff car for private use subject to certain ceilings.                                                                                                                                                                                                                                                                                                             |
| City Compensatory Allowance                                             | -                                                                                                                                                                                                                                                                                                                                                                                              |
| Other benefits and perquisites                                          | Based on the decision of the Board of Directors, subject to a maximum ceiling of 50% of his basic pay as indicated in the DPE's Office Memorandums dated November 26, 2008 and April 2, 2009.                                                                                                                                                                                                  |
| Performance Related Payment                                             | Eligible for PRP as per Office Memorandums dated November 26, 2008, February 9, 2009 and April 2, 2009.                                                                                                                                                                                                                                                                                        |
| Leave                                                                   | Subject to leave rules of the Company.                                                                                                                                                                                                                                                                                                                                                         |
| Club Membership                                                         | -                                                                                                                                                                                                                                                                                                                                                                                              |
| Restriction on joining Private Commercial Undertakings after Retirement | After retirement from the services of our Company, shall not accept any appointment or post whether advisory or administrative, in any company which has or has business relations, within one year from the date of his retirement, without prior approval of the GoI.                                                                                                                        |
| Conduct Discipline and Appeal                                           | Subject to the Conduct, Discipline and Appeal Rules of our Company, with the Disciplinary Authority being the President of India.                                                                                                                                                                                                                                                              |

**3. Letter No. 31011/2/07-CA dated March 7, 2008, from the MoPNG to our Company regarding terms and conditions of appointment of Mr. D.K. Sarraf.**

Mr. D.K. Sarraf was appointed as the Director (Finance) of our Company by the President of India pursuant to MoPNG letter No. 31011/2/2007-CA dated December 27, 2007.

The terms and conditions governing the appointment of Mr. D.K. Sarraf as per the abovementioned order are as under:

|                    |                                                                                                                                                          |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term               | Five years from the date of assumption of charge i.e., December 27, 2007 until the date of superannuation or until further orders, whichever is earlier. |
| Basic salary       | ₹ 81,960 per month.                                                                                                                                      |
| Dearness Allowance | In accordance with the new IDA scheme as spelt out in the DPE's OM dated June 25,                                                                        |

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         | 1999.                                                                                                                                                                                                                                                                                                                                                                  |
| Housing and furnishing                                                  | Entitled to suitable residential accommodation from our Company including Company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of our Company is executed or on the basis of existing lease deeds. Housing rent allowance at the rates indicated in the DPE's Office Memorandum dated June 25, 1999. |
| Contributory Provident Fund and Gratuity                                | Entitled to provident fund and gratuity as per the rules of the Company.                                                                                                                                                                                                                                                                                               |
| Conveyance                                                              | Entitled to the facility of staff car for private use subject to certain ceilings.                                                                                                                                                                                                                                                                                     |
| City Compensatory Allowance                                             | Eligible as per existing rates approved for its executives subject to an overall ceiling of ₹ 300 in A-1, ₹ 240 in A class cities, ₹ 180 and ₹ 120 in B-1 and B-2 class cities respectively.                                                                                                                                                                           |
| Other benefits and perquisites                                          | Entitled to medical facilities, travelling allowance, leave travel concession, disability leave etc. in accordance with the rules of the Company.                                                                                                                                                                                                                      |
| Productivity Linked Incentive Scheme                                    | Eligible for Productivity Linked Incentive Scheme as per DPE's Office Memorandum dated June 25, 1999 and March 27, 2000 if it has been introduced in the Company.*                                                                                                                                                                                                     |
| Leave                                                                   | Subject to leave rules of the Company.                                                                                                                                                                                                                                                                                                                                 |
| Club Membership                                                         | Eligible to become member of two clubs at the Company's expense subject to the membership being coterminous with directorship.                                                                                                                                                                                                                                         |
| Restriction on joining Private Commercial Undertakings after Retirement | After retirement from the services of our Company, shall not accept any appointment or post whether advisory or administrative, in any company which has or has business relations, within two years from the date of his retirement, without prior approval of the GoI.                                                                                               |
| Conduct Discipline and Appeal                                           | Subject to the Conduct, Discipline and Appeal Rules of our Company, with the Disciplinary Authority being the President of India.                                                                                                                                                                                                                                      |

*\*\* This has subsequently been replaced by DPE Office Memorandums dated November 26, 2008, February 9, 2009 and April 2, 2009*

**4. Letter No. 31011/4/2007-CA dated April 29, 2010, from the MoPNG to our Company regarding terms and conditions of appointment of Mr. S. Vasudeva.**

Mr. S. Vasudeva was appointed as the Director (Offshore) of our Company by the President of India pursuant to MoPNG Letter No. 31011/4/2007-CA dated January 16, 2009.

The terms and conditions governing the appointment of Mr. S. Vasudeva as per the abovementioned order are as under:

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term                                                                    | Five years from the date of appointment i.e., February 1, 2009 until the date of superannuation or until further orders, whichever is earlier.                                                                                                                                                                                                                             |
| Basic salary                                                            | ₹ 79,570 per month.                                                                                                                                                                                                                                                                                                                                                        |
| Dearness Allowance                                                      | In accordance with the new IDA scheme as spelt out in the DPE's OM dated November 26, 2008 and April 2, 2009.                                                                                                                                                                                                                                                              |
| Housing and furnishing                                                  | Entitled to suitable residential accommodation from our Company including Company leased accommodation. Accommodation can also be taken on self lease basis provided that a lease deed in favour of our Company is executed or on the basis of existing lease deeds. Housing rent allowance at the rates indicated in the DPE's Office Memorandum dated November 26, 2008. |
| Contributory Provident Fund and Gratuity                                | -                                                                                                                                                                                                                                                                                                                                                                          |
| Conveyance                                                              | Entitled to the facility of staff car for private use subject to certain ceilings.                                                                                                                                                                                                                                                                                         |
| City Compensatory Allowance                                             | -                                                                                                                                                                                                                                                                                                                                                                          |
| Other benefits and perquisites                                          | Based on the decision of the Board of Directors, subject to a maximum ceiling of 50% of his basic pay as indicated in the DPE's OM dated November 26, 2008 and April 2, 2009.                                                                                                                                                                                              |
| Performance Related Payment                                             | Eligible for Performance Related Pay as per Office Memorandums dated November 26, 2008, February 9, 2009 and April 2, 2009.                                                                                                                                                                                                                                                |
| Leave                                                                   | Subject to leave rules of the Company.                                                                                                                                                                                                                                                                                                                                     |
| Club Membership                                                         | -                                                                                                                                                                                                                                                                                                                                                                          |
| Superannuation Benefits                                                 | Eligible for superannuation benefit based on approved schemes as per DPE's Office Memorandums dated November 26, 2008 and April 2, 2009.                                                                                                                                                                                                                                   |
| Restriction on joining Private Commercial Undertakings after Retirement | After retirement from the services of our Company, shall not accept any appointment or post whether advisory or administrative, in any company which has or has business relations, within one year from the date of his retirement, without prior approval of the GoI.                                                                                                    |
| Conduct Discipline and Appeal                                           | Subject to the Conduct, Discipline and Appeal Rules of our Company, with the Disciplinary Authority being the President of India.                                                                                                                                                                                                                                          |

Our Company is yet to receive the detailed terms and conditions of appointment of Mr. S.V. Rao and Mr. K.S. Jamestin from the MoPNG.

### **Corporate Governance**

Our Company had not complied with the Equity Listing Agreement relating to composition of board of directors from January 1, 2006 to June 19, 2011. Our Company became compliant with the Equity Listing Agreement from June 20, 2011, with the appointment of Mr. Deepak Nayyar, Mr. Arun Ramanathan and Ms. Usha Thorat as Independent Directors on our Board. Other than as mentioned above, our Company has been in compliance with the requirements of corporate governance contained in the Equity Listing Agreement including those relating to constitution of committees.

We have constituted an Audit and Ethics Committee and a Shareholders'/Investors' Grievance Committee as per the requirements of Clause 49 of the Listing Agreement and a Remuneration Committee in accordance with the DPE Guidelines applicable to all Central Government public sector enterprises.

### **Audit and Ethics Committee**

Our Audit and Ethics Committee was constituted through Board resolution dated May 28, 1999 and last reconstituted on July 28, 2011. Currently, our Audit and Ethics Committee comprises the following members:

- (i) Mr. S. Balachandran (Chairman);
- (ii) Mr. Santosh Nautiyal;
- (iii) Mr. S.S. Rajsekar;
- (iv) Ms. Anita Das;
- (v) Dr. D. Chandsrasekharam
- (vi) Ms. Usha Thorat; and
- (vii) Mr. Arun Ramanathan

In addition to the above, the Director (Finance) and the Chief (Internal-Audit) are invitees to our Audit and Ethics Committee.

The terms of reference of the Audit and Ethics Committee is in accordance with the Companies Act, guidelines on Corporate Governance issued by the DPE and the Equity Listing Agreement as amended from time to time and include, *inter alia*, the following:

- Oversight of our Company's financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to our Board the appointment, reappointment and if required, the replacement or removal of the statutory auditors and the fixation of audit fee;
- Approving of payment of statutory auditors for any other services rendered by them;
- Reviewing, with the management, the annual financial statements before the submission to the Board for approval with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by the management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosures of any related party transactions; and
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring

agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in the matter.

- Reviewing, with the management, performance of statutory and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal audit function, 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;
- Discussing with internal auditors regarding any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- 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;
- To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower Mechanism;
- Discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensuring compliance of internal control systems;
- Review of the Audit paras referred to Audit and Ethics Committee by the Internal Audit/ Board and/or the GoI and to provide its suggestions/ guidance/ comments on the issues referred to it; and
- To review the financial statements and in particular, the investments made by the unlisted subsidiary companies.

The Audit and Ethics Committee met nine times in the last Fiscal.

#### **Shareholders'/ Investors' Grievance Committee**

Our Shareholders'/ Investors' Grievance Committee was constituted through Board resolution dated July 7, 2001 and last reconstituted through Board resolution dated July 28, 2011. Currently, the Shareholders'/ Investors' Grievance Committee comprises the following members:

- (i) Mr. Deepak Nayyar (Chairman);
- (ii) Mr. S.S. Rajsekar;
- (iii) Mr. S. Balachandran;
- (iv) Ms. Usha Thorat; and
- (v) Mr. Arun Ramanathan.

In addition, the Director (Finance) and the Director (HR) are invitees to the Shareholders'/ Investors' Grievance Committee.

The terms of reference of the Shareholders' and Investors' Grievance Committee include, *inter alia*, the following:

- To look into the redressal of shareholders' and investors' complaints related to:
  - Transfer, transmission of shares, issue of duplicate share certificates, dematerialisation and rematerialisation of shares;
  - Non-receipt of balance sheets, annual reports;
  - Non-receipt of declared dividends; and
  - Any other relevant grievance that the investor/ shareholder may have;
- To review performance of the registrar and share transfer agent;
- To monitor investor services; and
- To monitor the Code of Conduct for Prevention of Insider Trading in securities.

The Shareholders'/ Investors' Grievance Committee met three times in the last Fiscal.

#### **Remuneration Committee**

Our Company has constituted a remuneration committee through Board resolution dated July 7, 2001 for determining the annual bonus/variable pay and policy for distribution across the executives and non-unionized supervisors. The Remuneration Committee was last reconstituted on July 28, 2011.

This Committee currently comprises of the following members:

- (i) Ms. Anita Das (Chairperson);
- (ii) Mr. Santosh Nautiyal;
- (iii) Mr. S.S. Rajsekar;
- (iv) Dr. D. Chandrashekharam;
- (v) Mr. Deepak Nayyar;
- (vi) Ms. Usha Thorat; and
- (vii) Mr. Arun Ramanathan.

Besides the above, the Director (Finance) and the Director (HR) are permanent invitees to the Remuneration Committee.

The terms of reference of the Remuneration Committee include, *inter alia*, the following:

- Deciding the annual bonus/ variable pay pool and policy for its distribution across the executives and non-unionized supervisors, within the prescribed limits as per the guidelines issued in this regard by the GoI;
- Consideration of various aspects of remuneration payable to Executive and Non-Executive Directors and recommendation thereon to the Board;
- Consideration of sitting fees payable to Independent Directors and recommendation thereon to the Board as per the provisions of the Companies Act;
- Consideration of any other item which may be delegated in this regard by the Board; and
- The quorum for the meeting of Remuneration Committee shall be at least three members present in the meeting.

The Remuneration Committee met twice in the last Fiscal.

#### **Committee of the Board for the Further Public Offer**

The Board has constituted a committee of the Board by a Board resolution dated January 29, 2011 and a subsequent office order (bearing ONGC/Committees/2011) dated January 31, 2011 so as to expedite the decision making process in relation to the Offer (“**FPO Committee**”). The composition of the FPO Committee is as follows:

| <b>Name of the Director</b> | <b>Designation</b>                                                     |
|-----------------------------|------------------------------------------------------------------------|
| Mr. S. Balachandran         | Independent Director and Chairman, Audit and Ethics Committee          |
| Mr. Santosh Nautiyal        | Independent Director                                                   |
| Mr. A.K. Hazarika           | Chairman and Managing Director (Additional Charge); Director (Onshore) |
| Mr. U.N. Bose               | Director (Technology and Field Services)                               |
| Mr. D.K. Sarraf             | Director (Finance)                                                     |
| Mr. S. Vasudeva             | Director (Offshore)                                                    |

The FPO Committee met twice in the last Fiscal.

#### **Shareholding of Directors in our Company**

Our Articles do not require our Directors to hold any Equity Shares. The following table details the shareholding of our Directors in our Company as on the date of filing of this Red Herring Prospectus:

| <b>Name of Directors</b> | <b>Number of Equity Shares</b> |
|--------------------------|--------------------------------|
| Mr. A.K. Hazarika        | 4,640                          |
| Mr. U.N. Bose            | 1,192                          |
| Mr. D.K. Sarraf          | 3,192                          |

| <b>Name of Directors</b> | <b>Number of Equity Shares</b> |
|--------------------------|--------------------------------|
| Mr. S. Vasudeva          | 2,580                          |
| Mr. S.V. Rao             | 2,880                          |
| Mr. K.S. Jamestin        | 3,600                          |
| Mr. S. Bhargava          | 360                            |
| Mr. Deepak Nayyar        | 200                            |

### **Interest of our Directors**

All of our Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors on the Board of our Company such as attending meetings of the Board or a committee thereof and to the extent of other reimbursement of expenses payable to them under our Articles of Association.

Certain of our Directors also hold Equity Shares and are interested to the extent of any dividend payable to them in respect of the same. For details, see “Our Management- *Shareholding of Directors in our Company*” on page 252. Our Directors may also be regarded as interested in the Equity Shares that may be subscribed by or Allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer.

Except as stated in this Red Herring Prospectus and in particular “Financial Information - *Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexure XXXIIIA- Note 23 and Annexure XXXIIIB- Note 17*” and “Financial Information - *Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXXIIIA- Note 23 and Annexure XXXIIIB- Note 20*” on pages 299, 316, 380 and 407 respectively, our Directors have no interest in any property acquired by us within two years of the date of filing of this Red Herring Prospectus.

Additionally, as on August 26, 2011, IOCL and GAIL, each a GoI controlled company, held an aggregate of approximately 10.09% of our paid up equity share capital.

Some of our Directors also hold directorships in our Subsidiaries/Joint Ventures which are also engaged in the petroleum and natural gas sector. For details, see “Our Management” on page 238.

### **Arrangements and understanding with major shareholders, customers, suppliers or others**

As per Article 104 of the Articles of Association, our Directors are appointed by the President of India. Further, pursuant to the DPE Guidelines dated November 26, 2001, one-sixth of the total strength of the directors of any Government company, subject to a maximum limit of two directors will be Government nominees. In this regard, Ms. L.M. Vas and Mr. S. Bhargava have been appointed as the Government-nominee Directors on our Board. Except as stated above, none of our Directors have been appointed pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others.

### **Changes in our Board during the last three years**

The changes in our Board in the last three years are as follows:

| <b>Name</b>            | <b>Designation</b>     | <b>Date of Joining/<br/>Appointment</b> | <b>Date of Cessation</b> | <b>Reason</b>                          |
|------------------------|------------------------|-----------------------------------------|--------------------------|----------------------------------------|
| Mr. Deepak Nayyar      | Independent Director   | June 20, 2011                           | -                        | Appointment as Independent Director    |
| Mr. Arun Ramanatham    | Independent Director   | June 20, 2011                           | -                        | Appointment as Independent Director    |
| Ms. Usha Thorat        | Independent Director   | June 20, 2011                           | -                        | Appointment as Independent Director    |
| Mr. K.S. Jamestin      | Director (HR)          | May 25, 2011                            | -                        | Appointment as Director (HR)           |
| Dr. D. Chandrasekharam | Independent Director   | March 11, 2011                          | -                        | Appointment as an Independent Director |
| Mr. S.V. Rao           | Director (Exploration) | February 25, 2011                       | -                        | Appointment as Director (Exploration)  |
| Mr. R. S. Sharma       | Chairman and           | July 4, 2007                            | January 31, 2011         | Superannuation                         |

| Name                       | Designation                    | Date of Joining/<br>Appointment | Date of Cessation | Reason                                             |
|----------------------------|--------------------------------|---------------------------------|-------------------|----------------------------------------------------|
|                            | Managing Director              |                                 |                   |                                                    |
| Mr. D.K. Pande             | Director<br>(Exploration)      | September 23, 2005              | January 31, 2011  | Superannuation                                     |
| Mr. A.K. Balyan            | Director (HR)                  | August 23, 2003                 | July 15, 2010     | Resignation                                        |
| Mr. S. Bhargava            | Government<br>Nominee Director | March 15, 2010                  | -                 | Appointment as a<br>Government nominee<br>Director |
| Mr. S. Sundareshan         | Government<br>Nominee Director | May 10, 2007                    | February 4, 2010  | Resignation                                        |
| Ms. Anita Das              | Independent Director           | August 5, 2009                  | -                 | Appointment as an<br>Independent Director          |
| Mr. R.K. Pachauri          | Independent Director           | June 26, 2006                   | June 26, 2009     | Expiry of term                                     |
| Mr. V.P. Singh             | Independent Director           | June 26, 2006                   | June 26, 2009     | Expiry of term                                     |
| Mr. P.K. Choudhury         | Independent Director           | June 26, 2006                   | June 26, 2009     | Expiry of term                                     |
| Dr. Bakul Dholakia         | Independent Director           | June 26, 2006                   | June 26, 2009     | Expiry of term                                     |
| Ms. Chanda Kochhar         | Independent Director           | November 11, 2008               | June 24, 2009     | Resignation                                        |
| Mr. S. Vasudeva            | Director (Offshore)            | February 1, 2009                | -                 | Appointment as Director<br>(Offshore)              |
| Mr. N.K. Mitra             | Director (Offshore)            | September 9, 2004               | January 31, 2009  | Superannuation                                     |
| Ms. L.M. Vas               | Government<br>Nominee Director | December 16, 2008               | -                 | Appointment as<br>Government Nominee<br>Director   |
| Ms. Sindhushree<br>Khullar | Government<br>Nominee Director | May 10, 2007                    | December 16, 2008 | Resignation                                        |
| Mr. S.S. Rajsekar          | Independent Director           | November 11, 2008               | -                 | Appointment as an<br>Independent Director          |
| Mr. S Balachandran         | Independent Director           | November 11, 2008               | -                 | Appointment as an<br>Independent Director          |
| Mr. Santosh Nautiyal       | Independent Director           | November 11, 2008               | -                 | Appointment as an<br>Independent Director          |

### Employee Stock Option Scheme

Our Company does not have any employee stock option scheme or employee stock purchase scheme.

### Payment of Benefit to Officers of our Company (Non-Salary Related)

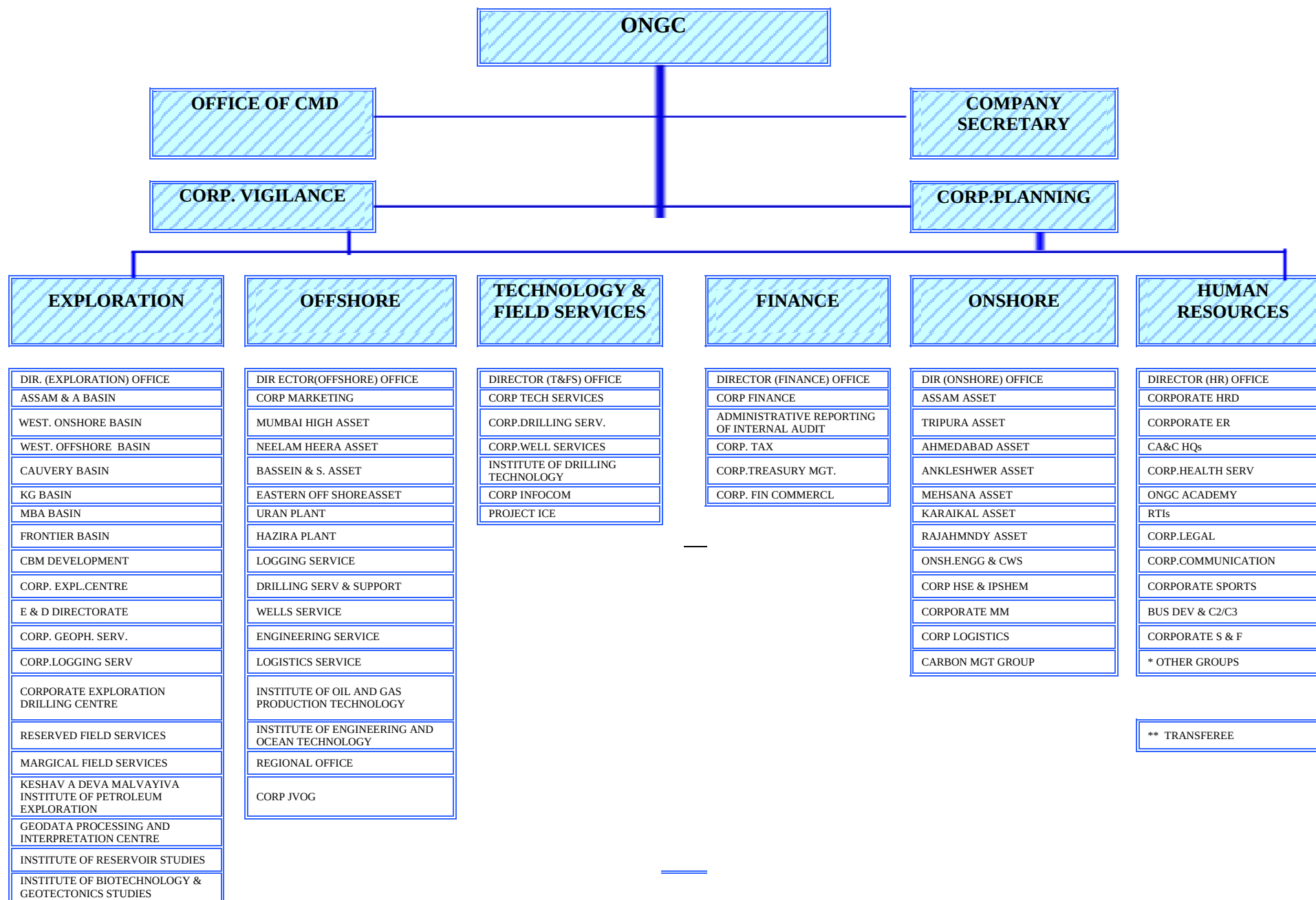
No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.

Except certain post retirement medical benefits and benefits upon termination of their employment in our Company or upon superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

### Organization Structure

Set forth is the management organizational structure of our Company:





## **OUR PROMOTER AND GROUP COMPANIES**

Our Promoter is the President of India acting through the MoPNG. Our Promoter currently holds 74.14% of the pre Offer paid-up equity share capital of our Company. As our Promoter is the President of India acting through the MoPNG, disclosure of our 'group companies' as defined under Schedule VIII to the SEBI ICDR Regulations has not been provided.

## DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements, contractual obligations, restrictive covenants under our loan and financing arrangements and the overall financial condition of our Company. As per the Office Memorandum dated October 15, 2010 by the Department of Expenditure, GoI, each profit making public sector enterprises engaged in oil, petroleum, chemical and other infrastructure sector are required to declare a minimum dividend 30% of its profits after tax.

The dividend and dividend tax paid and proposed to be paid by our Company during the last two Fiscals is presented below.

|                                                        | Fiscal 2011 | Fiscal 2010* |
|--------------------------------------------------------|-------------|--------------|
| Face value of Equity Shares<br>(in ₹ per Equity Share) | 5           | 10           |
| Interim Dividend (in ₹ million)                        | 68,443.92   | 38,499.71    |
| Final Dividend (in ₹ million)                          | 6,416.62    | 32,083.09    |
| Interim Dividend per Equity Share (₹)                  | 8           | 18           |
| Final Dividend per Equity Share (₹)                    | 0.75        | 15           |
| Interim Dividend Rate (%)                              | 160         | 180          |
| Final Dividend Rate (%)                                | 15          | 150          |
| Dividend Tax (in ₹ million)                            | 12,156.46   | 11,615.61    |

\* Per equity share information for Fiscal 2010 is for equity shares with a face value of ₹ 10.

For details of dividends paid/ proposed by our Company for the years ended March 31, 2011 and 2010, see “Financial Information - Financial Statements - Auditor's Report - Report on Standalone Financial Statements – Annexure XXVIII” on page 285.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts payable, if any, in the future.

## SECTION V – FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

#### AUDITORS' REPORT

M/s Arun K Agarwal & Associates  
Chartered Accountants  
105, 1st Floor, South Ex. Plaza-I  
389, Masjid Moth, South Extn. Pt.II  
New Delhi – 110 049

M/s Kalyaniwalla & Mistry  
Chartered Accountants  
Kalpataru Heritage, 5th Floor  
127, MG Road, Fort  
Mumbai – 400 001

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

M/s S Bhandari & Co.  
Chartered Accountants  
51, Nariman Bhawan  
5<sup>th</sup> Floor, Nariman Point  
Mumbai – 400 021

M/s M Kuppuswamy P S G & Co  
Chartered Accountants  
4-H, Continental Plaza  
New No.256 (Old No.705),  
Anna Salai  
Chennai – 600 006

#### Report of the Independent Auditors on the Standalone Financial Statements

The Board of Directors  
Oil and Natural Gas Corporation Limited  
Jeevan Bharati Building, Tower II  
124, Indira Chowk,  
New Delhi 110 001

Dear Sirs,

1. We have examined the attached financial information of Oil and Natural Gas Corporation Limited (the "Company") comprising Statements of Assets and Liabilities (Annexure-I), Profit & Loss Accounts (Annexure-II) and Cash Flow Statements (Annexure-III) as on and for the years ended on March 31, 2010 and 2011 and the three month period ended on June 30, 2011 and Profit & Loss Account for the three months period ended June 30, 2010, along with Significant Accounting Policies (Annexure-XXXII) for the year ended on March 31, 2011 and Notes to Accounts (Annexure- XXXIII A,B) for the years ended on March 31, 2010 and 2011 and the three month period ended on June 30, 2011, as approved by the Board of Directors of the Company, prepared in terms of applicable provisions of the Companies Act, 1956 (the "Act") read with clarification / exemption given by Ministry of Corporate Affairs as suitably explained in Note No. 2 of Annexure – XXXIII-B, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("ICDR Regulations") and in terms of the appointment letter dated February 19, 2011 our engagement agreed upon with you in accordance with our engagement letter dated February 22, 2011, suitably modified thereafter on June 27, 2011 and August 29,2011 in connection with the proposed Further Public Offering (FPO) of Equity Shares by the "Selling Shareholder".

The preparation and presentation of this financial information is the responsibility of the Company's Management.

2. The attached financial information has been correctly extracted by the Company's management from the Company's audited financial statements for the years ended on March 31, 2010 and 2011, the unaudited financial statements with limited review for the three month period ended on June 30, 2011 and the unaudited Profit & Loss Account for the three month period ended June 30, 2010 with limited review.

The financial statements of the Company for the year ended on March 31, 2010, in which are incorporated the Company's share in the total value of assets, liabilities, expenditure and income of 124

blocks under New Exploration Licensing Policy (NELP) / Joint Venture (JV's) accounts for exploration and production, out of which 47 NELP / JV accounts have been certified by other firms of Chartered Accountants and 7 NELP / JV accounts are as certified by the management in respect of NELP / JV's operated by other operators (Refer Note No. 26.3.1 and 26.3.2 of Annexure – XXXIII-A), were audited in accordance with auditing standards generally accepted in India ("IGAAS") by M/s Arun K Agarwal & Associates and M/s Kalyaniwalla & Mistry, who have conducted the audit referred to in this report, together with M/s P.S.D. & Associates, M/s Singhi & Co. and M/s Padmanabhan, Ramani & Ramanujam, who were the Company's previous auditors. Accordingly, reliance has been placed by M/s Ray & Ray, M/s S. Bhandari & Co. and M/s M Kuppuswamy PSG & Co. on the unqualified audit report issued with respect to the financial information of the Company for the year.

The unaudited Profit & Loss Account for the three month period ended on June 30, 2010 was reviewed by M/s Arun K Agarwal & Associates and M/s Kalyaniwalla & Mistry together with M/s P.S.D. & Associates, M/s Singhi & Co. and M/s Padmanabhan, Ramani & Ramanujam, who were the Company's previous auditors, in accordance with the Standard on Review Engagements (SRE) 2410 issued by the Institute of Chartered Accountants of India, who have conducted the examination referred to in this report, accordingly reliance has been placed by M/s Ray & Ray, M/s S. Bhandari & Co. and M/s M Kuppuswamy PSG & Co. on the unqualified review report issued with respect to the financial information of the Company for such period in accordance with IGAAS.

We, the joint statutory auditors of the Company have audited in accordance with IGAAS the standalone balance sheet of the Company as on March 31, 2011 and the related profit and loss account and cash flow statement for the year then ended and the related schedules, notes and annexures thereto, prepared in accordance with generally accepted accounting principles in India ("Indian GAAP") in respect of which we have issued unqualified audit report and in which are incorporated the Company's share in the total value of assets, liabilities expenditure and income of 135 blocks under New Exploration Licensing Policy (NELP) / Joint Venture (JV's) accounts for exploration and production, out of which 12 NELP / JV accounts have been certified by other firms of Chartered Accountants and 7 NELP / JV accounts are as certified by the management in respect of NELP / JV's operated by other operators (Refer Note No. 26.3.1 and 26.3.2 of Annexure – XXXIII-A).

We conducted a review in accordance with Standard on Review Engagements (SRE) 2410, of the Company's Statement of Assets and Liabilities, Profit & Loss Account and Cash Flow Statement as on and for the three months period ended on June 30, 2011. Based on our review, nothing came to our attention that causes us to believe that such financial statements are not prepared, in all material respects, in accordance with Indian GAAP and applicable provisions of the Act, in which are incorporated the Company's share in the total value of assets, liabilities expenditure and income of 133 blocks under New Exploration Licensing Policy (NELP) / Joint Venture (JV's) accounts for exploration and production, out of which 18 NELP / JV accounts are as certified by the management in respect of NELP / JV's operated by other operators (Refer Note No. 20.3 of Annexure – XXXIII-B).

3. We have performed such tests and procedures which in our opinion were necessary for the examination of the attached financial information. These tests and procedures mainly involved comparison of the attached financial information with the Company's audited / reviewed financial statements for the respective years / periods.
4. Based on above, we report that in our opinion and according to the information and explanations given to us, we have found the attached financial information to be correct and the same have been used appropriately.
5. In accordance with the requirements of the ICDR Regulations, applicable provisions of the Act and the terms of our engagements agreed with you, we have also examined the other financial information, as stated in the table below, as on and for the years ended on March 31, 2010 and 2011 and three months period ended on June 30, 2011, prepared by the Management and approved by the Board of Directors of the Company for the purpose of inclusion in the Red Herring Prospectus and the Prospectus in connection with the proposed FPO of Equity Shares of the Company.
6. In this regard, for the years ended on March 31, 2010, 2011 and three months period ended on June 30, 2011, the other financial information as listed below has been correctly extracted from the financial statements for the year ended on March 31, 2010 audited by M/s Arun K Agarwal & Associates and M/s

Kalyaniwalla & Mistry (current auditors) together with M/s P.S.D. & Associates, M/s Singhi & Co. and M/s Padmanabhan, Ramani & Ramanujam (previous auditors) and relied upon by us and from the financial statements for the year ended on March 31, 2011 audited by us and from the financial statements for the three months period on June 30, 2011 reviewed by us.

|     |                                                                                                  |                       |
|-----|--------------------------------------------------------------------------------------------------|-----------------------|
| a.  | Statement of Fixed Assets                                                                        | Annexure- IV A, B & C |
| b.  | Statement of Capital Work In Progress                                                            | Annexure- V           |
| c.  | Statement of Producing Properties                                                                | Annexure- VI          |
| d.  | Statement of Exploratory & Development Work In Progress                                          | Annexure- VII         |
| e.  | Statement of Investments                                                                         | Annexure- VIII        |
| f.  | Statement of Inventories                                                                         | Annexure- IX          |
| g.  | Statement of Sundry Debtors                                                                      | Annexure- X           |
| h.  | Statement of Cash & Bank Balance, Deposit with Scheduled Bank under Site Restoration Find Scheme | Annexure- XI A & B    |
| i.  | Statement of Loans & Advances                                                                    | Annexure- XII         |
| j.  | Statement of Other Current Assets                                                                | Annexure- XIII        |
| k.  | Statement of Unsecured Loans                                                                     | Annexure- XIV         |
| l.  | Statement of Current Liabilities                                                                 | Annexure- XV          |
| m.  | Statement of Provisions                                                                          | Annexure- XVI         |
| n.  | Statement of Share Capital                                                                       | Annexure- XVII        |
| o.  | Statement of Reserves & Surplus                                                                  | Annexure- XVIII       |
| p.  | Statement of Miscellaneous Expenditure                                                           | Annexure- XIX         |
| q.  | Statement of Sales                                                                               | Annexure- XX          |
| r.  | Statement of Other Income                                                                        | Annexure- XXI         |
| s.  | Statement of (Increase) / Decrease in Stock                                                      | Annexure- XXII        |
| t.  | Statement of Production, Transportation, Selling and Distribution Expenditure                    | Annexure- XXIII       |
| u.  | Statement of Depreciation, Depletion, Amortisation and Impairment                                | Annexure- XXIV        |
| v.  | Statement of Financing Costs                                                                     | Annexure- XXV         |
| w.  | Statement of Provisions & Write-offs                                                             | Annexure- XXVI        |
| x.  | Statement of Adj. Relating to Prior Period                                                       | Annexure- XXVII       |
| y.  | Statement of Dividend paid / Proposed                                                            | Annexure- XXVIII      |
| z.  | Statement of Earnings per Equity Share                                                           | Annexure- XXIX        |
| aa. | Statement of Accounting Ratios                                                                   | Annexure- XXX         |
| ab. | Statement of Capitalisation                                                                      | Annexure- XXXI        |

7. Based on Para 2, 3, 4 and 5 above, we report that in our opinion and according to the information and explanations given to us, we have found the information as mentioned in Para 1 and 6 above to be correctly extracted from the audited / reviewed financial statements and the same has been prepared in accordance with the ICDR Regulations and the applicable provisions of the Act.
8. The attached financial information, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statement.
9. This report is intended solely for inclusion in the Red Herring Prospectus and the Prospectus in connection with FPO of the Equity Shares of the Company by the “Selling Shareholder” and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For M/s Arun K Agarwal & Associates  
Chartered Accountants  
Firm Reg No.003917N

For M/s Kalyaniwalla & Mistry  
Chartered Accountants  
Firm Reg No.104607W

(Rajesh Surolia)  
Partner (Mem. No. 088008)

(Ermin K. Irani)  
Partner (Mem. No. 035646)

For M/s Ray & Ray  
Chartered Accountants  
Firm Reg No.301072E

M/s S Bhandari & Co.  
Chartered Accountants  
Firm Reg No.000560C

(A K Sharma)  
Partner (Mem. No. 080085)

( P. P. Pareek)  
Partner (Mem. No. 071213)

For M/s M Kuppuswamy P S G & Co.  
Chartered Accountants  
Firm Reg No.001616S

(M N Ravi)  
Partner (Mem. No.083751)

New Delhi  
August 29, 2011

**ANNEXURE – I**

**STANDALONE STATEMENT OF ASSETS AND LIABILITIES**

(₹ in million)

|                                                                           | Annx        | Three months ended 30th June, 2011 (Unaudited with Limited Review) | As at 31st March, 2011 (Audited) | As at 31st March, 2010 (Audited) |
|---------------------------------------------------------------------------|-------------|--------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>A. Fixed Assets</b>                                                    | IV A,B,C    |                                                                    |                                  |                                  |
| Gross Block                                                               |             | 834,446.35                                                         | 809,385.98                       | 715,537.79                       |
| Less: Depreciation and Impairment                                         |             | 638,488.99                                                         | 622,990.53                       | 559,052.77                       |
| <b>Net Block</b>                                                          |             | <b>195,957.36</b>                                                  | <b>186,395.45</b>                | <b>156,485.02</b>                |
| <b>B. Capital work in progress</b>                                        | V           | <b>138,710.79</b>                                                  | <b>140,315.69</b>                | <b>102,413.54</b>                |
| <b>C. Producing Properties</b>                                            | VI          |                                                                    |                                  |                                  |
| Gross Cost                                                                |             | 948,504.68                                                         | 930,522.72                       | 843,112.16                       |
| Less: Depletion and Impairment                                            |             | 509,012.92                                                         | 494,766.15                       | 440,290.04                       |
| <b>Net Producing Properties</b>                                           |             | <b>439,491.76</b>                                                  | <b>435,756.57</b>                | <b>402,822.12</b>                |
| <b>D. Exploratory &amp; Development wells in Progress</b>                 | VII         | <b>83,456.78</b>                                                   | <b>77,472.12</b>                 | <b>55,496.83</b>                 |
| <b>E. Investments</b>                                                     | VIII        | <b>58,629.31</b>                                                   | <b>53,328.38</b>                 | <b>57,720.33</b>                 |
| <b>F. Current Assets, Loans and Advances</b>                              |             |                                                                    |                                  |                                  |
| Inventories                                                               | IX          | 43,011.16                                                          | 41,189.84                        | 46,785.72                        |
| Sundry Debtors                                                            | X           | 36,909.18                                                          | 38,458.98                        | 30,586.37                        |
| Cash and Bank Balances                                                    | XI A        | 186,139.10                                                         | 143,310.46                       | 108,279.29                       |
| Deposit with Scheduled Bank under Site restoration Fund Scheme            | XI B        | 81,182.00                                                          | 81,155.06                        | 74,031.06                        |
| Loans and Advances                                                        | XII         | 259,707.99                                                         | 273,566.54                       | 271,697.74                       |
| Other Current Assets                                                      | XIII        | 12,501.53                                                          | 8,755.18                         | 6,333.05                         |
| <b>Total</b>                                                              |             | <b>619,450.96</b>                                                  | <b>586,436.06</b>                | <b>537,713.23</b>                |
| <b>G. Loan Fund</b>                                                       |             |                                                                    |                                  |                                  |
| Unsecured Loans                                                           | XIV         | 1,131.14                                                           | 0.00                             | 49.75                            |
| <b>H. Current Liabilities and Provisions</b>                              |             |                                                                    |                                  |                                  |
| Current Liabilities                                                       | XV          | 200,616.11                                                         | 188,148.86                       | 120,875.63                       |
| Provisions                                                                | XVI         | 50,631.27                                                          | 49,324.86                        | 74,124.02                        |
| <b>I. Deferred Tax Liabilities (Net)</b>                                  |             | <b>97,039.31</b>                                                   | <b>99,503.94</b>                 | <b>89,182.13</b>                 |
| <b>J. Liability for Abandonment Cost</b>                                  |             | <b>177,793.91</b>                                                  | <b>175,642.55</b>                | <b>164,006.68</b>                |
| <b>Total</b>                                                              |             | <b>527,211.74</b>                                                  | <b>512,620.21</b>                | <b>448,238.21</b>                |
| <b>K. Net Worth (A+B+C+D+E+F-G-H-I-J)</b>                                 |             | <b>1,008,485.22</b>                                                | <b>967,084.06</b>                | <b>864,412.86</b>                |
| <b>Net Worth Represented by</b>                                           |             |                                                                    |                                  |                                  |
| <b>L. Share Capital</b>                                                   | XVII        | <b>42,777.59</b>                                                   | <b>42,777.59</b>                 | <b>21,388.87</b>                 |
| <b>M. Reserves and Surplus</b>                                            | XVIII       |                                                                    |                                  |                                  |
| Capital Reserve                                                           |             | 159.44                                                             | 159.44                           | 159.44                           |
| Deferred Government Grant                                                 |             | 33.76                                                              | 34.73                            | 39.45                            |
| Securities Premium                                                        |             | 0.00                                                               | 0.00                             | 168.12                           |
| Insurance Reserves                                                        |             | 0.00                                                               | 0.00                             | 2,500.00                         |
| General Reserves                                                          |             | 932,072.55                                                         | 932,072.55                       | 848,569.86                       |
| Profit and Loss Account                                                   |             | 40,948.98                                                          | 0.00                             | 0.28                             |
| <b>Total</b>                                                              |             | <b>973,214.73</b>                                                  | <b>932,266.72</b>                | <b>851,437.15</b>                |
| <b>N. Less: Miscellaneous Expenditure (to the extent not written-off)</b> | XIX         | <b>7,507.10</b>                                                    | <b>7,960.25</b>                  | <b>8,413.16</b>                  |
| <b>O. Net Worth (L+M-N)</b>                                               |             | <b>1,008,485.22</b>                                                | <b>967,084.06</b>                | <b>864,412.86</b>                |
| Significant Accounting Policies                                           | XXXII       |                                                                    |                                  |                                  |
| Notes to Accounts                                                         | XXXIII A, B |                                                                    |                                  |                                  |

Annexures referred to above form an integral part of the Balance Sheet



For and on behalf of Board

(N. K. Sinha)

**Company Secretary**

(D K Sarraf)

**Director (Finance)**

(A K Hazarika)

**Chairman & Managing Director**

**In terms of our report of even date  
attached**

**For Arun K. Agarwal & Associates**

**Chartered Accountants**

Firm Reg. No. 003917N

**For Ray & Ray**

**Chartered Accountants**

Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**

**Chartered Accountants**

Firm Reg. No. 001616S

(Rajesh Surolia)

Partner (Mem No. 088008)

(A K Sharma)

Partner (Mem. No. 080085)

(M N Ravi)

Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**

**Chartered Accountants**

Firm Reg. No. 104607W

**For S Bhandari & Co**

**Chartered Accountants**

Firm Reg. No. 000560C

(Ermin K. Irani)

Partner (Mem No. 035646)

(P P Pareek)

Partner (Mem No. 071213)

New Delhi

August 29, 2011

**ANNEXURE-II****PROFIT AND LOSS ACCOUNT**

(₹ in million)

|                                                                         | Annx        | 30th June, 2011 | 30th June, 2010 | 2010-11    | 2009-10    |
|-------------------------------------------------------------------------|-------------|-----------------|-----------------|------------|------------|
| <b>Income</b>                                                           |             |                 |                 |            |            |
| Gross Sales                                                             | XX          | 162,680.88      | 137,106.69      | 661,548.77 | 602,048.19 |
| Less: Excise Duty                                                       |             | 691.25          | 448.30          | 3,098.80   | 2,185.42   |
| Net Sales                                                               |             | 161,989.63      | 136,658.39      | 658,449.97 | 599,862.77 |
| Other Income                                                            | XXI         | 9,299.24        | 4,979.88        | 59,007.70  | 41,866.86  |
| <b>Total</b>                                                            |             | 171,288.87      | 141,638.27      | 717,457.67 | 641,729.63 |
| <b>Expenditure</b>                                                      |             |                 |                 |            |            |
| (Increase)/Decrease in Stock                                            | XXII        | (705.12)        | (923.32)        | (129.11)   | (1,180.38) |
| Purchases                                                               |             | 6.43            | 43.36           | 138.35     | 139.31     |
| Production, Transportation, Selling & Distribution Expenditure          | XXIII       | 69,401.93       | 56,332.40       | 275,300.61 | 243,199.46 |
| Depreciation, Depletion, Amortiasation and Impairment                   | XXIV        | 41,217.88       | 31,115.40       | 159,256.53 | 146,431.88 |
| Financing Cost                                                          | XXV         | 40.05           | 27.63           | 251.07     | 144.23     |
| Provisions and Write-Offs                                               | XXVI        | 616.34          | 82.30           | 6,114.27   | 2,974.01   |
| Adjustments relating to Prior period (Net)                              | XXVII       | 7.02            | 126.57          | 336.25     | 182.69     |
| <b>Total</b>                                                            |             | 110,584.53      | 86,804.34       | 441,267.97 | 391,891.20 |
| <b>Profit before Tax &amp; Extra Ordinary items</b>                     |             | 60,704.34       | 54,833.93       | 276,189.70 | 249,838.43 |
| Extraordinary Items                                                     |             | -               | -               | -          | -          |
| <b>Profit before Tax</b>                                                |             | 60,704.34       | 54,833.93       | 276,189.70 | 249,838.43 |
| Provisions for Taxation                                                 |             |                 |                 |            |            |
| Current Tax (incl. Wealth Tax)                                          |             | 22,220.00       | 18,256.00       | 81,226.00  | 71,202.50  |
| Earlier years                                                           |             | -               | -               | (4,517.94) | (199.41)   |
| Deferred Tax                                                            |             | (2,464.64)      | (33.47)         | 10,321.82  | 11,159.78  |
| Fringe benefit tax                                                      |             | -               | -               | (80.20)    | -          |
| <b>Profit after Tax as per Audited / Reviewed Statement of Accounts</b> |             | 40,948.98       | 36,611.40       | 189,240.02 | 167,675.56 |
| Surplus at the beginning                                                |             | -               | -               | 0.28       | 0.13       |
| <b>Balance available for Appropriation</b>                              |             | 40,948.98       | 36,611.40       | 189,240.30 | 167,675.69 |
| <b>Appropriations</b>                                                   |             |                 |                 |            |            |
| Proposed Dividend                                                       | XXVIII      | -               | -               | 6,416.62   | 32,083.09  |
| Interim Dividend                                                        |             | -               | -               | 68,443.92  | 38,499.71  |
| Tax on Dividend                                                         |             | -               | -               | 12,156.46  | 11,615.61  |
| Transfer to General Reserves                                            |             | -               | -               | 102,223.30 | 85,477.00  |
| Balance Carried to Balance Sheet                                        |             | 40,948.98       | 36,611.40       | -          | 0.28       |
| <b>Earnings per Equity Share - Basic and Diluted (Restated) (₹)</b>     | XXIX        | 4.79            | 4.28            | 22.12      | 19.60      |
| (Face Value ₹ 5/-Per Share)                                             |             |                 |                 |            |            |
| Significant Accounting Policies                                         | XXXII       |                 |                 |            |            |
| Notes to Accounts                                                       | XXXIII A, B |                 |                 |            |            |

Annexures referred to above form an integral part of the profit and loss account

For and on behalf of Board

(N. K. Sinha)

**Company Secretary**

(D K Sarraf)

**Director (Finance)**

(A K Hazarika)

**Chairman & Managing Director**

**In terms of our report of even date  
attached**

**For Arun K. Agarwal & Associates**

**Chartered Accountants**

Firm Reg. No. 003917N

**For Ray & Ray**

**Chartered Accountants**

Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**

**Chartered Accountants**

Firm Reg. No. 001616S

(Rajesh Surolia)

Partner (Mem No. 088008)

(A K Sharma)

Partner (Mem. No. 080085)

(M N Ravi)

Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**

Chartered Accountants

Firm Reg. No. 104607W

**For S Bhandari & Co**

Chartered Accountants

Firm Reg. No. 000560C

(Ermin K. Irani)

Partner (Mem No. 035646)

(P P Pareek)

Partner (Mem No. 071213)

New Delhi

August 29, 2011

**ANNEXURE-III****CASH FLOW STATEMENT**

(₹ in million)

|                                                                | 3 Months Ended 30th June,<br>2011<br>(Unaudited with Limited<br>Review) | Year Ended<br>31st March, 2011 (Audited) | Year Ended<br>31st March, 2010 (Audited) |
|----------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                 |                                                                         |                                          |                                          |
| Net Profit before tax and extraordinary items                  | 60,704.34                                                               | 276,189.70                               | 249,838.43                               |
| Adjustments For:                                               |                                                                         |                                          |                                          |
| Prior Period Items                                             | 7.02                                                                    | 336.25                                   | 182.69                                   |
| Recouped Costs                                                 |                                                                         |                                          |                                          |
| (Represented by Depreciation, Depletion and Amortisation)      |                                                                         |                                          |                                          |
| Gross Amount                                                   | 41,217.88                                                               | 159,256.53                               | 146,431.88                               |
| Actual expenditure                                             | (22,854.46)                                                             | (82,489.65)                              | (88,181.19)                              |
| Non-cash Recouped Costs                                        | 18,363.42                                                               | 76,766.88                                | 58,250.69                                |
| -Interest on Borrowings                                        | 40.05                                                                   | 251.07                                   | 144.23                                   |
| -Foreign Exchange Loss/(Gain)                                  | 176.02                                                                  | 520.55                                   | (1,948.82)                               |
| -Provision for Leave Encashment                                | 609.85                                                                  | 2,246.13                                 | 507.46                                   |
| -Provision for AS-15 Benefits                                  | 708.72                                                                  | 2,834.85                                 | 1,510.22                                 |
| -Other Provision and Write offs                                | 571.60                                                                  | 5,620.80                                 | 2,340.11                                 |
| -Interest Income                                               | (6,766.73)                                                              | (19,671.73)                              | (18,261.96)                              |
| -Excess Liability written Back                                 | (248.06)                                                                | (727.89)                                 | (913.03)                                 |
| -Deferred Government Grant                                     | (0.97)                                                                  | (4.72)                                   | (5.29)                                   |
| -Dividend Income                                               | (400.26)                                                                | 13,060.66                                | (3,263.20)                               |
| Operating Profit before Working Capital Changes                | 73,765.00                                                               | 338,834.18                               | 288,381.53                               |
| Adjustments for:-                                              |                                                                         |                                          |                                          |
| -Debtors                                                       | 848.86                                                                  | (9,418.61)                               | 10,573.29                                |
| -Loans and Advances                                            | (4,615.71)                                                              | (537.77)                                 | (13,664.46)                              |
| -Other Current Assets                                          | 1,069.79                                                                | (1,346.84)                               | (22.85)                                  |
| -Deferred Revenue Expenditure                                  | 453.15                                                                  | 452.91                                   | (2,641.23)                               |
| -Inventories                                                   | (1,848.72)                                                              | 5,644.48                                 | (6,417.00)                               |
| -Trade Payable and Other Liabilities                           | 12,722.53                                                               | 8,629.90                                 | (16,443.72)                              |
| Cash generated from Operations                                 | 82,394.90                                                               | 401,310.63                               | 259,765.56                               |
| Direct Taxes Paid (Net of tax refund)                          | (8,211.40)                                                              | (73,422.81)                              | (55,813.76)                              |
| Cash Flow before prior period                                  | 74,183.50                                                               | 327,887.82                               | 203,951.80                               |
| Prior period items (Cash items)                                | (5.08)                                                                  | (319.36)                                 | (71.70)                                  |
| <b>Net Cash Flow from Operating Activities 'A'</b>             | <b>74,178.42</b>                                                        | <b>327,568.46</b>                        | <b>203,880.10</b>                        |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                 |                                                                         |                                          |                                          |
| Purchase of Fixed Assets (Net)                                 | (24,612.39)                                                             | (137,715.89)                             | (90,495.70)                              |
| Exploratory and Development Drilling                           | (9,320.84)                                                              | (51,255.96)                              | (49,080.08)                              |
| Sale/(Purchase) of Investments                                 | (5,300.92)                                                              | 5,316.44                                 | (6,817.12)                               |
| Advance for Share Capital                                      | (230.00)                                                                | (6,682.99)                               | (5,983.75)                               |
| Investment in Associates                                       | -                                                                       | (958.50)                                 | -                                        |
| Loans and advances to Subsidiary                               | 5,245.78                                                                | (10,245.43)                              | (5,378.41)                               |
| Loans to Public Sector Undertakings and Other Bodies Corporate | 88.36                                                                   | 340.04                                   | 320.60                                   |
| Deposit with Public Sector Undertakings                        | -                                                                       | 15,000.00                                | 5,000.00                                 |
| Dividend Received from Subsidiary                              | -                                                                       | 1,506.42                                 | 1,506.42                                 |
| Dividend Received from Associates                              | -                                                                       | -                                        | 24.50                                    |
| Dividend Received from Others                                  | 400.26                                                                  | 4,021.29                                 | 1,732.28                                 |
| Interest Received                                              | 1,950.64                                                                | 18,917.65                                | 25,451.04                                |
| Tax paid on Interest Income                                    | (634.82)                                                                | (6,430.11)                               | (8,650.81)                               |
| <b>Net Cash Flow from Investing Activities 'B'</b>             | <b>(32,413.93)</b>                                                      | <b>(168,187.04)</b>                      | <b>(132,371.03)</b>                      |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                 |                                                                         |                                          |                                          |

|                                                                 | 3 Months Ended 30th June,<br>2011<br>(Unaudited with Limited<br>Review) | Year Ended<br>31st March, 2011 (Audited) | Year Ended<br>31st March, 2010 (Audited) |
|-----------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Repayment of Long term Borrowings                               | 1,131.14                                                                | (49.75)                                  | (217.60)                                 |
| Dividend Paid                                                   | -                                                                       | (100,481.31)                             | (68,422.98)                              |
| Tax on Dividend                                                 | -                                                                       | (16,444.12)                              | (11,376.03)                              |
| Interest Paid                                                   | (40.05)                                                                 | (251.07)                                 | (144.23)                                 |
| <b>Net Cash Flow from Financing<br/>Activities 'C'</b>          | <b>1,091.09</b>                                                         | <b>(117,226.25)</b>                      | <b>(80,160.84)</b>                       |
| Net increase/(decrease) in Cash and Cash<br>Equivalents (A+B+C) | <b>42,855.58</b>                                                        | <b>42,155.17</b>                         | <b>(8,651.77)</b>                        |
| Opening balance Cash and Cash<br>Equivalents                    | <b>224,465.52</b>                                                       | <b>182,310.35</b>                        | <b>190,962.12</b>                        |
| Closing balance Cash and Cash<br>Equivalents                    | <b>267,321.10</b>                                                       | <b>224,465.52</b>                        | <b>182,310.35</b>                        |
|                                                                 | <b>42,855.58</b>                                                        | <b>42,155.17</b>                         | <b>(8,651.77)</b>                        |

**Notes:**

- 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.
- 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.
- Cash and Cash equivalents represent:-

(₹ in million)

|                                                           | Three Month 2011-<br>12 | 2010-11           | 2009-10           |
|-----------------------------------------------------------|-------------------------|-------------------|-------------------|
| a) Cash and Bank Balances                                 | <b>186,139.10</b>       | <b>143,310.46</b> | <b>108,279.29</b> |
| b) Deposits with Bank under Site Restoration Fund Scheme* | <b>81,182.00</b>        | <b>81,155.06</b>  | <b>74,031.06</b>  |
| <b>Total</b>                                              | <b>267,321.10</b>       | <b>224,465.52</b> | <b>182,310.35</b> |

4. Brackets indicate cash outflow/deduction.

5. Previous year figures had been re-grouped/re-classified wherever necessary to confirm to the current periods presentation.

\* 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

(N. K. Sinha)  
**Company Secretary**

(D K Sarraf)  
**Director (Finance)**

(A K Hazarika)  
**Chairman & Managing Director**

**In terms of our report of even date  
attached**

**For Arun K. Agarwal & Associates**  
**Chartered Accountants**  
Firm Reg. No. 003917N

**For Ray & Ray**  
**Chartered Accountants**  
Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**  
**Chartered Accountants**  
Firm Reg. No. 001616S

(Rajesh Surolia)  
Partner (Mem No. 088008)

(A K Sharma)  
Partner (Mem. No. 080085)

(M N Ravi)  
Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**  
**Chartered Accountants**  
Firm Reg. No. 104607W

**For S Bhandari & Co**  
**Chartered Accountants**  
Firm Reg. No. 000560C

(Ermin K. Irani)  
Partner (Mem No. 035646)

(P P Pareek)  
Partner (Mem No. 071213)

**New Delhi**  
**August 29, 2011**

**NNEXURE-IV-A****FIXED ASSETS**

(₹ in million)

|                                                                    | GROSS BLOCK           |                              |                                           |                       | DEPRECIATION AND IMPAIRMENT |              |            |          |                                           |                      | NET BLOCK             |
|--------------------------------------------------------------------|-----------------------|------------------------------|-------------------------------------------|-----------------------|-----------------------------|--------------|------------|----------|-------------------------------------------|----------------------|-----------------------|
|                                                                    | As at 1st April, 2011 | Additions during the quarter | Deletions/ Adjustments during the quarter | As at 30th June, 2011 | Up to 31st March, 2011      | Depreciation | Impairment |          | Deletions/ Adjustments during the quarter | Upto 30th June, 2011 | As at 30th June, 2011 |
|                                                                    |                       |                              |                                           |                       |                             |              | Charged    | Reversed |                                           |                      |                       |
| Land                                                               |                       |                              |                                           |                       |                             |              |            |          |                                           |                      |                       |
| i) Freehold                                                        | 2,709.96              | 24.86                        | 0.00                                      | 2,734.82              | 13.49                       | 0.00         | 0.00       | 0.00     | 0.00                                      | 13.49                | 2,721.33              |
| ii) Leasehold                                                      | 5,616.54              | 5.44                         | 0.00                                      | 5,621.98              | 409.48                      | 12.57        | 0.00       | 0.00     | 0.00                                      | 422.05               | 5,199.93              |
| Buildings and Bunk Houses                                          | 16,049.37             | 59.51                        | 10.32                                     | 16,098.56             | 7,620.09                    | 161.24       | 0.00       | 0.00     | 9.88                                      | 7,771.45             | 8,327.11              |
| Railway Sidings                                                    | 89.95                 | 0.00                         | 0.00                                      | 89.95                 | 84.10                       | 0.20         | 0.00       | 0.00     | 0.00                                      | 84.30                | 5.65                  |
| Plant and Machinery                                                | 765,776.59            | 26,489.90                    | 1,556.07                                  | 790,710.42            | 602,093.04                  | 16,117.42    | 0.60       | 0.00     | 1,121.21                                  | 617,089.85           | 173,620.57            |
| Furniture and Fittings                                             | 8,765.40              | 86.58                        | 39.63                                     | 8,812.35              | 4,646.41                    | 190.11       | 0.00       | 0.00     | 33.09                                     | 4,803.43             | 4,008.92              |
| Vehicles, Survey Ships, Crew Boats and Helicopters                 | 4,428.83              | 12.02                        | 6.43                                      | 4,434.42              | 3,753.35                    | 49.52        | 0.00       | 0.00     | 5.52                                      | 3,797.35             | 637.07                |
|                                                                    | 803,436.64            | 26,678.31                    | 1,612.45                                  | 828,502.50            | 618,619.96                  | 16,531.06    | 0.60       | 0.00     | 1,169.70                                  | 633,981.92           | 194,520.58            |
| Intangibles - Software                                             | 5,949.34              | 1.69                         | 7.18                                      | 5,943.85              | 4,370.57                    | 137.42       | 0.00       | 0.00     | 0.92                                      | 4,507.07             | 1,436.78              |
| TOTAL                                                              | 809,385.98            | 26,680.00                    | 1,619.63                                  | 834,446.35            | 622,990.53                  | 16,668.48    | 0.60       | 0.00     | 1,170.62                                  | 638,488.99           | 195,957.36            |
| The above includes the Corporation's share in Joint Venture Assets | 60,047.26             | 138.21                       | 67.58                                     | 60,117.89             | 37,466.47                   | 2,371.88     | 0.60       | 0.00     | 65.08                                     | 39,773.87            | 20,344.02             |

## Notes

1. Land includes lands in respect of certain projects for which execution of lease/conveyance deeds are in process.
2. Registration of title deeds in respect of certain Buildings is pending execution.
3. Depreciation for the quarter includes ₹ 1.94 million taken to prior period.
4. Building includes cost of undivided interest in land.

**ANNEXURE-IV-B****FIXED ASSETS**

(₹ in million)

|                                                                    | GROSS BLOCK           |                           |                                        |                        | DEPRECIATION AND IMPAIRMENT |              |            |                                        |                        |                        | NET BLOCK              | NET BLOCK  |
|--------------------------------------------------------------------|-----------------------|---------------------------|----------------------------------------|------------------------|-----------------------------|--------------|------------|----------------------------------------|------------------------|------------------------|------------------------|------------|
|                                                                    | As at 1st April, 2010 | Additions during the year | Deletions/ Adjustments during the year | As at 31st March, 2011 | Up to 31st March, 2011      | For the year |            | Deletions/ Adjustments during the year | Up to 31st March, 2011 | As at 31st March, 2011 | As at 31st March, 2010 |            |
|                                                                    |                       |                           |                                        |                        |                             | Depreciation | Impairment |                                        |                        |                        |                        |            |
|                                                                    |                       |                           |                                        |                        |                             |              | Charged    | Reversed                               |                        |                        |                        |            |
| Land                                                               |                       |                           |                                        |                        |                             |              |            |                                        |                        |                        |                        |            |
| i) Freehold                                                        | 2,259.32              | 450.64                    |                                        | 2,709.96               | 13.85                       | 0.00         | 0.00       | 0.36                                   | 0.00                   | 13.49                  | 2,696.47               | 2,245.47   |
| ii) Leasehold                                                      | 5,611.13              | 5.41                      |                                        | 5,616.54               | 358.55                      | 50.93        | 0.00       | 0.00                                   | -                      | 409.48                 | 5,207.06               | 5,252.58   |
| Buildings and Bunk Houses                                          | 12,700.00             | 3,348.06                  | (1.31)                                 | 16,049.37              | 7,001.78                    | 574.24       | 0.00       | 0.47                                   | (44.54)                | 7,620.09               | 8,429.28               | 5,698.22   |
| Railway Sidings                                                    | 89.95                 | 0.00                      |                                        | 89.95                  | 83.16                       | 0.94         | 0.00       | 0.00                                   | 0.00                   | 84.10                  | 5.85                   | 6.79       |
| Plant and Machinery                                                | 675,589.82            | 94,265.25                 | 4,078.48                               | 765,776.59             | 539,145.71                  | 65,971.97    | 596.46     | 141.43                                 | 3,479.67               | 602,093.04             | 163,683.55             | 136,444.11 |
| Furniture and Fittings                                             | 8,133.45              | 889.96                    | 258.01                                 | 8,765.40               | 3,939.30                    | 913.03       | 1.33       | 1.23                                   | 206.02                 | 4,646.41               | 4,118.99               | 4,194.15   |
| Vehicles, Survey Ships, Crew Boats and Helicopters                 | 5,402.45              | 313.30                    | 1,286.92                               | 4,428.83               | 4,771.27                    | 210.71       | 0.00       | 1.13                                   | 1,227.50               | 3,753.35               | 675.48                 | 631.18     |
|                                                                    | 709,786.12            | 99,272.62                 | 5,622.10                               | 803,436.64             | 555,313.62                  | 67,721.82    | 597.79     | 144.62                                 | 4,868.65               | 618,619.96             | 184,816.68             | 154,472.50 |
| Intangibles - Software                                             | 5,751.67              | 215.07                    | 17.40                                  | 5,949.34               | 3,739.15                    | 640.63       | 0.00       | 0.00                                   | 9.21                   | 4,370.57               | 1,578.77               | 2,012.52   |
| TOTAL                                                              | 715,537.79            | 99,487.69                 | 5,639.50                               | 809,385.98             | 559,052.77                  | 68,362.45    | 597.79     | 144.62                                 | 4,877.86               | 622,990.53             | 186,395.45             | 156,485.02 |
| Previous year                                                      | 613,556.05            | 105,378.72                | 3,396.98                               | 715,537.79             | 509,412.32                  | 52,537.58    | 233.58     | 181.80                                 | 2,948.91               | 559,052.77             | 156,485.02             |            |
| The above includes the Corporation's share in Joint Venture Assets | 34,705.69             | 25,566.63                 | 225.06                                 | 60,047.26              | 26,393.82                   | 11,190.72    | 100.71     | 0.00                                   | 218.78                 | 37,466.47              | 22,580.79              |            |
| Previous year                                                      | 31,032.55             | 3,868.97                  | 195.83                                 | 34,705.69              | 23,557.07                   | 2,901.22     | 0.00       | 0.00                                   | 64.47                  | 26,393.82              | 8,311.87               |            |

## Notes

1. Land includes lands in respect of certain projects for which execution of lease/conveyance deeds are in process.
2. Registration of title deeds in respect of certain Buildings is pending execution.
3. Depreciation for the year includes ₹ 12.34 million taken to prior period (Previous year ₹ 110.99 million).
4. Building includes cost of undivided interest in land.

**ANNEXURE-IV-C****FIXED ASSETS**

(₹ in million)

|                                                                    | GROSS BLOCK           |                           |                                        |                        | DEPRECIATION AND IMPAIRMENT |              |            |                                        |                        |                        | NET BLOCK              | NET BLOCK  |
|--------------------------------------------------------------------|-----------------------|---------------------------|----------------------------------------|------------------------|-----------------------------|--------------|------------|----------------------------------------|------------------------|------------------------|------------------------|------------|
|                                                                    | As at 1st April, 2009 | Additions during the year | Deletions/ Adjustments during the year | As at 31st March, 2010 | Up to 31st March, 2009      | For the year |            | Deletions/ Adjustments during the year | Up to 31st March, 2010 | As at 31st March, 2010 | As at 31st March, 2009 |            |
|                                                                    |                       |                           |                                        |                        |                             | Depreciation | Impairment |                                        |                        |                        |                        |            |
|                                                                    |                       |                           |                                        |                        |                             |              | Charged    | Reversed                               |                        |                        |                        |            |
| Land                                                               |                       |                           |                                        |                        |                             |              |            |                                        |                        |                        |                        |            |
| i) Freehold                                                        | 2,134.16              | 129.68                    | 4.52                                   | 2,259.32               | 19.67                       | 0.00         | 0.37       | 4.12                                   | 2.07                   | 13.85                  | 2,245.47               | 2,114.49   |
| ii) Leasehold                                                      | 5,601.39              | 9.76                      | 0.02                                   | 5,611.13               | 306.31                      | 51.53        | 0.00       | 0.00                                   | (0.71)                 | 358.55                 | 5,252.58               | 5,295.08   |
| Buildings and Bunk Houses                                          | 11,811.15             | 862.08                    | (26.77)                                | 12,700.00              | 6,638.29                    | 407.18       | 3.67       | 83.60                                  | (36.24)                | 7,001.78               | 5,698.22               | 5,172.86   |
| Railway Sidings                                                    | 89.95                 | 0.00                      | 0.00                                   | 89.95                  | 82.06                       | 1.10         | 0.00       | 0.00                                   | 0.00                   | 83.16                  | 6.79                   | 7.89       |
| Plant and Machinery                                                | 578,989.25            | 99,949.50                 | 3,348.93                               | 675,589.82             | 491,089.10                  | 50,807.06    | 228.43     | 86.93                                  | 2,891.95               | 539,145.71             | 136,444.11             | 87,900.15  |
| Furniture and Fittings                                             | 4,821.74              | 3,360.02                  | 48.31                                  | 8,133.45               | 3,350.81                    | 661.36       | 1.08       | 4.94                                   | 69.01                  | 3,939.30               | 4,194.15               | 1,470.93   |
| Vehicles, Survey Ships, Crew Boats and Helicopters                 | 5,367.16              | 55.59                     | 20.30                                  | 5,402.45               | 4,547.27                    | 247.35       | 0.02       | 2.21                                   | 21.16                  | 4,771.27               | 631.18                 | 819.89     |
|                                                                    | 608,814.80            | 104,366.63                | 3,395.31                               | 709,786.12             | 506,033.51                  | 52,175.58    | 233.57     | 181.80                                 | 2,947.24               | 555,313.62             | 154,472.50             | 102,781.29 |
| Intangibles - Software                                             | 4,741.25              | 1,012.09                  | 1.67                                   | 5,751.67               | 3,378.81                    | 362.00       | 0.01       | 0.00                                   | 1.67                   | 3,739.15               | 2,012.52               | 1,362.44   |
| TOTAL                                                              | 613,556.05            | 105,378.72                | 3,396.98                               | 715,537.79             | 509,412.32                  | 52,537.58    | 233.58     | 181.80                                 | 2,948.91               | 559,052.77             | 156,485.02             | 104,143.73 |
| Previous year                                                      | 574,637.76            | 42,092.72                 | 3,174.43                               | 613,556.05             | 469,457.68                  | 43,613.11    | 135.99     | 1,053.56                               | 2,740.90               | 509,412.32             | 104,143.73             |            |
| The above includes the Corporation's share in Joint Venture Assets | 31,032.55             | 3,868.97                  | 195.83                                 | 34,705.69              | 23,557.07                   | 2,901.22     | 0.00       | 0.00                                   | 64.47                  | 26,393.82              | 8,311.87               |            |
| Previous year                                                      | 29,788.08             | 1,441.24                  | 196.77                                 | 31,032.55              | 19,859.27                   | 3,863.13     | 28.61      | 0.00                                   | 193.94                 | 23,557.07              | 7,475.48               |            |

## Notes

1. Land includes lands in respect of certain projects for which execution of lease/conveyance deeds are in process.
2. Registration of title deeds in respect of certain Buildings is pending execution.
3. Depreciation for the year includes ₹110.99 million taken to prior period (Previous year ₹ 56.90 million).
4. Depreciation on Intangibles-Software for the year is after reducing ₹ 424.55 million being amount written back on recomputation

**ANNEXURE-V****CAPITAL WORK IN PROGRESS (CWIP)**

(₹ in million)

|                                                  | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|--------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>CAPITAL WORKS-IN-PROGRESS</b>                 |                          |                           |                           |
| Buildings                                        | 2,105.80                 | 1,630.30                  | 776.45                    |
| Plant and Machinery                              | 135,252.66               | 137,792.28                | 101,161.19                |
| Advances for Capital Works and Progress Payments | 799.70                   | 546.67                    | 20.12                     |
| Capital Stores (including in transit)            | 1,755.04                 | 1,550.57                  | 1,457.20                  |
| Less: Provision for non moving items             | 49.27                    | 49.27                     | 43.26                     |
|                                                  | <b>1,705.77</b>          | <b>1,501.30</b>           | <b>1,413.94</b>           |
| <b>TOTAL</b>                                     | <b>139,863.93</b>        | <b>141,470.55</b>         | <b>103,371.70</b>         |
| <b>Less: Impairment</b>                          |                          |                           |                           |
| Opening Balance                                  | 1,154.86                 | 958.16                    | 701.26                    |
| Provided for the year                            | -                        | 553.14                    | 364.17                    |
| Transfer to Fixed Assets                         | (1.72)                   | (355.48)                  | (61.64)                   |
| Write back of Impairment                         | -                        | (0.96)                    | (45.63)                   |
| <b>TOTAL</b>                                     | <b>1,153.14</b>          | <b>1,154.86</b>           | <b>958.16</b>             |
| <b>NET CAPITAL WORKS-IN-PROGRESS</b>             | <b>138,710.79</b>        | <b>140,315.69</b>         | <b>102,413.54</b>         |

**ANNEXURE-VI****PRODUCING PROPERTIES (NET OF DEPLETION)**

(₹ in million)

|                                                           | As at<br>30th June,<br>2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|-----------------------------------------------------------|-----------------------------|------------------------------|------------------------------|
| <b>PRODUCING PROPERTIES</b>                               |                             |                              |                              |
| <b>Gross Cost</b>                                         |                             |                              |                              |
| Opening Balance                                           | 930,522.72                  | 843,112.16                   | 757,297.13                   |
| Transfer from Exploratory Wells-in-Progress               | 248.43                      | 2,748.48                     | 1,720.38                     |
| Transfer from Development Wells-in-Progress               | 7,033.38                    | 37,251.92                    | 52,128.45                    |
| Depreciation on Facilities                                | 8,721.00                    | 36,389.62                    | 29,119.11                    |
| Increase/(Decrease) in estimated Abandonment costs        | 1,980.23                    | 11,018.97                    | 2,847.09                     |
| Other Adjustments                                         | (1.08)                      | 1.57                         | -                            |
| <b>TOTAL</b>                                              | <b>948,504.68</b>           | <b>930,522.72</b>            | <b>843,112.16</b>            |
| <b>Less: Depletion &amp; Impairment</b>                   |                             |                              |                              |
| Opening Balance                                           | 494,766.15                  | 440,290.04                   | 395,717.19                   |
| Depletion for the year                                    | 14,246.26                   | 54,369.72                    | 45,301.63                    |
| Transfer of Impairment from Development Wells in Progress | -                           | 0.57                         | 17.96                        |
| Impairment provided for the year                          | 0.51                        | 136.20                       | 11.50                        |
| Write back of Impairment                                  | -                           | (34.93)                      | (758.24)                     |
| Other Adjustments                                         | -                           | 4.55                         | -                            |
| <b>TOTAL</b>                                              | <b>509,012.92</b>           | <b>494,766.15</b>            | <b>440,290.04</b>            |
| <b>NET PRODUCING PROPERTIES</b>                           | <b>439,491.76</b>           | <b>435,756.57</b>            | <b>402,822.12</b>            |



**ANNEXURE-VII****EXPLORATORY & DEVELOPMENT WELLS IN PROGRESS**

(₹ in million)

|                                                        | As at<br>30th June,<br>2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|--------------------------------------------------------|-----------------------------|------------------------------|------------------------------|
| <b>A) EXPLORATORY WELLS-IN-PROGRESS</b>                |                             |                              |                              |
| <b>Gross Cost</b>                                      |                             |                              |                              |
| Opening Balance                                        | 66,111.32                   | 47,092.59                    | 40,193.57                    |
| Expenditure during the year                            | 20,192.70                   | 82,616.43                    | 68,801.85                    |
| Less : Sale proceeds of Oil and Gas (Net of levies)    | 61.22                       | 369.82                       | 38.43                        |
|                                                        | 20,131.48                   | 82,246.61                    | 68,763.42                    |
| Depreciation during the year                           | 1,157.60                    | 5,415.22                     | 4,841.63                     |
|                                                        | 87,400.40                   | 134,754.42                   | 113,798.62                   |
| <b>Less:</b>                                           |                             |                              |                              |
| Transfer to Producing Properties                       | 248.43                      | 2,748.48                     | 1,720.38                     |
| Wells written off during the year                      | 18,796.93                   | 65,912.75                    | 65,028.68                    |
| Other adjustments                                      | -                           | (18.13)                      | (43.03)                      |
|                                                        | 19,045.36                   | 68,643.10                    | 66,706.03                    |
|                                                        | 68,355.04                   | 66,111.32                    | 47,092.59                    |
| Less: Provision for Dry Wells                          | 9,401.34                    | 9,401.34                     | 9,383.67                     |
| <b>EXPLORATORY WELLS-IN-PROGRESS</b>                   | <b>58,953.70</b>            | <b>56,709.98</b>             | <b>37,708.92</b>             |
| <b>B) DEVELOPMENT WELLS-IN-PROGRESS</b>                |                             |                              |                              |
| Opening Balance                                        | 21,062.02                   | 17,842.78                    | 19,026.48                    |
| Expenditure during the year                            | 8,132.51                    | 35,126.53                    | 45,965.55                    |
| Depreciation during the year                           | 2,641.81                    | 5,344.63                     | 4,979.20                     |
| Less: Transfer to Producing Properties                 | 7,033.38                    | 37,251.92                    | 52,128.45                    |
| <b>TOTAL</b>                                           | <b>24,802.96</b>            | <b>21,062.02</b>             | <b>17,842.78</b>             |
| <b>Less: Impairment</b>                                |                             |                              |                              |
| Opening Balance                                        | 299.88                      | 54.87                        | 67.49                        |
| Transfer to Producing Properties                       | -                           | (0.57)                       | (17.96)                      |
| Provision for the year                                 | -                           | 247.60                       | 5.83                         |
| Write back during the year                             | -                           | (2.02)                       | (0.49)                       |
|                                                        | <b>299.88</b>               | <b>299.88</b>                | <b>54.87</b>                 |
| <b>NET DEVELOPMENT WELLS-IN-PROGRESS</b>               | <b>24,503.08</b>            | <b>20,762.14</b>             | <b>17,787.91</b>             |
| <b>EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)</b> | <b>83,456.78</b>            | <b>77,472.12</b>             | <b>55,496.83</b>             |

**ANNEXURE-VIII****STATEMENT OF INVESTMENTS**

(₹ in million)

| INVESTMENTS (AT COST)                                                 | No. of Shares/<br>Bonds/Units | Face Value per<br>shares/Bond<br>/Unit<br>(in ₹) | As at 30th<br>June, 2011 | As at 31st<br>March, 2011 | As at 31st<br>March, 2010 |
|-----------------------------------------------------------------------|-------------------------------|--------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>LONG-TERM INVESTMENTS (Fully Paid Up, unless otherwise stated)</b> |                               |                                                  |                          |                           |                           |
| <b>A. TRADE INVESTMENTS</b>                                           |                               |                                                  |                          |                           |                           |
| <b>Equity Shares (Quoted)</b>                                         |                               |                                                  |                          |                           |                           |
| i) Indian Oil Corporation Limited                                     | 212,906,190                   | 10                                               | 13,720.49                | 13,720.49                 | 13,720.49                 |
| ii) GAIL (India) Limited                                              | 61,259,323                    | 10                                               | 2,451.06                 | 2,451.06                  | 2,451.06                  |
| iii) Mangalore Refinery and Petrochemicals Ltd. (Subsidiary)          | 1,255,354,097                 | 10                                               | 10,405.73                | 10,405.73                 | 10,405.73                 |
| iv) Petronet LNG Limited                                              | 93,750,000                    | 10                                               | 987.50                   | 987.50                    | 987.50                    |
| <b>Equity Shares (Unquoted)</b>                                       |                               |                                                  |                          |                           |                           |
| i) Pawan Hans Helicopter Limited                                      | 120,350                       | 10,000                                           | 1,203.50                 | 1,203.50                  | 245.00                    |
|                                                                       | *(24500)                      |                                                  |                          |                           |                           |
| ii) Petronet MHB Ltd.                                                 | 157,841,000                   | 10                                               | 1,578.41                 | 1,578.41                  | 1,578.41                  |
| iii) Oil Spill Response Ltd.                                          | 100                           | #                                                | 0.01                     | 0.01                      | 0.01                      |
| iv) In wholly owned subsidiary                                        |                               |                                                  |                          |                           |                           |
| ONGC-Videsh Ltd.                                                      | 100,000,000                   | 100                                              | 10,000.00                | 10,000.00                 | 10,000.00                 |
| v) Mangalore SEZ Ltd.                                                 | 13,000,000                    | 10                                               | 130.00                   | 130.00                    | 130.00                    |
| vi) ONGC Mangalore Petrochemicals Ltd.                                | 23,000                        | 10                                               | 0.23                     | 0.23                      | 0.23                      |
| vii) ONGC Petro Additions Ltd.                                        | 20,967                        | 10                                               | 0.21                     | 0.21                      | 0.21                      |
| viii) ONGC Teri Biotech Ltd.                                          | 24,990                        | 10                                               | 0.25                     | 0.25                      | 0.25                      |
| ix) ONGC Tripura Power Company Ltd.                                   |                               |                                                  |                          |                           |                           |
| - Fully Paid                                                          | 52,000                        | 10                                               | 0.52                     | 0.52                      | 0.52                      |
| - Partly Paid (₹ 5 per share)                                         | 267,438,000                   | 10                                               | 1,337.19                 | 1,337.19                  | 1,337.19                  |
| x) Dahej SEZ Limited                                                  | 24,800                        | 10                                               | 0.25                     | 0.25                      | 0.25                      |
| <b>Oil Companies Govt. of India Special Bonds (Unquoted)</b>          |                               |                                                  |                          |                           |                           |
| i) 7% Government of India Special Bonds 2012                          | 851,907                       | 10,000                                           | 8,519.07                 | 8,519.07                  | 8,519.07                  |
| ii) 8.40% Oil companies' Government of India Special Bonds 2025       | 197,370                       | 10,000                                           | 1,973.70                 | 1,973.70                  | 1,973.70                  |
| <b>TOTAL TRADE INVESTMENTS</b>                                        |                               |                                                  | 52,308.12                | 52,308.12                 | 51,349.62                 |
| Less: Provision for Diminution                                        |                               |                                                  | 480.67                   | 480.67                    | 446.66                    |
| <b>NET TRADE INVESTMENTS</b>                                          |                               |                                                  | 51,827.45                | 51,827.45                 | 50,902.96                 |
| <b>B. NON-TRADE INVESTMENTS (Unquoted)</b>                            |                               |                                                  |                          |                           |                           |
| 12% UP State Development Loan-2011                                    | 1                             | 500,000                                          | 0.50                     | 0.50                      | 0.50                      |
| <b>CURRENT INVESTMENTS</b>                                            |                               |                                                  |                          |                           |                           |
| <b>NON-TRADE INVESTMENTS</b>                                          |                               |                                                  |                          |                           |                           |
| <b>Mutual Funds (Unquoted)</b>                                        |                               |                                                  |                          |                           |                           |
| UTI Liquid Cash Plan                                                  | 6,671,624                     |                                                  | 6,801.36                 | 1,500.43                  | 5,100.51                  |
|                                                                       | ** (1,471,809)                |                                                  |                          |                           |                           |
| UTI Treasury Advantage Fund                                           |                               |                                                  | -                        | -                         | 1,716.36                  |
| <b>TOTAL CURRENT INVESTMENTS</b>                                      |                               |                                                  | 6,801.36                 | 1,500.43                  | 6,816.87                  |
| <b>GRAND TOTAL</b>                                                    |                               |                                                  | <b>58,629.31</b>         | <b>53,328.38</b>          | <b>57,720.33</b>          |
| <b>Total Quoted Investments</b>                                       |                               |                                                  | 27,564.78                | 27,564.78                 | 27,564.78                 |
| <b>Total Unquoted Investments</b>                                     |                               |                                                  | 31,064.53                | 25,763.60                 | 30,155.55                 |
|                                                                       |                               |                                                  | <b>58,629.31</b>         | <b>53,328.38</b>          | <b>57,720.33</b>          |
| <b>Total Market Value Of Quoted Investments</b>                       |                               |                                                  | <b>209,026.70</b>        | <b>191,679.24</b>         | <b>190,907.75</b>         |

# GBP one each, total value ₹ 6,885/-

\* Figures relate to 31st March, 2010

\*\* Figures relate to 31st March, 2011

**ANNEXURE-IX****INVENTORIES**

(₹ in million)

|                                                                     | As at 30th June,<br>2011 | As at 31st March,<br>2011 | As at 31st March,<br>2010 |
|---------------------------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>INVENTORIES</b>                                                  |                          |                           |                           |
| Finished Goods (Including Carbon Credits)                           | 7,602.32                 | 6,897.20                  | 6,768.09                  |
| Raw Materials-Condensate                                            | 4.82                     | 4.82                      | 5.47                      |
| Stores and spare parts                                              |                          |                           |                           |
| - on hand                                                           | 35,649.52                | 35,247.91                 | 40,195.55                 |
| - in transit (including inter-project transfers)                    | 3,236.76                 | 2,509.78                  | 3,439.01                  |
|                                                                     | 38,886.28                | 37,757.69                 | 43,634.56                 |
| Less: Provision for Non-Moving Inventories and Materials in transit | 3,598.09                 | 3,589.65                  | 3,734.49                  |
|                                                                     | 35,288.19                | 34,168.04                 | 39,900.07                 |
| Unservicable Items                                                  | 115.83                   | 119.78                    | 112.09                    |
| <b>TOTAL</b>                                                        | <b>43,011.16</b>         | <b>41,189.84</b>          | <b>46,785.72</b>          |

**ANNEXURE-X****STATEMENT OF SUNDRY DEBTORS**

(₹ in million)

| Particulars                                             | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|---------------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>SUNDRY DEBTORS</b>                                   |                          |                           |                           |
| (Unsecured, Considered Good unless otherwise stated)    |                          |                           |                           |
| Debts – Outstanding for a period exceeding six months : |                          |                           |                           |
| Stores and spare parts                                  |                          |                           |                           |
| -Considered Good                                        | 1,377.39                 | 1,489.15                  | 1,346.60                  |
| -Considered Doubtful                                    | 3,393.58                 | 3,052.54                  | 2,789.13                  |
|                                                         | 4,770.97                 | 4,541.69                  | 4,135.73                  |
| Other Debts                                             |                          |                           |                           |
| -Considered Good                                        | 35,531.79                | 36,969.83                 | 29,239.77                 |
| -Considered Doubtful                                    | 848.19                   | 626.05                    | 4.04                      |
|                                                         | 36,379.98                | 37,595.88                 | 29,243.81                 |
| Less: Provision for Doubtful Debts                      | 4,241.77                 | 3,678.59                  | 2,793.17                  |
| <b>TOTAL</b>                                            | <b>36,909.18</b>         | <b>38,458.98</b>          | <b>30,586.37</b>          |

## CASH &amp; BANK BALANCES

(₹ in million)

|                                                                                                                                                                       | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>A.CASH AND BANK BALANCES</b>                                                                                                                                       |                          |                           |                           |
| Cash balance in hand                                                                                                                                                  | 8.21                     | 6.37                      | 8.36                      |
| Balances with Scheduled Banks in:                                                                                                                                     |                          |                           |                           |
| Current Accounts                                                                                                                                                      | 732.90                   | 3,494.77                  | 2,664.43                  |
| Fixed Deposits                                                                                                                                                        | 185,397.95               | 139,744.94                | 105,450.76                |
| <b>Balances with Non-Scheduled Banks in:</b>                                                                                                                          |                          |                           |                           |
| Current Account with Citi Bank- London                                                                                                                                | 0.04                     | 51.74                     | 108.82                    |
| (Maximum Balance Outstanding at any time during Quarter ended 30.06.2011 ₹156.39 million , for the FY 2010-11 ₹350.27 million and for the FY 2009-10 ₹241.79 million) |                          |                           |                           |
| Current Account with Barclays Bank- London                                                                                                                            | –                        | 12.64                     | 46.92                     |
| (Maximum Balance Outstanding at any time during Quarter ended 30.06.2011 ₹42.06 million, for the FY 2010-11 ₹69.11 million and for the FY 2009-10 ₹196.46 million)    |                          |                           |                           |
| <b>Total</b>                                                                                                                                                          | <b>186,139.10</b>        | <b>143,310.46</b>         | <b>108,279.29</b>         |
| <b>B. DEPOSIT WITH SCHEDULED BANK UNDER SITE RESTORATION FUND SCHEME *</b>                                                                                            | <b>81,182.00</b>         | <b>81,155.06</b>          | <b>74,031.06</b>          |

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

**ANNEXURE – XII****STATEMENT OF LOANS AND ADVANCES**

(₹ in million)

|                                                                     | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|---------------------------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>LOANS AND ADVANCES</b>                                           |                          |                           |                           |
| Loans to Public Sector Undertakings and Other Bodies Corporate      | 596.11                   | 684.47                    | 1,024.51                  |
| Loans and Advances to Subsidiaries                                  | 178,873.44               | 184,119.22                | 173,873.79                |
| Advances against Equity pending allotment                           | 20,366.63                | 20,136.63                 | 13,453.64                 |
| Loans and Advances to Employees*                                    | 8,895.69                 | 8,550.78                  | 8,994.93                  |
| Advance Recoverable in Cash or in Kind or for Value to be received  | 44,010.46                | 38,984.63                 | 37,985.30                 |
| Recoverable from Petroleum Planning & Analysis Cell (PPAC)          | 6.36                     | 6.36                      | 6.36                      |
| Insurance Claims                                                    | 35.96                    | 35.96                     | 33.82                     |
| <b>Deposits:</b>                                                    |                          |                           |                           |
| a) With Customs/Port Trusts etc.                                    | 40.37                    | 35.15                     | 43.35                     |
| b) With Public Sector Undertakings                                  | –                        | –                         | 15,000.00                 |
| c) Others                                                           | 5,852.73                 | 6,614.43                  | 6,625.89                  |
|                                                                     | 258,677.75               | 259,167.63                | 257,041.59                |
| <b>Less : Provision for Doubtful Claims/advances</b>                | <b>9,379.22</b>          | <b>9,384.33</b>           | <b>5,902.03</b>           |
|                                                                     | <b>249,298.53</b>        | <b>249,783.30</b>         | <b>251,139.56</b>         |
| <b>Direct Tax :</b>                                                 |                          |                           |                           |
| Advance Payment of Income Tax (incl. advance payment of Wealth Tax) | 331,056.51               | 322,210.29                | 317,358.80                |
| Less: Provision (incl. provision for Wealth Tax)                    | 320,647.05               | 298,427.05                | 296,800.62                |
|                                                                     | 10,409.46                | 23,783.24                 | 20,558.18                 |
| <b>TOTAL</b>                                                        | <b>259,707.99</b>        | <b>273,566.54</b>         | <b>271,697.74</b>         |
| Particulars of loans and advances:                                  |                          |                           |                           |
| Secured                                                             | 8,029.23                 | 7,721.76                  | 6,378.44                  |
| Unsecured -Considered Good                                          | 251,678.76               | 265,844.78                | 265,319.30                |
| -Considered Doubtful                                                | 9,379.22                 | 9,384.33                  | 5,902.03                  |
|                                                                     | 269,087.21               | 282,950.87                | 277,599.77                |
| <b>Less : Provision for Doubtful Loans &amp; Advances</b>           | <b>9,379.22</b>          | <b>9,384.33</b>           | <b>5,902.03</b>           |
| <b>TOTAL</b>                                                        | <b>259,707.99</b>        | <b>273,566.54</b>         | <b>271,697.74</b>         |

\* Loans and advances to employees include an amount of ₹0.65 million as on 30.06.2011 (FY 2010-11 ₹0.26 million and FY 2009-10 ₹0.56 million) outstanding from whole time Directors. Maximum amount outstanding during the Quarter ended 30.06.2011 ₹ 0.71 million (FY 2010-11 ₹0.56 million and FY 2009-10 ₹3.58 million).

**ANNEXURE – XIII****OTHER CURRENT ASSETS**

(₹ in million)

| Particulars                                          | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March, 2010 |
|------------------------------------------------------|--------------------------|------------------------------|---------------------------|
| <b>OTHER CURRENT ASSETS</b>                          |                          |                              |                           |
| (Unsecured, Considered Good unless otherwise stated) |                          |                              |                           |
| Interest Accrued On                                  |                          |                              |                           |
| -Investments                                         | 228.39                   | 37.85                        | 37.85                     |
| -Deposits with Banks/PSUs                            | 8,582.41                 | 3,979.54                     | 3,288.57                  |
| -Others                                              |                          |                              |                           |
| - Considered Good                                    | 3,061.02                 | 3,038.34                     | 2,978.08                  |
| - Considered Doubtful                                | 27.05                    | 27.05                        | 24.20                     |
|                                                      | 3,088.07                 | 3,065.39                     | 3,002.28                  |
| Less: Provision                                      | 27.05                    | 27.05                        | 24.20                     |
|                                                      | 3,061.02                 | 3,038.34                     | 2,978.08                  |
| Gas Subsidy receivable from Government of India      | 629.71                   | 1,641.99                     | -                         |
| Other Accounts pending adjustment                    |                          |                              |                           |
| - Considered Good                                    | -                        | 57.46                        | 28.55                     |
| - Considered Doubtful                                | 575.08                   | 575.13                       | 430.79                    |
|                                                      | 575.08                   | 632.59                       | 459.34                    |
| Less: Provision for Doubtful Accounts                | 575.08                   | 575.13                       | 430.79                    |
|                                                      | -                        | 57.46                        | 28.55                     |
| <b>TOTAL</b>                                         | <b>12,501.53</b>         | <b>8,755.18</b>              | <b>6,333.05</b>           |

**ANNEXURE – XIV****STATEMENT OF UNSECURED LOANS**

(₹ in million)

|                                            | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|--------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>UNSECURED LOANS</b>                     |                          |                           |                           |
| <b>(a) Long Term</b>                       |                          |                           |                           |
| Foreign Currency Loans:                    |                          |                           |                           |
| - From Banks                               | -                        | -                         | 49.75                     |
| <b>(b) Cash Credit</b>                     |                          |                           |                           |
| - From a Bank                              | 1,131.14                 | -                         | -                         |
| <b>TOTAL</b>                               | <b>1,131.14</b>          | <b>-</b>                  | <b>49.75</b>              |
| <b>Long term Repayable within one year</b> | <b>-</b>                 | <b>-</b>                  | <b>49.75</b>              |

**ANNEXURE – XV****CURRENT LIABILITIES**

(₹ in million)

|                                           | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|-------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>CURRENT LIABILITIES</b>                |                          |                           |                           |
| Sundry Creditors for Supplies/Works       |                          |                           |                           |
| - Micro, Small & Medium Enterprises       | 9.02                     | 10.75                     | 10.21                     |
| - Others                                  | 63,087.23                | 83,465.98                 | 63,915.39                 |
| Unclaimed Dividend *                      | 222.85                   | 222.85                    | 177.15                    |
| Liability for Royalty/Cess/Sales tax etc. | 17,851.03                | 12,808.96                 | 10,735.93                 |
| Liability for Gratuity                    | 375.81                   | 1,503.23                  | 302.99                    |
| Deposits from Suppliers, Contractors.     | 61,839.66                | 43,230.62                 | 4,992.24                  |
| Liability for Employees                   | 9,153.64                 | 9,349.22                  | 10,374.80                 |
| Other Liabilities                         | 48,076.70                | 37,557.25                 | 30,366.92                 |
| Interest Accrued but not due on Loans     | 0.17                     | -                         | -                         |
| <b>TOTAL</b>                              | <b>200,616.11</b>        | <b>188,148.86</b>         | <b>120,875.63</b>         |

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

**ANNEXURE – XVI****PROVISIONS**

(₹ in million)

|                                             | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|---------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>PROVISIONS</b>                           |                          |                           |                           |
| Proposed Dividend                           | 6,416.62                 | 6,416.62                  | 32,083.09                 |
| Tax on Proposed Dividend                    | 1,040.94                 | 1,040.94                  | 5,328.60                  |
| Leave Encashment                            | 16,790.08                | 16,180.23                 | 13,934.10                 |
| Post Retirement Medical & Terminal Benefits | 18,263.05                | 17,554.33                 | 14,719.48                 |
| Others                                      | 8,120.58                 | 8,132.74                  | 8,058.75                  |
| <b>TOTAL</b>                                | <b>50,631.27</b>         | <b>49,324.86</b>          | <b>74,124.02</b>          |

**ANNEXURE – XVII****SHARE CAPITAL**

(₹ in million)

|                                                                    | As at<br>30th June,<br>2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|--------------------------------------------------------------------|-----------------------------|------------------------------|------------------------------|
| <b>SHARE CAPITAL</b>                                               |                             |                              |                              |
| <b>Authorised:</b>                                                 |                             |                              |                              |
| 30,000,000,000 Equity Shares of ₹ 5 Each                           |                             |                              |                              |
| (As at 31st March, 2010 15,000,000,000 Equity Shares of ₹ 10 each) | 150,000.00                  | 150,000.00                   | 150,000.00                   |
| <b>Issued and Subscribed:</b>                                      |                             |                              |                              |
| 8,555,528,064 Equity Shares of ₹ 5 Each                            |                             |                              |                              |
| (As at 31st March, 2010 2,138,891,502 Equity Shares of ₹ 10 each)  | 42,777.64                   | 42,777.64                    | 21,388.92                    |
| <b>Paid up :</b>                                                   |                             |                              |                              |
| 8,555,490,120 Equity Shares of ₹ 5 each                            | 42,777.45                   | 42,777.45                    | 21,388.73                    |
| (As at 31st March, 2010 2,138,872,530 Equity Shares of ₹ 10 each)  |                             |                              |                              |
| Add: Shares forfeited                                              | 0.14                        | 0.14                         | 0.14                         |
| <b>TOTAL</b>                                                       | <b>42,777.59</b>            | <b>42,777.59</b>             | <b>21,388.87</b>             |

Note:-

(i) Pursuant to approval of the members dated 28.01.2011 one Equity share having face value of ₹ 10/- each has been sub-divided into two Equity shares of ₹5/- each and bonus shares have been issued in the proportion of one new Equity bonus share of ₹ 5/- each for every one existing fully paid Equity share of ₹5/- each held on 09-02-2011 (Record Date)

(ii) The above includes:

(a) 685,707,432 Equity shares of face value of ₹ 5 each issued as fully (As at 31st March, 2010 342,853,716 Equity shares of face value of ₹ 10 each) 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.

(b) 7,856,540,812 Equity Shares of face value of ₹ 5/- each (As at 31st March, 2010 1,789,397,876 Equity Shares of face value of ₹ 10/- each) issued as fully paid up by way of bonus shares by capitalisation of General Reserve & Securities Premium Accounts.



**ANNEXURE – XVIII****RESERVES & SURPLUS**

(₹ in million)

|                                                  | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|--------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>RESERVES AND SURPLUS</b>                      |                          |                           |                           |
| <b>Capital Reserve *</b>                         | 159.44                   | 159.44                    | 159.44                    |
| (As per last Balance Sheet)                      |                          |                           |                           |
| <b>Securities Premium Account</b>                |                          |                           |                           |
| (As per last Balance Sheet)                      | -                        | 168.12                    | 168.12                    |
| Less: Bonus Shares Issued                        | -                        | 168.12                    | -                         |
|                                                  | -                        | -                         | 168.12                    |
| <b>Deferred Government Grant</b>                 |                          |                           |                           |
| a) (As per last Balance Sheet)                   | 34.73                    | 39.45                     | 44.73                     |
| b) Less: Deduction during the year **            | 0.97                     | 4.72                      | 5.28                      |
|                                                  | 33.76                    | 34.73                     | 39.45                     |
| <b>Insurance Reserve</b>                         |                          |                           |                           |
| a) (As per last Balance Sheet)                   | -                        | 2,500.00                  | 2,500.00                  |
| b) Less: Transferred to General Reserve          | -                        | 2,500.00                  | -                         |
|                                                  | -                        | -                         | 2,500.00                  |
| <b>General Reserve</b>                           |                          |                           |                           |
| a) (As per last Balance Sheet)                   | 932,072.55               | 848,569.86                | 763,092.86                |
| b) Add: Transferred from Insurance Reserve       | -                        | 2,500.00                  | -                         |
| c) Add: Transferred from Profit and Loss Account | -                        | 102,223.30                | 85,477.00                 |
| d) Less: Bonus Shares Issued                     | -                        | 21,220.61                 | -                         |
|                                                  | 932,072.55               | 932,072.55                | 848,569.86                |
| <b>Profit and Loss Account</b>                   | 40,948.98                | -                         | 0.28                      |
| <b>TOTAL</b>                                     | <b>973,214.73</b>        | <b>932,266.72</b>         | <b>851,437.15</b>         |

\* Represents assessed value of assets received as gift.

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

**ANNEXURE – XIX****MISCELLANEOUS EXPENDITURE**

(₹ in million)

|                                             | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|---------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>MISCELLANEOUS EXPENDITURE</b>            |                          |                           |                           |
| (to the extent not written off or adjusted) |                          |                           |                           |
| <b>Deferred Revenue Expenditure</b>         |                          |                           |                           |
| Dry Docking Charges                         | 5,907.85                 | 6,117.60                  | 6,612.99                  |
| Mobilisation Charges                        | 1,599.25                 | 1,842.65                  | 1,800.17                  |
| <b>TOTAL</b>                                | <b>7,507.10</b>          | <b>7,960.25</b>           | <b>8,413.16</b>           |

**ANNEXURE – XX****SALES**

(₹ in million)

|                                                         | <b>For the Quarter<br/>Ended 30.06.2011</b> | <b>For the Year<br/>2010-11</b> | <b>For the Year<br/>2009-10</b> |
|---------------------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------|
| <b>SALES</b>                                            |                                             |                                 |                                 |
| <b>Own Products</b>                                     | 168,706.08                                  | 677,194.09                      | 617,335.70                      |
| <b>Less :</b>                                           |                                             |                                 |                                 |
| Transfer to Exploratory Wells in Progress               | 78.41                                       | 472.11                          | 52.70                           |
| Government of India's (GoI's) share in Profit Petroleum | 5,954.64                                    | 15,344.76                       | 15,418.29                       |
|                                                         | 6,033.05                                    | 15,816.87                       | 15,470.99                       |
|                                                         | 162,673.03                                  | 661,377.22                      | 601,864.71                      |
| <b>Traded Products</b>                                  | 7.85                                        | 171.55                          | 183.48                          |
| <b>TOTAL</b>                                            | <b>162,680.88</b>                           | <b>661,548.77</b>               | <b>602,048.19</b>               |

**ANNEXURE – XXI****STATEMENT OF OTHER INCOME**

(₹ in million)

| Particulars                                                                  | For the Quarter<br>Ended 30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|------------------------------------------------------------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>OTHER INCOME</b>                                                          |                                     |                         |                         |
| Contractual Short Lifted Gas Receipts                                        | 35.89                               | 68.89                   | 26.88                   |
| Pipeline Transportation Receipts                                             | 213.40                              | 871.32                  | 1,078.02                |
| North East Gas Subsidy                                                       | 469.14                              | 1,556.41                | -                       |
| Surplus from Gas Pool Account                                                | -                                   | 21,914.90               | 4,415.79                |
| Other Contractual Receipts                                                   | 168.78                              | 826.48                  | 1,575.63                |
| <b>Income from Trade Investments :</b>                                       |                                     |                         |                         |
| Dividend on Long term Investments                                            |                                     |                         |                         |
| from subsidiaries                                                            | -                                   | 1,506.42                | 1,506.42                |
| from Others                                                                  | 187.50                              | 3,391.30                | 1,293.26                |
|                                                                              | <b>187.50</b>                       | <b>4,897.72</b>         | <b>2,799.68</b>         |
| Interest on Long Term Investments                                            | 190.49                              | 762.13                  | 762.13                  |
|                                                                              | <b>377.99</b>                       | <b>5,659.85</b>         | <b>3,561.81</b>         |
| <b>Income from Non Trade Investments :</b>                                   |                                     |                         |                         |
| Dividend on Current Investments                                              | 212.76                              | 629.99                  | 463.52                  |
| Interest on Long Term Investments                                            | 0.06                                | 0.06                    | 0.06                    |
|                                                                              | <b>212.82</b>                       | <b>630.05</b>           | <b>463.58</b>           |
| <b>Interest Income on :</b>                                                  |                                     |                         |                         |
| Deposits with Banks/PSUs                                                     | 3,980.22                            | 10,563.89               | 11,542.79               |
| (Tax deducted at source 2010-11 ₹ 968.07million, 2009-10 ₹ 1,907.47 million) |                                     |                         |                         |
| Loans and Advances to Subsidiaries                                           | 188.48                              | 756.00                  | 880.27                  |
| (Tax deducted at source 2010-11 ₹ 75.60million 2009-10 ₹ 149.47 million)     |                                     |                         |                         |
| Loans and Advances to Employees                                              | 93.96                               | 363.44                  | 312.38                  |
| Income Tax Refund                                                            | 370.42                              | 48.99                   | 2.91                    |
| On Site Restoration Fund Deposit                                             | 1,824.33                            | 6,491.31                | 4,267.83                |
| Delayed Payment from Customers and Others                                    | 118.77                              | 685.91                  | 493.59                  |
| (Tax deducted at source 2010-11 ₹ 41.09 million 2009-10 ₹ 50.98 million)     |                                     |                         |                         |
|                                                                              | <b>6,576.18</b>                     | <b>18,909.54</b>        | <b>17,499.77</b>        |
| Excess Provisions written back                                               | 44.74                               | 493.47                  | 633.90                  |
| Liabilities no longer required written back                                  | 248.06                              | 727.89                  | 913.03                  |
| Exchange Gain (net)                                                          | -                                   | 152.11                  | 4,032.94                |
| Miscellaneous Receipts*                                                      | 952.24                              | 7,196.79                | 7,665.51                |
| <b>Total Other Income</b>                                                    | <b>9,299.24</b>                     | <b>59,007.70</b>        | <b>41,866.86</b>        |

\*Miscellaneous receipts for 2010-11 includes ₹ 216.27 million in respect of profit on sale of vessels.

**ANNEXURE – XXII****(INCREASE)/DECREASE IN STOCK**

(₹ in million)

|                                         | For the Quarter<br>Ended 30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|-----------------------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>(INCREASE)/DECREASE IN STOCK</b>     |                                     |                         |                         |
| Closing Stock- Finished Goods           | 7,602.32                            | 6,897.20                | 6,768.09                |
| Opening Stock- Finished Goods           | 6,897.20                            | 6,768.09                | 5,587.71                |
| <b>NET (INCREASE)/DECREASE IN STOCK</b> | <b>(705.12)</b>                     | <b>(129.11)</b>         | <b>(1,180.38)</b>       |

**ANNEXURE – XXIII****PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE**

(₹ in million)

|                                                                             | <b>For the Quarter<br/>Ended 30.06.2011</b> | <b>For the Year<br/>2010-11</b> | <b>For the Year<br/>2009-10</b> |
|-----------------------------------------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------|
| <b>PRODUCTION, TRANSPORTATION, SELLING AND<br/>DISTRIBUTION EXPENDITURE</b> |                                             |                                 |                                 |
| Royalty                                                                     | 20,928.46                                   | 71,372.91                       | 54,899.51                       |
| Cess                                                                        | 14,064.70                                   | 56,962.72                       | 54,538.03                       |
| Natural Calamity Contingent Duty                                            | 275.72                                      | 1,113.96                        | 1,061.67                        |
| Excise Duty on stock (Net)                                                  | (129.54)                                    | 128.63                          | 0.22                            |
| Sales Tax                                                                   | 817.06                                      | 3,112.62                        | 2,989.58                        |
| Service Tax                                                                 | 48.35                                       | 226.65                          | 212.75                          |
| Education cess                                                              | 445.54                                      | 1,828.44                        | 1,718.99                        |
| Octroi and Port Trust Charges                                               | 855.57                                      | 4,522.45                        | 4,484.28                        |
| Staff Expenditure                                                           | 3,101.23                                    | 13,031.25                       | 11,074.85                       |
| Workover Operations                                                         | 6,915.65                                    | 27,851.95                       | 31,172.60                       |
| Water Injection, Desalting and Demulsification                              | 2,772.48                                    | 12,710.45                       | 11,037.73                       |
| Consumption of Raw Materials, Stores and Spares                             | 1,487.95                                    | 6,214.63                        | 5,703.12                        |
| Pollution Control                                                           | 1,349.65                                    | 5,095.87                        | 4,376.50                        |
| Transport Expenses                                                          | 1,108.30                                    | 4,016.56                        | 3,235.67                        |
| Insurance                                                                   | 231.61                                      | 988.43                          | 974.46                          |
| Power and Fuel                                                              | 357.43                                      | 1,425.66                        | 1,163.41                        |
| Repairs and Maintenance                                                     | 1,459.71                                    | 8,466.98                        | 5,682.10                        |
| Contractual payments including Hire charges etc.                            | 1,983.73                                    | 7,890.12                        | 6,410.32                        |
| Other Production Expenditure                                                | 1,281.88                                    | 5,423.70                        | 3,684.78                        |
| Transportation and Freight of Products                                      | 2,115.24                                    | 9,573.95                        | 7,975.10                        |
| Research and Development                                                    | 812.19                                      | 3,582.44                        | 1,985.78                        |
| General Administrative Expenses                                             | 5,148.74                                    | 21,821.51                       | 20,430.78                       |
| Exchange Loss (Net)                                                         | 195.86                                      | -                               | -                               |
| Other Expenditure                                                           | 1,774.42                                    | 7,938.73                        | 8,387.23                        |
| <b>TOTAL</b>                                                                | <b>69,401.93</b>                            | <b>275,300.61</b>               | <b>243,199.46</b>               |

The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 23.7 of Annexure-XXXIIIB and note 29.7 of Annexure-XXXIIIA.

**ANNEXURE – XXIV****DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT**

|                                                             | (₹ in million)                   |                      |                      |
|-------------------------------------------------------------|----------------------------------|----------------------|----------------------|
|                                                             | For the Quarter Ended 30.06.2011 | For the Year 2010-11 | For the Year 2009-10 |
| <b>DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT</b> |                                  |                      |                      |
| Survey                                                      | 4,269.14                         | 17,725.98            | 23,524.49            |
| Wells written off                                           | 18,792.84                        | 65,815.26            | 65,837.75            |
| Depletion                                                   | 14,246.26                        | 54,369.72            | 45,301.63            |
| Depreciation                                                | 16,666.53                        | 68,350.11            | 52,426.59            |
| <b>Less : Allocated to :</b>                                |                                  |                      |                      |
| Survey                                                      | 207.52                           | 1,051.59             | 1,181.07             |
| Exploratory Drilling                                        | 1,157.60                         | 5,415.22             | 4,841.63             |
| Development Drilling                                        | 2,641.81                         | 5,344.63             | 4,979.20             |
| Depreciation on Facilities                                  | 8,721.01                         | 36,389.62            | 29,119.11            |
| Others                                                      | 30.06                            | 155.68               | 104.85               |
|                                                             | 12,758.00                        | 48,356.74            | 40,225.86            |
|                                                             | 3,908.53                         | 19,993.37            | 12,200.73            |
| <b>Impairment Loss</b>                                      |                                  |                      |                      |
| During the year                                             | 1.11                             | 1,534.73             | 553.44               |
| Less: Reversal during the year                              | -                                | 182.53               | 986.16               |
|                                                             | 1.11                             | 1,352.20             | (432.72)             |
| <b>TOTAL</b>                                                | <b>41,217.88</b>                 | <b>159,256.53</b>    | <b>146,431.88</b>    |

**ANNEXURE – XXV****FINANCING COSTS**

|                               | (₹ in million)                   |                      |                      |
|-------------------------------|----------------------------------|----------------------|----------------------|
|                               | For the Quarter Ended 30.06.2011 | For the Year 2010-11 | For the Year 2009-10 |
| <b>INTEREST</b>               |                                  |                      |                      |
| <b>i) On Fixed Loans</b>      |                                  |                      |                      |
| Foreign Currency Loans        | -                                | 1.22                 | 5.33                 |
| <b>ii) On short term loan</b> | -                                | 164.90               | -                    |
| <b>iii) On Cash Credit</b>    | 0.70                             | 3.01                 | 11.75                |
| <b>iv) Others</b>             | 39.35                            | 81.94                | 127.15               |
| <b>TOTAL</b>                  | <b>40.05</b>                     | <b>251.07</b>        | <b>144.23</b>        |

**ANNEXURE – XXVI****PROVISIONS & WRITE - OFFS**

(₹ in million)

|                                                 | For the Quarter<br>Ended 30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|-------------------------------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>PROVISIONS AND WRITE-OFFS</b>                |                                     |                         |                         |
| <b>PROVISIONS</b>                               |                                     |                         |                         |
| For Doubtful Debts                              | 566.03                              | 1,098.85                | 12.87                   |
| For Doubtful Claims/Advances                    | 13.53                               | 3,721.06                | 1,845.73                |
| Provision for Diminution in value of Investment | -                                   | 34.02                   | -                       |
| For Non-Moving Inventory                        | -                                   | (111.38)                | 61.06                   |
| For Others                                      | -                                   | 353.92                  | 93.20                   |
| <b>Sub-Total</b>                                | <b>579.56</b>                       | <b>5,096.47</b>         | <b>2,012.86</b>         |
| <b>WRITE-OFFS</b>                               |                                     |                         |                         |
| Disposal/Condemnation of Fixed Assets (Net)     | 16.37                               | 216.78                  | 61.88                   |
| Claims/Advances (Net of Provision)              | 1.45                                | 0.11                    | 42.90                   |
| Inventory                                       | 18.96                               | 96.24                   | 105.03                  |
| Bad debts (Net of Provision)                    | -                                   | 210.50                  | 17.17                   |
| Others                                          | -                                   | 494.17                  | 734.17                  |
| <b>Sub-Total</b>                                | <b>36.78</b>                        | <b>1,017.80</b>         | <b>961.15</b>           |
| <b>TOTAL</b>                                    | <b>616.34</b>                       | <b>6,114.27</b>         | <b>2,974.01</b>         |

**ANNEXURE – XXVII****ADJ. RELATING TO PRIOR PERIOD**

(₹ in million)

|                                                        | For the Quarter<br>Ended 30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|--------------------------------------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)</b>      |                                     |                         |                         |
| <b>A. EXPENDITURE</b>                                  |                                     |                         |                         |
| Statutory levies *                                     | -                                   | (15.71)                 | (32.18)                 |
| Other production, selling & distribution expenditure * | 0.26                                | 9.42                    | (188.55)                |
| Interest -Others                                       | -                                   | -                       | 542.24                  |
| Exchange Fluctuation                                   | -                                   | 166.45                  | -                       |
| Survey                                                 | 0.76                                | 41.31                   | (64.40)                 |
| Dry Wells                                              | 4.09                                | 115.16                  | 109.40                  |
| Depletion                                              | -                                   | 4.55                    | -                       |
| Depreciation                                           | 1.94                                | 12.34                   | 110.99                  |
| <b>Sub-Total</b>                                       | <b>7.05</b>                         | <b>333.52</b>           | <b>477.50</b>           |
| <b>B. INCOME</b>                                       |                                     |                         |                         |
| Sales                                                  | -                                   | (32.08)                 | 13.29                   |
| Interest -Others                                       | 0.03                                | 9.24                    | 0.07                    |
| Other Income                                           | -                                   | 20.11                   | 281.45                  |
| <b>Sub-Total</b>                                       | <b>0.03</b>                         | <b>(2.73)</b>           | <b>294.81</b>           |
| <b>TOTAL</b>                                           | <b>7.02</b>                         | <b>336.25</b>           | <b>182.69</b>           |

\*The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 23.7 of Annexure-XXXIIIB and note 29.7 of Annexure-XXXIIIA.

**ANNEXURE – XXVIII****STATEMENT OF DIVIDEND PAID/PROPOSED**

(₹ in million)

| <b>Particulars</b>            | <b>As at 30.06.2011</b> | <b>As at 31.03.2011</b> | <b>As at 31.03.2010</b> |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| Equity Share Capital          | 42,777.59               | 42,777.59               | 21,388.87               |
| Face value                    | 5                       | 5                       | 10                      |
| No. of Shares                 | 8555490120              | 8555490120              | 2138872530              |
| <b>Rate of Dividend (%)</b>   |                         |                         |                         |
| Interim                       | -                       | 160                     | 180                     |
| Final                         | -                       | 15                      | 150                     |
| <b>Total</b>                  | <b>-</b>                | <b>175</b>              | <b>330</b>              |
| <b>Amount of Dividends</b>    |                         |                         |                         |
| Interim                       | -                       | 68,443.92               | 38,499.71               |
| Final                         | -                       | 6416.62                 | 32,083.09               |
| <b>Total Dividend</b>         | <b>-</b>                | <b>74,860.54</b>        | <b>70,582.80</b>        |
| <b>Corporate Dividend Tax</b> |                         |                         |                         |
| Interim                       | -                       | 11,366.32               | 6,543.02                |
| Final                         | -                       | 790.14                  | 5,072.59                |
| <b>Total</b>                  | <b>-</b>                | <b>12,156.46</b>        | <b>11,615.61</b>        |

**ANNEXURE – XXIX**

(₹ in million)

|                                                                    | <b>For the 3M<br/>2011-12</b> | <b>For the Year<br/>2010-11</b> | <b>For the Year<br/>2009-10</b> |
|--------------------------------------------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <b>Earnings per Equity Share</b>                                   |                               |                                 |                                 |
| A) Net Profit after Tax                                            | 40,948.98                     | 189,240.02                      | 167,675.56                      |
| Less:                                                              |                               |                                 |                                 |
| B) Extraordinary items                                             | -                             | -                               | -                               |
| C) Tax impact on Extraordinary items                               | -                             | -                               | -                               |
| D) Net Profit before Extraordinary items (net of tax)              | <b>40,948.98</b>              | <b>189,240.02</b>               | <b>167,675.56</b>               |
| E) Restated Number of Shares                                       | 8,555,490,120                 | 8,555,490,120                   | 8,555,490,120                   |
| <b>Basic &amp; Diluted earnings per equity share(Restated)( ₹)</b> | 4.79                          | 22.12                           | 19.60 <sup>#</sup>              |

# EPS has been restated for split of share from ₹10 to ₹5 each and issue of bonus shares in the ratio of 1:1 as per Accounting Standard-20 on EPS.

**ANNEXURE – XXX****STATEMENT OF ACCOUNTING RATIOS**

(₹ In million)

| Particulars                                            | As at 30.06.2011 | As at 31.03.2011               | As at 31.03.2010 |
|--------------------------------------------------------|------------------|--------------------------------|------------------|
| 1. Net Profit after tax before extra ordinary items    | 40,948.98        | 189,240.02                     | 167,675.56       |
| 2. Net Profit after tax (after Extra ordinary item)    | 40,948.98        | 189,240.02                     | 167,675.56       |
| 3. Net worth                                           | 1,008,485.22     | 967,084.06                     | 864,412.86       |
| 4. No. of equity shares outstanding at the end of year | 8,555,490,120    | 8,555,490,120                  | 2,138,872,530    |
| 5. No. of equity shares (Restated)                     | 8,555,490,120    | 8,555,490,120                  | 8,555,490,120    |
| 6. Restated Earning per share(₹)                       | 4.79             | 22.12                          | 19.60            |
| 7. Return on Net Worth(%)                              | 4.06             | 19.57                          | 19.40            |
| 8. Net Asset value/Share(₹)                            | 117.88           | 113.04                         | 404.14           |
| Formula:                                               |                  |                                |                  |
| <b>Earnings per Share(₹)</b>                           | =                | PAT before extra ordinary item |                  |
|                                                        |                  | No. of equity Shares           |                  |
| <b>Return on Net Worth</b>                             | =                | PAT before extra ordinary item |                  |
|                                                        |                  | Net Worth                      |                  |
| <b>Net Assets Value Per Share</b>                      | =                | Net Worth                      |                  |
|                                                        |                  | No. of Equity Shares           |                  |
| Note :                                                 |                  |                                |                  |
| No. of equity shares outstanding post bonus and split  | 8555490120       | 8555490120                     | 8555490120       |
| Net Asset value/Share(₹) post bonus and split          | 117.88           | 113.04                         | 101.04           |



**ANNEXURE – XXXI****STATEMENT OF CAPITALISATION AS ON 30.06.2011**

(₹ in million)

| <b>Particulars</b>                                     | <b>Post Issue as adjusted for<br/>issue</b> | <b>Pre Issue as at 30.06.2011</b> |
|--------------------------------------------------------|---------------------------------------------|-----------------------------------|
| Debt:                                                  |                                             |                                   |
| Short term debt                                        |                                             | -                                 |
| Long Term Debt                                         |                                             | 1,131.14                          |
| <b>Total Debt</b>                                      |                                             | <b>1,131.14</b>                   |
| Shareholders Fund:                                     |                                             |                                   |
| Share capital                                          |                                             | 42,777.59                         |
| Reserve and surplus                                    |                                             | 973,214.73                        |
| Less : Misc. Expenditure to the extent not written off |                                             | 7,507.10                          |
| <b>Total shareholders Fund</b>                         |                                             | <b>1,008,485.22</b>               |
| Debt/Equity Ratio (%)                                  |                                             | 0.11%                             |
| Long Term Debt/Equity                                  |                                             | -                                 |

Note : Share capital of the Company was increased by way of Bonus issue in Fiscal 2011.

**SIGNIFICANT ACCOUNTING POLICIES-STANDALONE ACCOUNTS****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 Account 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 bringing the assets to working condition for intending use are capitalised.

**5. Intangible Assets**

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets.

**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

#### **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.

#### **6.5 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.

#### **6.6 Production Costs**

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

#### **6.7 Side tracking**

- 6.7.1 The cost of abandoned portion of side tracked exploratory wells is charged to Profit and Loss Account as dry wells.
- 6.7.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.
- 6.7.3 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 (including 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. The recoverable amount is its ‘value in use’ or ‘net selling price’ (if determinable) whichever is higher. 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 are recognized in respective assets when the well is complete / facilities are installed.
- 8.2 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring onshore

well sites are recognized when the well is complete. Cost relating to dismantling, abandoning and restoring its 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. The abandonment cost on dry well is charged to Profit and Loss Account.

Liability for abandonment cost is updated based on the technical assessment available at current costs with the Company.

## 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 Consideration for the right to participate in operations recoverable from new Joint Venture Partners are :

1. Reduced from respective capitalized cost wherever applicable
2. Reduced from current expenditure to the extent it relates to current year.
3. Balance is considered as miscellaneous receipts.

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. Provision is made for any diminution, other than temporary, in the value of such investments.

Current Investments are valued at lower of cost and fair value.

## 11. **Inventories**

11.1 Finished goods (other than Sulphur) and stock in pipelines/tanks and carbon credits 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, royalty (wherever applicable) but excludes cess.

11.2 Crude oil in unfinished condition in flow lines upto Group Gathering Stations/platform 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 (net of levies) 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 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 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 ₹5000/- which are fully depreciated at the time of addition.
- 13.3 Depreciation on subsequent expenditure on fixed assets arising on account of capital improvement or other factors, is provided for prospectively.  
Depreciation on refurbished/revamped assets which are capitalized separately is provided for over the reassessed useful life at rates which are not less than the rates specified in Schedule XIV to the Companies Act, 1956.
- 13.4 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.
- 13.5 Leasehold land is amortized over the lease period except perpetual leases.
- 13.6 Intangible assets are amortized over the useful life not exceeding five years from the date of capitalization.

**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 1.4.2004 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 Benefit under defined contribution plans comprising provident fund etc. is 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. Actuarial gains and losses in respect of post employment and other long-term benefits are recognized during the year.
- 15.4 Liability 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 when incurred.

**17. General Administrative Expenses**

General administrative expenses which are 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 Expenditure**

Revenue expenses on Research 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 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, Offshore Supply Vessels (OSVs), 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 are disclosed by way of notes to accounts.

**STANDALONE NOTES TO ACCOUNTS 2010-11 WITH 2009-10**

1. In terms of the decision of Government of India (GoI), the company has shared under-recoveries of Oil Marketing Companies (OMCs) on price sensitive products viz Petrol (upto 24.06.2010), Diesel, Domestic LPG and PDS Kerosene for the year 2010-11 by extending the discount in the prices of Crude Oil, Domestic LPG and PDS Kerosene based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas (MoP&NG). The company does not envisage any material impact on finalization of discount rates. The impact of discount is as under:

(₹ in million)

| Decrease in                 | For the year ended |            |
|-----------------------------|--------------------|------------|
|                             | 2010-11            | 2009-10    |
| Gross Revenue               | 248,924.30         | 115,543.07 |
| Less: Value Added Tax (VAT) | 6,159.47           | 2,760.27   |
| Sales Revenue               | 242,764.83         | 112,782.80 |
| Less: Statutory Levies      | 29,418.00          | 13,534.06  |
| Profit Before Tax           | 213,346.83         | 99,248.74  |

- 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 (MOU)/Crude Oil Sale Agreement (COSA) with the customers, the same pricing formula has been provisionally adopted from 01.04.2004 onwards. However, for Crude Oil produced in Assam, benchmark price revised by MoP&NG w.e.f. 01.04.2008 has been adopted. Adjustments, if any, on account of this shall be carried out on finalization of agreements/ receipt of Government directives. However, the Company does not envisage any material impact on current year's results on finalization.
- 2.2 Sales revenue of Natural Gas under Administrative Price Mechanism (APM) was based on the gas prices fixed on provisional basis as per directives dated 20.06.2005 and 05.06.2006 of MoP&NG, GoI upto 31.05.2010. GoI, vide letter dated 31.05.2010, decided to fix the producer price of APM gas produced by National Oil Companies (NOCs) at US\$ 4.2/mmbtu inclusive of royalty effective from 01.06.2010. For APM consumers, except for consumers in North Eastern states, the consumer price would be same as producer price, i.e. US\$ 4.2/ mmbtu inclusive of royalty. For APM consumers in North-East, consumer price is 60% of the producer price, i.e., US\$ 2.52/ mmbtu inclusive of royalty. In North-East, the difference between producer price and consumer price is paid to the company through GoI Budget.
3. The company is supplying Natural Gas to GAIL (India) Limited (GAIL) which also purchases gas from other sources and sells to APM and non APM consumers. In case GAIL generates surplus in Gas Pool Account during the financial year, same is transferred to ONGC/ Oil India Limited (OIL) at the end of financial year in accordance with their contribution. Accordingly, an amount of ₹ 21,914.90 million (Previous year ₹ 4,415.79 million) is accounted as Surplus from Gas Pool Account under 'Statement of Other Income' in Annexure- XXI.
4. The MOU for trading in products of Mangalore Refinery and Petrochemicals Limited (MRPL), a subsidiary of the Company, expired on 31<sup>st</sup> March, 2009, and accordingly no trading activity of their products was carried out during 2009-10. Sales revenue and Purchases on account of trading of such products in the year 2008-09 was ₹ 85,098.15 million and ₹ 85,073.62 million respectively.
- 5.1 During the year 2009-10, the Company has changed its accounting policy on abandonment cost and started providing the full eventual estimated liability towards costs relating to dismantling, abandoning and restoring of onshore well sites. Such cost of onshore well site has been capitalized to Producing Property/Development Wells in Progress /Exploratory Wells in Progress when completed and in case of dry wells it is charged to Profit & Loss account. This has resulted in increase in Producing Property by ₹ 8,353.36 million, Exploratory Wells in Progress by ₹ 166.64 million and Development Wells in Progress by ₹ 102.57 million with corresponding increase in abandonment liability by ₹ 8,622.57 million. This has also resulted in increase in Depletion cost by ₹ 403.72 million and cost of dry wells by ₹ 88.50 million with corresponding decrease in profit before tax by ₹ 492.22 million for the year 2009-10.

5.2 Further, in case of offshore wells, upto the year 2008-09, the Company was providing full eventual estimated liability towards costs relating to dismantling, abandoning and restoring of offshore wells/facilities that were forming part of producing properties. However, during the year 2009-10, the Company started providing such liability in respect of wells completed and facilities capitalized also whether they are transferred to Producing Property or not. This has resulted in increase in 'Development Wells in Progress' by ₹ 305.52 million and corresponding increase in abandonment liability by a similar amount during the year 2009-10. This has no impact on profit before tax for 2009-10.

6 During the year 2009-10, the Company changed its accounting policy of amortizing intangible assets from Written Down Value Method @ 40% to Straight Line Method over the useful life not exceeding a period of 5 years in order to systematically amortize its intangible assets. This has resulted in decrease in Depreciation, Depletion, Amortisation and Impairment by ₹ 424.55 million, consequently activity cost decreased by ₹ 3.22 million and Profit before tax for the year 2009-10 increased by ₹ 421.33 million.

7 In Ravva Joint Venture, the demand towards additional profit petroleum raised by GoI, based on the decision of the Malaysian High Court, was disputed by the Operator M/s Cairn Energy India Limited, due to difference in interpretation of provision of Production Sharing Contract (PSC) in respect of computation of Post Tax Rate of Return (PTRR). The Company is not a party to the dispute but agreed to abide by the decision applicable to the Operator. As the dispute between the Operator and GoI was not resolved, the Company made a provision in Financial Year 2008-09 amounting to ₹ 5,771.14 million (USD 113.82 million) on account of additional profit petroleum and ₹ 2,829.86 million (USD 54.88 Million) towards interest thereon totaling to ₹ 8,601.00 million (USD 168.70 Million) as an abundant precaution. GoI had recovered such amount subsequently.

The appellate authority of Honorable Malaysian High Court of Kuala Lumpur, Malaysia had set aside the decision of the Malaysian High Court and the decision of arbitral tribunal in favour of Operator was restored on 15<sup>th</sup> September 2009. GoI has filed an appeal in the Federal Court of Malaysia against such restoration.

Pending final outcome of this appeal, the provision is maintained as on 31<sup>st</sup> March, 2011 amounting to ₹ 5,090.17 Million (USD 113.82 Million) on account of additional Profit Petroleum and ₹ 2,415.83 Million (USD 54.02 Million) towards interest thereon totaling to ₹ 7,506.00 million (USD 167.84 million) as per the demand of DGH after reversal for interest of ₹ 103.42 million (USD 2.31 million) against provision of interest ₹ 65.41 million (USD 1.45 million) in 2009-10 and adjustment of exchange gain of ₹ 69.78 million (Previous year ₹ 987.20 million).

8 The Company 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 ₹ 3,711.22 million which was capitalized under Exploratory Wells in Progress as per Accounting Policy No. 6.3. Subsequent exploratory drilling costs of wells in this block were capitalized as Exploratory Wells in Progress. Initial-in-Place-Reserves have been established in this block and a conceptual development plan as part of the proposal for Declaration of Commerciality has been submitted to Management Committee (MC) for review on 15.07.2010. However, the Company as an abundant precaution made a provision of ₹ 6,104.80 million, ₹ 2,360.39 million and ₹ 918.48 million in respect of above costs in 2007-08, 2008-09 and 2009-10 respectively. Since there is no significant change in status of this block during the current year, the expenditure amounting to ₹ 17.67 million on the wells completed upto 31<sup>st</sup> March 2009, being more than two years old is provided for in the current year.

9 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) is payable for extension of time to complete MWP. Further, in case the Company does not complete MWP or surrender the block without completing the MWP, the estimated cost of completing balance work programme is required to be paid to the GoI. LD amounting to ₹ 113.72 million (Previous year ₹ (-)78.41 million) net of reversal and cost of unfinished MWP ₹ 919.81 million (Previous year ₹ 3,148.58 million) paid/payable to the GoI is included in survey and wells written off expenditure in Annexure- XXIV.



- 10 During the year 2009-10, in respect of 16 Deepwater NELP Blocks, company's share in LD and MWP amounting to ₹ 12,037.37 million and ₹ 33,024.85 million respectively has not been provided for, since the rig moratorium proposal is under consideration of GoI as per the letter dated 18.08.2008 from Director General of Hydrocarbons (DGH). Out of the above MWP amounting to ₹ 1,770.62 million has already been completed during the year 2009-10 and balance amounting to ₹ 31,254.23 million was included in Capital Commitment (Note No 29.1.2).
- 11 The Finance (No.2) Act, 2009, has specified the definition of "undertaking" for the purpose of claiming tax holiday under section 80-IB(9) of Income Tax Act, 1961 to be 'all blocks licensed under a single contract' retrospectively whereas the company had earlier considered each 'Well' as an undertaking. Since the amendment still requires clarity on various issues and also considering the advice of legal experts, the company continued to make provision for tax without considering the benefit u/s 80-IB(9).
- 12 The Jharia CBM Block was awarded by GoI to ONGC-CIL consortium on nomination basis for exploration and exploitation of Coal Bed Methane (CBM) gas. Ministry of Coal (MoC) later awarded a coal mining block to the private company which overlapped with a part of the Company's CBM Block. It was decided by the MoC and MoP&NG that such area of exploratory wells drilled by the Company are excluded from the mining area to the private company. These well sites are permanently acquired by the Company and the titles are in the name of the Company. Pending resolution and receipt of equitable land for future exploration activities in consideration of the overlapped area, amounting to ₹ 1.54 million incurred on exploratory wells is shown under Exploratory Wells in Progress during the year 2009-10.
- 13 Pending finalization, the Company provided liability for pay revision in respect of unionized category of employees amounting to ₹ 1,910.00 million during the year 2009-10 (till 31.03.2010 ₹ 4,100.00 million) and is allocated to activities as per the policy of the company
- 14 Capital Works in Progress (CWIP) includes an amount of ₹ 7,841.69 million in respect of C2 C3 plant which is mechanically complete and will be capitalized on completion of test run.
- 15 During the year, the Oil Marketing Companies, nominees of GoI had recovered ₹ 1,432.34 million (USD 32.07 million) ONGC's share as per directives of GoI in respect Jointly Controlled Assets - Panna Mukta & Tapti. The recovery is towards certain observations raised by auditors appointed by Director General Hydrocarbon (DGH) under Production Sharing Contract for the period 2002-03 to 2005-06 in respect of cost and profit petroleum share payable to GoI. BGEPI along with RIL ("Claimants") have served a notice of arbitration on the GOI in respect of dispute, differences and claims arisen in connection with the term of Panna, Mukta & Tapti PSCs. Since the company is not a party to the arbitration proceedings, it has requested MoP&NG that in case of an arbitral award, the same be made applicable to ONGC also, as a constituent of contractor for both the PSCs. Pending final arbitral award, the same has been shown as 'Receivable from GoI'.
- 16 Details of purchase and sale/ redemption of Current Investments during the year:

| Particulars         | UTI Liquid Cash Plan                 |                            | UTI Treasury Advantage Fund          |                            |
|---------------------|--------------------------------------|----------------------------|--------------------------------------|----------------------------|
|                     | No of Units @ ₹<br>1019.4457         | Amount (₹ in<br>million)   | No of Units @ ₹<br>1000.2141         | Amount (₹ in<br>million)   |
| Opening Balance     | 5,003,216.394<br>(-)                 | 5,100.51<br>(-)            | 1,715,997.416<br>(-)                 | 1,716.36<br>(-)            |
| Purchases           | 526,246,181.973<br>(468,866,246.935) | 536,479.41<br>(477,983.68) | 157,616,254.400<br>(193,059,225.362) | 157,650.00<br>(193,100.55) |
| Dividend Reinvested | 341,894.265<br>(108,501.298)         | 348.54<br>(110.61)         | 281,388.585<br>(352,837.098)         | 281.45<br>(352.91)         |
| Redemption          | 530,119,483.663<br>(463,971,531.839) | 540,428.03<br>(472,993.78) | 159,613,640.401<br>(191,696,065.044) | 159,647.81<br>(191,737.10) |
| Closing Balance     | 1,471,808.969<br>(5,003,216.394)     | 1,500.43<br>(5,100.51)     | (-)<br>(1,715,997.416)               | (-)<br>(1,716.36)          |

- 17 The Company has been charging depreciation on all Trunk Pipelines and Onshore Flow Lines (assets below ground) @ 100% based on technical assessment by the management.

**18** The Company has a system of physical verification of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals. Adjustment of differences, if any, is carried out on completion of reconciliation.

**19** Some balances of Debtors, Creditors and Loans & Advances are subject to confirmation/ reconciliation. Adjustments, if any, will be accounted for on confirmation/ reconciliation of the same, which will not have a material impact.

**20 Disclosure under the Revised Accounting Standard -15 on “Employee Benefits”**

**20.1 Brief Description:** A general description of the type of Defined Benefit Plans is as follows:

**20.1.1 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

**20.1.2 Good Health Reward (Half pay leave)**

Accrual - 20 days per year

Encashment while in service - Nil

Encashment on retirement - 50% of Half Pay Leave balance.

**20.1.3 Gratuity**

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to ₹ 1.00 million.

**20.1.4 Post Retirement Medical Benefits –**

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

**20.1.5 Terminal Benefits**

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

**20.2** The amounts recognized in financial statements for defined contribution plans are as under:

| (₹ in million)                   |                                   |                                           |
|----------------------------------|-----------------------------------|-------------------------------------------|
| Defined Contribution Plans       | Amount recognised during the year | Contribution for Key Management Personnel |
| Contributory Provident Fund      | 2,843.12<br>(2,864.09)            | 0.94<br>(1.38)                            |
| Employee Pension Scheme-95       | 208.96<br>(206.27)                | 0.02<br>(0.03)                            |
| Composite Social Security Scheme | 231.61<br>(209.06)                | 0.04<br>(0.05)                            |

**20.3** The amounts recognized in the balance sheet for post employment benefit plans are as under:

| (₹ in million) |                                    |                          |       |                                  |                   |
|----------------|------------------------------------|--------------------------|-------|----------------------------------|-------------------|
| Sl No.         | Particulars                        | Gratuity                 | Leave | Post Retirement Medical Benefits | Terminal Benefits |
| 1              | Present Value of Funded Obligation | 19,674.39<br>(17,772.42) | NA    | NA                               | NA                |

| Sl No. | Particulars                          | Gratuity                | Leave                     | Post Retirement Medical Benefits | Terminal Benefits     |
|--------|--------------------------------------|-------------------------|---------------------------|----------------------------------|-----------------------|
| 2      | Present Value of Unfunded Obligation | -<br>(-)                | 16,180.23<br>(13,740.85)  | 16, 495.66<br>(14,077.09)        | 1, 058.67<br>(642.39) |
| 3      | Fair Value of Plan Assets            | 18171.17<br>(17,469.42) | NA                        | NA                               | NA                    |
| 4.     | Unrecognized Past Service Cost       | -<br>(-)                | -<br>(-)                  | -<br>(-)                         | -<br>(-)              |
| 5      | Net Obligation                       | 1,503.22<br>(303.00)    | 16, 180.23<br>(13,740.85) | 16, 495.66<br>(14,077.09)        | 1, 058.67<br>(642.39) |
| 6      | Liability for Retired employees      | -<br>(-)                | -<br>(193.25)             | -<br>(-)                         | -<br>(-)              |
| 7      | Total Provision                      | 1,503.22<br>(303.00)    | 16, 180.23<br>(13,934.10) | 16, 495.66<br>(14,077.09)        | 1,058.67<br>(642.39)  |

20.4 The amounts included in the fair value of plan assets of gratuity fund in respect of Reporting Enterprise's own financial instruments and any property occupied by, or other assets used by the reporting enterprise are ₹ Nil (Previous Year Nil)

20.5 Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(₹ in million)

| Sl No. | Particulars                           | Gratuity                  | Leave                     | Post Retirement Medical Benefits | Terminal Benefits     |
|--------|---------------------------------------|---------------------------|---------------------------|----------------------------------|-----------------------|
| 1      | Opening defined benefit obligation    | 17, 772.42<br>(17,423.08) | 13, 740.84<br>(13,235.47) | 14, 077.09<br>(12,728.86)        | 642.39<br>(480.40)    |
| 2      | Current Service Cost                  | 803.08<br>(732.74)        | 706.90<br>(594.44)        | 295.97<br>(281.44)               | 42.45<br>(26.58)      |
| 3      | Past Service Cost                     | -<br>(-)                  | -<br>(-)                  | -<br>(-)                         | -<br>(-)              |
| 4.     | Interest Cost                         | 1,421.79<br>(1,306.73)    | 1, 099.27<br>(992.65)     | 1, 126.17<br>(954.66)            | 51.39<br>(36.03)      |
| 5.     | Actuarial losses (gains)              | 830.70<br>(-502.66)       | 2, 861.77<br>(1,876.44)   | 1, 953.27<br>(3,075.28)          | 353.80<br>(130.05)    |
| 6.     | Exchange differences on foreign plans | -<br>(-)                  | -<br>(-)                  | -<br>(-)                         | -<br>(-)              |
| 7.     | Benefits paid                         | 1, 153.59<br>(1,187.47)   | 2, 228.57<br>(2,958.17)   | 956.83<br>(2963.16)              | 31.36<br>(30.66)      |
| 8.     | Closing defined benefit obligation    | 19, 674.40<br>(17,772.42) | 16, 180.23<br>(13,740.84) | 16, 495.67<br>(14,077.09)        | 1, 058.67<br>(642.39) |

20.6 The total amount recognized in the financial statements before allocation is as follows:

(₹ in million)

| Sl No. | Particulars                                       | Gratuity                | Leave                   | Post Retirement Medical Benefits | Terminal Benefits  |
|--------|---------------------------------------------------|-------------------------|-------------------------|----------------------------------|--------------------|
| 1      | Current Service Cost                              | 803.08<br>(732.74)      | 706.90<br>(594.43)      | 295.97<br>(281.44)               | 42.45<br>(26.57)   |
| 2      | Interest on Obligation                            | 1, 421.79<br>(1,306.73) | 1,099.27<br>(992.65)    | 1,126.17<br>(954.66)             | 51.39<br>(36.03)   |
| 3      | Expected return on plan assets                    | 1, 526.65<br>(1,451.37) | NA                      | NA                               | NA                 |
| 4.     | Net actuarial Losses / (Gains) recognized in year | 995.16<br>(-284.77)     | 2, 861.78<br>(1,876.44) | 1,953.27<br>(3,075.28)           | 353.80<br>(130.05) |
| 5      | Past Service Cost                                 | -<br>(-)                | -<br>(-)                | -<br>(-)                         | -<br>(-)           |
| 6      | Losses (Gains) on curtailments and settlement     | -<br>(-)                | -<br>(-)                | -<br>(-)                         | -<br>(-)           |
| 7      | Total included in 'employee benefit expense'      | 1, 693.38<br>(303.34)   | 4, 667.95<br>(3,463.54) | 3375.40<br>(4311.39)             | 447.64<br>(192.65) |
| 8.     | Actual return on plan assets                      | 1, 362.19<br>(1,233.47) | NA                      | NA                               | NA                 |

20.7 Statement of Reconciliation of balance of Fair Value of Plan Assets in respect of Gratuity:-

| (₹ in million)                        |           |           |
|---------------------------------------|-----------|-----------|
| Particulars                           | 2010-11   | 2009-10   |
| Fair Value of Plan Asset at Beginning | 17,469.42 | 8,133.78  |
| Expected Return on Plan Assets        | 1,526.65  | 1,451.37  |
| Contribution by employer              | 302.99    | 9,289.43  |
| Benefits Paid                         | -963.44   | -1,187.37 |
| Actuarial gain/loss on Plan Assets    | -164.46   | -217.79   |
| Fair Value of Plan Asset at the end   | 18,171.16 | 17,469.42 |

20.8 Other disclosures:

| (₹ in million)                                                 |            |            |            |            |            |
|----------------------------------------------------------------|------------|------------|------------|------------|------------|
| Gratuity                                                       | 31-03-2011 | 31-03-2010 | 31-03-2009 | 31-03-2008 | 31-03-2007 |
| Present Value of Funded obligation as at the end of the period | 19,674.39  | 17,772.42  | 17,423.08  | 16,318.38  | 7,253.89   |
| Fair Value of plan assets as at the end of the period          | 18,171.17  | 17,469.42  | 8,133.78   | 7,466.63   | 6,877.64   |
| Surplus/(Deficit)                                              | 1,503.22   | 303.00     | 9,289.30   | 8,851.75   | 376.25     |
| Experience Adjustment on plan Liabilities (loss)/gain          | -903.84    | -234.16    | 1,265.62   | NA         | NA         |
| Experience Adjustment on plan Assets (loss)/gain               | -118.25    | -176.08    | -12.62     | NA         | NA         |

Expected Contribution in respect of Gratuity for next year will be ₹ 103.57 million (previous year ₹ 60.77).

| (₹ in million)                                                   |            |            |            |            |            |
|------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Leave Encashment                                                 | 31-03-2011 | 31-03-2010 | 31-03-2009 | 31-03-2008 | 31-03-2007 |
| Present Value of Unfunded obligation as at the end of the period | 16,180.23  | 13,740.85  | 13,235.47  | 10,861.95  | 6,215.87   |
| Experience Adjustment on plan Liabilities (loss)/gain            | -2,917.77  | -2,440.88  | -850.25    | NA         | NA         |

| (₹ in million)                                                   |            |            |            |            |            |
|------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Post Retirement Medical Benefits                                 | 31-03-2011 | 31-03-2010 | 31-03-2009 | 31-03-2008 | 31-03-2007 |
| Present Value of Unfunded obligation as at the end of the period | 16,495.66  | 14,077.09  | 12,728.86  | 10,699.42  | 8,685.93   |
| Experience Adjustment on plan Liabilities (loss)/gain            | -2,010.67  | -3,392.32  | -664.33    | NA         | NA         |

| (₹ in million)                                                   |            |            |            |            |            |
|------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Terminal Benefits                                                | 31-03-2011 | 31-03-2010 | 31-03-2009 | 31-03-2008 | 31-03-2007 |
| Present Value of Unfunded obligation as at the end of the period | 1,058.67   | 642.39     | 480.40     | 435.13     | 399.52     |
| Experience Adjustment on plan Liabilities (loss)/gain            | -356.15    | -132.45    | -7.16      | NA         | NA         |

20.9 Investments of Gratuity Trust

| Particulars              | % of Investment as at |                |
|--------------------------|-----------------------|----------------|
|                          | As at 31.03.11        | As at 31.03.10 |
| Central Govt. Securities | 30.25                 | 30.56          |
| State Govt. Securities   | 14.61                 | 14.24          |
| PSU Bonds                | 29.48                 | 29.99          |
| Treasury Bills           | 0.07                  | 1.43           |
| Insurance Investment     | 25.19                 | 23.40          |
| Equity Mutual Fund       | 0.40                  | 0.38           |
| <b>Total</b>             | <b>100.00</b>         | <b>100.00</b>  |

20.10 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                  | 8.0%<br>(7.5%)   | 8.0%<br>(7.5%) | 8.0%<br>(7.5%) | 8.0%<br>(7.5%) |
| 2  | Expected return on plan assets | 8.59%<br>(8.33%) | NA             | NA             | NA             |
| 3. | Annual increase in costs       | NA               | NA             | 5.5 %<br>(5%)  | 5.5 %<br>(5%)  |
| 4. | Annual Increase in Salary      | 5.5%<br>(5%)     | 5.5 %<br>(5%)  | NA             | NA             |

The discount rate is based upon the market yield available on Government bonds at the Accounting date with a term that matches. The salary growth rate takes account of inflation, seniority, promotion and other relevant factor on long term basis. Expected rate of return on plan assets is based on market expectation, at the beginning of the year, for return over the entire life of the related obligation.

## 21 Disclosure under Accounting Standard-16 on “Borrowing Costs”

The Company did not incur any borrowing cost for any qualifying asset. No borrowing cost is capitalized during the year (previous year Nil).

## 22 Disclosure under Accounting Standard -17 on “Segment Reporting”

The segment information is presented under the notes to accounts of the Consolidated Financial Statements as required under the standard.

## 23 Disclosure under Accounting Standard -18 on “Related Party Disclosure”

### 23.1 Name of related parties and description of relationship:

| A) Joint Venture     | B) Jointly Controlled Entity          |
|----------------------|---------------------------------------|
| Ravva                | ONGC Mangalore Petrochemicals Limited |
| CY-OS-90/1( PY3)     | Petronet LNG Limited                  |
| Panna, Mukta & Tapti | ONGC Teri Biotech Limited             |
| CB-OS-2              | Mangalore SEZ Limited                 |
| GK-OSJ-3             | ONGC Petro-additions Limited          |
| RJ-ON-90/1           | ONGC Tripura Power Co. Limited        |
| RJ-ONN-2003/1        | Dahej SEZ Limited                     |
| PR-OSN-2004/1        |                                       |
| RJ-ON/6              |                                       |

### 23.2 Key Management Personnel:

#### Whole-time Functional Directors:

- Shri R.S. Sharma, Chairman and Managing Director up to 31.01.2011
- Shri A.K. Hazarika holding additional charge of Chairman and Managing Director from 01.02.2011
- Dr. A. K. Balyan up to 15.07.2010
- Shri U. N. Bose
- Shri D.K. Pande up to 31.01.2011
- Shri D.K.Sarraf
- Shri Sudhir Vasudeva
- Shri S.V Rao from 25.02.2011

### 23.3 Details of Transactions

#### 23.3.1 Joint Ventures/ Jointly Controlled Entities

| (₹ in million)                  |         |         |
|---------------------------------|---------|---------|
| Details                         | 2010-11 | 2009-10 |
| <b>Services Received from :</b> |         |         |
| a) Ravva                        | 84.10   | 60.40   |
| b) ONGC Teri Biotech Limited    | 94.51   | 151.26  |
| c) Dahej SEZ Ltd.               | 23.92   | -       |

| Details                                      | 2010-11  | 2009-10  |
|----------------------------------------------|----------|----------|
| d) ONGC Mangalore Petrochemicals Limited     | 0.04     | -        |
| <b>Services Provided to :</b>                |          |          |
| a) Ravva                                     | 13.30    | 11.19    |
| b) Panna Mukta & Tapti                       | 1,553.34 | 2,329.66 |
| c) ONGC Petro-additions Limited              | 126.28   | 162.54   |
| d) Petronet LNG Limited                      | -        | 3.57     |
| e) ONGC Teri Biotech Limited                 | 0.81     | -        |
| f) Mangalore SEZ Limited                     | 2.46     | 1.80     |
| g) ONGC Tripura Power Co. Limited            | 3.67     | 3.94     |
| Purchase of Condensate (Panna Mukta & Tapti) | 2,805.57 | 4,584.91 |
| Dividend Received - Petronet LNG Limited     | 164.06   | 164.06   |
| <b>Advance :</b>                             |          |          |
| a) ONGC Petro-additions Limited              | 1,852.99 | 4,560.00 |
| b) ONGC Mangalore Petrochemicals Limited     | 4,830.00 | 1,424.00 |
| <b>Amount Receivable :</b>                   |          |          |
| a) Panna Mukta & Tapti                       | 1,981.18 | 2,009.68 |
| b) ONGC Petro-additions Limited              | 29.03    | 138.99   |
| c) ONGC Tripura Power Co. Limited            | 0.90     | 0.95     |
| d) Petronet LNG Limited                      | -        | 0.60     |
| e) ONGC Teri Biotech Limited                 | 0.81     | -        |
| f) Ravva                                     | 4.41     | -        |
| <b>Amount Payable :</b>                      |          |          |
| a) Panna Mukta & Tapti                       | 252.48   | 67.96    |
| b) ONGC Teri Biotech Limited                 | 47.02    | 31.26    |
| c) Ravva                                     | 12.72    | -        |
| <b>Advance outstanding :</b>                 |          |          |
| a) ONGC Petro-addition Limited               | 9,702.99 | 7,850.00 |
| b) ONGC Tripura Power Co. Limited            | 1,233.87 | 1,233.87 |
| c) ONGC Mangalore Petrochemicals Limited     | 9,199.77 | 4,369.77 |

### 23.3.2 Key Management Personnel

(₹ in million)

| Particulars               | 2010-11 | 2009-10 |
|---------------------------|---------|---------|
| Remuneration to Directors | 31.05   | 34.35   |
| Amount Receivable         | 0.75    | 0.56    |
| Amount Payable            | 10.61   | 3.58    |

### 24 Disclosure under Accounting Standard - 19 on 'Leases'

The company has certain office/residential premises on Operating Lease which are cancellable by giving appropriate notice as per the respective agreements. During the year ₹ 749.63 million (Previous year ₹ 713.47 million) had been paid towards cancellable Operating Lease.

### 25 Disclosure under Accounting Standard -22 on "Accounting for Taxes on Income"

The Company has Net Deferred Tax Liability as at 31st March, 2011 of ₹ 99,503.94 million (Previous year ₹ 89,182.13 million). The break up of Deferred Tax Liability is as under:

(₹ in million)

| Particulars                                                                      | As at 31.03.2011  | As at 31.03.2010  |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| <b>(i) Liabilities</b>                                                           |                   |                   |
| Depletion of Producing Properties                                                | 140,955.74        | 133,460.20        |
| Depreciation Allocated to Wells in Progress and expenses relating to NELP blocks | 10,264.98         | 7,038.26          |
| Deferred Revenue Expenditure written off                                         | 2,582.70          | 2,794.64          |
| Development Wells-in-Progress                                                    | 6,736.28          | 5,908.70          |
| Others                                                                           | 5,154.55          | 2,367.89          |
| <b>Total (i)</b>                                                                 | <b>165,694.25</b> | <b>151,569.69</b> |
| <b>(ii) Assets</b>                                                               |                   |                   |
| Depreciation                                                                     | 6,976.17          | 4,677.42          |
| Dry wells written off                                                            | 12,075.92         | 13,298.28         |
| Provision for Non Moving Inventories                                             | 1,198.44          | 1,285.75          |
| Provision for Doubtful Debts/Claims/Advances/ Interest                           | 4,622.26          | 3,229.18          |

| Particulars                                                   | As at 31.03.2011 | As at 31.03.2010 |
|---------------------------------------------------------------|------------------|------------------|
| Provision for Abandonment                                     | 29,523.55        | 28,882.40        |
| Provision for Leave Encashment                                | 5,249.68         | 4,628.56         |
| Provision toward Additional Profit Petroleum & interest-Ravva | 2,435.33         | 2,550.84         |
| Statutory duties unpaid u/s 43B                               | 551.52           | 424.44           |
| Others                                                        | 3,557.44         | 3,410.69         |
| <b>Total (ii)</b>                                             | <b>66,190.31</b> | <b>62,387.56</b> |
| <b>Deferred Tax Liability (Net) (i - ii)</b>                  | <b>99,503.94</b> | <b>89,182.13</b> |

## 26 Disclosure under Accounting Standard - 27 on Financial Reporting of Interest in Joint Ventures:

### 26.1 Jointly Controlled Assets

In respect of certain blocks, the Company's Joint Ventures (JV) with certain bodies corporate have entered into Production Sharing Contracts (PSCs) with GoI. Details of these blocks and JVs as on 31.03.2011 are as under:

| Sl. No.  | Blocks                      | Company's PI *   | Others Partners and their PI in the JV/Operatorship*** |
|----------|-----------------------------|------------------|--------------------------------------------------------|
| <b>A</b> | <b>Jointly Operated JVs</b> |                  |                                                        |
| 1        | Panna, Mukta and Tapti      | 40% (40%)        | BGEPIL 30%,<br>RIL 30%                                 |
| <b>B</b> | <b>ONGC Operated JVs</b>    |                  |                                                        |
| 2        | CB-OS/1 Exploration Phase   | 32.89 % (32.89%) | TPL 10%, HOEC 57.11%                                   |
|          | CB-OS/1 Development Phase** | 55.26% (55.26%)  | TPL 6.7%, HOEC 38.04%                                  |
| 3        | KG-DWN-98/2 **              | 90% (65%)        | CEIL 10%<br>(PIB BV 15%)<br>(HEIBV 10%)                |
| 4        | KG-DWN-98/4                 | 55% (55%)        | OIL 15%<br>BGEPIL 30%                                  |
| 5        | MN-DWN-98/3                 | 60% (60%)        | PIBBV 40%                                              |
| 6        | MN-OSN-2000/2               | 40% (40%)        | GAIL 20%, IOC 20%,<br>OIL 20%                          |
| 7        | CY-DWN-2001/1               | 45% (55%)        | OIL 20% , PIBBV 25%,<br>Rocksource ASA 10%             |
| 8        | AA-ONN-2001/2               | 80% (80%)        | IOC 20%                                                |
| 9        | AA-ONN-2001/3               | 85% (85%)        | OIL 15%                                                |
| 10       | KK-DWN-2002/2               | 80% (80%)        | HPCL 20%                                               |
| 11       | KK-DWN-2002/3               | 80% (80%)        | HPCL 20%                                               |
| 12       | KG-DWN-2002/1               | 70% (70%)        | OIL 20% , BPRL 10%                                     |
| 13       | MN-DWN-2002/1               | 36% (36%)        | OIL 20% , BPRL 10%, ENI 34%                            |
| 14       | CY-ONN-2002/2               | 60% (60%)        | BPRL 40%                                               |
| 15       | AA-ONN-2002/4               | 90% (90%)        | OIL 10%                                                |
| 16       | MN-DWN-2002/2               | 75% (75%)        | BGEPIL 25%                                             |
| 17       | KK-DWN-2004/1               | 45% (45%)        | CIL 40%, TATA 15%                                      |
| 18       | CY-DWN-2004/1               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 19       | CY-DWN-2004/2               | 70% (70%)        | GSPC 10%, HPCL 10% , GAIL 10%                          |
| 20       | CY-DWN-2004/3               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 21       | CY-DWN-2004/4               | 70% (70%)        | GSPC 10% , HPCL 10% GAIL 10%                           |
| 22       | CY-PR-DWN-2004/1            | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 23       | CY-PR-DWN-2004/2            | 70% (70%)        | GSPC 10%, HPCL 10% , GAIL 10%                          |
| 24       | KG-DWN-2004/1               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 25       | KG-DWN-2004/2               | 60% (60%)        | GSPC 10%, HPCL 10%,<br>GAIL 10% , BPCL 10%             |
| 26       | KG-DWN-2004/3               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 27       | KG-DWN-2004/5               | 50% (50%)        | GSPC 10%, HPCL 10%,<br>GAIL 10%<br>OIL 10%, BPRL 10%   |
| 28       | KG-DWN-2004/6               | 60% (60%)        | GSPC 10%, HPCL 10%,<br>GAIL 10% , OIL 10%              |
| 29       | KG-OSN-2004/1               | 55% (55%)        | BGEPIL 45%                                             |
| 30       | CB-ONN-2004/1               | 50% (50%)        | GSPC 40%, HERA-MEC LTD 10%                             |
| 31       | CB-ONN-2004/2**             | 55% (50%)        | GSPC 45%                                               |

| Sl. No.  | Blocks                         | Company's PI * | Others Partners and their PI in the JV/Operatorship***                            |
|----------|--------------------------------|----------------|-----------------------------------------------------------------------------------|
| 32       | CB-ONN-2004/3                  | 40% (40%)      | GSPC 35% , ENSEARCH 25%                                                           |
| 33       | CB-ONN-2004/4                  | 50% (50%)      | GSPC 40% , HERA-MEC LTD 10%                                                       |
| 34       | CY-ONN-2004/1                  | 80% (80%)      | BPRL 20%                                                                          |
| 35       | CY-ONN-2004/2                  | 80% (80%)      | BPRL 20%                                                                          |
| 36       | MB-OSN-2005-1                  | 80% (80% )     | GSPC 20%                                                                          |
| 37       | MB-OSN-2005-5                  | 70% (70% )     | GSPC 30%                                                                          |
| 38       | MB-OSN-2005-6                  | 80% (80% )     | GSPC 20%                                                                          |
| 39       | AN-DWN-2005/1                  | 90% (90% )     | OIL 10%                                                                           |
| 40       | KG-DWN-2005/1                  | 70% (70%)      | IOC 20%, GSPC 10%                                                                 |
| 41       | KK-DWN-2005/2                  | 90% (90%)      | GSPC 10%                                                                          |
| 42       | KG-OSN-2005/1                  | 60% (60%)      | HMEL 20%<br>GSPC 20%                                                              |
| 43       | KG-OSN-2005/2                  | 80% (80%)      | HMEL 20%                                                                          |
| 44       | Raniganj                       | 74% (74%)      | CIL 26%                                                                           |
| 45       | Jharia                         | 90% (90%)      | CIL 10%                                                                           |
| 46       | NK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 47       | BK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 48       | CB-ONN-2005/4                  | 51% (51%)      | GSPC 49%                                                                          |
| 49       | CB-ONN-2005/10                 | 51% (51%)      | GSPC 49%                                                                          |
| 50       | PR-ONN-2005/1                  | 80% (80%)      | TPL 20%                                                                           |
| 51       | WB-ONN-2005/4                  | 75% (75%)      | OIL 25%                                                                           |
| 52       | AA-ONN-2005/1                  | 60% (60%)      | OIL 30% ACIL -10%                                                                 |
| 53       | GV-ONN-2005/3                  | 80% (80%)      | TPL 20%                                                                           |
| 54       | HF-ONN-2001/1                  | 65% (100%)     | BMN 35%                                                                           |
| 55       | CB-ONN-2001/1**                | 100% (100%)    |                                                                                   |
| 56       | AN-DWN-2009/1                  | 70% (Nil)      | OIL 30%                                                                           |
| 57       | AN-DWN-2009/2                  | 60% (Nil)      | OIL 40%                                                                           |
| 58       | AN-DWN-2009/3                  | 60% (Nil)      | OIL 40% (Joint Operator)                                                          |
| 59       | AN-DWN-2009/5                  | 90% (Nil)      | GSPC 10%                                                                          |
| 60       | AN-DWN-2009/13                 | 70% (Nil)      | GAIL 10%, NTPC 10%, GSPC 10%                                                      |
| 61       | AN-DWN-2009/18                 | 60% (Nil)      | OIL 30%, GAIL 10%                                                                 |
| 62       | GK-OSN-2009/1                  | 40% (Nil)      | AWEL 20%, GSPC 20%, IOC 20%                                                       |
| 63       | GK-OSN-2009/2                  | 40% (Nil)      | AWEL 30%, IOC 30%                                                                 |
| 64       | KG-OSN-2009/1                  | 80% (Nil)      | APGIC 10%, NTPC 10%                                                               |
| 65       | KG-OSN-2009/2                  | 90% (Nil)      | APGIC 10%                                                                         |
| 66       | KG-OSN-2009/4                  | 50% (Nil)      | APGIC 10%, OIL 30%, NTPC 10%                                                      |
| 67       | AA-ONN-2009/3                  | 50% (Nil)      | OIL 50%                                                                           |
| 68       | CB-ONN-2009/4                  | 50% (Nil)      | GSPC 50%                                                                          |
| <b>C</b> | <b>Operated by JV Partners</b> |                |                                                                                   |
| 69       | Ravva                          | 40% (40%)      | CEIL (Operator) 22.5%<br>PIL 25%,<br>ROPL 12.5%                                   |
| 70       | CY-OS-90/1 (PY3)               | 40% (40%)      | HEPI (operator) 18%<br>HOEC 21%<br>TPL 21%                                        |
| 71       | RJ-ON-90/1                     | 30% (30%)      | CEIPL (Operator) 35%<br>CEHL 35%                                                  |
| 72       | CB-OS/2 -Development Phase     | 50% (50%)      | CEIPL (operator) 6.70%<br>CEIWBV 13.20%<br>CECBV 10.10%,<br>CEGBV 10%,<br>TPL 10% |
| 73       | CB-ON/7 -Development Phase**   | 30% (30%)      | HOEC (Operator) 35%,<br>GSPC 35%                                                  |
| 74       | CB-ON/3 - Development Phase**  | 30% (30%)      | EOL (Operator)70%                                                                 |
| 75       | GK-OSJ-3                       | 25% (25%)      | RIL (operator) 60%,<br>OIL 15%                                                    |
| 76       | AA-ONN-2002/3                  | 70% (70%)      | OIL (Operator) 30%                                                                |
| 77       | AN-DWN-2003/2                  | 45%(45%)       | ENI (Operator) 40%<br>GAIL 15%                                                    |
| 78       | KG-ONN-2003/1                  | 51% (51%)      | CEIL 24% (Operator)<br>Cairn India 25%                                            |



| Sl. No. | Blocks                       | Company's PI * | Others Partners and their PI in the JV/Operatorship***                                                            |
|---------|------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------|
| 79      | RJ-ONN-2003/1                | 36%(36%)       | ENI (Operator) 34%<br>CIL 30%                                                                                     |
| 80      | PR-OSN-2004/1                | 35% (35%)      | Cairn Energy(Operator) 10%<br>Cairn India 25%<br>TPL 30%                                                          |
| 81      | CB-ON/2- Development phase** | 30% (30%)      | GSPC (Operator) 56%,<br>Geo-Global Resources 14%                                                                  |
| 82      | RJ-ONN-2005/3                | 40% (40%)      | GSPC (Operator) 60%                                                                                               |
| 83      | AA-ONN-2009/4                | 50% (Nil)      | OIL(Operator) 50%                                                                                                 |
| 84      | CY-OSN-2009/2                | 50% (Nil)      | OIL 50% (Operator)                                                                                                |
| 85      | KG-DWN-2009/1                | 45% (Nil)      | BGEPIL 30%(Operataor),<br>OIL 15%,<br>APGIC 10%                                                                   |
| 86      | RJ-ON/6 - Development phase  | 30% (Nil)      | Focus Energy Ltd (Operator) 7%<br>I services Investment Ltd, Mauritius 45.5%<br>Newbury Oil Co. Ltd, Cyprus 17.5% |

\* PI - Participating Interest

\*\*Approval towards assignment of PI is awaited from GoI

\*\*\* There is no change in previous year details unless otherwise stated.

**Abbreviations:-** BGEPIL- British Gas Exploration & Production India Ltd., BPRL-Bharat Petroleum Refinery Ltd., MBN-BMN Investment Ltd, CEIL-Cairn Energy India Ltd, CIL-Coal India Ltd., ENI- ENI India Ltd., GAIL -Gail India Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, HOEC- Hindustan Oil Exploration Company Ltd., HMEL- HPCL-Mittal Energy Ltd., OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd. HEPI - Hardy Exploration & Production (India) Inc., PIL- Petrocon India Ltd. ROPL-Ravva Oil (Singapore) Pte. Ltd, CEIPL- Cairn Energy India Pty Ltd, CEHL- Cairn Energy Hydrocarbons Ltd, TIOL - Tullow India Operations Ltd, SRL – Suntera Resources Ltd. NTPC- National Thermal Power Corporation Ltd. AWEL-Adani welspur Exploration Ltd, APGIC-Andra Pradesh Gas Infrastructure Corporation Ltd, PIBBV-Petrobras International Braspero BV, HEIBV-Hydro Oil & Energy India BV, ROPL-Ravva Oil (Sigapur) Ltd, HEPI-hrady Exploration & Production (India), PIL-Petrocon India Ltd.

## 26.2 List of the blocks surrendered are given below:

| 2010-11 |                       |                | 2009-10 |                       |                |
|---------|-----------------------|----------------|---------|-----------------------|----------------|
| Sl. No. | Joint Ventures / PSCs | Company's PI * | Sl. No. | Joint Ventures / PSCs | Company's PI * |
| 1       | RJ-ONN-2002/1         | 40%            | 1       | WB-OSN-2000/1         | 85%            |
| 2       | GS-OSN-2003/1         | 51%            | 2       | GV-ONN-2003/1         | 51%            |
| 3       | KK-DWN-2001/3         | 100%           | 3       | RJ-ONN-2001/1         | 30%            |
|         |                       |                | 4       | KK-OSN-2001/2         | 100%           |
|         |                       |                | 5       | KK-OSN-2001/3         | 100%           |

\* PI - Participating Interest

## 26.3 The Financial position of the JV/NELP blocks are as under:

(₹ in million)

|                                   | No. of JVs/<br>NELP<br>Blocks | Assets                            | Liabilities                      | Income                           | Expenditure                      | Profit / (-)<br>Loss before<br>tax |
|-----------------------------------|-------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------------|
| <b>NELP Block- 100% PI*</b>       | 22<br>(19)                    | 5,090.88<br>(1,822.27)            | 192.90<br>(165.89)               | 0.72<br>(0.11)                   | 5,345.08<br>(7,149.44)           | -5,344.36<br>(-7,149.33)           |
| <b>Blocks with other partners</b> | 86<br>(74)                    | 97,814.40<br>(90,350.03)          | 33,756.91<br>(29,287.34)         | 76,164.95<br>(51,148.14)         | 75,105.44<br>(39,842.90)         | 1,059.51<br>(11,305.24)            |
| <b>Surrendered</b>                | 27<br>(31)                    | 317.59<br>(219.26)                | 6,942.64<br>(6,184.08)           | 46.96<br>(0.28)                  | 3,044.76<br>(5,616.40)           | -2,997.80<br>(-5,616.12)           |
| <b>Total</b>                      | <b>135<br/>(124)</b>          | <b>103,222.87<br/>(92,391.56)</b> | <b>40,892.45<br/>(35,637.31)</b> | <b>76,212.63<br/>(51,148.53)</b> | <b>83,495.28<br/>(52,608.74)</b> | <b>-7,282.65<br/>(-1,460.21)</b>   |

26.3.1 The financial statements of 128 (Previous year 117) out of 135 (Previous year 124) JVs/NELP as per para no. 26.3 have been incorporated in the accounts to the extent of Company's participating interest in assets, liabilities, income, expenditure 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 Annexure XXXII.

26.3.2 In respect of balance 7 (Previous year 7) JVs/NELP assets, liabilities, income and expenditure amounting to ₹ 47.51 Million (Previous year ₹ 69.80 Million), ₹ 782.66 million (Previous year ₹ 143.98 million), ₹ 55.28 million (Previous year ₹ 152.55 million) and ₹ 943.31 million (Previous year ₹ 812.85 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts and the same has been adjusted for changes as per Accounting Policy No. 9.1 in Annexure XXXII.

26.4 In respect of Farm Out agreements, where necessary approval from Central Government has been obtained during the year 2009-10, a sum of ₹ 1,196.19 million has been considered recoverable from the farmees towards the share of expenditure incurred from the effective date of the farm out agreement and has been credited to Miscellaneous Receipts amounting to ₹ 1,049.66 million during the year 2009-10 in respect of earlier years and the balance expenditure of 2009-10 has been credited to respective natural heads.

#### 26.5 **Jointly Controlled Entities:**

26.5.1 Company has ownership interest in following Jointly Controlled Entities:

| Name                                  | Country of Incorporation | Ownership Interest (%) |                  |
|---------------------------------------|--------------------------|------------------------|------------------|
|                                       |                          | As at 31.03.2011       | As at 31.03.2010 |
| Petronet LNG Limited                  | India                    | 12.50                  | 12.50            |
| Petronet MHB Limited                  | India                    | 28.77                  | 28.77            |
| Mangalore SEZ Limited                 | India                    | 26.00                  | 26.00            |
| ONGC Mangalore Petrochemicals Limited | India                    | 46.00                  | 46.00            |
| ONGC Petro-additions Limited          | India                    | 41.93                  | 41.93            |
| ONGC Tripura Power Co. Limited        | India                    | 49.52                  | 49.52            |
| ONGC Teri Biotech Limited             | India                    | 49.98                  | 49.98            |
| Dahej SEZ Limited                     | India                    | 49.60                  | 49.60            |

26.5.2 The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities:

|      |                                    | (₹ in million)   |                  |
|------|------------------------------------|------------------|------------------|
|      | Description                        | As at 31.03.2011 | As at 31.03.2010 |
| i)   | <b>Assets</b>                      |                  |                  |
|      | Long term assets                   | 47,793.76        | 25,391.73        |
|      | Investments                        | 2,253.50         | 748.38           |
|      | Current assets                     | 3,994.51         | 3,585.24         |
| ii)  | <b>Liabilities</b>                 |                  |                  |
|      | Current liabilities and provisions | 12,111.12        | 5,132.17         |
|      | Other liabilities                  | 24,930.17        | 12,195.27        |
| iii) | Deferred tax liabilities           | 197.62           | 243.45           |
| iv)  | Income                             | 17,160.77        | 13,686.42        |
| v)   | Expenses                           | 15,962.49        | 12,874.03        |
| vi)  | Contingent liabilities             | 3,077.14         | 1,815.24         |
| vii) | Capital commitments                | 47,639.97        | 46,051.70        |

Above figures as at 31.03.2010 excludes for Dahej SEZ Limited for which Financial Statements have not been received and figures as at 31.03.2011 includes unaudited figures in respect of Dahej SEZ Limited.

26.5.3 The Company has given an undertaking to Power Finance Corporation (PFC), for an additional funding up to ₹ 2,234.00 million in respect of ONGC Tripura Power Co. Limited (OTPC) for cost overrun, if any.

#### 27 **Disclosure under Accounting Standard - 28 on "Impairment of Assets"**

27.1 The Company is engaged mainly in the business of oil and gas exploration and production where each cost centre used for depreciation (depletion) purposes is 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 CGUs for impairment as on 31.03.2011 by

applying discount rates of 17.16% (Previous year 17.31%) for Rupee transactions and 12.80 % (Previous year 13.07 %) for crude oil and value added products revenue measured in USD as on 31.03.2011.

- 27.2 During the year ₹ 1,534.73 million (Previous year ₹ 553.45 million) was provided as an impairment loss. Out of this, ₹ 600.07 million (Previous year ₹ 553.45 million) has been provided as additional impairment in respect of Onshore CGUs - Jodhpur and Silchar. Balance of ₹ 319.37 million (Previous year Nil) represents impairment provided for "Kuthalam Value added Plant" due to uncertain marketability of its products and ₹ 615.29 (Previous year Nil) in respect of certain Onshore NELP Blocks due to adjustment of cost recovery from revenue and sharing of 100% royalty. Further, impairment loss to the extent of ₹ 43.76 million (Previous year ₹ 986.17 million) has been reversed in respect of Onshore Agartala and Offshore Ratna CGUs due to increased sale price and ₹ 138.77 million (Previous year Nil) reversed in Jodhpur onshore due to transfer of assets to another CGU.

## 28 Disclosure under Accounting Standard - 29 on "Provisions, Contingent Liabilities and Contingent Assets":

### Movement in Provisions – Others

For Court cases, arbitration and others, where the timing of expected outflows is upon settlement of the proceedings:

| (₹ in million)                                                        |          |          |
|-----------------------------------------------------------------------|----------|----------|
| Particulars                                                           | 2010-11  | 2009-10  |
| Opening Balance                                                       | 8,058.75 | 9,129.04 |
| Add: Provision made during the year                                   | 353.92   | 93.20    |
| Less: Provision written back/ reclassified/ reduction during the year | 279.93   | 1,163.49 |
| Closing Balance                                                       | 8,132.74 | 8,058.75 |

## 29 Disclosures under Schedule VI to the Companies Act, 1956:

### 29.1 Capital Commitment not provided for:

#### 29.1.1 Estimated amount of contracts remaining to be executed on capital account:-

- In respect of Company - ₹ 164,076.96 million (Previous year ₹ 184,507.29 million).
- In respect of Joint Ventures - ₹ 145.45 million (Previous year ₹ 194.47 million).

#### 29.1.2 Estimated amount of Minimum Work Programme (MWP) committed under various 'Production Sharing Contracts' with Government of India/ Nominated Blocks:

- In respect of NELP blocks in which the Company has 100% participating interest – ₹ 22,558.90 million (Previous year ₹ 33,419.14 million).
- In respect Nominated Blocks ₹ 374.04 million (Previous year ₹ 1,128.13 million).
- In respect of NELP blocks in Joint Ventures - ₹ 92,560.05 million (Previous year ₹ 87,076.90 million).

### 29.2 Contingent Liabilities:

#### Claims against the Company/ disputed demands not acknowledged as debt:-

| (₹ in million)                                    |                  |                  |
|---------------------------------------------------|------------------|------------------|
| Particulars                                       | As at 31.03.2011 | As at 31.03.2010 |
| <b>I In respect of Company</b>                    |                  |                  |
| i. Income Tax                                     | 11,192.71        | 15,721.36        |
| ii. Excise Duty                                   | 4,924.11         | 2,372.44         |
| iii. Custom Duty                                  | 1,447.47         | 1,447.47         |
| iv. Royalty                                       | 19,484.60        | 18,849.79        |
| v. Cess                                           | 6.57             | 12.76            |
| vi AP Mineral Bearing Lands (Infrastructure) Cess | 1,470.22         | 1,171.84         |
| vii. Sales Tax                                    | 29,465.43        | 20,135.52        |
| viii. Service Tax                                 | 1,039.92         | -                |
| ix. Octroi                                        | 66.89            | 66.89            |
| x. Specified Land Tax (Assam)                     | 2,526.40         | 2,274.50         |

| Particulars                                      | As at 31.03.2011  | As at 31.03.2010  |
|--------------------------------------------------|-------------------|-------------------|
| xi. Claims of contractors in Arbitration / Court | 34,199.71         | 21,262.90         |
| xii. Others                                      | 17,921.72         | 17,317.84         |
| <b>Sub Total (A)</b>                             | <b>123,745.75</b> | <b>100,633.31</b> |
| <b>II In respect of Joint Ventures</b>           |                   |                   |
| i. Income Tax                                    | 8.91              | 8.91              |
| ii. Excise Duty                                  | -                 | 322.42            |
| iii. Custom Duty                                 | 3,457.81          | 3,457.89          |
| iv. Cess                                         | -                 | 10.64             |
| v. Sales Tax and Service Tax                     | 3,116.46          | 2,959.13          |
| vi. Claims of contractors in Arbitration / Court | 9,798.45          | 740.73            |
| vii. Others                                      | 4,542.00          | 4,898.72          |
| <b>Sub Total (B)</b>                             | <b>20,923.63</b>  | <b>12,398.44</b>  |
| <b>TOTAL (A + B)</b>                             | <b>144,669.38</b> | <b>113,031.75</b> |

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

**29.3 Bank Guarantees given by the Company:**

- ₹ 2,299.97 million (Previous year ₹ 3,426.38 million) including ₹ 1,330.82 million (Previous year ₹ 1,142.37 million) for NELP Blocks where the Company has 100% participating interest.
- In respect of Joint Ventures – ₹ 5,898.49 million (Previous year ₹ 7,082.46 million).
- Out of total Bank Guarantees of ONGC an amount of ₹ 7,603.35 million (Previous year ₹ 7,044.00 million) has been provided in respect of MWP committed under various 'Production Sharing Contracts' with Government of India and Nominated Blocks which is also included in Capital Commitments under para 29.1.2.

**29.4 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):**

**29.4.1 Guarantees executed for financial obligations:**

- Amount of Guarantee ₹ 36,371.66 million (Previous year ₹ 38,043.51 million).
- Amount Outstanding ₹ 33,934.69 million (Previous year ₹ 34,932.70 million).

**29.4.2 Performance Guarantees executed under the contracts:**

Guarantee in respect of Sakhalin Project in favour of Exxononftgas Ltd., M/s. Rosneft-S, SMNG-S and RN-Astra towards performance of Company's obligation under Joint Operating Agreement without any financial ceiling.

**29.5 Corporate Guarantees executed by the Company on behalf of its subsidiary, MRPL:**

- Amount of Guarantee ₹ 7,155.20 million (Previous year ₹ 16,246.80 million).
- Amount Outstanding ₹ 3,442.99 million (Previous year ₹ 4,828.91 million).

**29.6** Uncalled liability on partly paid shares is ₹ 1,337.19 million (Previous Year ₹ 1,337.19 million) against which advance paid ₹ 1,233.87 million (Previous Year ₹ 1,233.87 million).

**29.7 Details of Expenditure**

Details of expenditure incurred on natural heads and its allocation:

(₹ in million)

|                                               | 2010-11   | 2009-10   |
|-----------------------------------------------|-----------|-----------|
| Manpower Cost :                               |           |           |
| (a) Salaries, Wages, Ex-gratia etc.           | 50,201.34 | 44,906.49 |
| (b) Contribution to Provident and other funds | 3,283.69  | 3,279.42  |
| (c) Provision for gratuity                    | 1,524.47  | (497.01)  |

|                                                                                 |          |                   |                   |
|---------------------------------------------------------------------------------|----------|-------------------|-------------------|
| (d) Provision for leave                                                         | 4,538.90 |                   | 3,458.56          |
| (e) Provision for Post Retirement Medical & Terminal Benefits                   | 2,830.33 |                   | 1,506.64          |
| (f) Staff welfare expenses                                                      | 4,903.42 |                   | 4,537.15          |
| <b>Sub Total:</b>                                                               |          | <b>67,282.15</b>  | <b>57,191.25</b>  |
| Consumption of Raw materials, Stores and Spares                                 |          | <b>27,768.48</b>  | 24,179.46         |
| Cess                                                                            |          | <b>56,962.72</b>  | 54,547.67         |
| Natural Calamity Contingent Duty                                                |          | <b>1,113.96</b>   | 1,061.86          |
| Excise Duty                                                                     |          | <b>3,228.48</b>   | 2,184.11          |
| Royalty                                                                         |          | <b>71,358.86</b>  | 54,867.27         |
| Sales Tax                                                                       |          | <b>3,112.62</b>   | 2,990.02          |
| Octroi/BPT                                                                      |          | <b>5,104.68</b>   | 4,966.61          |
| Service Tax                                                                     |          | <b>227.48</b>     | 225.01            |
| Education cess                                                                  |          | <b>1,828.44</b>   | 1,711.65          |
| Rent                                                                            |          | <b>2,219.82</b>   | 1,370.29          |
| Rates and taxes                                                                 |          | <b>1,748.64</b>   | 547.32            |
| Hire charges of equipments and vehicles                                         |          | <b>111,082.36</b> | 112,624.66        |
| Power, fuel and water charges                                                   |          | <b>2,856.00</b>   | 2,603.81          |
| Contractual drilling, logging, workover etc.                                    |          | <b>157,849.02</b> | 115,529.46        |
| Contractual security                                                            |          | <b>2,843.05</b>   | 2,586.76          |
| Repairs to building                                                             |          | <b>1,895.72</b>   | 1,253.18          |
| Repairs to plant and machinery                                                  |          | <b>2,225.57</b>   | 1,693.49          |
| Other repairs                                                                   |          | <b>4,746.54</b>   | 3,495.34          |
| Insurance                                                                       |          | <b>2,180.54</b>   | 2,382.00          |
| Expenditure on Tour / Travel                                                    |          | <b>2,687.83</b>   | 2,638.31          |
| Contribution                                                                    |          | <b>1,521.32</b>   | 666.99            |
| Miscellaneous expenditure                                                       |          | <b>6,440.42</b>   | 8,901.93          |
|                                                                                 |          | <b>538,284.70</b> | <b>460,218.45</b> |
| <b>Less:</b>                                                                    |          |                   |                   |
| Allocated to exploration, development drilling, capital jobs, recoverables etc. |          | <b>259,891.58</b> | <b>215,054.30</b> |
| Excise duty adjusted against sales revenue                                      |          | <b>3,098.80</b>   | <b>2,185.42</b>   |
| Prior Period Adjustment                                                         |          | <b>(6.29)</b>     | <b>(220.73)</b>   |
| <b>Production, Transportation, Selling and Distribution Expenditure</b>         |          | <b>275,300.61</b> | <b>243,199.46</b> |

## 29.8 Quantitative Details

### 29.8.1 Sales

| Product                                               | Unit              | 2010-11    |                         |            | 2009-10    |                         |            |
|-------------------------------------------------------|-------------------|------------|-------------------------|------------|------------|-------------------------|------------|
|                                                       |                   | Quantity   | Value<br>(₹ in million) |            | Quantity   | Value<br>(₹ in million) |            |
| Crude Oil*                                            | MT                | 22,943,996 | 461,251.26              |            | 22,331,012 | 454,867.46              |            |
| Less: From Exploratory areas                          |                   | 17,033     | 226.13                  |            | 2,870      | 42.43                   |            |
| Less: Government of India's share in Profit Petroleum |                   |            | <u>12,380.37</u>        | 448,644.76 |            | <u>9,785.35</u>         | 445,039.68 |
| Natural Gas*                                          | 000M <sup>3</sup> | 20,287,778 | 130,754.80              |            | 20,598,972 | 79,440.41               |            |
| Less: From Exploratory areas                          |                   | 38,787     | 245.98                  |            | 3,056      | 10.27                   |            |
| Less: Government of India's share in Profit Petroleum |                   |            | <u>2,964.39</u>         | 127,544.43 |            | <u>5,632.94</u>         | 73,797.20  |
| Liquified Petroleum Gas                               | MT                | 1,057,266  |                         | 18,368.49  | 1,107,556  |                         | 21,923.69  |
| Naphtha                                               | MT                | 1,600,399  |                         | 56,342.30  | 1,598,430  |                         | 47,137.36  |
| Ethane/Propane                                        | MT                | 387,086    |                         | 8,795.78   | 533,383    |                         | 10,248.63  |
| Superior Kerosene Oil                                 | MT                | 118,074    |                         | 678.80     | 165,542    |                         | 3,255.42   |
| Low Sulphur Heavy Stock                               | MT                | 16,141     |                         | 473.42     | 15,908     |                         | 411.09     |
| HSD incl. ULS HSD (Trading)                           | KL                | 3,268      |                         | 134.45     | 4,289      |                         | 155.97     |
| Motor Spirit (Trading)                                | KL                | 625        |                         | 36.48      | 548        |                         | 26.97      |

|                             |    |        |  |                   |       |  |                   |
|-----------------------------|----|--------|--|-------------------|-------|--|-------------------|
| Aviation Turbine Fuel (ATF) | MT | 13,504 |  | 527.21            | 1,718 |  | 51.72             |
| Liquid Diesel Oil           | MT | 53     |  | 2.03              | -     |  | -                 |
| Others                      |    |        |  | 0.62              |       |  | 0.46              |
| <b>Total</b>                |    |        |  | <b>661,548.77</b> |       |  | <b>602,048.19</b> |

\*Quantity includes share from Joint Ventures

#### 29.8.2 Opening and Closing Stock of goods produced:

|                         | Unit  | As at 31.03.11 |                         | As at 31.03.10 |                         |
|-------------------------|-------|----------------|-------------------------|----------------|-------------------------|
|                         |       | Quantity       | Value<br>(₹ in million) | Quantity       | Value<br>(₹ in million) |
| <b>Opening stock</b>    |       |                |                         |                |                         |
| Crude Oil               | MT    | 1,025,390      | 6,244.55                | 974,231        | 5,062.67                |
| Liquefied Petroleum Gas | MT    | 7,061          | 32.90                   | 7437           | 30.65                   |
| Naphtha                 | MT    | 110,614        | 418.23                  | 117,353        | 403.14                  |
| Ethane/Propane          | MT    | 838            | 7.00                    | 841            | 6.67                    |
| Superior Kerosene Oil   | MT    | 8,540          | 32.11                   | 9,107          | 39.05                   |
| Aviation Turbine Fuel   | MT    | 915            | 5.03                    | 1,136          | 6.32                    |
| Low Sulphur Heavy Stock | MT    | 644            | 5.92                    | 166            | 1.09                    |
| High Speed Diesel       | MT    | 1,855          | 19.03                   | 4,121          | 35.71                   |
| Propane                 | MT    | 82             | 0.13                    | -              | -                       |
| High Speed Diesel *     | KL    | 52             | 1.64                    | 54             | 1.29                    |
| Motor Spirit*           | KL    | 13             | 0.55                    | 14             | 0.43                    |
| Carbon Credits          | Units | 10,508         | 0.56                    | -              | -                       |
| Others                  |       |                | 0.44                    |                | 0.69                    |
|                         |       |                | <b>6,768.09</b>         |                | <b>5,587.71</b>         |
| <b>Closing stock</b>    |       |                |                         |                |                         |
| Crude Oil               | MT    | 990,073        | 6,298.99                | 1,025,390      | 6,244.55                |
| Liquefied Petroleum Gas | MT    | 5,915          | 33.99                   | 7,061          | 32.90                   |
| Naphtha                 | MT    | 80,107         | 505.91                  | 110,614        | 418.23                  |
| Ethane/Propane          | MT    | 404            | 4.28                    | 838            | 7.00                    |
| Superior Kerosene Oil   | MT    | 6,422          | 2.32                    | 8,540          | 32.11                   |
| Aviation Turbine Fuel   | MT    | 859            | 5.98                    | 915            | 5.03                    |
| Low Sulphur Heavy Stock | MT    | 681            | 6.46                    | 644            | 5.92                    |
| High Speed Diesel       | MT    | 3,703          | 35.85                   | 1,855          | 19.03                   |
| Propane                 | MT    | 118            | 0.40                    | 82             | 0.13                    |
| High Speed Diesel *     | KL    | 28             | 1.01                    | 52             | 1.64                    |
| Motor Spirit*           | KL    | 9              | 0.64                    | 13             | 0.55                    |
| Carbon Credits          | Units | 10,508         | 0.56                    | 10,508         | 0.56                    |
| Others                  |       |                | 0.81                    |                | 0.44                    |
|                         |       |                | <b>6,897.20</b>         |                | <b>6,768.09</b>         |

\* Purchased for trading

#### 29.8.3 Licensed Capacity, Installed Capacity and Actual Production (Capacity as certified by the Management):

| Products                | Unit               | 2010-11                      |                            | 2009-10                      |                            |
|-------------------------|--------------------|------------------------------|----------------------------|------------------------------|----------------------------|
|                         |                    | Installed Capacity per annum | Actual Production Quantity | Installed Capacity per annum | Actual Production Quantity |
| Crude Oil               | MT                 | NA                           | 27,278,278                 | NA                           | 26,464,102                 |
| Natural Gas             | 000 M <sup>3</sup> | NA                           | 25,322,146                 | NA                           | 25,594,428                 |
| Liquefied Petroleum Gas | MT                 | 1,158,000                    | 1,054,317                  | 1,158,000                    | 1,104,948                  |
| Ethane/Propane          | MT                 | 570,000                      | 388,010                    | 570,000                      | 534,964                    |
| Naphtha                 | MT                 | 1,502,878                    | 1,570,184                  | 1,502,878                    | 1,591,750                  |
| Superior Kerosene Oil   | MT                 | 314,300                      | 115,961                    | 314,300                      | 164,974                    |
| Aviation Turbine Fuel   | MT                 |                              | 19,284                     |                              | 7,860                      |
| Low Sulphur Heavy Stock | MT                 | 16,270                       | 16,179                     | 16,270                       | 16,386                     |
| High Speed Diesel       | MT                 | 42,637                       | 39,223                     | 42,637                       | 35,726                     |
| Liquid Diesel Oil       | MT                 | 4,950                        | -                          | 4,950                        | 158                        |

Notes:

1. Licensed Capacity is not applicable.
2. Production includes internal consumption and intermediary losses.

3. Production of 203,799 MT (Previous year 28,835 MT) Crude Oil and 17,059 TM<sup>3</sup> (Previous year 1,268 TM<sup>3</sup>) of Natural Gas is included being the difference between participating interest and entitlement interest in respect of RJ-ON-90/1, CB-ON/3, CB-ON/2 and RJ-ON/6 JVs.
4. Crude Oil includes condensate 2.042 MMT (Previous year 1.958 MMT).

#### 29.8.4 Purchases:

| Products              | Unit | 2010-11  |                         | 2009-10  |                         |
|-----------------------|------|----------|-------------------------|----------|-------------------------|
|                       |      | Quantity | Value<br>(₹ in million) | Quantity | Value<br>(₹ in million) |
| Superior Kerosene Oil | KL   | -        | -                       | -        | 0.12                    |
| High Speed Diesel     | KL   | 3,238    | 111.22                  | 4,280    | 119.23                  |
| Motor Spirit          | KL   | 624      | 26.52                   | 550      | 19.54                   |
| Others                |      |          | 0.61                    | -        | 0.42                    |
| <b>Total</b>          |      |          | <b>138.35</b>           |          | <b>139.31</b>           |

#### 29.8.5 Raw Material Consumed:

|                                                                                                                                                                 | Unit              | 2010-11  |                                 | 2009-10  |                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|---------------------------------|----------|---------------------------------|
|                                                                                                                                                                 |                   | Quantity | Value at cost<br>(₹ in million) | Quantity | Value at cost<br>(₹ in million) |
| For production of Liquefied Petroleum Gas, Ethane/Propane, Naphtha, Superior Kerosene Oil, Low Sulphur High Stock, Aviation Turbine Fuel and High Speed Diesel. |                   |          |                                 |          |                                 |
| <b>Out of own production:</b>                                                                                                                                   |                   |          |                                 |          |                                 |
| Crude Oil                                                                                                                                                       | MT                | 131,207  | 702.25                          | 118,167  | 585.22                          |
| Natural Gas                                                                                                                                                     | 000M <sup>3</sup> | 697,700  | 2,949.13                        | 830,668  | 3,150.97                        |
| Gas Equivalent Condensate                                                                                                                                       | 000M <sup>3</sup> | 476,865  | 1,113.96                        | 496,881  | 916.93                          |
| <b>Purchases</b>                                                                                                                                                |                   |          |                                 |          |                                 |
| Gas Equivalent Condensate                                                                                                                                       | MT                | 89,746   | 2,805.57                        | 112,116  | 2,766.01                        |

#### 29.9 Consumption of Raw Materials, Stores and Spare Parts:

|              | 2010-11                  |               | 2009-10                  |               |
|--------------|--------------------------|---------------|--------------------------|---------------|
|              | Amount<br>(₹ in million) | %             | Amount<br>(₹ in million) | %             |
| Imported     | 6,483.77                 | 23.35         | 4,867.53                 | 20.14         |
| Indigenous   | 21,284.71                | 76.65         | 19,311.93                | 79.86         |
| <b>Total</b> | <b>27,768.48</b>         | <b>100.00</b> | <b>24,179.46</b>         | <b>100.00</b> |

#### 29.10 Value of Imports on CIF Basis:

(₹ in million)

|                        | 2010-11           | 2009-10          |
|------------------------|-------------------|------------------|
| Capital items *        | 182,974.34        | 55,433.81        |
| Stores and Spare Parts | 6,648.04          | 7,548.87         |
| <b>Total</b>           | <b>189,622.38</b> | <b>62,982.68</b> |

\*Includes stage payments made against capital works.

#### 29.11 Expenditure in Foreign Currency:

(₹ in million)

|              | 2010-11           | 2009-10           |
|--------------|-------------------|-------------------|
| Interest     | 0.75              | 5.33              |
| Services     | 94,866.66         | 102,562.41        |
| Others       | 86,664.31         | 37,278.43         |
| <b>Total</b> | <b>181,531.72</b> | <b>139,846.17</b> |

#### 29.12 Earnings in Foreign Currency:

(₹ in million)

|          | 2010-11 | 2009-10 |
|----------|---------|---------|
| Interest | 5.06    | -       |
| Services | 2.72    | 27.25   |

|                    | 2010-11          | 2009-10          |
|--------------------|------------------|------------------|
| FOB value of Sales | 47,105.49        | 45,832.44        |
| Others             | 2.23             | 11.28            |
| <b>Total</b>       | <b>47,115.50</b> | <b>45,870.97</b> |

29.13 **Managerial Remuneration (included in 29.7 above):**

(₹ in million)

|                                                                                 | 2010-11      | 2009-10      |
|---------------------------------------------------------------------------------|--------------|--------------|
| <b>AMOUNT PAID OR PAYABLE TO DIRECTORS</b>                                      |              |              |
| <b>Remuneration to Functional Directors:</b>                                    |              |              |
| Salaries and Allowances                                                         | 11.54        | 16.29        |
| Contribution to Provident & Other Funds                                         | 1.01         | 1.46         |
| Performance Related Payments / Incentives                                       | 10.61        | 13.46        |
| Other Benefits and Perquisites*                                                 | 0.98         | 2.62         |
| Leave Encashment and Gratuity on retirement of Directors                        | 5.02         | -            |
| Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15 | 1.89         | 0.52         |
| <b>Sub total</b>                                                                | <b>31.05</b> | <b>34.35</b> |
| <b>Independent Directors:</b>                                                   |              |              |
| Sitting Fees                                                                    | 3.84         | 3.70         |
| <b>Total</b>                                                                    | <b>34.89</b> | <b>38.05</b> |

\* does not include cost of medical treatment availed from the Company's own medical facilities as the amount is not determinable.

29.14 **AUDITORS' REMUNERATION (included in 29.7 above):**

(₹ in million)

|                                       | 2010-11      | 2009-10      |
|---------------------------------------|--------------|--------------|
| Audit Fees                            | 9.65         | 7.17         |
| For Certification work etc.           | 6.20         | 5.79         |
| Travelling and Out of Pocket Expenses | 9.94         | 13.41        |
| <b>Total</b>                          | <b>25.79</b> | <b>26.37</b> |

30 **Disclosure under Guidance Note on "Oil & Gas Producing Activities" (approved by Reserve Estimates Committee):**

30.1 Company's share of Proved Reserves on the geographical basis is as under:

| Details         |                | Crude Oil<br>(MMT)* |                   | Gas<br>(Billion Cubic Meter) |                   | Total Oil Equivalent<br>(MMTOE)** |                   |
|-----------------|----------------|---------------------|-------------------|------------------------------|-------------------|-----------------------------------|-------------------|
|                 |                | As at<br>31.03.11   | As at<br>31.03.10 | As at<br>31.03.11            | As at<br>31.03.10 | As at<br>31.03.11                 | As at<br>31.03.10 |
| <b>Offshore</b> | Opening        | 224.26              | 222.71            | 210.517                      | 196.712           | 434.78                            | 419.42            |
|                 | Addition       | 3.94                | 19.62             | 11.079                       | 33.624            | 15.01                             | 53.24             |
|                 | Production     | 17.45               | 18.06             | 19.588                       | 19.819            | 37.03                             | 37.88             |
|                 | <b>Closing</b> | <b>210.75</b>       | <b>224.26</b>     | <b>202.008</b>               | <b>210.517</b>    | <b>412.76</b>                     | <b>434.78</b>     |
| <b>Onshore</b>  | Opening        | 189.90              | 191.76            | 152.227                      | 148.125           | 342.12                            | 339.89            |
|                 | Addition       | 9.02                | 5.81              | 8.999                        | 9.678             | 18.01                             | 15.49             |
|                 | Production     | 9.00                | 7.66              | 5.538                        | 5.576             | 14.54                             | 13.24             |
|                 | <b>Closing</b> | <b>189.91</b>       | <b>189.90</b>     | <b>155.688</b>               | <b>152.227</b>    | <b>345.60</b>                     | <b>342.13</b>     |
| <b>Total</b>    | Opening        | 414.15              | 414.47            | 362.744                      | 344.837           | 776.90                            | 759.31            |
|                 | Addition       | 12.96               | 25.43             | 20.078                       | 43.302            | 33.02                             | 68.73             |
|                 | Production     | 26.45               | 25.73             | 25.126                       | 25.395            | 51.57                             | 51.13             |
|                 | <b>Closing</b> | <b>400.66</b>       | <b>414.15</b>     | <b>357.697</b>               | <b>362.744</b>    | <b>758.36</b>                     | <b>776.89</b>     |

30.2 Company's share of Proved Developed Reserves on the geographical basis is as under:

| Details         |                 | Crude Oil<br>(MMT)* |                   | Gas<br>(Billion Cubic Meter) |                   | Total Oil Equivalent<br>(MMTOE)** |                   |
|-----------------|-----------------|---------------------|-------------------|------------------------------|-------------------|-----------------------------------|-------------------|
|                 |                 | As at<br>31.03.11   | As at<br>31.03.10 | As at<br>31.03.11            | As at<br>31.03.10 | As at<br>31.03.11                 | As at<br>31.03.10 |
| <b>Offshore</b> | <b>Opening</b>  | 173.44              | 176.44            | 129.860                      | 126.770           | 303.30                            | 303.21            |
|                 | <b>Addition</b> | 2.77                | 15.06             | 10.276                       | 22.910            | 13.05                             | 37.97             |



| Details |                | Crude Oil<br>(MMT)* |                   | Gas<br>(Billion Cubic Meter) |                   | Total Oil Equivalent<br>(MMTOE)** |                   |
|---------|----------------|---------------------|-------------------|------------------------------|-------------------|-----------------------------------|-------------------|
|         |                | As at<br>31.03.11   | As at<br>31.03.10 | As at<br>31.03.11            | As at<br>31.03.10 | As at<br>31.03.11                 | As at<br>31.03.10 |
| Onshore | Production     | 17.45               | 18.06             | 19.588                       | 19.819            | 37.03                             | 37.88             |
|         | <b>Closing</b> | <b>158.76</b>       | <b>173.44</b>     | <b>120.549</b>               | <b>129.860</b>    | <b>279.31</b>                     | <b>303.30</b>     |
|         | <b>Opening</b> | 146.26              | 148.49            | 111.178                      | 111.069           | 257.44                            | 259.56            |
|         | Addition       | 13.46               | 5.39              | 5.012                        | 5.644             | 18.47                             | 11.03             |
|         | Production     | 8.95                | 7.61              | 5.441                        | 5.535             | 14.39                             | 13.15             |
| Total   | <b>Closing</b> | <b>150.77</b>       | <b>146.26</b>     | <b>110.749</b>               | <b>111.178</b>    | <b>261.52</b>                     | <b>257.44</b>     |
|         | <b>Opening</b> | 319.71              | 324.93            | 241.039                      | 237.839           | 560.74                            | 562.77            |
|         | Addition       | 16.23               | 20.45             | 15.287                       | 28.554            | 31.51                             | 49.00             |
|         | Production     | 26.40               | 25.67             | 25.029                       | 25.354            | 51.42                             | 51.02             |
|         | <b>Closing</b> | <b>309.54</b>       | <b>319.71</b>     | <b>231.297</b>               | <b>241.039</b>    | <b>540.83</b>                     | <b>560.75</b>     |

\*Crude Oil includes oil condensate and does not include 0.7083 MMT (previous year 0.940 MMT) of Condensate due to line condensation and 191.6 MMM<sup>3</sup> (previous year 198.6 MMM<sup>3</sup>) of CSU off gas.

\*\* MMTOE denotes "Million Metric Tonne Oil Equivalent" and for calculating Oil equivalent of Gas, 1000 M<sup>3</sup> 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.

### 31 Disclosure pursuant to the clause 32 of the Listing Agreement:

(₹ in million)

| Particulars                                                                    | Outstanding as at<br>31.03.2011 | Maximum Amount Outstanding during the year<br>2010-11 | Outstanding as on<br>31.03.2010 | Maximum Amount Outstanding during the year<br>2009-10 |
|--------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------------|---------------------------------|-------------------------------------------------------|
| a) Loans to Subsidiaries*                                                      |                                 |                                                       |                                 |                                                       |
| i) ONGC Videsh Limited (OVL)*                                                  | 172,786.16                      | 174,914.01                                            | 162,722.58                      | 162,722.58                                            |
| ii) Mangalore Refinery & Petrochemicals Limited.(MRPL)                         | 10,800.00                       | 10,800.00                                             | 10,800.00                       | 15,000.00                                             |
| b) To Associates                                                               | Nil                             | Nil                                                   | Nil                             | Nil                                                   |
| c) Where there is no repayment schedule                                        |                                 |                                                       |                                 |                                                       |
| ONGC Videsh Limited (OVL)                                                      | 172,786.16                      | 174,914.01                                            | 162,722.58                      | 162,722.58                                            |
| d) Having repayment schedule of beyond seven years :<br>to employees           | 7,721.76                        | 7,721.76                                              | 6378.44                         | 6378.44                                               |
| e) Where no interest or interest below Section 372A of Companies Act           |                                 |                                                       |                                 |                                                       |
| ONGC Videsh Limited (OVL)                                                      | 172,786.16                      | 174,914.01                                            | 162,722.58                      | 162,722.58                                            |
| f) In the nature of loans to Firms/companies in which directors are interested | Nil                             | Nil                                                   | Nil                             | Nil                                                   |

\*Excludes Current account transactions

#### g) Investments by the ONGC Videsh Limited (OVL), loanee:

| Name of Subsidiary                             | As at 31 <sup>st</sup> March, 2011 |              | As at 31 <sup>st</sup> March, 2010 |              |
|------------------------------------------------|------------------------------------|--------------|------------------------------------|--------------|
|                                                | No of Shares                       | ₹ in million | No of Shares                       | ₹ in million |
| a) ONGC Nile Ganga BV                          |                                    |              |                                    |              |
| Class A                                        | 40                                 | 8,462.12     | 40                                 | 8,462.12     |
| Class B                                        | 100                                | 21,155.29    | 100                                | 21,155.29    |
| Class C                                        | 880                                | 234.25       | 880                                | 234.25       |
| b) ONGC Narmada Limited Equity Shares          | 20,000,000                         | 6.94         | 20,000,000                         | 6.94         |
| c) ONGC Amazon Alaknanda Limited Equity Shares |                                    |              |                                    |              |
| Preference Shares                              | 12000                              | 0.56         | 12000                              | 0.56         |
|                                                | 437,488,000                        | 20,190.07    | 437,488,000                        | 20,190.07    |
| d) Jarpeno Limited, Cyprus Equity Shares       | 1,350                              | 0.06         | 1,350                              | 0.06         |
| Preference Shares                              | 192,210                            | 86,744.37    | 192,210                            | 86,744.37    |

| Name of Subsidiary      | As at 31 <sup>st</sup> March, 2011 |              | As at 31 <sup>st</sup> March, 2010 |              |
|-------------------------|------------------------------------|--------------|------------------------------------|--------------|
|                         | No of Shares                       | ₹ in million | No of Shares                       | ₹ in million |
| e) Carabobo one AB Ltd. | 1000                               | 0.76         | 1000                               | 0.76         |

Notes :

1. Loan to OVL is repayable within a notice period of minimum one year and carries no interest during the year 2009-10 and 2010-11.
2. Loan to MRPL carries interest @ 7% per annum and is repayable at quarterly intervals. In view of the prepayment of loan installments by MRPL, balance loan is repayable over a period of 3 years in quarterly installments, commencing from FY 2011-12. However, Company can recall this loan on a notice period of 90 days and MRPL can also prepay whole or part of the loan, as per their convenience.
3. The Company has not advanced any money to its employees for the purposes of investment in the securities of the Company.

### 32 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

Company has sought confirmation from the vendors whether they fall in the category of Micro, Small or Medium Enterprises. Based on the information available, the required disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 is given below:

| Particulars                                                                                                                                                                                                                                         | (₹ in million) |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------|
|                                                                                                                                                                                                                                                     | 2010-11        | 2009-10 |
| a) Principal amount remaining unpaid but not due as at year end                                                                                                                                                                                     | 10.75          | 10.21   |
| b) Interest due thereon as at year end                                                                                                                                                                                                              | -              | -       |
| 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                             | -              | -       |
| 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 | -              | -       |
| e) Interest accrued and remaining unpaid as at year end                                                                                                                                                                                             | -              | -       |
| 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                                                                               | -              | -       |

### 33 Disclosure on Foreign currency exposures at year end that have not been hedged by derivative instrument or otherwise are given below:

| Particulars               | As at 31.03.2011           |                   | As at 31.03.2010           |                   |
|---------------------------|----------------------------|-------------------|----------------------------|-------------------|
|                           | Amount in Foreign Currency | Equivalent Rupees | Amount in Foreign Currency | Equivalent Rupees |
| <b>Loans</b> Japanese Yen | -                          | -                 | 102.97                     | 49.75             |
| <b>Import Creditors</b>   |                            |                   |                            |                   |
| Australian Dollar         | -                          | -                 | -                          | -                 |
| Euros                     | 28.94                      | 1,825.13          | 28.48                      | 1722.11           |
| British Pound             | 4.30                       | 307.73            | 1.67                       | 113.50            |
| Japanese Yen              | 1090.50                    | 587.89            | 413.29                     | 199.64            |
| Norwegian Kroner          | 4.12                       | 32.89             | 4.61                       | 34.71             |
| Singapore Dollar          | 0.19                       | 6.59              | 0.09                       | 2.79              |
| Canadian Dollar           | -                          | -                 | 0.04                       | 1.98              |
| United States Dollar      | 959.62                     | 42,914.33         | 758.34                     | 34,220.66         |
| Malaysian Ringgit         | 0.28                       | 3.96              | -                          | -                 |
| <b>Total</b>              |                            | <b>45,678.52</b>  |                            | <b>36,295.39</b>  |
| <b>Export Receivables</b> |                            |                   |                            |                   |
| United States Dollar      | 73.15                      | 3,271.29          | 68.25                      | 3079.78           |

### 34 During the financial year 2010-11, the company has incurred expenditure on scientific research in in-house R&D centres, which are in the process of being approved by the prescribed authority. The Gross expenditure incurred by various in house R&D institutes are as under:-

|                     |                    |
|---------------------|--------------------|
| Capital Expenditure | ₹ 134.33 million   |
| Revenue Expenditure | ₹ 4,329.93 million |

- 35** Previous year's figures have been regrouped/ reclassified, wherever necessary, to confirm to current year's classification.
- 36** Figures in parenthesis as given in these Notes to Accounts relate to previous year.

**STANDALONE NOTES TO ACCOUNTS FOR THE QUARTER ENDED 30<sup>th</sup> JUNE, 2011**

1. The Financial Statements have been prepared following the same accounting policies and practices as those followed in the Annual Financial Statements for the year ended March 31, 2011
2. In view of the clarification/ exemption given by the Ministry of Corporate Affairs (MCA), vide letter No. F.No. 17/233/2011-CL.V dated 18<sup>th</sup> August 2011, the Financial Statement for the Quarter ended 30<sup>th</sup> June, 2011 has been presented in pre revised Schedule-VI of the Companies Act 1956 for the purpose of Further Public Offer to facilitate the comparison of Financial Statements of previous years.
3. In terms of the decision of Government of India (GoI), the company has shared under-recoveries of Oil Marketing Companies (OMCs) on price sensitive products viz Diesel, Domestic LPG and PDS Kerosene for the quarter ended 30<sup>th</sup> June 2011 by extending the discount in the prices of Crude Oil, Domestic LPG and PDS Kerosene based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas (MoP&NG). The company does not envisage any material impact on finalization of discount rates. The impact of discount is as under:

| (₹ in million)              |                                 |
|-----------------------------|---------------------------------|
| <b>Decrease in</b>          | <b>Quarter ended 30.06.2011</b> |
| Gross Revenue               | 120,462.66                      |
| Less: Value Added Tax (VAT) | 3,859.21                        |
| Sales Revenue               | 116,603.45                      |
| Less: Statutory Levies      | 14,778.77                       |
| <b>Profit Before Tax</b>    | <b>101,824.68</b>               |

- 4.1 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 (MoU)/Crude Oil sales Agreement (COSA) with the customers, the same pricing formula has been provisionally adopted from 01.04.2004 onwards. However, for crude oil produced in Assam, prices revised by MoP&NG w.e.f. 01.04.2008 have been adopted. Adjustments, if any, on account of this shall be carried out on finalization of agreements/receipts of Government directives. However, the Company does not envisage any material impact on current quarter's results on finalization.
- 4.2 GoI vide letter dated 31<sup>st</sup> May'10, has fixed the producer price of APM gas produced by National Oil Companies (NOCs) at US\$ 4.2/mmbtu inclusive of royalty effective from 1<sup>st</sup> June, 2010. For APM consumers in North-East, consumer price is 60% of the producer price, i.e., US\$ 2.52/ mmbtu inclusive of royalty and the difference between producer price and consumer price is paid to the company through GoI Budget. The same has been accounted for as 'North East Gas Subsidy' under 'Statement of Other Income' in Annexure- XXI.
5. In Ravva Joint Venture, the demand towards additional profit petroleum raised by GoI, based on the decision of the Malaysian High Court, was disputed by the Operator M/s Cairn Energy India Limited, due to difference in interpretation of provision of Production Sharing Contract (PSC) in respect of computation of Post Tax Rate of Return (PTRR). The Company is not a party to the dispute but agreed to abide by the decision applicable to the Operator. As the dispute between the Operator and GoI was not resolved, the Company made a provision in Financial Year 2008-09 amounting to ₹ 5,771.14 million (USD 113.82 million) on account of additional profit petroleum and ₹ 2,829.86 million (USD 54.88 Million) towards interest thereon totaling to ₹ 8,601.00 million (USD 168.70 million) as an abundant precaution. GoI has recovered such amount subsequently.

The appellate authority of Honorable Malaysian High Court of Kuala Lumpur, Malaysia has set aside the decision of the Malaysian High Court, and the decision of arbitral tribunal in favour of Operator was restored on 15<sup>th</sup> September 2009. GoI has filed an appeal in the Federal Court of Malaysia against such restoration.

Pending final outcome of this appeal, the provision is maintained as on 30<sup>th</sup> June, 2011 amounting to ₹ 5,093.60 Million (USD.113.82 Million) on account of additional Profit Petroleum and ₹ 2,417.45 Million (USD.54.02 Million) towards interest thereon totaling to ₹ 7,511.05 million (USD 167.84 million) as per the demand of DGH after adjustment for exchange loss.

6. The Company 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 ₹ 3,711.22 million which was capitalized under Exploratory Wells in Progress as per Accounting Policy No. 6.3. Subsequent exploratory drilling costs of wells in this block were capitalized as Exploratory Wells in Progress. Initial-in-Place-Reserves have been established in this block and a conceptual development plan as part of the proposal for Declaration of Commerciality has been submitted to Management Committee (MC) for review on 15.07.2010. However, the Company as an abundant precaution made a provision of ₹ 6,104.80 million, ₹ 2,360.39 million, ₹ 918.48 million and ₹ 17.67 million in respect of above costs in 2007-08, 2008-09, 2009-10 and 2010-11 respectively. There is no change in status of this block during the quarter ended 30<sup>th</sup> June 2011.
7. The Finance (No.2) Act, 2009, has specified the definition of “undertaking” for the purpose of claiming tax holiday under section 80-IB(9) of Income Tax Act, 1961 to be ‘all blocks licensed under a single contract’ retrospectively whereas the company had earlier considered each ‘Well’ as an undertaking. Since the amendment still requires clarity on various issues and also considering the advice of legal experts, the company continued to make provision for tax without considering the benefit u/s 80-IB(9).
8. During the financial year 2010-11, the Oil Marketing Companies, nominees of the GoI recovered ₹ 1,432.34 million (USD 32.07 million) ONGC’s share as per directives of GoI in respect of Jointly Controlled Assets-Panna Mukta & Tapti. The recovery is towards certain observations raised by auditors appointed by the Director General of Hydrocarbons (DGH) under Production Sharing Contract (PSC) for the period 2002-03 to 2005-06 in respect of cost and profit petroleum share payable to GoI. BGEPIL along with RIL (“Claimants”) have served a notice of arbitration on the GoI in respect of dispute, differences and claims arisen in connection with the term of Panna, Mukta and Tapti PSC’s. Since the company is not a party to the arbitration proceedings, it had requested MoPNG that in case of an arbitral award, the same be made applicable to ONGC also, as a constituent of contractor for both the PSC’s. Subsequently, vide letter dated July 4, 2011 MoPNG has advised ONGC not to participate in the arbitration initiated by RIL & BGEPIL under Panna, Mukta & Tapti PSC’s. MoPNG has also stated that in case of an arbitral award, the same will be applicable to ONGC also as a constituent of the contractor for both the PSC’s. Pending final arbitral award, the same has been shown as ‘Receivable from GoI’.
9. Capital Works in Progress (CWIP) includes an amount of ₹ 7845.99 million in respect of C2 C3 plant which is mechanically complete and will be capitalized on completion of test run.
10. Details of purchase and sale/ redemption of Current Investments during the Quarter ended 30.06.2011 is as under:

| Particulars         | UTI Liquid Cash Plan      |                       |
|---------------------|---------------------------|-----------------------|
|                     | No of Units @ ₹ 1019.4457 | Amount (₹ in million) |
| Opening Balance     | 1,471,808.969             | 1,500.43              |
| Purchases           | 167,394,889.203           | 170,650.00            |
| Dividend Reinvested | 208,701.145               | 212.76                |
| Redemption          | 162,403,775.576           | 165,561.83            |
| Closing Balance     | 6671,623.741              | 6,801.36              |

11. The Company has been charging depreciation on all Trunk Pipelines and Onshore Flow Lines (assets below ground) @ 100% based on technical assessment by the management.
12. The Company has a system of physical verification of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals. Adjustment of differences, if any, is carried out on completion of reconciliation.

13. Some balances of Debtors, Creditors and Loans & Advances are subject to confirmation/ reconciliation. Adjustments, if any, will be accounted for on confirmation/ reconciliation of the same, which will not have a material impact.

**14. Employees Benefits**

The Company is making provisions in respect of Gratuity, Leave Benefits, Post Retirement Medical Benefits and Terminal Benefits based on the certificate issued by actuary as per AS-15 (revised) towards 'Employees Benefit' at the end of each financial year. The provisions for the subsequent quarters are made based on the yearly certificate issued by the actuary. Accordingly during the quarter ended 30<sup>th</sup> June, 2011, provision amounting to ₹ 375.04 million, ₹ 1,346.32 million and ₹ 707.97 million in respect of Gratuity, Leave Benefits and Post Retirement Medical Benefits & Terminal Benefits respectively have been made. The management does not envisage any significant impact of such liabilities in the quarter ended 30<sup>th</sup> June, 2011.

**15. Disclosure under Accounting Standard-16 on “Borrowing Costs”**

The Company did not incur any borrowing cost for any qualifying asset. No borrowing cost is capitalized during the current quarter.

**16. Disclosure under Accounting Standard -17 on “Segment Reporting”**

The segment information is presented under the notes to accounts of the Consolidated Financial Statements as required under the standard.

**17. Disclosure under Accounting Standard -18 on “Related Party Disclosure”**

**17.1 Name of related parties and description of relationship:**

| A) Joint Venture          | B) Jointly Controlled Entity             |
|---------------------------|------------------------------------------|
| i) Ravva                  | i) ONGC Mangalore Petrochemicals Limited |
| ii) CY-OS-90/1( PY3)      | ii) Petronet LNG Limited                 |
| iii) Panna, Mukta & Tapti | iii) ONGC Teri Biotech Limited           |
| iv) CB-OS-2               | iv) Mangalore SEZ Limited                |
| v) GK-OSJ-3               | v) ONGC Petro-additions Limited          |
| vi) RJ-ON-90/1            | vi) ONGC Tripura Power Co. Limited       |
| vii) RJ-ONN-2003/1        | vii) Dahej SEZ Limited                   |
| viii) PR-OSN-2004/1       |                                          |
| ix) RJ-ON/6               |                                          |

**17.1.1 Key Management Personnel:**

**Whole-time Functional Directors:**

- i) Shri A.K. Hazarika holding additional charge of Chairman and Managing Director
- ii) Shri U. N. Bose
- iii) Shri D.K.Sarraf
- iv) Shri Sudhir Vasudeva
- v) Shri S.V.Rao
- vi) Shri K.S. Jamestin from 25.05.2011

**17.2 Details of Transactions**

**17.2.1 Joint Ventures/ Jointly Controlled Entities**

| (₹ in million)                  |                             |
|---------------------------------|-----------------------------|
| Details                         | Quarter ended<br>30.06.2011 |
| <b>Services Received from :</b> |                             |
| a) Ravva                        | 14.70                       |
| b) ONGC Teri Biotech Limited    | 6.35                        |
| c) Dahej SEZ Ltd.               | 1.76                        |

| Details                                      | Quarter ended<br>30.06.2011 |
|----------------------------------------------|-----------------------------|
| d) ONGC Mangalore Petrochemicals Limited     | 0.01                        |
| <b>Services Provided to :</b>                |                             |
| a) Ravva                                     | 1.07                        |
| b) Panna Mukta & Tapti                       | 551.53                      |
| c) ONGC Petro-additions Limited              | 22.54                       |
| d) Mangalore SEZ Limited                     | 0.57                        |
| Purchase of Condensate (Panna Mukta & Tapti) | 1,330.36                    |
| Dividend Received - Petronet LNG Limited     | 187.50                      |
| <b>Advance :</b>                             |                             |
| a) Dahej SEZ Ltd.                            | 230.00                      |
| <b>Amount Receivable :</b>                   |                             |
| a) Panna Mukta & Tapti                       | 2,103.05                    |
| b) ONGC Petro-additions Limited              | 21.66                       |
| c) Petronet LNG Limited                      | 187.50                      |
| d) ONGC Teri Biotech Limited                 | 0.81                        |
| e) Mangalore SEZ Limited                     | 0.19                        |
| <b>Amount Payable :</b>                      |                             |
| a) Panna Mukta & Tapti                       | 252.52                      |
| b) ONGC Teri Biotech Limited                 | 29.98                       |
| c) Ravva                                     | 5.84                        |
| d) Dahej SEZ Ltd.                            | 17.56                       |
| e) ONGC Mangalore Petrochemicals Limited     | 0.01                        |
| <b>Advance outstanding :</b>                 |                             |
| a) ONGC Petro-addition Limited               | 9,702.99                    |
| b) ONGC Tripura Power Co. Limited            | 1,233.87                    |
| c) ONGC Mangalore Petrochemicals Limited     | 9,199.77                    |
| d) Dahej SEZ Ltd.                            | 230.00                      |

#### 17.2.2 Key Management Personnel

(₹ in million)

| Particulars               | Quarter ended 30.06.2011 |
|---------------------------|--------------------------|
| Remuneration to Directors | 5.42                     |
| Amount Receivable         | 1.23                     |
| Amount Payable            | 1.45                     |

#### 18 Disclosure under Accounting Standard - 19 on 'Leases'

The company has certain office/residential premises on Operating Lease which are cancellable by giving appropriate notice as per the respective agreements. During the Quarter ₹ 181.66 million had been paid towards cancellable Operating Lease.

#### 19 Disclosure under Accounting Standard -22 on "Accounting for Taxes on Income"

The Company has Net Deferred Tax Liability as at 30<sup>th</sup> June, 2011 of ₹ 97,039.31 million. The break up of Deferred Tax Liability is as under:

(₹ in million)

| Particulars                                                                      | As at 30.06.2011  |
|----------------------------------------------------------------------------------|-------------------|
| <b>(i) Liabilities</b>                                                           |                   |
| Depletion of Producing Properties                                                | 142,226.69        |
| Depreciation Allocated to Wells in Progress and expenses relating to NELP blocks | 10,350.97         |
| Deferred Revenue Expenditure written off                                         | 2,435.68          |
| Development Wells-in-Progress                                                    | 7,950.03          |
| Others                                                                           | 4,652.76          |
| <b>Total (i)</b>                                                                 | <b>167,616.13</b> |
| <b>(ii) Assets</b>                                                               |                   |
| Depreciation                                                                     | 8,826.36          |
| Dry wells written off                                                            | 13,562.59         |
| Provision for Non Moving Inventories                                             | 1,208.50          |
| Provision for Doubtful Debts/Claims/Advances/ Interest                           | 4,770.65          |
| Provision for Abandonment                                                        | 30,221.56         |
| Provision for Leave Encashment                                                   | 5,447.54          |
| Provision toward Additional Profit Petroleum & interest-Ravva                    | 2,436.96          |

|                                              |                  |
|----------------------------------------------|------------------|
| Statutory duties unpaid u/s 43B              | 551.52           |
| Others                                       | 3,551.14         |
| <b>Total (ii)</b>                            | <b>70,576.82</b> |
| <b>Deferred Tax Liability (Net)( i - ii)</b> | <b>97,039.31</b> |

## 20 Disclosure under Accounting Standard - 27 on Financial Reporting of Interest in Joint Ventures:

### 20.1 Jointly Controlled Assets

In respect of certain blocks, the Company's Joint Ventures (JV) with certain bodies corporate have entered into Production Sharing Contracts (PSCs) with GoI. Details of these blocks and JVs as on 30.06.2011 are as under:

| Sl. No.  | Blocks                      | Company's PI *  | Others Partners and their PI in the JV/Operatorship*** |
|----------|-----------------------------|-----------------|--------------------------------------------------------|
| <b>A</b> | <b>Jointly Operated JVs</b> |                 |                                                        |
| 1        | Panna, Mukta and Tapti      | 40% (40%)       | BGEPIL 30%,<br>RIL 30%                                 |
| <b>B</b> | <b>ONGC Operated JVs</b>    |                 |                                                        |
| 2        | CB-OS/1 Development Phase   | 55.26% (55.26%) | TPL 6.7%, HOEC 38.04%                                  |
| 3        | KG-DWN-98/2 **              | 90% (65%)       | CEIL 10%<br>(PIB BV 15%)<br>(HEIBV 10%)                |
| 4        | KG-DWN-98/4                 | 55% (55%)       | OIL 15%<br>BGEPIL 30%                                  |
| 5        | MN-DWN-98/3                 | 60% (60%)       | PIBBV 40%                                              |
| 6        | MN-OSN-2000/2               | 40% (40%)       | GAIL 20%, IOC 20%,<br>OIL 20%                          |
| 7        | AA-ONN-2001/2               | 80% (80%)       | IOC 20%                                                |
| 8        | AA-ONN-2001/3               | 85% (85%)       | OIL 15%                                                |
| 9        | KK-DWN-2002/2               | 80% (80%)       | HPCL 20%                                               |
| 10       | KK-DWN-2002/3               | 80% (80%)       | HPCL 20%                                               |
| 11       | KG-DWN-2002/1               | 70% (70%)       | OIL 20% , BPRL 10%                                     |
| 12       | MN-DWN-2002/1               | 36% (36%)       | OIL 20% , BPRL 10%, ENI 34%                            |
| 13       | CY-ONN-2002/2               | 60% (60%)       | BPRL 40%                                               |
| 14       | AA-ONN-2002/4               | 90% (90%)       | OIL 10%                                                |
| 15       | MN-DWN-2002/2               | 75% (75%)       | BGEPIL 25%                                             |
| 16       | KK-DWN-2004/1               | 45% (45%)       | CIL 40%, TATA 15%                                      |
| 17       | CY-DWN-2004/1               | 70% (70%)       | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 18       | CY-DWN-2004/2               | 70% (70%)       | GSPC 10%, HPCL 10% , GAIL 10%                          |
| 19       | CY-DWN-2004/3               | 70% (70%)       | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 20       | CY-DWN-2004/4               | 70% (70%)       | GSPC 10% , HPCL 10% GAIL 10%                           |
| 21       | CY-PR-DWN-2004/1            | 70% (70%)       | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 22       | CY-PR-DWN-2004/2            | 70% (70%)       | GSPC 10%, HPCL 10% , GAIL 10%                          |
| 23       | KG-DWN-2004/1               | 70% (70%)       | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 24       | KG-DWN-2004/2               | 60% (60%)       | GSPC 10%, HPCL 10%,<br>GAIL 10% , BPCL 10%             |
| 25       | KG-DWN-2004/3               | 70% (70%)       | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 26       | KG-DWN-2004/5               | 50% (50%)       | GSPC 10%, HPCL 10%,<br>GAIL 10%<br>OIL 10%, BPRL 10%   |
| 27       | KG-DWN-2004/6               | 60% (60%)       | GSPC 10%, HPCL 10%,<br>GAIL 10% , OIL 10%              |
| 28       | KG-OSN-2004/1               | 55% (55%)       | BGEPIL 45%                                             |
| 29       | CB-ONN-2004/1               | 50% (50%)       | GSPC 40%, HERA-MEC LTD 10%                             |
| 30       | CB-ONN-2004/2**             | 55% (50%)       | GSPC 45%                                               |
| 31       | CB-ONN-2004/3               | 40% (40%)       | GSPC 35% , ENSEARCH 25%                                |
| 32       | CB-ONN-2004/4               | 50% (50%)       | GSPC 40% , HERA-MEC LTD 10%                            |
| 33       | CY-ONN-2004/1               | 80% (80%)       | BPRL 20%                                               |
| 34       | CY-ONN-2004/2               | 80% (80%)       | BPRL 20%                                               |
| 35       | MB-OSN-2005-1               | 80% (80%)       | GSPC 20%                                               |
| 36       | MB-OSN-2005-5               | 70% (70%)       | GSPC 30%                                               |
| 37       | MB-OSN-2005-6               | 80% (80%)       | GSPC 20%                                               |



| Sl. No. | Blocks                         | Company's PI * | Others Partners and their PI in the JV/Operatorship***                            |
|---------|--------------------------------|----------------|-----------------------------------------------------------------------------------|
| 38      | AN-DWN-2005/1                  | 90% (90%)      | OIL 10%                                                                           |
| 39      | KG-DWN-2005/1                  | 70% (70%)      | IOC 20%, GSPC 10%                                                                 |
| 40      | KK-DWN-2005/2                  | 90% (90%)      | GSPC 10%                                                                          |
| 41      | KG-OSN-2005/1                  | 60% (60%)      | HMEL 20%<br>GSPC 20%                                                              |
| 42      | KG-OSN-2005/2                  | 80% (80%)      | HMEL 20%                                                                          |
| 43      | Raniganj                       | 74% (74%)      | CIL 26%                                                                           |
| 44      | Jharia                         | 90% (90%)      | CIL 10%                                                                           |
| 45      | NK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 46      | BK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 47      | CB-ONN-2005/4                  | 51% (51%)      | GSPC 49%                                                                          |
| 48      | CB-ONN-2005/10                 | 51% (51%)      | GSPC 49%                                                                          |
| 49      | PR-ONN-2005/1                  | 80% (80%)      | TPL 20%                                                                           |
| 50      | WB-ONN-2005/4                  | 75% (75%)      | OIL 25%                                                                           |
| 51      | AA-ONN-2005/1                  | 60% (60%)      | OIL 30% ACIL -10%                                                                 |
| 52      | GV-ONN-2005/3                  | 80% (80%)      | TPL 20%                                                                           |
| 53      | HF-ONN-2001/1                  | 65% (100%)     | BMN 35%                                                                           |
| 54      | CB-ONN-2001/1**                | 100% (100%)    |                                                                                   |
| 55      | AN-DWN-2009/1                  | 70% (Nil)      | OIL 30%                                                                           |
| 56      | AN-DWN-2009/2                  | 60% (Nil)      | OIL 40%                                                                           |
| 57      | AN-DWN-2009/3                  | 60% (Nil)      | OIL 40% (Joint Operator)                                                          |
| 58      | AN-DWN-2009/5                  | 90% (Nil)      | GSPC 10%                                                                          |
| 59      | AN-DWN-2009/13                 | 70% (Nil)      | GAIL 10%, NTPC 10%, GSPC 10%                                                      |
| 60      | AN-DWN-2009/18                 | 60% (Nil)      | OIL 30%, GAIL 10%                                                                 |
| 61      | GK-OSN-2009/1                  | 40% (Nil)      | AWEL 20%, GSPC 20%, IOC 20%                                                       |
| 62      | GK-OSN-2009/2                  | 40% (Nil)      | AWEL 30%, IOC 30%                                                                 |
| 63      | KG-OSN-2009/1                  | 80% (Nil)      | APGIC 10%, NTPC 10%                                                               |
| 64      | KG-OSN-2009/2                  | 90% (Nil)      | APGIC 10%                                                                         |
| 65      | KG-OSN-2009/4                  | 50% (Nil)      | APGIC 10%, OIL 30%, NTPC 10%                                                      |
| 66      | AA-ONN-2009/3                  | 50% (Nil)      | OIL 50%                                                                           |
| 67      | CB-ONN-2009/4                  | 50% (Nil)      | GSPC 50%                                                                          |
| C       | <b>Operated by JV Partners</b> |                |                                                                                   |
| 68      | Ravva                          | 40% (40%)      | CEIL (Operator) 22.5%<br>PIL 25%,<br>ROPL 12.5%                                   |
| 69      | CY-OS-90/1 (PY3)               | 40% (40%)      | HEPI (operator) 18%<br>HOEC 21%<br>TPL 21%                                        |
| 70      | RJ-ON-90/1                     | 30% (30%)      | CEIPL (Operator) 35%<br>CEHL 35%                                                  |
| 71      | CB-OS/2 -Development Phase     | 50% (50%)      | CEIPL (operator) 6.70%<br>CEIWBV 13.20%<br>CECBV 10.10%,<br>CEGBV 10%,<br>TPL 10% |
| 72      | CB-ON/7 -Development Phase     | 30% (30%)      | HOEC (Operator) 35%,<br>GSPC 35%                                                  |
| 73      | CB-ON/3 - Development Phase    | 30% (30%)      | EOL (Operator)70%                                                                 |
| 74      | GK-OSJ-3                       | 25% (25%)      | RIL (operator) 60%,<br>OIL 15%                                                    |
| 75      | AA-ONN-2002/3                  | 70% (70%)      | OIL (Operator) 30%                                                                |
| 76      | AN-DWN-2003/2                  | 45%(45%)       | ENI (Operator) 40%<br>GAIL 15%                                                    |
| 77      | KG-ONN-2003/1                  | 51% (51%)      | CEIL 24% (Operator)<br>Cairn India 25%                                            |
| 78      | PR-OSN-2004/1                  | 35% (35%)      | Cairn Energy(Operator) 10%<br>Cairn India 25%<br>TPL 30%                          |
| 79      | CB-ON/2- Development phase     | 30% (30%)      | GSPC (Operator) 56%,<br>Geo-Global Resources 14%                                  |
| 80      | RJ-ONN-2005/3                  | 40% (40%)      | GSPC (Operator) 60%                                                               |
| 81      | AA-ONN-2009/4                  | 50% (Nil)      | OIL(Operator) 50%                                                                 |
| 82      | CY-OSN-2009/2                  | 50% (Nil)      | OIL 50% (Operator)                                                                |

| Sl. No. | Blocks                      | Company's PI * | Others Partners and their PI in the JV/Operatorship***                                                               |
|---------|-----------------------------|----------------|----------------------------------------------------------------------------------------------------------------------|
| 83      | KG-DWN-2009/1               | 45% (Nil)      | BGEPIL 30%(Operataor),<br>OIL 15%,<br>APGIC 10%                                                                      |
| 84      | RJ-ON/6 - Development phase | 30% (Nil)      | Focus Energy Ltd (Operator) 7%<br>I services Investment Ltd, Mauritius<br>45.5%<br>Newbury Oil Co. Ltd, Cyprus 17.5% |

\* PI - Participating Interest

\*\* Approval towards assignment of PI is awaited from GoI

\*\*\* PetroBras International Braspetro (PIBBV) not signed PSC and Joint Operating Agreement (JOA)

**Abbreviations:-** ACL- Assam Company (India) Ltd, APGIC- AP Gas Infrastructure Corporation Ltd, AWEL- Adani Welspun Exploration Ltd, BGEPIL- British Gas Exploration & Production India Ltd, BMN- BMN Investment Ltd, BPCL- Bharat Petroleum Corporation Ltd, BPRL- Bharat Petro Resources Ltd, CEHL- Cairn Energy Hydrocarbons Ltd, CEIL- Cairn Energy India Ltd, CEIPL- Cairn Energy India Private Ltd, CIL- Coal India Ltd, ENI- Ente Nazionale Idrocarburi, Ensearch- Ensearch, GAIL- Gas Authority of India Ltd, GGR- Geo Global Resources, GSPC- Gujarat State Petroleum Corporation Ltd, HEPI- Hardy Exploration & Production India Ltd, Heramec- Heramec, HEPI-Hrady Exploration & Production (India), HEIBV-Hydro Oil & Energy India BV, HMEL- HPCL Mittal Energy Ltd, HOEC- Hindustan Oil Exploration Company Ltd, HPCL- Hindustan Petroleum Corporation Ltd, IOC- Indian Oil Corporation Ltd, NTPC- National Thermal Power Corporation Ltd, OIL- Oil India Ltd, PIBBV-Petrobras International Braspetro BV, PIL- Petrocon India Ltd, RIL- Reliance Industries Ltd, ROPL- Ravva Oil (Singapore) Private Ltd, SRL- Sunterra Resources Ltd, TIOL- Tullow India Operations Ltd, TPL- Tata Petrodyne Ltd

## 20.2 List of the blocks surrendered during the Quarter ended 30<sup>th</sup> June 2011 is given below:

| Sl. No. | Joint Ventures / PSCs | Company's PI * |
|---------|-----------------------|----------------|
| 1       | CY-DWN-2001/1         | 45%            |
| 2       | RJ-ONN-2003/1         | 36%            |
| 3.      | SK-CBM-2003/II        | 100%           |

\* PI - Participating Interest

## 20.3 The Financial position of the JV/NELP blocks are as under:

| (₹ in million)                        |                               |                   |                  |                  |                  |                                    |
|---------------------------------------|-------------------------------|-------------------|------------------|------------------|------------------|------------------------------------|
|                                       | No. of JVs/<br>NELP<br>Blocks | Assets            | Liabilities      | Income           | Expenditure      | Profit / (-)<br>Loss before<br>tax |
| <b>NELP Block-<br/>100% PI*</b>       | 21                            | 3,355.62          | 156.46           | 0.02             | 8,363.50         | (8,363.48)                         |
| <b>Blocks with<br/>other partners</b> | 84                            | 99,444.26         | 35,995.52        | 26,352.91        | 20,027.27        | 6,325.64                           |
| <b>Surrendered</b>                    | 28                            | 605.38            | 7,005.16         | 2.21             | 24.38            | (22.17)                            |
| <b>Total</b>                          | <b>133</b>                    | <b>103,405.26</b> | <b>43,157.14</b> | <b>26,355.14</b> | <b>28,415.15</b> | <b>(2,060.01)</b>                  |

The financial statements of 18 JVs/NELP blocks where the company is non operator have been incorporated in the accounts to the extent of Company's participating interest in assets, liabilities, income, expenditure and profit/(loss) before tax on the basis of management certified statements in accordance with production sharing contract and the same has been adjusted for changes as per Accounting Policy No. 9.1.

## 20.4 Jointly Controlled Entities:

### 20.4.1 Company has ownership interest in following Jointly Controlled Entities:

| Name                                  | Country of<br>Incorporation | Ownership Interest<br>(%)<br>As at 30.06.2011 |
|---------------------------------------|-----------------------------|-----------------------------------------------|
| Petronet LNG Limited                  | India                       | 12.50                                         |
| Petronet MHB Limited                  | India                       | 28.77                                         |
| Mangalore SEZ Limited                 | India                       | 26.00                                         |
| ONGC Mangalore Petrochemicals Limited | India                       | 46.00                                         |
| ONGC Petro-additions Limited          | India                       | 41.93                                         |
| ONGC Tripura Power Co. Limited        | India                       | 49.52                                         |
| ONGC Teri Biotech Limited             | India                       | 49.98                                         |
| Dahej SEZ Limited                     | India                       | 49.60                                         |

- 20.4.2 The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities based on Unaudited Accounts (After Limited Review) as on 30.06.2011 is as below:

|             |                                    | (₹ in million)   |
|-------------|------------------------------------|------------------|
| Description |                                    | As at 30.06.2011 |
| i)          | <b>Assets</b>                      |                  |
|             | Long term assets                   | 52,008.09        |
|             | Investments                        | 1,960.81         |
|             | Current assets                     | 4,885.24         |
| ii)         | <b>Liabilities</b>                 |                  |
|             | Current liabilities and provisions | 12,338.45        |
|             | Other liabilities                  | 28,891.91        |
| iii)        | Deferred tax liabilities           | 206.13           |
| iv)         | Income                             | 5,929.83         |
| v)          | Expenses                           | 5,433.39         |
| vi)         | Contingent liabilities             | 731.42           |
| vii)        | Capital commitments                | 65,702.47        |

- 20.4.3 The Company has given an undertaking to Power Finance Corporation (PFC), for an additional funding up to ₹ 2,234.00 million in respect of ONGC Tripura Power Co. Limited (OTPC) for cost overrun, if any.

## 21 Impairment of Assets

The Company is engaged mainly in the business of oil and gas exploration and production where each cost centre used for depreciation (depletion) purposes is 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 is reviewing all its CGUs for impairment testing at the every year end. Since in view of management, there is no material change in indicator for impairment during the current quarter ended 30<sup>th</sup> June, 2011 hence the Company has not conducted impairment testing as on 30.06.2011.

## 22 Disclosure under Accounting Standard - 29 on "Provisions, Contingent Liabilities and Contingent Assets":

### Movement in Provisions – Others

For Court cases, arbitration and others, where the timing of expected outflows is upon settlement of the proceedings:

|                                                            |  | ( ₹ in million)          |
|------------------------------------------------------------|--|--------------------------|
| Particulars                                                |  | Quarter ended 30.06.2011 |
| Opening Balance                                            |  | 8,132.74                 |
| Add: Provision made during the year                        |  | -                        |
| Less: Provision written back / reduction during the period |  | 12.16                    |
| Closing Balance                                            |  | 8,120.58                 |

## 23 Disclosures under Schedule VI to the Companies Act, 1956:

### 23.1 Capital Commitment not provided for:

#### 23.1.1 Estimated amount of contracts remaining to be executed on capital account:-

- In respect of Company - ₹ 1,68,684.66 million.
- In respect of Joint Ventures - ₹ 545.99 million.

#### 23.1.2 Estimated amount of Minimum Work Programme (MWP) committed under various 'Production Sharing Contracts' with Government of India/ Nominated Blocks:

- In respect of NELP blocks in which the Company has 100% participating interest – ₹ 16,257.66 million.
- In respect Nominated Blocks - ₹ 635.28 million.
- In respect of NELP blocks in Joint Ventures - ₹ 83,755.81 million.

## 23.2 Contingent Liabilities:

### Claims against the Company/ disputed demands not acknowledged as debt:-

|             |                                                   | (₹ in million)    |
|-------------|---------------------------------------------------|-------------------|
| Particulars |                                                   | As at 30.06.2011  |
| <b>I</b>    | <b>In respect of Company</b>                      |                   |
|             | i. Income Tax                                     | 12,656.78         |
|             | ii. Excise Duty                                   | 5,475.66          |
|             | iii. Custom Duty                                  | 1,447.47          |
|             | iv. Royalty                                       | 19,484.60         |
|             | v. Cess                                           | 6.57              |
|             | vi AP Mineral Bearing Lands (Infrastructure) Cess | 1,519.80          |
|             | vii. Sales Tax                                    | 29,465.08         |
|             | viii. Service Tax                                 | 2,528.61          |
|             | ix. Octroi/ Municipal tax                         | 66.89             |
|             | x. Specified Land Tax (Assam)                     | 2,610.00          |
|             | xi. Claims of contractors in Arbitration / Court  | 37,080.67         |
|             | xii. Others                                       | 15,648.01         |
|             | <b>Sub Total (A)</b>                              | <b>127,990.14</b> |
| <b>II</b>   | <b>In respect of Joint Ventures</b>               |                   |
|             | i. Income Tax                                     | 8.91              |
|             | ii. Custom Duty                                   | 3,457.81          |
|             | iii. Sales Tax and Service Tax                    | 3,116.46          |
|             | iv. Claims of GoI for additional profit petroleum | 3,634.77          |
|             | v. Claims of contractors in Arbitration / Court   | 9,798.46          |
|             | vi. Others                                        | 764.27            |
|             | <b>Sub Total (B)</b>                              | <b>20,780.68</b>  |
|             | <b>TOTAL (A + B)</b>                              | <b>148,770.82</b> |

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

## 23.3 Bank Guarantees given by the Company:

- ₹ 7,088.42 million including ₹ 852.45 million for NELP Blocks where the Company has 100% participating interest.
- In respect of Joint Ventures – ₹ 4,819.85 million.
- Out of total Bank Guarantees of ONGC an amount of ₹ 6,307.58 million has been provided in respect of MWP committed under various 'Production Sharing Contracts' with Government of India and Nominated Blocks which is also included in Capital Commitments under para 23.1.2.

## 23.4 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):

### 23.4.1 Guarantees executed for financial obligations:

- Amount of Guarantee ₹ 40,854.19 million.
- Amount Outstanding ₹ 33,828.30 million.

### 23.4.2 Performance Guarantees executed under the contracts:

Guarantee in respect of Sakhalin Project in favour of Exxonnetgas Ltd., M/s. Roseneft-S, SMNG-S and RN-Astra towards performance of Company's obligation under Joint Operating Agreement without any financial ceiling.

## 23.5 Corporate Guarantees executed by the Company on behalf of its subsidiary, MRPL:

- i) Amount of Guarantee ₹ 7,160.00 million.  
ii) Amount Outstanding ₹ 3,499.45 million.

23.6 Uncalled liability on partly paid shares is ₹ 1,337.19 million against which advance paid ₹ 1,233.87 million.

23.7 **Details of Expenditure**

|                                                                                 |           | Quarter ended 30.06.2011 |                  |
|---------------------------------------------------------------------------------|-----------|--------------------------|------------------|
| <b>Manpower Cost :</b>                                                          |           |                          |                  |
| (a) Salaries, Wages, Ex-gratia etc.                                             | 11,764.60 |                          |                  |
| (b) Contribution to Provident and other funds                                   | 801.31    |                          |                  |
| (c) Provision for gratuity                                                      | 375.04    |                          |                  |
| (d) Provision for leave                                                         | 1,346.32  |                          |                  |
| (e) Provision for Post Retirement Medical & Terminal Benefits                   | 707.97    |                          |                  |
| (f) Staff welfare expenses                                                      | 1,053.27  |                          |                  |
| Sub Total:                                                                      |           |                          | 16,048.51        |
| Consumption of Raw materials, Stores and Spares                                 |           |                          | 6,253.80         |
| Cess                                                                            |           |                          | 14,067.61        |
| Natural Calamity Contingent Duty                                                |           |                          | 275.78           |
| Excise Duty                                                                     |           |                          | 563.41           |
| Royalty                                                                         |           |                          | 20,912.99        |
| Sales Tax                                                                       |           |                          | 817.06           |
| Octroi/BPT                                                                      |           |                          | 986.83           |
| Service Tax                                                                     |           |                          | 56.19            |
| Education cess                                                                  |           |                          | 442.61           |
| Rent                                                                            |           |                          | 445.92           |
| Rates and taxes                                                                 |           |                          | 349.36           |
| Hire charges of equipments and vehicles                                         |           |                          | 25,836.47        |
| Power, fuel and water charges                                                   |           |                          | 663.52           |
| Contractual drilling, logging, workover etc.                                    |           |                          | 32,729.62        |
| Contractual security                                                            |           |                          | 668.03           |
| Repairs to building                                                             |           |                          | 131.66           |
| Repairs to plant and machinery                                                  |           |                          | 362.71           |
| Other repairs                                                                   |           |                          | 616.32           |
| Insurance                                                                       |           |                          | 572.46           |
| Expenditure on Tour / Travel                                                    |           |                          | 746.34           |
| Contribution                                                                    |           |                          | 82.48            |
| Miscellaneous expenditure                                                       |           |                          | 1,706.36         |
| Exchange Variation                                                              |           |                          | 195.86           |
|                                                                                 |           |                          | 125,531.90       |
| <b>Less:</b>                                                                    |           |                          |                  |
| Allocated to exploration, development drilling, capital jobs, recoverables etc. |           |                          | 55,438.46        |
| Excise duty adjusted against sales revenue                                      |           |                          | 691.25           |
| Prior Period Adjustment                                                         |           |                          | 0.26             |
| <b>Production, Transportation, Selling and Distribution Expenditure</b>         |           |                          | <b>69,401.93</b> |

23.8 **Quantitative Details**

23.8.1 **Sales**

| Product                                               | Unit              | Quarter ended 30.06.2011 |                          |            |
|-------------------------------------------------------|-------------------|--------------------------|--------------------------|------------|
|                                                       |                   | Quantity                 | Value<br>( ₹ in million) |            |
| Crude Oil*                                            | MT                | 5,690,286                | 110,955.13               |            |
| Less: From Exploratory areas                          |                   | 3,227                    | 26.46                    |            |
| Less: Government of India's share in Profit Petroleum |                   |                          | 5,336.57                 | 105,592.10 |
| Natural Gas*                                          | 000M <sup>3</sup> | 4,886,126                | 33,514.24                |            |
| Less: From Exploratory areas                          |                   | 7,892                    | 51.95                    |            |

| Product                                               | Unit | Quarter ended 30.06.2011 |                          |
|-------------------------------------------------------|------|--------------------------|--------------------------|
|                                                       |      | Quantity                 | Value<br>( ₹ in million) |
| Less: Government of India's share in Profit Petroleum |      |                          | 618.07 32,844.22         |
| Liquified Petroleum Gas                               | MT   | 237,717                  | 5,411.82                 |
| Naphtha                                               | MT   | 349,238                  | 15,550.41                |
| Ethane/Propane                                        | MT   | 85,247                   | 2,136.46                 |
| Superior Kerosene Oil                                 | MT   | 24,135                   | 682.66                   |
| Superior Kerosene Oil - (Trading)                     | KL   | -                        | -                        |
| Low Sulphur Heavy Stock                               | MT   | 8,095                    | 309.77                   |
| High Speed Diesel                                     | MT   | 10                       | 0.47                     |
| HSD incl. ULS HSD (Trading)                           | KL   | 24                       | 1.10                     |
| Motor Spirit (Trading)                                | KL   | 99                       | 6.67                     |
| Aviation Turbine Fuel (ATF)                           | MT   | 2,509                    | 133.14                   |
| Mineral Turpentine Oil                                | MT   | 214                      | 11.98                    |
| Others                                                |      |                          | 0.08                     |
| <b>Total</b>                                          |      |                          | <b>162,680.88</b>        |

\*Quantity includes share from Joint Ventures

### 23.8.2 Opening and Closing Stock of goods produced:

|                         | Unit  | As at 30.06.2011 |                          |
|-------------------------|-------|------------------|--------------------------|
|                         |       | Quantity         | Value<br>( ₹ in million) |
| <b>Opening stock</b>    |       |                  |                          |
| Crude Oil               | MT    | 990,073          | 6,298.99                 |
| Liquefied Petroleum Gas | MT    | 5,915            | 33.99                    |
| Naphtha                 | MT    | 80,107           | 505.91                   |
| Ethane/Propane          | MT    | 404              | 4.28                     |
| Superior Kerosene Oil   | MT    | 6,422            | 2.32                     |
| Aviation Turbine Fuel   | MT    | 859              | 5.98                     |
| Low Sulphur Heavy Stock | MT    | 681              | 6.46                     |
| High Speed Diesel       | MT    | 3,703            | 35.85                    |
| Propane                 | MT    | 118              | 0.40                     |
| High Speed Diesel *     | KL    | 28               | 1.01                     |
| Motor Spirit*           | KL    | 9                | 0.64                     |
| Carbon Credits          | Units | 10,508           | 0.56                     |
| Others                  |       |                  | 0.81                     |
|                         |       |                  | <b>6,897.20</b>          |
| <b>Closing stock</b>    |       |                  |                          |
| Crude Oil               | MT    | 1,045,089        | 6,949.15                 |
| Liquefied Petroleum Gas | MT    | 8,295            | 43.98                    |
| Naphtha                 | MT    | 103,642          | 479.55                   |
| Ethane/Propane          | MT    | 766              | 9.16                     |
| Superior Kerosene Oil   | MT    | 22,033           | 75.68                    |
| Aviation Turbine Fuel   | MT    | 1,254            | 9.11                     |
| Low Sulphur Heavy Stock | MT    | 308              | 3.83                     |
| High Speed Diesel       | MT    | 3,816            | 27.14                    |
| Propane                 | MT    | 121              | 0.30                     |
| Mineral Turpentine Oil  | MT    | 79               | 1.15                     |
| High Speed Diesel *     | KL    | 19               | 0.73                     |
| Motor Spirit*           | KL    | 23               | 1.12                     |
| Carbon Credits          | Units | 10,508           | 0.56                     |
| Others                  |       |                  | 0.86                     |
|                         |       |                  | <b>7,602.32</b>          |

\* Purchased for trading

### 23.8.3 Licensed Capacity, Installed Capacity and Actual Production (Capacity as certified by the Management):

| Products  | Unit | Installed Capacity<br>per annum | Actual Production Quantity<br>for Quarter ended 30.06.2011 |
|-----------|------|---------------------------------|------------------------------------------------------------|
| Crude Oil | MT   | NA                              | 6,757,873                                                  |

|                         |                    |           |           |
|-------------------------|--------------------|-----------|-----------|
| Natural Gas             | 000 M <sup>3</sup> | NA        | 6,161,508 |
| Liquefied Petroleum Gas | MT                 | 1,158,000 | 239,105   |
| Ethane/Propane          | MT                 | 570,000   | 86,302    |
| Naphtha                 | MT                 | 1,502,878 | 372,940   |
| Superior Kerosene Oil   | MT                 | 314,300   | 22,232    |
| Aviation Turbine Fuel   | MT                 |           | 4,289     |
| Low Sulphur Heavy Stock | MT                 | 16,270    | 7,722     |
| High Speed Diesel       | MT                 | 42,637    | 7,709     |
| Liquid Diesel Oil       | MT                 | 4,950     | -         |

Notes:

1. Licensed Capacity is not applicable.
2. Production includes internal consumption and intermediary losses.
3. Production of 41,890 MT of Crude Oil and 5,514 TM<sup>3</sup> of Natural Gas is included being the difference between participating interest and entitlement interest in respect of RJ-ON-90/1, CB-ON/3, CB-ON/2 and RJ-ON/6 JVs.
4. Crude Oil includes condensate 0.462 MMT.

#### 23.8.4 Purchases:

| Products          | Unit | Quarter ended 30.06.2011 |                         |
|-------------------|------|--------------------------|-------------------------|
|                   |      | Quantity                 | Value<br>(₹ in million) |
| High Speed Diesel | KL   | 15                       | 0.66                    |
| Motor Spirit      | KL   | 113                      | 5.77                    |
| <b>Total</b>      |      |                          | <b>6.43</b>             |

#### 23.8.5 Raw Material Consumed:

|                                                                                                                                                                 | Unit              | Quarter ended 30.06.2011 |                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|---------------------------------|
|                                                                                                                                                                 |                   | Quantity                 | Value at cost<br>(₹ in million) |
| For production of Liquefied Petroleum Gas, Ethane/Propane, Naphtha, Superior Kerosene Oil, Low Sulphur High Stock, Aviation Turbine Fuel and High Speed Diesel. |                   |                          |                                 |
| <b>Out of own production:</b>                                                                                                                                   |                   |                          |                                 |
| Crude Oil                                                                                                                                                       | MT                | 32,024                   | 169.04                          |
| Natural Gas                                                                                                                                                     | 000M <sup>3</sup> | 97,445                   | 365.42                          |
| Gas Equivalent Condensate                                                                                                                                       | 000M <sup>3</sup> | 180,218                  | 661.87                          |
| <b>Purchases</b>                                                                                                                                                |                   |                          |                                 |
| Gas Equivalent Condensate                                                                                                                                       | MT                | 18,839                   | 811.21                          |

#### 23.9 Consumption of Raw Materials, Stores and Spare Parts:

|              | Quarter ended 30.06.2011 |               |
|--------------|--------------------------|---------------|
|              | Amount<br>(₹ in million) | %             |
| Imported     | 1,143.32                 | 18.28         |
| Indigenous   | 5,110.48                 | 81.72         |
| <b>Total</b> | <b>6,253.80</b>          | <b>100.00</b> |

#### 23.10 Value of Imports on CIF Basis:

(₹ in million)

| Quarter ended 30.06.2011 |                  |
|--------------------------|------------------|
| Capital items *          | 10,032.08        |
| Stores and Spare Parts   | 1,064.64         |
| <b>Total</b>             | <b>11,096.72</b> |

\*Includes stage payments made against capital works.

#### 23.11 Expenditure in Foreign Currency:

(₹ in million)

| Quarter ended 30.06.2011 |           |
|--------------------------|-----------|
| Interest                 | -         |
| Services                 | 45,898.23 |

|              |                  |
|--------------|------------------|
| Others       | 143.44           |
| <b>Total</b> | <b>46,041.67</b> |

23.12 **Earnings in Foreign Currency:**

(₹ in million)

| Quarter ended 30.06.2011 |                  |
|--------------------------|------------------|
| Interest                 | -                |
| Services                 | 0.84             |
| FOB value of Sales       | 14,048.37        |
| Others                   | -                |
| <b>Total</b>             | <b>14,049.21</b> |

23.13 **Managerial Remuneration (included in 23.7 above):**

(₹ in million)

| Quarter ended 30.06.2011                                                        |             |
|---------------------------------------------------------------------------------|-------------|
| <b>AMOUNT PAID OR PAYABLE TO DIRECTORS</b>                                      |             |
| <b>Remuneration to Functional Directors:</b>                                    |             |
| Salaries and Allowances                                                         | 2.81        |
| Contribution to Provident & Other Funds                                         | 0.24        |
| Performance Related Payments / Incentives                                       | 1.45        |
| Other Benefits and Perquisites*                                                 | 0.39        |
| Leave Encashment and Gratuity on retirement of Directors                        | 0.12        |
| Provision for Leave, Gratuity and Post Retirement Benefits as per revised AS-15 | 0.41        |
| <b>Sub total</b>                                                                | <b>5.42</b> |
| <b>Independent Directors:</b>                                                   |             |
| Sitting Fees                                                                    | 0.70        |
| <b>Total</b>                                                                    | <b>6.12</b> |

\* does not include cost of medical treatment availed from the Company's own medical facilities as the amount is not determinable.

23.14 **AUDITORS' REMUNERATION (included in 23.7 above):**

(₹ in million)

| Quarter ended 30.06.2011              |             |
|---------------------------------------|-------------|
| Audit Fees                            | -           |
| For Certification work etc.           | 1.25        |
| Travelling and Out of Pocket Expenses | 2.55        |
| <b>Total</b>                          | <b>3.80</b> |

24 **Disclosure under Guidance Note on "Oil & Gas Producing Activities" (approved by Reserve Estimates Committee)-** As stated in Accounting Policy No. 6.5 that the reserves are estimated annually by the Reserve Estimates Committee of the Company, no disclosure of reserves have been made as on 30<sup>th</sup> June 2011.

25 **Disclosure pursuant to the clause 32 of the Listing Agreement:**

(₹ in million)

| Particulars                                                          | Outstanding as at 30.06.2011 | Maximum Amount Outstanding during the Quarter Ended 30 <sup>th</sup> June 2011 |
|----------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------|
| a) <b>Loans to Subsidiaries*</b>                                     |                              |                                                                                |
| i) ONGC Videsh Limited (OVL)*                                        | 168,365.96                   | 172,786.16                                                                     |
| ii) Mangalore Refinery & Petrochemicals Limited.(MRPL)               | 9,900.00                     | 10,800.00                                                                      |
| b)To Associates                                                      | Nil                          | Nil                                                                            |
| c) Where there is no repayment schedule<br>ONGC Videsh Limited (OVL) | 168,365.96                   | 172,786.16                                                                     |
| d) Having repayment schedule of beyond seven years :<br>to employees | 8,029.23                     | 8,029.23                                                                       |
| e) Where no interest or interest below Section 372A of Companies Act | 168,365.96                   | 172,786.16                                                                     |



|                                                                                |     |     |
|--------------------------------------------------------------------------------|-----|-----|
| ONGC Videsh Limited (OVL)                                                      |     |     |
| f) In the nature of loans to Firms/companies in which directors are interested | Nil | Nil |

\*Excludes Current account transactions

g) Investments by the ONGC Videsh Limited (OVL), loanee:

| Name of Subsidiary               | As at 30 <sup>th</sup> June, 2011 |              |
|----------------------------------|-----------------------------------|--------------|
|                                  | No of Shares                      | ₹ in million |
| a) ONGC Nile Ganga BV            |                                   |              |
| Class A                          | 40                                | 8,462.12     |
| Class B                          | 100                               | 21,155.29    |
| Class C                          | 880                               | 234.25       |
| b) ONGC Narmada Limited          | 20,000,000                        | 6.94         |
| Equity Shares                    |                                   |              |
| c) ONGC Amazon Alaknanda Limited |                                   |              |
| Equity Shares                    | 12000                             | 0.56         |
| Preference Shares                | 437,488,000                       | 20,190.07    |
| d) Jarpeno Limited, Cyprus       |                                   |              |
| Equity Shares                    | 1,350                             | 0.06         |
| Preference Shares                | 192,210                           | 86,744.37    |
| e) Carabobo one AB Ltd.          | 1000                              | 0.76         |

Notes :

1. Loan to OVL is repayable within a notice period of minimum one year and carries no interest during the year 2009-10 to 2011-12.
2. Loan to MRPL carries interest @ 7% per annum and is repayable at quarterly intervals. However, Company can recall this loan on a notice period of 90 days and MRPL can also prepay whole or part of the loan, as per their convenience.
3. The Company has not advanced any money to its employees for the purposes of investment in the securities of the Company.

## 26 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

Company had sought confirmation from the vendors whether they fall in the category of Micro, Small or Medium Enterprises. Based on the information available, the required disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 is given below:

| Particulars                                                                                                                                                                                                                                         | (₹ in million)           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                                                                                                                                                                                                                                                     | Quarter ended 30.06.2011 |
| a) Principal amount remaining unpaid but not due as at year end                                                                                                                                                                                     | 9.02                     |
| b) Interest due thereon as at year end                                                                                                                                                                                                              | -                        |
| 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                             | -                        |
| 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 | -                        |
| e) Interest accrued and remaining unpaid as at year end                                                                                                                                                                                             | -                        |
| 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                                                                               | -                        |

## 27 Disclosure on Foreign currency exposures as at 30.06.2011 that have not been hedged by derivative instrument or otherwise are given below:

| Particulars             | (Figures in million)       |                   |
|-------------------------|----------------------------|-------------------|
|                         | Amount in Foreign Currency | Equivalent Rupees |
| <b>Import Creditors</b> |                            |                   |
| Euros                   | 20.39                      | 1,322.81          |
| British Pound           | 0.44                       | 31.78             |
| Japanese Yen            | 307.68                     | 171.23            |
| Norwegian Kroner        | 0.93                       | 7.73              |
| Singapore Dollar        | 0.09                       | 3.45              |
| United States Dollar    | 1,270.00                   | 56,832.42         |

| Particulars               | Amount in Foreign<br>Currency | Equivalent Rupees |
|---------------------------|-------------------------------|-------------------|
| Malaysian Ringgit         | 0.24                          | 3.47              |
| <b>Total</b>              |                               | <b>58,372.89</b>  |
| <b>Export Receivables</b> |                               |                   |
| United States Dollar      | 104.86                        | 4,692.42          |

## AUDITORS' REPORT

M/s Arun K Agarwal & Associates  
Chartered Accountants  
105, 1st Floor, South Ex. Plaza-I  
389, Masjid Moth, South Extn. Pt.II  
New Delhi – 110 049

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

M/s M Kuppuswamy P S G & Co  
Chartered Accountants  
4-H, Continental Plaza  
New No.256 (Old No.705),  
Anna Salai  
Chennai – 600 006

M/s Kalyaniwalla & Mistry  
Chartered Accountants  
Kalpataru Heritage, 5th Floor  
127, MG Road, Fort  
Mumbai – 400 001

M/s S Bhandari & Co.  
Chartered Accountants  
51, Nariman Bhawan  
5<sup>th</sup> Floor, Nariman Point  
Mumbai – 400 021

### Report of the Independent Auditor's on Consolidated Financial Statements

The Board of Directors  
Oil and Natural Gas Corporation Limited  
Jeevan Bharati Building, Tower II  
124, Indira Chowk,  
New Delhi 110 001

Dear Sirs,

1. We have examined the attached consolidated financial information of ONGC Group of companies (the 'Group Companies') comprising Consolidated Statements of Assets and Liabilities (Annexure-I), Consolidated Profit & Loss Accounts (Annexure-II), Consolidated Cash Flow Statements (Annexure-III) for the years ended on March 31, 2010 and 2011 and the three month period ended on June 30, 2011 along with Significant Accounting Policies (Annexure-XXXIII A,B) for the year ended on March 31, 2011 and Notes to Accounts (Annexure-XXXIV A,B) for the years ended on March 31, 2010 and 2011 and the three month period ended June 30, 2011 as approved by the Board of Directors of Oil and Natural Gas Corporation Limited (the "Company") prepared in terms of applicable provisions of the Companies Act, 1956 (the "Act") read with clarification / exemption given by Ministry of Corporate Affairs as suitably explained in Note No. 2 of Annexure – XXXIV-B, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("ICDR Regulations") and in terms of our engagement agreed upon with you in accordance with the appointment letter dated February 19, 2011 and our engagement letter dated February 22, 2011, suitably modified thereafter on June 27, 2011 and August 29, 2011 in connection with the proposed Further Public Offering (FPO) of Equity Shares by the "Selling Shareholder".

The preparation and presentation of this consolidated financial information is the responsibility of the Company's Management.

2. The attached consolidated financial information have been correctly extracted by the Management from the Group Companies' audited financial statements for the years ended on March 31, 2010 and 2011 and unaudited financial statements with limited review for the three month period ended on June 30, 2011.

The consolidated financial statements of the Group Companies for the year ended on March 31, 2010 were audited in accordance with the auditing standards generally accepted in India ("IGAAS"), by M/s Arun K Agarwal & Associates and M/s Kalyaniwalla & Mistry, who have conducted the audit referred to in this report, together with M/s P.S.D. & Associates, M/s Singhi & Co. and M/s Padmanabhan, Ramani & Ramanujam, who were the Company's previous auditors. Accordingly, reliance has been placed by M/s Ray & Ray, M/s S. Bhandari & Co., and M/s M Kuppuswamy P S G & Co. on the unqualified audit report issued with respect to the consolidated financial information for the year.

We, the joint statutory auditors of the Company have audited in accordance with IGAAS, the consolidated balance sheet of the Company as on March 31, 2011 and the related profit and loss account and the cash flow statement for the year then ended and the related schedules, notes and annexures thereto, prepared in accordance with generally accepted accounting principles in India ("Indian GAAP") in respect of which we have issued unqualified audit report.

We conducted a review in accordance with Standard on Review Engagements (SRE) 2410, of the Company's Consolidated Statement of Assets and Liabilities, Consolidated Profit & Loss Account and Consolidated Cash Flow Statement as on and for the three month period ended on June 30, 2011. Based on our review, nothing came to our attention that causes us to believe that such consolidated financial statements are not prepared, in all material respects, in accordance with Indian GAAP and applicable provisions of the Act.

We did not audit / review the financial statements of the associates, subsidiaries, jointly controlled entities and joint ventures / NELP blocks where the Company is not the operator for the financial years ended on March 31, 2010 and 2011 and for the three month period ended on June 30, 2011, whose Financial Statements reflect total assets of ₹ 643,279.40 millions, ₹ 758,289.29 millions and ₹ 864,545.24 millions, respectively and total revenues of ₹ 545,726.28 millions, ₹ 678,605.89 millions and ₹ 230,433.70 millions, respectively. Where available, we have relied on the audit / review reports of other auditors in accordance with IGAAS. Where audited / reviewed financial information was not available, we have relied on unaudited financial statements certified by management.

3. We have performed such tests and procedures, which in our opinion, were necessary for the examination of the attached consolidated financial information. These tests and procedures, mainly involved comparison of the attached consolidated financial information with the Group Companies audited / reviewed financial statements for the respective years/periods.
4. Based on above, we report that in our opinion and according to the information and explanations given to us, we have found the attached consolidated financial information to be correct and the same have been used appropriately.
5. In accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), applicable provisions of the Act and the terms of our engagements agreed with you, we have also examined the other consolidated financial information, as stated in table below, as on and for the years ended on March 31, 2010 and 2011 and for the three month period ended on June 30, 2011, prepared by the Management and approved by the Board of Directors of the Company for the purpose of inclusion in the Red Herring Prospectus and Prospectus in connection with the proposed FPO of Equity Shares of the Company.
6. In this regard, for the years ended on March 31, 2010, 2011 and for the three month period ended on June 30, 2011, the other consolidated financial information as listed below has been correctly extracted from the consolidated financial statements for the year ended on March 31, 2010 audited by M/s Arun K Agarwal & Associates and M/s Kalyaniwalla & Mistry (current auditors) together with M/s P.S.D. & Associates, M/s Singhi & Co. and M/s Padmanabhan, Ramani & Ramanujam (previous auditors) and relied upon by us and from the consolidated financial statements for the year ended on March 31, 2011 audited by us and from the consolidated financial statements for the three month period ended on June 30, 2011 reviewed by us.

|    |                                                                                                  |                      |
|----|--------------------------------------------------------------------------------------------------|----------------------|
| a. | Statement of Fixed Assets                                                                        | Annexure- IV A,B & C |
| b. | Statement of Capital Work In Progress (Net)                                                      | Annexure- V          |
| c. | Statement of Producing Properties                                                                | Annexure- VI         |
| d. | Statement of Exploratory & Development Work In Progress (Net)                                    | Annexure- VII        |
| e. | Statement of Investments                                                                         | Annexure- VIII       |
| f. | Statement of Inventories                                                                         | Annexure- IX         |
| g. | Statement of Sundry Debtors                                                                      | Annexure- X          |
| h. | Statement of Cash & Bank Balance, Deposit with Scheduled Bank under Site Restoration Fund Scheme | Annexure- XI A & B   |
| i. | Statement of Loans & Advances                                                                    | Annexure- XII        |

|     |                                                                               |                     |
|-----|-------------------------------------------------------------------------------|---------------------|
| j.  | Statement of Other Current Assets                                             | Annexure- XIII      |
| k.  | Statement of Secured and Unsecured Loans                                      | Annexure- XIV A & B |
| l.  | Statement of Current Liabilities                                              | Annexure- XV        |
| m.  | Statement of Provisions                                                       | Annexure- XVI       |
| n.  | Statement of Share Capital                                                    | Annexure- XVII      |
| o.  | Statement of Reserves & Surplus                                               | Annexure- XVIII     |
| p.  | Statement of Miscellaneous Expenditure                                        | Annexure- XIX       |
| q.  | Statement of Sales                                                            | Annexure- XX        |
| r.  | Statement of Other Income                                                     | Annexure- XXI       |
| s.  | Statement of (Increase) / Decrease in Stock                                   | Annexure- XXII      |
| t.  | Statement of Production, Transportation, Selling and Distribution Expenditure | Annexure- XXIII     |
| u.  | Statement of Depreciation, Depletion, Amortisation and Impairment             | Annexure- XXIV      |
| v.  | Statement of Financing Costs                                                  | Annexure- XXV       |
| w.  | Statement of Provisions & Write-offs (Net)                                    | Annexure- XXVI      |
| x.  | Statement of Adjustments Relating to Prior Period (Net)                       | Annexure- XXVII     |
| y.  | Statement of Dividend paid / Proposed                                         | Annexure- XXVIII    |
| z.  | Segment Information                                                           | Annexure- XXIX      |
| aa. | Statement of Earnings Per Equity Share                                        | Annexure- XXX       |
| ab. | Statement of Accounting Ratios                                                | Annexure- XXXI      |
| ac. | Statement of Capitalisation                                                   | Annexure- XXXII     |

7. Based on Para 2, 3, 4 and 5 above, we report that in our opinion and according to the information and explanations given to us, we have found the information as mentioned in Para 1 and 6 to be correctly extracted from the audited / reviewed consolidated financial statements and the same has been prepared in accordance with the ICDR Regulations and the applicable provisions of the Act.
8. The attached consolidated financial information, do not reflect the effect of events that occurred subsequent to the date of our report on those consolidated financial statement.
9. This report is intended solely for inclusion in the Red Herring Prospectus and the Prospectus in connection with FPO of the Equity Shares of the Company by the “Selling Shareholder” and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For M/s Arun K Agarwal & Associates  
Chartered Accountants  
Firm Reg No.003917N

(Rajesh Surolia)  
Partner (Mem. No. 088008)

For M/s Ray & Ray  
Chartered Accountants  
Firm Reg No.301072E

(A K Sharma)  
Partner (Mem. No. 080085)

For M/s M Kuppuswamy P S G & Co.  
Chartered Accountants  
Firm Reg No.001616S

(M N Ravi)  
Partner (Mem. No. 083751)

New Delhi  
August 29, 2011

For M/s Kalyaniwalla & Mistry  
Chartered Accountants  
Firm Reg No.104607W

(Ermin K. Irani)  
Partner (Mem. No. 035646)

M/s S Bhandari & Co.  
Chartered Accountants  
Firm Reg No.000560C

(P. P. Pareek)  
Partner (Mem. No. 071213)

**ANNEXURE – I**

**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

(₹ in million)

|                                                                 |            | <b>Three months<br/>ended<br/>30.06.2011<br/>(Unaudited)</b> | <b>As at<br/>31.03.2011<br/>(Audited)</b> | <b>As at<br/>31.03.2010<br/>(Audited)</b> |
|-----------------------------------------------------------------|------------|--------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>A. Goodwill on Consolidation</b>                             |            |                                                              |                                           |                                           |
| Gross                                                           |            | 109,838.22                                                   | 109,769.68                                | 110,742.82                                |
| Less: Amortisation                                              |            | 21,126.48                                                    | 19,841.11                                 | 15,357.36                                 |
| <b>Net</b>                                                      |            | <b>88,711.74</b>                                             | <b>89,928.57</b>                          | <b>95,385.46</b>                          |
| <b>B. Fixed Assets</b>                                          | IV A, B, C |                                                              |                                           |                                           |
| Gross Block                                                     |            | 1,025,167.61                                                 | 999,484.10                                | 901,926.40                                |
| Less: Depreciation & Impairment                                 |            | 751,447.33                                                   | 730,833.46                                | 658,164.47                                |
| <b>Net Block</b>                                                |            | <b>273,720.28</b>                                            | <b>268,650.64</b>                         | <b>243,761.93</b>                         |
| <b>C. Capital work in progress (Net)</b>                        | V          | <b>293,796.26</b>                                            | <b>273,786.29</b>                         | <b>176,013.47</b>                         |
| <b>D. Producing Properties</b>                                  | VI         |                                                              |                                           |                                           |
| Gross Cost                                                      |            | 1,196,393.29                                                 | 1,170,870.96                              | 1,031,074.13                              |
| Less Depletion & impairment                                     |            | 619,425.35                                                   | 598,974.63                                | 519,409.15                                |
| <b>Net Producing Properties</b>                                 |            | <b>576,967.94</b>                                            | <b>571,896.33</b>                         | <b>511,664.98</b>                         |
| <b>E. Exploratory &amp; Development wells in Progress (Net)</b> | VII        | <b>111,887.54</b>                                            | <b>102,378.94</b>                         | <b>80,124.91</b>                          |
| <b>F. Investments</b>                                           | VIII       | <b>49,136.70</b>                                             | <b>33,560.97</b>                          | <b>51,593.14</b>                          |
| <b>G. Deferred Tax Assets</b>                                   |            | <b>235.42</b>                                                | <b>238.20</b>                             | <b>164.69</b>                             |
| <b>H. Current Assets, Loans and Advances</b>                    |            |                                                              |                                           |                                           |
| Inventories                                                     | IX         | 86,762.71                                                    | 85,675.65                                 | 82,401.43                                 |
| Sundry Debtors                                                  | X          | 104,208.21                                                   | 97,723.85                                 | 71,423.52                                 |
| Cash and Bank Balances                                          | XI-A       | 302,176.54                                                   | 205,620.14                                | 149,702.47                                |
| Deposit with Bank under Site Restoration Fund scheme            | XI-B       | 81,828.78                                                    | 81,262.48                                 | 74,138.43                                 |
| Loans and Advances                                              | XII        | 107,335.25                                                   | 109,905.74                                | 120,566.90                                |
| Other Current Assets                                            | XIII       | 13,680.92                                                    | 9,129.88                                  | 7,456.63                                  |
| <b>Total</b>                                                    |            | <b>695,992.41</b>                                            | <b>589,317.74</b>                         | <b>505,689.38</b>                         |
| <b>I. Loan Fund</b>                                             |            |                                                              |                                           |                                           |
| Secured Loans                                                   | XIV-A      | 6,685.56                                                     | 7,005.86                                  | 6,959.27                                  |
| Unsecured Loans                                                 | XIV-B      | 59,549.80                                                    | 55,906.47                                 | 55,709.98                                 |
| <b>J. Current Liabilities and Provisions</b>                    |            |                                                              |                                           |                                           |
| Current Liabilities                                             | XV         | 438,235.68                                                   | 340,365.98                                | 226,818.90                                |
| Provisions                                                      | XVI        | 52,401.02                                                    | 50,880.40                                 | 75,157.72                                 |
| <b>K. Deferred Tax Liability</b>                                |            | 108,620.92                                                   | 111,764.56                                | 103,076.90                                |
| <b>L. Liability for Abandonment Cost</b>                        |            | 200,863.29                                                   | 198,503.71                                | 174,590.37                                |
| <b>M. Minority Interest</b>                                     |            | 20,988.96                                                    | 20,018.84                                 | 16,431.65                                 |
| <b>Total</b>                                                    |            | <b>887,345.23</b>                                            | <b>784,445.82</b>                         | <b>658,744.79</b>                         |
| <b>N. Net Worth (A+B+C+D+E+F+G+H-I-J-K-L-M)</b>                 |            | <b>1,203,103.06</b>                                          | <b>1,145,311.86</b>                       | <b>1,005,653.17</b>                       |
| <b>Net Worth Represented by</b>                                 |            |                                                              |                                           |                                           |
| <b>O. Share Capital</b>                                         | XVII       | 42,777.59                                                    | 42,777.59                                 | 21,388.87                                 |
| <b>P. Reserves and Surplus</b>                                  | XVIII      |                                                              |                                           |                                           |
| Capital Reserve                                                 |            | 1,009.36                                                     | 1,008.91                                  | 1,015.06                                  |
| Deferred Government Grant                                       |            | 33.76                                                        | 34.73                                     | 39.45                                     |
| Securities Premium                                              |            | 144.33                                                       | 144.33                                    | 312.45                                    |
| Capital Redemption Reserve                                      |            | 0.09                                                         | 0.09                                      | 0.09                                      |
| Insurance Reserves                                              |            | 0.00                                                         | 0.00                                      | 2,500.00                                  |
| General Reserves                                                |            | 961,470.09                                                   | 961,469.23                                | 875,394.22                                |
| Foreign Exchange Translation Reserve                            |            | 659.79                                                       | (1,933.82)                                | (4,115.28)                                |

|                                                                            |            | Three months<br>ended<br>30.06.2011<br>(Unaudited) | As at<br>31.03.2011<br>(Audited) | As at<br>31.03.2010<br>(Audited) |
|----------------------------------------------------------------------------|------------|----------------------------------------------------|----------------------------------|----------------------------------|
| Debenture Redemption Reserve                                               |            | 6,535.79                                           | 5,461.83                         | 1,154.19                         |
| Profit and Loss Account                                                    |            | 197,979.61                                         | 144,309.55                       | 116,377.36                       |
| <b>Total</b>                                                               |            | <b>1,167,832.82</b>                                | <b>1,110,494.85</b>              | <b>992,677.54</b>                |
| <b>Q. Less: Miscellaneous Expenditure (to the extent not written- off)</b> | XIX        | <b>7,507.35</b>                                    | <b>7,960.58</b>                  | <b>8,413.24</b>                  |
| <b>R. Net Worth (O+P-Q)</b>                                                |            | <b>1,203,103.06</b>                                | <b>1,145,311.86</b>              | <b>1,005,653.17</b>              |
| Significant Accounting Policies                                            | XXXII-A,B  |                                                    |                                  |                                  |
| Notes to Accounts                                                          | XXXIII-A,B |                                                    |                                  |                                  |

Annexure referred to above form an integral part of the Balance Sheet

For and on behalf of Board

(N. K. Sinha)  
**Company Secretary**

(D K Sarraf)  
**Director (Finance)**

(A K Hazarika)  
**Chairman & Managing Director**

**In terms of our report of even date attached**

**For Arun K. Agarwal & Associates**  
**Chartered Accountants**  
Firm Reg. No. 003917N

**For Ray & Ray**  
**Chartered Accountants**  
Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**  
**Chartered Accountants**  
Firm Reg. No. 001616S

(Rajesh Surolia)  
Partner (Mem No. 088008)

(A K Sharma)  
Partner (Mem. No. 080085)

(M N Ravi)  
Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**  
Chartered Accountants  
Firm Reg. No. 104607W

**For S Bhandari & Co**  
Chartered Accountants  
Firm Reg. No. 000560C

(Ermin K. Irani)  
Partner (Mem No. 035646)

(P P Pareek)  
Partner (Mem No. 071213)

**New Delhi**  
**August 29, 2011**

**ANNEXURE – II****PROFIT AND LOSS ACCOUNT**

(₹ in million)

|                                                                              | <b>Annx</b> | <b>Three months ended 30.06.2011 (Unaudited with Limited Review)</b> | <b>Financial Year ended 31.03.2011 (Audited)</b> | <b>Financial Year ended 31.03.2010 (Audited)</b> |
|------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Income</b>                                                                |             |                                                                      |                                                  |                                                  |
| Gross Sales                                                                  | XX          | 351,509.60                                                           | 1,227,685.75                                     | 1,061,688.44                                     |
| Less: Excise Duty                                                            |             | 12,391.70                                                            | 51,534.46                                        | 44,142.77                                        |
| Net Sales                                                                    |             | <b>339,117.90</b>                                                    | <b>1,176,151.29</b>                              | <b>1,017,545.67</b>                              |
| Other Income                                                                 | XXI         | 11,501.07                                                            | 69,289.33                                        | 52,708.18                                        |
| <b>Total</b>                                                                 |             | <b>350,618.97</b>                                                    | <b>1,245,440.62</b>                              | <b>1,070,253.85</b>                              |
| <b>Expenditure</b>                                                           |             |                                                                      |                                                  |                                                  |
| (Increase)/Decrease in Stock                                                 | XXII        | 1,521.91                                                             | (8,916.91)                                       | (3,728.81)                                       |
| Purchases                                                                    |             | 0.00                                                                 | 0.64                                             | 37.92                                            |
| Production, Transportation, Selling & distribution Expenditure               | XXIII       | 210,049.60                                                           | 684,645.19                                       | 571,725.94                                       |
| Depreciation, Depletion, Amortiasation & Impairment                          | XXIV        | 51,137.46                                                            | 206,263.38                                       | 187,188.30                                       |
| Financing Cost                                                               | XXV         | 796.83                                                               | 4,374.43                                         | 5,021.90                                         |
| Provisions and Write-Offs (Net)                                              | XXVI        | 964.66                                                               | 15,799.01                                        | 5,995.57                                         |
| Adjustments relating to Prior period (Net)                                   | XXVII       | (3.18)                                                               | 111.71                                           | (400.61)                                         |
| <b>Total</b>                                                                 |             | <b>264,467.28</b>                                                    | <b>902,277.45</b>                                | <b>765,840.21</b>                                |
| <b>Profit before Tax and Extra Ordinary items</b>                            |             | <b>86,151.69</b>                                                     | <b>343,163.17</b>                                | <b>304,413.64</b>                                |
| Extraordinary Items                                                          |             |                                                                      |                                                  |                                                  |
| <b>Profit before Tax</b>                                                     |             | <b>86,151.69</b>                                                     | <b>343,163.17</b>                                | <b>304,413.64</b>                                |
| Provisions for Taxations                                                     |             |                                                                      |                                                  |                                                  |
| Current Tax (incl. Wealth Tax)                                               |             | 33,982.99                                                            | 114,051.32                                       | 95,756.65                                        |
| Earlier years                                                                |             | 0.00                                                                 | (7,853.61)                                       | (176.45)                                         |
| Deferred Tax                                                                 |             | (3,129.08)                                                           | 8,795.93                                         | 11,557.72                                        |
| Fringe benefit tax                                                           |             | 0.00                                                                 | (80.20)                                          | 0.00                                             |
| <b>Profit after Taxation</b>                                                 |             | <b>55,297.78</b>                                                     | <b>228,249.73</b>                                | <b>197,275.72</b>                                |
| Add: Share of Profit/(Loss) in Associate                                     |             | <b>2.11</b>                                                          | <b>30.00</b>                                     | 78.13                                            |
| Less: Share of Profit/(Loss)-Minority Interest                               |             | <b>555.01</b>                                                        | <b>3,720.41</b>                                  | 3,318.53                                         |
| <b>Group Profit after Tax as per Audited/ Reviewed statement of accounts</b> |             | <b>54,744.88</b>                                                     | <b>224,559.32</b>                                | <b>194,035.32</b>                                |
| Surplus at the beginning                                                     |             | 144,309.55                                                           | 116,377.36                                       | 93,335.23                                        |
| Excess provision for dividend in earlier years                               |             | 0.00                                                                 | 1.47                                             |                                                  |
| Adjustment due to change in holding                                          |             | 0.00                                                                 | (136.74)                                         | (21.32)                                          |
| <b>Balance available for Appropriations</b>                                  |             | <b>199,054.43</b>                                                    | <b>340,801.41</b>                                | <b>287,349.23</b>                                |
| <b>Appropriations</b>                                                        |             |                                                                      |                                                  |                                                  |
| Proposed Dividend on Equity Shares                                           | XXVIII      | 0.00                                                                 | 6,416.62                                         | 32,083.09                                        |
| Tax on Proposed Dividend                                                     |             | 0.00                                                                 | 1,412.54                                         | 5,705.15                                         |
| Interim Dividend                                                             |             | 0.00                                                                 | 68,443.92                                        | 38,499.71                                        |
| Tax on Interim Dividend                                                      |             | 0.00                                                                 | 11,115.52                                        | 6,287.01                                         |
| Capital Redemption Reserve                                                   |             |                                                                      |                                                  | 0.00                                             |
| Transfer to General Reserve                                                  |             | 0.86                                                                 | 104,795.62                                       | 87,242.72                                        |
| Transfer to Debenture Redemption Reserve                                     |             | 1,073.96                                                             | 4,307.64                                         | 1,154.19                                         |
| <b>Balance Carried to Balance Sheet</b>                                      |             | <b>197,979.61</b>                                                    | <b>144,309.55</b>                                | <b>116,377.36</b>                                |
| <b>Earnings per Equity Share - Basic and Diluted (₹)</b>                     | XXX         | <b>6.40</b>                                                          | <b>26.25</b>                                     | <b>22.68</b>                                     |
| <b>(Face Value ₹5/-Per Share)</b>                                            |             |                                                                      |                                                  |                                                  |
| Significant Accounting Policies                                              | XXXII-A,B   |                                                                      |                                                  |                                                  |
| Notes to Accounts                                                            | XXXIII-A,B  |                                                                      |                                                  |                                                  |

Annexure referred to above form an integral part of the Profit &amp; Loss Accounts



For and on behalf of Board

(N. K. Sinha)  
**Company Secretary**

(D K Sarraf)  
**Director (Finance)**

(A K Hazarika)  
**Chairman & Managing Director**

**In terms of our report of even date  
attached**

**For Arun K. Agarwal & Associates**  
**Chartered Accountants**  
Firm Reg. No. 003917N

**For Ray & Ray**  
**Chartered Accountants**  
Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**  
**Chartered Accountants**  
Firm Reg. No. 001616S

(Rajesh Surolia)  
Partner (Mem No. 088008)

(A K Sharma)  
Partner (Mem. No. 080085)

(M N Ravi)  
Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**  
Chartered Accountants  
Firm Reg. No. 104607W

**For S Bhandari & Co**  
Chartered Accountants  
Firm Reg. No. 000560C

(Ermin K. Irani)  
Partner (Mem No. 035646)

(P P Pareek)  
Partner (Mem No. 071213)

**New Delhi**  
**August 29, 2011**

**ANNEXURE – III**

**CASH FLOW STATEMENT**

(₹ in million)

|                                                                  |             | <b>Quarter<br/>Ended<br/>30th June,<br/>2011</b> | <b>Year Ended<br/>31st March, 2011</b> | <b>Year Ended<br/>31st March, 2010</b> |             |                    |
|------------------------------------------------------------------|-------------|--------------------------------------------------|----------------------------------------|----------------------------------------|-------------|--------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                   |             |                                                  |                                        |                                        |             |                    |
| Profit before tax and extraordinary items                        |             | <b>86,151.69</b>                                 |                                        | <b>343,163.17</b>                      |             | <b>304,413.64</b>  |
| Adjustments For:                                                 |             |                                                  |                                        |                                        |             |                    |
| Prior Period Items                                               | (3.18)      |                                                  | 115.95                                 |                                        | (400.61)    |                    |
| Recouped Costs                                                   |             |                                                  |                                        |                                        |             |                    |
| (Represented by Depreciation, Depletion and Amortisation)        |             |                                                  |                                        |                                        |             |                    |
| Gross Amount                                                     | 51139.73    |                                                  | 206,523.13                             |                                        | 187,173.65  |                    |
| Cash Outflows                                                    | (24,221.54) |                                                  | (92,995.46)                            |                                        | (98,545.32) |                    |
|                                                                  | 26,918.19   |                                                  | 113,527.67                             |                                        | 88,628.33   |                    |
| Interest on Borrowings                                           | 780.65      |                                                  | 5,114.64                               |                                        | 5,009.44    |                    |
| Foreign Exchange Loss/(Gain)                                     | 258.55      |                                                  | 603.11                                 |                                        | (1,056.90)  |                    |
| Provision for Gratuity                                           | 2.32        |                                                  | 5.31                                   |                                        | 25.28       |                    |
| Provision for Leave Encashment                                   | 604.04      |                                                  | 2,317.45                               |                                        | 533.84      |                    |
| Provision for AS-15 Benefits                                     | 723.03      |                                                  | 2,861.43                               |                                        | 1,544.63    |                    |
| Provision for Pay Revision                                       | -           |                                                  | -                                      |                                        | (116.46)    |                    |
| Miscellaneous Expenditure written off                            | 0.08        |                                                  | 0.30                                   |                                        | 0.03        |                    |
| Profit/Loss on sale of fixed assets                              | 2.66        |                                                  | 18.42                                  |                                        | 54.15       |                    |
| Lease Income (Net)                                               | (14.17)     |                                                  | (140.53)                               |                                        | -           |                    |
| Other Provision and Write offs                                   | 917.35      |                                                  | 15,298.14                              |                                        | 5,285.75    |                    |
| Interest Income                                                  | (8,075.23)  |                                                  | (22,247.78)                            |                                        | (17,746.59) |                    |
| Excess Provision written Back                                    | (249.31)    |                                                  | (929.25)                               |                                        | (913.03)    |                    |
| Deferred Government Grant                                        | (0.97)      |                                                  | (4.72)                                 |                                        | (5.29)      |                    |
| Dividend Received                                                | (391.04)    |                                                  | (4,260.71)                             |                                        | (4,238.87)  |                    |
| Profit on sale of investment                                     | (0.76)      | <b>21,472.21</b>                                 | -                                      | <b>112,279.43</b>                      | (9.05)      | <b>76,594.65</b>   |
| Operating Profit before Working Capital Changes                  |             | <b>107,623.90</b>                                |                                        | <b>455,442.60</b>                      |             | <b>381,008.29</b>  |
| Adjustments for:-                                                |             |                                                  |                                        |                                        |             |                    |
| Debtors                                                          | (12,681.09) |                                                  | (33,725.60)                            |                                        | 1,091.84    |                    |
| Loans and Advances                                               | (3,524.46)  |                                                  | 1,578.18                               |                                        | (12,337.85) |                    |
| Other Current Assets                                             | 1,096.33    |                                                  | (1,416.55)                             |                                        | (16.98)     |                    |
| Deferred Revenue Expenditure/<br>Miscellaneous Expenditure W/off | 453.15      |                                                  | 452.91                                 |                                        | (2,641.23)  |                    |
| Inventories                                                      | (1,082.69)  |                                                  | (3,925.27)                             |                                        | (17,272.75) |                    |
| Trade Payable and Other Liabilities                              | 95,387.29   | <b>79,648.53</b>                                 | 106,613.07                             | <b>69,576.74</b>                       | 14,980.85   | <b>(16,196.12)</b> |
| Cash generated from Operations                                   |             | <b>187,272.43</b>                                |                                        | <b>525,019.34</b>                      |             | <b>364,812.17</b>  |
| Direct Taxes Paid (Net of tax refund)                            |             | <b>(14,482.00)</b>                               |                                        | <b>(105,192.24)</b>                    |             | <b>(77,483.72)</b> |
| Cash Flow before prior period & Extra ordinary Items             |             | <b>172,790.43</b>                                |                                        | <b>419,827.10</b>                      |             | <b>287,328.45</b>  |
| Prior period items                                               |             | <b>(16.74)</b>                                   |                                        | <b>(28.57)</b>                         |             | <b>500.75</b>      |
| <b>Net Cash Flow from Operating Activities 'A'</b>               |             | <b>172,773.69</b>                                |                                        | <b>419,798.53</b>                      |             | <b>287,829.20</b>  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                   |             |                                                  |                                        |                                        |             |                    |
| Purchase of Fixed Assets (Net)                                   |             | (34,588.57)                                      |                                        | <b>(196,853.09)</b>                    |             | (123,123.39)       |
| Exploratory and Development Drilling                             |             | (23,277.78)                                      |                                        | <b>(80,193.48)</b>                     |             | (89,407.83)        |
| Purchase of Investments                                          |             | (19,212.73)                                      |                                        | <b>(12,506.82)</b>                     |             | (31,410.34)        |

|                                                                           | Quarter<br>Ended<br>30th June,<br>2011 | Year Ended<br>31st March, 2011 | Year Ended<br>31st March, 2010 |
|---------------------------------------------------------------------------|----------------------------------------|--------------------------------|--------------------------------|
| Sale of Investments                                                       | 3,639.87                               | 32,014.91                      | 14,908.82                      |
| Advance for Share Capital                                                 | (115.92)                               | (6,682.99)                     | (5,983.75)                     |
| Loans to Public Sector Undertakings and<br>Other Bodies Corporate         | 88.36                                  | 340.04                         | 320.60                         |
| Deposit with Public Sector Undertakings                                   | -                                      | 15,000.00                      | 5,000.00                       |
| Foreign Currency Translation Adjustment                                   | 2,524.16                               | (3,306.02)                     | 6,009.95                       |
| Share of Dividend/Profit in Associate<br>Company                          | -                                      | -                              | 24.50                          |
| Investment in Associate Company                                           | 461.53                                 | (958.50)                       | (430.59)                       |
| Project Development/Preoperative<br>expenditure                           | (2,459.97)                             | (10,118.82)                    | (6,856.02)                     |
| Advance to Sudapet & Carry Finances                                       | (6,248.49)                             | (11.51)                        | 257.17                         |
| Dividend Received from Others                                             | 578.54                                 | 4,260.71                       | 1,595.25                       |
| Interest Received                                                         | 2,456.50                               | 21,511.20                      | 26,727.67                      |
| Tax paid on Interest Income                                               | (681.46)                               | (6,649.43)                     | (8,650.81)                     |
| <b>Net Cash Flow from Investing Activities<br/>'B'</b>                    | <b>(76,835.96)</b>                     | <b>(244,153.80)</b>            | <b>(211,018.77)</b>            |
| <b>C. CASH FLOW FROM FINANCING<br/>ACTIVITIES:</b>                        |                                        |                                |                                |
| Proceeds from issue of Share capital                                      | -                                      | -                              | 0.19                           |
| Redemption of Preference Share Capital                                    | (45.93)                                | -                              | -                              |
| Advance against Equity                                                    | 152.88                                 | 4,095.29                       | 2,874.43                       |
| Proceeds/(Repayment) of Term Loans/<br>Commercial Papers                  | 3,322.69                               | 400.40                         | (3,038.74)                     |
| Dividend Paid                                                             | -                                      | (101,427.32)                   | (69,377.54)                    |
| Tax on Dividend                                                           | -                                      | (16,471.37)                    | (11,403.91)                    |
| Interest Paid                                                             | (1,038.82)                             | (4,199.66)                     | (1,781.63)                     |
| <b>Net Cash Flow from Financing Activities<br/>'C'</b>                    | <b>2,390.82</b>                        | <b>(117,602.66)</b>            | <b>(82,727.20)</b>             |
| <b>Net increase/(decrease) in Cash and Cash<br/>Equivalents (A+B+C)</b>   | <b>98,328.55</b>                       | <b>58,042.07</b>               | <b>(5,916.77)</b>              |
| Cash and Cash Equivalents as at 1st April,<br>2011 (Opening Balance)      | 278,904.24                             | 219,966.71                     | 225,883.48                     |
| Add: Other Adjustments to Cash and Cash<br>Equivalents in Opening Balance | (29.65)                                | 895.46*                        | -                              |
|                                                                           | <b>278,874.59</b>                      | <b>220,862.17</b>              | <b>225,883.48</b>              |
| Cash and Cash Equivalents as at 30th June,<br>2011(Closing Balance)       | <b>377,203.14</b>                      | <b>278,904.24</b>              | <b>219,966.71</b>              |
|                                                                           | <b>98,328.55</b>                       | <b>58,042.07</b>               | <b>(5,916.77)</b>              |

\* Cash & cash equivalents as on 01.04.2010 includes ₹ 895.46 million on accounts of consolidation of Accounts of Dahej SEZ Ltd as it was not consolidated in year 2009-10.

**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:-

(₹ in million)

|                                                          | 30th June,<br>2011 | 2010-11           | 2009-10           |
|----------------------------------------------------------|--------------------|-------------------|-------------------|
| a) Cash and Bank Balances                                | 3,02,176.54        | 205,620.14        | 149,702.47        |
| b) Deposits with Bank under Site Restoration Fund Scheme | 81,828.78          | 81,262.48         | 74,138.43         |
| <b>Total</b>                                             | <b>384,005.32</b>  | <b>286,882.62</b> | <b>223,840.90</b> |

4. Cash and Cash equivalent excludes ₹ 6,802.18 million (Previous year 2010-11 ₹ 7,978.38 million and ₹ 3,874.16 million for year 2009-10) in current account /deposit account of interest warrant/ refund accounts, under lien, pledge with banks/Govt. authorities in respect of MRPL.
5. Cash Balance includes ₹ 9,020.35 million share of jointly controlled entities (Previous year ₹ 9,127 million in 2010-11 and ₹ 2,370.84 million for year 2009-10)
6. Brackets indicate cash outflow/deduction.
7. Previous year figures have been re-grouped/re-classified wherever necessary to confirm to the current periods presentation.

For and on behalf of Board

(N. K. Sinha)  
**Company Secretary**

(D K Sarraf)  
**Director (Finance)**

(A K Hazarika)  
**Chairman & Managing Director**

**In terms of our report of even date attached**

**For Arun K. Agarwal & Associates**  
**Chartered Accountants**  
Firm Reg. No. 003917N

**For Ray & Ray**  
**Chartered Accountants**  
Firm Reg. No. 301072E

**For M Kuppuswamy P S G & Co**  
**Chartered Accountants**  
Firm Reg. No. 001616S

(Rajesh Surolia)  
Partner (Mem No. 088008)

(A K Sharma)  
Partner (Mem. No. 080085)

(M N Ravi)  
Partner (Mem. No. 083751)

**For Kalayaniwalla & Mistry**  
Chartered Accountants  
Firm Reg. No. 104607W

**For S Bhandari & Co**  
Chartered Accountants  
Firm Reg. No. 000560C

(Ermin K. Irani)  
Partner (Mem No. 035646)

(P P Pareek)  
Partner (Mem No. 071213)

**New Delhi**  
**August 29, 2011**

**ANNEXURE – IV-A**

**OIL AND NATURAL GAS CORPORATION LIMITED**  
**Schedule to the Consolidated Balance Sheet**

**FIXED ASSETS**

(₹ in million)

| PARTICULARS                                                        | GROSS BLOCK           |                              |                                            |                       | DEPRECIATION AND IMPAIRMENT |                 |         |          |                                            |                      | NET BLOCK             |                        |
|--------------------------------------------------------------------|-----------------------|------------------------------|--------------------------------------------|-----------------------|-----------------------------|-----------------|---------|----------|--------------------------------------------|----------------------|-----------------------|------------------------|
|                                                                    | As at 1st April, 2011 | Additions during the Quarter | Deletions / adjustments during the Quarter | As at 30th June, 2011 | Upto 1st April, 2011        | For the Quarter |         |          | Deletions / Adjustments during the Quarter | Upto 30th June, 2011 | As at 30th June, 2011 | As at 31st March, 2011 |
|                                                                    |                       |                              |                                            |                       |                             | Depreciation    | Charged | Reversed |                                            |                      |                       |                        |
|                                                                    |                       |                              |                                            |                       |                             |                 |         |          |                                            |                      |                       |                        |
| Land                                                               |                       |                              |                                            |                       |                             |                 |         |          |                                            |                      |                       |                        |
| i) Freehold                                                        | 2,810.13              | 24.86                        | -                                          | 2,834.99              | 13.49                       | -               | -       | -        | -                                          | 13.49                | 2,821.50              | 2,796.64               |
| ii) Leasehold                                                      | 12,544.97             | 21.27                        | 1.49                                       | 12,564.75             | 629.33                      | 28.45           | -       | -        | -                                          | 657.78               | 11,906.97             | 11,915.64              |
| Buildings and Bunk Houses                                          | 26,270.67             | 195.72                       | 435.19                                     | 26,031.20             | 9,456.27                    | 252.15          | -       | -        | 75.33                                      | 9,633.09             | 16,398.11             | 16,814.40              |
| Railway Sidings                                                    | 134.68                | -                            | 44.73                                      | 89.95                 | 84.87                       | 0.20            | -       | -        | 0.75                                       | 84.32                | 5.63                  | 49.81                  |
| Plant and Machinery                                                |                       |                              |                                            |                       |                             |                 |         |          |                                            |                      |                       |                        |
| i) Owned                                                           | 931,945.09            | 27,346.26                    | 1,443.57                                   | 957,847.78            | 704,558.40                  | 21,040.48       | 0.60    | -        | 1,120.85                                   | 724,478.63           | 233,369.15            | 227,386.69             |
| ii) Leased                                                         | -                     | -                            | -                                          | -                     | -                           | -               | -       | -        | -                                          | -                    | -                     | -                      |
| Furniture and Fittings                                             | 13,297.17             | 102.48                       | 187.81                                     | 13,211.84             | 6,766.94                    | 307.40          | -       | -        | 60.42                                      | 7,013.92             | 6,197.92              | 6,530.23               |
| Vehicles, Survey Ships, Crew Boats, Aircrafts and Helicopters      | 6,065.71              | 67.75                        | 2.31                                       | 6,131.15              | 4,646.93                    | 103.56          | -       | -        | 9.37                                       | 4,741.12             | 1,390.03              | 1,418.78               |
|                                                                    | 993,068.42            | 27,758.34                    | 2,115.10                                   | 1,018,711.66          | 726,156.23                  | 21,732.24       | 0.60    | -        | 1,266.72                                   | 746,622.35           | 272,089.31            | 266,912.19             |
| Intangible Assets                                                  | 6,415.68              | 3.18                         | (37.09)                                    | 6,455.95              | 4,677.23                    | 147.99          | -       | -        | 0.24                                       | 4,824.98             | 1,630.97              | 1,738.45               |
| TOTAL                                                              | 999,484.10            | 27,761.52                    | 2,078.01                                   | 1,025,167.61          | 730,833.46                  | 21,880.23       | 0.60    | -        | 1,266.96                                   | 751,447.33           | 273,720.28            | 268,650.64             |
| Previous year                                                      | 901,926.40            | 120,879.16                   | 23,321.46                                  | 999,484.10            | 658,164.47                  | 84,703.88       | 597.79  | 144.63   | 12,488.05                                  | 730,833.46           | 268,650.64            | 243,761.93             |
| The above includes the Corporation's share in Joint Venture Assets | 170,293.03            | 946.60                       | 771.59                                     | 170,468.04            | 99,640.75                   | 6,594.11        | 0.06    | -        | 900.92                                     | 105,334.00           | 65,134.04             |                        |
| Previous Year                                                      | 135,066.99            | 44,515.88                    | 9,289.84                                   | 170,293.03            | 81,684.78                   | 29,733.95       | 100.71  | -        | 11,878.69                                  | 99,640.75            | 70,652.28             |                        |

Notes:

- Additions to Fixed Asset are net of ₹ 27.77 million on account of foreign currency translation adjustment during the Quarter (FY 2010-11 ₹ 100.23 million)
- Land includes land in respect of certain projects for which execution of lease/conveyance deeds are in process.
- Registration of title deeds in respect of certain Buildings is pending execution.
- Plant & Machinery-owned includes an amount of ₹ 782.98 million (FY 2010-11 ₹ 782.98 million) being MRPL's share of an asset jointly owned with another company. Net Block ₹ 151.73 million (FY 2010-11 ₹ 162.07 million).
- Net Fixed Assets include ₹ 8,937.74million share of jointly controlled entities. (FY 2010-11 ₹ 9,057.24 million)
- Depreciation for the year includes ₹ 1.93 million taken to prior period. (FY 2010-11 ₹ 204.29 million)
- Plant & Machinery includes Jetty & Trestle (Gross block of ₹45,437.82 million). As per the agreement, ownership of assets will be transferred to the Gujarat Maritime Board in the year 2035.
- Building includes cost of undivided interest in land

**ANNEXURE – IV-B**

**FIXED ASSETS**

(₹ in million)

|                                                                | GROSS BLOCK           |                           |                                        |                        | DEPRECIATION AND IMPAIRMENT |               |         |          |                                            | NET BLOCK             |                        |                        |
|----------------------------------------------------------------|-----------------------|---------------------------|----------------------------------------|------------------------|-----------------------------|---------------|---------|----------|--------------------------------------------|-----------------------|------------------------|------------------------|
|                                                                | As at 1st April, 2010 | Additions during the year | Deletions/ adjustments during the year | As at 31st March, 2011 | Up to 31st March, 2010      | For the Year  |         |          | Deletions/ Adjustmen ts during the Quarter | Upto 31st March, 2011 | As at 31st March, 2011 | As at 31st March, 2010 |
|                                                                |                       |                           |                                        |                        |                             | Depreciat ion | Charged | Reversed |                                            |                       |                        |                        |
| Land                                                           |                       |                           |                                        |                        |                             |               |         |          |                                            |                       |                        |                        |
| i) Freehold                                                    | 2,356.51              | 453.61                    | (0.01)                                 | 2,810.13               | 13.85                       | -             | -       | 0.36     | -                                          | 13.49                 | 2,796.64               | 2,342.66               |
| ii) Leasehold                                                  | 9,664.54              | 330.01                    | (2,550.42)                             | 12,544.97              | 364.65                      | 173.02        | -       | -        | (91.66)                                    | 629.33                | 11,915.64              | 9,299.89               |
| Buildings and Bunk Houses                                      | 22,048.68             | 4,578.73                  | 356.74                                 | 26,270.67              | 8,503.92                    | 940.36        | -       | 0.47     | (12.46)                                    | 9,456.27              | 16,814.40              | 13,544.76              |
| Railway Sidings                                                | 134.62                | 0.06                      | -                                      | 134.68                 | 83.82                       | 1.05          | -       | -        | -                                          | 84.87                 | 49.81                  | 50.80                  |
| Plant and Machinery                                            |                       |                           |                                        |                        |                             |               |         |          |                                            |                       |                        |                        |
| i) Owned                                                       | 841,748.83            | 113,582.65                | 23,386.39                              | 931,945.09             | 634,001.38                  | 81,081.95     | 596.46  | 141.43   | 10,979.96                                  | 704,558.40            | 227,386.69             | 207,747.45             |
| ii) Taken on Lease                                             | 428.13                | -                         | 428.13                                 | -                      | -                           | -             | -       | -        | -                                          | -                     | -                      | 428.13                 |
| Furniture and Fittings                                         | 12,623.57             | 1,140.59                  | 466.99                                 | 13,297.17              | 5,730.33                    | 1,369.16      | 1.33    | 1.23     | 332.65                                     | 6,766.94              | 6,530.23               | 6,893.24               |
| Vehicles, Survey Ships, Crew Boats and Helicopters             | 6,782.12              | 494.76                    | 1,211.17                               | 6,065.71               | 5,495.22                    | 419.21        | -       | 1.13     | 1,266.37                                   | 4,646.93              | 1,418.78               | 1,286.90               |
|                                                                | 895,787.00            | 120,580.41                | 23,298.99                              | 993,068.42             | 654,193.17                  | 83,984.75     | 597.79  | 144.62   | 12,474.86                                  | 726,156.23            | 266,912.19             | 241,593.83             |
| Intangibles – Software                                         | 6,139.40              | 298.75                    | 22.47                                  | 6,415.68               | 3,971.30                    | 719.13        | -       | 0.01     | 13.19                                      | 4,677.23              | 1,738.45               | 2,168.10               |
| TOTAL                                                          | 901,926.40            | 120,879.16                | 23,321.46                              | 999,484.10             | 658,164.47                  | 84,703.88     | 597.79  | 144.63   | 12,488.05                                  | 730,833.46            | 268,650.64             | 243,761.93             |
| Previous year                                                  | 784,247.57            | 124,616.26                | 6,937.43                               | 901,926.40             | 599,291.73                  | 57,130.43     | 233.58  | 181.80   | (1,690.53)                                 | 658,164.47            | 243,761.93             | 184,955.84             |
| The above includes the Company’s share in Joint Venture Assets | 135,066.99            | 44,515.88                 | 9,289.84                               | 170,293.03             | 81,684.78                   | 29,733.95     | 100.71  | -        | 11,878.69                                  | 99,640.75             | 70,652.28              |                        |
| Previous Year                                                  | 119,279.17            | 19,241.31                 | 3,453.49                               | 135,066.99             | 73,878.86                   | 9,778.28      | -       | -        | 1,972.36                                   | 81,684.78             | 53,382.21              |                        |

Notes:

- Additions to Plant and Machinery are net of ₹ 100.23 million on account of foreign currency translation adjustment during the year (FY 09-10 ₹ (-) 3,122.02 million)
- Land includes land in respect of a certain projects for which execution of lease/conveyance deeds are in process.
- Registration of title deeds in respect of certain Buildings is pending execution.
- Plant & Machinery-owned includes an amount of ₹ 782.98 million (FY 09-10 ₹ 782.98 million) being MRPL's share of an asset jointly owned with another company. Net Block ₹ 29.92 million (Previous Year ₹ 4.19 million)
- Net Fixed Assets include ₹ 9,057.24 million share of jointly controlled entities. (FY 09-10 ₹ 6,741.12)
- Depreciation for the year includes ₹ 204.29 million taken to prior period. (FY 09-10 ₹ 119.66 million)
- Plant & Machinery includes Jetty & Trestle (Gross block of ₹ 45,437.82 million). As per the agreement, ownership of assets will be transferred to the Gujarat Maritime Board in the year 2035.
- Building includes cost of undivided interest in land

**ANNEXURE – IV-C**

**FIXED ASSETS**

(₹ in million)

| (Rs in million)                                                    |                       |                           |                                        |                        |                             |               |         |          |                                        |                       |                        |                        |
|--------------------------------------------------------------------|-----------------------|---------------------------|----------------------------------------|------------------------|-----------------------------|---------------|---------|----------|----------------------------------------|-----------------------|------------------------|------------------------|
|                                                                    | GROSS BLOCK           |                           |                                        |                        | DEPRECIATION AND IMPAIRMENT |               |         |          |                                        | NET BLOCK             |                        |                        |
|                                                                    | As at 1st April, 2009 | Additions during the year | Deletions/adjustment s during the year | As at 31st March, 2010 | Up to 31st March, 2009      | For the Year  |         |          | Deletions/Adjustmen ts during the year | Upto 31st March, 2010 | As at 31st March, 2010 | As at 31st March, 2009 |
|                                                                    |                       |                           |                                        |                        |                             | Depreciatio n | Charged | Reversed |                                        |                       |                        |                        |
| Land                                                               |                       |                           |                                        |                        |                             |               |         |          |                                        |                       |                        |                        |
| i) Freehold                                                        | 2,230.64              | 130.39                    | 4.52                                   | 2,356.51               | 19.67                       | -             | 0.37    | 4.12     | 2.07                                   | 13.85                 | 2,342.66               | 2,210.97               |
| ii) Leasehold                                                      | 8,479.61              | 1,180.76                  | (4.17)                                 | 9,664.54               | 309.75                      | 54.19         | -       | -        | (0.71)                                 | 364.65                | 9,299.89               | 8,169.86               |
| Buildings and Bunk Houses                                          | 20,507.20             | 1,679.13                  | 137.65                                 | 22,048.68              | 7,794.40                    | 769.16        | 3.67    | 83.60    | (20.29)                                | 8,503.92              | 13,544.76              | 12,712.80              |
| Railway Sidings                                                    | 134.62                | -                         | -                                      | 134.62                 | 82.62                       | 1.20          | -       | -        | -                                      | 83.82                 | 50.80                  | 52.00                  |
| Plant and Machinery                                                |                       |                           |                                        |                        |                             |               |         |          |                                        |                       |                        |                        |
| i) Owned                                                           | 723,919.04            | 116,762.02                | (1,067.77)                             | 841,748.83             | 570,921.98                  | 61,129.23     | 228.43  | 86.93    | (1,808.67)                             | 634,001.38            | 207,747.45             | 152,997.06             |
| ii) Taken on Lease                                                 | 428.13                | -                         | -                                      | 428.13                 | -                           | -             | -       | -        | -                                      | -                     | 428.13                 | 428.13                 |
| Furniture and Fittings                                             | 16,792.45             | 3,622.63                  | 7,791.51                               | 12,623.57              | 11,402.72                   | (5,594.39)    | 1.08    | 4.94     | 74.14                                  | 5,730.33              | 6,893.24               | 5,389.73               |
| Vehicles, Survey Ships, Crew Boats, Aircrafts and Helicopters      | 6,639.89              | 216.26                    | 74.03                                  | 6,782.12               | 5,183.85                    | 374.82        | 0.02    | 2.21     | 61.26                                  | 5,495.22              | 1,286.90               | 1,456.04               |
|                                                                    | 779,131.58            | 123,591.19                | 6,935.77                               | 895,787.00             | 595,714.99                  | 56,734.21     | 233.57  | 181.80   | (1,692.20)                             | 654,193.17            | 241,593.83             | 183,416.59             |
| Intangibles                                                        | 5,115.99              | 1,025.07                  | 1.66                                   | 6,139.40               | 3,576.74                    | 396.22        | 0.01    | -        | 1.67                                   | 3,971.30              | 2,168.10               | 1,539.25               |
| TOTAL                                                              | 784,247.57            | 124,616.26                | 6,937.43                               | 901,926.40             | 599,291.73                  | 57,130.43     | 233.58  | 181.80   | (1,690.53)                             | 658,164.47            | 243,761.93             | 184,955.84             |
| Previous year                                                      | 736,384.96            | 46,425.86                 | -1,436.75                              | 784,247.57             | 542,423.94                  | 57,208.88     | 135.99  | 1,053.56 | (576.48)                               | 599,291.73            | 184,955.84             |                        |
| The above includes the Corporation's share in Joint Venture Assets | 119,279.17            | 19,241.31                 | 3,453.49                               | 135,066.99             | 73,878.86                   | 9,778.28      | 0.00    | 0.00     | 1,972.36                               | 81,684.78             | 53382.21               |                        |
| Previous Year                                                      | 110,836.18            | 4,457.89                  | -3,985.10                              | 119,279.17             | 57,593.17                   | 13,182.69     | 28.61   | 0.00     | (3,074.39)                             | 73,878.86             | 45400.31               |                        |

Notes:

1. Additions to Plant and Machinery are net of ₹ (-) 3,122.02 million on account of foreign currency translation adjustment during the year.
2. Land includes land in respect of a 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 ₹ 782.98 million being MRPL's share of an asset jointly owned with another company.
5. Net Fixed Assets include ₹ 6,741.12 million share of jointly controlled entities.
6. Depreciation for the year includes ₹ 119.66 million taken to prior period.
7. Plant & Machinery includes Jetty & Trestle (Gross block of ₹ 45,437.82 million). As per the agreement, ownership of assets will be transferred to the Gujarat Maritime Board in the year 2035.
8. Depreciation on intangible software for the year is after reducing ₹ 424.55 million being amount written back on recomputation. (Refer Note 10 of Schedule 27)

**ANNEXURE – V****CAPITAL WORK IN PROGRESS (CWIP)**

(₹ in million)

|                                                  | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|--------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>CAPITAL WORKS-IN-PROGRESS</b>                 |                          |                              |                              |
| Buildings                                        | 2,462.54                 | 1,954.10                     | 776.45                       |
| Plant and Machinery*                             | 218,808.88               | 202,789.75                   | 117,721.86                   |
| Overseas Projects                                | 46,626.77                | 39,551.96                    | 33,029.36                    |
| Advances for Capital Works and Progress Payments | 24,403.46                | 28,512.09                    | 12,026.79                    |
| Capital Stores (including in transit)            | 1,755.04                 | 1,550.57                     | 1,457.20                     |
| Less: Provision for Non-Moving Items             | 49.28                    | 49.27                        | 43.26                        |
|                                                  | 1,705.76                 | 1,501.30                     | 1,413.94                     |
| Others                                           | 941.99                   | 631.95                       | 12,003.23                    |
| <b>TOTAL</b>                                     | <b>294,949.40</b>        | <b>274,941.15</b>            | <b>176,971.63</b>            |
| <b>Less: Impairment</b>                          |                          |                              |                              |
| Opening Balance                                  | 1,154.86                 | 958.16                       | 701.26                       |
| Impairment provided for the year                 | -                        | 553.14                       | 364.17                       |
| Transfer to Fixed Assets                         | (1.72)                   | (355.48)                     | (61.64)                      |
| Reversed during the year                         | -                        | (0.96)                       | (45.63)                      |
| <b>TOTAL</b>                                     | <b>1,153.14</b>          | <b>1,154.86</b>              | <b>958.16</b>                |
| <b>NET CAPITAL WORKS-IN-PROGRESS</b>             | <b>293,796.26</b>        | <b>273,786.29</b>            | <b>176,013.47</b>            |

Note:

\* Includes ₹ 796.99 million on account of capitalisation of borrowing cost. (FY 2010-11 ₹1352.03 million &amp; 2009-10 ₹583.55 million)

Includes ₹ 45,895.41 million share of jointly controlled entities. (FY 10-11 ₹ 41564.4 million &amp; FY 09-10 ₹ 21,413.91 million)



**ANNEXURE – VI****Producing Properties (Net of Depletion)**

(₹ in million)

|                                                           | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|-----------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>PRODUCING PROPERTIES</b>                               |                          |                              |                              |
| <b>Gross Cost</b>                                         |                          |                              |                              |
| Opening Balance                                           | 1,170,870.96             | 1,031,074.13                 | 913,234.25                   |
| Acquisition Cost                                          | 0.00                     | 164.99                       | 698.97                       |
| Expenditure during the year                               | 3,864.74                 | 24,598.92                    | 10,876.01                    |
| Transfer from Exploratory Wells-in-Progress               | 285.79                   | 3,816.05                     | 16,218.44                    |
| Transfer from Development Wells-in-Progress               | 8,387.19                 | 48,166.03                    | 63,862.33                    |
| Depreciation on Facilities                                | 8,721.00                 | 36,389.62                    | 29,119.11                    |
| Increase/(Decrease) in estimated Abandonment costs        | 2,141.39                 | 23,384.81                    | 2,951.59                     |
| Foreign Currency Translation Adjustments                  | 2,123.30                 | 3,460.36                     | (9,467.40)                   |
| Other Adjustments                                         | (1.08)                   | (183.95)                     | 3,580.83                     |
| <b>Total (Gross)</b>                                      | <b>1,196,393.29</b>      | <b>1,170,870.96</b>          | <b>1,031,074.13</b>          |
| <b>Less: Depletion &amp; Impairment</b>                   |                          |                              |                              |
| Opening Balance                                           | 598,974.63               | 519,409.15                   | 460,253.83                   |
| Depletion for the year                                    | 19,639.40                | 78,169.56                    | 62,242.14                    |
| Transfer of Impairment from Development Wells in Progress | 0.00                     | 0.57                         | 17.96                        |
| Foreign Currency Translation Adjustments                  | 810.81                   | 1,289.53                     | (5,361.49)                   |
| Impairment provided for the year                          | 0.51                     | 136.20                       | 11.50                        |
| Write back/reversed during the year                       | -                        | (34.93)                      | (758.24)                     |
| Other Adjustments                                         | -                        | 4.55                         | 3,003.45                     |
| <b>TOTAL</b>                                              | <b>619,425.35</b>        | <b>598,974.63</b>            | <b>519,409.15</b>            |
| <b>NET PRODUCING PROPERTIES</b>                           | <b>576,967.94</b>        | <b>571,896.33</b>            | <b>511,664.98</b>            |

Note: Includes Nil share of jointly controlled entities. (FY 10-11 Nil &amp; FY 09-10, Nil)

**ANNEXURE – VII****Exploratory & Development Wells in Progress**

(₹ in million)

|                                                          | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|----------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>A) EXPLORATORY WELLS-IN-PROGRESS</b>                  |                          |                              |                              |
| <b>Gross Cost</b>                                        |                          |                              |                              |
| Opening Balance                                          | 82,795.97                | 67,696.54                    | 69,047.13                    |
| Expenditure during the year                              | 23,038.31                | 87,727.73                    | 87,454.80                    |
| Less : Sale proceeds of Oil and Gas (Net of levies)      | 61.22                    | 369.82                       | 38.43                        |
|                                                          | 22,977.09                | 87,357.91                    | 87,416.37                    |
| Depreciation during the year                             | 1,157.60                 | 5,415.22                     | 7,671.69                     |
|                                                          | 106,930.66               | 160,469.67                   | 164,135.19                   |
| <b>Less :</b>                                            |                          |                              |                              |
| Transfer to Producing Properties                         | 285.79                   | 3,816.05                     | 16,218.44                    |
| Wells written off during the year                        | 19,593.68                | 73,175.23                    | 72,124.75                    |
| Other Adjustments                                        | (0.62)                   | (170.79)                     | 8,720.82                     |
| Foreign Currency Translation Adjustments                 | 1,726.70                 | 853.21                       | (625.36)                     |
|                                                          | 21,605.55                | 77,673.70                    | 96,438.65                    |
|                                                          | 85,325.11                | 82,795.97                    | 67,696.54                    |
| Less : Provision for Dry Wells                           | 9,452.09                 | 9,449.50                     | 9,409.63                     |
| <b>NET EXPLORATORY WELLS-IN-PROGRESS (A)</b>             | <b>75,873.02</b>         | <b>73,346.47</b>             | <b>58,286.91</b>             |
| <b>B) DEVELOPMENT WELLS-IN-PROGRESS</b>                  |                          |                              |                              |
| Opening Balance                                          | 29,332.35                | 21,892.87                    | 21,908.76                    |
| Expenditure during the year                              | 10,716.48                | 49,833.23                    | 50,718.54                    |
| Depreciation during the year                             | 2,641.81                 | 5,344.63                     | 4,979.20                     |
| Other Adjustments                                        | (115.02)                 | (5.30)                       | 8,519.55                     |
| Foreign Currency Translation Adjustments                 | 2,125.97                 | 432.95                       | (370.85)                     |
| Less: Transfer to Producing Properties                   | 8,387.19                 | 48,166.03                    | 63,862.33                    |
|                                                          | <b>36,314.40</b>         | <b>29,332.35</b>             | <b>21,892.87</b>             |
| <b>Less: Impairment</b>                                  |                          |                              |                              |
| Opening Balance                                          | 299.88                   | 54.87                        | 67.49                        |
| Transfer to Producing Properties                         | -                        | (0.57)                       | (17.96)                      |
| Provision for the year                                   | -                        | 247.60                       | 5.83                         |
| Write back/ Reversed during the year                     | -                        | (2.02)                       | (0.49)                       |
|                                                          | <b>299.88</b>            | <b>299.88</b>                | <b>54.87</b>                 |
| <b>NET DEVELOPMENT WELLS-IN-PROGRESS (B)</b>             | <b>36,014.52</b>         | <b>29,032.47</b>             | <b>21,838.00</b>             |
| <b>EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A)+(B)</b> | <b>111,887.54</b>        | <b>102,378.94</b>            | <b>80,124.91</b>             |

Note: Includes ₹ Nil million share of jointly controlled entities. (FY 10-11 Nil FY 09-10 ₹ 1,376.59 million)

**ANNEXURE – VIII**

**STATEMENT OF INVESTMENTS**

| (₹ in million)                                                  |                               |                                       |                             |                              |                              |
|-----------------------------------------------------------------|-------------------------------|---------------------------------------|-----------------------------|------------------------------|------------------------------|
| Particulars                                                     | No. of Shares/<br>Bonds/Units | Face Value<br>per Share/<br>Bond/Unit | As at<br>30th June,<br>2011 | As at 31st<br>March,<br>2011 | As at 31st<br>March,<br>2010 |
| <b>LONG-TERM INVESTMENTS (Fully Paid up)</b>                    |                               |                                       |                             |                              |                              |
| <b>TRADE INVESTMENTS</b>                                        |                               |                                       |                             |                              |                              |
| <b>Equity Shares (Quoted)</b>                                   |                               |                                       |                             |                              |                              |
| i) Indian Oil Corporation Limited                               | 212,906,190                   | 10                                    | 13,720.49                   | 13,720.49                    | 13,720.49                    |
| ii) GAIL (India) Limited                                        | 61,259,323                    | 10                                    | 2,451.06                    | 2,451.06                     | 2,451.06                     |
| <b>Equity Shares (Unquoted)</b>                                 |                               |                                       |                             |                              |                              |
| <b>Investment in Associates</b>                                 |                               |                                       |                             |                              |                              |
| i) Pawan Hans Helicopter Limited                                | 120,350                       | 10,000                                | 2,054.52                    | 2,052.41                     | 1,063.91                     |
| (net of capital reserve of ₹ 285.32 million)                    | (24,500)*                     |                                       |                             |                              |                              |
| <b>Investment in Others</b>                                     |                               |                                       |                             |                              |                              |
| i) Oil Spill Response Ltd.                                      | 100                           | **                                    | 0.01                        | 0.01                         | 0.01                         |
| ii) Adani Petronet Ports (Dahej) Pvt Ltd.                       | 9,166,875                     | 10                                    | 91.68                       | 91.67                        | 84.65                        |
|                                                                 | (8,464,375)*                  |                                       |                             |                              |                              |
| iii) Dahej SEZ Limited                                          | -                             | 10                                    | -                           | -                            | 0.25#                        |
|                                                                 | (24800)*                      |                                       |                             |                              |                              |
| iv) Bharuch Dahej Railway Company Limited (BDRCL)               | 4,960,000                     | 10                                    | 49.60                       | 49.60                        |                              |
|                                                                 | (-)*                          |                                       |                             |                              |                              |
| <b>Oil Companies Govt. of India Special Bonds (Unquoted)</b>    |                               |                                       |                             |                              |                              |
| i) 7% Government of India Special Bonds 2012                    | 879,185                       | 10,000                                | 8,791.85                    | 8,791.85                     | 8,791.85                     |
| ii) 8.40% Oil companies' Government of India Special Bonds 2025 | 197,370                       | 10,000                                | 1,973.70                    | 1,973.70                     | 1,973.70                     |
| <b>TOTAL TRADE INVESTMENTS</b>                                  |                               |                                       | 29,132.91                   | 29,130.79                    | 28,085.92                    |
| <b>NON-TRADE INVESTMENTS (Unquoted)</b>                         |                               |                                       |                             |                              |                              |
| 12% UP State Development Loan-2011                              | 1                             | 500,000                               | 0.50                        | 0.50                         | 0.50                         |
| In Central Govt. Securities (Long Term)                         | 1                             | 500,000,000                           | 62.35                       | 62.35                        | 62.35                        |
| Mutual Funds                                                    |                               |                                       | 19,940.94                   | 4,367.33                     | 23,444.37                    |
| <b>TOTAL NON TRADE INVESTMENTS</b>                              |                               |                                       | 20,003.79                   | 4,430.18                     | 23,507.22                    |
| <b>GRAND TOTAL</b>                                              |                               |                                       | <b>49,136.70</b>            | <b>33,560.97</b>             | <b>51,593.14</b>             |
| <b>Total Quoted Investments</b>                                 |                               |                                       | 16,171.55                   | 16,171.55                    | 16,171.55                    |
| <b>Total Unquoted Investments</b>                               |                               |                                       | 32,965.15                   | 17,389.42                    | 35,421.59                    |
| <b>TOTAL</b>                                                    |                               |                                       | <b>49,136.70</b>            | <b>33,560.97</b>             | <b>51,593.14</b>             |
| <b>Total Market value of Quoted Investments</b>                 |                               |                                       | <b>98,745.06</b>            | <b>99,290.15</b>             | <b>81,084.45</b>             |

\* Figures relate to 31st March, 2010

\*\* Pound one each, total value ₹ 6,885/-

# As At 31.03.2010, Dahej Accounts were not consolidated as the financial statements were not received and therefore Investment in the equity of Dahej SEZ Ltd has been taken as Investment.

Note: Includes ₹ 2,410.91 million share of jointly controlled entities. (FY 10-11 ₹ 2,648.03 million & FY 09-10 ₹ 1,064.57 million)

**ANNEXURE – IX****INVENTORIES**

(₹ in million)

|                                                     | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|-----------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>INVENTORIES</b>                                  |                          |                              |                              |
| Finished Goods (Including Carbon Credits)           | 21,692.26                | 25,461.55                    | 19,275.18                    |
| Raw Materials                                       |                          |                              |                              |
| - in hand                                           | 10,774.47                | 7,559.99                     | 10,547.66                    |
| - in transit                                        | 10,373.30                | 10,583.23                    | 5,400.09                     |
|                                                     | <b>21,147.77</b>         | <b>18,143.22</b>             | <b>15,947.75</b>             |
| Stock in Process                                    | 3,098.25                 | 2,414.79                     | 1,090.92                     |
| Stores and spare parts                              |                          |                              |                              |
| - in hand                                           | 42,211.69                | 41,790.57                    | 46,734.36                    |
| - in transit (including inter-project transfers)    | 3,281.52                 | 2,553.98                     | 3,510.15                     |
|                                                     | 45,493.21                | 44,344.55                    | 50,244.51                    |
| Less: Provision for Non-Moving Stores & Spare parts | 4,784.61                 | 4,808.24                     | 4,269.02                     |
|                                                     | 40,708.60                | 39,536.31                    | 45,975.49                    |
| Unserviceable Items                                 | 115.83                   | 119.78                       | 112.09                       |
| <b>TOTAL</b>                                        | <b>86,762.71</b>         | <b>85,675.65</b>             | <b>82,401.43</b>             |

Note: Includes ₹ 530.22 million share of jointly controlled entities (FY 10-11 ₹ 383.49 million & FY 09-10 ₹ 344.73 million)

**ANNEXURE – X****STATEMENT OF SUNDRY DEBTORS**

(₹ in million)

| Particulars                                             | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|---------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>SUNDRY DEBTORS</b>                                   |                          |                              |                              |
| (Unsecured, Considered Good unless otherwise stated)    |                          |                              |                              |
| Debts - Outstanding for a period exceeding six months : |                          |                              |                              |
| - Considered Good                                       | 20,627.48                | 17,604.67                    | 2,054.36                     |
| - Considered Doubtful                                   | 4,059.44                 | 3,704.63                     | 3,444.96                     |
| Other debts :                                           |                          |                              |                              |
| - Considered Good                                       | 83,580.72                | 80,119.18                    | 69,369.16                    |
| - Considered Doubtful                                   | 861.28                   | 646.48                       | 21.07                        |
|                                                         | 109,128.92               | 102,074.96                   | 74,889.55                    |
| Less: Provision for Doubtful Debts                      | 4,920.71                 | 4,351.11                     | 3,466.03                     |
| <b>TOTAL</b>                                            | <b>104,208.21</b>        | <b>97,723.85</b>             | <b>71,423.52</b>             |

Note: Includes ₹ 1,402 million share of jointly controlled entities. (FY 10-11 ₹ 1,231.12 million FY 09-10 ₹ 662.79 million)

**ANNEXURE – XI****CASH & BANK BALANCES**

(₹ in million)

|                                                                            | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|----------------------------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>A) CASH AND BANK BALANCES</b>                                           |                          |                              |                              |
| Cash balance in hand                                                       | 35.90                    | 13.83                        | 15.08                        |
| <b>Balances with Scheduled Banks in:</b>                                   |                          |                              |                              |
| Current Accounts                                                           | 8,073.34                 | 11,031.70                    | 7,463.09                     |
| Fixed Deposits                                                             | 283,782.50               | 186,207.28                   | 135,431.64                   |
| Balances with Non-Scheduled Banks:                                         | 10,284.80                | 8,367.33                     | 6,792.66                     |
| <b>Total</b>                                                               | <b>302,176.54</b>        | <b>205,620.14</b>            | <b>149,702.47</b>            |
| <b>B) DEPOSIT WITH SCHEDULED BANK UNDER SITE RESTORATION FUND SCHEME *</b> | <b>81,828.78</b>         | <b>81,262.48</b>             | <b>74,138.43</b>             |

Note: Includes ₹ 9020.35 million share of jointly controlled entities (FY 10-11 ₹9127.38 million & FY 09-10 ₹ 2,370.84 million)

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

**ANNEXURE – XII****STATEMENT OF LOANS AND ADVANCES**

(₹ in million)

| Particulars                                                         | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|---------------------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>LOANS AND ADVANCES</b>                                           |                          |                              |                              |
| Loans to Public Sector Undertakings and other Body Corporates       | 8,096.11                 | 684.47                       | 1,024.51                     |
| Advance against equity pending allotment                            | 9,992.82                 | 10,008.96                    | 7,058.01                     |
| Loans and Advances to Employees*                                    | 9,138.16                 | 8,770.18                     | 9,361.78                     |
| Advances Recoverable in cash or in Kind or for Value to be received | 66,688.91                | 57,439.51                    | 55,160.22                    |
| Recoverable from Petroleum Planning & Analysis Cell (PPAC)          | 6.36                     | 6.36                         | 6.36                         |
| Carry Finance                                                       | 1,498.25                 | 7,752.91                     | 7,723.69                     |
| Insurance Claims                                                    | 35.96                    | 35.96                        | 33.82                        |
| Investment in Lease                                                 | 3,601.71                 | 3,543.59                     | 5,697.53                     |
| <b>Deposits:</b>                                                    |                          |                              |                              |
| a) With Customs/Port Trusts etc.                                    | 51.95                    | 46.72                        | 54.70                        |
| b) With Financial Institutions/PSUs                                 | 30.63                    | -                            | 15,000.00                    |
| c) Others                                                           | 6,256.67                 | 6,986.58                     | 6,955.53                     |
|                                                                     | 105,397.53               | 95,275.24                    | 108,076.15                   |
| <b>Less : Provision for Doubtful Claims/advances</b>                | <b>10,656.26</b>         | <b>16,818.75</b>             | <b>13,167.61</b>             |
|                                                                     | <b>94,741.27</b>         | <b>78,456.49</b>             | <b>94,908.54</b>             |
| <b>Direct Tax :</b>                                                 |                          |                              |                              |
| Advance Payment of Income Tax (incl. advance payment of Wealth Tax) | 377,370.84               | 367,870.35                   | 353,439.67                   |
| Less: Provision (incl. provision of Wealth Tax)                     | 364,776.86               | 336,421.10                   | 327,781.31                   |
|                                                                     | 12,593.98                | 31,449.25                    | 25,658.36                    |
| <b>TOTAL</b>                                                        | <b>107,335.25</b>        | <b>109,905.74</b>            | <b>120,566.90</b>            |
| Particulars of loans and advances:                                  |                          |                              |                              |
| Secured                                                             | 8,127.48                 | 7,811.58                     | 6,446.24                     |
| Unsecured -Considered Good                                          | 99,207.77                | 102,094.16                   | 114,120.66                   |

| Particulars                                        | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|----------------------------------------------------|--------------------------|------------------------------|------------------------------|
| -Considered Doubtful                               | 10,656.26                | 16,818.75                    | 13,167.61                    |
|                                                    | 117,991.51               | 126,724.49                   | 133,734.51                   |
| <b>Less : Considered Doubtful and provided for</b> | 10,656.26                | 16,818.75                    | 13,167.61                    |
| <b>TOTAL</b>                                       | <b>107,335.25</b>        | <b>109,905.74</b>            | <b>120,566.90</b>            |

Note: Includes ₹ 1543.25 million share of jointly controlled entities. (FY 10-11 ₹1650.96 million & FY 09-10 ₹ 761.64 million)

\* Loans and advances to employees include an amount of ₹ 0.65 million as on 30.06.2011 (FY 2010-11 ₹ 0.35 million and FY 2009-10 ₹ 0.70 million) outstanding from whole time Directors. Maximum amount outstanding during the Quarter ended 30.06.2011 ₹ 0.71 million (FY 2010-11 ₹ 0.66 million and FY 2009-10 ₹ 4.27 million).

### **ANNEXURE – XIII**

#### **OTHER CURRENT ASSETS**

(₹ in million)

|                                                      | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>OTHER CURRENT ASSETS</b>                          |                          |                              |                              |
| (Unsecured, Considered Good unless otherwise stated) |                          |                              |                              |
| Interest Accrued On                                  |                          |                              |                              |
| - Investments                                        | 228.39                   | 37.85                        | 37.85                        |
| - Deposits with Banks/PSUs/Financial Institutions    | 9,709.38                 | 4,304.23                     | 4,353.63                     |
| - On Carry Finance                                   |                          | -                            | -                            |
| - Others                                             |                          |                              |                              |
| - Considered Good                                    | 3,100.11                 | 3,076.80                     | 3,010.86                     |
| - Considered Doubtful                                | 27.05                    | 27.05                        | 24.20                        |
|                                                      | 3,127.16                 | 3,103.85                     | 3,035.06                     |
| Less: Provision                                      | 27.05                    | 27.05                        | 24.20                        |
|                                                      | 3,100.11                 | 3,076.80                     | 3,010.86                     |
| Gas Subsidy Receivable from Govt. of India (GOI)     | 629.71                   | 1,641.99                     | -                            |
| Costs on ongoing Projects                            | 13.33                    | 11.55                        | 25.74                        |
| Other Accounts pending adjustment                    |                          |                              |                              |
| - Considered Good                                    | -                        | 57.46                        | 28.55                        |
| - Considered Doubtful                                | 575.08                   | 575.13                       | 430.79                       |
|                                                      | 575.08                   | 632.59                       | 459.34                       |
| Less: Provision for Doubtful Accounts                | 575.08                   | 575.13                       | 430.79                       |
|                                                      | -                        | 57.46                        | 28.55                        |
| <b>Total</b>                                         | <b>13,680.92</b>         | <b>9,129.88</b>              | <b>7,456.63</b>              |

Note: Includes ₹ 37.04 million share of jointly controlled entities (FY 10-11 ₹28.07 million & FY 09-10 ₹ 5.03 million)

**ANNEXURE – XIV-A****STATEMENT OF SECURED LOANS**

(₹ in million)

| Particulars                           | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|---------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>SECURED LOANS</b>                  |                          |                              |                              |
| <b>(a) Rupee Term Loans</b>           |                          |                              |                              |
| - From Banks                          | 3,019.01                 | 3,508.85                     | 3,334.26                     |
| - From Financial Institutions         | 1,068.28                 | 855.74                       | 372.13                       |
| - From Others                         | 1,948.54                 | 1,950.70                     | 1,009.62                     |
|                                       | 6,035.83                 | 6,315.29                     | 4,716.01                     |
| <b>(b) Working Capital Facilities</b> |                          |                              |                              |
| - Rupee Loans from Banks              | 649.73                   | 690.57                       | 2,243.26                     |
| <b>TOTAL</b>                          | <b>6,685.56</b>          | <b>7,005.86</b>              | <b>6,959.27</b>              |

Note: Secured Loans Include ₹ 5,305.53 million share of jointly controlled entities. (FY 10-11 ₹ 4,978.74 million & FY 09-10 ₹ 3,537.92 million)

**ANNEXURE – XIV-B****STATEMENT OF UNSECURED LOANS**

(₹ in million)

| Particulars                                 | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|---------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>UNSECURED LOANS</b>                      |                          |                              |                              |
| <b>(a) Long Term</b>                        |                          |                              |                              |
| Foreign Currency Loans:                     |                          |                              |                              |
| - From Banks/Financial Institutions         | 7,831.25                 | 8,944.00                     | 9,325.80                     |
| - Sales Tax Deferment Loan                  | 2,742.62                 | 2,742.62                     | 2,742.62                     |
|                                             |                          |                              |                              |
| <b>(b) Non-Recourse deferred credit</b>     |                          |                              |                              |
| (Foreign Currency Loan in respect of JV)    | 777.40                   | 776.88                       | 934.26                       |
|                                             |                          |                              |                              |
| <b>(c) Short Term loan</b>                  |                          |                              |                              |
| - Commercial Paper                          | -                        | -                            | 10,900.00                    |
| - Bank                                      | 24,798.53                | 20,042.97                    | -                            |
|                                             |                          |                              |                              |
| <b>(d) Other Loans</b>                      | -                        | -                            | 8,407.30                     |
|                                             |                          |                              |                              |
| <b>(e) Non Convertible Redeemable Bonds</b> | 23,400.00                | 23,400.00                    | 23,400.00                    |
| <b>TOTAL</b>                                | <b>59,549.80</b>         | <b>55,906.47</b>             | <b>55,709.98</b>             |
| <b>Repayable within one year</b>            | <b>30,317.81</b>         | <b>28,111.24</b>             | <b>19,360.74</b>             |

Unsecured Loans include ₹ 30850.83 million share of jointly controlled entities (FY 10-11 ₹27,264.79 million & FY 09-10 ₹ 14,188.35 million)

**ANNEXURE – XV****CURRENT LIABILITIES**

(₹ in million)

|                                                | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|------------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>CURRENT LIABILITIES</b>                     |                          |                           |                           |
| Sundry Creditors for Supplies/Works,           |                          |                           |                           |
| - Micro, Small & Medium Enterprises            | 10.48                    | 10.89                     | 10.95                     |
| - Other than Micro, Small & Medium Enterprises | 241,299.17               | 186,528.96                | 130,496.53                |
| Liability for Royalty/Cess/Sales tax etc.      | 18,138.71                | 12,855.55                 | 10,792.05                 |
| Unpaid Matured Debentures *                    | –                        | –                         | 4.28                      |
| Unclaimed Interest on Debentures *             | 0.19                     | 0.19                      | 0.74                      |
| Unclaimed Dividend *                           | 222.85                   | 222.85                    | 177.15                    |
| Liability for Gratuity                         | 550.01                   | 1,742.99                  | 498.70                    |
| Deposits from Suppliers/ Contractors.          | 62,086.49                | 43,482.13                 | 5,106.41                  |
| Deferred Credit on Gas Sales                   | 51.39                    | 20.80                     | 3.61                      |
| Liability for Employees                        | 9,153.64                 | 9,349.22                  | 10,374.80                 |
| Liability for overlift quantity                | 287.22                   | –                         | –                         |
| Other Liabilities                              | 105,381.03               | 85,629.77                 | 69,353.68                 |
| Interest Accrued but not due on Loans          | 1,054.50                 | 522.63                    | –                         |
| <b>TOTAL</b>                                   | <b>438,235.68</b>        | <b>340,365.98</b>         | <b>226,818.90</b>         |

Note: Includes ₹11631.75 million share of jointly controlled entities (FY10-11 ₹11041.89 & FY 09-10 ₹4,497.88 million)

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

**ANNEXURE – XVI****PROVISIONS**

(₹ in million)

|                                             | As at<br>30th June, 2011 | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|---------------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>PROVISIONS</b>                           |                          |                           |                           |
| Proposed Dividend                           | 6,416.62                 | 6,416.62                  | 32,083.08                 |
| Tax on Proposed Dividend                    | 1,412.53                 | 1,412.54                  | 5,705.15                  |
| Leave Encashment                            | 17,234.96                | 16,630.27                 | 14,245.94                 |
| Post Retirement Medical & Terminal Benefits | 18,480.74                | 17,757.35                 | 14,877.25                 |
| Others                                      | 8,856.17                 | 8,663.62                  | 8,246.30                  |
| <b>TOTAL</b>                                | <b>52,401.02</b>         | <b>50,880.40</b>          | <b>75,157.72</b>          |

Note: Includes ₹780.82 million share of jointly controlled entities (FY 10-11 ₹582.43 million FY 09-10 ₹206.98 million).



**ANNEXURE – XVII****SHARE CAPITAL**

(₹ in million)

|                                                                   | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|-------------------------------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>SHARE CAPITAL</b>                                              |                          |                              |                              |
| <b>Authorised:</b>                                                |                          |                              |                              |
| 30,000,000,000 Equity Shares of ₹5 each                           | 150,000.00               | 150,000.00                   | 150,000.00                   |
| (As at 31st March, 2010 15,000,000,000 Equity Shares of ₹10 each) |                          |                              |                              |
| <b>Issued and Subscribed:</b>                                     |                          |                              |                              |
| 8,555,528,064 Equity Shares of ₹5 each                            | 42,777.64                | 42,777.64                    | 21,388.92                    |
| (As at 31st March, 2010 2,138,891,502 Equity Shares of ₹10 each)  |                          |                              |                              |
| <b>Paid up:</b>                                                   |                          |                              |                              |
| 8,555,490,120 Equity Shares of ₹5 each                            | 42,777.45                | 42,777.45                    | 21,388.73                    |
| (As at 31st March, 2010 2,138,872,530 Equity Shares of ₹10 each)  |                          |                              |                              |
| Add: Shares forfeited                                             | 0.14                     | 0.14                         | 0.14                         |
| <b>TOTAL</b>                                                      | <b>42,777.59</b>         | <b>42,777.59</b>             | <b>21,388.87</b>             |

(i) Pursuant to approval of the members dated 28.01.2011 one Equity share having face value of ₹10/- each has been sub-divided into two Equity shares of ₹5/- each and bonus shares have been issued in the proportion of one new Equity bonus share of ₹ 5/- each for every one existing fully paid Equity share of ₹5/- each held on 09-02-2011 (Record Date).

(ii) The above includes:

(a) 685,707,432 Equity shares of face value of ₹5 each issued as fully (As at 31st March, 2010 342,853,716 Equity shares of face value of ₹10 each) 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.

(b) 7,856,540,812 Equity Shares of face value of ₹5/- each (As at 31st March, 2010 1,789,397,876 Equity Shares of face value of ₹10/- each) issued as fully paid up by way of bonus shares by capitalisation of General Reserve & Securities Premium Accounts.

**ANNEXURE – XVIII**

**RESERVES & SURPLUS**

(₹ in million)

|                                                  |            | As at<br>30th June,<br>2011 |            | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|--------------------------------------------------|------------|-----------------------------|------------|------------------------------|------------------------------|
| <b>RESERVES AND SURPLUS</b>                      |            |                             |            |                              |                              |
| <b>Capital Reserve *</b>                         |            |                             |            |                              |                              |
| a) As per Last Balance Sheet**                   | 1,008.91   |                             | 1,015.06   |                              | 1,103.02                     |
| b) Addition/(deduction) during the year          | 0.45       |                             | (6.15)     |                              | (87.96)                      |
|                                                  |            | 1,009.36                    |            | 1,008.91                     | 1,015.06                     |
| <b>Capital Redemption Reserve</b>                |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     |            | 0.09                        |            | 0.09                         | 0.09                         |
| <b>Securities Premium Account</b>                |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     | 144.33     |                             | 312.45     |                              | 312.45                       |
| b) Less: Bonus share issued                      | -          |                             | 168.12     |                              | -                            |
|                                                  |            | 144.33                      |            | 144.33                       | 312.45                       |
| <b>Deferred Government Grant</b>                 |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     | 34.73      |                             | 39.45      |                              | 44.73                        |
| b) Less : Transfer to General Reserve***         | 0.97       |                             | 4.72       |                              | 5.28                         |
|                                                  |            | 33.76                       |            | 34.73                        | 39.45                        |
| <b>Insurance Reserve</b>                         |            |                             |            | -                            |                              |
| a) As per Last Balance Sheet                     | -          |                             | 2,500.00   |                              | 2,500.00                     |
| b) Less: Transfer to General Reserve             | -          |                             | (2,500.00) |                              | -                            |
|                                                  |            | -                           |            | -                            | 2,500.00                     |
| <b>Foreign Exchange Translation Reserve</b>      |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     | (1,933.82) |                             | (4,115.28) |                              | 15399.1                      |
| b) Addition/(deletion)                           | 2,593.61   |                             | 2,181.46   |                              | (19,514.38)                  |
|                                                  |            | 659.79                      |            | (1,933.82)                   | (4,115.28)                   |
| <b>General Reserve</b>                           |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     | 961,469.23 |                             | 875,394.22 |                              | 788,151.50                   |
| b) Add: Transferred from Insurance reserve       |            |                             | 2,500.00   |                              | -                            |
| c) Add: Transferred from Profit and Loss Account | 0.86       |                             | 104,795.62 |                              | 87,242.72                    |
| d) Less : Bonus Shares issued                    | -          |                             | 21,220.61  |                              | -                            |
|                                                  |            | 961,470.09                  |            | 961,469.23                   | 875,394.22                   |
| <b>Profit and Loss Account</b>                   |            | 197,979.61                  |            | 144,309.55                   | 116,377.36                   |
| <b>Debenture Redemption Reserve</b>              |            |                             |            |                              |                              |
| a) As per Last Balance Sheet                     | 5,461.83   |                             | 1,154.19   |                              | -                            |
| b) Transferred from Profit and Loss Account      | 1,073.96   |                             | 4,307.64   |                              | 1,154.19                     |
|                                                  |            | 6,535.79                    |            | 5,461.83                     | 1,154.19                     |
| <b>TOTAL</b>                                     |            | <b>1,167,832.82</b>         |            | <b>1,110,494.85</b>          | <b>992,677.54</b>            |

Note: Includes ₹ (-) 2419.83 million share of jointly controlled entities. (FY 10-11 ₹ (-)3075.31 million & FY 09-10 ₹ (-) 380.82 million)

\* Includes ₹159.44 million being assessed value of assets received as gift.

\*\* Includes Capital Reserve on Consolidation ₹4.18 million (FY 10-11 ₹4.18 million & FY 09-10 ₹4.18 million)

\*\*\* Represents the amount equivalent to Depreciation for the year transferred to Profit and Loss Account.

**ANNEXURE – XIX****MISCELLANEOUS EXPENDITURE**

(₹ in million)

|                                             | As at<br>30th June, 2011 | As at<br>31st March,<br>2011 | As at<br>31st March,<br>2010 |
|---------------------------------------------|--------------------------|------------------------------|------------------------------|
| <b>MISCELLANEOUS EXPENDITURE</b>            |                          |                              |                              |
| (to the extent not written off or adjusted) |                          |                              |                              |
| <b>Deferred Revenue Expenditure</b>         |                          |                              |                              |
| Dry Docking Charges                         | 5,907.85                 | 6,117.60                     | 6,612.99                     |
| Mobilisation Charges                        | 1,599.50                 | 1,842.98                     | 1,800.25                     |
| <b>TOTAL</b>                                | <b>7,507.35</b>          | <b>7,960.58</b>              | <b>8,413.24</b>              |

Note: Includes ₹0.25 million share of jointly controlled entities. (FY 10-11 ₹0.33 million & FY 09-10 ₹0.08 million).

**ANNEXURE – XX****SALES**

(₹ in million)

|                                                         | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|---------------------------------------------------------|----------------------------------------|-------------------------|-------------------------|
| <b>GROSS SALES</b>                                      | 357,542.65                             | 1,243,502.62            | 1,077,159.43            |
| <b>Less :</b>                                           |                                        |                         |                         |
| Transfer to Exploratory Wells in Progress               | 78.41                                  | 472.11                  | 52.70                   |
| Government of India's (GoI's) share in Profit Petroleum | 5,954.64                               | 15,344.76               | 15,418.29               |
|                                                         | 6,033.05                               | 15,816.87               | 15,470.99               |
| <b>TOTAL</b>                                            | <b>351,509.60</b>                      | <b>1,227,685.75</b>     | <b>1,061,688.44</b>     |

Note: Includes ₹6368.98 million share of jointly controlled entities. (FY 10-11 ₹18237.88 million & FY 09-10 ₹14,442.57 million).

**ANNEXURE – XXI****STATEMENT OF OTHER INCOME**

(₹ in million)

| Particulars                                | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|--------------------------------------------|----------------------------------------|-------------------------|-------------------------|
| <b>OTHER INCOME</b>                        |                                        |                         |                         |
| Contractual Short Lifted Gas Receipts      | 35.89                                  | 68.89                   | 26.88                   |
| Pipeline Transportation Receipts           | 452.88                                 | 1,305.22                | 3,125.91                |
| North-East Gas Subsidy                     | 469.14                                 | 1,556.41                | –                       |
| Surplus from Gas Pool Account              | –                                      | 21,914.90               | 4,415.79                |
| Other Contractual Receipts                 | 170.41                                 | 958.41                  | 1,541.51                |
| Lease Income                               | 56.06                                  | 254.03                  | 317.82                  |
| <b>Income from Trade Investments</b>       |                                        |                         |                         |
| Dividend on Long term Investments          | 152.26                                 | 3,571.63                | 1,479.22                |
| Interest on Long Term Investments          | 198.02                                 | 795.24                  | 783.97                  |
| Profit on sale of Long term Investments    | –                                      | 0.57                    | 0.55                    |
|                                            | <b>350.28</b>                          | <b>4,367.44</b>         | <b>2,263.74</b>         |
| <b>Income from Non Trade Investments</b>   |                                        |                         |                         |
| Dividend on Current Investments            | 235.99                                 | 679.92                  | 490.57                  |
| Interest on Long Term Investments          | 1.00                                   | 0.06                    | 0.06                    |
| <b>Interest Income on :</b>                |                                        |                         |                         |
| Deposits with Banks/Financial Institutions | 5,301.95                               | 12,487.57               | 13,965.44               |
| Loans and Advances to Employees            | 95.25                                  | 367.63                  | 315.60                  |

| Particulars                                 | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|---------------------------------------------|----------------------------------------|-------------------------|-------------------------|
| Income Tax Refund                           | 372.75                                 | 49.09                   | 2.91                    |
| On Site Restoration Fund Deposit            | 1,824.33                               | 6,491.31                | 4,267.83                |
| Delayed Payment from Customers and Others   | 303.00                                 | 1,345.78                | 688.38                  |
|                                             | <b>7,897.28</b>                        | <b>20,741.38</b>        | <b>19,240.16</b>        |
| Excess Provisions written back              | 45.99                                  | 6,873.60                | 766.26                  |
| Liabilities no longer required written back | 248.06                                 | 731.82                  | 913.03                  |
| Exchange Gain (net)                         | —                                      | 1,170.67                | 10,651.21               |
| Miscellaneous Receipts*                     | 1,538.09                               | 8,666.58                | 8,955.24                |
| <b>Total Other Income</b>                   | <b>11,501.07</b>                       | <b>69,289.33</b>        | <b>52,708.18</b>        |

Note: Includes ₹83.67 million share of jointly controlled entities.(FY 10-11 ₹3371.22 million & FY 09-10 ₹102.50 million.

\* Miscellaneous receipts for 2010-11 includes ₹216.27 million in respect of profit on sale of vessels.

## ANNEXURE – XXII

### (INCREASE)/DECREASE IN STOCK

(₹ in million)

|                                         | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|-----------------------------------------|----------------------------------------|-------------------------|-------------------------|
| <b>(INCREASE)/DECREASE IN STOCK</b>     |                                        |                         |                         |
| Closing Stock                           |                                        |                         |                         |
| - Stock in Process                      | 3,098.25                               | 850.89                  | 1,090.92                |
| - Finished Products                     | 21,699.25                              | 25,468.53               | 17,197.60               |
|                                         | <b>24,797.50</b>                       | <b>26,319.42</b>        | <b>18,288.52</b>        |
| Opening Stock                           |                                        |                         |                         |
| - Finished Products                     | 23,904.63                              | 17,194.95               | 14,695.31               |
| - Stock in Process                      | 2,414.79                               | 1,090.92                | 692.84                  |
| - Less : Adjustment                     | 0.01                                   | 883.36                  | 828.44                  |
|                                         | <b>26,319.41</b>                       | <b>17,402.51</b>        | <b>14,559.71</b>        |
| <b>NET (INCREASE)/DECREASE IN STOCK</b> | <b>1,521.91</b>                        | <b>(8,916.91)</b>       | <b>(3,728.81)</b>       |

**ANNEXURE – XXIII****PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE**

|                                                                         | (₹ in million)                         |                         |                         |
|-------------------------------------------------------------------------|----------------------------------------|-------------------------|-------------------------|
|                                                                         | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
| <b>PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE</b> |                                        |                         |                         |
| Royalty                                                                 | 39,273.35                              | 126,528.57              | 103,592.72              |
| Cess                                                                    | 14,064.70                              | 56,962.72               | 54,538.03               |
| Natural Calamity Contingent Duty                                        | 275.72                                 | 1,113.96                | 1,061.67                |
| Excise Duty on stock (Net)                                              | (759.39)                               | 10.57                   | 150.29                  |
| Sales Tax                                                               | 989.13                                 | 3,878.45                | 3,733.74                |
| Service Tax                                                             | 1,909.00                               | 2,017.80                | 906.88                  |
| Education cess                                                          | 445.54                                 | 1,828.44                | 1,718.99                |
| Octroi and Port Trust Charges                                           | 855.57                                 | 4,522.45                | 4,484.28                |
| Staff Expenditure                                                       | 4,004.22                               | 17,155.48               | 14,070.70               |
| Workover Operations                                                     | 6,915.65                               | 27,851.95               | 31,172.60               |
| Water Injection, Desalting and Demulsification                          | 2,772.48                               | 12,710.45               | 11,037.73               |
| Consumption of Raw Materials, Stores and Spares etc.                    | 111,800.75                             | 321,430.92              | 257,080.89              |
| Pollution Control                                                       | 1,346.48                               | 5,048.63                | 4,315.68                |
| Transport Expenses                                                      | 1,108.30                               | 4,016.56                | 3,235.67                |
| Insurance                                                               | 276.05                                 | 1,139.31                | 1,185.45                |
| Power and Fuel                                                          | 423.85                                 | 1,644.62                | 1,347.28                |
| Repairs and Maintenance                                                 | 1,681.34                               | 9,409.08                | 6,700.45                |
| Contractual payments including Hire charges etc.                        | 1,983.73                               | 7,890.14                | 6,410.32                |
| Other Production Expenditure                                            | 7,093.32                               | 23,187.38               | 19,310.75               |
| Transportation and Freight of Products                                  | 3,503.84                               | 13,943.39               | 11,966.97               |
| Research and Development                                                | 812.19                                 | 3,582.44                | 1,985.78                |
| General Administrative Expenses                                         | 5,150.34                               | 21,821.51               | 20,430.78               |
| Exchange Loss (net)                                                     | 948.37                                 | -                       | -                       |
| Hedging (Gain)/ Loss                                                    | -                                      | 41.85                   | (19.42)                 |
| Adjustment for overlift/(underlift)                                     | 258.83                                 | (283.32)                | -                       |
| Written back of income due to Surrender of Sudan Pipes                  | 0.00                                   | 5,079.72                | -                       |
| Other Expenditure                                                       | 2,916.24                               | 12,112.12               | 11,307.71               |
| <b>TOTAL</b>                                                            | <b>210,049.60</b>                      | <b>684,645.19</b>       | <b>571,725.94</b>       |

Note: Includes ₹ 5762.85 million share of jointly controlled entities. (FY 10-11 ₹16759.93 million & FY 09-10 ₹ 12,420.93 million)  
The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note no 26.4 of Annexure XXXIII B

**ANNEXURE – XXIV****DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT**

|                                                             | (₹ in million)                      |                         |                         |
|-------------------------------------------------------------|-------------------------------------|-------------------------|-------------------------|
|                                                             | For the Quarter Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
| <b>DEPRECIATION, DEPLETION, AMORTISATION AND IMPAIRMENT</b> |                                     |                         |                         |
| Survey                                                      | 4,779.49                            | 20,593.33               | 26,549.04               |
| Pre Acquisition Expenditure                                 | 59.99                               | 375.98                  | 243.51                  |
| Wells written off                                           | 19,589.59                           | 73,077.74               | 72,959.78               |
| Amortisation of Goodwill                                    | 1,280.20                            | 5,050.42                | 4,978.91                |
| Depletion                                                   | 19,639.40                           | 78,033.54               | 62,242.14               |
| Depreciation                                                | 21,878.28                           | 84,515.61               | 63,710.72               |
| <b>Less : Allocated to :</b>                                |                                     |                         |                         |
| Survey                                                      | 207.52                              | 1,051.59                | 1,181.07                |
| Exploratory Drilling                                        | 1,157.60                            | 5,415.22                | 7,671.69                |
| Development Drilling                                        | 2,641.81                            | 5,344.63                | 4,979.20                |
| Depreciation on Facilities                                  | 8,721.01                            | 36,389.62               | 29,119.11               |
| Others                                                      | 3,362.66                            | 8,534.38                | 112.01                  |
|                                                             | 16,090.60                           | 56,735.44               | 43,063.08               |
|                                                             | 5,787.68                            | 27,780.17               | 20,647.64               |
| <b>Impairment Loss</b>                                      |                                     |                         |                         |
| During the year                                             | 1.11                                | 1,534.73                | 553.44                  |
| Less: Reversal during the year                              | -                                   | 182.53                  | 986.16                  |
|                                                             | 1.11                                | 1,352.20                | (432.72)                |
| <b>TOTAL</b>                                                | <b>51,137.46</b>                    | <b>206,263.38</b>       | <b>187,188.30</b>       |

Note: Includes ₹175.685 million share of jointly controlled entities. (FY 10-11 ₹2852.81 million & FY 09-10 ₹ 712.44 million)

**ANNEXURE – XXV****FINANCING COSTS**

|                                           | (₹ in million)                      |                         |                         |
|-------------------------------------------|-------------------------------------|-------------------------|-------------------------|
|                                           | For the Quarter Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
| <b>FINANCING COSTS</b>                    |                                     |                         |                         |
| <b>i) Interest</b>                        |                                     |                         |                         |
| On Fixed Loans                            |                                     |                         |                         |
| - Foreign Currency Loans                  | -                                   | 1.22                    | 5.33                    |
| - Term Loans from Banks                   | 52.17                               | 396.97                  | 254.34                  |
| On Others                                 |                                     |                         |                         |
| - Cash Credit                             | 0.70                                | 3.01                    | 11.75                   |
| - Others                                  | 653.66                              | 2,550.80                | 1,037.26                |
| <b>ii) Lease Finance Charges</b>          | 90.30                               | 1,154.83                | 463.30                  |
| <b>iii) Discount On Commercial Papers</b> | 0.00                                | 267.60                  | 3,249.92                |
| <b>TOTAL</b>                              | <b>796.83</b>                       | <b>4,374.43</b>         | <b>5,021.90</b>         |

Note: Includes ₹68.4 million share of jointly controlled entities. (FY 10-11 ₹332.48 million & FY 09-10 ₹ 288.07 million)

**ANNEXURE – XXVI****PROVISIONS & WRITE - OFFS**

(₹ in million)

|                                                     | For the Quarter<br>Ended<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|-----------------------------------------------------|----------------------------------------|-------------------------|-------------------------|
| <b>PROVISIONS AND WRITE-OFFS</b>                    |                                        |                         |                         |
| <b>PROVISIONS</b>                                   |                                        |                         |                         |
| Provision for Doubtful Debts                        | 571.68                                 | 1,421.35                | 1,160.60                |
| Provision for Doubtful Claims/Advances              | 13.53                                  | 3,721.06                | 1,845.73                |
| Provision against Non-Moving Inventory              | (31.79)                                | 585.62                  | 145.49                  |
| Provision for Others                                | 2.59                                   | 1,317.98                | 93.20                   |
| <b>Sub-Total</b>                                    | <b>556.01</b>                          | <b>7,046.01</b>         | <b>3,245.02</b>         |
| <b>WRITE-OFFS</b>                                   |                                        |                         |                         |
| Loss on Disposal/Condemnation of Fixed Assets (Net) | 18.94                                  | 224.12                  | 71.58                   |
| Claims/Advances (Net of Provisions)                 | 1.45                                   | 0.11                    | 42.90                   |
| Inventories written off                             | 18.96                                  | 96.24                   | 105.03                  |
| Bad debts (Net of Provisions)                       | -                                      | 210.50                  | 17.17                   |
| Other write offs                                    | 369.30                                 | 8,222.03                | 2,513.87                |
| <b>Sub-Total</b>                                    | <b>408.65</b>                          | <b>8,753.00</b>         | <b>2,750.55</b>         |
| <b>TOTAL</b>                                        | <b>964.66</b>                          | <b>15,799.01</b>        | <b>5,995.57</b>         |

Note: Includes ₹ (-)2.01 million share of jointly controlled entities. (FY 10-11 181.61 million & FY 09-10 ₹ 874.49 million)

**ANNEXURE – XXVII****ADJ. RELATING TO PRIOR PERIOD**

(₹ in million)

|                                                   | For the Quarter<br>Ended 30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|---------------------------------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)</b> |                                     |                         |                         |
| Statutory levies                                  | -                                   | (15.71)                 | (32.18)                 |
| Other Production Expenditure                      | (9.92)                              | 63.79                   | (806.15)                |
| Interest -Others                                  | -                                   | -                       | 542.24                  |
| Exchange Fluctuation                              | -                                   | 166.45                  | -                       |
| Survey                                            | 0.76                                | 41.31                   | (64.40)                 |
| Dry Wells                                         | 4.09                                | 115.16                  | 109.40                  |
| Depreciation                                      | 1.93                                | 204.29                  | 119.66                  |
| Depletion                                         | -                                   | 140.57                  | -                       |
| Amortisation of Goodwill                          | -                                   | (480.54)                | 38.35                   |
| <b>Sub-Total</b>                                  | <b>(3.14)</b>                       | <b>235.32</b>           | <b>(93.08)</b>          |
| Sales                                             | -                                   | (45.36)                 | 26.01                   |
| Interest -Others                                  | 0.03                                | 9.24                    | 0.07                    |
| Other Income                                      | 0.01                                | 159.73                  | 281.45                  |
| <b>Sub-Total</b>                                  | <b>0.04</b>                         | <b>123.61</b>           | <b>307.53</b>           |
| <b>Total</b>                                      | <b>(3.18)</b>                       | <b>111.71</b>           | <b>(400.61)</b>         |

Note: Includes ₹ NIL million share of jointly controlled entities. (FY 10-11 ₹174.89 million & FY 09-10 ₹ Nil)

**ANNEXURE – XXVIII****STATEMENT OF DIVIDEND PAID/PROPOSED**

(₹ in million)

|                               | As at 30.06.2011 | As at 31.03.2011 | As at 31.3.2010  |
|-------------------------------|------------------|------------------|------------------|
| Equity Share Capital          | 42,777.59        | 42,777.59        | 21,388.87        |
| Face value                    | 5                | 5                | 10               |
| No. of Shares                 | 8,555,490,120    | 8,555,490,120    | 2,138,872,530    |
| <b>Rate of Dividend (%)</b>   |                  |                  |                  |
| Interim                       | -                | 160              | 180              |
| Final                         | -                | 15               | 150              |
| <b>Total</b>                  | <b>-</b>         | <b>175</b>       | <b>330</b>       |
| Amount of Dividends           |                  |                  |                  |
| Interim-                      | -                | 68,443.92        | 38,499.71        |
| Final-                        | -                | 6,416.62         | 32,083.09        |
| <b>Total Dividend</b>         | <b>-</b>         | <b>74,860.54</b> | <b>70,582.80</b> |
| <b>Corporate Dividend Tax</b> |                  |                  |                  |
| Interim                       | -                | 11,115.52        | 6,287.01         |
| Final                         | -                | 1,412.54         | 5,705.15         |
| <b>Total</b>                  | <b>-</b>         | <b>12,528.06</b> | <b>11,992.16</b> |

**ANNEXURE- XXIX****STATEMENT OF RATIOS**

(₹ in million)

|                                                                       | As at<br>30.06.2011 | As at<br>31.03.2011                                                                      | As at 31.3.2010 |
|-----------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------|-----------------|
| 1. Net Profit before extraordinary items (net of tax)                 | 54,744.88           | 224,559.32                                                                               | 194,035.32      |
| 2. Extraordinary items                                                |                     |                                                                                          |                 |
| 3. Profit After tax (after Extra ordinary item)                       | 54,744.88           | 224,559.32                                                                               | 194,035.32      |
| 4. Net worth                                                          | 1,203,103.06        | 1,145,311.86                                                                             | 1,005,653.17    |
| 5. No. of equity shares outstanding at the end of year                | 8,555,490,120       | 8,555,490,120                                                                            | 2,138,872,530   |
| 6. No. of equity shares outstanding at the end of the year (restated) | 8,555,490,120       | 8,555,490,120                                                                            | 8,555,490,120   |
| 7. Earning per share                                                  | 6.40                | 26.25                                                                                    | 90.72           |
| 8. Return on Net Worth                                                | 4.55                | 19.61                                                                                    | 19.29           |
| 9. Net Asset value/Share (₹)                                          | 140.62              | 133.87                                                                                   | 470.18*         |
| Formula:                                                              |                     |                                                                                          |                 |
| <b>Earnings per Share (₹)</b>                                         | =                   | $\frac{\text{PAT before extraordinary items (net of tax)}}{\text{No. of equity Shares}}$ |                 |
| <b>Return on Net Worth</b>                                            | =                   | $\frac{\text{PAT before extraordinary items (net of tax)}}{\text{Net Worth}}$            |                 |
| <b>Net Assets Value Per Share</b>                                     | =                   | $\frac{\text{Net Worth}}{\text{No. of Equity Shares}}$                                   |                 |
| No. of equity shares outstanding post bonus and split                 | 8,555,490,120       | 8,555,490,120                                                                            | 8,555,490,120   |
| Earning per share post bonus and split before extraordinary items     | 6.40                | 26.25                                                                                    | 22.68           |
| *Net Asset Value/share(₹) post bonus and split                        | 140.62              | 133.87                                                                                   | 117.54          |



**ANNEXURE – XXX**

(₹ in million)

|                                                          | As at<br>30.06.2011 | For the Year<br>2010-11 | For the Year<br>2009-10 |
|----------------------------------------------------------|---------------------|-------------------------|-------------------------|
| <b>EARNINGS PER EQUITY SHARE</b>                         |                     |                         |                         |
| A) Net Profit after Tax                                  | 54,744.88           | 224,559.32              | 194,035.33              |
| B) Number of Shares                                      | 8,555,490,120       | 8,555,490,120           | 2,138,872,530           |
| E) Restated Number of Shares                             | 8,555,490,120       | 8,555,490,120           | 8,555,490,120           |
| Basic & Diluted earnings per equity share (Restated) (₹) | 6.40                | 26.25                   | 22.68#                  |

# EPS has been restated for split from ₹ 10 to ₹ 5 each and issue of bonus shares in the ratio of 1:1 as per Accounting Standard -20 on EPS

**Annexure- XXXI****STATEMENT OF CAPITALISATION AS ON 30.06.2011**

(₹ in million)

| Particulars                                                   | Post Issue as<br>adjusted for issue | Pre -Issue as at<br>30.06.2011 |
|---------------------------------------------------------------|-------------------------------------|--------------------------------|
| Debt:                                                         |                                     |                                |
| Short term debt                                               |                                     | 25,448.26                      |
| Long Term Debt                                                |                                     | 40,787.10                      |
| <b>Total Debt</b>                                             |                                     | <b>66,235.36</b>               |
| Shareholders Fund:                                            |                                     |                                |
| Share capital                                                 |                                     | 42,777.59                      |
| Reserve and surplus                                           |                                     | 1,167,832.82                   |
| Less: Miscellaneous Expenditure to the extent not written off |                                     | 7,507.35                       |
| <b>Total shareholders Fund</b>                                |                                     | <b>1,203,103.06</b>            |
| Debt/Equity Ratio (%)                                         |                                     | 5.51%                          |
| Long Term Debt/Equity                                         |                                     | 3.39%                          |

Note:

Share capital of the Company was increased by way of bonus issue in Fiscal 2011.

**SIGNIFICANT ACCOUNTING POLICIES- CONSOLIDATED FINANCIAL STATEMENTS****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 are combined by applying proportionate consolidation method on a line by line basis on like 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/ Joint Ventures, and the net assets at the time of acquisition of shares in the Subsidiaries/Associates is recognized in the Consolidated 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 Accounting Standard (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, Associates and Joint Ventures 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, income 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 Account 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 bringing the assets to working condition for intending use are capitalised.

**5. Intangible Assets**

5.1 Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets.

**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 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

#### **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.

#### **6.5 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.

##### **6.5.1 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 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. The recoverable amount is its ‘value in use’ or ‘net selling price’ (if determinable) whichever is higher. 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 are recognized in respective assets when the well is complete / facilities are installed.

8.2 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring onshore well sites are recognized when the well is complete. Cost relating to dismantling, abandoning

and restoring its 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. The abandonment cost on dry well is charged to Profit and Loss Account.

Liability for abandonment cost is updated based on the technical assessment available at current costs with the Company.

## 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 Consideration for the right to participate in operations recoverable from new Joint Venture Partners are :

1. Reduced from respective capitalized cost wherever applicable
2. Reduced from current expenditure to the extent it relates to current year.
3. Balance is considered as miscellaneous receipts.

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

## 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 and fair value.

## 11. **Inventories**

11.1 Finished goods (other than Sulphur) and stock in pipelines/tanks and carbon credits 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 but excludes cess.

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

Stock-in-Process is valued at cost or net realizable value whichever is lower. Cost is determined at Raw material and Proportionate Conversion cost.

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. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil

(including condensate), if positive (i.e. under lift quantity) the proportionate production expenditure is treated as prepaid expenses and, if negative (i.e. over lift quantity), a liability for the best estimate of the Company's proportionate share of production expenses as per the Joint Operating Agreement / Production Sharing Agreement is created in respect of the quantity of crude oil to be foregone in future period towards settlement of the overlift quantity of crude oil with corresponding charge to Profit & Loss Account.

- 12.2 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.
- 12.3 Sale of crude oil and gas (net of levies) produced from exploratory wells in progress is deducted from expenditure on such wells.
- 12.4 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.
- 12.5 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.
- 12.6 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.
- 12.7 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 (including those taken on finance lease) 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 for 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 ₹ 5000/- which are fully depreciated at the time of addition.
- 13.3 Depreciation on subsequent expenditure on fixed assets arising on account of capital improvement or other factor is provided for prospectively.

Depreciation on refurbished/revamped assets which are capitalized separately is provided for over the reassessed useful life at rates which are not less than the rates specified in Schedule XIV to the Companies Act, 1956.
- 13.4 Depreciation on fixed assets (including support equipment and facilities and taken on finance lease) 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
- 13.5 Leasehold land is amortised over the lease period except perpetual leases
- 13.6 Intangible assets are amortized over the estimated useful life not exceeding ten years from the date of

capitalization.

**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 mean 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 1.4.2004; 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.
- 14.5.4 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.
- 14.6 In the case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract as well as exchange difference on such contracts, i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception / the last reporting date, is recognized as income / expense for the period.

Forward exchange contracts other than those covered under –Accounting Standard-11 on The effect of Changes in Foreign Exchange Rates, are marked to market basis at the reporting date and the losses are charged to Profit & Loss A/c. Unrealized gains are ignored.

**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 Benefit under defined contribution plans comprising provident fund etc. is 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. Actuarial gains and losses in respect of post employment and other long-term benefits are 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 when incurred.
17. **General Administrative Expenses**
- General Administrative Expenses which are 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 Expenditure**
- Revenue expenses on Research 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 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**

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

23.2 Transportation Costs 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.

**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. Lease**

**25.1 Assets given on Lease::**

25.1.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases". Such assets are included as a receivable at an amount equal to the net investment in the lease.

25.1.2 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.

**25.2 Assets taken on Lease**

25.2.1 Assets taken on finance lease are capitalised and recognised at the lower of the fair value of the asset and the discounted value of the minimum lease installments. The lease payments are bifurcated into repayment and interest components, based on a fixed interest rate and installment as derived from the underlying agreement. The lease commitments are carried under liabilities exclusive of interest. The interest component is recognised in the profit and loss account in accordance with the lease installments.

25.2.2 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.

**26. 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.

**27 Accounting for derivatives**

As per the ICAI Announcement, Accounting for Derivatives, other than those covered under –AS-11, is done on marked to market basis and the losses are charged to Profit & Loss Account. Unrealized gains are ignored.

**28 Goodwill on Consolidation**

Goodwill arising on Consolidation of Companies having Hydrocarbon a reserve is amortized based on “Unit of Production Method” considering the related Proved Reserves. Other goodwill on consolidation is not amortized.

**STATEMENT OF CHANGES IN ACCOUNTING POLICIES FOR THE YEAR ENDED 31<sup>st</sup> March,  
2010 AND FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2011**

**1. Financial Year ended 31st March, 2010**

- i) The Company has changed the accounting policy during 2009-10 regarding recognition of the full eventual estimated liability towards costs relating to dismantling, abandoning and restoring onshore well sites when the well is complete. Cost relating to dismantling, abandoning and restoring its 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.

Further, in case of offshore wells, the Company started providing full eventual estimated liability in respect of wells completed and facilities capitalized whether they are transferred to Producing Property or not in addition to costs relating to dismantling, abandoning and restoring of offshore wells/facilities as against earlier policy.

- ii) During the year 2009-10, the Company changed its accounting policy of amortising intangible assets from Written Down Value Method @ 40% to Straight Line Method over the useful life not exceeding a period of 5 years in order to systematically amortize its intangible assets.

**2. Financial Year ended 31st March, 2011**

- i) During nine months period ended 31<sup>st</sup> December 2010, the Subsidiary-OVL has changed its accounting policy with regard to accounting treatment for over lift quantities & under lift quantities of Crude Oil based on the opinion taken from the Expert Advisory Committee (EAC) of ICAI. Till last year, under lift quantities were treated as Inventories which are now treated as Prepaid Expenses. Further, till last year, for overlift quantities, liability was recognized by reversing the related sales/revenue of the Company at the recent sales price of the crude oil. The EAC has suggested for recognition of the consideration received from sale of over lift quantity as Revenue, creating liability for the best estimate of the Company's proportionate share of production expenses as per the Joint Operating Agreement (JOA) / Production Sharing Agreement (PSA) in respect of the quantity of crude oil to be foregone in future period towards settlement of the overlift quantity of crude oil with corresponding charge to Profit and Loss Account.

## ANNEXURE XXXIIIA

**OIL AND NATURAL GAS CORPORATION LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO ACCOUNTS 2010-11 WITH 2009-10**

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited), its subsidiaries joint venture entities and associates as detailed below:

| Sl No.                | Name of the Subsidiaries/<br>Joint Venture and Associates       | Country of<br>Incorporation | Proportion of Ownership<br>Interest      |                                          | Status of<br>Audit as on<br>31 March,<br>2011 |
|-----------------------|-----------------------------------------------------------------|-----------------------------|------------------------------------------|------------------------------------------|-----------------------------------------------|
|                       |                                                                 |                             | 31 March,<br>2011                        | 31 March,<br>2010                        |                                               |
| <b>A Subsidiaries</b> |                                                                 |                             |                                          |                                          |                                               |
| 1                     | ONGC Videsh Limited (OVL)                                       | India                       | 100%                                     | 100%                                     | Audited                                       |
| 1.1                   | ONGC Nile Ganga BV<br>(ONGBV)<br>Class A and Class B<br>Class C | Netherlands                 | 100%<br>55% by OVL<br>and 45% by<br>OMEL | 100%<br>55% by OVL<br>and 45% by<br>OMEL | Audited                                       |
| 1.1 (i)               | ONGC Do Brasil Exploracao<br>Petrolifera Ltda.                  | Brazil                      | 100%                                     | 100%                                     | Audited                                       |
| 1.1 (ii)              | ONGC Campos Ltda.                                               | Brazil                      | 100%                                     | 100%                                     | Audited                                       |
| 1.1 (iii)             | ONGC Nile Ganga (Cyprus)<br>Ltd.                                | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.1 (iv)              | ONGC Nile Ganga (San<br>Cristobal) B.V.                         | Netherlands                 | 100%                                     | 100%                                     | Audited                                       |
| 1.1 (v)               | ONGC Satpayev E&P B.V.*                                         | The Netherlands             | 100%                                     | NA                                       | Audited                                       |
| 1.1 (vi)              | ONGC Caspian E&P B.V.*                                          | The Netherlands             | 100%                                     | NA                                       | Audited                                       |
| 1.2                   | ONGC Narmada Limited<br>(ONL)                                   | Nigeria                     | 100%                                     | 100%                                     | Audited                                       |
| 1.3                   | ONGC Amazon Alaknanda<br>Limited (OAAL)                         | Bermuda                     | 100%                                     | 100%                                     | Audited                                       |
| 1.4                   | Jarpeno Limited                                                 | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (i)               | Imperial Energy Corporation<br>Plc**                            | UK                          | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (ii)              | Imperial Energy Limited**                                       | UK                          | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (iii)             | Rus Imperial Corporation<br>plc***                              | UK                          | -                                        | 100%                                     | Audited                                       |
| 1.4 (iv)              | Imperial Energy Tomsk<br>Limited                                | Cyprus                      | 85%                                      | 85%                                      | Audited                                       |
| 1.4 (v)               | Imperial Energy (Cyprus)<br>Limited                             | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (vi)              | Imperial Energy Nord Limited                                    | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (vii)             | Imperial Energy Gas Limited                                     | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (viii)            | Nefsilius Holdings Limited                                      | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (ix)              | RK Imperial Energy Kostanai<br>Limited                          | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (x)               | Imperial Frac Services<br>(Cyprus) Limited                      | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xi)              | Freshspring Investments<br>Limited                              | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xii)             | Redcliffe Holdings Limited,<br>Cyprus                           | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xiii)            | San Agio Investments Limited                                    | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xiv)             | Imperial Energy Finance<br>(Jersey) Limited ***                 | Jersey                      | -                                        | 100%                                     | Audited                                       |
| 1.4 (xv)              | Biancus Holdings Limited                                        | Cyprus                      | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xvi)             | Rus Imperial Limited ***                                        | UK                          | -                                        | 100%                                     | Audited                                       |
| 1.4 (xvii)            | Imperial Energy Kostanai<br>Limited **                          | UK                          | 100%                                     | 100%                                     | Audited                                       |
| 1.4 (xviii)           | OOO Sibinterneft                                                | Russian Federation          | 47.5%                                    | 47.5%                                    | Audited                                       |

|             |                                                   |                    |        |        |           |
|-------------|---------------------------------------------------|--------------------|--------|--------|-----------|
| 1.4 (xix)   | OOO Alliancenerftegaz                             | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xx)    | OOO Nord Imperial                                 | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xxi)   | OOO Imperial Energy                               | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xxii)  | OOO Imperial Energy Tomsk Gas                     | Russian Federation | 95%    | 95%    | Audited   |
| 1.4 (xxiii) | OOO Stratum                                       | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xxiv)  | OOO Imperial Trans Service                        | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xxv)   | OOO Rus Imperial Group                            | Russian Federation | 100%   | 100%   | Audited   |
| 1.4 (xxvi)  | TOO Sevkazgra***                                  | Kazakhstan         | -      | 100%   | Audited   |
| 1.5         | Carabobo One AB                                   | Sweden             | 100%   | 100%   | Unaudited |
| 1.5.(i)     | Petro Carabobo Ganga B.V.                         | The Netherlands    | 100%   | 100%   | Unaudited |
| 2.          | Mangalore Refinery and Petrochemicals Ltd. (MRPL) | India              | 71.62% | 71.62% | Audited   |

| <b>B. Joint Venture Entities</b> |                                                                |                    |         |         |           |
|----------------------------------|----------------------------------------------------------------|--------------------|---------|---------|-----------|
| 1.                               | Petronet LNG Limited (PLL)                                     | India              | 12.50%  | 12.50%  | Audited   |
| 2.                               | Petronet MHB Ltd (PMHBL)                                       | India              | 28.77%  | 28.77%  | Audited   |
| 3.                               | Mangalore SEZ Ltd (MSEZ) \$                                    | India              | 26.46%  | 26.46%  | Audited   |
| 4.                               | ONGC Managalore Petrochemicals Ltd.(OMPL) #                    | India              | 48.15%  | 48.15%  | Audited   |
| 5.                               | ONGC Petro Additions Ltd. (OPAL)                               | India              | 41.93%  | 41.93%  | Audited   |
| 6.                               | ONGC Tripura Power Company Ltd.                                | India              | 49.52%  | 49.52%  | Audited   |
| 7.                               | ONGC Teri Biotec Ltd.                                          | India              | 49.98%  | 49.98%  | Audited   |
| 8.                               | Dahej SEZ Limited                                              | India              | 49.60%  | 49.60%  | Unaudited |
| 9.                               | ONGC Mittal Energy Limited (OMEL) through OVL                  | Cyprus             | 49.98%  | 49.98%  | Unaudited |
| 10.                              | OOO Imperial Frac Service through OVL                          | Russian Federation | 50%     | 50%     | Audited   |
| 11.                              | Shell MRPL Aviation Fuels & Services Pvt. Limited through MRPL | India              | 50%     | 50%     | Audited   |
| 12.                              | North East Transmission Company Ltd. Limited through OTPC      | India              | 28.85%  | 46.71%  | Audited   |
| <b>C. Associates</b>             |                                                                |                    |         |         |           |
| 1                                | Pawan Hans Helicopters Ltd. (PHHL)                             | India              | 49.00 % | 21.54 % | Unaudited |

\* Incorporated during the year \*\* Under Liquidation \*\*\* Liquidated during the year

\$ includes holding of 0.96% by OMPL. # includes holding of 3% by MRPL

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 (Annexure IV B and IVC)

| (₹ in million)           |                                                                   |                  |                           |          |                        |           |
|--------------------------|-------------------------------------------------------------------|------------------|---------------------------|----------|------------------------|-----------|
| Names of Subsidiaries/JV | Accounting Policies                                               |                  | Proportion - Depreciation |          | Proportion – Net Block |           |
|                          | Company                                                           | Subsidiaries/ JV | 2010-11                   | 2009-10  | 2010-11                | 2009-10   |
| MRPL                     | Written Down Value Method at the rates specified in Schedule XIV. | Straight Line    | 3,874.88                  | 3,904.56 | 30,554.48              | 32,674.59 |
| Petronet LNG Ltd.        |                                                                   |                  | 230.38                    | 200.75   | 3,372.13               | 3,597.36  |
| Petronet MHB Ltd.*       |                                                                   |                  | 313.29                    | 122.12   | 656.22                 | 971.85    |
| Mangalore SEZ Ltd.       |                                                                   |                  | 0.38                      | 0.37     | 2.62                   | 2.91      |
| OMPL                     |                                                                   |                  | 4.67                      | 1.82     | 7.18                   | 3.90      |
| OPaL                     |                                                                   |                  | 0.37                      | 2.66     | 7.17                   | 7.43      |
| OTPC                     |                                                                   |                  | 0.64                      | -        | 10.53                  | -         |
| Jarpeno Limited          |                                                                   |                  | 269.31                    | 116.94   | 932.19                 | 778.62    |

|                   |  |        |           |           |            |            |
|-------------------|--|--------|-----------|-----------|------------|------------|
| OAAL              |  | Method | 652.07    | 655.53    | 3,928.50   | 3,657.97   |
| OMEL              |  |        | 15.59     | 16.74     | 30.40      | 44.92      |
| Total- Proportion |  |        | 5,361.58  | 5,021.49  | 39,501.42  | 41,739.55  |
| Total CFS         |  |        | 83,811.73 | 57,076.51 | 252,199.91 | 232,122.60 |

Above table excludes Free hold land, Lease hold land and Intangibles.

\*In respect of Joint Venture - Petronet MHB Ltd (PMHBL), Cost of Right of way for laying pipeline amounting to ₹ 38.73 million (Previous year ₹ 38.67 million) included above is capitalized as intangible asset and being perpetual in nature is not amortized.

- 2.2 ONGBV, the subsidiary of OVL 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 ₹ 81,594.07 Million (Previous year ₹ 66,283.67 Million) shown as sales under Annexure-XX
- 2.3 The Subsidiary of OVL, ONGBV conducts its operations in Sudan jointly with Sudapet the national oil company of Sudan among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represent 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 ₹ 40, 848.27 Million (Previous year ₹ 43,287.70 Million) under the head Royalty in Annexure -XXIII.
- 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.
- 2.5 In respect of OPaL, foreign exchange variation amounting to ₹ 156.16 million has been treated as incidental expenditure during construction period and shown as Capital work-in Progress during 2009-10.
- 2.6 In the absence of certified financial statements of Dahej SEZ Limited for the year 2009-10, the same has not been considered for consolidation during 2009-10, however the same has been considered based on unaudited accounts during the year 2010-11.
- 2.7 During the year, Company had acquired an additional number of 95,850 equity share of ₹ 10,000/- each in its Associate PHHL for ₹ 958.50 million resulting in increase in the holding to 49.00% from 21.54%. The above acquisition has resulted in Capital Reserve of ₹ 285.32 million, computed in accordance with Accounting Standard (AS) 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements'.
- 2.8 In respect of PHHL, the audited Annual Accounts for the year 2010-11 have not been received. For the purposes of consolidation of PHHL, the audited Annual Accounts for the year 2009-10 and unaudited accounts for the year 2010-11 have been considered. The difference in share of profit amounting to ₹ 1.33 million between audit Profit After Tax (PAT) and unaudited PAT for the year 2009-10 have been considered as share of profit in Associate. The share of Profit for the year 2010-11 amounting to ₹ 28.67 million, has also been considered as share of profit in Associate. No dividend has been received during the year.
- 2.9 Due to different nature of their operations, PHHL, the Associate of the Company, follows different accounting policies in respect of depreciation. Depreciation is charged by PHHL on Straight Line Method rates specified in Schedule XIV whereas the company provides at Written Down Value Method rates specified in Schedule XIV. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

- 2.10 The Minority Interest is net of ₹ 701.96 million in 2009-10 in respect of Jarpeno Limited. The losses applicable to the minority in consolidated subsidiaries of Jarpeno Limited are exceeding the minority interest in the equity of the subsidiaries. However, the excess applicable to the minority, are not adjusted against the majority interest in view of the minority shareholders obligation to make good the losses and their ability to make good the losses as the economic value of oil reserves attributable to minority shareholders is considered to be higher than the accumulated losses for minority shareholders.

### **3. Change in Accounting Policies**

- 3.1 During the year 2009-10, the Company has changed its accounting policy on abandonment cost and started providing the full eventual estimated liability towards costs relating to dismantling, abandoning and restoring of onshore well sites. Such cost of onshore well site has been capitalized to Producing Property/Development Wells in Progress /Exploratory Wells in Progress when completed and in case of dry wells it is charged to Profit & Loss account. This has resulted in increase in Producing Property by ₹ 8,353.36 million, Exploratory Wells in Progress by ₹ 166.64 million and Development Wells in Progress by ₹ 102.57 million with corresponding increase in abandonment liability by ₹ 8,622.57 million. This has also resulted in increase in Depletion cost by ₹ 403.72 million and cost of dry wells by ₹ 88.50 million with corresponding decrease in profit before tax by ₹ 492.22 million for the year 2009-10.
- 3.2 Further, in case of offshore wells, upto the year 2008-09, the Company was providing full eventual estimated liability towards costs relating to dismantling, abandoning and restoring of offshore wells/facilities that were forming part of producing properties. However, during the year 2009-10, the Company started providing such liability in respect of wells completed and facilities capitalized also whether they are transferred to Producing Property or not. This has resulted in increase in 'Development Wells in Progress' by ₹ 305.52 million and corresponding increase in abandonment liability by a similar amount during the year 2009-10. This has no impact on profit before tax for 2009-10.
- 3.3 During the year 2009-10, the Company changed its accounting policy of amortizing intangible assets from Written Down Value Method @ 40% to Straight Line Method over the useful life not exceeding a period of 5 years in order to systematically amortize its intangible assets. This has resulted in decrease in Depreciation, Depletion, Amortisation and Impairment by ₹ 424.55 million, consequently activity cost decreased by ₹ 3.22 million and Profit before tax for the year 2009-10 increased by ₹ 421.33 million.
- 3.4 During the year, the Subsidiary of OVL has changed its accounting policy with regard to accounting treatment for over lift quantities & under lift quantities of Crude Oil based on the opinion taken from the Expert Advisory Committee (EAC) of ICAI. Till last year, under lift quantities were treated as Inventories which are now treated as Prepaid Expenses. This change in the accounting treatment has no implication on Financial Statements. Till last year, for overlift quantities, liability was recognized by reversing the related sales/revenue of the Company at the recent sales price of the crude oil. The EAC has suggested for recognition of the consideration received from sale of over lift quantity as Revenue, creating liability for the best estimate of the Company's proportionate share of production expenses as per the JOA / PSA in respect of the quantity of crude oil to be foregone in future period towards settlement of the overlift quantity of crude oil with corresponding charge to Profit and Loss Account. Since there was no overlift quantity as on 31st March 2011, the change in accounting policy had no implication on Financial Statements for the year.
- 3.5 During the year, OTPC, Joint Venture, has changed, its accounting policy relating to charging of depreciation from Written Down Value Method (WDV) as per rates prescribed in Schedule XIV of the Companies Act, 1956 to Straight Line Method (SLM) as per provisions of CERC Tariff Regulations 2009, retrospectively with effect from 1st April 2009. The aforesaid change has resulted in writing back of depreciation for earlier years amounting to ₹ 0.31 million, which has been credited to Capital Work In Progress, being charged to that account in earlier years. This has also resulted in lower charge of depreciation during the year amounting to ₹ 0.54 million.

#### 4 Debenture Redemption Reserve

During the year 2009-10, The Subsidiary-OVL had raised funds from the financial markets by issuance of non-convertible redeemable bonds as follows :

(₹ in Million)

| Sl No | Particulars                                                                                       | Amount | Date of issue    |
|-------|---------------------------------------------------------------------------------------------------|--------|------------------|
| 1     | 8.40 % 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series I   | 19,700 | 23 December 2009 |
| 2     | 8.54 % 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series II | 3,700  | 6 January 2010   |

The above securities have been listed in National Stock Exchange of India Ltd. (NSE).

Debenture redemption reserve has been created as follows in respect of the above Bonds:

(₹ in million)

| Particulars | Balance as on March 31, 2010 | Additions | Balance as on March 31, 2011 |
|-------------|------------------------------|-----------|------------------------------|
| Series-I    | 1,068.07                     | 3,937.84  | 5,005.91                     |
| Series-II   | 86.12                        | 369.80    | 455.92                       |
| Total       | 1,154.19                     | 4,307.64  | 5,461.83                     |

#### 5 Foreign Currency Translation Reserve:

The Subsidiary-OVL 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 gain of ₹ 2,181.46 Million (Previous Year ₹ 19,514.38 Million exchange loss) has been accounted as foreign currency translation reserve and shown in Annexure- XVIII as per details given below:

(₹ in million)

| Particulars               | 2010-11    | 2009-10     |
|---------------------------|------------|-------------|
| Opening Balance           | (4,115.28) | 15,399.10   |
| Additions during the year | 2,181.46   | (19,514.38) |
| Closing Balance           | (1,933.82) | (4,115.28)  |

#### 6 Amortization of Goodwill on Consolidation:

Goodwill is attributed to the following investments of the Company:

(₹ in Million)

| Particulars                                                             | As at 31 <sup>st</sup> March 2011 | As at 31 <sup>st</sup> March 2010 |
|-------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| GNOP, Sudan, ONGC Nile Ganga B.V.                                       | 10,961.58                         | 11,055.70                         |
| MECL Project, Colombia (ONGC Amazon Alaknanda Ltd.)                     | 16,977.15                         | 17,132.80                         |
| BC-10 Project, Brazil, Offshore (ONGC Nile Ganga B.V)                   | 5,661.75                          | 5,713.66                          |
| San Cristobal Project, Venezuela (ONGC Nile Ganga (San Cristobal) B.V.) | 3,979.32                          | 4,015.80                          |
| Imperial Energy Project, Russia (Jarpeno Ltd.)                          | 69,259.43                         | 69,894.41                         |
| MRPL                                                                    | 2930.45                           | 2930.45                           |
| <b>Total</b>                                                            | <b>109,769.68</b>                 | <b>110,742.82</b>                 |

Following prudent accounting, the Company amortizes goodwill based on Unit of Production Method. Goodwill amortized during the year amounted to ₹ 5,050.42 million (Previous year ₹ 4,978.91 million) in respect of following projects/subsidiaries:-



| (₹ in million)                                                          |                  |           |
|-------------------------------------------------------------------------|------------------|-----------|
| Particulars                                                             | 2010-11          | 2009-10   |
| <b>Cumulative Goodwill Amortisation at beginning of the year</b>        | <b>15,357.36</b> | 10,564.74 |
| <b>Amortisation for the year:</b>                                       |                  |           |
| GNOP, Sudan (ONGC Nile Ganga B.V.)                                      | <b>403.14</b>    | 471.46    |
| MECL Project, Colombia (ONGC Amazon Alaknanda Ltd.)                     | <b>1,200.03</b>  | 1,445.38  |
| BC-10 Project, Brazil, Offshore (Through ONGC Nile Ganga B.V)           | <b>515.20</b>    | 169.76    |
| San Cristobal Project, Venezuela (ONGC Nile Ganga (San Cristobal) B.V.) | <b>191.03</b>    | 379.19    |
| Imperial Energy Project, Russia (Jarpeno Ltd.)                          | <b>2,741.02</b>  | 2,513.12  |
| <b>Sub-total</b>                                                        | <b>5,050.42</b>  | 4,978.91  |
| Foreign currency translation difference                                 | <b>(566.67)</b>  | (186.29)  |
| <b>Cumulative Goodwill Amortisation at end of the year</b>              | <b>19,841.11</b> | 15,357.36 |

- 7 In terms of the decision of Government of India (GOI), the company has shared under-recoveries of Oil Marketing Companies (OMCs) on price sensitive products viz Petrol (upto 24.06.2010), Diesel, Domestic LPG and PDS Kerosene for the year 2010-11 by extending the discount in the prices of Crude Oil, Domestic LPG and PDS Kerosene based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas (MoP&NG). The company does not envisage any material impact on finalization of discount rates. The impact of discount is as under:

| (₹ in million)              |                    |            |
|-----------------------------|--------------------|------------|
| Decrease in                 | For the year ended |            |
|                             | 2010-11            | 2009-10    |
| Gross Revenue               | 248,924.30         | 115,543.07 |
| Less: Value Added Tax (VAT) | 6,159.47           | 2,760.27   |
| Sales Revenue               | 242,764.83         | 112,782.80 |
| Less: Statutory Levies      | 29,418.00          | 13,534.06  |
| Profit Before Tax           | 213,346.83         | 99,248.74  |

- 8.1 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 (MOU)/Crude Oil Sale Agreement (COSA) with the customers, the same pricing formula has been provisionally adopted from 01.04.2004 onwards. However, for Crude Oil produced in Assam, benchmark price revised by MoP&NG w.e.f. 01.04.2008 has been adopted. Adjustments, if any, on account of this shall be carried out on finalization of agreements/ receipt of Government directives. However, the Company does not envisage any material impact on current year's results on finalisation.
- 8.2 Sales revenue of Natural Gas under Administrative Price Mechanism (APM) was based on the gas prices fixed on provisional basis as per directives dated 20.06.2005 and 05.06.2006 of MoP&NG, GoI upto 31.05.2010. GoI, vide letter dated 31.05.2010, decided to fix the producer price of APM gas produced by National Oil Companies (NOCs) at US\$ 4.2/mmbtu inclusive of royalty effective from 01.06.2010. For APM consumers, except for consumers in North Eastern states, the consumer price would be same as producer price, i.e. US\$ 4.2/ mmbtu inclusive of royalty. For APM consumers in North-East, consumer price is 60% of the producer price, i.e., US\$ 2.52/ mmbtu inclusive of royalty. In North-East, the difference between producer price and consumer price is paid to the company through GoI Budget.
- 9 The company is supplying Natural Gas to GAIL (India) Limited (GAIL) which also purchases gas from other sources and sells to APM and non APM consumers. In case GAIL generates surplus in Gas Pool Account during the financial year, same is transferred to ONGC/ Oil India Limited (OIL) at the end of financial year in accordance with their contribution. Accordingly, an amount of ₹ 21,914.90 million (Previous year ₹ 4,415.79 million) is accounted as Surplus from Gas Pool Account under 'Statement of Other Income' in Annexure- XXI.

- 10 The Subsidiary-OVL had entered into a Settlement Agreement, signed by all three Foreign Parties including ONGBV and Government of Sudan (GOS) on 22<sup>nd</sup> December 2010. As per the Settlement Agreement the ownership of the Transportation System shall be transferred to the GOS as follows:

- a) 70% ownership as of 1<sup>st</sup> October 2006 till 31<sup>st</sup> August 2014.
- b) 100% ownership as of 1<sup>st</sup> September 2014 to be transferred to the GOS.

The 70% of all the Net Revenues generated by the Transportation System and retained by the Foreign Parties since 1<sup>st</sup> of October 2006 till 31<sup>st</sup> October 2010, USD 572.16 Million shall be returned to and paid to the GOS as follows:

| Parties                                     | % PI Surrendered | Amount in USD Million | Amount in ₹ million |
|---------------------------------------------|------------------|-----------------------|---------------------|
| China National Petroleum Corporation (CNPC) | 75.36            | 259.35                | 11,814.04           |
| Petronas Carigalli Nile Ltd. (PCNL)         | 75.36            | 194.51                | 8,860.42            |
| ONGC Nile Ganga BV (ONGBV)                  | 55.00            | 118.30                | 5,388.86            |
| <b>Total</b>                                |                  | <b>572.16</b>         | <b>26,063.32</b>    |

Out of the total amount of USD 118.30 Million surrendered by ONGBV, USD 111.51 million (₹ 5,079.72 million) pertaining to the period 1<sup>st</sup> October 2006 to 31 March 2010 is disclosed as write-back of net revenues. The balance amount of USD 6.79 million (₹ 309.30 million), pertaining to the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> October 2010 is accounted in the current year revenues. Revenue from November 2010 has been accounted for based on the revised participating interests of ONGBV.

#### 11 Acquisitions Carabobo Project

The consortium of ONGC Videsh Limited ("OVL", 11.0%), Indian Oil Corporation Limited ("IOC", 3.5%), Oil India Limited ("OIL", 3.5%), Repsol YPF ("Repsol", 11.0%) and Petrolia Nacional Berhad ("PETRONAS", 11.0%), was awarded by the Government of Venezuela, 40% ownership interest in an "Empresa Mixta" (or "Mixed Company") which will develop the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Heavy Oil Belt. The Corporación Venezolana del Petróleo ("CVP"), a subsidiary of Petróleos de Venezuela S.A. ("PDVSA"), Venezuela's state oil company, will hold the remaining 60% equity interest. A wholly owned subsidiary of the Company, Carabobo One AB was incorporated in Sweden on 25 February 2010. Petro Carabobo Ganga B.V. a wholly owned subsidiary of Carabobo One AB was incorporated in the Netherlands on 26 February 2010. Petro Carabobo Ganga B.V. will hold 11% shares in the Mixed Company. The Mixed Company contract for the development and production from Carabobo-1 Project was signed on 12 May 2010 in Caracas.

- 12 In Ravva Joint Venture, the demand towards additional profit petroleum raised by GoI, based on the decision of the Malaysian High Court, was disputed by the Operator M/s Cairn Energy India Limited, due to difference in interpretation of provision of Production Sharing Contract (PSC) in respect of computation of Post Tax Rate of Return (PTRR). The Company is not a party to the dispute but agreed to abide by the decision applicable to the Operator. As the dispute between the Operator and GoI was not resolved, the Company made a provision in Financial Year 2008-09 amounting to ₹ 5,771.14 million (USD 113.82 million) on account of additional profit petroleum and ₹ 2,829.86 million (USD 54.88 million) towards interest thereon totaling to ₹ 8,601.00 million (USD 168.70 million) as an abundant precaution. GoI had recovered such amount subsequently.

The appellate authority of Honorable Malaysian High Court of Kuala Lumpur, Malaysia had set aside the decision of the Malaysian High Court and the decision of arbitral tribunal in favour of Operator was restored on 15<sup>th</sup> September 2009. GoI has filed an appeal in the Federal Court of Malaysia against such restoration.

Pending final outcome of this appeal, the provision is maintained as on 31<sup>st</sup> March, 2011 amounting to ₹ 5,090.17 million (USD 113.82 million) on account of additional Profit Petroleum and ₹ 2,415.83 million (USD 54.02 million) towards interest thereon totaling to ₹ 7,506.00 million (USD 167.84 million) as per the demand of DGH after reversal for interest of ₹ 103.42 million (USD 2.31 million) against provision of interest ₹ 65.41 million (USD 1.45 million) in 2009-10 and adjustment of exchange gain of ₹ 69.78 million (Previous year ₹ 987.20 million).

- 13 The Company 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 ₹ 3,711.22 million which was capitalized under Exploratory Wells in Progress as per Accounting Policy No. 6.3. Subsequent exploratory drilling costs of wells in this block were capitalized as Exploratory Wells in Progress. Initial-in-Place-Reserves have been established in this block and a conceptual development plan as part of the proposal for Declaration of Commerciality has been submitted to Management Committee (MC) for review on 15.07.2010. However, the Company as an abundant precaution made a provision of ₹ 6,104.80 million, ₹ 2,360.39 million and ₹ 918.48 million in respect of above costs in 2007-08, 2008-09 and 2009-10 respectively. Since there is no significant change in status of this block during the current year, the expenditure amounting to ₹ 17.67 million on the wells completed upto 31<sup>st</sup> March 2009, being more than two years old is provided for in the current year.
- 14 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) is payable for extension of time to complete MWP. Further, in case the Company does not complete MWP or surrender the block without completing the MWP, the estimated cost of completing balance work programme is required to be paid to the GoI. LD amounting to ₹ 113.72 million (Previous year ₹ (-)78.41 million) net of reversal and cost of unfinished MWP ₹ 919.81 million (Previous year ₹ 3,148.58 million) paid/payable to the GoI is included in survey and wells written off expenditure in Annexure- XXIV.
- 15 During the year 2009-10, in respect of 16 Deepwater NELP Blocks, company's share in LD and MWP amounting to ₹ 12,037.37 million and ₹ 33,024.85 million respectively has not been provided for, since the rig moratorium proposal is under consideration of GoI as per the letter dated 18.08.2008 from Director General of Hydrocarbons (DGH). Out of the above MWP amounting to ₹ 1,770.62 million has already been completed during the year 2009-10 and balance amounting to ₹ 31,254.23 million was included in Capital Commitment (Note No 29.1.2).
- 16 During the year, the Oil Marketing Companies, nominees of GoI had recovered ₹ 1,432.34 million (USD 32.07 million) ONGC's share as per directives of GoI in respect Jointly Controlled Assets - Panna Mukta & Tapti. The recovery is towards certain observations raised by auditors appointed by Director General Hydrocarbon (DGH) under Production Sharing Contract for the period 2002-03 to 2005-06 in respect of cost and profit petroleum share payable to GoI. BGEPIIL along with RIL ("Claimants") have served a notice of arbitration on the GOI in respect of dispute, differences and claims arisen in connection with the term of Panna, Mukta & Tapti PSCs. Since the company is not a party to the arbitration proceedings, it has requested MoP&NG that in case of an arbitral award, the same be made applicable to ONGC also, as a constituent of contractor for both the PSCs. Pending final arbitral award, the same has been shown as 'Receivable from GoI'
- 17 The Finance (No.2) Act, 2009, has specified the definition of "undertaking" for the purpose of claiming tax holiday under section 80-IB(9) of Income Tax Act, 1961 to be 'all blocks licensed under a single contract' retrospectively whereas the company had earlier considered each 'Well' as an undertaking. Since the amendment still requires clarity on various issues and also considering the advice of legal experts, the company continued to make provision for tax without considering the benefit u/s 80-IB(9).
- 18 **Forward Contracts to cover Forex Risk**
- 18.1 In respect of a Subsidiary MRPL, Forward contracts of US \$ 5.00 Million is outstanding as on 31st March 2011 (US\$ 1.90 Million as on 31st March, 2010 ), which were entered into, to hedge the risk of changes in foreign currency exchange rates on future export realisations against existing long term export contract. The mark to market loss on these unexpired contracts as on 31st March 2011 amounting to ₹ 5.40 Million has been considered in the financial statements. During the year 2009-10 Mark to Market Gain on theses unexpired contracts as on March 31, 2010 amounting to ₹ 1.85 Million has not been considered in the financial Statements. The actual gain/loss could vary and be determined only on settlement of the contract on their respective expiry dates.
- 18.2 In respect a Joint Venture PLL, external commercial borrowing of USD 150.00 million from International Finance Corporation, Washington D.C., USA is outstanding as on 31<sup>st</sup> March, 2011,

JV entered into derivative contracts to hedge the loan including interest. This has the effect of freezing the rupee equivalent of this liability as reflected under the Secured Loans. Thus there is no impact in the Profit & Loss account, arising out of exchange fluctuations for the duration of the loan. Consequently, there is no restatement of the loan taken in foreign currency. The interest payable in Indian Rupees on the derivative contracts is accounted for in the Profit & Loss account.

- 18.3 In respect of a Subsidiary OVL, the hedging loss for the year is ₹ 41.85 million (Previous year gain ₹ 19.42 million) and comprises of realized losses of ₹ 5.96 million and unrealized losses of ₹ 35.89 million (Previous year unrealized losses of ₹ 14.22 million and realized gains of ₹ 33.64 million) in respect of hedging of crude oil against prices by OMEL.
- 19 The Company has charged depreciation on all Trunk Pipelines and Onshore Flow Lines (assets below ground) at @ 100% based on technical assessment by the management.
- 20 Some balances of Debtors, Creditors and Loans & Advances are subject to confirmation/ reconciliation. Adjustments, if any, will be accounted for on confirmation/ reconciliation of the same, which will not have a material impact.
- 21 **Borrowing Cost** – Borrowing Cost Capitalized during the year is ₹ 1,352.03 million (Previous year ₹ 583.55 million).
- 22 **Disclosure under Accounting Standard -17 on “Segment Reporting”**

| Particulars                       | 2010-11    |            |            |               |              |              | 2009-10    |            |            |               |              |              |
|-----------------------------------|------------|------------|------------|---------------|--------------|--------------|------------|------------|------------|---------------|--------------|--------------|
|                                   | In India   |            | Refining   | Outside India | Unallocated  | Grand Total  | In India   |            | Refining   | Outside India | Unallocated  | Grand Total  |
|                                   | E&P        |            |            |               |              |              | E&P        |            |            |               |              |              |
|                                   | Offshore   | Onshore    |            |               |              |              | Offshore   | Onshore    |            |               |              |              |
| Revenue                           |            |            |            |               |              |              |            |            |            |               |              |              |
| External Sales                    | 468,243.41 | 169,353.40 | 433,261.11 | 182,897.86    | 17,544.87    | 1,271,300.65 | 424,693.22 | 152,407.48 | 361,440.94 | 139,970.11    | 14,197.80    | 1,092,709.55 |
| Inter Segment Sales               | 55,730.43  |            | 5,758.15   | 9,814.41      |              | 71,302.99    | 43,955.10  | -          | 4,606.43   | 15,131.88     | -            | 63,693.41    |
|                                   |            |            |            |               |              |              |            |            |            |               |              |              |
| Total Revenue                     | 523,973.84 | 169,353.40 | 439,019.26 | 192,712.27    | 17,544.87    | 1,342,603.64 | 468,648.32 | 152,407.48 | 366,047.37 | 155,101.99    | 14,197.80    | 1,156,402.96 |
| Results                           |            |            |            |               |              |              |            |            |            |               |              |              |
| Segment Result Profit(+)/Loss(-)  | 236,748.93 | 24,077.44  | 17,228.07  | 51,945.24     |              | 329,999.68   | 195,635.13 | 42,382.14  | 15,662.63  | 44,110.17     |              | 297,790.07   |
| Unallocated Corporate Expenses    |            |            |            |               | 8,260.12     | 8,260.12     |            |            |            |               | 9,806.35     | 9,806.35     |
| Operating Profit                  | 236,748.93 | 24,077.44  | 17,228.07  | 51,945.24     | (8,260.12)   | 321,739.56   | 195,635.13 | 42,382.14  | 15,662.63  | 44,110.17     | (9,806.35)   | 287,983.72   |
| Interest Expenses                 |            |            |            |               | 4,374.43     | 4,374.43     |            |            |            |               | 5,564.14     | 5,564.14     |
| Interest/Dividend Income          |            |            |            |               | 25,798.04    | 25,798.04    |            |            |            |               | 21,994.05    | 21,994.05    |
| Income Taxes                      |            |            |            |               | 114,913.44   | 114,913.44   |            |            |            |               | 107,137.92   | 107,137.92   |
| Profit from Ordinary Activities   | 236,748.93 | 24,077.44  | 17,228.07  | 51,945.24     | (101,749.95) | 228,249.73   | 195,635.13 | 42,382.14  | 15,662.63  | 44,110.17     | (100,514.36) | 197,275.72   |
| Extraordinary Gain                |            |            |            |               |              | -            |            |            |            |               |              | -            |
| Net Profit                        | 236,748.93 | 24,077.44  | 17,228.07  | 51,945.24     | (101,749.95) | 228,249.73   | 195,635.13 | 42,382.14  | 15,662.63  | 44,110.17     | (100,514.36) | 197,275.72   |
| Other Information                 |            |            |            |               |              |              |            |            |            |               |              |              |
| Segment Assets                    | 670,683.18 | 323,956.55 | 184,475.69 | 253,020.76    |              | 1,432,136.18 | 558,363.39 | 285,185.38 | 145,605.09 | 385,915.95    |              | 1,375,069.81 |
| Unallocated Corporate Assets      |            |            |            |               | 508,982.81   | 508,982.81   |            |            |            |               | 301,354.47   | 301,354.47   |
| Total Assets                      | 670,683.18 | 323,956.55 | 184,475.69 | 253,020.76    | 508,982.81   | 1,941,118.99 | 558,363.39 | 285,185.38 | 145,605.09 | 385,915.95    | 301,354.47   | 1,676,424.28 |
| Segment Liabilities               | 302,899.06 | 93,186.75  | 118,799.10 | 116,809.04    |              | 631,693.95   | 249,627.51 | 63,048.66  | 89,355.44  | 106,921.36    |              | 508,952.97   |
| Unallocated Corporate Liabilities |            |            |            |               | 156,152.59   | 156,152.59   |            |            |            |               | 153,404.87   | 153,404.87   |
| Total Liabilities                 | 302,899.06 | 93,186.75  | 118,799.10 | 116,809.04    | 156,152.59   | 787,846.54   | 249,627.51 | 63,048.66  | 89,355.44  | 106,921.36    | 153,404.87   | 662,357.84   |
| Capital Expenditure               | 260,654.78 | 52,074.19  | 8,007.31   | 83,222.44     | 21,901.83    | 455,860.55   | 188,070.85 | 102,360.98 | 14,862.15  | 58,565.88     | 4,596.90     | 378,456.77   |
| Depreciation*                     | 115,900.46 | 42,888.81  | 3,966.29   | 42,337.91     | 1,190.70     | 206,284.17   | 114,157.39 | 31,732.45  | 3,939.72   | 36,577.50     | 984.24       | 187,391.30   |
| Other Non-cash Expenses           | 4,497.36   | 1,512.84   | 114.27     | 9,604.48      | 70.06        | 15,799.01    | 2,814.04   | 101.23     | 188.33     | 2,833.22      | 58.76        | 5,995.58     |

\* Also Includes Depletion, Amortization and Impairment Loss.

## 22.2 Notes :

22.2.1 The annexed matrix presentation depicts the geographical segments based on assets as primary segments and business segments as secondary segments.

22.2.2 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

22.2.3 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.

22.2.4 Inter Segment Sales have been priced at prevailing market rates.

22.2.5 Segment Assets includes ₹ 1,738.45 million of Intangible Assets (Previous year ₹ 2,168.10 million)

22.2.6 Reconciliation of the Segment Revenue with the Revenue as per Annexure XX,XXI & XXVII is given below:

| (₹ in million)                                                                   |          |                     |                     |
|----------------------------------------------------------------------------------|----------|---------------------|---------------------|
| Particulars                                                                      | Annexure | 2010-11             | 2009-10             |
| Sales – As per P&L Account                                                       | XX       | 1,227,685.75        | 1,061,688.44        |
| Other Income                                                                     | XXI      | 69,289.33           | 52,708.18           |
| Prior period Sales                                                               | XXVII    | (45.36)             | 26.01               |
| Prior period other Income                                                        | XXVII    | 159.73              | 281.45              |
| <b>Total</b>                                                                     |          | <b>1,297,089.45</b> | <b>1,114,704.08</b> |
| Less:                                                                            |          |                     |                     |
| Income from trade investments                                                    | XXI      | 4,367.44            | 2,263.74            |
| Income from Non trade investments                                                | XXI      | 679.98              | 490.63              |
| Interest income on Deposits with banks/FIs,IT Refund, SRF Fund and carry Finance | XXI      | 20,741.38           | 19,240.16           |
| <b>Segment Revenue</b>                                                           |          | <b>1,271,300.65</b> | <b>1,092,709.55</b> |

## 23 Disclosure under Accounting Standard -18 on “Related Party Disclosure”

### 23.1 Name of related parties and description of relationship :

#### 23.1.1 Joint Ventures/Jointly Controlled Entities

| Sl No.   | Name                                        | Relationship                       |
|----------|---------------------------------------------|------------------------------------|
| <b>A</b> | <b>Joint Ventures in India</b>              |                                    |
| i        | Ravva                                       | Joint Venture in India             |
| ii       | CY-OS-90/1( PY3)                            | Joint Venture in India             |
| iii      | Panna, Mukta & Tapti                        | Joint Venture in India             |
| iv       | CB-OS-2                                     | Joint Venture in India             |
| v        | GK-OSJ-3                                    | Joint Venture in India             |
| vi       | RJ-ON-90/1                                  | Joint Venture in India             |
| vii      | RJ-ONN-2003/1                               | Joint Venture in India             |
| viii     | PR-OSN-2004/1                               | Joint Venture in India             |
| ix       | RJ-ON/6                                     | Joint Venture in India             |
| <b>B</b> | <b>Jointly Controlled Entities in India</b> |                                    |
| i        | ONGC Mangalore Petrochemicals Limited       | Jointly Controlled Entity in India |
| ii       | Petronet LNG Limited                        | Jointly Controlled Entity in India |
| iii      | ONGC Teri Biotech Limited                   | Jointly Controlled Entity in India |

|          |                                                   |                                           |
|----------|---------------------------------------------------|-------------------------------------------|
| iv       | Mangalore SEZ Limited                             | Jointly Controlled Entity in India        |
| v        | ONGC Petro-additions Limited                      | Jointly Controlled Entity in India        |
| vi       | ONGC Tripura Power Co. Limited                    | Jointly Controlled Entity in India        |
| vii      | Dahej SEZ Limited                                 | Jointly Controlled Entity in India        |
| <b>C</b> | <b>Joint Ventures/Associates of Subsidiary</b>    |                                           |
| i        | Block 06.1 Project, Vietnam                       | Joint Venture (Outside India) through OVL |
| ii       | Sakhalin-1 Project, Russia                        | Joint Venture (Outside India) through OVL |
| iii      | Block 1a, 1b, 2a, 2b & 4 Project, Sudan           | Joint Venture (Outside India) through OVL |
| iv       | Block 5A Project, Sudan                           | Joint Venture (Outside India) through OVL |
| v        | MECL, Colombia                                    | Joint Venture (Outside India) through OVL |
| vi       | AFPC, Syria                                       | Joint Venture (Outside India) through OVL |
| vii      | Block BC-10, Brazil                               | Joint Venture (Outside India) through OVL |
| viii     | Block BM-SEAL-4, Brazil                           | Joint Venture (Outside India) through OVL |
| ix       | Block BM-BAR-1, Brazil                            | Joint Venture (Outside India) through OVL |
| x        | Block BM-S-73, Brazil                             | Joint Venture (Outside India) through OVL |
| xi       | Block BM-S-74, Brazil                             | Joint Venture (Outside India) through OVL |
| xii      | Block A-1 Project, Myanmar                        | Joint Venture (Outside India) through OVL |
| xiii     | Block A-3 Project, Myanmar                        | Joint Venture (Outside India) through OVL |
| xiv      | Farsi Block Project, Iran                         | Joint Venture (Outside India) through OVL |
| xv       | Block XXIV Project, Syria                         | Joint Venture (Outside India) through OVL |
| xvi      | Block 2, JDZ, Nigeria / STP                       | Joint Venture (Outside India) through OVL |
| xvii     | Block 25-29, 35 (Part) & 36 Project, Cuba         | Joint Venture (Outside India) through OVL |
| xviii    | Khartoum – Port Sudan Pipeline Project, Sudan     | Joint Venture (Outside India) through OVL |
| xix      | ONGC Mittal Energy Limited, Cyprus                | Joint Venture (Outside India) through OVL |
| xx       | Block RC-8, Colombia                              | Joint Venture (Outside India) through OVL |
| xxi      | Block RC-9, Colombia                              | Joint Venture (Outside India) through OVL |
| xxii     | Block RC-10, Colombia                             | Joint Venture (Outside India) through OVL |
| xxiii    | Block SSJN-7, Colombia                            | Joint Venture (Outside India) through OVL |
| xxiv     | Block CPO-5, Colombia                             | Joint Venture (Outside India) through OVL |
| xxv      | San Cristobal Project, Venezuela                  | Joint Venture (Outside India) through OVL |
| xxvi     | Carabobo Project, Venezuela                       | Joint Venture (Outside India) through OVL |
| xxvii    | ONGC Nile Ganga B.V. , The Netherlands            | Joint Venture (Outside India) through OVL |
| xxviii   | OOO Imperial Energy Tomsk Gas, Russian Federation | Joint Venture (Outside India) through OVL |
| xxix     | Shell MRPL Aviation Fuels & Services Pvt. Limited | Joint Venture of MRPL                     |
| xxx      | Mangalam Retail Services Limited                  | Joint Venture of MRPL                     |

### 23.1.2 Key Management Personnel:

| <b>Functional Directors:</b>           |                                                                                                    |
|----------------------------------------|----------------------------------------------------------------------------------------------------|
| Parent Company                         |                                                                                                    |
| i)                                     | Shri R.S. Sharma, Chairman and Managing Director up to 31.01.2011                                  |
| ii)                                    | Shri A.K. Hazarika holding additional charge of Chairman and Managing Director from 01.02.2011     |
| iii)                                   | Dr. A. K. Balyan up to 15.07.2010                                                                  |
| iv)                                    | Shri U. N. Bose                                                                                    |
| v)                                     | Shri D.K. Pande up to 31.01.2011                                                                   |
| vi)                                    | Shri D.K.Sarraf                                                                                    |
| vii)                                   | Shri Sudhir Vasudeva                                                                               |
| viii)                                  | Shri S.V.Rao from 25.02.2011                                                                       |
| <b>Subsidiaries and Joint Ventures</b> |                                                                                                    |
| i)                                     | Shri R S Butola, Managing Director, upto 28 <sup>th</sup> February 2011 OVL                        |
| ii)                                    | Shri J Thomas, Managing Director , w.e.f 1 <sup>st</sup> March 2011 and Director (Exploration) OVL |
| iii)                                   | Shri S P Garg, Director (Finance), OVL                                                             |
| iv)                                    | Shri S.Roychoudhary, Director (Commercial)(with effect from 01 <sup>st</sup> September'2009), OVL  |
| v)                                     | Shri Ir. A R Baron Mackay Holding B.V., Director, ONGBV                                            |
| vi)                                    | Shri Costas Christoforou, Director, Jarpeno Limited                                                |
| vii)                                   | Ms Arlene Nahikian, Director, Jarpeno Limited                                                      |
| viii)                                  | Ms. K. Antoniadou, Director, Jarpeno Limited                                                       |
| ix)                                    | Ms. E. Chrysanthou, Director, Jarpeno Limited                                                      |
| x)                                     | Shri A. Loizou, Director, Jarpeno Limited                                                          |
| xi)                                    | Shri Roland Göransson, Director, Carabobo One AB                                                   |

|        |                                                                                         |
|--------|-----------------------------------------------------------------------------------------|
| xii)   | Shri Richard Chindt, Director, Carabobo One AB                                          |
| xiii)  | Shri.U.K. Basu, Managing Director, MRPL                                                 |
| xiv)   | Shri P P Upadhyaya, Director ( Technical), MRPL from 30.09.2010                         |
| xv)    | Shri. L.K. Gupta, Director (Finance) upto 31 <sup>st</sup> May 2010. MRPL               |
| xvi)   | Shri. Prosad Dasgupta (Managing Director & CEO), PLL till 30.06.2010                    |
| xvii)  | Dr. A.K. Balyan (Managing Director & CEO) PLL from 16.07.2010                           |
| xviii) | Shri. Amitava Sengupta (Director-Finance & Commercial), PLL                             |
| xix)   | Shri. C S Mani (Director-Technical), PLL.                                               |
| xx)    | Shri. Rajiv Banga, Mangalore SEZ from 1 <sup>st</sup> January 2010                      |
| xxi)   | Shri P.P. Nadkarni, Managing Director, PMHBL                                            |
| xxii)  | Shri. Alok Mukherjee (whole time Director & CEO), OTPCL upto 19 <sup>th</sup> July 2010 |
| xxiii) | Shri Sudhindra Kumar Dube (Managing director), OTPCL from 15 <sup>th</sup> July 2010    |

## 23.2 Details of Transactions

### 23.2.1 Joint Ventures/ Jointly Controlled Entities

| (₹ In million)                                       |          |          |
|------------------------------------------------------|----------|----------|
| Details                                              | 2010-11  | 2009-10  |
| <b>Sale of Products to</b>                           |          |          |
| a) Shell MRPL Aviation Fuels & Services Pvt. Limited | 2,457.04 | 1,643.97 |
| <b>Services Received from :</b>                      |          |          |
| a) Ravva                                             | 84.10    | 60.40    |
| b) ONGC Teri Biotech Ltd                             | 94.51    | 151.26   |
| c) Dahej SEZ Ltd.                                    | 23.92    | -        |
| d) ONGC Mangalore Petrochemicals Ltd.                | 79.54    | -        |
| e) Mangalore SEZ Ltd.                                | 161.68   | -        |
| <b>Services Provided to :</b>                        |          |          |
| a) Ravva                                             | 13.30    | 11.19    |
| b) Panna Mukta & Tapti                               | 1,553.34 | 2,329.66 |
| c) ONGC Petro-additions Ltd.                         | 126.25   | 162.54   |
| d) ONGC Teri Biotech Limited                         | 0.81     | -        |
| e) Petronet LNG Limited                              | -        | 3.57     |
| f) Mangalore SEZ Ltd.                                | 12.00    | 1.80     |
| g) ONGC Tripura Power Co. Pvt. Ltd.                  | 3.67     | 3.94     |
| h) JVs of OVL                                        | 182.05   | 158.00   |
| i) ONGC Mangalore Petrochemicals Limited             | 36.50    | 52.40    |
| j) Shell MRPL Aviation Fuels & Services Pvt. Limited | 1.44     | -        |
| Interest Income (JVs of OVL)                         | 303.04   | 351.07   |
| Purchase of Condensate (Panna Mukta & Tapti)         | 2,805.57 | 4,584.91 |
| Capital Contribution to JVs of OVL                   | -        | 0.77     |
| <b>Advance :</b>                                     |          |          |
| a) ONGC Petro-additions Ltd.                         | 1,852.99 | 4,560.00 |
| b) ONGC Mangalore Petrochemicals Ltd.                | 5,070.00 | 1424.00  |
| c) Mangalam Retail Services                          | 1.00     | -        |
| <b>Dividend Received</b>                             |          |          |
| a) Petronet LNG Limited                              | 164.06   | 164.06   |
| <b>Amount Receivable :</b>                           |          |          |
| a) Ravva                                             | 4.41     | -        |
| b) Panna Mukta & Tapti                               | 1,981.18 | 2,009.68 |
| c) ONGC Petro-additions Limited                      | 29.03    | 138.99   |
| d) ONGC Tripura Power Co. Pvt. Ltd                   | 0.90     | 0.95     |
| e) ONGC Teri Biotech LTD.                            | 0.81     | -        |
| f) Petronet LNG Limited                              | -        | 0.60     |
| g) Mangalore SEZ Ltd.                                | 712.42   | -        |
| h) ONGC Mangalore Petrochemicals Limited             | 572.57   | -        |
| i) Mangalam Retail Services Limited                  | 1.00     | -        |
| j) Shell MRPL Aviation Fuels & Services Pvt. Limited | 272.13   | -        |
| <b>Amount Payable :</b>                              |          |          |
| a) Ravva                                             | 12.72    | -        |
| b) Panna Mukta & Tapti                               | 252.48   | 67.96    |
| c) ONGC Teri Biotech Ltd                             | 47.02    | 31.26    |
| <b>Advance outstanding :</b>                         |          |          |
| a) ONGC Petro-addition Limited                       | 9,702.99 | 7,850.00 |
| b) ONGC Tripura Power Co. Pvt. Ltd                   | 1,233.87 | 1,233.87 |
| c) ONGC Mangalore Petrochemicals Ltd.                | 9,514.77 | 4,369.77 |



The above represents the full value of the transaction without restricting to percentage of interest in Joint Venture.

### 23.2.2 Key Management Personnel

Remuneration Paid to Key Management Personnel ₹ 91.32 million (Previous year ₹ 78.16 million)

## 24 Disclosure under Accounting Standard -19 on “Leases”

### 24.1 Asset taken on Lease:

ONGBV owns 15% equity shares in Tamba B.V., the Netherlands; with the balance held by Shell E and P Offshore Services B.V., the Netherlands (“SEPBV”), and Petobras Netherlands B.V., the Netherlands (“PNBV”). Tamba B.V. has been established to facilitate the development and production of hydrocarbons in the BC-10 concession, Campos Basin area in Brazil. Tamba B.V. has a third party lease for major oil field equipment (FPSO) and constructed other sub-sea assets for onwards lease to the BC-10 Project. Both financial leases commenced on 31<sup>st</sup> December 2008.

Tamba BV leases part of its assets from a third party, the risks and rewards incidental to ownership are largely transferred to it. These assets are capitalised and recognised in the balance sheet as from the moment the lease contract is concluded, at the lower of the fair value of the asset and the discounted value of the minimum lease instalments. The lease instalments payable are broken down into repayment and interest components, based on a fixed interest rate and instalments as derived from the underlying agreement. The lease commitments are carried under long-term liabilities exclusive of interest. The interest component is recognised in the profit and loss account in accordance with the lease instalments.

Tamba BV leases part of its assets to an affiliate, the risks and rewards incidental to ownership are largely transferred to this affiliate. These assets are disposed of and recognised in the balance sheet as from the moment the lease contract is concluded, at the discounted value of the minimum lease instalments. The lease instalments receipts are broken down into repayment and interest components, based on a fixed interest rate and instalments as derived from the underlying agreement. The lease commitments are carried under long-term receivables exclusive of interest. The interest component is recognised in the profit and loss account in accordance with receipt of the lease instalments.

Revenue of finance lease contracts represents the transfer of economic ownership from Tamba BV (lessor) to the lessee of the asset, being an affiliate. Cost of sales represents the costs associated with the finance lease contracts. The Company’s share of the lease liability ( at USD 1= ₹ 44.72) are tabulated below:

| Lease liability                         | ₹ in million |
|-----------------------------------------|--------------|
| Opening balance as at 1 April 2010      | 4,517.23     |
| Interest                                | 388.10       |
| Lease Payments                          | (842.68)     |
| Foreign Currency Translation Adjustment | (41.05)      |
| Closing balance as at 31 March 2011     | 4,021.60     |

The Company’s 15% share of future estimated minimum lease expenses in the year and their present values are scheduled to be as follows:

| (₹ in million)                          |         |         |           |       |
|-----------------------------------------|---------|---------|-----------|-------|
| Particulars                             | < 1Year | >5Years | 1-5 Years | Total |
| Future minimum lease payments:          | 715     | 2,707   | 2,529     | 5,951 |
| Present value of minimum lease payments | 680     | 2,109   | 1,233     | 4,022 |

Tamba BV has entered into a 15 year lease contract for the supply of the FPSO “Espirito Santo” with a third party. The lease contract contains priced termination options for each of the 15 years and priced extension options for the 4 years following the initial 15 year term. The company can exercise a priced purchase option during the term of the lease. Certain operational elements that are priced in the contractual rates are escalated per 5 year intervals on the basis of agreed price indices.

## 24.2 Asset given on Lease :

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 (GOS) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to GOS 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 ₹1,661.23 Million (Previous year ₹1,676.46 Million), Company’s share being ₹ 1,495.11 Million, (Previous year ₹ 1,508.82 Million), which have not been accepted by the Company. The company, in turn has filed a claim as per the contract with GOS for their approval of an aggregate amount of ₹ 2,065.02 Million (Previous year ₹ 2,083.95 Million), Company’s share being ₹ 1,858.52 Million (Previous Year ₹ 1,875.56 Million). The EPC Contractor has initiated arbitration with a claim for USD 25.49 Million (₹ 1,139.79 Million) plus interest against the Company. Pending settlement with the EPC Contractor, an amount of ₹ 1,025.81 Million, being the Company’s share out of ₹ 1,139.79 Million has been accounted as liability in the relevant year. No revenue in this respect has been recognized pending final approvals by GOS. OVL has served a pre-arbitral notice on GOS which is a requirement prior to initiating any legal proceedings in Sudan.

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 (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 GOS are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to GOS in proportion to the payments made by GOS against total payments due to Company under the contract. Further, subject to regular payments on due dates by GOS to the Company, GOS 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 recognized and recorded as receivables under the lease. The finance income thereon has been recognized based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first 11 installments due under the contract till the reporting date have been received.

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

| (₹ in million)                                                                                                                   |                               |         |                              |          |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------|------------------------------|----------|
| Particulars                                                                                                                      | 31 <sup>st</sup> March 2011   |         | 31 <sup>st</sup> March, 2010 |          |
|                                                                                                                                  | 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                                                                                                        | 1129.15                       | 975.68  | 1,139.51                     | 886.75   |
| - Later than one year and not later than five years                                                                              | 2822.89                       | 2567.91 | 3,988.27                     | 3,576.08 |
| - Later than five years                                                                                                          |                               |         | 0.00                         | 0.00     |
| Total                                                                                                                            | 3952.04                       | 3543.59 | 5,127.78                     | 4,462.83 |
| b) Unearned Finance Income                                                                                                       | 408.45                        |         | 664.95                       |          |
| 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    |         |                              |          |
| g) Accounting Policy followed in respect of initial direct costs                                                                 | As per Accounting Policy 25.2 |         |                              |          |

- 24.3 An amount of ₹ 2.27 million (previous year Nil) towards non cancellable Operating Lease for office premises was recognized in Capital work in progress. The future minimum lease payments and payment profile under the operating leases are as follows:

(₹ in million)

| Particulars                                       | As at 31 <sup>st</sup> March, 2011 | As at 31 <sup>st</sup> March, 2010 |
|---------------------------------------------------|------------------------------------|------------------------------------|
| Not later than one year                           | 9.09                               | -                                  |
| Later than one year and not later than five years | 45.47                              | -                                  |
| Later than five years                             | 25.01                              | -                                  |
| <b>Total</b>                                      | <b>79.57</b>                       | <b>-</b>                           |

- 24.4 The Company and its subsidiary have certain office/residential premises on Operating Lease which are cancellable by giving appropriate notice as per the respective agreements. During the year ₹ 796.03 million (Previous year ₹ 756.44 million) had been paid towards cancellable Operating Lease.

## 25 Disclosure under Accounting Standard -22 on “Accounting for Taxes on Income”

The Net Deferred Tax Liability of the company, its subsidiaries and joint ventures as at 31st March, 2011 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(₹ in million)

| Particulars                                                             | As at 31 <sup>st</sup> March, 2011 | As at 31 <sup>st</sup> March, 2010 |
|-------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b>(i) Liabilities</b>                                                  |                                    |                                    |
| Depletion of Producing Properties                                       | 140,955.74                         | 133,460.20                         |
| Depreciation Allocated to Wells in Progress & expenses relating to NELP | 10,264.98                          | 7,038.26                           |
| Deferred Revenue Expenditure written off                                | 2,582.70                           | 2,794.64                           |
| Development wells-in Progress                                           | 6,736.28                           | 5,908.70                           |
| Depreciation                                                            | 21,742.53                          | 20,392.46                          |
| Others                                                                  | 5,154.56                           | 2,367.99                           |
| Deferred tax liability of ONGBV, OAAL- Subsidiary of OVL                | 5,771.82                           | 5,394.76                           |
| <b>Sub Total</b>                                                        | <b>193,208.61</b>                  | <b>177,357.01</b>                  |
| <b>(ii) Assets</b>                                                      |                                    |                                    |
| Depreciation                                                            | 6,976.17                           | 4,677.42                           |
| Unabsorbed losses and allowances                                        | 309.26                             | 379.43                             |
| Dry wells written off                                                   | 22,297.93                          | 22,021.71                          |
| Provision for Non Moving Inventories                                    | 1,198.44                           | 1,285.75                           |
| Provision for Doubtful Debts/ Claims /Advances/ Interest                | 4,622.26                           | 3,229.18                           |
| Provision for Abandonment                                               | 29,523.55                          | 28,882.40                          |
| Provision for Leave Encashment                                          | 5,251.43                           | 4,629.69                           |
| Provision toward Additional Profit Petroleum & interest                 | 2,435.33                           | 2,550.84                           |
| Statutory duties unpaid u/s 43B                                         | 3,241.93                           | 543.75                             |
| Others                                                                  | 4,623.76                           | 3,948.10                           |
| Deferred tax asset of ONGBV,OAAL,OMEL - Subsidiary of OVL               | 1,202.19                           | 2,296.53                           |
| <b>Sub Total</b>                                                        | <b>81,682.25</b>                   | <b>74,444.80</b>                   |
| <b>Net Liability (i-ii)</b>                                             | <b>111,526.36</b>                  | <b>102,912.21</b>                  |

The above includes Deferred Tax Asset of ₹ 238.20 million (Previous year ₹ 164.69 million) and Deferred Tax Liability of ₹ 111,764.56 million (Previous year ₹ 103,076.90 million) in respect of various components consolidated.

The above includes Deferred Tax Asset in respect of depreciation and carried forward losses of Petronet MHB Limited amounting to ₹ 309.26 million (Previous year ₹ 379.43 million). In view of the approved financial restructuring scheme and further business plans and projections, the same has been recognized and carried forward, since the management is virtually certain of realizing the same in due course within the statutory time frame of availability of the unabsorbed loss, unabsorbed depreciation under the Income Tax Act, 1961.

**Disclosure under Accounting Standard -27 on Financial Reporting of Interest in Joint Ventures:  
Jointly Controlled Assets in India**

In respect of certain blocks, the Company's Joint ventures (JVs) with certain bodies corporate have entered into Production Sharing Contracts (PSCs) with GoI. Details of these blocks and JVs as on 31.03.2011 are as under:

| Sl. No.  | Blocks                      | Company's PI *   | Others Partners and their PI in the JV/Operatorship*** |
|----------|-----------------------------|------------------|--------------------------------------------------------|
| <b>A</b> | <b>Jointly Operated JVs</b> |                  |                                                        |
| 1        | Panna, Mukta and Tapti      | 40% (40%)        | BGEPIL 30%,<br>RIL 30%                                 |
| <b>B</b> | <b>ONGC Operated JVs</b>    |                  |                                                        |
| 2        | CB-OS/1 Exploration Phase   | 32.89 % (32.89%) | TPL 10%, HOEC 57.11%                                   |
|          | CB-OS/1 Development Phase** | 55.26% (55.26%)  | TPL 6.7%, HOEC 38.04%                                  |
| 3        | KG-DWN-98/2 **              | 90% (65%)        | CEIL 10%<br>(PIB BV 15%)<br>(HEIBV 10%)                |
| 4        | KG-DWN-98/4                 | 55% (55%)        | OIL 15%<br>BGEPIL 30%                                  |
| 5        | MN-DWN-98/3                 | 60% (60%)        | PIBBV 40%                                              |
| 6        | MN-OSN-2000/2               | 40% (40%)        | GAIL 20%, IOC 20%,<br>OIL 20%                          |
| 7        | CY-DWN-2001/1               | 45% (55%)        | OIL 20% , PIBBV 25%,<br>Rocksource ASA 10%             |
| 8        | AA-ONN-2001/2               | 80% (80%)        | IOC 20%                                                |
| 9        | AA-ONN-2001/3               | 85% (85%)        | OIL 15%                                                |
| 10       | KK-DWN-2002/2               | 80% (80%)        | HPCL 20%                                               |
| 11       | KK-DWN-2002/3               | 80% (80%)        | HPCL 20%                                               |
| 12       | KG-DWN-2002/1               | 70% (70%)        | OIL 20% , BPRL 10%                                     |
| 13       | MN-DWN-2002/1               | 36% (36%)        | OIL 20% , BPRL 10%, ENI<br>34%                         |
| 14       | CY-ONN-2002/2               | 60% (60%)        | BPRL 40%                                               |
| 15       | AA-ONN-2002/4               | 90% (90%)        | OIL 10%                                                |
| 16       | MN-DWN-2002/2               | 75% (75%)        | BGEPIL 25%                                             |
| 17       | KK-DWN-2004/1               | 45% (45%)        | CIL 40%, TATA 15%                                      |
| 18       | CY-DWN-2004/1               | 70% (70%)        | GSPC 10%,HPCL 10%, GAIL<br>10%                         |
| 19       | CY-DWN-2004/2               | 70% (70%)        | GSPC 10%, HPCL 10% , GAIL<br>10%                       |
| 20       | CY-DWN-2004/3               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL<br>10%                        |
| 21       | CY-DWN-2004/4               | 70% (70%)        | GSPC 10% , HPCL 10% GAIL<br>10%                        |
| 22       | CY-PR-DWN-2004/1            | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL<br>10%                        |
| 23       | CY-PR-DWN-2004/2            | 70% (70%)        | GSPC 10%,HPCL 10% ,GAIL<br>10%                         |
| 24       | KG-DWN-2004/1               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL<br>10%                        |
| 25       | KG-DWN-2004/2               | 60% (60%)        | GSPC 10%, HPCL 10%,<br>GAIL 10% , BPCL 10%             |
| 26       | KG-DWN-2004/3               | 70% (70%)        | GSPC 10%, HPCL 10%, GAIL<br>10%                        |
| 27       | KG-DWN-2004/5               | 50% (50%)        | GSPC 10%, HPCL 10%,<br>GAIL 10%<br>OIL 10%, BPRL 10%   |
| 28       | KG-DWN-2004/6               | 60% (60%)        | GSPC 10%, HPCL 10%,<br>GAIL 10% , OIL 10%              |
| 29       | KG-OSN-2004/1               | 55% (55%)        | BGEPIL 45%                                             |
| 30       | CB-ONN-2004/1               | 50% (50%)        | GSPC 40%, HERA-MEC LTD<br>10%                          |
| 31       | CB-ONN-2004/2**             | 55% (50%)        | GSPC 45%                                               |
| 32       | CB-ONN-2004/3               | 40% (40%)        | GSPC 35% , ENSEARCH 25%                                |

| Sl. No.  | Blocks                         | Company's PI * | Others Partners and their PI in the JV/Operatorship***                            |
|----------|--------------------------------|----------------|-----------------------------------------------------------------------------------|
| 33       | CB-ONN-2004/4                  | 50% (50%)      | GSPC 40% , HERA-MEC LTD 10%                                                       |
| 34       | CY-ONN-2004/1                  | 80% (80%)      | BPRL 20%                                                                          |
| 35       | CY-ONN-2004/2                  | 80% (80%)      | BPRL 20%                                                                          |
| 36       | MB-OSN-2005-1                  | 80% (80%)      | GSPC 20%                                                                          |
| 37       | MB-OSN-2005-5                  | 70% (70%)      | GSPC 30%                                                                          |
| 38       | MB-OSN-2005-6                  | 80% (80%)      | GSPC 20%                                                                          |
| 39       | AN-DWN-2005/1                  | 90% (90%)      | OIL 10%                                                                           |
| 40       | KG-DWN-2005/1                  | 70% (70%)      | IOC 20%, GSPC 10%                                                                 |
| 41       | KK-DWN-2005/2                  | 90% (90%)      | GSPC 10%                                                                          |
| 42       | KG-OSN-2005/1                  | 60% (60%)      | HMEL 20%<br>GSPC 20%                                                              |
| 43       | KG-OSN-2005/2                  | 80% (80%)      | HMEL 20%                                                                          |
| 44       | Raniganj                       | 74% (74%)      | CIL 26%                                                                           |
| 45       | Jharia                         | 90% (90%)      | CIL 10%                                                                           |
| 46       | NK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 47       | BK-CBM-2001/1                  | 80% (80%)      | IOC 20%                                                                           |
| 48       | CB-ONN-2005/4                  | 51% (51%)      | GSPC 49%                                                                          |
| 49       | CB-ONN-2005/10                 | 51% (51%)      | GSPC 49%                                                                          |
| 50       | PR-ONN-2005/1                  | 80% (80%)      | TPL 20%                                                                           |
| 51       | WB-ONN-2005/4                  | 75% (75%)      | OIL 25%                                                                           |
| 52       | AA-ONN-2005/1                  | 60% (60%)      | OIL 30% ACIL -10%                                                                 |
| 53       | GV-ONN-2005/3                  | 80% (80%)      | TPL 20%                                                                           |
| 54       | HF-ONN-2001/1                  | 65% (100%)     | BMN 35%                                                                           |
| 55       | CB-ONN-2001/1**                | 100% (100%)    |                                                                                   |
| 56       | AN-DWN-2009/1                  | 70% (Nil)      | OIL 30%                                                                           |
| 57       | AN-DWN-2009/2                  | 60% (Nil)      | OIL 40%                                                                           |
| 58       | AN-DWN-2009/3                  | 60% (Nil)      | OIL 40% (Joint Operator)                                                          |
| 59       | AN-DWN-2009/5                  | 90% (Nil)      | GSPC 10%                                                                          |
| 60       | AN-DWN-2009/13                 | 70% (Nil)      | GAIL 10%, NTPC 10%, GSPC 10%                                                      |
| 61       | AN-DWN-2009/18                 | 60% (Nil)      | OIL 30%, GAIL 10%                                                                 |
| 62       | GK-OSN-2009/1                  | 40% (Nil)      | AWEL 20%, GSPC 20%, IOC 20%                                                       |
| 63       | GK-OSN-2009/2                  | 40% (Nil)      | AWEL 30%, IOC 30%                                                                 |
| 64       | KG-OSN-2009/1                  | 80% (Nil)      | APGIC 10%, NTPC 10%                                                               |
| 65       | KG-OSN-2009/2                  | 90% (Nil)      | APGIC 10%                                                                         |
| 66       | KG-OSN-2009/4                  | 50% (Nil)      | APGIC 10%, OIL 30%, NTPC 10%                                                      |
| 67       | AA-ONN-2009/3                  | 50% (Nil)      | OIL 50%                                                                           |
| 68       | CB-ONN-2009/4                  | 50% (Nil)      | GSPC 50%                                                                          |
| <b>C</b> | <b>Operated by JV Partners</b> |                |                                                                                   |
| 69       | Ravva                          | 40% (40%)      | CEIL (Operator) 22.5%<br>PIL 25%,<br>ROPL 12.5%                                   |
| 70       | CY-OS-90/1 (PY3)               | 40% (40%)      | HEPI (operator) 18%<br>HOEC 21%<br>TPL 21%                                        |
| 71       | RJ-ON-90/1                     | 30% (30%)      | CEIPL (Operator) 35%<br>CEHL 35%                                                  |
| 72       | CB-OS/2 -Development Phase     | 50% (50%)      | CEIPL (operator) 6.70%<br>CEIWBV 13.20%<br>CECBV 10.10%,<br>CEGBV 10%,<br>TPL 10% |
| 73       | CB-ON/7 -Development Phase**   | 30% (30%)      | HOEC (Operator) 35%,<br>GSPC 35%                                                  |
| 74       | CB-ON/3 - Development Phase**  | 30% (30%)      | EOL (Operator)70%                                                                 |
| 75       | GK-OSJ-3                       | 25% (25%)      | RIL (operator) 60%,<br>OIL 15%                                                    |
| 76       | AA-ONN-2002/3                  | 70% (70%)      | OIL (Operator) 30%                                                                |
| 77       | AN-DWN-2003/2                  | 45%(45%)       | ENI (Operator) 40%<br>GAIL 15%                                                    |

| Sl. No. | Blocks                       | Company's PI * | Others Partners and their PI in the JV/Operatorship***                                                                  |
|---------|------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------|
| 78      | KG-ONN-2003/1                | 51% (51%)      | CEIL 24% (Operator)<br>Cairn India 25%                                                                                  |
| 79      | RJ-ONN-2003/1                | 36%(36%)       | ENI (Operator) 34%<br>CIL 30%                                                                                           |
| 80      | PR-OSN-2004/1                | 35% (35%)      | Cairn Energy(Operator) 10%<br>Cairn India 25%<br>TPL 30%                                                                |
| 81      | CB-ON/2- Development phase** | 30% (30%)      | GSPC (Operator) 56%,<br>Geo-Global Resources 14%                                                                        |
| 82      | RJ-ONN-2005/3                | 40% (40%)      | GSPC (Operator) 60%                                                                                                     |
| 83      | AA-ONN-2009/4                | 50% (Nil)      | OIL(Operator) 50%                                                                                                       |
| 84      | CY-OSN-2009/2                | 50% (Nil)      | OIL 50% (Operator)                                                                                                      |
| 85      | KG-DWN-2009/1                | 45% (Nil)      | BGEPIL 30%(Operataor),<br>OIL 15%,<br>APGIC 10%                                                                         |
| 86      | RJ-ON/6 - Development phase  | 30% (Nil)      | Focus Energy Ltd (Operator) 7%<br>I services Investment Ltd,<br>Mauritius 45.5%<br>Newbury Oil Co. Ltd, Cyprus<br>17.5% |

\* PI - Participating Interest

\*\*Approval towards assignment of PI is awaited from GoI

\*\*\* There is no change in previous year details unless otherwise stated.

**Abbreviations:-** BGEPIL- British Gas Exploration & Production India Ltd., BPRL-Bharat Petroleum Refinery Ltd., BMN-BMN Investment Ltd, CEIL-Cairn Energy India Ltd, CIL-Coal India Ltd., ENI- ENI India Ltd., GAIL -Gail India Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, HOEC- Hindustan Oil Exploration Company Ltd., HMEL- HPCL-Mittal Energy Ltd., OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd. HEPI - Hardy Exploration & Production (India) Inc., PIL- Petrocon India Ltd. ROPL-Ravva Oil (Singapore) Pte. Ltd, CEIPL- Cairn Energy India Pty Ltd, CEHL- Cairn Energy Hydrocarbons Ltd, TIOL - Tullow India Operations Ltd, SRL – Suntera Resources Ltd. NTPC- National Thermal Power Corporation Ltd. AWEL-Adani welspur Exploration ltd, APGIC-Andra Pradesh Gas Infrastructure Corporation Ltd, PIBBV-Petrobras International Braspero BV, HEIBV-Hydro Oil & Energy India BV, ROPL-Ravva Oil (Sigapur) Ltd, HEPI-hrady Exploration & Production (India), PIL-Petrocon India Ltd.

#### 26.1.1 List of the blocks surrendered are given below:-

| 2010-11 |                       |                | 2009-10 |                       |                |
|---------|-----------------------|----------------|---------|-----------------------|----------------|
| Sl. No. | Joint Ventures / PSCs | Company's PI * | Sl. No. | Joint Ventures / PSCs | Company's PI * |
| 1       | RJ-ONN-2002/1         | 40%            | 1       | WB-OSN-2000/1         | 85%            |
| 2       | GS-OSN-2003/1         | 51%            | 2       | GV-ONN-2003/1         | 51%            |
| 3       | KK-DWN-2001/3         | 100%           | 3       | RJ-ONN-2001/1         | 30%            |
|         |                       |                | 4       | KK-OSN-2001/2         | 100%           |
|         |                       |                | 5       | KK-OSN-2001/3         | 100%           |

\* PI - Participating Interest

#### 26.1.2 The Financial position of the JV/NELP blocks are as under:

(₹ in million)

|                                       | No. of JVs/<br>NELP<br>Blocks | Assets                            | Liabilities                      | Income                           | Expenditure                      | Profit / (-)<br>Loss before<br>tax |
|---------------------------------------|-------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------------|
| <b>NELP Block-<br/>100% PI*</b>       | 22<br>(19)                    | 5,090.88<br>(1,822.27)            | 192.90<br>(165.89)               | 0.72<br>(0.11)                   | 5,345.08<br>(7,149.44)           | -5,344.36<br>(-7,149.33)           |
| <b>Blocks with<br/>other partners</b> | 86<br>(74)                    | 97,814.40<br>(90,350.03)          | 33,756.91<br>(29,287.34)         | 76,164.95<br>(51,148.14)         | 75,105.44<br>(39,842.90)         | 1,059.51<br>(11,305.24)            |
| <b>Surrendered</b>                    | 27<br>(31)                    | 317.59<br>(219.26)                | 6,942.64<br>(6,184.08)           | 46.96<br>(0.28)                  | 3,044.76<br>(5,616.40)           | -2,997.80<br>(-5,616.12)           |
| <b>Total</b>                          | <b>135<br/>(124)</b>          | <b>103,222.87<br/>(92,391.56)</b> | <b>40,892.45<br/>(35,637.31)</b> | <b>76,212.63<br/>(51,148.53)</b> | <b>83,495.28<br/>(52,608.74)</b> | <b>-7,282.65<br/>(-1,460.21)</b>   |

26.1.3 The financial statements of 128 (Previous year 117) out of 135 (Previous year 124) JVs/NELP as per para no. 26.1.2 have been incorporated in the accounts to the extent of Company's participating interest in assets, liabilities, income, expenditure 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.

- 26.1.4 In respect of balance 7 (Previous year 7) JVs/NELP assets, liabilities, income and expenditure amounting to ₹ 47.51 Million (Previous year ₹ 69.80 Million), ₹ 782.66 million (Previous year ₹ 143.98 million), ₹ 55.28 million (Previous year ₹ 152.55 million) and ₹ 943.31 million (Previous year ₹ 812.85 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts and the same has been adjusted for changes as per Accounting Policy No. 9.1.
- 26.1.5 In respect of Farm Out agreements, where necessary approval from Central Government has been obtained during the year 2009-10, a sum of ₹ 1,196.19 million has been considered recoverable from the farmees towards the share of expenditure incurred from the effective date of the farm out agreement and has been credited to Miscellaneous Receipts amounting to ₹ 1049.66 million during the year 2009-10 in respect of earlier years and the balance expenditure of 2009-10 has been credited to respective natural heads.
- 26.1.6 The Company has given an undertaking to Power Finance Corporation (PFC), for an additional funding up to ₹ 2,234.00 million in respect of ONGC Tripura Power Co. Limited (OTPC) for cost overrun, if any.

**26.2 Company's share in Joint Ventures (Outside India) through Subsidiary - OVL:**

| Sr. No. | Name of the Project and Country of Operation                                           | Company's participating share (%) | Other Consortium Members                             | Operator                                  | Project Status                                               |
|---------|----------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|
| 1.      | Block 06.1 Project, Vietnam, Offshore                                                  | 45%                               | BPEOC - 35% Petrovietnam - 20%                       | BPEOC*                                    | The project is under development and production              |
| 2.      | Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore (Through ONGC Nile Ganga B.V.) | 25%                               | CNPC - 40% Petronas - 30% Sudapet - 5%               | Joint Operatorship                        | The project is under production.                             |
| 3.      | Sakhalin -1 Project, Russia, Offshore                                                  | 20%                               | ENL - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5% | ENL                                       | The project is under development and production              |
| 4.      | AFPC Project Syria, Onshore (Through ONGC Nile Ganga B.V.) **                          | 38.75%                            | Fulin - 50% Mittals - 11.25%                         | SSPD **                                   | The project is under production.                             |
| 5.      | MECL, Colombia, Onshore (Through ONGC Amazon Alaknanda Limited)                        | 50%                               | Sinopec - 50%                                        | Joint Operatorship                        | The project is under development and production              |
| 6.      | Block 5A Project, Sudan, Onshore                                                       | 24.125%                           | Petronas - 67.875% Sudapet - 8%                      | Petronas and Sudapet - Joint Operatorship | The project is under exploration, development and production |
| 7.      | Block BC-10 Project, Brazil, Offshore (Through ONGC Nile Ganga B.V.)                   | 15%                               | Shell - 50% Petrobras - 35%                          | Shell                                     | The project is under development and production              |
| 8       | OOO Imperial Frac Service (Through Jarpeno Ltd)                                        | 50%                               | Mr. Vladimir Aleksandrovich Borisov - 50%            | OVL                                       | The company provides Fracking Services                       |
| 9       | San Cristobal Project, Venezuela, Onshore (Through ONGC Nile Ganga B.V.)               | 40%                               | CVP- 60%                                             | Joint Operatorship                        | The project is under development and production              |
| 10.     | Block A-1 Project, Myanmar, Offshore                                                   | 17%                               | Daewoo - 51% KOGAS - 8.5% GAIL - 8.5% MOGE- 15%      | Daewoo                                    | The project is under development.                            |
| 11.     | Block A-3 Project, Myanmar, Offshore                                                   | 17%                               | Daewoo - 51% KOGAS - 8.5%                            | Daewoo                                    | The project is under                                         |

|     |                                                                                        |                            |                                                                                           |                       |                                                                                                                                                        |
|-----|----------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |                                                                                        |                            | GAIL – 8.5%<br>MOGE- 15%                                                                  |                       | development.                                                                                                                                           |
| 12. | Farsi Block Project,<br>Iran, Offshore                                                 | 40%                        | IOC – 40%<br>OIL – 20%                                                                    | OVL                   | The project 's<br>exploration service<br>contract ended on<br>24 June 2009 and<br>negotiations for<br>development<br>service contract are<br>going on. |
| 13. | Block XXIV Project, Syria,<br>Onshore                                                  | 60%                        | IPRMEL - 25%<br>Triocean-15%                                                              | IPR MEL               | The project is<br>under exploration<br>and development.                                                                                                |
| 14. | Block 25-29, 35 (Part) & 36<br>Project,<br>Cuba, Offshore                              | 30%                        | Repsol YPF – 40%<br>Stat Oil – 30%                                                        | Repsol YPF            | The project is<br>under exploration.                                                                                                                   |
| 15. | Khartoum–Port Sudan Pipeline<br>Project,<br>Sudan                                      | 90%                        | OIL – 10%                                                                                 | OVL                   | The pipeline on<br>completion is<br>under Lease.                                                                                                       |
| 16. | Block RC-8, Colombia,<br>Offshore                                                      | 40%                        | Ecopetrol - 40%<br>Petrobras – 20%                                                        | OVL                   | The project is<br>under exploration                                                                                                                    |
| 17. | Block RC-9, Colombia,<br>Offshore                                                      | 50%                        | Ecopetrol - 50%                                                                           | Ecopetrol             | The project is<br>under exploration                                                                                                                    |
| 18. | Block RC-10, Colombia,<br>Offshore                                                     | 50%                        | Ecopetrol - 50%                                                                           | OVL                   | The project is<br>under exploration                                                                                                                    |
| 19. | Block BM-SEAL-4, Brazil.<br>(Through ONGC Nile Ganga<br>B.V)                           | 25%                        | Petrobras- 75%                                                                            | Petrobras             | The project is<br>under exploration                                                                                                                    |
| 20. | Block BM-BAR-1, Brazil<br>(Through ONGC Nile Ganga<br>B.V)                             | 25%                        | Petrobras- 75%                                                                            | Petrobras             | The project is<br>under exploration                                                                                                                    |
| 21. | Block SSJN-7, Colombia,<br>Onshore                                                     | 50%                        | Pacific - 50%                                                                             | Pacific               | The project is<br>under exploration                                                                                                                    |
| 22. | OPL-279, Nigeria (Through<br>ONGC Mittal Energy Limited)                               | 22.74%<br>(OMEL<br>45.5%)  | EMO- 40%<br>Total -14.5%                                                                  | OMEL                  | The project is<br>under exploration                                                                                                                    |
| 23. | OPL-285, Nigeria (Through<br>ONGC Mittal Energy Limited)                               | 32.15%<br>(OMEL<br>64.33%) | EMO- 10%<br>Total -25.67%                                                                 | OMEL                  | The project is<br>under exploration                                                                                                                    |
| 24. | Block CPO-5, Colombia,<br>Onshore                                                      | 70%                        | PetroDorado –<br>30%***                                                                   | OVL                   | The project is<br>under exploration                                                                                                                    |
| 25. | SHWE Offshore Pipeline<br>Project,<br>Myanmar                                          | 17%                        | Daewoo – 51%,<br>KOGAS – 8.5%,<br>GAIL – 8.5%,<br>MOGE – 15%                              | Daewoo                | The project is<br>under<br>construction.                                                                                                               |
| 26. | Myanmar Onshore Gas<br>Pipeline Project (SEAGPCL)<br>(Through ONGC Nile Ganga<br>B.V.) | 8.35%                      | CNPC-SEAP–<br>50.9%<br>Daewoo – 25.04%,<br>KOGAS– 4.17%,<br>GAIL – 4.17%,<br>MOGE – 7.37% | CNPC-SEAP             | The project is<br>under construction                                                                                                                   |
| 27. | BM-S-73, Brazil (Through<br>ONGC Nile Ganga B.V.)                                      | 43.5%                      | Petrobras – 43.5%<br>Eco Petrol – 13%                                                     | OCL                   | The project is<br>under exploration                                                                                                                    |
| 28. | BM-S-74, Brazil (Through<br>ONGC Nile Ganga B.V.)                                      | 43.5%                      | Petrobras – 43.5%<br>Eco Petrol – 13%                                                     | Petrobras             | The project is<br>under exploration                                                                                                                    |
| 29. | Carabobo Project, Venezuela ( Through Carabobo One AB)                                 | 11%                        | CVP - 60%<br>Repsol Exp-11%<br>Petronas Ve-11%<br>INDOIL-7%                               | Joint<br>operatorship | The project is<br>under development                                                                                                                    |

**Abbreviations used:** Addax – Addax Energy Nigeria Limited; BPEOC – BP Exploration Operating Company Limited; CNPC – China National Petroleum Corporation; CNPC-SEAP-CNPC South-East Asia Pipeline Co Ltd; CVP – Corporacion Venezolana Del Petroleo S.A.; Daewoo – Daewoo International Corporation; Devon – Devon Energy do Brazil Ltda ; EMO – EMO Exploration & Production Limited; Equator – Equator Exploration JDZ Block 2 Limited; ERHC – ERHC Energy Nigeria JDZ Block 2 Limited; ENL – Exxon Neftegas Limited; Foby – Foby Energy Company Limited; Fulin – Fulin Investments Sarl; GAIL



– GAIL (India) Limited;; IOC – Indian Oil Corporation Limited; INDOIL- Indoil Netherlands B.V.; IPRMEL – IPR Mediterranean Exploration Limited; KOGAS – Korea Gas Corporation; B.V; Mittals – Mittal Investments Sarl; MOGE- Myanmar Oil and Gas Enterprise ; Amber – Momo Deepwater JDZ Limited; OCL – ONGC Campos Ltda. OIL – Oil India Limited; Pacific - Pacific Stratus Energy, Colombia; Petrobras – Petroleo Brasileiro S.A.; Petro-Dorado - Petro-Dorado South America S.A.; Petronas – Petronas Carigali Overseas Sdn Bhd; Petronas Ve: PC Venezuela Ltd; Petrovietnam – Vietnam Oil and Gas Group; Repsol – Repsol YPF Cuba SA; Repsol Exp- Repsol Exploracion S.A.; SEAGPCL – South East Asia Gas Pipeline Company Ltd.; 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; SSPD: Syria Shell Petroleum Development B.V.; Sudapet – Sudapet Limited; Triocean: Tri-Ocean Mediterranean

\* During the year, BPEOC entered into an agreement for sale of its PI and transfer of Operatorship to TNK-Vietnam, which is awaiting approval from Vietnamese authorities.

\*\* OVL has effectively 38.75% interest in Himalaya Energy Syria B.V.(HESBV) with Mittals and Fulin effectively holding 11.25% and 50% interest respectively. HESBV, through its subsidiaries, holds 33.33%, 37.5% and 36% interest in Ash Sham (including deep and lateral) concession, Deir-Ez-Zor and Annexure-IV (including deep and lateral) concessions and a gas utilization agreement in Syria; the balance interest in the concessions being held by SSPD- the Operator.

\*\*\* Farm-out of 30% participating interest effective 2 June 2010; approved by Agencia Nacional de Hidrocarburos (ANH) on 1 October 2010.

## 26.2.1 List of the blocks surrendered by Subsidiary OVL during the year 2010-11 are given below:-

| Sl. No. | Joint Ventures / PSCs                    | Company's PI * |
|---------|------------------------------------------|----------------|
| 1.      | Block AD-2, AD-3, AD-9, Myanmar Offshore | 100%           |
| 2.      | Block 6, North Ramadan, Egypt            | 70%            |
| 3.      | Block 81-1, Libya                        | 100%           |
| 4.      | Block NEMed, Egypt                       | 33%            |

## 26.2.2 Company's share in Joint Ventures

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 statements as given below:

| (₹ in million)                           |                  |                        |                          |                                               |                |                       |             |           |                                        |
|------------------------------------------|------------------|------------------------|--------------------------|-----------------------------------------------|----------------|-----------------------|-------------|-----------|----------------------------------------|
| Project                                  | Net Fixed Assets | Net Producing Property | Capital Work in Progress | Exploratory and Development Wells in Progress | Current Assets | Cash and Bank Balance | Liabilities | Income    | Expenditure * (Including depreciation) |
| <b>A. Audited as of 31st March 2011</b>  |                  |                        |                          |                                               |                |                       |             |           |                                        |
| Block 5A, Sudan                          | 2,989.99         | 5,030.37               | 268.86                   | 1,345.15                                      | 712.79         | 6.58                  | 260.02      | 2,808.41  | 1,816.74                               |
| Farsi Block, Iran                        | 0.33             | 0                      | 0                        | 0                                             | 0.95           | 0.90                  | 10.2        | 0.17      | 22.28                                  |
| Sudan Pipeline, OVL's Share (90%)        | 0                | 0                      | 0                        | 0                                             | 2,885.51       | 7.96                  | 1,623.07    | 272.86    | 78.56                                  |
| Block 06.1 Vietnam                       | 1,383.66         | 2,318.80               | 1,188.30                 | 315.85                                        | 1,757.34       | 87.08                 | 1,488.26    | 7,900.97  | 3,167.56                               |
| Block 1a, 1b, 2a, 2b & 4, Sudan          | 389.16           | 19,538.85              | -                        | 3,321.02                                      | 2,500.46       | 426.42                | 3,830.10    | 48,382.27 | 32,407.86                              |
| AFPC, Syria                              | -                | 2,280.28               | -                        | 34.81                                         | 7,600.99       | 115.41                | 7,003.89    | 23,766.62 | 21,193.14                              |
| Block BC-10 & Exploratory Blocks, Brazil | -                | 26,340.72              | 1,506.95                 | 2,466.37                                      | 1,464.83       | 9.15                  | 266.16      | 16,438.19 | 5,022.68                               |
| PIVSA (San Cristobal), Venezuela         | 335.20           | 1,869.19               | 1,339.23                 | -                                             | 13,573.43      | 22.44                 | 11,763.97   | 16,773.84 | 12,915.97                              |
| Tamba                                    | -                | -                      | -                        | -                                             | 85.55          | 1,756.67              | 4,596.26    | 405.98    | 468.79                                 |
| SEAGP (OCEBV)                            | 3.14             | -                      | 147.37                   | -                                             | 179.20         | 541.55                | 6.84        | -         | -                                      |
| MECL                                     | 3,387.69         | 5,287.40               | 82.25                    | 2,938.27                                      | 10,793.97      | 3,236.03              | 79.83       | 13,389.27 | 3,897.10                               |
| LLC Imperial Frac Service                | 70.12            | -                      | -                        | 16.10                                         | 61.62          | 1.88                  | 2,242.32    | 157.41    | 137.07                                 |
| Petro Carabobo                           | -                | -                      | 2,459.60                 | -                                             | -              | 1.15                  | -           | -         | 9.40                                   |

|                                            |                  |                   |                  |                  |                  |                 |                  |                   |                   |
|--------------------------------------------|------------------|-------------------|------------------|------------------|------------------|-----------------|------------------|-------------------|-------------------|
| <b>Total (A)</b>                           | <b>8,559.29</b>  | <b>62,665.61</b>  | <b>6,992.56</b>  | <b>10,437.57</b> | <b>41,616.64</b> | <b>6,213.22</b> | <b>33,170.92</b> | <b>130,295.99</b> | <b>81,137.15</b>  |
| <b>B. Audited as of 31st December 2010</b> |                  |                   |                  |                  |                  |                 |                  |                   |                   |
| Sakhalin 1<br>Russia                       | 30,393.86        | 49,385.30         | 26,994.93        | 815.04           | 8,136.26         | 886.90          | 21,177.70        | 44,994.81         | 15,899.19         |
| Block RC-8,<br>Colombia                    | 0.15             | 0                 | 0                | 0                | 0.09             | 0.02            | 7.00             | 0                 | 18.02             |
| Block RC-9,<br>Colombia                    | 0                | 0                 | 0                | 0                | 0                | 0               | (0.07)           | 0.52              | 87.18             |
| Block SSJN-<br>7, Colombia                 | 0                | 0                 | 0                | 0                | 0                | 0               | 0                | 0.06              | 11.34             |
| CPO 5 Block                                | 0.22             | 0                 | 0                | 0                | 10.22            | 0               | 29.37            | 0.08              | 793.20            |
| Block RC-10,<br>Colombia                   | 0.19             | 0                 | 0                | 0                | 0.11             | 0               | 7.10             | 0.10              | 12.17             |
| Blocks 25-29,<br>35 (Part) &<br>36, Cuba   | 1.45             | 0                 | 346.91           | 216.77           | 41.24            | 0               | 42.04            | 0                 | 140.47            |
| <b>Total (B)</b>                           | <b>30,395.87</b> | <b>49,385.30</b>  | <b>27,341.84</b> | <b>1,031.81</b>  | <b>8,187.92</b>  | <b>886.92</b>   | <b>21,263.14</b> | <b>44,995.57</b>  | <b>16,961.57</b>  |
| <b>C. Unaudited</b>                        |                  |                   |                  |                  |                  |                 |                  |                   |                   |
| Block A-1,<br>Myanmar                      | 12.16            | 0                 | 700.46           | 2,323.10         | 132.37           | 96.93           | 310.48           | 0                 | (184.54)          |
| Block A-3,<br>Myanmar                      | 2.81             | 0                 | 842.73           | 1,082.81         | 30.21            | 178.15          | 376.41           | 0                 | (211.88)          |
| Block XXIV,<br>Syria                       | 32.82            | (26.62)           | 0                | 727.39           | 175.44           | 0               | 202.19           | 41.19             | 317.35            |
| Block 6 North<br>Ramadan,<br>Egypt         | 0                | 0                 | 0                | 0                | 67.90            | 0               | 10.52            | 0                 | 1,261.71          |
| Block NC-<br>189, Libya                    | 0                | 0                 | 0                | 0                | 22.21            | 2.34            | 0.44             | 0.32              | 81.27             |
| Block<br>NEMED,<br>Egypt.                  | 0                | 0                 | 0                | 0                | 34.86            | 0               | 20.78            | 0                 | 2,818.92          |
| SHWE<br>Offshore<br>Pipeline<br>Myanmar    | 0                | 0                 | 568.78           | 0                | 11.43            | 54.94           | 117.85           | 0                 | (1.32)            |
| Block 279,<br>Nigeria                      |                  |                   | 2,139.17         |                  |                  | 241.39          |                  |                   | 158.42            |
| Block 285,<br>Nigeria                      | 30.40            |                   | 647.00           |                  |                  |                 |                  |                   | 2,442.00          |
| <b>Total (C)</b>                           | <b>78.19</b>     | <b>-26.62</b>     | <b>4,898.14</b>  | <b>4133.3</b>    | <b>474.42</b>    | <b>573.75</b>   | <b>1038.67</b>   | <b>41.51</b>      | <b>6,681.93</b>   |
| <b>Grand Total</b>                         | <b>39,033.35</b> | <b>112,024.29</b> | <b>39,232.54</b> | <b>15,602.68</b> | <b>50,278.98</b> | <b>7,673.89</b> | <b>55,472.73</b> | <b>175,333.07</b> | <b>104,780.65</b> |

\* 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 have been converted into the reporting currency at the average exchange rate as on the date of balance sheet and income 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.

## 26.2.3 Title to Fixed Assets under Production Sharing Agreements

The Company, the Subsidiaries and Joint Venture 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. Several of these agreements, governing Company's activities in the fields / projects, 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 throughout the term of the respective agreements. The Consortium also has the custody and maintenance of such assets and bears 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 during the currency of the respective agreements.

## 26.3 Jointly Controlled Entities:

- 26.3.1 The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities:

(₹ in million)

| Description |                                    | As at 31 <sup>st</sup> March, 2011 | As at 31 <sup>st</sup> March, 2010 |
|-------------|------------------------------------|------------------------------------|------------------------------------|
| i)          | <b>Assets</b>                      |                                    |                                    |
| -           | Long term assets                   | 50,621.74                          | 29,786.13                          |
| -           | Investments                        | 2,648.03                           | 1,064.57                           |
| -           | Current assets                     | 4,695.06                           | 4,637.39                           |
| ii)         | <b>Liabilities</b>                 |                                    |                                    |
| -           | Current liabilities and provisions | 12,725.80                          | 5,804.74                           |
| -           | Other liabilities                  | 31,466.65                          | 17,786.44                          |
| iii)        | Deferred tax liabilities           | 198.13                             | 241.83                             |
| iv)         | Income                             | 18,978.32                          | 14,674.79                          |
| v)          | Expenses                           | 20,202.36                          | 15,130.93                          |
| vi)         | Contingent liabilities             | 3,077.14                           | 1,815.24                           |
| vii)        | Capital commitments                | 47,639.97                          | 46,051.70                          |

## 27 Disclosure under Accounting Standard - 28 on "Impairment of Assets"

- 27.1 The Company is engaged mainly in the business of oil and gas exploration and production where each cost centre used for depreciation (depletion) purposes is 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 CGUs for impairment as on 31.03.2011 by applying discount rates of 17.16% (Previous year 17.31%) for Rupee transactions and 12.80 % (Previous year 13.07 %) for crude oil and value added products revenue measured in USD as on 31.03.2011.
- 27.2 During the year ₹ 1,534.73 million (Previous year ₹ 553.45 million) was provided as an impairment loss. Out of this, ₹ 600.07 million (Previous year ₹ 553.45 million) has been provided as additional impairment in respect of Onshore CGUs - Jodhpur and Silchar. Balance of ₹ 319.37 million (Previous year Nil) represents impairment provided for "Kuthalam Value added Plant" due to uncertain marketability of its products and ₹ 615.29 million (Previous year Nil) in respect of certain Onshore NELP Blocks due to adjustment of cost recovery from revenue and sharing of 100% royalty. Further, impairment loss to the extent of ₹ 43.76 million (Previous year ₹ 986.17 million) has been reversed in respect of Onshore Agartala and Offshore Ratna CGUs due to increased sale price and ₹ 138.77 million (Previous year Nil) reversed in Jodhpur onshore due to transfer of assets to another CGU.

## 28 Disclosure under Accounting Standard -29 on "Provisions, Contingent Liabilities and Contingent Assets":

### Movement in Provisions – Others

For Court cases, arbitration and others, where the timing of expected outflows is upon settlement of the proceedings:

(₹ in million)

| Particulars                                                           | 2010-11  | 2009-10  |
|-----------------------------------------------------------------------|----------|----------|
| Opening Balance                                                       | 8,246.30 | 9453.55  |
| Add: Provision made during the year                                   | 766.65   | 93.20    |
| Less: Provision written back/ reclassified/ reduction during the year | 349.33   | 1,300.45 |
| Closing Balance                                                       | 8,663.62 | 8,246.30 |

## 29 Disclosures under Schedule VI to the Companies Act, 1956 :-

### 29.1 Capital Commitment not provided for:-

- 29.1.1 Estimated amount of contracts remaining to be executed on capital account:-
- In respect of the Company, its subsidiaries and Joint Venture Entities - ₹ 270,554.18 million (Previous year ₹ 333,307.98 million).
  - In respect of Joint Ventures - ₹ 31,964.89 million (Previous year ₹ 6,450.55 million).

29.1.2 Estimated amount of Minimum Work Programme (MWP) committed under various 'Production Sharing Contracts':

- i) In respect of NELP blocks in which the Company has 100% participating interest – ₹ 22,558.90 million (Previous year ₹ 33,419.14 million).
- ii) In respect Nominated Blocks ₹ 374.04 million (Previous year ₹ 1,128.13 million).
- iii) In respect of Joint Ventures - ₹ 98,441.67 million (Previous year ₹ 90,277.51 million).

## 29.2 Contingent Liabilities:

Claims against the Company/ disputed demands not acknowledged as debt:-

(₹ in million)

|           |                                                  | As at 31 <sup>st</sup> March, 2011 | As at 31 <sup>st</sup> March, 2010 |
|-----------|--------------------------------------------------|------------------------------------|------------------------------------|
| <b>I</b>  | <b>in respect of Company :</b>                   |                                    |                                    |
|           | i. Income tax matters                            | 16,289.61                          | 17,012.68                          |
|           | ii. Excise Duty matters                          | 5,243.29                           | 2,518.89                           |
|           | iii. Custom Duty matters                         | 1,577.66                           | 1,576.29                           |
|           | iv. Royalty                                      | 19,484.60                          | 18,849.79                          |
|           | v. Cess                                          | 6.57                               | 12.76                              |
|           | vi. Sales Tax                                    | 30,306.07                          | 21,324.28                          |
|           | vii. Octroi                                      | 66.89                              | 66.89                              |
|           | viii. Service Tax                                | 1,039.92                           | -                                  |
|           | ix. AP Mineral Bearing Land Tax                  | 1,470.22                           | 1,171.84                           |
|           | x. Specified Land Tax (Assam)                    | 2,526.40                           | 2,274.50                           |
|           | xi. Claims of contractors in Arbitration/Court   | 34,781.92                          | 21,774.50                          |
|           | xii. in respect of other matters                 | 22,297.09                          | 20,071.51                          |
|           | <b>Sub Total</b>                                 | <b>1,35,090.24</b>                 | <b>106,653.93</b>                  |
| <b>II</b> | <b>in respect of Joint Ventures :</b>            |                                    |                                    |
|           | i. Income tax matters                            | 8.91                               | 8.91                               |
|           | ii. Excise Duty matters                          | -                                  | 322.42                             |
|           | iii. Custom Duty matters                         | 3457.81                            | 3,457.89                           |
|           | iv. Cess                                         | -                                  | 10.64                              |
|           | v. Sales Tax                                     | 2,959.04                           | 2,959.13                           |
|           | vi. Claim of GoI for additional profit petroleum | 3,634.77                           | -                                  |
|           | vii. Claims of contractors in Arbitration/Court  | 9,798.45                           | 740.73                             |
|           | viii. Service Tax                                | 157.42                             | -                                  |
|           | ix. in respect of other matters                  | 907.23                             | 4,898.72                           |
|           | <b>Sub Total</b>                                 | <b>20,923.63</b>                   | <b>12,398.44</b>                   |
|           | <b>Total (I+II)</b>                              | <b>1,56,013.87</b>                 | <b>1,19,052.37</b>                 |

29.2.1 Contingent liabilities, if any, in respect of JVs where OVL is non-operator, is not ascertainable except where the Operator has intimated. In respect of Petronet MHB Limited, there are 135 cases (previous year 173 cases) regarding enhancement of land compensation pending with Karnataka High Court against Order of Principal Judge Bangalore Rural District Court, the amounts are not ascertainable at present.

29.2.2 The above claims / demands are at various stages of appeal and in the opinion of the Company are not tenable.

29.2.3 Bank Guarantees given by the Company ₹ 9,528.63 million (Previous year ₹ 5,079.01 million) including ₹ 1,330.82 million (Previous year ₹ 1,142.37 million) for NELP Blocks where the Company has 100% participating interest (PI)

29.2.4 Bank Guarantees in respect of Joint ventures – ₹ 5,898.85 million (Previous year ₹ 7,082.46 million).

29.3 **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)**

**29.3.1 Guarantees executed for financial obligations:**

- i) Amount of Guarantee ₹ 36,371.66 million (Previous year ₹ 38,043.51 million).
- ii) Amount Outstanding ₹ 33,934.69 million (Previous year ₹ 34,932.70 million).

**29.3.2 Performance Guarantees executed under the contracts:**

- i. The Company has issued Performance Guarantee in respect of concessionary contract for Block BC-10, Brazil and Blocks BM-S-73 and BM-ES-42 on behalf of ONGC Campos Ltda (OCL). The Company is confident that OCL will be able to honor its obligations.
- ii. The Company has given a Performance Guarantee on behalf of Petro Carabobo Ganga B.V. to Government of Venezuela in respect of Carabobo 1 Project. The total investment commitment is estimated at USD 1333 Million (₹ 59,611.76 Million).

**29.4 Corporate Guarantees executed by the Company on behalf of its subsidiary, MRPL:**

- i) Amount of Guarantee ₹ 7,155.20 million (Previous year ₹ 16,246.80 million).
- ii) Amount Outstanding ₹ 3,442.99 million (Previous year ₹ 4,828.91 million).

**29.5 DETAILS OF EXPENDITURE**

Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development

(₹ in million)

|                                                                                | 2010-11           | 2009-10           |
|--------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Manpower Cost:</b>                                                          |                   |                   |
| (a) Salaries, Wages, Ex-gratia etc.                                            | 53,994.91         | 47,501.86         |
| (b) Contribution to Provident and other funds                                  | 3,487.19          | 3,397.90          |
| (c) Provision for gratuity                                                     | 1,536.18          | (465.80)          |
| (d) Provision for leave encashment                                             | 4,582.08          | 3,521.74          |
| (e) Provision for post retirement medical & terminal benefits                  | 2,840.25          | 1,521.67          |
| (f) Staff welfare expenses                                                     | 5,054.96          | 4,711.20          |
| Sub Total                                                                      | 71,495.57         | 6,0188.57         |
| Consumption of Raw Materials, Store and Spares                                 | 342,899.17        | 275,557.23        |
| Cess                                                                           | 56,962.72         | 54,547.67         |
| Natural Calamity Contingent Duty - Crude Oil                                   | 1,113.96          | 1,061.86          |
| Excise Duty                                                                    | 3,110.42          | 44,291.53         |
| Royalty                                                                        | 126,514.52        | 103,560.48        |
| Sales Tax                                                                      | 3,878.45          | 3,734.18          |
| Octroi/BPT                                                                     | 5,104.68          | 4,966.61          |
| Service Tax                                                                    | 227.48            | 919.14            |
| Education cess                                                                 | 1,828.44          | 1,711.65          |
| Rent                                                                           | 3,248.82          | 2,220.14          |
| Rates and taxes                                                                | 2,385.67          | 562.28            |
| Hire charges of equipments and vehicles                                        | 111,341.13        | 116,683.74        |
| Power, fuel and water charges                                                  | 3,397.38          | 2,814.94          |
| Contractual drilling, logging, workover etc.                                   | 162,219.80        | 115,529.46        |
| Contractual security                                                           | 2,844.99          | 2,586.76          |
| Repairs to building                                                            | 2,627.77          | 1,341.35          |
| Repairs to plant and machinery                                                 | 2,310.41          | 2,355.66          |
| Other repairs                                                                  | 5,148.23          | 3,763.38          |
| Insurance                                                                      | 2,331.78          | 2,592.99          |
| Other Operating Expenditure                                                    | 20,491.75         | 18,654.53         |
| Miscellaneous expenditure                                                      | 16,499.74         | 11,078.00         |
|                                                                                | <b>947,982.88</b> | <b>830,722.15</b> |
| <b>Less:</b>                                                                   |                   |                   |
| Allocated to exploration, development drilling, capital jobs recoverables etc. | 2,60,245.18       | 215,054.30        |
| Excise duty                                                                    | 3,098.80          | 44,142.77         |
| Prior Period Adjustment                                                        | (6.29)            | (220.73)          |
| Production, Transportation, Selling and Distribution Expenditure etc.          | <b>684,645.19</b> | <b>571,745.81</b> |

Other operating expenditure above includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

## 29.6 MANAGERIAL REMUNERATION:

(₹ in million)

|                                                  | 2010-11      | 2009-10      |
|--------------------------------------------------|--------------|--------------|
| <b>REMUNERATION PAID OR PAYABLE TO DIRECTORS</b> |              |              |
| <b>Functional Directors :</b>                    |              |              |
| Salaries and Allowances                          | 66.14        | 51.54        |
| Contribution to Provident & Other Funds          | 2.63         | 2.92         |
| Other Benefits and Perquisites *                 | 22.55        | 26.92        |
| <b>Independent Directors :</b>                   |              |              |
| Sitting Fees                                     | 4.84         | 4.24         |
| <b>Total</b>                                     | <b>96.16</b> | <b>85.62</b> |

\* Other Benefits and Perquisites includes Performance Related Payments, incentives, commission provision for gratuity & leave encashment but does not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable.

## 29.7 AUDITORS' REMUNERATION:

(₹ in million)

|                                      | 2010-11      | 2009-10      |
|--------------------------------------|--------------|--------------|
| Audit Fees                           | 13.91        | 10.31        |
| For Certification work etc.          | 8.48         | 7.49         |
| Traveling and Out of Pocket Expenses | 12.62        | 13.68        |
|                                      | <b>35.01</b> | <b>31.48</b> |

## 30 Disclosure under Guidance Note on “Oil & Gas Producing Activities” (approved by Reserve Estimates Committee)

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

|                                     | Details    | Crude Oil (MMT)* |                | Gas (Billion Cubic Meter) |                | Total Oil Equivalent (MMTOE)** |                |
|-------------------------------------|------------|------------------|----------------|---------------------------|----------------|--------------------------------|----------------|
|                                     |            | As at 31.03.11   | As at 31.03.10 | As at 31.03.11            | As at 31.03.10 | As at 31.03.11                 | As at 31.03.10 |
| A. In India                         |            |                  |                |                           |                |                                |                |
| Offshore                            | Opening    | 224.26           | 222.71         | 210.517                   | 196.712        | 434.78                         | 419.42         |
|                                     | Addition   | 3.94             | 19.62          | 11.079                    | 33.624         | 15.01                          | 53.24          |
|                                     | Production | 17.45            | 18.06          | 19.588                    | 19.819         | 37.03                          | 37.88          |
|                                     | Closing    | 210.75           | 224.26         | 202.008                   | 210.517        | 412.76                         | 434.78         |
| Onshore                             | Opening    | 189.90           | 191.76         | 152.227                   | 148.125        | 342.12                         | 339.89         |
|                                     | Addition   | 9.02             | 5.81           | 8.999                     | 9.678          | 18.01                          | 15.49          |
|                                     | Production | 9.00             | 7.66           | 5.538                     | 5.576          | 14.54                          | 13.24          |
|                                     | Closing    | 189.91           | 189.90         | 155.688                   | 152.227        | 345.60                         | 342.13         |
| Total in India                      | Opening    | 414.15           | 414.47         | 362.744                   | 344.837        | 776.90                         | 759.31         |
|                                     | Addition   | 12.96            | 25.43          | 20.078                    | 43.302         | 33.02                          | 68.73          |
|                                     | Production | 26.45            | 25.73          | 25.126                    | 25.395         | 51.57                          | 51.13          |
|                                     | Closing    | 400.66           | 414.15         | 357.697                   | 362.744        | 758.36                         | 776.89         |
| B. Outside India                    |            |                  |                |                           |                |                                |                |
| Block 06.1, Vietnam                 | Opening    | .710             | 0.752          | 12.789                    | 14.756         | 13.499                         | 15.508         |
|                                     | Addition   | -                | -              | -                         | -              | -                              | -              |
|                                     | Adjustment |                  | -              |                           | -              |                                | -              |
|                                     | Production | .038             | 0.042          | 2.249                     | 1.967          | 2.287                          | 2.009          |
|                                     | Closing    | .672             | 0.71           | 10.540                    | 12.789         | 11.212                         | 13.499         |
| Sakhalin-1, Russia                  | Opening    | 36.949           | 37.946         | 69.992                    | 70.147         | 106.941                        | 108.093        |
|                                     | Addition   | .026             | 0.535          | 1.960                     | 0.236          | 1.986                          | 0.771          |
|                                     | Production | 1.474            | 1.532          | 0.415                     | 0.39           | 1.986                          | 1.922          |
|                                     | Closing    | 35.501           | 36.949         | 71.537                    | 69.993         | 107.038                        | 106.942        |
| Block 1a, 1b, 2a, 2b & 4 (GNOP),Sud | Opening    | 19.831           | 20.22          | -                         | -              | 19.831                         | 20.22          |
|                                     | Addition   | -                | 1.762          | -                         | -              | -                              | 1.762          |
|                                     | Adjustment | 0.605            | 0.025          | -                         | -              | 0.605                          | 0.025          |

|                         | Details    | Crude Oil (MMT)* |                | Gas (Billion Cubic Meter) |                | Total Oil Equivalent (MMTOE)** |                |
|-------------------------|------------|------------------|----------------|---------------------------|----------------|--------------------------------|----------------|
|                         |            | As at 31.03.11   | As at 31.03.10 | As at 31.03.11            | As at 31.03.10 | As at 31.03.11                 | As at 31.03.10 |
| an                      | Production | 1.801            | 2.126          | -                         | -              | 1.801                          | 2.126          |
|                         | Closing    | 17.425           | 19.831         | -                         | -              | 17.425                         | 19.831         |
| Block 5A, Sudan         | Opening    | 6.571            | 6.584          | -                         | -              | 6.571                          | 6.584          |
|                         | Addition   | 0.283            | 0.234          | -                         | -              | 0.283                          | 0.234          |
|                         | Adjustment | 0.001            | -              | -                         | -              | 0.001                          | -              |
|                         | Production | 0.226            | 0.247          | -                         | -              | 0.226                          | 0.247          |
|                         | Closing    | 6.627            | 6.571          | -                         | -              | 6.627                          | 6.571          |
| AFPC Syria              | Opening    | 2.939            | 2.988          | -                         | -              | 2.939                          | 2.988          |
|                         | Addition   | 0.933            | 0.669          | -                         | -              | 0.933                          | 0.669          |
|                         | Adjustment | -                | -              | -                         | -              | -                              | -              |
|                         | Production | 0.662            | 0.718          | -                         | -              | 0.662                          | 0.718          |
|                         | Closing    | 3.210            | 2.939          | -                         | -              | 3.210                          | 2.939          |
| MECL, Columbia,         | Opening    | 3.381            | 3.729          | -                         | -              | 3.381                          | 3.729          |
|                         | Addition   | 1.218            | 0.062          | -                         | -              | 1.218                          | 0.062          |
|                         | Adjustment | -                | 0.001          | -                         | -              | -                              | 0.001          |
|                         | Production | 0.468            | 0.409          | -                         | -              | 0.468                          | 0.409          |
|                         | Closing    | 4.131            | 3.381          | -                         | -              | 4.131                          | 3.381          |
| BC-10, Brazil           | Opening    | 1.605            | 1.946          | 0.563                     | 0.601          | 2.168                          | 2.547          |
|                         | Addition   | 4.285            | -              | 0.128                     | -              | 4.413                          | -              |
|                         | Adjustment | -                | 0.149          | -                         | 0.038          | -                              | 0.187          |
|                         | Production | 0.573            | 0.192          | 0.032***                  | -              | 0.605                          | 0.192          |
|                         | Closing    | 5.317            | 1.605          | 0.659                     | 0.563          | 5.976                          | 2.168          |
| Imperial Energy, Russia | Opening    | 16.876           | 18.946         | 4.992                     | 3.901          | 21.868                         | 22.847         |
|                         | Addition   | 1.075            | -              | 0.318                     | 1.091          | 1.393                          | 1.091          |
|                         | Adjustment | -                | 1.527          | -                         | -              | -                              | 1.527          |
|                         | Production | 0.770            | 0.543          | -                         | -              | 0.770                          | 0.543          |
|                         | Closing    | 17.181           | 16.876         | 5.309                     | 4.992          | 22.490                         | 21.868         |
| Block-24, Syria         | Opening    | 1.815            | -              | -                         | -              | 1.815                          | -              |
|                         | Addition   | -                | 1.815          | -                         | -              | -                              | 1.815          |
|                         | Adjustment | -                | -              | -                         | -              | -                              | -              |
|                         | Production | 0.002            | -              | -                         | -              | 0.002                          | -              |
|                         | Closing    | 1.813            | 1.815          | -                         | -              | 1.813                          | 1.815          |
| North Ramadan, EGYPT    | Opening    | 0.455            | 0.455          | -                         | -              | 0.455                          | 0.455          |
|                         | Addition   | -                | -              | -                         | -              | -                              | -              |
|                         | Adjustment | 0.455            | -              | -                         | -              | 0.455                          | -              |
|                         | Production | -                | -              | -                         | -              | -                              | -              |
|                         | Closing    | -                | 0.455          | -                         | -              | -                              | 0.455          |
| PIVSA, Venezuela        | Opening    | 6.526            | 7.26           | -                         | -              | 6.526                          | 7.26           |
|                         | Addition   | 6.920            | -              | -                         | -              | 6.920                          | -              |
|                         | Adjustment | 0.001            | 0.03           | -                         | -              | 0.001                          | 0.03           |
|                         | Production | 0.757            | 0.704          | -                         | -              | 0.757                          | 0.704          |
|                         | Closing    | 12.688           | 6.526          | -                         | -              | 12.688                         | 6.526          |
| Block-A1 & A2, Myanmar  | Opening    | -                | -              | -                         | -              | -                              | -              |
|                         | Addition   | -                | -              | 10.297                    | -              | 10.297                         | -              |
|                         | Adjustment | -                | -              | -                         | -              | -                              | -              |
|                         | Production | -                | -              | -                         | -              | -                              | -              |
|                         | Closing    | -                | -              | 10.297                    | -              | 10.297                         | -              |
| Total Outside India     | Opening    | 97.659           | 100.827        | 88.336                    | 89.404         | 185.995                        | 190.231        |
|                         | Addition   | 14.740           | 5.077          | 12.703                    | 1.327          | 27.443                         | 6.404          |
|                         | Adjustment | 1.062            | 1.732          | -                         | 0.038          | 1.062                          | 1.770          |
|                         | Production | 6.771            | 6.513          | 2.696                     | 2.357          | 9.467                          | 8.870          |
|                         | Closing    | 104.566          | 97.659         | 98.343                    | 88.336         | 202.909                        | 185.995        |

30.2 Company's share of Proved Developed Reserves on the geographical basis is as under:

|             | Details | Crude Oil<br>(MMT)* |                   | Gas<br>(Billion Cubic Meter) |                | Total Oil Equivalent<br>(MMTOE)** |                   |
|-------------|---------|---------------------|-------------------|------------------------------|----------------|-----------------------------------|-------------------|
|             |         | As at<br>31.03.11   | As at<br>31.03.10 | As at<br>31.03.11            | As at 31.03.10 | As at<br>31.03.11                 | As at<br>31.03.10 |
| A. In India |         |                     |                   |                              |                |                                   |                   |

|                                                 | Details    | Crude Oil<br>(MMT)* |                | Gas<br>(Billion Cubic Meter) |                | Total Oil Equivalent<br>(MMTOE)** |                   |
|-------------------------------------------------|------------|---------------------|----------------|------------------------------|----------------|-----------------------------------|-------------------|
|                                                 |            | As<br>31.03.11      | at<br>31.03.10 | As at<br>31.03.11            | As at 31.03.10 | As at<br>31.03.11                 | As at<br>31.03.10 |
| Offshore                                        | Opening    | 173.44              | 176.44         | 129.860                      | 126.770        | 303.30                            | 303.21            |
|                                                 | Addition   | 2.77                | 15.06          | 10.276                       | 22.910         | 13.05                             | 37.97             |
|                                                 | Production | 17.45               | 18.06          | 19.588                       | 19.819         | 37.03                             | 37.88             |
|                                                 | Closing    | 158.76              | 173.44         | 120.549                      | 129.860        | 279.31                            | 303.30            |
| Onshore                                         | Opening    | 146.26              | 148.49         | 111.178                      | 111.069        | 257.44                            | 259.56            |
|                                                 | Addition   | 13.46               | 5.39           | 5.012                        | 5.644          | 18.47                             | 11.03             |
|                                                 | Production | 8.95                | 7.61           | 5.441                        | 5.535          | 14.39                             | 13.15             |
|                                                 | Closing    | 150.77              | 146.26         | 110.749                      | 111.178        | 261.52                            | 257.44            |
| Total in India                                  | Opening    | 319.71              | 324.93         | 241.039                      | 237.839        | 560.74                            | 562.77            |
|                                                 | Addition   | 16.23               | 20.45          | 15.287                       | 28.554         | 31.51                             | 49.00             |
|                                                 | Production | 26.40               | 25.67          | 25.029                       | 25.354         | 51.42                             | 51.02             |
|                                                 | Closing    | 309.54              | 319.71         | 231.297                      | 241.039        | 540.83                            | 560.75            |
| <b>B. Outside India</b>                         |            |                     |                |                              |                |                                   |                   |
| Block 06.1,<br>Vietnam                          | Opening    | 0.701               | 0.743          | 9.234                        | 11.201         | 9.935                             | 11.944            |
|                                                 | Addition   | -                   | -              | -                            | -              | -                                 | -                 |
|                                                 | Adjustment | -                   | -              | -                            | -              | -                                 | -                 |
|                                                 | Production | 0.038               | 0.042          | 2.249                        | 1.967          | 2.287                             | 2.009             |
|                                                 | Closing    | 0.663               | 0.701          | 6.985                        | 9.234          | 7.648                             | 9.935             |
| Sakhalin-1,<br>Russia                           | Opening    | 9.614               | 11.146         | 11.704                       | 12.093         | 21.318                            | 23.239            |
|                                                 | Addition   | 2.480               | -              | -                            | 0.001          | 2.480                             | 0.001             |
|                                                 | Adjustment | -                   | -              | 0.001                        | -              | 0.001                             | -                 |
|                                                 | Production | 1.474               | 1.532          | 0.415                        | 0.39           | 1.889                             | 1.922             |
|                                                 | Closing    | 10.620              | 9.614          | 11.288                       | 11.704         | 21.908                            | 21.318            |
| Block 1a, 1b,<br>2a, 2b & 4<br>(GNOP),<br>Sudan | Opening    | 7.105               | 7.83           | -                            | -              | 7.105                             | 7.83              |
|                                                 | Addition   | 2.527               | 1.426          | -                            | -              | 2.527                             | 1.426             |
|                                                 | Adjustment | -                   | 0.025          | -                            | -              | -                                 | 0.025             |
|                                                 | Production | 1.801               | 2.126          | -                            | -              | 1.801                             | 2.126             |
|                                                 | Closing    | 7.831               | 7.105          | -                            | -              | 7.831                             | 7.105             |
| Block 5A,<br>Sudan                              | Opening    | 3.996               | 4.234          | -                            | -              | 3.996                             | 4.234             |
|                                                 | Addition   | -                   | 0.009          | -                            | -              | -                                 | 0.009             |
|                                                 | Adjustment | 1.303               | -              | -                            | -              | 1.303                             | -                 |
|                                                 | Production | 0.226               | 0.247          | -                            | -              | 0.226                             | 0.247             |
|                                                 | Closing    | 2.467               | 3.996          | -                            | -              | 2.467                             | 3.996             |
| AFPC<br>Syria                                   | Opening    | 2.716               | 2.693          | -                            | -              | 2.716                             | 2.693             |
|                                                 | Addition   | 0.781               | 0.741          | -                            | -              | 0.781                             | 0.741             |
|                                                 | Adjustment | -                   | -              | -                            | -              | -                                 | -                 |
|                                                 | Production | 0.662               | 0.718          | -                            | -              | 0.662                             | 0.718             |
|                                                 | Closing    | 2.835               | 2.716          | -                            | -              | 2.835                             | 2.716             |
| MECL,<br>Columbia                               | Opening    | 2.094               | 3.041          | -                            | -              | 2.094                             | 3.041             |
|                                                 | Addition   | 1.614               | -              | -                            | -              | 1.614                             | -                 |
|                                                 | Adjustment | -                   | 0.539          | -                            | -              | -                                 | 0.539             |
|                                                 | Production | 0.468               | 0.409          | -                            | -              | 0.468                             | 0.409             |
|                                                 | Closing    | 3.240               | 2.094          | -                            | -              | 3.240                             | 2.094             |
| Imperial<br>Energy,<br>Russia                   | Opening    | 3.997               | 2.648          | -                            | -              | 3.997                             | 2.648             |
|                                                 | Addition   | 1.566               | 1.892          | -                            | -              | 1.566                             | 1.892             |
|                                                 | Adjustment | -                   | -              | -                            | -              | -                                 | -                 |
|                                                 | Production | 0.770               | 0.543          | -                            | -              | 0.770                             | 0.543             |
|                                                 | Closing    | 4.793               | 3.997          | -                            | -              | 4.793                             | 3.997             |
| BC-10,Brazil                                    | Opening    | 1.171               | -              | 0.409                        | -              | 1.580                             | -                 |
|                                                 | Addition   | 1.333               | 1.363          | 0.066                        | 0.41           | 1.399                             | 1.773             |
|                                                 | Adjustment | -                   | -              | -                            | 0.001          | -                                 | 0.001             |
|                                                 | Production | 0.573               | 0.192          | 0.032                        | -              | 0.605                             | 0.192             |
|                                                 | Closing    | 1.931               | 1.171          | 0.443                        | 0.409          | 2.374                             | 1.58              |
| PIVSA,<br>Venezuela                             | Opening    | 3.074               | 0.056          | -                            | -              | 3.075                             | 0.056             |
|                                                 | Addition   | -                   | 3.752          | -                            | -              | -                                 | 3.752             |
|                                                 | Adjustment | 0.416               | 0.03           | -                            | -              | 0.416                             | 0.03              |
|                                                 | Production | 0.757               | 0.704          | -                            | -              | 0.757                             | 0.704             |
|                                                 | Closing    | 1.901               | 3.074          | -                            | -              | 1.901                             | 3.074             |
| Block-24,<br>Syria                              | Opening    | -                   | -              | -                            | -              | -                                 | -                 |
|                                                 | Addition   | 0.002               | -              | -                            | -              | 0.002                             | -                 |



|                            | Details           | Crude Oil (MMT)* |                | Gas (Billion Cubic Meter) |                | Total Oil Equivalent (MMTOE)** |                |
|----------------------------|-------------------|------------------|----------------|---------------------------|----------------|--------------------------------|----------------|
|                            |                   | As at 31.03.11   | As at 31.03.10 | As at 31.03.11            | As at 31.03.10 | As at 31.03.11                 | As at 31.03.10 |
|                            | <b>Adjustment</b> | -                | -              | -                         | -              | -                              | -              |
|                            | <b>Production</b> | 0.002            | -              | -                         | -              | 0.002                          | -              |
|                            | <b>Closing</b>    | -                | -              | -                         | -              | -                              | -              |
| <b>Total Outside India</b> | <b>Opening</b>    | 34.468           | 32.391         | 21.347                    | 23.294         | 55.815                         | 55.685         |
|                            | <b>Addition</b>   | 10.303           | 9.183          | 0.066                     | 0.411          | 10.369                         | 9.594          |
|                            | <b>Adjustment</b> | 1.719            | 0.594          | 0.001                     | 0.001          | 1.720                          | 0.595          |
|                            | <b>Production</b> | 6.771            | 6.513          | 2.696                     | 2.357          | 9.467                          | 8.870          |
|                            | <b>Closing</b>    | <b>36.281</b>    | <b>34.468</b>  | <b>18.716</b>             | <b>21.347</b>  | <b>54.997</b>                  | <b>55.815</b>  |

\*Crude Oil includes oil condensate and does not include 0.7083 MMT (previous year 0.940 MMT) of Condensate due to line condensation and 191.6 MMM<sup>3</sup> (previous year 198.6 MMM<sup>3</sup>) of CSU off gas.

\*\* MMTOE denotes "Million Metric Tonne Oil Equivalent" and for calculating Oil equivalent of Gas, 1000 M<sup>3</sup> 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.

- 31 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.
- 32 In view of the several subsidiaries and Joint Ventures of the company, with each entity operating under different regulatory requirements in different countries and adopting different policies and discloser, the information requirement under Accounting Standard (AS) -15 on Employee Benefit is not disclosed in Consolidated Financial statement due to impracticability.
- 33 Disclosure requirement in respect of subsidiaries/Joint Ventures companies have been disclosed to the extent available from their audited/unaudited accounts.
- 34 Previous year's figures have been regrouped/ reclassified, wherever necessary, to conform to current year's classification.
- 35 Figures in parenthesis as given in these Notes to the Accounts relate to previous year.
- 36 Figures in the accounts are stated in ₹ million except those in parenthesis which would otherwise have become Nil on account of rounding off.

**OIL AND NATURAL GAS CORPORATION LIMITED CONSOLIDATED FINANCIAL STATEMENTS**

**For Quarter Ended 30<sup>th</sup> June 2011**

1. The Financial Statements have been prepared following the same accounting policies and practices as those followed in the Annual Financial Statements for the year ended March 31, 2011
2. In view of the clarification/ exemption given by the Ministry of Corporate Affairs (MCA), vide letter No. F. No. 17/233/2011-CL.V dated 18<sup>th</sup> August 2011, the Financial Statement for the Quarter ended 30<sup>th</sup> June, 2011 has been presented in pre revised Schedule-VI of the Companies Act 1956 for the purpose of Further Public Offer to facilitate the comparison of Financial Statements of previous years.
3. The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited), its subsidiaries joint venture entities and associates as detailed below:

| Sl No.      | Name of the Subsidiaries/<br>Joint Venture and Associates    | Country of<br>Incorporation | Status of<br>Audit as on<br>30 <sup>th</sup> June,<br>2011 | Status of Audit as<br>on 30 <sup>th</sup> June, 2011 |
|-------------|--------------------------------------------------------------|-----------------------------|------------------------------------------------------------|------------------------------------------------------|
| 1           | ONGC Videsh Limited (OVL)                                    | India                       | 100%                                                       | Unaudited (After<br>Limited Review)                  |
| 1.1         | ONGC Nile Ganga BV (ONGBV)<br>Class A and Class B<br>Class C | Netherlands                 | 100%<br>55% by OVL<br>and 45% by<br>OMEL                   | Unaudited                                            |
| 1.1 (i)     | ONGC Do Brasil Exploracao Petrolifera Ltda.                  | Brazil                      | 100%                                                       | Unaudited                                            |
| 1.1 (ii)    | ONGC Campos Ltda.                                            | Brazil                      | 100%                                                       | Unaudited                                            |
| 1.1 (iii)   | ONGC Nile Ganga (Cyprus) Ltd.                                | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.1 (iv)    | ONGC Nile Ganga (San Cristobal) B.V.                         | Netherlands                 | 100%                                                       | Unaudited                                            |
| 1.1 (v)     | ONGC Satpayev E&P B.V.                                       | The Netherlands             | 100%                                                       | Unaudited                                            |
| 1.1 (vi)    | ONGC Caspian E&P B.V.                                        | The Netherlands             | 100%                                                       | Unaudited                                            |
| 1.2         | ONGC Narmada Limited (ONL)                                   | Nigeria                     | 100%                                                       | Unaudited                                            |
| 1.3         | ONGC Amazon Alaknanda Limited (OAAL)                         | Bermuda                     | 100%                                                       | Unaudited                                            |
| 1.4         | Jarpeno Limited                                              | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (i)     | Imperial Energy Corporation Plc*                             | UK                          | 100%                                                       | Unaudited                                            |
| 1.4 (ii)    | Imperial Energy Limited*                                     | UK                          | 100%                                                       | Unaudited                                            |
| 1.4 (iii)   | Rus Imperial Corporation plc**                               | UK                          | -                                                          | Unaudited                                            |
| 1.4 (iv)    | Imperial Energy Tomsk Limited                                | Cyprus                      | 85%                                                        | Unaudited                                            |
| 1.4 (v)     | Imperial Energy (Cyprus) Limited                             | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (vi)    | Imperial Energy Nord Limited                                 | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (vii)   | Imperial Energy Gas Limited                                  | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (viii)  | Nefsilius Holdings Limited                                   | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (ix)    | RK Imperial Energy Kostanai Limited                          | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (x)     | Imperial Frac Services (Cyprus) Limited                      | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (xi)    | Freshspring Investments Limited                              | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (xii)   | Redcliffe Holdings Limited, Cyprus                           | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (xiii)  | San Agio Investments Limited                                 | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (xiv)   | Imperial Energy Finance (Jersey) Limited **                  | Jersey                      | -                                                          | Unaudited                                            |
| 1.4 (xv)    | Biancus Holdings Limited                                     | Cyprus                      | 100%                                                       | Unaudited                                            |
| 1.4 (xvi)   | Rus Imperial Limited **                                      | UK                          | -                                                          | Unaudited                                            |
| 1.4 (xvii)  | Imperial Energy Kostanai Limited **                          | UK                          | -                                                          | Unaudited                                            |
| 1.4 (xviii) | OOO Sibinterneft                                             | Russian<br>Federation       | 47.5%                                                      | Unaudited                                            |
| 1.4 (xix)   | OOO Allianceneftegaz                                         | Russian<br>Federation       | 100%                                                       | Unaudited                                            |
| 1.4 (xx)    | OOO Nord Imperial                                            | Russian                     | 100%                                                       | Unaudited                                            |

| Sl No.                           | Name of the Subsidiaries/<br>Joint Venture and Associates         | Country of<br>Incorporation | Status of<br>Audit as on<br>30 <sup>th</sup> June,<br>2011 | Status of Audit as<br>on 30 <sup>th</sup> June, 2011 |
|----------------------------------|-------------------------------------------------------------------|-----------------------------|------------------------------------------------------------|------------------------------------------------------|
|                                  |                                                                   | Federation                  |                                                            |                                                      |
| 1.4 (xxi)                        | OOO Imperial Energy**                                             | Russian<br>Federation       | -                                                          | Unaudited                                            |
| 1.4 (xxii)                       | OOO Imperial Energy Tomsk Gas                                     | Russian<br>Federation       | 95%                                                        | Unaudited                                            |
| 1.4 (xxiii)                      | OOO Stratum                                                       | Russian<br>Federation       | 100%                                                       | Unaudited                                            |
| 1.4 (xxiv)                       | OOO Imperial Trans Service                                        | Russian<br>Federation       | 100%                                                       | Unaudited                                            |
| 1.4 (xxv)                        | OOO Rus Imperial Group                                            | Russian<br>Federation       | 100%                                                       | Unaudited                                            |
| 1.4 (xxvi)                       | TOO Sevkazgra**                                                   | Kazakhstan                  | -                                                          | Unaudited                                            |
| 1.5                              | Carabobo One AB                                                   | Sweden                      | 100%                                                       | Unaudited                                            |
| 1.5.(i)                          | Petro Carabobo Ganga B.V.                                         | The Netherlands             | 100%                                                       | Unaudited                                            |
| 2.                               | Mangalore Refinery and Petrochemicals Ltd.<br>(MRPL)              | India                       | 71.62%                                                     | Unaudited (After<br>Limited Review)                  |
| <b>B. Joint Venture Entities</b> |                                                                   |                             |                                                            |                                                      |
| 1.                               | Petronet LNG Limited (PLL)                                        | India                       | 12.50%                                                     | Unaudited (After<br>Limited Review)                  |
| 2.                               | Petronet MHB Ltd (PMHBL)                                          | India                       | 28.77%                                                     | Unaudited (After<br>Limited Review)                  |
| 3.                               | Mangalore SEZ Ltd (MSEZ) \$                                       | India                       | 26.46%                                                     | Unaudited (After<br>Limited Review)                  |
| 4.                               | ONGC Managalore Petrochemicals Ltd.(OMPL) #                       | India                       | 48.15%                                                     | Unaudited (After<br>Limited Review)                  |
| 5.                               | ONGC Petro Additions Ltd. (OPAL)                                  | India                       | 41.93%                                                     | Unaudited (After<br>Limited Review)                  |
| 6.                               | ONGC Tripura Power Company Ltd.                                   | India                       | 49.52%                                                     | Unaudited (After<br>Limited Review)                  |
| 7.                               | ONGC Teri Biotec Ltd.                                             | India                       | 49.98%                                                     | Unaudited (After<br>Limited Review)                  |
| 8.                               | Dahej SEZ Limited                                                 | India                       | 49.60%                                                     | Unaudited (After<br>Limited Review)                  |
| 9.                               | OOO Imperial Frac Service through OVL                             | Russian<br>Federation       | 50%                                                        | Unaudited                                            |
| 10.                              | ONGC Mittal Energy Limited (OMEL) through<br>OVL                  | Cyprus                      | 49.98%                                                     | Unaudited                                            |
| 11.                              | Shell MRPL Aviation Fuels & Services Pvt.<br>Limited through MRPL | India                       | 50%                                                        | Unaudited (After<br>Limited Review)                  |
| 12.                              | North East Transmission Company Ltd. Limited<br>through OTPC      | India                       | 28.85%                                                     | Unaudited (After<br>Limited Review)                  |
| <b>C. Associates</b>             |                                                                   |                             |                                                            |                                                      |
| 1                                | Pawan Hans Helicopters Ltd. (PHHL)                                | India                       | 49.00 %                                                    | Unaudited                                            |

\* Under Liquidation \*\* Liquidated subsequent to June 2010

\$ includes holding of 0.96% by OMPL. # includes holding of 3% by MRPL

4. 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:

#### 4.1 Depreciation on Fixed Assets

(₹ in million)

| Names of Subsidiaries/JV | Accounting Policies |                     | For the Quarter Ended 30 <sup>th</sup> June, 2011 |                           |
|--------------------------|---------------------|---------------------|---------------------------------------------------|---------------------------|
|                          | Company             | Subsidiaries/<br>JV | Proportion -<br>Depreciation                      | Proportion – Net<br>Block |
| MRPL                     | Written Down        |                     | 946.04                                            | 29,622.94                 |

| Names of Subsidiaries/JV | Accounting Policies                                  |                      | For the Quarter Ended 30 <sup>th</sup> June, 2011 |                   |
|--------------------------|------------------------------------------------------|----------------------|---------------------------------------------------|-------------------|
| Petronet LNG Ltd.        | Value Method at the rates specified in Schedule XIV. | Straight Line Method | 57.15                                             | 3,315.78          |
| Petronet MHB Ltd.*       |                                                      |                      | 38.25                                             | 618.23            |
| Mangalore SEZ Ltd.       |                                                      |                      | 0.10                                              | 2.67              |
| OMPL                     |                                                      |                      | 0.22                                              | 6.95              |
| Opal                     |                                                      |                      | 0.10                                              | 7.14              |
| OTPC                     |                                                      |                      | 0.34                                              | 10.15             |
| OAAL                     |                                                      |                      | 182.36                                            | 3,863.92          |
| OMEL                     |                                                      |                      | 19.84                                             | 26.12             |
| Total- Proportion        |                                                      |                      | <b>1,244.40</b>                                   | <b>37,473.90</b>  |
| Total CFS                |                                                      |                      | <b>21,703.79</b>                                  | <b>257,360.84</b> |

Above table excludes Free hold land, Lease hold land and Intangibles.

\*In respect of Joint Venture - Petronet MHB Ltd (PMHBL), Cost of Right of way for laying pipeline amounting to ₹ 38.73 million included above is capitalized as intangible asset and being perpetual in nature is not amortized.

- 4.2 ONGBV, the subsidiary of OVL 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 ₹ 25,280.86 Million shown as sales under Annexure- XX
- 4.3 The Subsidiary of OVL, ONGBV conducts its operations in Sudan jointly with Sudapet the national oil company of Sudan among others. All government takes other than income taxes are considered to be royalty interest. Royalties on production represent 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 ₹ 13081.66 Million under the head Royalty in Annexure- XXIII.
- 4.4 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.
- 4.5 In respect of Pawan Hans Helicopters Limited (PHHL), unaudited accounts for the Quarter ended 30th June 2011 have been provided by PHHL and considered. The share of Profit for the quarter ended 30<sup>th</sup> June, 2011 amounting to ₹ 2.11 million has been considered as share of profit in Associate . No dividend has been received during the period.
- 4.6 Due to different nature of their operations, PHHL, the Associate of the Company, follows different accounting policies in respect of depreciation. Depreciation is charged by PHHL on Straight Line Method rates specified in Schedule XIV where as the company provides at Written Down Value Method rates specified in Schedule XIV. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

## 5. Debentures and Debentures Redemption Reserve:

During the financial year 2009-10, the Company had raised funds from the financial markets by issuance of non-convertible redeemable bonds as follows:

(₹ in million)

| S No | Particulars                                                                                       | Amount | Date of issue    |
|------|---------------------------------------------------------------------------------------------------|--------|------------------|
| 01   | 8.40 % 5 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series I   | 19,700 | 23 December 2009 |
| 02   | 8.54 % 10 Years Unsecured Non Convertible Redeemable Bonds in the nature of Debentures- Series II | 3,700  | 6 January 2010   |

The above securities have been listed in National Stock Exchange of India Ltd. (NSE).

Debenture redemption reserve has been created as follows in respect of the above Bonds:

(₹ in million)

| Particulars  | Balance as on<br>March 31, 2011 | Additions       | Balance as on 30 <sup>th</sup><br>June, 2011 |
|--------------|---------------------------------|-----------------|----------------------------------------------|
| Series-I     | 5,005.91                        | 981.76          | 5,987.67                                     |
| Series-II    | 455.92                          | 92.20           | 548.12                                       |
| <b>Total</b> | <b>5,461.83</b>                 | <b>1,073.96</b> | <b>6,535.79</b>                              |

#### 6. 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 gain of ₹ 2,593.90 Million has been accounted as foreign currency translation reserve and shown in Annexure-XVIII as per details given below:

| (₹ in million)               |                                             |
|------------------------------|---------------------------------------------|
| Particulars                  | Quarter ended 30 <sup>th</sup> June<br>2011 |
| Opening Balance              | <b>(1,933.82)</b>                           |
| Additions during the quarter | <b>2,593.61</b>                             |
| Closing Balance              | <b>659.79</b>                               |

#### 7. Amortization of Goodwill on Consolidation:

Goodwill is attributed to the following investments of the Company:

| (₹ in million)                                                         |                                  |
|------------------------------------------------------------------------|----------------------------------|
| Particulars                                                            | As at 30 <sup>th</sup> June 2011 |
| GNOP, Sudan, ONGC Nile Ganga B.V.                                      | 10,968.47                        |
| MECL Project, Colombia (ONGC Amazon Alaknanda Ltd.)                    | 16,988.54                        |
| BC-10 Project, Brazil, Offshore (ONGC Nile Ganga B.V)                  | 5,665.55                         |
| San Cristobal Project, Venezuela (ONGC Nile Ganga (San Cristobal B.V.) | 3,979.32                         |
| Imperial Energy Project, Russia (Jarpeno Ltd.)                         | 69,305.89                        |
| MRPL                                                                   | 2,930.45                         |
| <b>Total</b>                                                           | <b>109,838.22</b>                |

Following prudent accounting, the Company amortizes goodwill based on Unit of Production Method based on the respective underlying asset. Goodwill amortized during the quarter ended 30<sup>th</sup> June 2011 amounted to ₹ 1,280.20 Million in respect of following projects/subsidiaries:-

| (₹ in million)                                                          |                                           |
|-------------------------------------------------------------------------|-------------------------------------------|
| Particulars                                                             | Quarter ended 30 <sup>th</sup> June, 2011 |
| <b>Cumulative Goodwill Amortisation at beginning of the quarter</b>     | <b>19,841.11</b>                          |
| <b>Amortisation for the quarter:</b>                                    |                                           |
| GNOP, Sudan (ONGC Nile Ganga B.V.)                                      | <b>86.20</b>                              |
| MECL Project, Colombia (ONGC Amazon Alaknanda Ltd.)                     | <b>306.02</b>                             |
| BC-10 Project, Brazil, Offshore (Through ONGC Nile Ganga B.V)           | <b>101.96</b>                             |
| San Cristobal Project, Venezuela (ONGC Nile Ganga (San Cristobal) B.V.) | <b>55.94</b>                              |
| Imperial Energy Project, Russia (Jarpeno Ltd.)                          | <b>730.08</b>                             |
| <b>Sub-total</b>                                                        | <b>1,280.20</b>                           |
| Foreign currency translation difference                                 | <b>5.17</b>                               |
| <b>Cumulative Goodwill Amortisation at end of the quarter</b>           | <b>21,126.48</b>                          |

8. In terms of the decision of Government of India (GoI), the company has shared under-recoveries of Oil Marketing Companies (OMCs) on price sensitive products viz Diesel, Domestic LPG and PDS Kerosene for the quarter ended 30th June 2011 by extending the discount in the prices of Crude Oil, Domestic LPG and PDS Kerosene based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas (MoP&NG). The company does not envisage any material impact on finalization of discount rates. The impact of discount is as under:

| (₹ in million)     |                                 |
|--------------------|---------------------------------|
| <b>Decrease in</b> | <b>Quarter ended 30.06.2011</b> |

|                             |                   |
|-----------------------------|-------------------|
| Gross Revenue               | 120,462.66        |
| Less: Value Added Tax (VAT) | 3,859.21          |
| Sales Revenue               | 116,603.45        |
| Less: Statutory Levies      | 14,778.77         |
| <b>Profit Before Tax</b>    | <b>101,824.68</b> |

9.1 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 (MoU)/Crude Oil sales Agreement (COSA) with the customers, the same pricing formula has been provisionally adopted from 01.04.2004 onwards. However, for crude oil produced in Assam, prices revised by MoP&NG w.e.f. 01.04.2008 have been adopted. Adjustments, if any, on account of this shall be carried out on finalization of agreements/receipts of Government directives. However, the Company does not envisage any material impact on current quarter's results on finalization.

9.2 GoI vide letter dated 31<sup>st</sup> May 2010, decided to fix the producer price of APM gas produced by National Oil Companies (NOCs) at US\$ 4.2/mmbtu inclusive of royalty effective from 1<sup>st</sup> June, 2010. For APM consumers in North-East, consumer price is 60% of the producer price, i.e., US\$ 2.52/mmbtu inclusive of royalty and the difference between producer price and consumer price is paid to the company through GoI Budget. The same has been accounted for as 'North East Gas Subsidy' under 'Statement of Other Income' in Annexure- XXI.

10. As per the Comprehensive Peace Agreement (CPA) between South Sudan and Government of Sudan, a referendum was held in January 2011 for the secession of South Sudan. The referendum resulted in separation of South Sudan, as an independent separate country, from Sudan effective from 9th July 2011. In Sudan, the Company has 24.125% participating interest in Block 5A Sudan, 25% Participating Interest in Greater Nile Oil Project (GNOP) through its wholly owned subsidiary ONGC Nile Ganga BV. The Company in joint venture with Oil India Ltd (10% PI), had completed 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 (GOS) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to GOS during the financial year 2005-06. In view of the separation of South Sudan, the entire contract area of Block 5A is situated in Republic of South Sudan (ROSS) whereas in case of GNOP, majority of production and reserves are located in ROSS with a few fields straddle between the boundaries of Sudan and South Sudan, with the major processing facilities and the downstream crude oil transportation system along with export terminal are situated in North Sudan. The multi- product pipeline is entirely in the North Sudan.

The separation of South Sudan has resulted in various challenges for the smooth operation of Block 5A and GNOP. South Sudan is a landlocked country and has no facility for the evacuation of oil produced to the export market. Both Sudan and South Sudan Governments are currently negotiating for the smooth operation of oil exploration, exploitation and evacuation. However post separation of South Sudan, oil operation activities including production in both GNOP and Block 5A continued without any major incident / setback. The company is taking all measures in consultation with the other foreign partners in the projects viz CNPC of China and Petronas of Malaysia to protect its rights as per various agreements like Exploration and Production Sharing Agreements (EPSA) and to continue smooth operations in both the assets. The company has opened an office in Juba, Capital of South Sudan.

11. In Ravva Joint Venture, the demand towards additional profit petroleum raised by GoI, based on the decision of the Malaysian High Court, was disputed by the Operator M/s Cairn Energy India Limited, due to difference in interpretation of provision of Production Sharing Contract (PSC) in respect of computation of Post Tax Rate of Return (PTRR). The Company is not a party to the dispute but agreed to abide by the decision applicable to the Operator. As the dispute between the Operator and GoI was not resolved, the Company made a provision in Financial Year 2008-09 amounting to ₹ 5,771.14 million ( USD 113.82 million) on account of additional profit petroleum and ₹ 2,829.86 million (USD 54.88 Million) towards interest thereon totaling to ₹ 8,601.00 million (USD 168.70 million) as an abundant precaution. GoI has recovered such amount subsequently.

The appellate authority of Honorable Malaysian High Court of Kuala Lumpur, Malaysia has set aside the decision of the Malaysian High Court, and the decision of arbitral tribunal in favour of Operator was restored on 15<sup>th</sup> September 2009. GoI has filed an appeal in the Federal Court of Malaysia against such restoration.

Pending final outcome of this appeal, the provision is maintained as on 30<sup>th</sup> June, 2011 amounting to ₹ 5,093.60 Million (USD.113.82 Million) on account of additional Profit Petroleum and ₹ 2,417.45 Million (USD.54.02 Million) towards interest thereon totaling to ₹ 7,511.05 million (USD 167.84 million) as per the demand of DGH after adjustment for exchange loss.

12. The Company 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 ₹ 3,711.22 million which was capitalized under Exploratory Wells in Progress as per Accounting Policy No. 6.3. Subsequent exploratory drilling costs of wells in this block were capitalized as Exploratory Wells in Progress. Initial-in-Place-Reserves have been established in this block and a conceptual development plan as part of the proposal for Declaration of Commerciality has been submitted to Management Committee (MC) for review on 15.07.2010. However, the Company as an abundant precaution made a provision of ₹ 6,104.80 million, ₹ 2,360.39 million, ₹ 918.48 million and ₹ 17.67 million in respect of above costs in 2007-08, 2008-09, 2009-10 and 2010-11 respectively. There is no change in status of this block during the quarter ended 30<sup>th</sup> June 2011.
13. The Finance (No.2) Act, 2009, has specified the definition of “undertaking” for the purpose of claiming tax holiday under section 80-IB(9) of Income Tax Act, 1961 to be ‘all blocks licensed under a single contract’ retrospectively whereas the company had earlier considered each ‘Well’ as an undertaking. Since the amendment still requires clarity on various issues and also considering the advice of legal experts, the company continued to make provision for tax without considering the benefit u/s 80-IB(9).
14. During the financial year 2010-11, the Oil Marketing Companies, nominees of the GoI recovered ₹ 1,432.34 million (USD 32.07 million) ONGC’s share as per directives of GoI in respect of Jointly Controlled Assets-Panna Mukta & Tapti. The recovery is towards certain observations raised by auditors appointed by the Director General of Hydrocarbons (DGH) under Production Sharing Contract (PSC) for the period 2002-03 to 2005-06 in respect of cost and profit petroleum share payable to GoI. BGEPIL along with RIL (“Claimants”) have served a notice of arbitration on the GoI in respect of dispute, differences and claims arisen in connection with the term of Panna, Mukta and Tapti PSC’s. Since the company is not a party to the arbitration proceedings, it had requested MoPNG that in case of an arbitral award, the same be made applicable to ONGC also, as a constituent of contractor for both the PSC’s. Subsequently, vide letter dated July 4, 2011 MoPNG has advised ONGC not to participate in the arbitration initiated by RIL & BGEPIL under Panna, Mukta & Tapti PSC’s. MoPNG has also stated that in case of an arbitral award, the same will be applicable to ONGC also as a constituent of the contractor for both the PSC’s. Pending final arbitral award, the same has been shown as ‘Receivable from GoI’.
15. **Forward Contracts to cover Forex Risk**
- 15.1 In respect of a Subsidiary MRPL, Forward contracts of US \$ 7.00 Million is outstanding as on 30<sup>th</sup> June 2011, which were entered into, to hedge the risk of changes in foreign currency exchange rates on future export realizations against existing long term export contract. The mark to market loss on these unexpired contracts as on 30<sup>th</sup> June 2011 amounting to ₹ 3.60 Million has been considered in the financial statements. The actual gain/loss could vary and be determined only on settlement of the contract on their respective expiry dates.
- 15.2 In respect a Joint Venture PLL, external commercial borrowing of USD 150.00 million from International Finance Corporation, Washington D.C., USA is outstanding as on 30<sup>th</sup> June, 2011, the JV has entered into derivative contracts to hedge the loan including interest. This has the effect of freezing the rupee equivalent of this liability as reflected under the Secured Loans. Thus there is no impact in the Profit & Loss account, arising out of exchange fluctuations for the duration of the loan. Consequently, there is no restatement of the loan taken in foreign currency. The interest payable in Indian Rupees on the derivative contracts is accounted for in the Profit & Loss account.
- 15.3 In respect of a Subsidiary OVL, The hedging loss/gain for the quarter ended June 30, 2011 is nil in respect of hedging of crude oil against prices by OMEL.
16. The Company has been charging depreciation on all Trunk Pipelines and Onshore Flow Lines (assets below ground) @ 100% based on technical assessment by the management.

17. Some balances of Debtors, Creditors and Loans & Advances are subject to confirmation/ reconciliation. Adjustments, if any, will be accounted for on confirmation/ reconciliation of the same, which will not have a material impact.
18. **Borrowing Cost** – Borrowing Cost Capitalized during the quarter ended 30<sup>th</sup> June, 2011 is ₹ 796.99 million.
19. **Disclosure under Accounting Standard -17 on “Segment Reporting”**
- 19.1 **The Consolidated Segment Information as per Accounting Standard AS-17 for the Company is given below**

(₹ in million)

| Particulars                       | Quarter Ended 30 <sup>th</sup> June 2011 |             |             |               |             |              |
|-----------------------------------|------------------------------------------|-------------|-------------|---------------|-------------|--------------|
|                                   |                                          |             | In India    | Outside India | Unallocated | Grand Total  |
|                                   | E&P                                      |             | Refining    |               |             |              |
|                                   | Offshore                                 | Onshore     |             |               |             |              |
| Revenue                           |                                          |             |             |               |             |              |
| External Sales                    | 96,934.00                                | 46,139.40   | 1,45,602.16 | 59,890.48     | 5,960.09    | 3,54,526.13  |
| Inter Segment Sales               | 21,045.98                                |             | 6.43        | 3,326.98      | 8.41        | 24,387.80    |
| Total Revenue                     | 1,17,979.98                              | 46,139.40   | 1,45,608.59 | 63,217.46     | 5,968.50    | 3,78,913.93  |
| Results                           |                                          |             |             |               |             |              |
| Segment Result Profit(+)/Loss(-)  | 48,665.28                                | 6,548.81    | 1,695.50    | 25,026.14     |             | 81,935.73    |
| Unallocated Corporate Expenses    |                                          |             |             |               | 3,471.76    | 3,471.76     |
| Operating Profit                  | 48,665.28                                | 6,548.81    | 1,695.50    | 25,026.14     | (3,471.76)  | 78,463.97    |
| Interest Expenses                 |                                          |             |             |               | 796.83      | 796.83       |
| Interest/Dividend Income          |                                          |             |             |               | 8,484.55    | 8,484.55     |
| Income Taxes                      |                                          |             |             |               | 30,853.91   | 30,853.91    |
| Profit from Ordinary Activities   | 48,665.28                                | 6,548.81    | 1,695.50    | 25,026.14     | (26,637.95) | 55,297.78    |
| Extraordinary Gain                |                                          |             |             |               |             | -            |
| Net Profit                        | 48,665.28                                | 6,548.81    | 1,695.50    | 25,026.14     | (26,637.95) | 55,297.78    |
| Other Information                 |                                          |             |             |               |             |              |
| Segment Assets                    | 6,65,141.42                              | 3,27,252.17 | 2,64,193.68 | 4,56,607.95   |             | 17,13,195.22 |
| Unallocated Corporate Assets      |                                          |             |             |               | 3,84,524.99 | 3,84,524.99  |
| Total Assets                      | 6,65,141.42                              | 3,27,252.17 | 2,64,193.68 | 4,56,607.95   | 3,84,524.99 | 20,97,720.21 |
| Segment Liabilities               | 3,09,719.45                              | 1,02,498.00 | 1,96,852.05 | 1,25,461.37   |             | 7,34,530.86  |
| Unallocated Corporate Liabilities |                                          |             |             |               | 1,52,578.95 | 1,52,578.95  |
| Total Liabilities                 | 3,09,719.45                              | 1,02,498.00 | 1,96,852.05 | 1,25,461.37   | 1,52,578.95 | 8,87,109.81  |
| Capital Expenditure               | 51,385.17                                | 16,263.62   | 10,208.74   | 20,017.00     | 4,583.66    | 1,02,458.19  |
| Depreciation*                     | 31,015.49                                | 10,106.77   | 960.28      | 8,858.52      | 203.18      | 51,144.24    |
| Other Non-cash Expenses           | 27.79                                    | 587.26      | 10.23       | 338.09        | 1.29        | 964.66       |

\* Also Includes Depletion, Amortization and Impairment Loss.

## 19.2 Notes :

- 19.2.1 The annexed matrix presentation depicts the geographical segments based on assets as primary segments and business segments as secondary segments.
- 19.2.2 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

19.2.3 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.

19.2.4 Inter Segment Sales have been priced at prevailing market rates.

19.2.5 Segment Assets includes ₹ 1,630.97 million of Intangible Assets

19.2.6 Reconciliation of the Segment Revenue with the Revenue as per Annexure XX,XXI & XXVII is given below:

| (₹ in million)                                                                    |          |                             |
|-----------------------------------------------------------------------------------|----------|-----------------------------|
| Particulars                                                                       | Annexure | Quarter ended<br>30.06.2011 |
| Sales – As per P&L Account                                                        | XX       | 351,509.60                  |
| Other Income                                                                      | XXI      | 11,501.07                   |
| Prior period Sales                                                                | XXVII    | -                           |
| Prior period other Income                                                         | XXVII    | 0.01                        |
| Total                                                                             |          |                             |
| Less:                                                                             |          |                             |
| Income from trade investments                                                     | XXI      | 350.28                      |
| Income from Non trade investments                                                 | XXI      | 236.99                      |
| Interest income on Deposits with banks/FIs, IT Refund, SRF Fund and carry Finance | XXI      | 7,897.28                    |
| <b>Segment Revenue</b>                                                            |          | <b>354,526.13</b>           |

**20. Disclosure under Accounting Standard -18 on “Related Party Disclosure”****20.1 Name of related parties and description of relationship :****20.1.1 Joint Ventures/Jointly Controlled Entities**

| Sl No.   | Name                                           | Relationship                              |
|----------|------------------------------------------------|-------------------------------------------|
| <b>A</b> | <b>Joint Ventures in India</b>                 |                                           |
| i        | Ravva                                          | Joint Venture in India                    |
| ii       | CY-OS-90/1( PY3)                               | Joint Venture in India                    |
| iii      | Panna, Mukta & Tapti                           | Joint Venture in India                    |
| iv       | CB-OS-2                                        | Joint Venture in India                    |
| v        | GK-OSJ-3                                       | Joint Venture in India                    |
| vi       | RJ-ON-90/1                                     | Joint Venture in India                    |
| vii      | RJ-ONN-2003/1                                  | Joint Venture in India                    |
| viii     | PR-OSN-2004/1                                  | Joint Venture in India                    |
| ix       | RJ-ON/6                                        | Joint Venture in India                    |
| <b>B</b> | <b>Jointly Controlled Entities in India</b>    |                                           |
| i        | ONGC Mangalore Petrochemicals Limited          | Jointly Controlled Entity in India        |
| ii       | Petronet LNG Limited                           | Jointly Controlled Entity in India        |
| iii      | ONGC Teri Biotech Limited                      | Jointly Controlled Entity in India        |
| iv       | Mangalore SEZ Limited                          | Jointly Controlled Entity in India        |
| v        | ONGC Petro-additions Limited                   | Jointly Controlled Entity in India        |
| vi       | ONGC Tripura Power Co. Limited                 | Jointly Controlled Entity in India        |
| vii      | Dahej SEZ Limited                              | Jointly Controlled Entity in India        |
| <b>C</b> | <b>Joint Ventures/Associates of Subsidiary</b> |                                           |
| i        | Block 06.1 Project, Vietnam                    | Joint Venture (Outside India) through OVL |
| ii       | Sakhalin-1 Project, Russia                     | Joint Venture (Outside India) through OVL |
| iii      | Block 1a, 1b, 2a, 2b & 4 Project, Sudan        | Joint Venture (Outside India) through OVL |
| iv       | Block 5A Project, Sudan                        | Joint Venture (Outside India) through OVL |
| v        | MECL, Colombia                                 | Joint Venture (Outside India) through OVL |

| Sl No. | Name                                              | Relationship                              |
|--------|---------------------------------------------------|-------------------------------------------|
| vi     | AFPC, Syria                                       | Joint Venture (Outside India) through OVL |
| vii    | Block BC-10, Brazil                               | Joint Venture (Outside India) through OVL |
| viii   | Block BM-SEAL-4, Brazil                           | Joint Venture (Outside India) through OVL |
| ix     | Block BM-BAR-1, Brazil                            | Joint Venture (Outside India) through OVL |
| x      | Block BM-S-73, Brazil                             | Joint Venture (Outside India) through OVL |
| xi     | Block BM-S-74, Brazil                             | Joint Venture (Outside India) through OVL |
| xii    | Block A-1 Project, Myanmar                        | Joint Venture (Outside India) through OVL |
| xiii   | Block A-3 Project, Myanmar                        | Joint Venture (Outside India) through OVL |
| xiv    | Farsi Block Project, Iran                         | Joint Venture (Outside India) through OVL |
| xv     | Block XXIV Project, Syria                         | Joint Venture (Outside India) through OVL |
| xvi    | Block 2, JDZ, Nigeria / STP                       | Joint Venture (Outside India) through OVL |
| xvii   | Block 25-29, 35 (Part) & 36 Project, Cuba         | Joint Venture (Outside India) through OVL |
| xviii  | Khartoum – Port Sudan Pipeline Project, Sudan     | Joint Venture (Outside India) through OVL |
| xix    | ONGC Mittal Energy Limited, Cyprus                | Joint Venture (Outside India) through OVL |
| xx     | Block RC-8, Colombia                              | Joint Venture (Outside India) through OVL |
| xxi    | Block RC-9, Colombia                              | Joint Venture (Outside India) through OVL |
| xxii   | Block RC-10, Colombia                             | Joint Venture (Outside India) through OVL |
| xxiii  | Block SSJN-7, Colombia                            | Joint Venture (Outside India) through OVL |
| xxiv   | Block CPO-5, Colombia                             | Joint Venture (Outside India) through OVL |
| xxv    | San Cristobal Project, Venezuela                  | Joint Venture (Outside India) through OVL |
| xxvi   | Carabobo Project, Venezuela                       | Joint Venture (Outside India) through OVL |
| xxvii  | ONGC Nile Ganga B.V. , The Netherlands            | Joint Venture (Outside India) through OVL |
| xxviii | OOO Imperial Energy Tomsk Gas, Russian Federation | Joint Venture (Outside India) through OVL |
| xxix   | Shell MRPL Aviation Fuels & Services Pvt. Limited | Joint Venture of MRPL                     |
| xxx    | Mangalam Retail Services Limited                  | Joint Venture of MRPL                     |

## 20.1.2 Key Management Personnel:

### Functional Directors:

#### Parent Company

- i) Shri A.K. Hazarika holding additional charge of Chairman and Managing Director
- ii) Shri U. N. Bose
- iii) Shri D.K.Sarraf
- iv) Shri Sudhir Vasudeva
- v) Shri S.V.Rao
- vi) Shri K.S. Jamestin from 25.05.2011

#### Subsidiaries and Joint Ventures

- i) Mr J Thomas, MD and Director (Exploration), ONGC Videsh Limited
- ii) Mr S P Garg, Director (Finance), ONGC Videsh Limited
- iii) Mr S.Roychoudhary, Director (Commercial), ONGC Videsh Limited
- iv) Ir. A R Baron Mackay Holding B.V., Director, ONGC Nile Ganga B.V.
- v) Mr Costas Christoforou, Director, Jarpeno Limited
- vi) Ms Arlene Nahikian, Director, Jarpeno Limited
- vii) Ms. K. Antoniadou, Director, Jarpeno Limited
- viii) Ms. E. Chrysanthou, Director, Jarpeno Limited
- ix) Mr A. Loizou, Director, Jarpeno Limited
- x) Mr. Roland Göransson, Director, Carabobo One AB
- xi) Mr. Richard Chindt, Director, Carabobo One AB
- xii) Shri.U.K. Basu, Managing Director, MRPL
- xiii) Shri P P Upadhya, Director (Technical), MRPL
- xiv) Shri Vishnu Agarwal, Director (Finance), MRPL
- xv) Dr. A.K. Balyan (Managing Director & CEO) PLL
- xvi) Shri. Amitava Sengupta (Director-Finance & Commercial), PLL till 26.04.2011
- xvii) Shri. C S Mani (Director-Technical), PLL.
- xviii) Shri. Rajiv Banga, Mangalore SEZ
- xix) Shri P.P. Nadkarni, Managing Director, PMHBL
- xx) Shri Sudhindra Kumar Dube (Managing director), OTPCL

## 20.2 Details of Transactions

### 20.2.1 Joint Ventures / Jointly Controlled Entities

(₹ in million)

|    | Details                                                 | Quarter ended<br>30.06.2011 |
|----|---------------------------------------------------------|-----------------------------|
|    | <b>Sale of Products to</b>                              |                             |
| a) | Shell MRPL Aviation Fuels & Services Pvt. Limited       | 908.64                      |
|    | <b>Services Received from :</b>                         |                             |
| a) | Ravva                                                   | 14.70                       |
| b) | ONGC Teri Biotech Ltd                                   | 6.35                        |
| c) | Dahej SEZ Ltd                                           | 1.76                        |
| d) | Mangalore SEZ Ltd.                                      | 1.48                        |
| e) | ONGC Mangalore Petrochemicals Limited                   | 0.01                        |
|    | <b>Services Provided to :</b>                           |                             |
| a) | Ravva                                                   | 1.07                        |
| b) | Panna Mukta & Tapti                                     | 551.53                      |
| c) | ONGC Petro-additions Ltd.                               | 22.54                       |
| d) | Petronet MHB Limited                                    | 7.62                        |
| e) | Mangalore SEZ Ltd.                                      | 0.57                        |
| f) | ONGC Mangalore Petrochemicals Limited                   | 6.81                        |
| g) | JVs of OVL                                              | 62.26                       |
| h) | Shell MRPL Aviation Fuels & Services Pvt. Limited       | 0.01                        |
|    | <b>Interest Income (JVs of OVL)</b>                     | 68.50                       |
|    | <b>Purchase of Condensate (Panna Mukta &amp; Tapti)</b> | 1,330.36                    |
|    | <b>Dividend Income- PLL</b>                             | 187.50                      |
|    | <b>Advance :</b>                                        |                             |
| a) | Dahej SEZ Ltd                                           | 230.00                      |
|    | <b>Amount Receivable :</b>                              |                             |
| a) | Panna Mukta & Tapti                                     | 2,103.05                    |
| b) | ONGC Petro-additions Limited                            | 21.66                       |
| c) | ONGC Teri Biotech Ltd                                   | 0.81                        |
| d) | Petronet LNG Limited                                    | 187.50                      |
| e) | Mangalore SEZ Ltd.                                      | 712.97                      |
| f) | ONGC Mangalore Petrochemicals Limited                   | 41.52                       |
| g) | Shell MRPL aviation Fuels                               | 328.73                      |
|    | <b>Amount Payable :</b>                                 |                             |
| a) | Ravva                                                   | 5.84                        |
| b) | Panna Mukta & Tapti                                     | 252.52                      |
| c) | ONGC Teri Biotech Ltd                                   | 29.98                       |
| d) | Dahej SEZ Ltd                                           | 17.56                       |
| e) | Petronet MHB Limited                                    | 14.83                       |
| f) | ONGC Mangalore Petrochemicals Limited                   | 0.01                        |
|    | <b>Advance outstanding :</b>                            |                             |
| a) | ONGC Petro-addition Limited                             | 9,702.99                    |
| b) | ONGC Tripura Power Co. Pvt. Ltd                         | 1,233.87                    |
| c) | ONGC Mangalore Petrochemicals Ltd.                      | 9,514.77                    |
| d) | Dahej SEZ Ltd                                           | 230.00                      |
| e) | Mangalam Retail Services Limited                        | 1.00                        |

The above represents the full value of the transaction without restricting to percentage of interest in Joint Venture.

### 20.2.2 Key Management Personnel

Remuneration Paid to Key Management Personnel ₹ 13.32 million.

## 21. Disclosure under Accounting Standard -19 on “Leases”

### 21.1 Asset taken on Lease:

ONGBV owns 15% equity shares in Tamba B.V., the Netherlands; with the balance held by Shell E and P Offshore Services B.V., the Netherlands (“SEPBV”), and Petobras Netherlands B.V., the Netherlands (“PNBV”). Tamba B.V. has been established to facilitate the development and production of hydrocarbons in the BC-10 concession, Campos Basin area in Brazil. Tamba B.V. has a third party

lease for major oil field equipment (FPSO) and constructed other sub-sea assets for onwards lease to the BC-10 Project. Both financial leases commenced on 31st December 2008.

Tamba BV leases part of its assets from a third party, the risks and rewards incidental to ownership are largely transferred to it. These assets are capitalised and recognised in the balance sheet as from the moment the lease contract is concluded, at the lower of the fair value of the asset and the discounted value of the minimum lease instalments. The lease instalments payable are broken down into repayment and interest components, based on a fixed interest rate and instalments as derived from the underlying agreement. The lease commitments are carried under long-term liabilities exclusive of interest. The interest component is recognised in the profit and loss account in accordance with the lease instalments.

Tamba BV leases part of its assets to an affiliate, the risks and rewards incidental to ownership are largely transferred to this affiliate. These assets are disposed of and recognised in the balance sheet as from the moment the lease contract is concluded, at the discounted value of the minimum lease instalments. The lease instalments receipts are broken down into repayment and interest components, based on a fixed interest rate and instalments as derived from the underlying agreement. The lease commitments are carried under long-term receivables exclusive of interest. The interest component is recognised in the profit and loss account in accordance with receipt of the lease instalments.

Revenue of finance lease contracts represents the transfer of economic ownership from Tamba BV (lessor) to the lessee of the asset, being an affiliate. Cost of sales represents the costs associated with the finance lease contracts. The Company's share of the lease liability ( at USD 1= ₹ 44.75) are tabulated below:

| <b>Lease liability</b>                                  | <b>₹ in million</b> |
|---------------------------------------------------------|---------------------|
| Opening balance as at 1 April 2011                      | 4,021.60            |
| Interest                                                | 90.39               |
| Lease Payments                                          | (207.83)            |
| Foreign Currency Translation Adjustment                 | 2.70                |
| <b>Closing balance as at 30<sup>th</sup> June, 2011</b> | <b>3,906.86</b>     |

The Company's 15% share of future estimated minimum lease expenses in the year and their present values are scheduled to be as follows:

|                                         | (₹ in million)    |                   |                  |              |
|-----------------------------------------|-------------------|-------------------|------------------|--------------|
| <b>Particulars</b>                      | <b>&lt; 1Year</b> | <b>&gt;5Years</b> | <b>1-5 Years</b> | <b>Total</b> |
| Future minimum lease payments:          | 835               | 2,554             | 2,172            | 5,561        |
| Present value of minimum lease payments | 795               | 1,990             | 1,091            | 3,876        |

Tamba BV has entered into a 15 year lease contract for the supply of the FPSO "Espirito Santo" with a third party. The lease contract contains priced termination options for each of the 15 years and priced extension options for the 4 years following the initial 15 year term. The company can exercise a priced purchase option during the term of the lease. Certain operational elements that are priced in the contractual rates are escalated per 5 year intervals on the basis of agreed price indices.

## 21.2 Asset given on Lease :

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 (GOS) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to GOS 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 USD 37.15 Million (equivalent to ₹ 1,662.34 Million; as on 30<sup>th</sup> June 2010: equivalent to ₹ 1,732.92 Million), Company's share being USD 33.43 Million (equivalent to ₹ 1496.11 Million; as on 30<sup>th</sup> June 2010: equivalent to ₹ 1,559.63 Million), which have not been accepted by the Company. The company, in turn has filed a claim as per the contract with GOS for their approval of an aggregate amount of USD 46.18 Million (equivalent to ₹ 2,066.41 Million; as on 30<sup>th</sup> June 2010: equivalent to ₹ 2,154.14 Million), Company's share being USD 41.56 Million ( equivalent to ₹ 1,859.76 Million; as on 30<sup>th</sup> June 2010; equivalent to ₹

1,938.73 Million). The EPC Contractor has initiated arbitration with a claim for USD 25.49 Million (equivalent ₹ 1,140.55 Million) plus interest against the Company. Pending settlement with the EPC Contractor, an amount of ₹ 1,026.50 Million, being the Company's share out of ₹ 1,140.55 Million has been accounted as liability in the relevant year. No revenue in this respect has been recognized pending final approvals by GOS. OVL has served a pre-arbitral notice on GOS which is a requirement prior to initiating any legal proceedings in Sudan.

The payment under the contract would be received over a period of 10 years including a moratorium of one year from the date of the contract (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 GOS are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to GOS in proportion to the payments made by GOS against total payments due to Company under the contract. Further, subject to regular payments on due dates by GOS to the Company, GOS 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 recognized and recorded as receivables under the lease. The finance income thereon has been recognized based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first 11 installments under the contract till the reporting date have been received. The 12<sup>th</sup> Installment due on 30<sup>th</sup> June 2011 has not yet been received.

The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

| Particulars                                                                                                                      | (₹ in Million)                |         |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------|
|                                                                                                                                  | 30 <sup>th</sup> June 2011    |         |
|                                                                                                                                  | 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                                                                                                        | 1694.87                       | 1513.98 |
| - Later than one year and not later than five years                                                                              | 2259.82                       | 2087.73 |
| - Later than five years                                                                                                          |                               |         |
| Total                                                                                                                            | 3954.69                       | 3601.71 |
| b) Unearned Finance Income                                                                                                       | 352.98                        |         |
| c) Unguaranteed residual value accruing to Company's benefit                                                                     | Nil                           |         |
| d) Accumulated provision for uncollectible minimum lease payments receivable                                                     | Nil                           |         |
| e) Contingent rents recognised in the statement of profit and loss for the period                                                | Nil                           |         |
| f) General description of the significant leasing arrangement                                                                    | As described in para above    |         |
| g) Accounting Policy followed in respect of initial direct costs                                                                 | As per Accounting Policy 25.2 |         |

- 21.3 An amount of ₹ 1.96 million towards non cancellable Operating Lease for office premises was recognized in Capital work in progress. The future minimum lease payments and payment profile under the operating leases are as follows:

| Particulars                                       | (₹ in million)                    |       |
|---------------------------------------------------|-----------------------------------|-------|
|                                                   | As at 30 <sup>th</sup> June, 2011 |       |
| Not later than one year                           |                                   | 9.10  |
| Later than one year and not later than five years |                                   | 45.47 |
| Later than five years                             |                                   | 22.73 |
| Total                                             |                                   | 77.30 |

- 21.4 The Company and its subsidiary have certain office/residential premises on Operating Lease which are cancellable by giving appropriate notice as per the respective agreements. During the quarter ended 30<sup>th</sup> June, 2011 ₹ 190.98 million had been paid towards cancellable Operating Lease.

## 22. Disclosure under Accounting Standard -22 on "Accounting for Taxes on Income"

The Net Deferred Tax Liability of the company, its subsidiaries and joint ventures as at 30<sup>th</sup> June, 2011 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(₹ in million)

| Particulars                                                             | As at 30 <sup>th</sup> June, 2011 |
|-------------------------------------------------------------------------|-----------------------------------|
| <b>(i) Liabilities</b>                                                  |                                   |
| Depletion of Producing Properties                                       | 142,226.69                        |
| Depreciation Allocated to Wells in Progress & expenses relating to NELP | 10,350.97                         |
| Deferred Revenue Expenditure written off                                | 2,435.68                          |
| Development wells-in Progress                                           | 7,950.03                          |
| Depreciation                                                            | 21,305.87                         |
| Others                                                                  | 4,652.77                          |
| Deferred tax liability of ONGBV, OAAL- Subsidiary of OVL                | 5,691.26                          |
| <b>Sub Total</b>                                                        | <b>194,613.27</b>                 |
| <b>(ii) Assets</b>                                                      |                                   |
| Depreciation                                                            | 9,124.77                          |
| Unabsorbed losses and allowances                                        | -                                 |
| Dry wells written off                                                   | 23,611.58                         |
| Provision for Non Moving Inventories                                    | 1,208.50                          |
| Provision for Doubtful Debts/ Claims /Advances/ Interest                | 4,770.65                          |
| Provision for Abandonment                                               | 30,221.56                         |
| Provision for Leave Encashment                                          | 5,449.42                          |
| Provision toward Additional Profit Petroleum & interest                 | 2,436.96                          |
| Statutory duties unpaid u/s 43B                                         | 4,151.51                          |
| Others                                                                  | 4,544.40                          |
| Deferred tax asset of ONGBV - Subsidiary of OVL                         | 708.42                            |
| <b>Sub Total</b>                                                        | <b>86,227.77</b>                  |
| <b>Net Liability (i-ii)</b>                                             | <b>108,385.50</b>                 |

The above includes Deferred Tax Asset of ₹ 235.42 million and Deferred Tax Liability of ₹ 108,620.92 million in respect of various components consolidated.

The above includes Deferred Tax Asset in respect of unabsorbed depreciation of Petronet MHB Limited amounting to ₹ 298.41 million. In view of the approved financial restructuring scheme and further business plans and projections, the same has been recognized and carried forward, since the management is virtually certain of realizing the same in due course within the statutory time frame of availability of unabsorbed depreciation under the Income Tax Act, 1961.

## 23. Disclosure under Accounting Standard -27 on Financial Reporting of Interest in Joint Ventures:

### 23.1 Jointly Controlled Assets in India

- 23.1.1 In respect of certain blocks, the Company's Joint ventures (JVs) with certain bodies corporate have entered into Production Sharing Contracts (PSCs) with GoI. Details of these blocks and JVs as on 30<sup>th</sup> June, 2011 are as under:

| Sl. No.  | Blocks                      | Company's PI *  | Others Partners and their PI in the JV/Operatorship*** |
|----------|-----------------------------|-----------------|--------------------------------------------------------|
| <b>A</b> | <b>Jointly Operated JVs</b> |                 |                                                        |
| 1        | Panna, Mukta and Tapti      | 40% (40%)       | BGEPIL 30%,<br>RIL 30%                                 |
| <b>B</b> | <b>ONGC Operated JVs</b>    |                 |                                                        |
| 2        | CB-OS/1 Development Phase   | 55.26% (55.26%) | TPL 6.7%, HOEC 38.04%                                  |
| 3        | KG-DWN-98/2 **              | 90% (65%)       | CEIL 10%<br>(PIB BV 15%)<br>(HEIBV 10%)                |
| 4        | KG-DWN-98/4                 | 55% (55%)       | OIL 15%<br>BGEPIL 30%                                  |
| 5        | MN-DWN-98/3                 | 60% (60%)       | PIBBV 40%                                              |
| 6        | MN-OSN-2000/2               | 40% (40%)       | GAIL 20%, IOC 20%,<br>OIL 20%                          |
| 7        | AA-ONN-2001/2               | 80% (80%)       | IOC 20%                                                |
| 8        | AA-ONN-2001/3               | 85% (85%)       | OIL 15%                                                |
| 9        | KK-DWN-2002/2               | 80% (80%)       | HPCL 20%                                               |

| Sl. No. | Blocks           | Company's PI * | Others Partners and their PI in the JV/Operatorship*** |
|---------|------------------|----------------|--------------------------------------------------------|
| 10      | KK-DWN-2002/3    | 80% (80%)      | HPCL 20%                                               |
| 11      | KG-DWN-2002/1    | 70% (70%)      | OIL 20% , BPRL 10%                                     |
| 12      | MN-DWN-2002/1    | 36% (36%)      | OIL 20% , BPRL 10%, ENI 34%                            |
| 13      | CY-ONN-2002/2    | 60% (60%)      | BPRL 40%                                               |
| 14      | AA-ONN-2002/4    | 90% (90%)      | OIL 10%                                                |
| 15      | MN-DWN-2002/2    | 75% (75%)      | BGEPIL 25%                                             |
| 16      | KK-DWN-2004/1    | 45% (45%)      | CIL 40%, TATA 15%                                      |
| 17      | CY-DWN-2004/1    | 70% (70%)      | GSPC 10%,HPCL 10%, GAIL 10%                            |
| 18      | CY-DWN-2004/2    | 70% (70%)      | GSPC 10%, HPCL 10% , GAIL 10%                          |
| 19      | CY-DWN-2004/3    | 70% (70%)      | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 20      | CY-DWN-2004/4    | 70% (70%)      | GSPC 10% , HPCL 10% GAIL 10%                           |
| 21      | CY-PR-DWN-2004/1 | 70% (70%)      | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 22      | CY-PR-DWN-2004/2 | 70% (70%)      | GSPC 10%,HPCL 10% ,GAIL 10%                            |
| 23      | KG-DWN-2004/1    | 70% (70%)      | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 24      | KG-DWN-2004/2    | 60% (60%)      | GSPC 10%, HPCL 10%,<br>GAIL 10% , BPCL 10%             |
| 25      | KG-DWN-2004/3    | 70% (70%)      | GSPC 10%, HPCL 10%, GAIL 10%                           |
| 26      | KG-DWN-2004/5    | 50% (50%)      | GSPC 10%, HPCL 10%,<br>GAIL 10%<br>OIL 10%, BPRL 10%   |
| 27      | KG-DWN-2004/6    | 60% (60%)      | GSPC 10%, HPCL 10%,<br>GAIL 10% , OIL 10%              |
| 28      | KG-OSN-2004/1    | 55% (55%)      | BGEPIL 45%                                             |
| 29      | CB-ONN-2004/1    | 50% (50%)      | GSPC 40%, HERA-MEC LTD 10%                             |
| 30      | CB-ONN-2004/2**  | 55% (50%)      | GSPC 45%                                               |
| 31      | CB-ONN-2004/3    | 40% (40%)      | GSPC 35% , ENSEARCH 25%                                |
| 32      | CB-ONN-2004/4    | 50% (50%)      | GSPC 40% , HERA-MEC LTD 10%                            |
| 33      | CY-ONN-2004/1    | 80% (80%)      | BPRL 20%                                               |
| 34      | CY-ONN-2004/2    | 80% (80%)      | BPRL 20%                                               |
| 35      | MB-OSN-2005-1    | 80% (80% )     | GSPC 20%                                               |
| 36      | MB-OSN-2005-5    | 70% (70% )     | GSPC 30%                                               |
| 37      | MB-OSN-2005-6    | 80% (80% )     | GSPC 20%                                               |
| 38      | AN-DWN-2005/1    | 90% (90% )     | OIL 10%                                                |
| 39      | KG-DWN-2005/1    | 70% (70%)      | IOC 20%, GSPC 10%                                      |
| 40      | KK-DWN-2005/2    | 90% (90%)      | GSPC 10%                                               |
| 41      | KG-OSN-2005/1    | 60% (60%)      | HMEL 20%<br>GSPC 20%                                   |
| 42      | KG-OSN-2005/2    | 80% (80%)      | HMEL 20%                                               |
| 43      | Raniganj         | 74% (74%)      | CIL 26%                                                |
| 44      | Jharia           | 90% (90%)      | CIL 10%                                                |
| 45      | NK-CBM-2001/1    | 80% (80%)      | IOC 20%                                                |
| 46      | BK-CBM-2001/1    | 80% (80%)      | IOC 20%                                                |
| 47      | CB-ONN-2005/4    | 51% (51%)      | GSPC 49%                                               |
| 48      | CB-ONN-2005/10   | 51% (51%)      | GSPC 49%                                               |
| 49      | PR-ONN-2005/1    | 80% (80%)      | TPL 20%                                                |
| 50      | WB-ONN-2005/4    | 75% (75%)      | OIL 25%                                                |
| 51      | AA-ONN-2005/1    | 60% (60%)      | OIL 30% ACIL -10%                                      |
| 52      | GV-ONN-2005/3    | 80% (80%)      | TPL 20%                                                |
| 53      | HF-ONN-2001/1    | 65% (100%)     | BMN 35%                                                |
| 54      | CB-ONN-2001/1**  | 100% (100%)    |                                                        |
| 55      | AN-DWN-2009/1    | 70% (Nil)      | OIL 30%                                                |
| 56      | AN-DWN-2009/2    | 60% (Nil)      | OIL 40%                                                |
| 57      | AN-DWN-2009/3    | 60% (Nil)      | OIL 40% (Joint Operator)                               |
| 58      | AN-DWN-2009/5    | 90% (Nil)      | GSPC 10%                                               |
| 59      | AN-DWN-2009/13   | 70% (Nil)      | GAIL 10%, NTPC 10%, GSPC 10%                           |
| 60      | AN-DWN-2009/18   | 60% (Nil)      | OIL 30%, GAIL 10%                                      |
| 61      | GK-OSN-2009/1    | 40% (Nil)      | AWEL 20%, GSPC 20%, IOC 20%                            |
| 62      | GK-OSN-2009/2    | 40% (Nil)      | AWEL 30%, IOC 30%                                      |
| 63      | KG-OSN-2009/1    | 80% (Nil)      | APGIC 10%, NTPC 10%                                    |
| 64      | KG-OSN-2009/2    | 90% (Nil)      | APGIC 10%                                              |
| 65      | KG-OSN-2009/4    | 50% (Nil)      | APGIC 10%, OIL 30%, NTPC 10%                           |
| 66      | AA-ONN-2009/3    | 50% (Nil)      | OIL 50%                                                |

| Sl. No. | Blocks                         | Company's PI * | Others Partners and their PI in the JV/Operatorship***                                                               |
|---------|--------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------|
| 67      | CB-ONN-2009/4                  | 50% (Nil)      | GSPC 50%                                                                                                             |
| C       | <b>Operated by JV Partners</b> |                |                                                                                                                      |
| 68      | Ravva                          | 40% (40%)      | CEIL (Operator) 22.5%<br>PIL 25%,<br>ROPL 12.5%                                                                      |
| 69      | CY-OS-90/1 (PY3)               | 40% (40%)      | HEPI (operator) 18%<br>HOEC 21%<br>TPL 21%                                                                           |
| 70      | RJ-ON-90/1                     | 30% (30%)      | CEIPL (Operator) 35%<br>CEHL 35%                                                                                     |
| 71      | CB-OS/2 -Development Phase     | 50% (50%)      | CEIPL (operator) 6.70%<br>CEIWBV 13.20%<br>CECBV 10.10%,<br>CEGBV 10%,<br>TPL 10%                                    |
| 72      | CB-ON/7 -Development Phase     | 30% (30%)      | HOEC (Operator) 35%,<br>GSPC 35%                                                                                     |
| 73      | CB-ON/3 - Development Phase    | 30% (30%)      | EOL (Operator) 70%                                                                                                   |
| 74      | GK-OSJ-3                       | 25% (25%)      | RIL (operator) 60%,<br>OIL 15%                                                                                       |
| 75      | AA-ONN-2002/3                  | 70% (70%)      | OIL (Operator) 30%                                                                                                   |
| 76      | AN-DWN-2003/2                  | 45%(45%)       | ENI (Operator) 40%<br>GAIL 15%                                                                                       |
| 77      | KG-ONN-2003/1                  | 51% (51%)      | CEIL 24% (Operator)<br>Cairn India 25%                                                                               |
| 78      | PR-OSN-2004/1                  | 35% (35%)      | Cairn Energy(Operator) 10%<br>Cairn India 25%<br>TPL 30%                                                             |
| 79      | CB-ON/2- Development phase     | 30% (30%)      | GSPC (Operator) 56%,<br>Geo-Global Resources 14%                                                                     |
| 80      | RJ-ONN-2005/3                  | 40% (40%)      | GSPC (Operator) 60%                                                                                                  |
| 81      | AA-ONN-2009/4                  | 50% (Nil)      | OIL(Operator) 50%                                                                                                    |
| 82      | CY-OSN-2009/2                  | 50% (Nil)      | OIL 50% (Operator)                                                                                                   |
| 83      | KG-DWN-2009/1                  | 45% (Nil)      | BGEPIL 30%(Operataor),<br>OIL 15%,<br>APGIC 10%                                                                      |
| 84      | RJ-ON/6 - Development phase    | 30% (Nil)      | Focus Energy Ltd (Operator) 7%<br>I services Investment Ltd, Mauritius<br>45.5%<br>Newbury Oil Co. Ltd, Cyprus 17.5% |

\* PI - Participating Interest

\*\*Approval towards assignment of PI is awaited from GoI

\*\*\* Petrobras International Braspetro (PIBBV) not signed PSC and Joint Operating Agreement (JOA)

**Abbreviations:-** ACL- Assam Company (India) Ltd, APGIC- AP Gas Infrastructure Corporation Ltd, AWEL- Adani Welspun Exploration Ltd, BGEPIL- British Gas Exploration & Production India Ltd, BMN- BMN Investment Ltd, BPCL- Bharat Petroleum Corporation Ltd, BPRL- Bharat Petro Resources Ltd, CEHL- Cairn Energy Hydrocarbons Ltd, CEIL- Cairn Energy India Ltd, CEIPL- Cairn Energy India Private Ltd, CIL- Coal India Ltd, ENI- Ente Nazionale Idrocarburi, Ensearch- Enserach, GAIL- Gas Authority of India Ltd, GGR- Geo Global Resources, GSPC- Gujarat State Petroleum Corporation Ltd, HEPI- Hardy Exploration & Production India Ltd, Heramec- Heramec, HEPI-Hrady Exploration & Production (India), HEIBV-Hydro Oil & Energy India BV, HMEL- HPCL Mittal Energy Ltd, HOEC- Hindustan Oil Exploration Company Ltd, HPCL- Hindustan Petroleum Corporation Ltd, IOC- Indian Oil Corporation Ltd, NTPC- National Thermal Power Corporation Ltd, OIL- Oil India Ltd, PIBBV-Petrobras International Braspetro BV, PIL- Petrocon India Ltd, RIL- Reliance Industries Ltd, ROPL- Ravva Oil (Singapore) Private Ltd, SRL- Sunterra Resources Ltd, TIOL- Tullow India Operations Ltd, TPL- Tata Petrodyne Ltd

### 23.1.2 List of the blocks surrendered during the Quarter ended 30<sup>th</sup> June, 2011 are given below:-

| Sl. No. | Joint Ventures / PSCs | Company's PI * |
|---------|-----------------------|----------------|
| 1       | CY-DWN-2001/1         | 45%            |
| 2       | RJ-ONN-2003/1         | 36%            |
| 3.      | SK-CBM-2003/II        | 100%           |

\* PI - Participating Interest

### 23.1.3 The Financial position of the JV/NELP blocks are as under:

(₹ in million)



|                                   | No. of JVs/<br>NELP<br>Blocks | Assets            | Liabilities      | Income           | Expenditure      | Profit / (-)<br>Loss<br>before tax |
|-----------------------------------|-------------------------------|-------------------|------------------|------------------|------------------|------------------------------------|
| <b>NELP Block-100% PI*</b>        | 21                            | 3,355.62          | 156.46           | 0.02             | 8,363.50         | (8,363.48)                         |
| <b>Blocks with other partners</b> | 84                            | 99,444.26         | 35,995.52        | 26,352.91        | 20,027.27        | 6,325.64                           |
| <b>Surrendered</b>                | 28                            | 605.38            | 7,005.16         | 2.21             | 24.38            | (22.17)                            |
| <b>Total</b>                      | <b>133</b>                    | <b>103,405.26</b> | <b>43,157.14</b> | <b>26,355.14</b> | <b>28,415.15</b> | <b>(2,060.01)</b>                  |

The financial statements of 18 JVs/NELP blocks where the company is non operator have been incorporated in the accounts to the extent of Company's participating interest in assets, liabilities, income, expenditure and profit/(loss) before tax on the basis of management certified statements in accordance with production sharing contract and the same has been adjusted for changes as per Accounting Policy No. 9.1.

23.1.4 The Company has given an undertaking to Power Finance Corporation (PFC), for an additional funding up to ₹ 2,234.00 million in respect of ONGC Tripura Power Co. Limited (OTPC) for cost overrun, if any.

23.2.1 **Company's share in Joint Ventures (Outside India) through Subsidiary - OVL:**

| Sr. No. | Name of the Project and Country of Operation                                           | Company's participating share (%) | Other Consortium Members                             | Operator                                  | Project Status                                               |
|---------|----------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------|
| 1.      | Block 06.1 Project, Vietnam, Offshore                                                  | 45%                               | BPEOC - 35% Petrovietnam - 20%                       | BPEOC*                                    | The project is under development and production              |
| 2.      | Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore (Through ONGC Nile Ganga B.V.) | 25%                               | CNPC - 40% Petronas - 30% Sudapet - 5%               | Joint Operatorship                        | The project is under production.                             |
| 3.      | Sakhalin -1 Project, Russia, Offshore                                                  | 20%                               | ENL - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5% | ENL                                       | The project is under development and production              |
| 4.      | AFPC Project Syria, Onshore (Through ONGC Nile Ganga B.V.) **                          | 38.75%                            | Fulin - 50% Mittals - 11.25%                         | SSPD **                                   | The project is under production.                             |
| 5.      | MECL, Colombia, Onshore (Through ONGC Amazon Alaknanda Limited)                        | 50%                               | Sinopec - 50%                                        | Joint Operatorship                        | The project is under exploration, development and production |
| 6.      | Block 5A Project, Sudan, Onshore                                                       | 24.125%                           | Petronas - 67.875% Sudapet - 8%                      | Petronas and Sudapet - Joint Operatorship | The project is under exploration, development and production |
| 7.      | Block BC-10 Project, Brazil, Offshore (Through ONGC Nile Ganga B.V.)                   | 15%                               | Shell - 50% Petrobras - 35%                          | Shell                                     | The project is under development and production              |
| 8.      | OOO Imperial Frac Service (Through Jarpeno Ltd)                                        | 50%                               | Mr. Vladimir Aleksandrovich Borisov - 50%            | OVL                                       | The company provides Fracking Services                       |
| 9.      | San Cristobal Project, Venezuela, Onshore (Through ONGC Nile Ganga B.V.)               | 40%                               | CVP- 60%                                             | Joint Operatorship                        | The project is under development and production              |
| 10.     | Block A-1 Project, Myanmar, Offshore                                                   | 17%                               | Daewoo - 51% KOGAS - 8.5% GAIL - 8.5% MOGE- 15%      | Daewoo                                    | The project is under development.                            |
| 11.     | Block A-3 Project, Myanmar, Offshore                                                   | 17%                               | Daewoo - 51% KOGAS - 8.5% GAIL - 8.5%                | Daewoo                                    | The project is under development.                            |

| Sr. No. | Name of the Project and Country of Operation                                  | Company's participating share (%) | Other Consortium Members                                                               | Operator           | Project Status                                                                                                                                                    |
|---------|-------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                               |                                   | MOGE- 15%                                                                              |                    |                                                                                                                                                                   |
| 12.     | Farsi Block Project, Iran, Offshore                                           | 40%                               | IOC – 40%<br>OIL – 20%                                                                 | OVL                | The project 's exploration service contract ended on 24 June 2009. MDP of FB field has been accepted in May-11. Development service contract is to be negotiated. |
| 13.     | Block XXIV Project, Syria, Onshore                                            | 60%                               | IPRMEL - 25%<br>Triocean-15%                                                           | IPR MEL            | The project is under exploration, development and production.                                                                                                     |
| 14.     | Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore                           | 30%                               | Repsol YPF – 40%<br>Stat Oil – 30%                                                     | Repsol YPF         | The project is under exploration.                                                                                                                                 |
| 15.     | Khartoum–Port Sudan Pipeline Project, Sudan                                   | 90%                               | OIL – 10%                                                                              | OVL                | The pipeline on completion is under Lease.                                                                                                                        |
| 16      | Block RC-8, Colombia, Offshore                                                | 40%                               | Ecopetrol - 40%<br>Petrobras – 20%                                                     | OVL                | The project is under exploration                                                                                                                                  |
| 17      | Block RC-9, Colombia, Offshore                                                | 50%                               | Ecopetrol - 50%                                                                        | Ecopetrol          | The project is under exploration                                                                                                                                  |
| 18      | Block RC-10, Colombia, Offshore                                               | 50%                               | Ecopetrol - 50%                                                                        | OVL                | The project is under exploration                                                                                                                                  |
| 19      | Block BM-SEAL-4, Brazil. (Through ONGC Nile Ganga B.V)                        | 25%                               | Petrobras- 75%                                                                         | Petrobras          | The project is under exploration                                                                                                                                  |
| 20      | Block BM-BAR-1, Brazil (Through ONGC Nile Ganga B.V)                          | 25%                               | Petrobras- 75%                                                                         | Petrobras          | The project is under exploration                                                                                                                                  |
| 21      | Block SSJN-7, Colombia, Onshore                                               | 50%                               | Pacific - 50%                                                                          | Pacific            | The project is under exploration                                                                                                                                  |
| 22      | OPL-279, Nigeria (Through ONGC Mittal Energy Limited)                         | 22.74% (OMEL 45.5%)               | EMO- 40%<br>Total -14.5%                                                               | OMEL               | The project is under exploration                                                                                                                                  |
| 23      | OPL-285, Nigeria (Through ONGC Mittal Energy Limited)                         | 32.15% (OMEL 64.33%)              | EMO- 10%<br>Total -25.67%                                                              | OMEL               | The project is under exploration                                                                                                                                  |
| 24      | Block CPO-5, Colombia, Onshore                                                | 70%                               | PetroDorado – 30%                                                                      | OVL                | The project is under exploration                                                                                                                                  |
| 25      | SHWE Offshore Pipeline Project, Myanmar                                       | 17%                               | Daewoo – 51%,<br>KOGAS – 8.5%,<br>GAIL – 8.5%,<br>MOGE – 15%                           | Daewoo             | The project is under construction.                                                                                                                                |
| 26      | Myanmar Onshore Gas Pipeline Project (SEAGPCL) (Through ONGC Nile Ganga B.V.) | 8.35%                             | CNPC-SEAP– 50.9%<br>Daewoo – 25.04%,<br>KOGAS– 4.17%,<br>GAIL – 4.17%,<br>MOGE – 7.37% | CNPC-SEAP          | The project is under construction                                                                                                                                 |
| 27      | BM-S-73, Brazil (Through ONGC Nile Ganga B.V.)                                | 43.5%                             | Petrobras – 43.5%<br>Eco Petrol – 13%                                                  | OCL                | The project is under exploration                                                                                                                                  |
| 28      | BM-S-74, Brazil (Through ONGC Nile Ganga B.V.)                                | 43.5%                             | Petrobras – 43.5%<br>Eco Petrol – 13%                                                  | Petrobras          | The project is under exploration                                                                                                                                  |
| 29      | Carabobo Project, Venezuela (Through                                          | 11%                               | CVP - 60%<br>Repsol Exp-11%                                                            | Joint operatorship | The project is under development                                                                                                                                  |

| Sr. No. | Name of the Project and Country of Operation | Company's participating share (%) | Other Consortium Members     | Operator | Project Status |
|---------|----------------------------------------------|-----------------------------------|------------------------------|----------|----------------|
|         | Carabobo One AB)                             |                                   | Petronas Ve-11%<br>INDOIL-7% |          |                |

**Abbreviations used:** Addax – Addax Energy Nigeria Limited; BPEOC – BP Exploration Operating Company Limited; CNPC – China National Petroleum Corporation; CNPC-SEAP-CNPC South-East Asia Pipeline Co Ltd; CVP – Corporacion Venezolana Del Petroleo S.A.; Daewoo – Daewoo International Corporation; Devon – Devon Energy do Brazil Ltda ; EMO – EMO Exploration & Production Limited; Equator – Equator Exploration JDZ Block 2 Limited; ERHC – ERHC Energy Nigeria JDZ Block 2 Limited; ENL – Exxon Neftegas Limited; Foby – Foby Energy Company Limited; Fulin – Fulin Investments Sarl; GAIL – GAIL (India) Limited;; IOC – Indian Oil Corporation Limited; INDOIL- Indoil Netherlands B.V.; IPRMEL – IPR Mediterranean Exploration Limited; KOGAS – Korea Gas Corporation; B.V; Mittals – Mittal Investments Sarl; MOGE-Myanmar Oil and Gas Enterprise ; Amber – Momo Deepwater JDZ Limited; OCL – ONGC Campos Ltda. OIL – Oil India Limited; Pacific - Pacific Stratus Energy, Colombia; Petrobras – Petroleo Brasileiro S.A.; Petro-Dorado - Petro-Dorado South America S.A.; Petronas – Petronas Carigali Overseas Sdn Bhd; Petronas Ve: PC Venezuela Ltd; Petrovietnam – Vietnam Oil and Gas Group; Repsol – Repsol YPF Cuba SA; Repsol Exp- Repsol Exploracion S.A.; SEAGPCL – South East Asia Gas Pipeline Company Ltd.; 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; SSPD: Syria Shell Petroleum Development B.V.; Sudapet – Sudapet Limited; Triocean: Tri-Ocean Mediterranean

\* During previous year, BPEOC entered into an agreement for sale of its PI and transfer of Operatorship to TNK-Vietnam, which is awaiting approval from Vietnamese authorities.

\*\* OVL has effectively 38.75% interest in Himalaya Energy Syria B.V. (HESBV) with Mittals and Fulin effectively holding 11.25% and 50% interest respectively. HESBV, through its subsidiaries, holds 33.33%, 37.5% and 36% interest in Ash Sham (including deep and lateral) concession, Deir-Ez-Zor and Annexure-IV (including deep and lateral) concessions and a gas utilization agreement in Syria; the balance interest in the concessions being held by SSPD- the Operator.

### 23.2.2 Company's share in Joint Ventures (Outside India) through Subsidiary - OVL

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 statements as given below:

(₹ in million)

| Project                                  | Net Fixed Assets | Net Producing Property | Capital Work in Progress | Exploratory and Development Wells in Progress | Current Assets | Cash and Bank Balance | Liabilities | Income    | Expenditure* (Including depreciation) |
|------------------------------------------|------------------|------------------------|--------------------------|-----------------------------------------------|----------------|-----------------------|-------------|-----------|---------------------------------------|
| Block 5A, Sudan                          | 2,901.71         | 4,971.41               | 268.86                   | 1,423.48                                      | 628.94         | 117.69                | 370.65      | 1,136.55  | 627.05                                |
| Farsi Block, Iran                        | 0.32             | -                      | -                        | -                                             | 0.46           | 0.82                  | 8.63        | 0.06      | 2.66                                  |
| Sudan Pipeline, OVL's Share (90%)        | -                | -                      | -                        | -                                             | 2,943.63       | 7.96                  | 1,620.58    | 55.69     | 2.08                                  |
| Block 06.1 Vietnam                       | 1,328.27         | 2,153.50               | 1,518.14                 | 425.90                                        | 2,026.89       | 115.15                | 1,631.71    | 2,612.20  | 999.96                                |
| Blocks 25-29, 35 (Part) & 36, Cuba       | 1.30             | -                      | 346.91                   | 266.55                                        | 28.48          | -                     | 72.25       | -         | 32.71                                 |
| Block A-1, Myanmar                       | 13.37            | -                      | 1,360.43                 | 2,390.36                                      | 141.40         | 150.69                | 387.25      | 3.15      | (0.72)                                |
| Block A-3, Myanmar                       | 2.53             | -                      | 1,013.98                 | 1,312.93                                      | 20.65          | 293.94                | 258.06      | 3.54      | 0.13                                  |
| SHWE Offshore Pipeline Myanmar           | -                | -                      | 699.37                   | -                                             | 1.45           | 105.23                | 153.38      | 1.74      | (0.89)                                |
| Block 1a, 1b, 2a, 2b & 4, Sudan          | 401.18           | 18,982.76              | -                        | 4,349.95                                      | 3,009.73       | 787.22                | 4,555.20    | 13,853.71 | 10,091.94                             |
| AFPC, Syria                              | 0.70             | 2,235.69               | -                        | -                                             | 7,089.36       | 7.23                  | 6,201.26    | 7,446.47  | 6,804.90                              |
| Block BC-10 & Exploratory Blocks, Brazil | 5.79             | 12,144.20              | 877.39                   | 2,545.91                                      | 2,107.90       | -                     | 1,538.37    | 4,428.34  | 977.00                                |
| PIVSA (San Cristobal), Venezuela         | 228.52           | 1,753.97               | 1,555.21                 | -                                             | 21.17          | 38.37                 | 16,739.07   | 7,039.99  | 6,837.48                              |
| Tamba                                    | -                | -                      | 1,105.04                 | -                                             | 200.02         | 1,083.56              | 4,685.55    | 20.32     | 92.11                                 |
| SEAGP (OCEBV)                            | 3.03             | -                      | 154.23                   | -                                             | 472.41         | 243.75                | 8.46        | -         | -                                     |
| MECL                                     | 3,863.92         | 4,008.51               | 142.40                   | 2,445.85                                      | 12,142.32      | 1,171.16              | 1,217.00    | 3,215.75  | 617.42                                |

| Project                        | Net Fixed Assets | Net Producing Property | Capital Work in Progress | Exploratory and Development Wells in Progress | Current Assets   | Cash and Bank Balance | Liabilities      | Income           | Expenditure* (Including depreciation) |
|--------------------------------|------------------|------------------------|--------------------------|-----------------------------------------------|------------------|-----------------------|------------------|------------------|---------------------------------------|
| LLC Imperial Frac Service      | 77.28            | -                      | -                        | -                                             | 56.21            | 9.76                  | 70.62            | 50.74            | 46.94                                 |
| Sakhalin 1 Russia              | 27,017.22        | 51,318.54              | 31,976.48                | 815.03                                        | 5,944.52         | 1,659.55              | 21,367.11        | 17,747.25        | 4,986.75                              |
| Block RC-8, Colombia           | 0.15             | -                      | -                        | -                                             | 0.10             | -                     | 3.95             | 0.01             | 6.09                                  |
| Block RC-10, Colombia          | 0.19             | -                      | -                        | -                                             | 0.12             | -                     | 9.48             | 0.01             | 13.95                                 |
| Block RC-9, Colombia           | -                | -                      | -                        | -                                             | -                | -                     | 0.14             | 0.05             | 0.18                                  |
| Block SSJN-7, Colombia         | -                | -                      | -                        | -                                             | -                | -                     | 0.28             | -                | 5.61                                  |
| Block XXIV, Syria              | 32.71            | (26.89)                | -                        | 1,200.05                                      | 195.52           | -                     | 399.43           | 45.94            | 28.98                                 |
| Block 6 North Ramadan, Egypt + | -                | -                      | -                        | -                                             | 67.90            | -                     | 10.50            | -                | -                                     |
| Block NC-189, Libya +          | -                | -                      | -                        | -                                             | 22.22            | 2.11                  | 0.22             | -                | -                                     |
| Block NEMED, Egypt +           | -                | -                      | -                        | -                                             | 34.18            | -                     | 13.43            | -                | (5.75)                                |
| CPO 5 Block                    | 0.22             | -                      | -                        | -                                             | 10.17            | 0.01                  | 24.35            | 0.19             | 30.54                                 |
| Block 279, Nigeria             |                  |                        | 2,140.61                 |                                               |                  | 648.07                |                  |                  | 47.18                                 |
| Block 285, Nigeria             | 26.12            |                        | 647.43                   |                                               |                  |                       |                  |                  | 16.38                                 |
| Petro Carabobo                 | 0.00             | 0.00                   | 0.00                     | 0.00                                          | 0.00             | 43.78                 | 101.07           | 0.00             | 8.53                                  |
| <b>Grand Total</b>             | <b>35,904.53</b> | <b>97,541.69</b>       | <b>43,806.48</b>         | <b>17,176.01</b>                              | <b>37,165.75</b> | <b>6,486.05</b>       | <b>61,448.00</b> | <b>57,661.70</b> | <b>32,269.21</b>                      |

\*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 have been converted into the reporting currency at the average exchange rate as on the date of balance sheet and income 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.

### 23.2.3 Title to Fixed Assets under Production Sharing Agreements

The Company, the Subsidiaries and Joint Venture 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. Several of these agreements, governing Company's activities in the fields / projects, 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 throughout the term of the respective agreements. The Consortium also has the custody and maintenance of such assets and bears 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 during the currency of the respective agreements.

### 23.3 Jointly Controlled Entities:

23.3.1 The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities based on Unaudited Accounts (After Limited Review) is as below:

(₹ in million)

| Description |                                    | As at 30 <sup>th</sup> June, 2011 |
|-------------|------------------------------------|-----------------------------------|
| i)          | <b>Assets</b>                      |                                   |
| -           | Long term assets                   | 54,833.41                         |
| -           | Investments                        | 2,410.91                          |
| -           | Current assets                     | 6,253.54                          |
| ii)         | <b>Liabilities</b>                 |                                   |
| -           | Current liabilities and provisions | 13,602.02                         |
| -           | Other liabilities                  | 35,379.48                         |
| iii)        | Deferred tax liabilities           | 206.45                            |
| iv)         | Income                             | 6,461.59                          |
| v)          | Expenses                           | 6,006.09                          |
| vi)         | Contingent liabilities             | 731.42                            |
| vii)        | Capital commitments                | 65,702.47                         |

## 24. Impairment of Assets

The Company is engaged mainly in the business of oil and gas exploration and production where each cost centre used for depreciation (depletion) purposes is 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 is reviewing all its CGUs for impairment testing at the every year end. Since in view of management, there is no material change in indicator for impairment during the current quarter ended 30.06.2011 hence the Company has not conducted impairment testing as on 30.06.2011.

## 25. Disclosure under Accounting Standard -29 on "Provisions, Contingent Liabilities and Contingent Assets":

### Movement in Provisions – Others

For Court cases, arbitration and others, where the timing of expected outflows is upon settlement of the proceedings:

(₹ in million)

| Particulars                                             | Quarter Ended 30.06.2011 |
|---------------------------------------------------------|--------------------------|
| Opening Balance                                         | 8,663.62                 |
| Add: Provision made during the year                     | 226.95                   |
| Less: Provision written back/ reduction during the year | 34.40                    |
| <b>Closing Balance</b>                                  | <b>8,856.17</b>          |

## 26. Disclosures under Schedule VI to the Companies Act, 1956 :-

### 26.1 Capital Commitment not provided for:-

#### 26.1.1 Estimated amount of contracts remaining to be executed on capital account:-

- i) In respect of the Company, its subsidiaries and Joint Venture Entities - ₹ 283,525.84 million
- ii) In respect of Joint Ventures - ₹ 47,767.14 million.

#### 26.1.2 Estimated amount of Minimum Work Programme (MWP) committed under various 'Production Sharing Contracts' with Government of India/ Nominated Blocks:-

- i) In respect of NELP blocks in which the Company has 100% participating interest – ₹ 16,257.66 million
- ii) In respect Nominated Blocks ₹ 374.04 million
- iii) In respect of NELP blocks in Joint Ventures - ₹ 89,579.02 million

### 26.2 Contingent Liabilities:

Claims against the Company/ disputed demands not acknowledged as debt:-

(₹ In million)

|          |                                | As at 30 <sup>th</sup> June,2011 |
|----------|--------------------------------|----------------------------------|
| <b>I</b> | <b>In respect of Company :</b> |                                  |
|          | i. Income tax matters          | 18,276.81                        |

|           |                                                   | As at 30 <sup>th</sup> June,2011 |
|-----------|---------------------------------------------------|----------------------------------|
|           | ii. Excise Duty matters                           | 5,807.30                         |
|           | iii. Custom Duty matters                          | 1,578                            |
|           | iv. Royalty                                       | 19,484.60                        |
|           | v. Cess                                           | 6.57                             |
|           | vi. Sales Tax                                     | 30,435.61                        |
|           | vii. Service Tax                                  | 2,528.61                         |
|           | viii. Octroi                                      | 66.89                            |
|           | ix. AP Mineral Bearing Land Tax                   | 1,519.80                         |
|           | x. Specified Land Tax (Assam)                     | 2,610                            |
|           | xi. Claims of contractors in Arbitration/Court    | 37,671.18                        |
|           | xii. in respect of other matters                  | 17,676.72                        |
|           | <b>Sub Total</b>                                  | <b>1,37,662.09</b>               |
| <b>II</b> | <b>In respect of Joint Ventures :</b>             |                                  |
|           | i. Income tax matters                             | 8.91                             |
|           | ii. Custom Duty matters                           | 3,457.81                         |
|           | iii. Sales Tax                                    | 2,959.04                         |
|           | iv. Claims of GOI for additional Profit Petroleum | 3,634.77                         |
|           | v. Claims of contractors in Arbitration/Court     | 9,798.46                         |
|           | vi. in respect of other matters                   | 764.27                           |
|           | vii. Service tax                                  | 157.42                           |
|           | <b>Sub Total</b>                                  | <b>20,780.68</b>                 |
|           | <b>Total</b>                                      | <b>1,58,442.77</b>               |

26.2.1 Contingent liabilities, if any, in respect of JVs where OVL is non-operator, is not ascertainable except where the Operator has intimated. In respect of Petronet MHB Limited, there are 127 cases regarding enhancement of land compensation pending with Bangalore Rural District Court and Hassan District Court and Mangalore District Court the amounts are not ascertainable at present.

26.2.2 The above claims / demands are at various stages of appeal and in the opinion of the Company are not tenable.

26.2.3 Bank Guarantees given by the Company ₹ 16,905.72 million including ₹ 852.45 million for NELP Blocks where the Company has 100% participating interest (PI)

26.2.4 Bank Guarantees in respect of Joint ventures – ₹ 4,821.09 million

26.3 **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)**

26.3.1 **Guarantees executed for financial obligations:**

- i) Amount of Guarantee ₹ 40,854.19 million
- ii) Amount Outstanding ₹ 33,828.30 million

26.3.2 **Performance Guarantees executed under the contracts:**

- i. Guarantee in respect of Sakhalin Project in favour of Exxonnetgas Ltd., M/s. Roseneft-S, SMNG-S and RN-Astra towards performance of Company's obligation under Joint Operating Agreement without any financial ceiling.
- ii. The Subsidiary - OVL has issued Performance Guarantee in respect of concessionary contract for Block BC-10, Brazil and Blocks BM-S-73 and BM-ES-42 on behalf of ONGC Campos Ltda (OCL). The Company is confident that OCL will be able to honor its obligations.
- iii. The Subsidiary - OVL has given a Performance Guarantee on behalf of Petro Carabobo Ganga B.V. to Government of Venezuela in respect of Carabobo 1 Project. The total investment commitment is estimated at USD 1333 Million (₹ 59,758.39 Million).
- 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.

26.3.3 **Corporate Guarantees executed by the Company on behalf of its subsidiary, MRPL:**

- i) Amount of Guarantee ₹ 7,160.00 million
- ii) Amount Outstanding ₹ 3,499.45 million

## 26.4 DETAILS OF EXPENDITURE

Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development

(₹ in million)

| Quarter Ended 30.06.2011                                                       |           |                   |
|--------------------------------------------------------------------------------|-----------|-------------------|
| Manpower Cost:                                                                 |           |                   |
| (a) Salaries, Wages, Ex-gratia etc.                                            | 12,646.57 |                   |
| (b) Contribution to Provident and other funds                                  | 845.94    |                   |
| (c) Provision for gratuity                                                     | 377.38    |                   |
| (d) Provision for leave encashment                                             | 1,349.87  |                   |
| (e) Provision for post retirement medical & terminal benefits                  | 709.98    |                   |
| (f) Staff welfare expenses                                                     | 1,073.25  |                   |
| Sub Total                                                                      |           | 17,002.99         |
| Consumption of Raw Materials, Store and Spares                                 |           | 116,539.10        |
| Cess                                                                           |           | 14,067.61         |
| Natural Calamity Contingent Duty - Crude Oil                                   |           | 275.78            |
| Excise Duty                                                                    |           | (66.44)           |
| Royalty                                                                        |           | 39,257.88         |
| Sales Tax                                                                      |           | 989.13            |
| Octroi/BPT                                                                     |           | 986.83            |
| Service Tax                                                                    |           | 1,916.84          |
| Education cess                                                                 |           | 442.61            |
| Rent                                                                           |           | 782.51            |
| Rates and taxes                                                                |           | 514.20            |
| Hire charges of equipments and vehicles                                        |           | 27,261.07         |
| Power, fuel and water charges                                                  |           | 805.82            |
| Contractual drilling, logging, workover etc.                                   |           | 32,729.62         |
| Contractual security                                                           |           | 668.03            |
| Repairs to building                                                            |           | 142.35            |
| Repairs to plant and machinery                                                 |           | 541.99            |
| Other repairs                                                                  |           | 722.68            |
| Insurance                                                                      |           | 617.29            |
| Other Operating Expenditure                                                    |           | 5,752.24          |
| Miscellaneous expenditure                                                      |           | 3,520.88          |
| Exchange Variation                                                             |           | 948.37            |
|                                                                                |           | <b>266,419.38</b> |
| <b>Less:</b>                                                                   |           |                   |
| Allocated to exploration, development drilling, capital jobs recoverables etc. |           | 55,678.27         |
| Excise duty                                                                    |           | 691.25            |
| Prior Period Adjustment                                                        |           | 0.26              |
| Production, Transportation, Selling and Distribution Expenditure etc.          |           | <b>210,049.60</b> |

Other operating expenditure above includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

27. 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.
28. In view of the several subsidiaries and Joint Ventures of the company, with each entity operating under different regulatory requirements in different countries and adopting different policies and disclosure, the information requirement under Accounting Standards(AS) -15 on Employee Benefit is not disclosed in Consolidated Financial statement due to impracticability :
29. Disclosure requirement is respect of subsidiaries/Joint Ventures companies have been disclosed to the extent available from their audited/unaudited accounts.
30. Figures in the accounts are stated in ₹ million except those in parenthesis which would otherwise have become Nil on account of rounding off.

## SELECTED UNAUDITED STANDALONE FINANCIAL INFORMATION

*The following financial information is being provided pursuant to sub-clause (BA)(2)(ii)(1) in para (2) in item (IX) to Part A of Schedule VIII of the SEBI ICDR Regulations. This information is based on estimates of our management prepared on bases and assumptions that may not be consistent with the bases and assumptions used to prepare our financial statements, has not been reviewed or audited by our Auditors, is subject to change and may differ materially from our actual results for the period. Investors should therefore not place undue reliance on this financial information.*

### **Estimated financial information for the period from April 1, 2011 to July 31, 2011**

Working results of the Company for the period April 1, 2011 to July 31, 2011 (on a standalone basis):

| <i>(in ₹ million)</i> |                                                 |               |
|-----------------------|-------------------------------------------------|---------------|
| <b>Sl. No.</b>        | <b>Particulars</b>                              | <b>Amount</b> |
| 1.                    | Sales / Turnover                                | 240,658.45    |
| 2.                    | Other income                                    | 8,933.78      |
| 3.                    | Gross Profit (excluding depreciation and taxes) | 153,993.71    |
|                       | (i) Depreciation, Depletion, Amortization       | 50,278.84     |
|                       | (ii) Provision for taxes                        | 33,710.11     |
| 4.                    | Estimated Net Profit                            | 70,004.76     |

The working results of our Company (on a standalone basis) for the four month period from April 1, 2011 to July 31, 2011 is an aggregation of the unaudited limited review financial information of our Company for the quarter ended June 30, 2011 and the financial information based on unaudited management accounts of our Company for the month of July 2011 (the “July Working Results”). The MoPNG typically notifies our Company’s share of under recoveries for every quarter after the end of that particular quarter and our share of under recoveries for the quarter ended June 30, 2011 was notified vide letter dated July 22, 2011 from the MoPNG. The MoPNG also makes available provisional rates for under-recoveries for the purposes of settling invoices for crude oil supplies from our Company to public sector oil marketing companies (BPCL, HPCL and IOCL) on a quarterly basis. We have prepared the July Working Results based on the aforementioned provisional rates for under-recoveries made available by the MoPNG for the quarter ended September 30, 2011. Historically, our Company’s share of under-recoveries notified by the MoPNG after the end of a quarter and the under-recoveries arrived at based on provisional rates for under-recoveries made available by the MoPNG have varied significantly. Consequently, the working results of our Company for the four month period from April 1, 2011 to July 31, 2011 may differ materially if the same were prepared based on our Company’s actual share of under recoveries notified by the MoPNG after the end of the quarter ended September 30, 2011. Please also see “Risk Factors—The requirement that we share in the under-recoveries of Indian oil marketing companies as a result of Government subsidies on diesel, SKO and LPG may adversely affect our results of operations” on page 22.

Other than as stated in “Management Discussions and Analysis of Financial Condition and Results of Operations- Significant Developments after June 30, 2011 that may affect our future financial position and results of operations” on page 454, there are no material changes that affect the financial position of our Company.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements as of and for the years ended March 31, 2010 and 2011, and our unaudited financial statements as of and for the three months ended June 30, 2011, prepared in accordance with the Companies Act and Indian GAAP, including the schedules, annexures and notes thereto and the reports thereon, included in the section "Financial Statements" beginning on page 258. Unless otherwise stated, the financial information used in this section is derived from the consolidated financial statements of the Company.*

*Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with the Companies Act, Indian GAAP and the SEBI Regulations. This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors" on page 20.*

### Overview

We were the largest oil and gas exploration and production company in India in Fiscal 2010 (Source: HEPA Report 2009-2010). We also engage in exploration and production activities in 14 other countries through our wholly-owned subsidiary, OVL. We have integrated downstream activities in India, including owning and operating an oil refinery in Mangalore with an installed capacity of 11.82 MMTPA. We are present across the hydrocarbon value chain with operations in refining, petrochemicals, power and LNG in addition to our exploration and production activities.

According to our management estimates, our 1P, 2P and 3P crude oil and natural gas reserves, as of April 1, 2011, were 961.26 MMtoe, 1,426.26 MMtoe and 1,688.29 MMtoe, respectively. These 1P, 2P and 3P reserves estimates cover all of our crude oil and natural gas assets, including our 100% owned and operated blocks, as well as our participating interests in joint venture operations, both in India and internationally.

We have appointed independent reserves consultants to audit and estimate certain of our domestic and international crude oil and natural gas assets. The independent reserves consultants' estimates of our 1P, 2P and 3P crude oil and natural gas reserves, as of April 1, 2011, were 729.03 MMtoe, 1,225.14 MMtoe, and 1,765.32 MMtoe, respectively. Our management estimates for the audited 1P, 2P and 3P crude oil and natural gas reserves as of April 1, 2011 were 827.25 MMtoe, 1,211.53 MMtoe and 1,408.37 MMtoe, respectively.

In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our total production from domestic and international operations aggregated 32.97 MMT (245.55 MMbbls), 34.05 MMT (253.40 MMbbls) and 8.48 MMT (63.11 MMbbls) of crude oil, respectively, and 27.95 BCM, 28.02 BCM and 6.80 BCM of natural gas, respectively.

In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our total domestic production aggregated 26.46 MMT (198.45 MMbbls), 27.28 MMT (204.60 MMbbls) and 6.75 MMT (50.63 MMbbls) of crude oil, respectively, and 25.59 BCM, 25.32 BCM and 6.16 BCM of natural gas, respectively. In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our domestic average daily production was approximately 543,699 barrels per day, 560,548 barrels per day and 556,374 barrels per day of crude oil, respectively, and 70.11 MCM per day, 69.37 MCM per day and 67.69 MCM per day of natural gas, respectively.

In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our total international production aggregated 6.51 MMT (47.10 MMbbls), 6.77 MMT (48.80 MMbbls) and 1.73 MMT (12.48 MMbbls) of crude oil, respectively, and 2.36 BCM, 2.70 BCM and 0.64 BCM of natural gas, respectively. In Fiscal 2010, 2011, and for the three months ended June 30, 2011, our international average daily production was approximately 129,041 barrels per day, 133,699 barrels per day and 137,143 barrels per day of crude oil, respectively, and 6.47 MCM per day, 7.40 MCM per day and 7.03 MCM per day of natural gas, respectively.

We are also present in downstream refining and marketing operations in India, primarily through our subsidiary, MRPL, which operates a refinery with a installed capacity of 11.82 MMTPA in Mangalore. We are in the

process of increasing the capacity of this refinery to 15.00 MMTPA. We expect to achieve mechanical completion of the expansion project during October 2011, and that our expanded production capacity will come on-line during December 2011. In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, MRPL processed 12.50 MMT (92.50 MMbbls), 12.64 MMT (93.54 MMbbls) and 3.30 MMT (24.29 MMbbls) of crude oil, respectively. In addition, in Fiscal 2010 and 2011, and for the three months ended June 30, 2011, MRPL produced 11.68 MMT (87.60 MMbbls), 11.77 MMT (87.28 MMbbls) and 3.07 MMT (22.66 MMbbls) of refined products, respectively.

In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our consolidated revenues were, ₹1,070,253.85 million, ₹1,245,440.62 million and ₹ 350,618.97 million, respectively, and our profit after tax was ₹194,035.32 million, ₹224,559.32 million and ₹ 54,744.88 million, respectively.

### **Critical Accounting Policies**

Our financial statements are prepared under the historical cost convention in accordance with Indian GAAP and the relevant provisions of the Companies Act. We use the "successful efforts method" of accounting for our oil and gas exploration and production activities. We have also adopted the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Preparation of financial statements in accordance with Indian GAAP and the provisions of the Companies Act require our management to make judgements, estimates and assumptions that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses.

Certain of our accounting policies are particularly important to the presentation of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our "critical accounting policies". Our management uses its historical experience and analyzes the terms of existing contracts, historical cost conventions, global industry practices and information provided by outside sources, as appropriate, when forming its assumptions and estimates. However, this task is inexact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant particular attention.

### **Principles of consolidation**

Our consolidated financial statements have been prepared on the following basis:

- The financial statements of our 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 unrealized profits or losses in accordance with Accounting Standard (AS 21) - "Consolidated Financial Statements".
- The financial statements of our joint venture entities are combined by applying the proportionate consolidation method on a line-by-line basis on like items of assets, liabilities, income and expenses after eliminating the proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS-27)—"Financial Reporting of Interests in Joint Ventures".
- Our 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 our standalone financial statements except as otherwise stated in the notes to the accounts of our consolidated financial statements.
- The difference between the cost of investment in our subsidiaries, associates and joint ventures, and the net assets of such subsidiaries, associates and joint ventures at the time of acquisition of shares is recognized in our consolidated financial statements as goodwill or capital reserves, as the case may be.
- Minority interest share of the net profit or loss of consolidated subsidiaries for the year is identified and adjusted against our consolidated income in order to arrive at the net income attributable to our

shareholders.

- Minority interest share of net assets of consolidated subsidiaries is identified and presented in our consolidated balance sheet separately from liabilities and the equity of our shareholders.
- In case of foreign subsidiaries and joint ventures, foreign currency transactions are translated in accordance with the provisions of Accounting Standard (AS-11)—“Accounting for Effects of Changes in Foreign Exchange Rates” in our Consolidated Financial Statements.
- Associates in which our Company, directly or indirectly through its subsidiaries, holds more than 20% of the equity or investments in an associate company are accounted for using the equity method in accordance with Accounting Standard (AS 23)—“Accounting for Investments in Associates in Consolidated Financial Statements”.
- The difference between the proceeds from disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognized in our consolidated profit and loss account as the profit or loss (as applicable) on disposal of the investment in the subsidiary.

### ***Exploration, Development and Production Costs***

#### ***Acquisition Cost***

The acquisition cost of an oil and gas property in the exploration or development stage is accounted for as exploration costs or development costs, as the case may be. In case of overseas projects, the acquisition cost is taken to capital work in progress. Such costs are capitalized by transferring the carried amount to producing property when the asset is ready to commence commercial production. In the case of abandonment, such costs are expensed.

The acquisition cost of a producing oil and gas property is capitalized as producing property.

#### ***Survey Cost***

The cost of surveying and prospecting activities conducted in the search of oil and gas are expensed in the year in which the expense is incurred.

#### ***Exploratory/Development Wells-in-Progress***

All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells and the cost of drilling exploratory-type stratigraphic test wells are initially capitalized as exploratory wells-in-progress until such costs are either (i) transferred to producing properties on completion or (ii) expensed in the year when determined to be dry or of no further use, as the case may be.

All wells recorded as "exploratory wells-in-progress" that are more than two years old from the date of completion of drilling are charged to our 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.

All costs relating to development wells are initially capitalized as development wells-in-progress and transferred to producing properties on completion.

#### ***Producing Properties***

Producing properties relating to an area/field having proved developed oil and gas reserves are created when the well in the area/field is ready to commence commercial production.

The cost of temporary occupation of land, successful exploratory wells, all development wells, depreciation on related equipment, facilities, and estimated future abandonment costs are capitalized and reflected as producing properties.

### *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 an individual lease, license, asset or amortization base by considering the proved developed reserves and related capital costs incurred, including estimated future abandonment costs. In the case of an acquisition of a producing property, the cost is depleted by considering the proved reserves. These reserves are estimated annually by the Company's reserves estimates committee, which follows the SPE/WPC 1997 Standards.

### *Production Costs*

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

### *Sidetracking*

The cost of the abandoned portion of side tracked exploratory wells is charged to our profit and loss account as dry wells. The cost of abandoned portion of sidetracked development wells is considered as part of cost of development wells. The cost of sidetracking in respect of existing producing wells is capitalized if it increases the proved developed reserves; otherwise, such cost is charged to our profit and loss account as workover expenditure.

### *Impairment*

Producing properties, development wells in progress and fixed assets (including capital work in progress) of a "cash generating unit", which includes offshore producing fields, each onshore asset and each value-added petroleum processing plant are reviewed for impairment at each balance sheet date. Where events and circumstances indicate any impairment, the recoverable amount of these assets is determined. An impairment loss is recognized whenever the carrying amount of such assets exceeds the recoverable amount. The recoverable amount is its "value in use" or "net selling price" (if determinable) whichever is higher. In assessing value in use, the estimated future cash flows from the use of the asset 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 a cash generating unit, 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.

### *Abandonment Cost*

The full eventual estimated liability relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized when a well is complete/facilities are installed.

The full eventual estimated liability relating to dismantling, abandoning and restoring onshore well sites is recognized when the well is complete. Cost relating to dismantling, abandoning and restoring its 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. The abandonment cost on dry wells is charged to the profit and loss account.

Liability for abandonment cost is updated based on the technical assessment available at current costs with the Company.

### *Joint Ventures*

We have joint ventures in the nature of PSCs with the GoI, governments of foreign countries and various bodies corporate for exploration, development and production activities.

The income, expenditure, assets and liabilities of the jointly controlled assets are merged on a line-by-line basis according to the participating interest with the similar items in our financial statements, and adjusted for depreciation, depletion, survey, dry wells, abandonment, impairment and sidetracking in accordance with our accounting policies.

Consideration for the right to participate in operations recoverable from new joint venture partners is:

- Reduced from capitalized cost wherever applicable.
- Reduced from current expenditure to the extent it relates to the current fiscal year.
- The balance is considered as miscellaneous receipts.

The hydrocarbon reserves in such areas are recorded in proportion to our participating interest.

### ***Revenue Recognition***

We recognize revenue from sale of products on transfer of custody to customers.

Our PSCs relating to our crude oil and natural gas operations provide that each party to such PSC is entitled to off-take the relevant production proportionate to such party's participating interest in the relevant project. To the extent that there is a difference as of the reporting date between the quantity of production to which we are entitled to under the relevant PSC and the quantities actually lifted by us, such differences are accounted for in the manner set forth below.

- In the event that we have under-lifted production (i.e., lifted less than our entitled share of production), we reduce expenditure in our profit and loss account for the current period (and create a corresponding asset on our balance sheet as pre-paid expenses) in an amount equal to our proportionate share of production expenses related to the under-lifted quantities.
- In the event that we have over-lifted production (i.e., lifted more than our entitled share of production), we make a charge to the profit and loss account for the current period (and create a corresponding liability on our balance sheet) in an amount equal to the best estimate of our proportionate share of production expenses in respect of the quantity of crude oil to be foregone in future periods towards the settlement of over-lifted quantities.

Any payment received in respect of under-lifted gas quantities for which an obligation exists to supply such gas in subsequent periods is recognized as deferred revenue in the year of receipt. Such payment is subsequently recognized as revenue in the year in which the gas is actually supplied or in the year in which the obligation to supply the gas is discharged, whichever is earlier.

Sale of crude oil and gas (net of levies) produced from exploratory wells-in-progress is deducted from expenditure on such wells.

Sales are inclusive of all statutory levies except value added tax. Any retrospective revision in prices is accounted for in the year of such revision.

Revenue in respect of fixed price contracts is recognized for the quantum of work done based on 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.

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.

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

- Under-lifted quantity of gas.
- Gas pipeline transportation charges and statutory duties thereon.
- Reimbursable subsidies and grants.
- Interest on delayed realization from customers.

- Liquidated damages from contractors/suppliers.

### ***Depreciation and Amortization***

Depreciation on fixed assets (including assets taken on finance lease) is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act.

Depreciation on additions/deletions during the year is provided for on a pro-rata basis with reference to the date of additions/deletions, except for plant and machinery used in wells that have 100% rate of depreciation and low value items not exceeding ₹5,000.00, which are fully depreciated at the time of addition.

Depreciation on subsequent expenditure on fixed assets arising on account of capital improvement or any other factor is provided for prospectively.

Depreciation on refurbished/revamped assets which are capitalized separately is provided for over the reassessed useful life at rates which are not less than the rates specified in Schedule XIV to the Companies Act.

Depreciation on fixed assets (including support equipment and facilities and those assets taken on finance lease) used for exploration, drilling activities and on related equipment and facilities is initially capitalized as part of exploration cost, development cost or producing properties and expensed/depleted.

Leasehold land is amortized over the lease period except perpetual leases. Intangible assets are amortized over the estimated useful life not exceeding ten years from the date of capitalization.

### ***Foreign Exchange Transactions***

The manner in which we account for foreign exchange transactions varies depending on whether the transaction relates to foreign operations that are integral to our overall operations. Whether we deem the operation to be integral is principally determined by whether or not such operations are undertaken by our Company directly or through our Company's subsidiaries.

- (i) In respect of both our integral and non-integral foreign operations:
  - Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction. 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 (integral foreign operations), where the actual date of transaction is not available.
  - At each balance sheet date, foreign currency monetary items are translated using the mean 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.
  - The loss or gain thereon and 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 April 1, 2004, in which case they are adjusted to the cost of respective fixed assets.
- (ii) The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:
  - 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.
  - 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.

- The resulting exchange differences are accumulated in a foreign currency translation reserves until the disposal of the net investment in a non-integral foreign operation.
  - Exchange differences arising from the Company's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserves until the disposal of such investment, at which time they are recognized as income or as expenses.
- (iii) In the case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortized as income or expense over the life of the contract as well as exchange difference on such contracts, i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception/the last reporting date, is recognized as income/expense for the period.

Forward exchange contracts other than those covered under Accounting Standard (AS-11)—“Accounting for Effects of Changes in Foreign Exchange Rates”, are marked to market basis at the reporting date and the losses are charged to the profit and loss account. Unrealized gains are ignored.

Certain of our Subsidiaries follow accounting policies that differ from those of our Company. For further information, please see “Financial Information - *Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXXIIIA-Note 2*” on page 371.

### ***Recent changes in accounting policies***

In Fiscal 2011, OVL changed its accounting policy with regard to accounting treatment for over-lifted quantities and under-lifted quantities of crude oil. This change in the accounting treatment did not have any impact on our consolidated results of operations in Fiscal 2011 as there were no over-lifted quantities of crude oil as of March 31, 2011. However, for the three months ended June 30, 2011 this change in the accounting treatment has resulted in revenues in an increase in our revenues of ₹2,655.82 million, a decrease in our production, transportation and other expenditure of ₹ 287.22 million, and an increase in our profit before tax of ₹ 2,368.60 million.

### **Factors Affecting Our Results of Operations**

Various factors have affected our results of operations in the past and may continue to do so in the future.

### ***Production Volumes***

Our crude oil and natural gas production volumes, which depend on the yield from our producing fields and our expertise in recovering oil and gas from such fields, have a significant impact on our results of operations. Our crude oil production was 34.05 MMT (253.40 MMbbls) in Fiscal 2011, as compared to 32.97 MMT (245.55 MMbbls) in Fiscal 2010. Our crude oil production was 8.28 MMT (62.04 MMbbls) and 8.48 MMT (63.11 MMbbls) for the three months ended June 30, 2010 and 2011, respectively. Our natural gas production volumes were 28.02 BCM and 27.95 BCM in Fiscal 2011 and 2010, respectively. Our natural gas production was 7.10 BCM and 6.80 BCM for the three months ended June 30, 2010 and 2011, respectively.

We suffered a relative decline in our production because of declining production from our mature nomination blocks, offset primarily by increased production from the RJ-ON-90/1 block in the Rajasthan basin and other pre-NELP blocks. We continue to pursue redevelopment and improved and enhanced oil recovery techniques, as well as augmentation of production facilities to arrest the decline of our domestic production levels in our mature fields. For example, the Western Offshore basin, which is a mature basin in decline, has been a major producing asset since 1976 and represented 65.71% and 64.13% of our total domestic crude oil and natural gas production from our owned and operated fields in Fiscal 2011 and for the three months ended June 30, 2011, respectively. We are implementing in phases a redevelopment project for the Western Offshore basin to improve oil recovery and maintain production. For further information on our planned capital expenditure on IOR/EOR schemes, please see “Our Business—*IOR and EOR Techniques*”, on page 188.

Our ability to maintain production volumes in existing fields and grow our production from new fields is an important factor affecting our future results of operations. Our future production will be highly dependent upon our success in acquiring or finding and developing additional reserves in a timely and cost-effective manner. In addition, many of our international crude oil and natural gas assets are located in countries that have in the past

or are currently experiencing severe political instability or where political instability is threatened by recent events in North Africa and the Middle East, including Sudan, South Sudan, Iran, Myanmar, Libya, Egypt and Syria. Such political instability could have an adverse impact on our international producing assets or international assets that we intend to bring into production in these countries, which could limit or reduce our production volumes from these assets. We monitor developments closely in the countries in which we operate and hold investments, and attempt to manage risks in operating our facilities and businesses.

We produce substantially all of our refined products from our Mangalore refinery, which has an installed capacity of 11.82 MMTPA. We also have a mini refinery in Tatipaka, Andhra Pradesh. Our production of refined products from our refinery in Mangalore was 11.68 MMT (87.60 MMbbls) and 11.77 MMT (87.28 MMbbls) in Fiscal 2010 and 2011, respectively. Our production of refined products from our refinery in Mangalore was 2.71 MMT and 3.07 MMT for the three months ended June 30, 2010 and 2011, respectively.

### ***Prices of Crude Oil and Petroleum Products***

Movements in the price of crude oil significantly affect our results of operations in both upstream and downstream activities. Declines in crude oil prices may adversely affect our revenues and profits, and substantial or extended declines may have a material adverse effect on our financial condition, including our liquidity and our ability to finance planned capital expenditure, and our results of operations. Historically, international prices for oil have been volatile and have fluctuated widely in response to changes in many factors. These fluctuations correspond to fluctuations in our results of operations. Lower oil prices may also reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets which may result in decreased earnings or losses. Conversely, the GoI's mechanism for sharing in the under-recovery by public sector oil marketing companies can reduce or eliminate any benefit received by us with respect to such increases. For further information on the GoI mechanism for sharing in under-recoveries, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations- *Price Regulation in India*" on page 432. We expect that variations in the international prices of crude oil will be a primary determinant of changes in our results of operations from period to period.

### ***Crude Oil Sales***

The prices we receive for our sales of crude oil are linked to international price levels for crude oil. However, the prices we receive for crude oil produced from our nomination blocks are impacted significantly by our obligation to share in the under-recoveries of India's public sector oil marketing companies with respect to certain refined petroleum products, which is described under "Price Regulation in India—Crude Oil and Refined Products" below. Crude oil and natural gas prices are also subject to external factors over which the Company has no control, including product demand connected with global economic conditions, industry inventory levels, production quotas imposed by the Organization of Petroleum Exporting Countries, exchange rate fluctuations, weather-related damage and disruptions, competing fuel prices, and regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty. In particular, international crude oil prices drastically increased in early 2011 as a result of severe political instability in North Africa and the Middle East and crude oil pricing experienced unprecedented dynamics. For example, the spread between WTI crude prices and Brent crude prices, which are two leading crude oil international benchmarks reached unprecedented levels. While this has not materially affected our results of operations, there can be no assurance that any political instability in North Africa and the Middle East will not have an impact on crude oil pricing that materially impacts our operations, both domestically and internationally.

***Domestic Crude Oil.*** The prices of crude oil produced in nomination fields in India are benchmarked to Nigerian sweet crude (Bonny Light), except crude oil produced in Assam, which is benchmarked to a basket of 13 different crude oils. The price of our crude oil produced in nomination fields is adjusted for other factors, including gross product worth relative to the benchmark crude(s), freight, taxes and duties.

The American Petroleum Institute Gravity ("API") value for Bonny Light, the principal benchmark for our nomination block production is 35°.

The following table sets forth the benchmark crude(s) applicable to each of our principal domestic production nomination areas, the weighted average API value of such source of production and the percentage of our crude oil sales that such source represented in Fiscal 2011.



| Source of crude supply | Applicable benchmark | Weighted Average API <sup>(1)</sup> | Percentage of crude oil sales by quantity in Fiscal 2011 |
|------------------------|----------------------|-------------------------------------|----------------------------------------------------------|
| Mumbai Offshore        | Bonny Light          | 39.80                               | 67.12%                                                   |
| North Gujarat          | Bonny Light          | 25.68                               | 17.30%                                                   |
| South Gujarat          | Bonny Light          | 45.81                               | 7.72%                                                    |
| Assam Crude            | Basket of 13 crudes  | 29.96                               | 5.35%                                                    |
| Cauvery                | Bonny Light          | 40.60                               | 1.17%                                                    |
| Krishna Godavari       | Bonny Light          | 41.75                               | 1.34%                                                    |

(1) API of crude is based on report of December 2001 from M/s Petroleum Economics Limited.

The average price per barrel for Bonny Light was US\$88.60, US\$71.39 and US\$88.66 during Fiscal 2009, 2010 and 2011, respectively. The average price per barrel for Bonny Light was US\$80.28 and US\$119.20 for the three months ended June 30, 2010 and 2011, respectively.

However, due to the mechanism for sharing in the under-recoveries of public sector oil marketing companies in, we do not receive the full benefit of any increases in the international prices of crude oil. For further information on the under-recovery sharing mechanism, please see " Management's Discussion and Analysis of Financial Condition and Results of Operations- Price Regulation in India- Crude Oil and Refined Products" below.

*International Crude Oil.* Our international production of crude oil is benchmarked to various crude oils. The following table sets forth the benchmarked basket of crude applicable to our major international fields and the percentage of our crude oil sales that such fields represented in Fiscal 2010.

| Source of crude supply   | Applicable benchmarked basket | Percentage of crude oil sales by quantity in Fiscal 2011 |
|--------------------------|-------------------------------|----------------------------------------------------------|
| Sakhalin-1 (Sokol)       | Oman-Dubai                    | 25.95%                                                   |
| Sudan (Nile Blend)       | ICP Minas                     | 14.87%                                                   |
| Brazil (Ostra)           | WTI / Brent                   | 12.03%                                                   |
| Venezuela                | Merey-16                      | 13.71%                                                   |
| Imperial Energy (Russia) | Oman-Dubai                    | 13.04%                                                   |
| Colombia                 | Maya-16                       | 7.53%                                                    |
| Syria                    | Brent                         | 11.73%                                                   |
| Vietnam                  | TAPIS                         | 1.14%                                                    |

### *Sales of Refined Products*

Because crude oil is the largest cost component of refined products, our refining margins are primarily determined by the difference between the cost of crude oil and the prices of refined products produced by us. Refining margins are volatile and are affected by the global and regional supply-and-demand balance for refined products and by changes in the price of crude oil used for refinery feedstock. Consequently, our refining business is also susceptible to fluctuation in crude oil prices. We have historically sourced a substantial portion of our crude oil feedstock for our refining operations from the Middle East, including Iran. Consequently, our refining business may be particularly susceptible to regional supply interruptions or fears thereof that may be caused by military conflicts, civil unrest or political uncertainty in the region.

### *Value Added Petroleum Product Sales*

The sales prices of our value added petroleum products are primarily determined by the prevailing international prices of crude oil and petroleum products. Consequently, the sales price we receive for our value added products are affected by international prices for crude oil, and changes in the price of crude oil may therefore significantly affect our revenues and profitability with respect to value added products.

## Price Regulation in India

### Crude Oil and Refined Products

The prices of retail sales of MS (until June 25, 2010), diesel, LPG for domestic use, and SKO for public distribution, by India's public sector oil marketing companies (BPCL, HPCL and IOCL) are capped by the GoI at a price below the international selling price for such products. The price caps are revised by the GoI from time to time. As a result, BPCL, HPCL and IOCL incur under-recoveries when they purchase crude oil at a higher price than at which the corresponding refined products can be sold in India. The GoI operates a mechanism pursuant to which these under-recoveries are shared among the GoI, the public sector oil marketing companies and the public sector upstream companies (which include us, OIL and GAIL). The under-recoveries of SKO for public distribution and LPG for domestic use are allocated to ONGC, OIL and GAIL, whereas under-recoveries of HSD are allocated only to ONGC and OIL. Under-recoveries are determined and allocated by the GoI on quarterly basis. The upstream oil companies' share of the under-recovery is nominally allocated generally based on the upstream oil companies' relative financial performance (unconsolidated profit after tax) in prior years. However, there remains unpredictability as to the share of the under-recovery that is allocated to each upstream oil company. The upstream companies' share of the under-recovery is implemented through a discount on crude oil, domestic LPG and SKO for public distribution sold by upstream oil companies to the public sector oil marketing companies. In order to give effect to the discount, we issue credit notes to our public sector oil marketing customers for the applicable period once the relevant discount has been determined and communicated to us by the GoI based on the GoI's allocation of the under-recovery sharing. For reporting purposes, the discounts on refined products, such as LPG or SKO, are factored as a whole into the net realized price of crude oil produced, and not applied to such products individually.

The sharing of the under-recoveries of oil marketing companies has materially and adversely affected our results of operations since Fiscal 2004. The following table sets forth the amount of under-recoveries incurred by oil marketing companies by product in Fiscal 2009, 2010 and 2011 and for the three months ended June 30, 2010 and 2011 provided by Petroleum Planning and Analysis Cell of MoPNG.

(₹ billion)

| Period                                  | Total Under-recoveries | Domestic LPG | PDS SKO | HSD    | MS    |
|-----------------------------------------|------------------------|--------------|---------|--------|-------|
| <b>Fiscal 2009</b>                      | 1,032.92               | 176.00       | 282.25  | 522.86 | 51.81 |
| <b>Fiscal 2010</b>                      | 460.51                 | 142.57       | 173.64  | 92.79  | 51.51 |
| <b>Fiscal 2011</b>                      | 781.89                 | 217.72       | 194.84  | 347.06 | 22.27 |
| <b>Three months ended June 30, 2011</b> | 435.27                 | 74.65        | 73.81   | 286.81 | NIL   |

Source: Petroleum Planning and Analysis Cell of MoPNG.

Additionally, the GoI may introduce other regulation relating to the pricing of petroleum products that could have a material adverse effect on our business, financial condition and results of operations. For example, in June 2008, the GoI formed the B.K. Chaturvedi committee to examine the financial impact of the increase in oil prices between Fiscal 2005 and Fiscal 2008 on upstream exploration firms, refiners and downstream marketing entities. Among other things, the committee has recommended that a special oil tax be levied on the domestic producers of crude oil on pre-NELP leases in lieu of the under-recovery sharing mechanism. These recommendations have not been implemented by the GoI. However, based on the recommendation of an expert group, headed by Shri Kirit S. Parikh, the GoI on June 25, 2010 decided to deregulate the retail selling price of MS (petrol). The price of petrol was deregulated with effect from June 26, 2010. Although the prices of HSD, domestic LPG and PDS-kerosene were also increased marginally, the prices continued to be controlled and subject to the under-recovery sharing mechanism. Similarly, despite the deregulation of the retail price of MS, public sector oil marketing companies continue to consult with the GoI prior to increasing the price at which they sell MS, which may at times continue to result in under-recovery albeit at much lower levels than in prior years.

There can be no assurances as to the form of any future regulation implemented by the GoI relating to the under-recovery sharing mechanism, pricing of petroleum products or as to its impact on our business, financial condition and results of operations.

The following table sets forth the amount of under-recoveries shared by ONGC, OIL and GAIL and downstream companies in Fiscal 2009, 2010 and 2011, and for the three months ended June 30, 2010 and 2011, according to the Petroleum Planning and Analysis Cell of MoPNG.

(₹ billion)

| Period                                          | Under-recoveries | Upstream Oil Companies |       |       |        | Down-stream Oil Companies | Central Government |
|-------------------------------------------------|------------------|------------------------|-------|-------|--------|---------------------------|--------------------|
|                                                 |                  | ONGC                   | GAIL  | OIL   | Total  |                           |                    |
| Fiscal 2009                                     | 1,032.92         | 273.74                 | 16.94 | 29.32 | 320.00 | -                         | 712.92             |
| Fiscal 2010                                     | 460.51           | 115.54                 | 13.27 | 15.49 | 144.30 | 56.21                     | 260.00             |
| Fiscal 2011                                     | 781.89           | 248.93                 | 21.11 | 32.93 | 302.97 | 68.92                     | 410.00             |
| Three months ended June 30, 2010 <sup>(1)</sup> | 200.72           | 55.16                  | 4.45  | 7.30  | 66.91  | 133.81                    | -                  |
| Three months ended June 30, 2011                | 435.27           | 120.46                 | 6.82  | 17.81 | 145.09 | 140.18                    | 150.00             |

Source: Petroleum Planning and Analysis Cell of MoPNG.

(1) The Central Government did not share in the under-recoveries for the three months ended June 30, 2010. However the Central Government re-imbursed the downstream companies subsequently and contributed ₹ 410.00 billion towards under-recoveries during Fiscal 2011.

Because of the under-recovery sharing mechanism, the sales price (post-discount price) we receive for our sales of domestic crude oil production from our nomination blocks are significantly lower than international prices. The following table sets forth such benchmark prices and the components of our sales prices for crude oil produced from our nomination blocks in Fiscal 2009, 2010 and 2011, and for the three months ended June 30, 2010 and 2011.

(U.S. \$ per barrel)

| Year                             | Average Price of Bonny Light Crude | Domestic crude from nominated blocks |                                                     |                     |
|----------------------------------|------------------------------------|--------------------------------------|-----------------------------------------------------|---------------------|
|                                  |                                    | Pre-discount Price                   | Discount (Share of under-recoveries) <sup>(1)</sup> | Post-discount Price |
| Fiscal 2009                      | 88.60                              | 86.15                                | 38.45                                               | 47.70               |
| Fiscal 2010                      | 71.39                              | 71.65                                | 15.71                                               | 55.94               |
| Fiscal 2011                      | 88.66                              | 89.41                                | 35.64                                               | 53.77               |
| Three months ended June 30, 2010 | 80.28                              | 80.80                                | 32.76                                               | 48.04               |
| Three months ended June 30, 2011 | 119.20                             | 121.29                               | 72.53                                               | 48.76               |

(1) The calculation of discount per barrel is based on the total discount (in accordance with the GOI's quarterly discount allocation orders) and the quantity of crude oil sold from nominated blocks—the entire share of our under-recoveries is considered in computing the discount on crude oil prices.

As a result of the global economic recovery, and the severe political instability in North Africa and the Middle East, there was an significant upward trend in the international price of crude oil in the second half of Fiscal 2011. Consequently, the average price of Bonny Light Crude increased by 24.19% from US\$71.39 in Fiscal 2010 to US\$88.66 in Fiscal 2011. The increase in international crude oil prices resulted in significant increases in the under-recoveries of public sector oil marketing companies and, consequently, in Fiscal 2011, the GoI allocated the upstream oil companies a 38.75% share of the oil marketing companies' under-recoveries, as compared to 31.33% and 30.98% in Fiscal 2010 and 2009, respectively. Our share of the total under-recoveries of the public sector oil marketing companies increased to 31.84% in Fiscal 2011, as compared to 25.09% and 26.50% in Fiscal 2010 and 2009, respectively. The discount per barrel granted to our public sector oil marketing customers increased by 126.86% from US\$15.71 in Fiscal 2010 to US\$35.64 in Fiscal 2011, resulting in a decrease of 3.88% in the post-discount per barrel price from US\$55.94 in Fiscal 2010 to US\$53.77 in Fiscal 2011.

For the three months ended June 30, 2011, the average price of Bonny Light Crude was US\$119.20 per barrel, compared to an average price of US\$80.28 per barrel for the three month ended June 30, 2010. This increase in international crude oil prices resulted in significant increases in the under-recoveries of public sector oil marketing companies and in our share of under-recoveries during three month ended June 30, 2011. The discount per barrel granted to our public sector oil marketing customers increased by 121.40% to US\$72.53 for the three months ended June 30, 2011 from US\$32.76 for the three months ended June 30, 2010. As a consequence, despite the significant increases in international crude oil prices, our post discount price per barrel

increased only marginally to US\$48.76 for the three months ended June 30, 2011 from US\$ 48.04 in three months ended June 30, 2010.

Since the allocation of under-recoveries by the MoPNG may vary from quarter to quarter, the allocations of under-recoveries for the three months ended June 30, 2011 may not be indicative of the proportion of under-recoveries that we will be allocated for full Fiscal 2012. For example, as a result of the significant upward trend in crude oil prices during Fiscal 2011, in the fourth quarter of Fiscal 2011 the MoPNG allocated upstream oil companies a 46.89% share of the oil marketing companies' under-recoveries, which was significantly higher than the first three quarters of Fiscal 2011. For further information, please see "Risk Factors—*The requirement that we share in the under-recoveries of Indian oil marketing companies as a result of Government subsidies on diesel, SKO and LPG may adversely affect our results of operations*" on page 22.

On June 24, 2011, the GoI increased the prices of domestic LPG by ₹ 50 per cylinder, HSD by ₹3.00 per litre and PDS SKO by ₹2.00 per litre. The GoI has also eliminated customs duty on crude oil and reduced customs duty by five percent on diesel and also reduced excise duty on diesel from ₹4.60 per litre to ₹2.00 per litre. Subject to the impact of international oil prices, we expect the above measures to lower the level of under recoveries of oil marketing companies during the remainder of Fiscal 2012.

As result of a number of factors that adversely affected the global economy, such as rising national fiscal deficits, the downgrading of credit ratings of various significant financial institutions and developed countries including the United States and bailouts for various EU member states, there has been a general decline in international crude oil prices, which may further reduce the under-recoveries of India's public sector oil marketing companies and, consequently, improve our realization on crude oil sales during the remainder of Fiscal 2012.

#### *Natural Gas*

Natural gas prices in India are generally set by the GoI through a variety of mechanisms.

For natural gas produced from our nomination blocks, the prices are generally fixed under a GoI administered price mechanism ("APM") regime. Since June 1, 2010, the price of APM natural gas produced by public sector upstream companies, including ONGC, has been fixed by the MoPNG at US\$4.2 per MMBTU less royalty. Prior to June 1, 2010, the price was US\$1.95 per MMBTU. For natural gas customers in North-East India, the net consumer price is fixed at 60% of the APM natural gas price (US\$2.52 per MMBTU) and the remaining 40% is, according to the MoPNG, to be paid to ONGC through a provision in the union budget of India. Because the APM regime neither specifies the linkage of the APM price with market driven prices nor defines the timeframe for the revision of APM natural gas prices, it difficult to predict the direction or extent of any changes in the APM price. Any future government decisions with respect to the APM natural gas price would affect our revenues from our natural gas business.

We sell substantially all the natural gas we produce from nominated blocks to GAIL at the APM price. GAIL resells natural gas, including natural gas purchased from other producers, to APM and non-APM consumers. In the event GAIL generates a surplus by selling natural gas at prices in excess of the APM prices, these surplus funds are retained in a separate gas pool account, maintained by GAIL. GAIL periodically releases to us funds from the gas pool account in proportion to quantities of natural gas supplied by us to GAIL.

For natural gas produced from blocks acquired under the pre-NELP regime, the price is fixed by the GoI on a case-by-case basis, or, in certain instances, pursuant to the terms of the relevant contractual arrangements. The prices set for natural gas production from pre-NELP blocks currently range from US\$3.5 per MMBTU to US\$6.2 per MMBTU.

For natural gas produced from blocks acquired under the NELP regime, the price is market-driven but subject to the approval of the GoI on a case-by-case basis. Although we do not currently produce natural gas from our NELP blocks, the GoI has set the price for natural gas production from the one primarily natural gas NELP block that has come into production (in which we do not have any interest) at US\$4.2 per MMBTU.

The following table sets forth information with respect to our domestic sales of natural gas in Fiscal 2009, 2010 and 2011, and for the three months ended June 30, 2011.

## Natural Gas

|                         |            | Fiscal 2009 | Fiscal 2010 | Fiscal 2011           | Three months ended<br>June 30, 2011 |
|-------------------------|------------|-------------|-------------|-----------------------|-------------------------------------|
| <b>Nominated Fields</b> |            |             |             |                       |                                     |
| Volume sold             | MMSCM      | 17,710      | 18,235      | 18,224                | 4,379                               |
| Average Realized Price  | US\$/MSCM  | 69.48       | 67.82       | 136.38 <sup>(1)</sup> | 148.79                              |
|                         | ₹/MSCM     | 3,190       | 3,216       | 6,216 <sup>(1)</sup>  | 6,657                               |
|                         | US\$/MMBTU | 1.75        | 1.71        | 3.44 <sup>(1)</sup>   | 3.75                                |
| <b>JVs (Pre-NELP)</b>   |            |             |             |                       |                                     |
| Volume sold             | MMSCM      | 2,820       | 2,361       | 2,025                 | 499                                 |
| Average Realized Price  | US\$/MSCM  | 184.19      | 185.62      | 186.57                | 193.09                              |
|                         | ₹/MSCM     | 8,456       | 8,802       | 8,504                 | 8,639                               |
|                         | US\$/MMBTU | 4.64        | 4.68        | 4.70                  | 4.87                                |
| Average FE Rate         | INR/US\$   | 45.91       | 47.42       | 45.58                 | 44.74                               |

(1) The average realised price is a combination of prices prevailing until May 31, 2010 and subsequent to May 31, 2010. For example, the average realised price of US\$3.44/MMBTU is a combination of the following prices: US\$1.95/MMBTU until May 31, 2010 and US\$4.20/MMBTU subsequent to May 30, 2010.

## Foreign Exchange Rate Fluctuations

The prices of crude oil, natural gas and value added products that we produce, which account for the substantial majority of our sales revenues, are denominated in U.S. Dollars. However, a substantial portion of our domestic expenditure, as well as our financial statements, are denominated in Indian Rupees. As a result, fluctuations in foreign exchange rates, in particular the exchange rate of U.S. Dollars for Indian Rupees, may materially affect our revenues and results of operations. The average exchange rate for the Indian Rupee to the U.S. Dollar was 47.42, 45.58 and 44.74 in Fiscal 2010, Fiscal 2011, and for the three months ended June 30, 2011, respectively (*Source: RBI*). In general, a decrease in the value of the U.S. Dollar as compared to the Indian Rupee can be expected to decrease our reported earnings and an increase in the value of the U.S. Dollar as compared to the Indian Rupee can be expected to increase our reported earnings. Our results of operations are also subject to fluctuations in the currencies of the countries in which we undertake our international exploration, development and production activities. We incur a portion of our operational expenditure in the local currencies of these countries, particularly relating to labor, local materials and services, royalties and tax. Fluctuations in the value of such currencies against the U.S. Dollar could impact our results of operations. For example, we experienced an increase in tax liability in Fiscal 2011 in connection with our operations in Venezuela because the significant devaluation of the Venezuelan Bolivar against the U.S. Dollar caused a revaluation of receivables and increased our taxable profit. Moreover, the reporting currency of our financial statements for certain of our Imperial Energy assets in Russia is the Russian Ruble, and fluctuations in the exchange rate of the Russian Ruble against the Indian Rupee or the U.S. Dollar, could affect our consolidated results of operations and financial condition.

## Capital and operating costs

Capital and operating costs associated with the exploration, development production of crude oil and natural gas can be subject to external factors beyond our control. External factors include not only the general level of inflation but also the increase in demand created during times of increasing crude oil prices. Historically, we have benefited in this regard due to our relatively high use domestically of in-house services and our utilization of rigs, infrastructure and other capital equipment that we own. However, we have plans for the redevelopment of our maturing fields, implementation of IOR and EOR and deepwater and international exploration, each of which is capital intensive and may increasingly expose us increases in capital and operating costs. For details of our planned capital expenditure on IOR/EOR schemes, please see "Our Business—IOR and EOR Techniques", on page 188. The economic viability of these plans may also be impacted by increasing prices for capital equipment, particularly domestically, where we may be impacted by increases in capital and operating costs that arise due to increases in crude oil prices, while any benefit we may receive from such increases may be reduced or eliminated because of the GoI's mechanism for sharing in the under-recovery by public sector oil marketing companies. In particular, our deepwater operations generally lack the physical service infrastructure present at onshore or other offshore developments, requiring us to purchase new equipment. As a consequence of the lack of, and the high cost of, infrastructure, crude oil or natural gas from some reserves discoveries may never be capable of being produced economically. We continue to actively manage our schedule of work, contracting, procurement and supply-chain activities to effectively manage costs, particularly with respect to our existing

marginal and mature fields, which due to their size or age (as the case may be) require us to incur more costs than would otherwise be required in large fields or in fields operating at the peak of their production potential to produce the similar levels of crude oil or natural gas. We continue to closely monitor developments in the financial and credit markets, the level of worldwide economic activity and the implications to the Company of movements in prices for crude oil and natural gas.

### **Statutory Levies**

Indirect taxes or statutory levies such as cess, royalty, excise duty, sales tax and national calamity contingent duty that are levied on our products are an important component of our total expenditure. Changes in these statutory levies affect the cost of producing and selling hydrocarbons and therefore affect our operating results. Our statutory levies in Fiscal 2010 and 2011, and for the three months ended June 30, 2011 were ₹170,186.60 million, ₹196,862.96 million and ₹57,053.62 million, respectively.

#### **Royalty**

Our principal statutory levies expense is royalty. Our royalty expense in Fiscal 2010 and 2011, and for the three months ended June 30, 2011 was ₹103,592.72 million, ₹126,528.57 million and ₹39,273.35 million, respectively. Royalty for our international crude oil and natural gas operations is directly linked to the international prices of crude oil and natural gas. The manner in which royalty is calculated for our domestic crude oil and natural gas production is described below.

**Nomination Blocks.** Royalty on crude oil produced from nomination blocks is currently payable at an effective rate of 16.66% and 9.09% (calculated on a *cum* royalty basis on the well-head price) for onshore and offshore production, respectively. In respect of deep water areas (beyond 400 meters of water depth), the royalty is payable at half of the rates applicable for offshore areas for the first seven years of production from the relevant field. For heavier crude oils of 25 degree of API and less, the royalty rate is 2.5% less than the applicable rates for normal crude oil from onshore and offshore fields. The well-head price is determined by deducting from the sale price, post well-head levies and specific deductions for post well-head costs of ₹1,251 per MT and ₹947 per MT for onshore and offshore, respectively. The per unit post well-head cost is determined based on the actual post well-head expenditure reported in the previous year's audited accounts. For natural gas, royalty is payable at 10% of well-head price. However, for APM natural gas, royalty is paid at 10% of the actual price. OID cess at ₹2,500 per MT and national calamity contingency duty at ₹50 per MT plus education and higher secondary education cess at 3% thereon is payable on all crude oil.

Royalty expenses for crude oil and natural gas produced from our nomination blocks in Fiscal 2010 and 2011, and for the three months ended June 30, 2011 were ₹49,891.46 million, ₹49,542.15 million and ₹12,205.21 million, respectively.

**Pre-NELP.** Royalty and cess for pre-NELP blocks are calculated on a basis similar to that for nomination blocks. However, the well-head price is determined by deducting post well-head costs, as reported in the previous year's audited accounts.

In respect of seven pre-NELP blocks located in the Cambay, Rajasthan and Cauvery basin that are under production or exploration or in which a commercial discovery of hydrocarbons has been made, we are required under the terms of the applicable PSCs to bear 100% of the royalty burden (in respect of production from all these blocks) and the OID cess (in respect of production in some of these blocks). Our Company continues to bear the entire royalty and OID cess burden for such blocks notwithstanding our participating interest, which can range from 30.00% to 50.00%.

Royalty expenses for crude oil and natural gas produced from our pre-NELP blocks in Fiscal 2010 and 2011, and for the three months ended June 30, 2011 were ₹5,008.05 million, ₹21,830.76 million and ₹8,723.26 million, respectively. The increase in royalty expenses in Fiscal 2011 primarily resulted from increased production from the RJ-ON-90/1 block in the Rajasthan basin, which initially came into production in September 2009 and has subsequently increased its production significantly. The increased royalty payments with respect to the RJ-ON-90/1 block reflect our obligation as licensee to pay the full royalty on all crude oil produced from the block, notwithstanding our 30.00% participating interest. In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, our share of production for RJ-ON-90/1 was 0.13MMT (0.98MMbbls), 1.54 MMT (11.55MMbbls) and 0.48 MMT (3.6MMbbls) of crude oil, respectively.

In addition, we are a party to arbitration proceedings with Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited relating to the payment of OID cess on the commercial production of crude oil from the RJ-ON-90/1 block in Rajasthan. Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited have claimed that they are not required to pay the OID cess on their share of the crude oil produced from this block. Pending resolution of this dispute, Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited are paying their share of the OID cess under protest. For further information, please see "Outstanding Litigation and Material Developments" on page 460.

In the case of offshore discovered fields awarded under pre-NELP to private/joint venture contractors, royalty on crude oil and well head condensate is paid at the rates specified in the applicable PSC (for example, in the PSCs of Panna Mukta, Tapti and Ravva blocks, the royalty is specified as ₹ 481 per MT). For natural gas produced from blocks awarded pre-NELP, royalty is payable at 10.00% of wellhead price. The per unit post well-head cost for the purpose of calculating the well-head price of crude oil and natural gas is determined based on the actual post well-head expenditure reported in the previous year's audited accounts. OID cess on blocks awarded under pre-NELP is also generally payable at the rate specified in the applicable PSC (for example, in the PSCs of Panna Mukta, Tapti and Ravva blocks, the OID cess is specified as ₹900 per MT).

Cairn Energy PLC has announced the proposed sale of a substantial part of its shareholding in Cairn India Limited to Vedanta Resources PLC. According to a letter received from Cairn Energy PLC dated August 16, 2011 (the "Cairn PLC Letter") and pages 2 and 3 of the enclosed letter dated July 26, 2011 from the MoPNG, the GoI has consented to the proposed sale by Cairn Energy PLC, subject to certain conditions, including the following: (a) Cairn India Limited and its affiliates shall provide the No Objection Certificate obtained from their consortium partner(s) for each of the blocks (except for Ravva (PKMG -1) and CB-OS/2 blocks) for the proposed transaction under the respective PSCs, (b) In respect to RJ-ON-90/1 block, the parties, i.e., Cairn India Limited, Cairn Energy India Pty Limited, Cairn Energy Hydrocarbon Limited and any other affiliate company of Cairn India Limited; and Vedanta Resources PLC and any other affiliate company of Vedanta Resources PLC, shall agree and give an undertaking that the royalty paid by ONGC is cost recoverable by ONGC as contract costs, as per the provisions of the PSC, (c) In respect to RJ-ON-90/1 block, Cairn Energy India Pty Limited and Cairn Energy Hydrocarbon Limited shall withdraw the arbitration case relating to the dispute raised by them on payment of cess under the PSC.

Cairn Energy PLC has informed us (in the Cairn PLC Letter) that Cairn India Limited is in the process of obtaining shareholder approval through a postal ballot for the conditions above. Cairn Energy PLC has also informed us in that letter that it has advised Cairn India Limited and GoI of its intention to vote its 52% stake in Cairn India Limited in favour of these conditions and that, provided that there are no other impediments to the transaction completing in a timely manner, it will recommend their adoption by the board of Cairn India Limited. For further details on the contents of the Cairn PLC Letter see "Our Business—Producing Fields held through Joint Ventures—RJ-ON-90/1, Barmer, Rajasthan Onshore" on page 173.

If the conditions imposed by the GoI are accepted, it would result in (a) our Company being able to recover as contract costs the royalty paid in respect of RJ-ON-90/1 block; and (b) the ongoing OID cess arbitration being withdrawn against the GoI and our Company. For further information please see "Our Business - Producing Fields held through Joint Ventures - RJ-ON-90/1, Barmer, Rajasthan Onshore" on page 173.

The following table summarizes the total crude oil production, average production per day and total revenue of the entire RJ-ON-90/1 block, as well as royalty paid by our Company in Fiscal 2010, Fiscal 2011 and the three months ended June 30, 2011 in relation to the RJ-ON-90/1 block:

|                                              | Total Crude Oil Production <sup>(1)</sup> | Average Production per day <sup>(1)(2)</sup> | Total Revenue <sup>(1)</sup> | Royalty Paid by our Company <sup>(1)</sup> |                             | Royalty Per Barrel of Production <sup>(4)</sup> |                      |
|----------------------------------------------|-------------------------------------------|----------------------------------------------|------------------------------|--------------------------------------------|-----------------------------|-------------------------------------------------|----------------------|
|                                              | MMbbls                                    | Bbls                                         | US\$ Million                 | ₹ Million                                  | US\$ Million <sup>(3)</sup> | ₹                                               | US\$                 |
| Fiscal 2010 <sup>(5)</sup>                   | 3.18                                      | 14,803                                       | 205.69                       | 1,206.67                                   | 26.30                       | 379.46                                          | 8.27                 |
| Fiscal 2011                                  | 36.76                                     | 100,699                                      | 2,789.33                     | 18,425.80                                  | 406.84                      | 501.25                                          | 11.07                |
| Three months ended June 30, 2011 (Unaudited) | 11.37                                     | 124,926                                      | 1,188.58                     | 7,784.88 <sup>(6)</sup>                    | 174.10 <sup>(6)</sup>       | 684.69 <sup>(6)</sup>                           | 15.31 <sup>(6)</sup> |

1) For the entire RJ-ON-90/1 block.

2) Average Production per day (Bbls) = Total Crude Oil Production/ number of days.

3) Exchange rate calculated as the then prevailing weighted average realisation rate.

- 4) Royalty Per Barrel of Production = Royalty Paid by our Company/ Total Crude Oil Production.
- 5) From August 29, 2009 (date of commencement of production) to March 31, 2010.
- 6) In calculating the royalty for three months ended June 30, 2011, we have provisionally adopted the post well-head cost per barrel during Fiscal 2010 because the post well-head costs for Fiscal 2011 have not yet been finalized.

### *NELP Regime*

Royalty on crude oil produced from NELP blocks is currently payable at the rate of 12.5% and 10% of the well-head price for onshore and offshore production, respectively, on an “ex-royalty” basis. In respect of deep water areas (beyond 400 meters of water depth), the royalty is payable at half of the rates applicable for offshore areas for the first seven years. For heavier crude oils of 25 degree of API and less, the royalty rate is 2.50% less than the applicable rates for normal crude oil from onshore and offshore fields. For natural gas, royalty is payable at 10% of well-head price. The per unit post well-head cost for the purpose of calculating the well-head price of crude oil and natural gas is determined based on the actual post well-head expenditure reported in the previous year’s audited accounts. OI D cess has been abolished for the blocks offered under NELP. As of June 30, 2011, we are yet to commence crude oil or natural gas production from our NELP blocks, and therefore have not incurred any royalty expenses.

### *Import Tariffs*

The level of import tariffs on petroleum products is also an important factor affecting our revenues. We currently benefit from a competitive advantage in relation to exporters of petroleum products to India, since import tariffs are not payable by our customers for the purchase of our products. Regulatory changes that may be introduced in order to comply with India’s obligations as member of the World Trade Organization or for any other reason that would reduce import tariffs on petroleum products would increase competition from oil exporters to India and tend to reduce the selling price of our crude oil and value-added products.

Imports of crude oil in India were subject to a 5.00% custom duty which was eliminated by the GoI on June 25, 2011. Although custom duty is not levied on domestic crude oil production, under the existing price mechanism agreed between ONGC and the refineries to which we supply our crude, 50.00% of the applicable custom duty (currently nil) is added into the price of domestic crude oil supplied from our offshore fields in nomination blocks.

### ***Global Economic, Regulatory and Political Environment***

Our operations, especially upstream, can also be affected by changing economic, regulatory and political environments in the various countries in which we operate.

Changes in foreign and domestic environmental laws and regulations, or their interpretation, may require us to incur significant expenditures to comply with such requirements, add significantly to operating costs, or may significantly limit exploration, development and production activity. For example, the fire and explosion onboard the semisubmersible drilling rig Deepwater Horizon, which led to the oil spill affecting the Gulf of Mexico in April 2010, illustrates these risks. As a result of the spill, the US Department of Interior imposed a six month deep-water drilling moratorium in the region, implemented stringent new safety and environmental regulations, which deep-water drilling companies have to meet before they may resume operations in the region, and created two new agencies devoted to overseeing offshore drilling. The new safety and environmental rules tighten standards for well design, blowout preventers, safety certification, emergency response and worker training, among other things, which could increase the costs of exploration and production, reduce the area of operations and result in delays in obtaining the required permits for deep-water drilling companies operating in the region. The rules could also potentially influence regulators in other geographic regions, including the regions in which we operate, to implement similar regulatory initiatives and changes that could have an adverse effect on our business, financial condition and results of operations.

In general, we are required to pay income tax on income generated from production activities. In addition, depending on the area, our production activities may be subject to a range of other taxes, levies and assessments, including production sharing arrangements, special petroleum taxes and revenue taxes. For example, we are subject to a windfall tax in Venezuela when the benchmark crude oil prices reach or are equal to or more than US\$70 per barrel.

Additionally, civil unrest, acts of violence or strained relations between a government and us or other governments may impact our operations or investments. We have participating interests in assets located in



various countries, including Libya, Sudan, South Sudan, Syria, Brazil, Venezuela, Colombia, Iran, Vietnam, Myanmar, and Russia, some of which have experienced instability in the recent past, are currently experiencing severe political instability or where political instability is threatened by recent events in North Africa and the Middle East, which may have a material adverse effect on our operations in these countries. In particular, we have had to evacuate our lone representative from Libya and suspend all our operations there pursuant to the ongoing armed uprising there. Furthermore, Sudanese forces recently seized control of an area of South Sudan by force causing significant political tension and the potential for further outbreaks of violence between Sudan and South Sudan; and recent ethnic violence in South Sudan increase fears of political instability in South Sudan.

The oil and gas industry has in the past been subjected to regulation and intervention by governments around the world, including in the regions and countries in which we have operations, relating to such matters as environmental protection, controls, restrictions on production, and potentially, nationalization, expropriation or cancellation of contract rights, as well as restrictions and sanctions imposed by other governments on entities conducting business in such countries. While we typically seek to protect our investments in the high risk jurisdictions we operate in by structuring our investment vehicles to take advantage of any bilateral investment protection agreements that may be available in such jurisdictions, changes in regulation, and intervention by governments in countries in which we operate may have an adverse effect on our business, financial condition and results of operation

#### ***Other Factors Affecting our Refining and Marketing Businesses***

Margins in our refining, marketing and petrochemicals business are sometimes volatile and can be affected by the global and regional supply-and-demand balance for refined products and by changes in the price of crude oil used for refinery feedstock. Our margins can also be influenced by refined-product inventory levels, geopolitical events, cost and supply of materials and services, refinery maintenance programs and disruptions at refineries resulting from unplanned outages due to severe weather, fires or other operational events. Other factors affecting profitability for downstream operations include the reliability and efficiency of our refining and marketing network and the effectiveness of the crude oil and product supply functions. Other factors beyond our control include the general level of inflation and energy costs to operate our refinery and distribution network.

#### ***Change in Reserve Estimates***

In calculating our domestic reserves, we use internally developed definitions that are based in large part on the SPE/WPC 1997 Standards. Our international reserves have been calculated based on standards that vary according to the jurisdiction in which the operator and reserves are located. Our domestic and international management estimates of our reserves are approved by the REC. Our domestic reserves (other than domestic reserves held through joint ventures) are audited independently every five years. For purposes of this Offer, we appointed independent reserves consultants to audit certain of our reserves as of April 1, 2011. In auditing our reserves, the independent reserves consultants, D&M and Sproule, have relied on the SPE PRMS 2007 International Standards, which differ in certain respects from our internally-developed definitions used for estimation of our domestic reserves. GCA has audited our Mumbai High reserves based on our internally developed definitions and estimated the reserves under the SPE PRMS 2007 International Standards. For further information, see "Our Business—*Reserves Classification Standards*" on page 153. Our audited reserves information presented in this Red Herring Prospectus is therefore not comparable to our management estimates as of April 1, 2011 included in this Red Herring Prospectus.

There is a significant variance between our audited proved developed reserves and our REC approved management estimates of such reserves, which is attributable primarily to differences in the definitions used to assess reserves. For further information, please see "Our Business—*Variation between Management Estimates and Audited Reserves*" on page 156. Reserves attributable to investment plans already approved and under implementation are considered as "proved developed" by our management, while the independent reserves consultants have categorized most of these reserves, in accordance with SPE PRMS 2007 International Standards, as "proved undeveloped". As of April 1, 2011, the audited estimates of our domestic developed 1P crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 373.08 MMtoe. As of April 1, 2011, according to our management estimates, our domestic developed 1P crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 468.55 MMtoe. As of April 1, 2011, the audited estimates of our international developed 1P crude oil and natural gas reserves, estimated in accordance with the SPE PRMS 2007 International Standards, were 48.13 MMtoe. As of April 1, 2011, according to our

management estimates, our international developed 1P crude oil and natural gas reserves (for that part of the reserves that has been audited by the independent reserves consultants), estimated in accordance with our internal definitions, were 55 MMtoe.

The proportion of proved developed reserves to total proved reserves, and proved undeveloped reserves to total proved reserves is a significant factor in accounting for depletion and net producing assets in our financial statements. Depletion is calculated as the product of the value of the producing asset and the production volume of the asset, divided by the proved developed reserves of such asset. In the event of a downward revision in our proved developed reserves, depletion expenses in respect of the relevant producing field will increase, resulting in reduced profitability. Moreover, such downward revision in our proved developed reserves will result in our balance sheet recording a decline in net producing assets. At the same time, an increase in the proportion of proved undeveloped reserves to total proved reserves would indicate higher capital expenditure to be incurred in developing such reserves compared to proved developed reserves, which primarily requires operating expenditure and not capital expenditure.

For purposes of applying various accounting standards in preparing our financial statements, we do not take into account the audited estimates of our reserves but rely solely on the REC approved management estimates of our reserves.

In the event that our management estimated reserves based on the SPE PRMS 2007 International Standards in assessing our domestic and international reserves, it is likely that our proved developed reserves would be much lower as a percentage of total proved reserves than at present. Consequently, our results of operation and financial condition could be materially different if we were to state our reserves in accordance with SPE PRMS 2007.

### Key Performance Indicators

Our operating results are highly sensitive to changes in the international prices of crude oil and our revenues are dependent on the realized price we achieve for the crude oil produced by us.

The following table sets forth the benchmark prices for our domestic crude oil and our realized crude oil prices in Fiscal 2009, 2010 and 2011, and for the three months ended June 30, 2010 and 2011.

|                                              | Fiscal |       |       | Three months ended<br>June 30, |        |
|----------------------------------------------|--------|-------|-------|--------------------------------|--------|
|                                              | 2009   | 2010  | 2011  | 2010                           | 2011   |
| Benchmark (US\$/barrel)(1)                   | 88.60  | 71.39 | 88.66 | 80.28                          | 119.20 |
| Average ₹ to US\$ exchange rate (2)          | 45.91  | 47.42 | 45.58 | 45.67                          | 44.74  |
| Benchmark (₹/barrel)                         | 4,068  | 3,385 | 4,041 | 3,666                          | 5,333  |
| Gross (Pre-discount) Price(3)                | 3,955  | 3,397 | 4,075 | 3,690                          | 5,426  |
| Discount (4)                                 | 1,765  | 745   | 1,625 | 1,496                          | 3,245  |
| Realized (post-discount) Price (₹/barrel)    | 2,190  | 2,653 | 2,451 | 2,194                          | 2,181  |
| Realized (post-discount) Price (US\$/barrel) | 47.70  | 55.94 | 53.77 | 48.04                          | 48.76  |

- (1) Benchmark is calculated as the average price per barrel for of Bonny Light crude to which our crude oil sales from our domestic nomination blocks, as well as some of our joint ventures, are benchmarked (except our North East crude).
- (2) Source: RBI.
- (3) Gross price including royalty payable to the GoI or the relevant state governments.
- (4) The calculation of average discount per bbl is based on the total discount (in accordance with the GOI's quarterly discount allocation orders) and the quantity of crude oil sold from nominated blocks—the entire share of our under-recoveries is considered in computing the discount on crude oil prices.

### Income and expenditure overview

#### Revenues

Our revenues primarily consist of the following:

- Gross sales, which include revenues from sales of crude oil, natural gas, value added petroleum products and condensate produced in India as well as internationally. Our gross sales from crude oil sales are stated net of GoI-mandated discounts to the extent of our share of under-recoveries of national oil marketing companies in India. Gross sales also include the sales of products processed by our refinery. Sales are presented before deduction of statutory levies which are shown as an item of expenditure. In the discussion

of our results of operations below, we have presented the gross sales line item under the following classifications:

- Sales of crude oil (including condensate) and natural gas produced in India;
- Sales of refined products from our refineries in India;
- Sales of value added products produced from our Uran and Hazira facilities; and
- Sales of crude oil (including condensate) and natural gas produced outside of India.
- Net sales, which is our gross sales less excise duty paid on sales of our refinery products and on our value added petroleum products.
- Other income, which includes transportation revenues, tariffs for transportation through our natural gas pipelines, any budgetary reimbursement with respect to APM natural gas sales in the North East region of India, any release of surplus funds to us by the GoI from the gas pool account, interest and dividend income, and miscellaneous income.

### ***Expenditure***

Our expenditure primarily consists of the following:

- Production, transportation and other expenditure, which includes:
  - Operating expenses, which primarily consist of lifting, processing and transportation costs for crude oil and natural gas, and costs for refining petroleum products, which includes costs associated with procuring crude oil feedstock;
  - Statutory levies, which primarily consist of royalty, cess, and sales tax; and
  - Other expenditures, which primarily consist of administrative expenditure and carrying costs of PEL areas, business development expenditure and research and development expenditure;
- In the discussion of our results of operations below, we have presented the production, transportation, selling and distribution expenditure line item under the following classifications:
  - domestic exploration and production activities;
  - international exploration and production activities; and
  - refining.
- Provisions and write-offs, which include doubtful claims and advances, non-moving stores and spares.
- Depreciation, depletion, surveys, write-offs of unsuccessful exploratory dry wells, amortization and impairment (net of write-backs).
- Other adjustments such as revenues and expenses not related to the current period and prior period adjustments and extraordinary items, if any.

### **Results of operations**

The table below sets forth certain information with respect to our revenues, expenditure and profits in Fiscal 2010 and 2011, and for the three months ended June 30, 2011.

### Summary Statement of Profit and Loss

| INCOME                                               | Fiscal              |                   |                     |                   | Three months ended June 30, 2011<br>(Unaudited) |                   |
|------------------------------------------------------|---------------------|-------------------|---------------------|-------------------|-------------------------------------------------|-------------------|
|                                                      | 2010<br>(Audited)   |                   | 2011<br>(Audited)   |                   |                                                 |                   |
|                                                      | ₹ million           | % of total income | ₹ Million           | % of total income | ₹ Million                                       | % of total income |
| Gross Sales                                          | 1,061,688.44        |                   | 1,227,685.75        |                   | 351,509.60                                      |                   |
| Less: Excise Duty                                    | 44,142.77           |                   | 51,534.46           |                   | 12,391.70                                       |                   |
| Net Sales                                            | 1,017,545.67        |                   | 1,176,151.29        |                   | 339,117.90                                      |                   |
| Other income                                         | 52,708.18           |                   | 69,289.33           |                   | 11,501.07                                       |                   |
| <b>Total Income</b>                                  | <b>1,070,253.85</b> |                   | <b>1,245,440.62</b> |                   | <b>350,618.97</b>                               |                   |
| <b>EXPENDITURE</b>                                   |                     |                   |                     |                   |                                                 |                   |
| Decrease/ (Increase) In Stock                        | (3,728.81)          | (0.34)            | (8,916.91)          | (0.72)            | 1,521.91                                        | 0.43              |
| Purchases                                            | 37.92               | 0.00              | 0.64                | 0.00              | -                                               | -                 |
| Production, Transportation, Selling and Distribution | 571,725.94          | 53.42             | 684,645.19          | 54.97             | 210,049.60                                      | 59.91             |
| Depreciation, Depletion, Amortization and Impairment | 187,188.30          | 17.49             | 206,263.38          | 16.56             | 51,137.46                                       | 14.58             |
| Financing Costs                                      | 5,021.90            | 0.47              | 4,374.43            | 0.35              | 796.83                                          | 0.23              |
| Provisions and write-offs (Net)                      | 5,995.57            | 0.56              | 15,799.01           | 1.27              | 964.66                                          | 0.28              |
| Adjustments relating to prior period                 | (400.61)            | (0.04)            | 111.71              | 0.01              | (3.18)                                          | -                 |
| <b>Profit Before Tax</b>                             | <b>304,413.64</b>   | 28.44             | <b>343,163.17</b>   | 27.55             | <b>86,151.69</b>                                | 24.57             |
| Provision for Taxation:                              |                     |                   |                     |                   |                                                 |                   |
| - Current Tax (Including Wealth Tax)                 | 95,756.65           | 8.95              | 114,051.32          | 9.16              | 33,982.99                                       | 9.69              |
| - Tax for earlier years                              | (176.45)            | (0.02)            | (7,853.61)          | (0.63)            | -                                               | -                 |
| - Deferred Tax                                       | 11,557.72           | 1.08              | 8,795.93            | 0.71              | (3,129.08)                                      | (0.89)            |
| - Fringe Benefit Tax                                 | -                   | 0.00              | (80.20)             | (0.01)            | -                                               | -                 |
| <b>Profit After Tax</b>                              | <b>197,275.72</b>   | 18.43             | <b>228,249.73</b>   | 18.33             | <b>55,297.78</b>                                | 15.77             |
| <b>Add Share of profit/(loss) in Associates</b>      | 78.13               |                   | 30.00               |                   | 2.11                                            |                   |
| <b>Less Share of profit/(loss)-Minority Interest</b> | 3,318.53            |                   | 3,720.41            |                   | 555.01                                          |                   |
| <b>Group Profit/(loss)</b>                           | <b>194,035.32</b>   | 18.13             | <b>224,559.32</b>   | 18.03             | <b>54,744.88</b>                                | 15.61             |

### Three months ended June 30, 2011

#### Total Revenues

Our total revenues were ₹350,618.97 million for the three months ended June 30, 2011 and ₹1,245,440.62 million in Fiscal 2011. For the three months ended June 30, 2011, our total revenues primarily benefited from price increases for our refined products, as well as from increased revenues from our international crude oil production that resulted from the increased international crude oil prices. These benefits were partially offset by the impact of high government mandated discounts on our domestic crude oil production.

#### Sales

Our sales revenues were ₹351,509.60 million for the three months ended June 30, 2011 and ₹1,227,685.75 million in Fiscal 2011.

#### Domestic Crude Oil and Natural Gas

Our sales revenues from crude oil and natural gas in India were ₹117,390.33 million for the three months ended June 30, 2011 and ₹520,458.76 million in Fiscal 2011. For the three months ended June 30, 2011, our domestic sales revenues were adversely impacted by high government mandated discounts on our domestic crude oil sales, as well a decrease in natural gas sales volume.

*Crude Oil.* Our sales revenues from domestic crude oil were ₹87,086.46 million in the three months ended June 30, 2011 and ₹ 392,914.33 in Fiscal 2011.

The average price of Bonny Light increased to US\$119.20 per barrel for the three months ended June 30, 2011 from US\$88.66 per barrel in Fiscal 2011, which resulted in the pre-discount price of our crude oil increasing to ₹5,426 per barrel (US\$121.29 per barrel) for the three months ended June 30, 2011 from ₹4,075 per barrel (US\$89.41) in Fiscal 2011. However, our realized (post-discount) price of crude oil decreased to ₹2,181 per barrel (US\$48.76) for the three months ended June 30, 2011 from ₹2,451 per barrel (US\$53.77) in Fiscal 2011 as a result of the increase in the government mandated discount of crude oil to ₹3,245 per barrel (US\$72.53 per barrel) for the three months ended June 30, 2011 from ₹1,625 per barrel (US\$35.64 per barrel) in Fiscal 2011. Our total contribution toward sharing of the under-recoveries of the public sector oil marketing companies in respect of our crude oil sales was ₹120,462.66 million for the three months ended June 30, 2011 and ₹248,924.30 million in Fiscal 2011.

Domestic crude oil sales volume was 5.69 MMT (128.235 mmbbls) for the three months ended June 30, 2011 and 22.93 MMT (172.08 MMbbl) in Fiscal 2011. For the three months ended March 31, 2011, we experienced declining domestic crude oil production from our mature nomination blocks, offset primarily by the full quarter effect of increased production from the RJ-ON-90/1 block in the Rajasthan basin and other pre-NELP blocks.

*Natural Gas.* Our sales revenues from domestic natural gas were ₹30,303.87 million in the three months ended June 30, 2011 and ₹127,544.43 million in Fiscal 2011. Our domestic natural gas sales volume was 6.16 BCM for the three months ended June 30, 2011 and 25.32 BCM for Fiscal 2011. During the three months ended June 30, 2011, we experienced declining domestic natural gas production primarily as a result of the natural decline in production from the Mid and South Tapti fields.

*Refining.* Our revenues from the sale of refined products were ₹145,577.26 million for the three months ended June 30, 2011 and ₹432,765.28 million in Fiscal 2011. Our average realized price for refined products was ₹ 43,331 per MT for the three months ended June 30, 2011 and ₹33,256 per MT in Fiscal 2011. The increase in the average realized price was primarily due to higher international crude oil prices in the three months ended June 30, 2011. We also benefited from slightly increased production volumes from our Mangalore refinery for the three months ended June 30, 2011.

*Value added products.* Our revenues from the sales of value added products were ₹29,507.60 million for the three months ended June 30, 2011 and ₹100,598.53 million in Fiscal 2011. For the three months ended June 30, 2011, our revenues from the sales of value added products benefited from an increase in the realized prices for our value added products, particularly naphtha and LPG, primarily due to an increase in international crude oil prices. However, these realized prices for our value added products was offset in part by declining production from our Mid and South Tapti fields.

#### *International Crude Oil and Natural Gas*

Our revenues from international crude oil and natural gas sales were ₹59,034.41 million for the three months ended June 30, 2011 and ₹173,863.18 million in Fiscal 2011. During the three months ended June 30, 2011, our revenue from international crude oil and natural gas sales primarily benefited from high international crude oil prices.

*Crude Oil.* Our revenues from international crude oil sales were ₹56,525.99 million for the three months ended June 30, 2011 and ₹165,583.53 million in Fiscal 2011. Our average sales price for international crude oil was US\$ 107.85 per barrel for the three months ended June 30, 2011 and US\$78.86 per barrel in Fiscal 2011. The increase in our average sales price was due to high international crude oil prices. Our international crude oil production volume was 1.73 MMT in the three months ended June 30, 2011 and 6.77 MMT in Fiscal 2011.

*Natural Gas.* Our revenues from international natural gas sales were ₹2,508.42 million for the three months ended June 30, 2011 and ₹8,279.65 million in Fiscal 2011. Our average sales price for international natural gas was US\$3.54 per MMBTU for the three months ended June 30, 2011 and US\$3.22 per MMBTU in Fiscal 2011. Our international natural gas production was 0.638 BCM for the three months ended June 30, 2011 and 2.70 BCM in Fiscal 2011.

## **Net Sales**

Our net sales revenues (our gross sales revenue less excise duty on the sale of refined products and value added petroleum products) were ₹339,117.90 million for the three months ended June 30, 2011 and ₹1,176,151.29 million in Fiscal 2011. Excise duty was ₹12,391.70 million for the three months ended June 30, 2011 and ₹51,534.46 in Fiscal 2011.

## **Other Revenues**

Our other revenues were ₹11,501.07 million for the three months ended June 30, 2011 and ₹69,289.33 million in Fiscal 2011. In the three months ended June 30, 2011, we did not receive any release of surplus funds from the gas pool account.

## **Expenditure**

### *Production, Transportation, Selling and Distribution Expenditure*

Our production, transportation, selling and distribution expenditure was ₹210,049.60 million, or 59.91% of total income, for the three months ended June 30, 2011 and ₹684,645.19 million, or 54.97% of total revenues, in Fiscal 2011. For the three months ended June 30, 2011, we experienced high feed stock crude oil costs for our refinery business as a result of high international crude oil prices.

*Domestic.* Our production, transportation, selling and distribution expenditure for domestic exploration and production activities was ₹74,472.12 million, or 21.24% of total revenues, for the three months ended June 30, 2011 and ₹289,725.58 million, or 23.26% of total revenues, in Fiscal 2011. For the three months ended June 30, 2011, our production, transportation and distribution expenditure for domestic exploration and production activities decreased as a percentage of total revenues compared to Fiscal 2011 because we experienced disproportionately high total revenues as a result of high international crude oil prices.

*International.* Our production, transportation, selling and distribution expenditure for our international exploration and production activities was ₹25,571.40 million, or 7.29% of total income, for the three months ended June 30, 2011 and ₹88,918.71 million, or 7.14% of total revenues, in Fiscal 2011. For the three months ended June 30, 2011, higher royalty expenses as a result of higher international crude oil sales prices.

*Refining.* Our production, transportation, selling and distribution expenditure for our refining business was ₹110,006.08 million, or 31.37% of total revenues, for the three months ended June 30, 2011, and ₹306,001.54 million, or 24.57% of total revenues, in Fiscal 2011. For the three months ended June 30, 2011, we experienced significantly higher landed costs of imported feed stock crude oil as a result of high international crude oil prices. Our gross refining margin for the three months ended June 30, 2011 was US\$2.99 per barrel, as compared to US\$5.96 per barrel in Fiscal 2011.

### *Depreciation, Depletion, Amortization and Impairment*

Our depreciation, depletion, amortization and impairment expenses were ₹51,137.46 million for the three months ended June 30, 2011 and ₹206,263.38 million in Fiscal 2011.

*Domestic.* Our depreciation, depletion, amortization and impairment expenses for our domestic operations were ₹41,318.65 million for the three months ended June 30, 2011 and ₹159,630.70 in Fiscal 2011.

*International.* Our depreciation, depletion, amortization and impairment expenses for our international operations were ₹8,858.83 million for the three months ended June 30, 2011 and ₹42,682.50 in Fiscal 2011. For the three months ended June 30, 2010, we experienced lower levels of drywells, survey expenditure and depletion charged off. The higher dry well cost in Fiscal 2011 was due primarily to write-offs of well costs in connection with surrender of the NEMED and North Ramadan projects. We did not have any such write offs in the three months ended June 20, 2011, and therefore had lower levels of drywells, survey expenditure and depletion charged off for this period.

### *Financing Costs*

Our financing costs were ₹796.83 million for the three months ended June 30, 2011 and ₹4,374.43 million in Fiscal 2011. For the three months ended June 30, 2011, we had lower levels of short term loans from banks.

### *Provisions and Write-Offs*

Our provisions and write-offs were ₹964.66 million for the three months ended June 30, 2011 and ₹15,799.01 million in Fiscal 2011. Write-offs were high in Fiscal 2011 primarily due to the write-off of acquisition costs in connection with the surrendering of Block AD 2 Myanmar, JDZ 2 Nigeria and NEMED, as well as a minority interest write-off relating to the Jarpeno field. We did not have any such write-offs in the three months ended June 30, 2011.

### *Provision for Taxation*

Our provision for taxation was ₹30,853.91 million, or 8.80% of total revenues, in the three months ended June 30, 2011, and ₹114,913.44, or 9.23% of total revenues in Fiscal 2011. For the three months ended June 30, 2011, provision for taxes was lower as a percentage of total revenues compared to Fiscal 2011 because of marginally lower effective tax rates during the three months ended June 30, 2011.

### *Net Profit After Tax*

Our group net profit after tax was ₹54,744.88 million, or 15.61% of total revenues, in the three months ended June 30, 2011 and ₹224,559.32 million, or 18.03% of our total revenues in Fiscal 2011. For the three months ended June 30, 2011, our increases in revenues were primarily driven by our lower margin refining business and, consequently, net profit after tax as a percentage of revenue decreased.

## **Fiscal 2011 compared to Fiscal 2010**

### *Total Revenues*

Our total revenues increased by 16.37% to ₹1,245,440.62 million in Fiscal 2011 from ₹1,070,253.85 million. The increase primarily reflected increased revenues from our refining operations, the effects of an upward revision in the price of domestic APM natural gas in June 2010 and increased revenue from our international operations as a result of higher international crude oil prices in Fiscal 2011. However, our domestic crude oil sales revenues were materially impacted by the GoI's allocation of 38.75% of the public sector oil marketing companies under-recoveries to upstream oil companies in Fiscal 2011, as compared to 31.33% in Fiscal 2010.

### *Sales*

Our sales revenues increased by 15.64% to ₹1,227,685.75 million in Fiscal 2011 from ₹1,061,688.44 million in Fiscal 2010. The reasons for this increase are set forth below.

### *Domestic Crude Oil and Natural Gas*

Our revenues from crude oil and natural gas sales in India increased by 9.6% to ₹520,458.76 million in Fiscal 2011 from ₹474,881.78 million in Fiscal 2010.

### *Crude Oil*

Our sales revenues from domestic crude oil decreased by 2.04% to ₹392,914.33 million in Fiscal 2011 from ₹401,084.58 million in Fiscal 2010. The decrease in crude oil sales revenue resulted from an increase in government mandated discounts to the sales price of our domestic crude oil and the appreciation of the Indian Rupee against the U.S. Dollar, which was partially offset by an increase in production.

The average price of Bonny Light increased by 24.19% to US\$ 88.66 per barrel in Fiscal 2011 from US\$ 71.39 per barrel in Fiscal 2010, and our pre-discount price correspondingly increased by 19.96% to ₹4.075 per barrel in Fiscal 2011 from ₹3,397 per barrel in Fiscal 2010. However, our realized (post-discount) price of domestic crude oil decreased by 7.61% to ₹2,451 per barrel (US\$53.77 per barrel) in Fiscal 2011 from ₹2,653 per barrel (US\$ 55.94 per barrel) in Fiscal 2010 as a result of an increase of 118.12% in the government mandated

discount of crude oil to ₹1,625 per barrel (US\$35.64 per barrel) in Fiscal 2011 from ₹745 per barrel (US\$15.71 per barrel) in Fiscal 2010. Our total contribution toward sharing of the under-recoveries of the public sector oil marketing companies in respect of our crude oil sales increased by 115.44% to ₹248,924.30 million in Fiscal 2011 from ₹115,543.07 million in Fiscal 2010. The selling price of our domestic crude oil was further impacted by the appreciation of the Indian Rupee against the US Dollar in Fiscal 2011.

Our sales volume of domestic crude increased by 2.68% to 22.93 MMT (172.08 MMbbl) in Fiscal 2011 from 22.33 MMT (167.92 MMbbl) of crude oil in Fiscal 2010 primarily as a result of increased production from the RJ-ON-90/1 block in the Rajasthan basin, which initially came into production in September 2009 and has subsequently increased its production significantly.

*Natural Gas.* Our sales revenue from domestic natural gas increased by 72.83% to ₹127,544.43 million in Fiscal 2011 from ₹73,797.20 million in Fiscal 2010. The increase primarily resulted from a 93.28% increase in the price of natural gas sales from our nomination blocks to ₹ 6,216 per MSCM in Fiscal 2011 from ₹3,216 per MSCM in Fiscal 2010 due to an increase in the APM price of natural gas from June 1, 2010 to US\$4.20 per MMBTU from US\$1.95 per MMBTU. Our domestic natural gas sales volume decreased by 1.68% to 20.249 BCM in Fiscal 2011 from 20.596 BCM in Fiscal 2010.

*Refining.* Our revenue from the sale of refined products increased by 21.14% to ₹432,765.28 million in Fiscal 2011 from ₹357,251.55 million in Fiscal 2010. This increase was primarily the result of increased prices for refined products resulting from an 24.19% increase in international crude oil prices in Fiscal 2011 as compared to Fiscal 2010. The average realized price for refined products in Fiscal 2011 increased by 22.38% to ₹33,256 per MT from ₹27,174 per MT in Fiscal 2010.

*Value added products.* Our revenue from the sale of value added products increased by 5.07% to ₹ 100,598.53 million in Fiscal 2011 from ₹95,746.09 million in Fiscal 2010. This increase in our value added products sales revenue primarily resulted from an increase in the realized prices for our value added products, particularly naphtha and C2-C3, due to an increase in international crude oil prices in Fiscal 2011 compared to Fiscal 2010, which was offset in part by a decrease in the realized prices for SKO and LPG due to the higher discount imposed by GoI.

#### *International Crude Oil and Natural Gas*

Our revenue from international crude oil and natural gas sales increased by 29.93% to ₹173,863.18 million in Fiscal 2011 from ₹133,809.02 million in Fiscal 2010.

#### *Crude Oil*

Our revenue from international crude oil sales increased by 31.21% to ₹ 165,583.53 million in Fiscal 2011 from ₹126,201.51 million in Fiscal 2010. The increase was attributable primarily to a 25.15% increase in the average sales price for crude oil to US\$78.86 per barrel in Fiscal 2011 from US\$63.01 per barrel in Fiscal 2010 resulting from the increase in the international prices for the relevant benchmark crudes. Additionally, our international crude oil production volume in Fiscal 2011 increased by 3.96% to 6.77 MMT in Fiscal 2011 from 6.51 MMT in Fiscal 2010. The increase in international crude oil production was attributable primarily to relative increases in production from the following projects: BC-10 in Brazil, Imperial Energy in Russia, MECL in Colombia, and PIVSA in Venezuela.

#### *Natural Gas*

Our revenue from international natural gas sales increased by 8.84% to ₹8,279.65 million in Fiscal 2011 from ₹7,607.51 million in Fiscal 2010. This increase was primarily attributable to a 14.38% increase in natural gas production to 2.70 BCM in Fiscal 2011 from 2.36 BCM of natural gas in Fiscal 2010. Our average sales price for natural gas increased by 5.23% to US\$3.22 per MMBTU during Fiscal 2011 from US\$3.06 per MMBTU in Fiscal 2010.

#### *Net Sales*

Our net sales revenue (our gross sales revenue less excise duty on the sale of refined products and value added petroleum products) increased by 15.59% to ₹1,176,151.29 million in Fiscal 2011 from ₹1,017,545.67 million in Fiscal 2010. Our excise duty expenses increased by 16.74% to ₹51,534.46 million in Fiscal 2011 from



₹44,142.77 million in Fiscal 2010, primarily due to increased sales revenues of our refined products and value added products.

### ***Other Revenues***

Our other revenues increased by 31.46% to ₹69,289.33 million in Fiscal 2011 from ₹52,708.18 million in Fiscal 2010. The increase in other revenues was primarily due to the release of surplus funds to us by the GoI from the gas pool account of ₹21,914.90 million in Fiscal 2011, compared to ₹4,415.79 million in Fiscal 2010.

### ***Expenditure***

#### ***Production, Transportation, Selling and Distribution Expenditure***

Our production, transportation, selling and distribution expenditure increased by 19.75% to ₹684,645.19 million in Fiscal 2011 from ₹571,725.94 million in Fiscal 2010. The increase primarily resulted from increased royalty expenses in India and internationally, as well as higher landed cost of imported crude oil feed stock for our refinery business.

*Domestic.* Our production, transportation, selling and distribution expenditure for domestic exploration and production activities increased by 13.64% to ₹289,725.58 million in Fiscal 2011 from ₹254,947.66 million in Fiscal 2010. The increase was attributable primarily to an increase in royalty expenses results from an increase in the average sales price of gas produced in India, as well as increased royalty paid on the full increase in production at block RJ-ON-90/1 in Rajasthan in which we have a participating interest together with Cairn Energy India Pty. Limited and Cairn Energy Hydrocarbons Limited.

*International.* Our production, transportation, selling and distribution expenditure for our international exploration and production activities increased by 21.28% to ₹ 88,918.71 million in Fiscal 2011 from ₹73,317.39 million in Fiscal 2010. The increase was primarily due to a one-time payment of ₹5,079.72 million on account of our settlement of ownership rights relating to our pipeline project in Sudan, as well as an increase in royalty expenses results from the increase in sales prices for our international crude oil in Fiscal 2011. For further information on this project, please see "Our Business—Other Projects and Business Initiatives" on page 194.

*Refining.* Our production, transportation, selling and distribution expenditure for our refining business increased by 25.68% to ₹306,001.54 million in Fiscal 2011 from ₹243,480.31 million in Fiscal 2010. The increase was primarily due to higher landed costs of imported feed stocks for refining resulting from higher international crude oil prices. Our gross refining margin in Fiscal 2011 was US\$5.96 per barrel, as compared to US\$5.51 per barrel in Fiscal 2010.

#### ***Depreciation, Depletion, Amortization and Impairment***

Our depreciation, depletion, amortization and impairment expenses increased by 10.19% to ₹206,263.38 million in Fiscal 2011 from ₹187,188.30 million in Fiscal 2010. This increase was primarily attributable to higher domestic depletion costs.

*Domestic.* Our depreciation, depletion, amortization and impairment expenses for our domestic operations increased by 8.80% to ₹159,630.70 million in Fiscal 2011 from ₹146,718.12 million in Fiscal 2010. This increase was due primarily to a 20.02% increase in domestic depletion costs to ₹54,369.72 million in Fiscal 2011 from ₹45,301.63 million in Fiscal 2010, as well as an increase in depreciation expenses to ₹19,993.37 million in Fiscal 2011 from ₹12,200.73 million in Fiscal 2010 primarily due to additional asset capitalization in the RJ-ON-90/1 block in Rajasthan in Fiscal 2011.

*International.* Our depreciation, depletion, amortization and impairment expenses for our international operations increased by 16.81% to ₹42,682.50 million in Fiscal 2011 from ₹36,539.15 million in Fiscal 2010. This increase was primarily due to an increase in depletion costs as a result of the Odoptu project in Sakhalin-1 in Russia commencing production in September 2010, as well as increased production in block BC-10 in Brazil.

### Financing Costs

Our financing costs decreased by 12.89% to ₹4,374.43 million in Fiscal 2011 from ₹5,021.90 million in Fiscal 2010. Financing costs were higher in Fiscal 2010 because of discounts associated with commercial paper issued as bridge financing for the acquisition of Imperial Energy by way of a UK public takeover, whereas we did not issue any commercial paper in Fiscal 2011 and therefore did not incur financing costs attributable to discounts on commercial paper.

### Provisions and Write-Offs

Our provisions and write-offs (net of provisions written back) in Fiscal 2011 increased by 163.51% to ₹15,799.01 million from ₹5,995.57 million in Fiscal 2010. This increase in provisions was primarily attributable to write off of wells associated with a project in Egypt following our decision on January 15, 2011 to surrender these wells at the end of the exploration phase amounting to ₹ 6,156.23 million. Further, the increase is due to ₹ 1,875.33 million of provision for doubtful claims, as well as ₹1,085.98 million towards doubtful debts.

### Provision for Taxation

Our provision for taxation increased by 7.26% to ₹114,913.44 in Fiscal 2011 from ₹107,137.92 million in Fiscal 2010. This increase in our provision for taxation did not corresponded to an increase in earnings in Fiscal 2011 because of adjustments towards excess provisions for earlier Fiscal years.

### Net Profit After Tax

For the reasons discussed above, our net profit after tax increased by 15.73% to ₹224,559.32 million in Fiscal 2011 from ₹194,035.32 million in Fiscal 2010.

### Selected Balance Sheet Items

#### Producing and Developed Properties

The following tables set forth information relating to our consolidated balance sheet relating to the carrying values for producing properties, work in progress and fixed assets as of March 31, 2011 and 2010, and as of June 30, 2011.

As of March 31, 2010 and 2011 (Audited)

(₹ millions)

|                                     | As of March 31, 2010 |               |           |            | As of March 31, 2011 |               |           |            |
|-------------------------------------|----------------------|---------------|-----------|------------|----------------------|---------------|-----------|------------|
|                                     | Domestic             | International | Refining  | Total      | Domestic             | International | Refining  | Total      |
| <b>Producing Property</b>           | 402,822.12           | 108,842.86    | -         | 511,664.98 | 435,756.57           | 136,139.76    | -         | 571,896.33 |
| <b>Net Capital Work in Progress</b> | 120,989.52           | 36,421.10     | 18,602.85 | 176,013.47 | 179,093.92           | 40,017.94     | 54,674.43 | 273,786.29 |
| <b>Fixed Assets (Net Block)</b>     | 163,170.05           | 47,657.15     | 32,934.73 | 243,761.93 | 195,410.98           | 42,332.19     | 30,907.47 | 268,650.64 |

As of June 30, 2011 (Unaudited)

(₹ millions)

|                                     | As of June 30, 2011 |               |           |            |
|-------------------------------------|---------------------|---------------|-----------|------------|
|                                     | Domestic            | International | Refining  | Total      |
| <b>Producing Property</b>           | 439,491.76          | 137,476.18    | -         | 576,967.94 |
| <b>Net Capital Work in Progress</b> | 181,818.15          | 47,127.96     | 64,850.15 | 293,796.26 |
| <b>Fixed Assets (Net Block)</b>     | 204,858.08          | 38,881.31     | 29,980.89 | 273,720.28 |

#### Producing Property:

The principal additions to domestic producing properties during Fiscal 2011 related to new production in the Mumbai offshore basin and our assets in Assam and Gujarat, as well as block RJ-ON-90/1 in Rajasthan. The

principal additions to international producing properties related to the Odoptu project in Sakhalin-1 in Russia commencing production in September 2010, as well as additions relating to Block BC-10 in Brazil.

The principal additions to producing properties during the three months ended June 30, 2011 related to new production in our assets in the Assam, Mehsana, Ankleswar and Ahmedabad.

#### *Net Capital Work in Progress:*

The principal additions to our domestic net capital work in progress during Fiscal 2011 resulted from our ongoing redevelopment activities in Mumbai High and our ongoing construction of the OPaL Petrochemical Complex at Dahej SEZ and the combined cycle gas turbine-based power plant at Tripura through ONGC Tripura Power Company Limited. The principal additions to our international net capital work in progress during Fiscal 2011 resulted from acquisition costs for the Carabobo project in Venezuela and ongoing development activities in Sakhalin-1, Russia and Block BC-10, Brazil. The principal additions to our international net capital work in progress during the three months ended June 30, 2011 resulted from ongoing development activities in Sakhalin-1, Russia and Block A1-A3, Myanmar. The principal additions to our refining net capital work in progress during Fiscal 2011 and the three months ended June 30, 2011 resulted from our ongoing project to expand the capacity of MRPL's refinery in Mangalore from 11.82 MMTPA to 15.00 MMTPA. We expect to achieve mechanical completion of the expansion project during October 2011, and that our expanded production capacity will come on-line during December 2011.

The principal additions to our domestic net capital work in progress during Fiscal 2011 resulted primarily from our development activities in RJ-ON-90/1 in Rajasthan, and our assets in Assam.

*Fixed Assets:* The principal additions to fixed assets in Fiscal 2011 and in the three months ended June 30, 2011 were attributable to development activity in the Mumbai offshore basin.

#### ***Exploratory and Development Wells-in-Progress***

Exploratory wells-in-progress consist of costs incurred in the following activities: acquisition costs, drilling, including exploratory and appraisal wells, cost of drilling exploratory type stratigraphic test wells. These activities are categorized as exploratory wells-in-progress until such wells are either classified as producing properties or expensed in the period when determined to be dry or of no further use.

All costs relating to development wells are initially capitalized as development wells-in-progress and transferred to producing properties on completion. Our exploratory and development wells-in-progress as of March 31, 2011 and 2010, and as of June 30, 2011 are summarized in the tables below:

*As of March 31, 2010 and 2011 (Audited)*

(₹ millions)

|                                      | As of March 31, 2010 |                  |                  | As of March 31, 2011 |                  |                   |
|--------------------------------------|----------------------|------------------|------------------|----------------------|------------------|-------------------|
|                                      | Domestic             | International    | Total            | Domestic             | International    | Total             |
| <b>Exploratory Wells-in-Progress</b> | 37,708.92            | 20,577.99        | 58,286.91        | 56,709.98            | 16,636.49        | 73,346.47         |
| <b>Development Wells-in-Progress</b> | 17,787.91            | 4,050.09         | 21,838.00        | 20,762.14            | 8,270.33         | 29,032.47         |
| <b>Total</b>                         | <b>55,496.83</b>     | <b>24,628.08</b> | <b>80,124.91</b> | <b>77,472.12</b>     | <b>24,906.82</b> | <b>102,378.94</b> |

*As of June 30, 2011 (Unaudited)*

(₹ millions)

|                                      | As of June 30, 2011 |                  |                   |
|--------------------------------------|---------------------|------------------|-------------------|
|                                      | Domestic            | International    | Total             |
| <b>Exploratory Wells-in-Progress</b> | 58,953.70           | 16,919.32        | 75,873.02         |
| <b>Development Wells-in-Progress</b> | 24,503.08           | 11,511.44        | 36,014.52         |
| <b>Total</b>                         | <b>83,456.78</b>    | <b>28,430.76</b> | <b>111,887.54</b> |

*Exploratory Wells-in-Progress.* The principal additions to domestic exploratory wells-in-progress during Fiscal 2011 related our exploration activity in NELP blocks. The decrease in international exploratory wells-in-

progress primarily resulted from our relinquishment of two projects in Egypt, as well as a decrease in international exploration activity. The principal additions to exploratory wells-in-progress during the three months ended June 30, 2011 related our exploration activity in the Mumbai offshore basin and in NELP blocks.

*Development Wells-in-Progress.* The principal additions to domestic development wells-in-progress during Fiscal 2011 related to our development activities in our assets in Assam, as well as the Krishna-Godavari basin. The principal additions to international development wells-in-progress related development activities at the Mansarovar Energy project in Columbia, as well as Blocks A-1 and A-3 in Myanmar. The principal additions to domestic development wells-in-progress during the three months ended June 30, 2011 related to our development activities in our assets in the Mumbai offshore basin and in RJ-ON-90/1 in Rajasthan.

## Liquidity and Capital Resources

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditure. To fund these costs, we have relied on primarily cash flows from operations, and to a lesser extent, short-term and long-term borrowings.

### Capital Expenditure

The following table sets forth our capital expenditure (actual for Fiscal 2011 and budgeted estimates for Fiscal 2012, and actual and budgeted estimates for the three months ended June 30, 2012) for our domestic operations including exploratory and drilling activities and research and development costs.

(₹ million)

| Capital outlay for domestic operations |                      |                                  |
|----------------------------------------|----------------------|----------------------------------|
|                                        | Actual (Fiscal 2011) | Budgeted Estimates (Fiscal 2012) |
| Seismic survey                         | 16,674.40            | 18,635.30                        |
| Exploratory drilling                   | 86,383.29            | 93,005.80                        |
| Development drilling                   | 38,904.93            | 56,959.10                        |
| Capital expenditure                    | 130,393.00           | 115,714.40                       |
| Research and development               | 3,716.78             | 3685.50                          |
| Integration projects                   | 6,683.00             | 12,400.10                        |
| <b>Total</b>                           | <b>282,755.40</b>    | <b>300,400.20</b>                |

(₹ million)

| Capital outlay for domestic operations |                                           |                                                       |
|----------------------------------------|-------------------------------------------|-------------------------------------------------------|
|                                        | Actual (Three months ended June 30, 2011) | Budgeted Estimates (Three months ended June 30, 2011) |
| Seismic survey                         | 4,061.62                                  | 5,531.03                                              |
| Exploratory drilling                   | 20,192.71                                 | 19,510.94                                             |
| Development drilling                   | 8,132.51                                  | 12,526.68                                             |
| Capital expenditure                    | 24,821.78                                 | 14,090.36                                             |
| Research and development               | 812.19                                    | 419.14                                                |
| Integration projects                   | 230.00                                    | 248.00                                                |
| <b>Total</b>                           | <b>58,250.81</b>                          | <b>52,326.15</b>                                      |

### Cash Flows

The table below summarises our cash flows in Fiscal 2010 and 2011, and for the six months ended June 30, 2011.

(₹ million)

|                                                      | Fiscal       |              | Three months ended |
|------------------------------------------------------|--------------|--------------|--------------------|
|                                                      | 2010         | 2011         | June 30, 2011      |
|                                                      | (Audited)    |              | (Unaudited)        |
| Net cash from operating activities                   | 287,829.20   | 419,798.53   | 172,773.69         |
| Net cash used in investing activities                | (211,018.77) | (244,153.80) | (76,835.96)        |
| Net cash from (used in) financing activities         | (82,727.20)  | (117,602.66) | 2,390.82           |
| Net increase/(decrease) in cash and cash equivalents | (5,916.77)   | 58,042.07    | 98,328.55          |

### ***Cash flows from operating activities***

#### ***Three months ended June 30, 2011***

Net cash flow from operating activities for the three months ended June 30, 2011 was ₹172,773.69 million, comprising profit before tax of ₹86,151.69 million, as adjusted by positive non-cash and non-operating items of ₹21,472.21 million and positive working capital changes of ₹79,648.53 million, less direct taxes paid of ₹14,482.00 million. Working capital adjustments primarily included an increase in trade payable and other liabilities of ₹95,387.28 million, offset in part by an increase in debtors and loans and advances of ₹12,681.09 million and ₹3,524.46 million, respectively.

The increase in trade payable for the three months ended June 30, 2011 was attributable primarily to our issuance of credit notes to our public sector oil marketing customers to give effect to the discount on the sales price of domestic crude from our nomination blocks representing our increased share of under-recoveries for the three months ended June 30, 2011.

#### ***Fiscal 2011***

Net cash flow from operating activities in Fiscal 2011 was ₹ 419,798.53 million, comprising profit before tax of ₹ 343,163.17 million, as adjusted by non-cash and non-operating items of ₹112,279.43 million and working capital items of ₹ 69,576.74 million, less direct taxes paid of ₹ 105,192.24 million. Working capital adjustments primarily included an increase in trade payable and other liabilities of ₹106,613.07 million, offset in part by an increase in debtors, inventories and other current assets by ₹33,725.60 million, ₹ 3,925.27 million and ₹1,416.55 million, respectively.

The increase in trade payable in Fiscal 2011 was attributable primarily to our issuance of credit notes to our public sector oil marketing customers to give effect to the discount on the sales price of domestic crude from our nomination blocks representing our increased share of under-recoveries in Fiscal 2011.

#### ***Fiscal 2010***

Net cash flow from operating activities in Fiscal 2010 was ₹287,829.20 million, comprising profit before tax of ₹304,413.64 million, as adjusted by non-cash and non-operating items of ₹76,594.65 million and negative working capital items of ₹16,196.12 million, less direct taxes paid of ₹77,483.72 million. Working capital adjustments primarily included an increase in inventories of ₹17,272.75 million and an increase in loans and advances of ₹12,337.85 million, offset in part by an increase in trade payables of ₹14,980.85 million.

### ***Cash flows from investing activities***

#### ***Three months ended June 30, 2011***

Net cash used in investing activities for the three months ended June 30, 2011 was ₹76,835.96 million, primarily relating to the purchase of fixed assets (net of sales) of ₹34,588.57 million, investments in exploratory and development drilling of ₹23,277.78 million, purchase of investments of ₹19,212.73 million and advances to Sudapet and carry finances (*i.e.*, expenses incurred on behalf of our joint venture partners in our international operations that are classified as receivables) of ₹6,248.49 million. Our cash flow used in investments for the three months ended June 30, 2011 primarily related to our domestic exploration, development and production activities and our ongoing project to expand the capacity of MRPL's refinery in Mangalore from 11.82 MMTPA to 15.00 MMPTA. We expect to achieve mechanical completion of the expansion project during October 2011, and that our expanded production capacity will come on-line during December 2011.

#### ***Fiscal 2011***

Net cash used in investing activities in Fiscal 2011 was ₹ 244,153.80 million, primarily relating to purchase of fixed assets (net of sales) of ₹196,853.09 million, investments in exploratory and development drilling of ₹80,193.48 million and purchase of investments of ₹ 12,506.82 million. Our cash flow used in investments in Fiscal 2011 primarily related to our domestic exploration, development and production activities and our ongoing project to expand the capacity of MRPL's refinery in Mangalore from 11.82 MMTPA to 15.00 MMPTA, which we intend to complete by October 2011.

### *Fiscal 2010*

Net cash used in investing activities in Fiscal 2010 was ₹211,018.77 million, primarily relating to purchase of fixed assets (net of sales) of ₹123,123.39 million, investments in exploratory and development drilling of ₹89,407.83 million and purchase of investments of ₹31,410.34 million. Our cash flow used in investments in Fiscal 2011 primarily related to our domestic exploration, development and production activities.

### ***Cash flows from (used in) financing activities***

#### *Three months ended June 30, 2011*

Net cash from financing activities for the three months ended June 30, 2011 was ₹2,390.82 million, primarily relating to proceeds of term loans and commercial paper, offset in part by interest paid of ₹1,038.82 million.

#### *Fiscal 2011*

Net cash used in financing activities in Fiscal 2011 was ₹ 117,602.66 million, primarily relating to dividends paid of ₹ 101,427.32 million and tax on dividend of ₹16,471.37 million.

#### *Fiscal 2010*

Net cash used in financing activities in Fiscal 2010 was ₹82,727.20 million, primarily relating to dividends paid of ₹69,377.54 million and tax on dividend of ₹11,403.91 million.

### ***Research and Development***

In Fiscal 2010 and 2011, and for the three months ended June 30, 2011, we spent ₹2,199.45 million, ₹ 3,716.77 million and ₹812.19 million, respectively, on research and development activities.

### ***Contractual Obligations and Commercial Commitments***

The following table sets forth certain of our contractual obligations and commercial commitments as of March 31, 2011, classified by maturity.

(₹ million)

| Particulars                               | Payment due by period      |                  |                 |                  |                   |
|-------------------------------------------|----------------------------|------------------|-----------------|------------------|-------------------|
|                                           | Total as of March 31, 2011 | Less than 1 year | 1-3 years       | 3-5 years        | More than 5 years |
| Long-term debt obligations <sup>(1)</sup> | 42,869.36                  | 6,328.79         | 6,444.35        | 21,661.61        | 8,434.61          |
| Capital lease obligations <sup>(2)</sup>  | 4,021.60                   | 679.72           | 1,265.40        | 843.60           | 1,232.87          |
| <b>Total</b>                              | <b>46,890.96</b>           | <b>7,008.51</b>  | <b>7,709.75</b> | <b>22,505.21</b> | <b>9,667.48</b>   |

(1) Our long-term debt obligations include term loans from banks and financial institutions, sales tax deferment loans, non-recourse deferred credit facilities and working capital facilities, as well as unsecured non-convertible redeemable bonds issued by us in December 2009 and June 2010.

(2) Our capital lease obligations relate to our share of the lease liability with respect to the leasing of major oil field equipment

(3) We classify our minimum work program obligations as contingent liabilities, and therefore do not include such obligations in the table above.

### ***Our Indebtedness***

The following table sets forth details relating to our outstanding indebtedness as of June 30, 2011 are as follows:

(₹ million)

| Indebtedness            | As of June 30, 2011 |
|-------------------------|---------------------|
| Domestic Secured        | 4,981.40            |
| Domestic Unsecured      | 50,302.15           |
| International Secured   | 1,891.66            |
| International Unsecured | 9,060.15            |
| <b>Total</b>            | <b>66,235.36</b>    |

Our total consolidated debt as of June 30, 2011 was ₹66,235.36 million. Our domestic secured debt of ₹4,981.40 million as of June 30, 2011 consisted of short-term loans from various banks in India, secured by term deposits held by us in such banks. While most of our domestic unsecured debt also consists of short-term debt, we also have issued the following bonds in India: In December 2009, we issued ₹19,700.00 million in unsecured non-convertible 8.40% redeemable bonds due in 2014, and in January 2010, we issued ₹3,700.00 million in unsecured non-convertible 8.54% redeemable bonds due in 2020. The proceeds from these bonds was used primarily to refinance the commercial paper we had issued to fund our acquisition of the Imperial Energy in Russia in 2009. The substantially majority of our international indebtedness is under a US\$200 million unsecured credit facility from a consortium of banks led by Sumitomo Mitsui Banking Corporation, Singapore.

### **Off-Balance Sheet Arrangements and Financial Instruments**

#### **Contingent Liabilities**

The following table sets forth the principal components of our contingent liabilities as of June 30, 2011:

| <b>Contingent Liabilities</b>                                          | <b>As of June 30, 2011</b> |
|------------------------------------------------------------------------|----------------------------|
| Capital commitments not provided for <sup>(1)</sup>                    | 437,503.70                 |
| Claims against the Company / disputed demands not acknowledged as debt | 158,442.77                 |
| Bank guarantees                                                        | 21,726.81                  |
| Corporate guarantees outstanding                                       | 37,327.75                  |
| <b>Total</b>                                                           | <b>655,001.03</b>          |

(₹ million)

(1) Capital commitments not provided for includes the estimated amount of contracts to be executed on capital account, and estimated amount of minimum work program committed under various PSCs with GoI nominated blocks.

#### **Principal Sources of Liquidity**

As of June 30, 2011, our cash and cash equivalents amounted to ₹384,005.32 million. Our anticipated cash flows depend on several factors beyond our control, such as international prices of crude oil and LPG, GoI regulation of prices, and the rates of statutory levies by the GoI.

### **Qualitative Disclosures about Market Risk**

#### **Commodity Price Risk**

Movements in the price of crude oil significantly affect our results of operations in both upstream and downstream activities. Declines in crude oil prices may adversely affect our revenues and profits, and substantial or extended declines may have a material adverse effect on our financial condition, including our liquidity and our ability to finance planned capital expenditure, and our results of operations. For further information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations- Factors Affecting Our Results of Operations—Prices of Crude Oil and Petroleum Products" on page 430. We do not currently have in place any hedging mechanisms for commodity price risk.

#### **Operating Risk**

We are exposed to operating risks, including risk relating to our reserves, risk of loss of crude oil and natural gas in production and transportation, risk of terrorist attacks and natural calamities risk in respect of all our installations and facilities. We have a standard fire and special perils policy for risks associated with fire, lightning, explosion, riot, strike, terrorism damage and damage caused by natural factors. We also maintain a comprehensive energy insurance package policy for our offshore business and activities which covers our oil and gas exploration, production and contractual / joint venture operations and related facilities in India including transits worldwide.

#### **Exchange Rate Risk**

The prices of crude oil, natural gas and value-added products that we produce, which account for the substantial majority of our sales revenues, are denominated in U.S. Dollars. However, a substantial portion of our domestic expenditure, as well as our financial statements, are denominated in Indian Rupees. As a result, fluctuations in

foreign exchange rates, in particular the exchange rate of U.S. Dollars for Indian Rupees, may materially affect our revenues and results of operations. For further information, please see " Management's Discussion and Analysis of Financial Condition and Results of Operations- *Factors Affecting Our Results of Operations— Foreign Exchange Rate Fluctuations*" on page 435. We maintain very limited hedging or derivative programs to cover these risks. For further information on our forward contracts to cover exchange rate risk, please see "Financial Information - *Financial Statements - Auditor's Report - Report on Consolidated Financial Statements – Annexure XXXIIIB- Note 15* " on page 405. However, the risk involved in our required payments in foreign currencies is offset to some degree by our revenues from sales of crude oil and petroleum products, which are linked to the U.S. Dollar and increase if the U.S. Dollar strengthens against the Indian Rupee.

### ***Interest Rate Risk***

We are exposed to interest rate risk on our earnings. We make short-term investments with banks and other financial institutions and a decrease in the interest rates in the domestic market will result in lower interest earnings on short-term deposits.

### ***Inflation Risk***

We also are experiencing increasing inflation levels, which can erode the real value of returns on our long-term fixed deposits.

### **Significant developments after June 30, 2011 that may affect our future financial operations**

To our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

Cairn Energy Plc has announced the proposed disposal of its substantial shareholding in Cairn India Limited, our joint venture partner in the RJ-ON-90/1 block, to Vedanta Resources Plc. According to a letter received from Cairn Energy PLC dated August 16, 2011 and the enclosed letter dated July 26, 2011 from the MoPNG, the GoI has granted its consent for the proposed transaction, subject to certain conditions and undertakings. For further information please see "Factors Affecting Results of Operations—*Statutory Levies—Pre-NELP*" on page 436 in this section, "Risk Factors—*We are required to bear the entire royalty and/or OID cess burden in relation to certain blocks in which we are a licensee or hold a participating interest*", "Our Business—*Producing Fields held through Joint Ventures*" on pages 36 and 171 respectively, of this RHP. We believe this will not have a materially adverse affect on our operations or profitability within the next 12 months.

### **Analysis of Certain Changes**

#### ***Unusual and Infrequent Events or Transactions***

To our knowledge, there have been no unusual or infrequent events or transactions that have taken place in the last three years except as we have described in this Red Herring Prospectus.

#### ***Recent Accounting Pronouncements***

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI in January, 2010. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved.

Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material adverse effect on the amount of income recognized during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.



### ***Significant economic changes***

To our knowledge, except as we have described in this Red Herring Prospectus, there are no known factors which we expect to occur which will bring about significant economic changes.

### ***Known trends or uncertainties***

Our business has been, and we expect it to continue to be, affected by the trends identified above in “Factors affecting our Results of Operations” in this section and the uncertainties described in “Risk Factors” on page 20. To the best of our knowledge and belief, there are no known factors which we expect to have a material adverse impact on our revenues or income from continuing operations, except as described in this Red Herring Prospectus.

### ***Future relationship between expenditure and revenues***

Except as described herein and in the sections “Risk Factors”, “Our Business” and “Management's Discussion and Analysis of Financial Condition and Results of Operations”, to the best of our knowledge and belief there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

### ***Increase in our revenue***

We believe that the general growth anticipated to be achieved in our Company's business would contribute to an increase in our revenue in future periods.

### ***Significant regulatory changes***

There have been no significant regulatory changes that we expect could affect our income from continuing operations. For details of the regulatory framework presently applicable to our Company, see “Regulations and Policies in India” on page 199.

### ***New products or business segments***

We intend to continue to explore other business opportunities, which allow us to leverage on our existing business. However, we have not entered into any material agreements since June 30, 2011, except as otherwise described above in “Significant developments after June 30, 2011” in this section and “Our Business”.

### ***Competitive condition***

We expect to face the competitive conditions as described in “Our Business” and “Risk Factors”.

## FINANCIAL INDEBTEDNESS

Set forth is a description of the Company's standalone outstanding domestic unsecured borrowings of ₹ 1,131.14 million as on June 30, 2011:

### Domestic unsecured borrowings

| Name of lender              | Facility                                                                                                                                                                                                                                                                                                               | Interest Rate                                              | Repayment Schedule         |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------|
| State Bank of India ("SBI") | Working capital facilities of ₹ 15,000 million, with the following limits:<br><br><b>Fund based limits:</b><br>▪ Cash credit facility of ₹ 5,000 million.<br><br><b>Non-fund based limits</b><br>▪ Letter of credit facility of ₹ 9,000 million fully interchangeable with bank guarantee facility of ₹ 1,000 million. | For the fund based limits: SBI Prime Lending Rate + 2.00 % | To be repayed upon demand. |

Our Company repaid the entire unsecured borrowings of ₹ 1,131.14 million on July 1, 2011.

## STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

Our Equity Shares are listed on the Stock Exchanges. Our Company's stock market data has been given separately for each of these Stock Exchanges. On February 10, 2011, the face value of the equity shares of our Company was split into ₹ 5 each and consequently, 2,138,872,530 equity shares of ₹ 10 each were split into 4,277,745,060 equity shares of ₹ 5 each ("Stock Split"). Further, on February 10, 2011 our Company allotted 4,277,745,060 Equity Shares as bonus shares in the ratio of one equity shares for every one share held by way of capitalization of the general reserve and securities premium account ("Bonus").

The high and low prices recorded on the Stock Exchanges for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

### BSE

| Fiscal Year / Period               | High (₹) | Date of High       | Volume on date of high (no. of shares) | Low (₹) | Date of Low       | Volume on date of low (no. of shares) | Average price for the year/period (₹)# |
|------------------------------------|----------|--------------------|----------------------------------------|---------|-------------------|---------------------------------------|----------------------------------------|
| <b>Post Bonus and Stock Split</b>  |          |                    |                                        |         |                   |                                       |                                        |
| February 8, 2011 to March 31, 2011 | 302.80   | February 8, 2011   | 1,002,697                              | 261.00  | February 25, 2011 | 418,045                               | 274.39                                 |
| <b>Pre Bonus and Stock Split</b>   |          |                    |                                        |         |                   |                                       |                                        |
| April 1, 2010 to February 7, 2011  | 1,472.00 | September 28, 2010 | 58,319                                 | 997.35  | April 22, 2010    | 162,910                               | 1,240.09                               |
| 2010                               | 1,273.50 | October 14, 2009   | 158,534                                | 752.50  | April 1, 2009     | 475,184                               | 1,105.37                               |
| 2009                               | 1,124.00 | August 12, 2008    | 344,299                                | 538.10  | October 27, 2008  | 758,598                               | 846.41                                 |
| 2008                               | 1,386.90 | November 2, 2007   | 386,789                                | 770.00  | August 17, 2007   | 640,794                               | 1,003.07                               |

Source: [www.bseindia.com](http://www.bseindia.com)

#Average price has been computed based on average of the daily closing prices during the year/period

### NSE

| Fiscal Year / Period               | High (₹) | Date of High       | Volume on date of high (no. of shares) | Low (₹) | Date of Low       | Volume on date of low (no. of shares) | Average price for the year/period (₹)# |
|------------------------------------|----------|--------------------|----------------------------------------|---------|-------------------|---------------------------------------|----------------------------------------|
| <b>Post Bonus and Stock Split</b>  |          |                    |                                        |         |                   |                                       |                                        |
| February 8, 2011 to March 31, 2011 | 301.00   | February 8, 2011   | 4,582,652                              | 260.10  | February 25, 2011 | 2,618,956                             | 274.48                                 |
| <b>Pre Bonus and Stock Split</b>   |          |                    |                                        |         |                   |                                       |                                        |
| April 1, 2010 to February 7, 2011  | 1,472.60 | September 28, 2010 | 1,020,640                              | 996.00  | April 22, 2010    | 1,125,110                             | 1,240.34                               |
| 2010                               | 1,277.65 | October 15, 2009   | 456,876                                | 751.20  | April 1, 2009     | 2,048,657                             | 1,105.25                               |
| 2009                               | 1,140.00 | August 12, 2008    | 1,826,277                              | 538.15  | October 27, 2008  | 4,354,160                             | 846.60                                 |
| 2008                               | 1,385.05 | November 2, 2007   | 1,927,428                              | 768.00  | August 17, 2007   | 2,486,893                             | 1,003.27                               |

Source: [www.nseindia.com](http://www.nseindia.com)

# Average price has been computed based on average of the daily closing prices during the year/period

The details relating to the high and low prices recorded on the Stock Exchanges for the six months preceding the date of filing of this Red Herring Prospectus, the volume of Equity Shares traded on the days the high and low

prices were recorded, average price of our Equity Shares during each such month, the volume of Equity Shares traded during each month and the average number of Equity Shares traded during such trading days, are stated below:

#### BSE

| Month/<br>Period | High<br>(₹) | Date<br>of<br>High | Volume<br>on date<br>of high<br>(no. of<br>shares) | Low<br>(₹) | Date<br>of<br>Low  | Volume<br>on date<br>of low<br>(no. of<br>shares) | Average<br>price<br>for the<br>Period<br>(₹) <sup>(1)</sup> | Volume<br>(no. of<br>shares) | No. of<br>trading<br>days | Average<br>no. of<br>shares<br>traded<br>during<br>trading<br>days |
|------------------|-------------|--------------------|----------------------------------------------------|------------|--------------------|---------------------------------------------------|-------------------------------------------------------------|------------------------------|---------------------------|--------------------------------------------------------------------|
| August,<br>2011  | 289.75      | August<br>10, 2011 | 323,031                                            | 260.50     | August<br>30, 2011 | 1,153,240                                         | 277.40                                                      | 7,810,284                    | 21                        | 371,918                                                            |
| July,<br>2011    | 290.55      | July 1,<br>2011    | 1,784,762                                          | 226.95     | July 15,<br>2011   | 251,523                                           | 277.53                                                      | 10,854,630                   | 21                        | 516,887                                                            |
| June,<br>2011    | 297.40      | June 27,<br>2011   | 3,124,759                                          | 248.00     | June 21,<br>2011   | 774,053                                           | 271.38                                                      | 13,346,273                   | 22                        | 606,649                                                            |
| May,<br>2011     | 315.90      | May 5,<br>2011     | 810,747                                            | 261.90     | May 25,<br>2011    | 247,766                                           | 288.75                                                      | 16,530,371                   | 22                        | 751,381                                                            |
| April,<br>2011   | 325.50      | April 29,<br>2011  | 668,784                                            | 278.90     | April 13,<br>2011  | 261,003                                           | 296.88                                                      | 10,958,664                   | 18                        | 608,815                                                            |
| March,<br>2011   | 292.70      | March<br>31, 2011  | 530,783                                            | 262.10     | March 7,<br>2011   | 351,951                                           | 274.475                                                     | 8,753,773                    | 22                        | 397,899                                                            |

Source: [www.bseindia.com](http://www.bseindia.com)

1. Average price has been computed based on average of the daily closing prices during the month/period

#### NSE

| Month/<br>Period | High<br>(₹) | Date<br>of<br>High | Volume<br>on date of<br>high (no.<br>of shares) | Low<br>(₹) | Date<br>of<br>Low  | Volume<br>on date of<br>low (no. of<br>shares) | Average<br>price<br>for the<br>period<br>(₹) <sup>(1)</sup> | Volume<br>(no. of<br>shares) | No. of<br>trading<br>days | Average<br>no. of<br>shares<br>traded<br>during<br>trading<br>days |
|------------------|-------------|--------------------|-------------------------------------------------|------------|--------------------|------------------------------------------------|-------------------------------------------------------------|------------------------------|---------------------------|--------------------------------------------------------------------|
| August,<br>2011  | 290.15      | August<br>9, 2011  | 6,197,422                                       | 260.00     | August<br>30, 2011 | 7,220,424                                      | 277.48                                                      | 81,387,533                   | 21                        | 3,875,597                                                          |
| July,<br>2011    | 290.90      | July 1,<br>2011    | 7,865,424                                       | 268.40     | July 29,<br>2011   | 4,842,420                                      | 277.69                                                      | 68,020,920                   | 21                        | 3,239,091                                                          |
| June,<br>2011    | 297.50      | June 27,<br>2011   | 19,046,600                                      | 248.05     | June 21,<br>2011   | 6,562,588                                      | 271.47                                                      | 96,755,523                   | 22                        | 4,397,978                                                          |
| May,<br>2011     | 315.80      | May 5,<br>2011     | 6,361,251                                       | 261.40     | May 25,<br>2011    | 2,113,313                                      | 288.73                                                      | 119,360,247                  | 22                        | 5,425,466                                                          |
| April,<br>2011   | 325.65      | May 11,<br>2011    | 3,129,759                                       | 278.55     | April 13,<br>2011  | 3,511,260                                      | 296.84                                                      | 67,968,982                   | 18                        | 3,776,055                                                          |
| March,<br>2011   | 294.20      | March<br>31, 2011  | 6,333,243                                       | 262.00     | March 7,<br>2011   | 2,076,988                                      | 274.72                                                      | 70,737,027                   | 22                        | 3,215,319                                                          |

Source: [www.nseindia.com](http://www.nseindia.com)

1. Average price has been computed based on average of the daily closing prices during the month/period

The closing price was ₹1,333.60 per equity share of ₹10 each on BSE on September 1, 2010, the trading day immediately following the day on which the GoI conveyed its decision for disinvestment. The closing price was ₹ 1,338.95 per equity share of ₹10 each on NSE on September 1, 2010, the trading day immediately following the day on which the GoI conveyed its decision for disinvestment.

The details relating to the weekly high, low and closing prices recorded on the Stock Exchanges during the immediate previous four weeks is as under:

**BSE**

| Week Ending       | Closing<br>(₹) | High<br>(₹) | Date of High    | Low<br>(₹) | Date of Low       |
|-------------------|----------------|-------------|-----------------|------------|-------------------|
| September 2, 2011 | 263.90         | 282.00      | August 29, 2011 | 260.10     | September 2, 2011 |
| August 26, 2011   | 278.00         | 288.40      | August 22, 2011 | 274.25     | August 22, 2011   |
| August 19, 2011   | 275.75         | 284.50      | August 16, 2011 | 271.50     | August 16, 2011   |
| August 12, 2011   | 279.30         | 289.75      | August 10, 2011 | 269.15     | August 8, 2011    |

Source: www.bseindia.com

*Note: In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.*

The closing price was ₹ 263.90 on BSE on September 2, 2011, the trading day immediately preceding the date of filing this Red Herring Prospectus with RoC.

**NSE**

| Week Ending       | Closing<br>(₹) | High<br>(₹) | Date of High    | Low<br>(₹) | Date of Low     |
|-------------------|----------------|-------------|-----------------|------------|-----------------|
| September 2, 2011 | 263.90         | 282.20      | August 29, 2011 | 260.00     | August 30, 2011 |
| August 26, 2011   | 277.95         | 288.80      | August 22, 2011 | 274.45     | August 22, 2011 |
| August 19, 2011   | 276.00         | 285.85      | August 16, 2011 | 271.70     | August 16, 2011 |
| August 12, 2011   | 279.20         | 290.15      | August 9, 2011  | 269.10     | August 8, 2011  |

Source: www.nseindia.com

*Note: In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.*

The closing price was ₹ 263.90 on NSE on September 2, 2011, the trading day immediately preceding the date of filing this Red Herring Prospectus with RoC.

## SECTION VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding material litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Subsidiaries or, our Directors and there are no material defaults, non-payment of statutory dues, over dues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in or dues payable to holders of any debentures, bonds or fixed deposits or arrears of preference shares issued by our Company or our Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offenses (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and our Subsidiaries and no disciplinary action has been taken by the SEBI or any stock exchanges against our Company, our Subsidiaries or Directors that may have a material adverse effect on our unconsolidated financial position, nor, so far as we are aware, are there any such proceedings pending or threatened

We have individually summarized the significant proceedings involving our Company and Subsidiaries in relation to criminal cases, public interest litigation and environmental cases, and with respect of all other proceedings involving our Company and its Subsidiaries for claims exceeding ₹ 500 million (“**Material Cases**”). For other cases, we have disclosed all the legal proceedings pending against our Company and the Subsidiaries in an aggregated manner.

Except as disclosed in “Other Regulatory and Statutory Disclosures” on page 490 neither our Company nor our Subsidiaries or our Directors have been declared as willful defaulters by the RBI or any other Governmental authority. Except as stated below there are no violations of securities laws committed by our Company, our Subsidiaries or our Directors in the past or pending against them.

#### 1. Litigation against our Company

##### A. Contingent liabilities not provided for as of June 30, 2011 as per our standalone and consolidated financial statements

##### A1. Consolidated

| (in ₹ millions)                                   |                            |
|---------------------------------------------------|----------------------------|
| <b>Particulars</b>                                | <b>As of June 30, 2011</b> |
| <i>In respect of the Company</i>                  |                            |
| Income tax matters                                | 18,276.81                  |
| Excise duty matters                               | 5,807.30                   |
| Custom duty matters                               | 1,578                      |
| Royalty                                           | 19,484.60                  |
| Cess                                              | 6.57                       |
| Sales tax                                         | 30,435.61                  |
| Service tax                                       | 2,528.61                   |
| Octroi                                            | 66.89                      |
| AP mineral bearing land tax                       | 1,519.80                   |
| Specified land tax (Assam)                        | 2,610                      |
| Claims of contractors in arbitration/court        | 37,671.18                  |
| In respect of other matters                       | 17,676.72                  |
| <b>Sub Total</b>                                  | <b>1,37,662.09</b>         |
| <i>In respect of the Joint Ventures</i>           |                            |
| Income tax matters                                | 8.91                       |
| Custom duty matters                               | 3,457.81                   |
| Sales tax                                         | 2,959.04                   |
| Claims of the GOI for additional profit petroleum | 3,634.77                   |
| Claims of contractors in arbitration/court        | 9,798.46                   |
| In respect of other matters                       | 764.27                     |
| Service tax                                       | 157.42                     |
| <b>Sub Total</b>                                  | <b>20,780.68</b>           |
| <b>Total</b>                                      | <b>1,58,442.77</b>         |

**A2. Standalone***(in ₹ millions)*

| <b>Particulars</b>                                | <b>As of June 30, 2011</b> |
|---------------------------------------------------|----------------------------|
| <i>In respect of the Company</i>                  |                            |
| Income tax matters                                | 12,656.78                  |
| Excise duty                                       | 5,475.66                   |
| Custom duty                                       | 1,447.47                   |
| Royalty                                           | 19,484.60                  |
| Cess                                              | 6.57                       |
| Sales tax                                         | 29,465.08                  |
| Service tax                                       | 2,528.61                   |
| Octroi/ Municipal tax                             | 66.89                      |
| AP mineral bearing land tax                       | 1,519.80                   |
| Specified land tax (Assam)                        | 2,610                      |
| Claims of contractors in arbitration/court        | 37,080.67                  |
| In respect of other matters                       | 15,648.01                  |
| <b>Sub Total</b>                                  | <b>127,990.14</b>          |
| <i>In respect of the Joint Ventures</i>           |                            |
| Income tax matters                                | 8.91                       |
| Custom duty                                       | 3,457.81                   |
| Sales tax and service tax                         | 3,116.46                   |
| Claims of the GOI for additional profit petroleum | 3,634.77                   |
| Claims of contractors in arbitration/court        | 9,798.46                   |
| Others                                            | 764.27                     |
| <b>Sub Total</b>                                  | <b>20,780.68</b>           |
| <b>Total</b>                                      | <b>148,770.82</b>          |

If any of these contingent liabilities materialise, the value of our capital work in progress and profitability could be adversely affected.

**B. Pending litigation filed against our Company*****Criminal Cases***

There are 23 criminal cases, pending against our Company. The details of these are as follows.

1. The Deputy Director Industrial Safety & Health, Raigad, Mumbai filed a complaint (No. 525 of 2008) against the former Chairman and Managing Director ("CMD") of our Company, before the Chief Judicial Magistrate, Alibaug alleging that our Company failed to register its Nhava supply base as 'factory' under the Factories Act, 1948. The Chief Judicial Magistrate by its order dated October 23, 2008 directed that process be issued against the CMD. Aggrieved by the aforesaid order, a criminal revision application (No. 89 of 2010) was filed by the CMD against the Deputy Director, Industrial Safety and Health, Raigad, Mumbai and the State of Maharashtra before the Sessions Court, Raigad, challenging the order. The Sessions Court Raigad by its order dated June 4, 2011 dismissed the revision application filed by our Company. A writ petition (no.1709 of 2011) was filed by our Company challenging the Order before the High Court of Bombay, which was admitted on June 24, 2011 and a stay order was granted in our favour. The matter is currently pending".
2. The Deputy General Manager ("DGM") of the Western Offshore Basin of our Company has filed a writ petition (No. 2288 of 2010) against the State of Maharashtra and others before the Bombay High Court, praying for admittance of the revision petition that was dismissed by the Sessions Court, Bombay by order dated October 12, 2009 in relation to a fire investigation report dated June 16, 2006 alleging negligence in compliance with fire safety standards that resulted in a fire at our Company's Priyadarshini premises at Mumbai. Thereafter, summons was issued on the basis of the police report in case No. 339/PS/07 by the Metropolitan Magistrate; against which our Company filed a criminal revision application (No. 994/2009) before the Additional Sessions Judge praying for the DGM's discharge which was dismissed by the order dated October 12, 2009. Aggrieved by the same, the DGM

has filed the present criminal writ petition praying, amongst others, for dismissal of the case. The matter is currently pending.

3. The former Executive Director (“**ED**”), Basin Manager, Western Offshore, of our Company has filed a special leave petition (criminal No. 88/89 of 2008) against, the Labour Enforcement Officer (Central) (“**LEO**”), Mumbai before the Supreme Court of India, praying for special leave to appeal against the final ex-parte order dated August 27, 2007 and recall review order September 19, 2007, passed by the Bombay High Court. A show-cause notice dated December 10, 2003 was issued by the LEO, Mumbai seeking reasons for failure to maintain the required register of contractors for our off shore premises at Priyadarshini Sion, Mumbai under sections 23 and 24 of the Contract Labour (Regulation & Abolition) Act, 1970, as amended (“**Contract Labour Act**”). Pursuant to the show-cause notice, the LEO, Mumbai filed a criminal complaint (No. 64/SLC/2004) against the ED before the Metropolitan Magistrate, Dadar. The Metropolitan Magistrate issued summons and process dated March 8, 2004, against the ED, pursuant to which our Company filed a criminal writ petition (No. 1592 of 2007) for recalling the order of March 8, 2004 and for quashing and setting aside the complaint No. 64/SLC/2004. This writ petition was dismissed by an order dated August 27, 2007 pursuant to which the ED filed a recall review of the order dated August 27, 2007 which was dismissed by order dated September 19, 2007 and thereafter the current special leave petition was filed. The matter is currently pending.
4. Our Company has filed two criminal writ petitions (No. 1360 of 2003 and No. 1605 of 2007), against, amongst others, the Regional Labour Commissioner (Central), Mumbai and the LEO, Mumbai respectively before the Bombay High Court, praying for directions to quash the order dated October 10, 2003 issued by the Metropolitan Magistrate, Dadar against our Company in criminal complaint (No. 704/SLC/2003) filed by the LEO Mumbai and setting aside criminal complaint No. 704/SLC/2003 filed by the LEO Mumbai. These two criminal writ petitions were filed in relation to allegations of violations of the Contract Labour Act and the Contract Labour (Regulation & Abolition) Rules, 1971 on grounds of, amongst others, failure to submit certain forms to the Labour Inspector within stipulated timelines, failure to amend the registration certificate and failure of our independent contractor Schlumberger Asia Services Private Limited to adhere to due process. The matters are currently pending.
5. The former CMD and the former Director-Human Resources (“**Dir (HR)**”) of our Company have filed a criminal miscellaneous application (No. 25287 of 2009) against the Labour Enforcement officer (Central), Dehradun and the Union of India before the Allahabad High Court, praying for quashing of the order dated August 4, 2009 passed by the Chief Judicial Magistrate, Gautam Budh Nagar in relation to certain alleged violations under the Contract Labour Act. Previously, the LEO, Dehradun issued a show-cause notice (No. D-35/(78)/08/LEO) dated September 17, 2008 to our Company alleging, amongst others, certain irregularities at the ONGC Noida Residential Colony, sector-39, Noida under the Contract Labour Act. Thereafter, a criminal case (No. 13435 of 2008) was instituted by the LEO, Dehradun, before the Chief Judicial Magistrate, Gautam Budh Nagar who issued summons dated August 4, 2009 against the CMD and the Dir (HR). Aggrieved by the same they have filed the current criminal miscellaneous application. The Allahabad High Court has stayed the proceedings and the summons dated August 8, 2009 vide order dated November 12, 2009. The matter is currently pending.
6. The LEO, Kolkata has filed three criminal complaints (No. 6845 of 2004, No. 3699 of 2005 and No. 1080 of 2003) against various officials of our Company on allegations of violations of various provisions of the Contract Labour Act, amongst others, failure to register the establishment, failure to display notice showing rates of wages, hours of work, wage periods, failure to produce requisite forms, failure to maintain proper register of contractors. The criminal complaint (No. 1080 of 2003) is currently pending before the Chief Judicial Magistrate, Alipore. The Chief Judicial Magistrate, Kolkata by orders dated June 30, 2004 and August 4, 2005 in the aforesaid two criminal complaints (No. 6845 of 2004 and No. 3699 of 2005) issued directions to conduct an inquiry before taking cognizance of the matters, against which our Company filed two criminal revision petitions (No. CRR No. 1398 of 2005 and CRR No.2599 of 2005) before the Calcutta High Court which are currently pending.
7. The LEO, Bokaro has filed a criminal petition (CLA No. 12 of 2009) against the DGM of our Company and various others before the court of the Chief Judicial Magistrate, Bokaro praying for the issuance of process against the DGM in relation to certain alleged violations under the Contract Labour Act. Previously, the LEO, Bokaro issued a show-cause notice dated February 17, 2009 seeking reasons



for engaging contract labours in fire fighting in contravention of the Government notification no. S.O 648 dated September 8, 1994 and of the Contract Labour Act. Thereafter, the LEO, Bokaro instituted the current criminal case. The matter is currently pending.

8. The State of Jharkhand has filed a criminal petition (CLA Case No. 17 of 2000) against the former Director (Personnel) of our Company and others before the Chief Judicial Magistrate, Dhanbad praying that process be issued against them in relation to alleged violations of the Contract Labour Act with regard to our coal bed methane project at Talgoria. The alleged breaches, amongst others, included failure to display notice showing rates of wages, hours of work, wage periods and non-maintenance of register of contractors in respect of each contractor. The Chief Judicial Magistrate, Dhanbad passed an order dated June 12, 2007, and issued a warrant against them, pursuant to which they, filed a criminal writ petition (W.P. (Cr.) No. 253 of 2007) praying, amongst others, for a writ for quashing of the order dated June 12, 2007 and a criminal miscellaneous petition (Cr. M.P No. 1292/2007) against the State of Jharkhand and another before the Jharkhand High Court, for grant of a stay order in criminal writ petition (No 253 of 2007). A stay was issued in the aforesaid writ petition by the Jharkhand High Court by an order dated March 30, 2009. The matter is currently pending.
9. The Regional Inspector of Mines Safety, Udaipur has filed three criminal cases (No. 5560 of 2009, No. 423 of 2010 and No. 2876 of 2009) against various officials of our Company at the Ankleshwar work over oil mine and the Mehsana asset before the Judicial Magistrate located at Ankleshwar, Jambusar and Mehsana respectively on allegations of violations of section 72A, 72C(1)(a) and 73 of the Mines Act, 1952 and provisions of the Oil Mines Regulations, 1984 on account of allegations of our Company's failure to adhere to safety standards which led to the death of two individuals at the Ankleshwar work over mine and Mehsana asset. The matters are currently pending.
10. The Factory Inspector, Gujarat has filed four criminal cases (Numbers 669 of 1997, 1132 of 2002, 1133 of 2002 and 1134 of 2002) against various officials of our Company before the Judicial Magistrate at Surat on allegations of, violations of, amongst others, the Factories Act, 1948 and the Gujarat Factories Rules, 1963, including failure to register under the Factories Act, 1948 and failure to intimate the Factories Inspector of leakages of ethyl mercaptane gas. The matter is currently pending.
11. The LEO, Ahmedabad has filed three criminal petitions (Cr. Case No. 10231/06, Cr. Case No. 5899/07 and Cr. Case No. 13222/07) against the Chief Manager (Security) and our Company before the Chief Judicial Magistrate, Gandhinagar on allegations of contraventions of the Contract Labour Act and other provisions of the Contract Labour Rules including, amongst others, failure to display rates of wages and dates of payment, failure to display notices, failure to pay wages to the workers and failure to keep the register of contractors and the register of fines. The matters are currently pending.
12. A fire investigation report (FIR No. 50/98) was filed by the investigating officer against certain officers of our Company, on allegations that they broke a wall at a drill site, consequent to which chemicals and crude oil mixed mud water flowed in the garden and caused diseases to the labourers working there. Thereafter the matter was brought before the court of the Judicial Magistrate, First Class (G.R. No. 550/98), Sivasagar, Assam. The matter is currently pending.
13. The State of Gujarat has filed a case (Sessions Case No. 173 of 2003) against, the then Security Officer of our Company and others before the Sessions Court, Ahmedabad, alleging that he be penalized for offenses under sections 307, 333 and 186 of the Indian Penal Code and under section 30 of the Arms Act, 1959 in relation to an incident of theft of crude oil from the pipelines of our Company that resulted in the Security Officer of our Company firing at such persons. The matter is currently pending.

### ***Income Tax Proceedings***

There are 126 income tax proceedings (including disputes relating to tax deduction at source) pending against our Company involving disputed tax amounts aggregating approximately to ₹ 19,430.34 million including sums paid by our Company under protest. Of these cases, the details of the Material Cases are mentioned below.

#### ***Assessment Year 2009-2010***

4. Our Company has filed an appeal (No.5 of 2011) with the Commissioner of Income Tax (A) ("CIT(A)"), Andhra Pradesh against the order dated March 1, 2011 ("Order") of the Income Tax

Officer, Rajahmundry (“**Officer**”) under sections 201(1) and 201(1A) of the Income Tax Act, 1961 (“**IT Act**”) for the assessment year 2009-2010. In the Order, the Officer alleged that our Company, under the provisions of section 194 I of the IT Act, had deducted a lower amount of tax at source than it was under an obligation to pay. The tax disputed amount is ₹ 154.91 million. The matter is currently pending.

#### *Assessment Year 2008-2009*

1. Our Company has filed an appeal (No. 60/DDN/2010-11) with the CIT(A), Dehradun against the assessment order dated December 28, 2010 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act, for the assessment year 2008-2009. In this appeal, our Company has prayed to the CIT(A) to set aside various disallowances and additions made in the abovementioned assessment order, including, amongst others, the disallowance of deduction under section 80IB(9) of the IT Act in respect of undertakings engaged in the production/refining of mineral oil, addition of royalty amount paid on onshore production by our Company, addition of dry docking expenses, and addition of contribution by our Company to the Composite Social Security Scheme Trust. The disputed tax amount in this matter is ₹ 8,955.75 million. The matter is currently pending.
2. Our Company has filed an appeal (No. 4 of 2011) with the CIT(A), Andhra Pradesh against the order dated March 1, 2011 (“**Order**”) of the Income Tax Officer, Rajahmundry (“**Officer**”) under sections 201(1) and 201(1A) of the IT Act for the assessment year 2008-2009. In the Order, the Officer alleged that our Company against the provisions of section 194 I of the IT Act, had deducted a lower amount of tax at source than it was under an obligation to pay. The disputed tax amount is ₹ 160.08 million. The matter is currently pending.

#### *Assessment Year 2007-2008*

1. Our Company, as well as the Assistant Commissioner of Income Tax, Circle-I, Dehradun have filed appeals (Appeal No. 3409/Del/08 filed by our Company and Appeal No. 3458 of Del 2008-2009 filed by the Assistant Commissioner of Income Tax, Circle-I, Dehradun) in the ITAT, New Delhi on November 11, 2008 and November 17, 2008, respectively, against an order passed by the Commissioner of Income Tax (Appeals)-I on September 2, 2008. Our Company had filed an appeal (No. 002/DDN/08-09) on April 17, 2008 against the assessment order dated March 25, 2008 passed by the office of the Additional Commissioner of Income Tax, Range-I, Dehradun for the assessment year 2007-2008. In its appeal, the Assistant Commissioner of Income Tax, Range-I, Dehradun has prayed for the ITAT to set aside various allowances and deletions made in the abovementioned order. Our Company has, in its appeal, prayed for the ITAT to set aside various disallowances and additions made in the abovementioned assessment order, including, amongst others, the loss arising on account of foreign currency fluctuation on the revenue account is to be allowed at the time of actual payment and not on accrual basis; disallowance of deductions under section 80 IB(9) of the IT Act in respect of profits derived by undertakings engaged in production and/or refining of mineral oil and the disallowance of the contribution of our Company towards the Composite Social Security Scheme of our Company. The disputed tax amount in this matter is ₹ 1,769.38 million and ₹ 753.64 million in respect of the appeal filed by the Assistant Commissioner of Income Tax. The matter is currently pending.

#### *Assessment Year 2006-2007*

1. Our Company has filed an appeal (No. 61/DDN/2010-11) on January 19, 2011 with the CIT(A), Dehradun against the assessment order dated December 23, 2010 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act for the assessment year 2006-2007. In this appeal, our Company has prayed for the CIT(A) to set aside disallowance made in the assessment order of a deduction made by our Company under section 80IB(9) of the IT Act in respect of undertakings engaged in the production of mineral oil. The disputed tax amount in this matter is ₹ 875.14 million. The matter is currently pending.
2. The Commissioner of Income Tax, Dehradun has filed against two appeals (No. 18 of 2010 and 23 of 2010) against our Company in the High Court of Uttarakhand, Nainital against the order of the Income Tax Appealate Tribunal dated November 30, 2009 for the assessment year 2006-2007. In these appeals,

the Commissioner of Income Taxes has prayed for the high court to restore the disallowances made in the assessment order dated March 26, 2007 by the assessing officer against our Company of deductions on account of dry docking expenses and excess payment of royalty for on-shore production on pre-discount price with respect to the post discount price as claimed by our Company amounting to ₹ 8,086.61 million. The disputed tax amount in these matters is ₹ 2,721.95 million. The matters are currently pending.

#### *Assessment Year 2005-2006*

1. Our Company has filed an appeal (No. 62/DDN/2010-11) on January 19, 2011 with the CIT(A), Dehradun against the assessment order dated December 23, 2010 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act for the assessment year 2005-2006. In this appeal, our Company has prayed for the CIT(A) to set aside disallowance made in the assessment order of a deduction made by our Company under section 80IB(9) of the IT Act in respect of undertakings engaged in the production of mineral oil. The disputed tax amount in this matter is ₹ 619.55 million. The matter is currently pending.

#### *Assessment Year 2004-2005*

1. Our Company has filed an appeal (No. 63/DDN/2010-11) on January 19, 2011 with the CIT(A) of, Dehra dun against the assessment order dated December 23, 2010 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act for the assessment year 2004-2005. In this appeal, our Company has prayed for the CIT(A) to set aside disallowance made in the assessment order of a deduction made by our Company under section 80IB(9) of the IT Act in respect of undertakings engaged in the production of mineral oil. The disputed tax amount in this matter is ₹ 647.45 million. The matter is currently pending.

#### *Assessment Year 2003-2004*

1. Our Company has filed an appeal (No. 64/DDN/2010-11) on January 19, 2011 with the CIT(A), Dehra dun against the assessment order dated December 23, 2010 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act for the assessment year 2003-2004. In this appeal, our Company has prayed for the CIT(A) to set aside various disallowances made in the abovementioned assessment order, including, amongst others, disallowance of a deduction under section 80 IB(9) of the IT Act in respect of undertakings engaged in the production of mineral oil and disallowance of a deduction under section 80IA of the IT Act in respect of power generating unit at Ankleshwar. The disputed tax amount in this matter is ₹ 887.70 million. The matter is currently pending.

#### *Assessment year 2001-2002*

1. Our Company, as well as the Additional Commissioner of Income Tax, Range-I, Dehradun has filed appeals (Appeal No. 358/Del/05 filed by the Company and Appeal No. 375/Del/05 filed by the Additional Commissioner of Income Tax, Range-I, Dehradun) in the ITAT, New Delhi on January 27, 2005 and January 25, 2005 respectively against an order passed by the CIT(A) on November 29, 2004 pursuant to the appeal filed by our Company (Appeal No. 077/DDN/05-06) on April 21, 2005 against the assessment order dated February 27, 2004 from the office of the Additional Commissioner of Income Tax, Range-I, Dehradun passed under section 143(3) of the IT Act for the assessment year 2001-2002. In its appeal, our Company has prayed for the ITAT to set aside various disallowances and additions made in the abovementioned order, including, amongst others, disallowance of the interest paid on borrowings on the basis of the difference between the rate of interest on the borrowings and the rate of interest of tax-free bonds; disallowance of payments made by the Company to various clubs; charging of interest received by the Company on refunds of income tax paid by our Company; disallowance of dry docking expenses, furnishing of hired accommodation and expenses for construction of a boundary wall on land belonging to the Bombay Port Trust; and various other grounds. The disputed tax amount in this matter is ₹ 529.31 million in respect of the appeal filed by our Company and ₹ (3,675.09) million in respect of the appeal filed by the Additional Commissioner of Income Tax. The matter is currently pending.

#### *Assessment Year 1995-1996*

1. Our Company has filed an appeal (No. 172/DDN/07-08) on October 19, 2007 with the CIT(A), Dehradun against the assessment order dated August 30, 2007 from the office of the Deputy Commissioner of Income Tax, Circle-I, Dehradun passed under sections 143(3) and 254 of the IT Act for the assessment year 1995-1996. In this appeal, our Company has prayed for the CIT(A), to set aside the addition made in the abovementioned assessment order of a certain sum in the taxable income of our Company, being the signature bonus received by our Company upon signing various production sharing contracts. The disputed tax amount in this matter is ₹ 1,010.88 million. The matter is currently pending.

#### *Other income tax related proceedings*

1. In 1996, the Association of Scientific and Technical Officers, ONGC (“ASTO”), an employee association of our Company had filed a writ petition (WP No. 155/1996) in the Bombay High Court challenging the validity of Rule 3 of the Income Tax Rules, 1962 by virtue of which the value of perquisites provided by employers to their employees was made part of the taxable incomes of individual assesseees. In its writ petition, ASTO had prayed from the Bombay High Court for an order declaring Rule 3 of the Income Tax Rules, 1962 to be unconstitutional, as well as appropriate orders staying the collection of income tax on the amount deducted from the salaries of employees of our Company in lieu of housing accommodation provided to them by our Company. The Bombay High Court dismissed the aforementioned writ petition on March 15, 2010 upholding the validity of Rule 3 of the Income Tax Rules, 1962 and directed our Company to quantify the tax liability equivalent to the amount of tax deducted at source on the value of such perquisite and further directed our Company to remit such tax amount to the Department. In response to this order, our Company filed a review petition in the Bombay High Court (Review petition No. 32/2010) on July 6, 2010 pleading the impossibility of compliance with the aforementioned order since employee records from the year 1996 to 2006 were not available for the quantification of the relevant tax amount. The Bombay High Court, in an order dated July 26, 2010, dismissed the review petition, against which order our Company has filed a special leave petition in the Supreme Court on September 1, 2010. The tax liability involved in this matter aggregates approximately to ₹ 722.25 million. The matter is currently pending.

#### ***Other Proceedings Relating To Tax and Statutory Charges***

There are 341 proceedings relating to various other taxes and statutory charges (exclusive of the income tax proceedings described above), customs duty refund claims, insurance claims and customs duty drawback cases pending against our Company with an aggregate liability of approximately ₹ 63,223.39 million along with interest and penalties, wherever applicable. Of these cases, details of the Material Cases are mentioned below:

1. Our Company has received seven show-cause cum demand notices from the Commissioner of Central Excise and Customs, Raigad from the period between 2002 and 2005. The claims in all of these show-cause cum demand notices are the same, which is that our Company is liable to pay additional excise duties on the difference between the import-parity price at which it sold LPG to the oil marketing companies and the ex-storage price at which invoices were raised by our Company to oil marketing companies in the period between June 2002 to December 2004, such additional duties amounting approximately to ₹ 702.50 million. Thereafter the Commissioner of Central Excise and Customs, Raigad confirmed the demands of excise duty in the show-cause notices and imposed an additional penalty of ₹ 483 million against our Company. Our Company filed an appeal in the CESTAT, Mumbai against the same order and the CESTAT, Mumbai, in an order dated September 24, 2010 considered the dispute on merits and directed that the matter should be directed to a larger bench of the CESTAT duly constituted by the President of India for its consideration. Our Company has, till date, paid an amount aggregating to approximately ₹ 217 million in this matter and the matter is currently pending.
2. The Government of Andhra Pradesh (“GoAP”) introduced the Andhra Pradesh ordinance No. 22 of 2005 (“Ordinance”) by virtue of which it imposed a cess on the mineral produced from various mineral bearing lands within the territory of Andhra Pradesh on terms and conditions as the GoAP would, by notification, specify from time to time. Our Company received a show-cause notice from the Assistant Director of Mines & Geology (LR. No. 5483/M/93) on November 14, 2005 requesting our Company to explain the reasons behind non-payment of mineral cess on crude oil and natural gas produced in the one of the producing assets of our Company in Rajamundry. Our Company filed a writ petition (W.P. No. 1948 of 2006) against this show-cause notice in the Andhra Pradesh High Court

where our Company has claimed, amongst others, that the Ordinance was unconstitutional and *ultra vires* arguing that the GoAP is not empowered to enact an ordinance pertaining to the same. Our Company also has prayed for an interim injunction staying the operation of the Ordinance pending the decision of the Andhra Pradesh High Court in this matter. The Andhra Pradesh High Court, in an order dated February 2, 2006, has admitted the writ petition but dismissed the claim of our Company for an interim injunction staying the operation of the Ordinance. Against this order, our Company has filed a special leave petition in the Supreme Court of India praying for the grant of an interim injunction to stay the operations of the Ordinance pending a decision of the Andhra Pradesh High Court in this matter. The Supreme Court has issued notice in this matter by an order dated March 16, 2006. As on December 31, 2010, our Company is liable to pay an amount aggregating approximately to ₹ 1,403.10 million under the Ordinance. The matter is currently pending.

3. The Commissioner of Customs, Ahmedabad has raised a demand cum show-cause notice (No. VIII/10-52/COMMR/2000) demanding customs duty amounting to approximately ₹ 1,437.50 million on natural gases and condensate received from the BPB Platform of the Mumbai offshore platform of our Company during the period between July 1995, the date on which production of natural gases had commenced from the BPB Platform and September 19, 1996, the date on which BPB Platform was declared as a designated area for the purposes of the Indian Customs Tariff Act. Our Company has filed a reply against the same dated September 25, 2000 arguing that the GoI cannot charge both customs duty as well as royalties on the natural gases and condensate received from the BPB Platform of the Mumbai offshore platform since such royalty can only be levied on goods produced within the territory of India. Subsequently, the MoF, GoI by a letter (bearing No. F.NO. 450/76/93-CUS.IV) dated August 10, 2001 directed all jurisdictional customs authorities not to take any action in relation to claims of customs duty on crude oil/natural gas/condensates brought from offshore oil fields into India. The matter is currently pending.
4. The Commissioner of Customs, Central Excise and Service Tax (“**Commissioner**”), Raigad has issued three demand cum show-cause notices dated April 8, 2010 and November 22, 2010 and June 7, 2011 to our Company and its input service distributors. The claims in the three notices are the same, which is for reversal of CENVAT credit amounting to approximately ₹ 405.72 million in the first notice, ₹ 438.3 million in the second notice and ₹ 301.55 million along with penalties and interest, alleging that our Company had utilized inadmissible CENVAT credit for service tax pertaining to various input services availed and used exclusively in relation to extraction of hydrocarbon at the oilfields of Mumbai offshore. Our Company has replied to the first show-cause notice by its letter dated September 17, 2010 pursuant to which the Commissioner passed an order dated May 6, 2011 disallowing CENVAT credit of ₹ 405.72 million and further imposing a penalty of ₹ 405.72 million. In response to this order, our Company has filed an appeal in CESTAT, Mumbai on August 5, 2011. Our Company is yet to reply to the second and third demand cum show-cause notice. The matter is currently pending.
5. The Commissioner of Central Excise and Customs, Surat-I has issued a show-cause notice dated May 28, 2010 to our Company claiming a reversal of CENVAT credit amounting approximately to ₹ 666 million along with penalties and interest from our Company alleging that our Company had wrongfully utilized CENVAT credit of service tax paid on input services received in relation to production of hydrocarbons at Mumbai offshore of our Company and distributed by their input service distributors, in terms of the facility extended to the manufacturers of excisable goods under the provisions of CENVAT Credit Rules, 2004. In this regard, five offices of the Company were registered as Input Service Distributors (“**ISDs**”) as defined under Rule 2(m) of the CENVAT Credit Rules, 2004 with the Service Tax Commissionrate, Mumbai. The aforementioned demand cum show-cause notice has claimed that these five ISDs have received invoices for service tax paid on various non-eligible services used exclusively for the production of crude oil and natural gas at the oilfields of Mumbai offshore. Our Company replied to the demand cum show-cause notice by a letter dated December 28, 2010. The matter is currently pending.
6. The Commissioner of Central Excise and Customs, Surat-I has issued a show-cause notice dated April 21, 2011 to our Company claiming a reversal of CENVAT credit amounting to ₹ 300.34 million along with penalties and interest from our Company alleging that our Company had wrongfully utilized CENVAT credit of service tax paid on input services received in relation to production of hydrocarbons at Mumbai offshore of our Company and distributed by their input service distributors, in terms of the facility extended to the manufacturers of excisable goods under the provisions of CENVAT Credit Rules, 2004 for the period between May 2010 and December 2010. In this regard,

five offices of the Company were registered as Input Service Distributors (“ISDs”) as defined under Rule 2(m) of the CENVAT Credit Rules, 2004 with the Service Tax Commissionrate, Mumbai. The aforementioned demand cum show-cause notice has claimed that these five ISDs have received invoices for service tax paid on various non-eligible services used exclusively for the production of crude oil and natural gas at the oilfields of Mumbai offshore. Our Company is yet to file a reply in this regard. The matter is currently pending.

7. Our Company had entered into a non-binding memorandum of understanding with the Sales Tax Department in respect of the sales tax paid for crude oil produced at Mumbai offshore and further sold to various refineries. Since it was not clear as to whether the Central or the State Sales Tax Departments had the jurisdiction to impose sales tax on Mumbai offshore, our Company entered into the aforementioned memorandum of understanding for paying the maximum amount of sales tax to be paid which was 4% with the state government dated March 25, 1991. However, the maximum rate payable under Central Sales Tax Act was reduced to 3% and, consequently, our Company had filed a refund claim dated November 28, 2009, for refund of approximately ₹ 3,017.20 million with respect to differential rate of sales tax paid for financial year 2007-2008. Our Company amended the refund claim to ₹ 3,049.57 million in respect of the financial year 2007-2008 on account of an MVAT audit done on them. Subsequently, a circular was issued by the Commissioner of Sales Tax (bearing no. 5T of 2011) stating that refunds under the Central Sales Tax Act would be payable without any conditions upon the claimants of such refunds furnishing a bank guarantee in relation to the same. Consequently, our Company submitted a bank guarantee of ₹ 3,049.57 million on June 14, 2011 in order to obtain the refund amount. However, since the Commissioner of Sales Tax did not respond to the submission of the bank guarantee and grant the amount claimed as refund, our Company filed a writ petition (no. 1674 of 2011) in the Bombay High Court praying for a direction to the Commissioner of Sales Tax to refund the aforementioned amount. The matter is currently pending.
8. Our Company has received five assessment orders under the Assam Taxation (On Specified Land) Act, 1990 (“**Assam Act**”) (two of these notices dated July 31, 2007 and the other three notices dated July 17, 2010) assessing land tax for land in the Assam asset of our Company for the period between 2005-2009, amounting approximately to ₹ 1,868 million including interest on the tax amounts. Our Company has filed a writ petition (WP No. 769 of 2005) against these assessment orders in the Assam High Court where our Company, amongst others, prayed that the Assam Act be declared unconstitutional and *ultra vires* and a writ of mandamus be issued for recalling and giving effect to the Assam Act. This prayer was dismissed by an order dated September 26, 2005 by the Assam High Court pursuant to which our Company filed an appeal (No. 694 of 2005) before the Assam High Court. As of December 31, 2010, the total amount of tax liability involved in this matter amounts to approximately ₹ 2,440 million. The matter is currently pending.
9. Our Company has received two demand notices, both dated December 2, 2009, from the Directorate of Petroleum, Government of Gujarat. In the first demand notice (bearing No. DoP/ONGC/Royalty/185), the Directorate of Petroleum, Government of Gujarat has claimed that our Company is liable to pay a penalty for delay in payment of royalty over crude oil for the period between January 2008 to March 2008. In the second demand notice (bearing No. DoP/ONGC/Royalty/183), the Directorate of Petroleum, Government of Gujarat has claimed that there exists a shortfall in the amount of royalties on crude oil to be paid to the Government of Gujarat by our Company with respect to the royalty payable on crude oil under rule 14(2) of the Petroleum and Natural Gas Rules, 1959 for the period between April 2008 to March 2009 since the royalty in question had been paid by our Company, during this period on the sale price of crude oil from the offshore and onshore fields of our Company excluding the amount of discount granted to the same by the MoPNG, GoI in terms of its circular (bearing No. P-2003/28/97-PP) dated October 30, 2003 (“**Post-discount Price**”). The said demand notice has claimed arrears in the payment of royalty for the aforementioned period amounting to ₹ 15,323.5 million along with a corresponding penalty of ₹ 2,946.95 million. Our Company has replied to the said demand notices (vide letter bearing No. WOB/F&A/SALES/Royalty/2008-09) on December 30, 2009 in which our Company has stated that our Company had been paying royalties on the total sale price of crude oil welled from the offshore and onshore fields of our Company from the period during April 2003 to March 2008 in terms of the circular (bearing No. P-2003/28/97-PP) dated October 30, 2003. However, our Company argues that subsequent to the MoPNG circular (bearing No. P-20012/28/97-PP (Part II-A)) dated May 23, 2008 by virtue of which our Company was entitled to pay royalty on crude oil on its Post-discount Price, our Company has been paying royalties on such Post-discount Price. Subsequent to this, the Directorate of Petroleum, Government of Gujarat has rejected the contentions of our

Company by a letter (bearing No. DoP/ONGC/Royalty/327) received by our Company on April 22, 2010 and reiterated the aforementioned demand of royalties. Our Company has further replied to this letter by a letter (bearing No. WOB/F&A/SALES/Royalty/2008-09) dated May 25, 2010. The matter is currently pending.

10. Our Company has received a six assessment orders (four assessment orders dated January 15, 2004, one assessment order dated March 15, 2005 and one assessment order dated March 30, 2005) from the Department of Sales Taxes, Government of Gujarat levying sales tax on the natural gas supplied from the Panna-Mukta offshore field in which our Company is a joint venture partner (along with Reliance Industries Limited and British Gas Exploration and Production India Private Limited) to GAIL for the period between assessment years 1997-1998 to 2001-2002. In all of these assessment orders, the Department of Sales Taxes, Government of Gujarat have claimed that natural gas has been sold by our Company through the aforementioned joint venture within the territory of Gujarat for which our Company is liable to pay sales taxes. The total demand of sales tax in these assessment orders for the Panna-Mukta joint venture amounts approximately to ₹ 10,346.5 million of which our Company is liable to the extent of approximately ₹ 1,926.8 million. In response to these assessment orders, our Company has filed a writ petition in the Gujarat High Court (Civil Application No. 2071 of 2004) in which it has claimed that the point of delivery for the natural gas sold by the Panna-Mukta joint venture to GAIL was in the offshore field and not at Hazira plant in Gujarat (where such natural gas was processed) and, consequently, it is not liable to pay any sales tax on the same. The Gujarat High Court has issued an interim order in the instant matter on April 29, 2004 in which it has directed our Company to deposit a sum of 4% of the total sales revenue of the Panna-Mukta field for the periods between the assessment years 1997-1998 to 2003-2004 as well as current sales taxes at rates under the Gujarat State Sales Tax Act, 1969 with effect from April 1, 2004. Against this order, our Company has filed an appeal in the division bench of the Gujarat High Court stating that our Company is not liable to pay interest on the amount directed to be deposited by the Gujarat High Court by its order dated April 29, 2004 for the assessment years 2002-2003 and 2003-2004, subsequent to which the Gujarat High Court, by an order dated July 27, 2005 have waived this claim of interest. Subsequent to this, our Company has deposited an sum of ₹ 430.7 million in terms of the Gujarat High Court order dated April 29, 2004. The matter is currently pending.
11. Our Company received an assessment order dated March 30, 2009 demanding an additional payment of ₹ 1,669.9 million, from the Deputy Commissioner of Commercial Taxes (“**DCCT**”), Gujarat in relation to our Company’s unit at Baroda. The Order stated that tax on production of crude oil for the assessment year 2004-2005 would be levied on the pre-discount price as opposed to the Post-discount price of crude oil charged to the customers and thus disallowed the subsidy discount on crude oil saying that since our Company had shared the under recoveries of its customers, such sharing of loss could not be categorized as discount. Further as also our Company had paid royalty without deduction of discount, the discount was nothing but an appropriation of profit. Thus out of the total demand of ₹ 1669.9 million, the DCCT imposed an additional tax of ₹ 608.8 million as well as interests and penalties. Thereafter our Company filed an application (4166 of 2009) against the State of Gujarat and DCCT, before the Gujarat High Court praying, amongst others, for a writ of mandamus for quashing and setting aside the Order and pending the hearing of the matter a stay on the operation and implementation of the Order. By order dated May 1, 2009, the Gujarat High Court asked our Company to deposit an amount of ₹ 600 million within a period of four weeks, pending hearing. Aggrieved by the order dated May 1, 2009, our Company filed an appeal (No. 12206 of 2009) before the Supreme Court of India praying for special leave to appeal against the order dated May 1, 2009. By order dated May 15, 2009, the Supreme Court directed our Company to prefer an appeal before the first appellate authority (being the Joint Commissioner of Sales Tax, Gujarat) and directed that during the pendency of the appeal before the first appellate the department should not take any steps to recover further dues. Thereafter, our Company approached the Joint Commissioner of Sales Tax, Gujarat who by order dated October 16, 2009 dismissed our petition, pursuant to which our Company approached the Gujarat Value Added Tax Tribunal, by an appeal (No. 784 of 2009) dated November 13, 2009. The matter is currently pending.
12. Our Company received an assessment order dated December 31, 2009 (“**Order**”) demanding an additional payment of ₹ 6,223.7 million, from the Deputy Commissioner of Commercial Taxes (“**DCCT**”), Gujarat in relation to our Company’s unit at Baroda. The Order stated that tax on production of crude oil for the assessment year 2005-2006 would be levied on the pre-discount price as opposed to the Post-discount price of crude oil charged to the customers and thus disallowed the

subsidy discount on crude oil saying that since our Company had shared the under recoveries of its customers, such sharing of loss could not be categorized as discount. Further as also our Company had paid royalty without deduction of discount, the discount was nothing but an appropriation of profit. Thereafter our Company approached the Joint Commissioner of Sales Tax, Gujarat who by order dated January 29, 2010 dismissed our petition, pursuant to which our Company approached the Gujarat Value Added Tax Tribunal, by an appeal (91/2010) dated February 2, 2010. The matter is currently pending.

13. Our Company received an assessment order dated March 31, 2011 (“**Order**”) demanding an additional payment of ₹ 4,220.74 million (“**Demand**”) from the Deputy Commissioner of Commercial Taxes (“**DCCT**”), Gujarat in relation to our Company’s unit at Baroda. The Order stated that tax on production of crude oil for the assessment year 2006-2007 would be levied on the pre-discount price as opposed to the post discount price of crude oil charged to the customers and thus disallowed the subsidy discount on crude oil saying that since our Company had shared the under recoveries of its customers, such sharing of loss could not be categorized as discount. Further as also our Company had paid royalty without deduction of discount, the discount was nothing but an appropriation of profit. Thereafter our Company filed an appeal (393 of 2011) before the Gujarat Value Added Tax Tribunal, Ahmedabad which vide order dated May 12, 2011 stayed the entire Demand. The matter is currently pending.
14. Our Company received an assessment order dated March 30, 2009 demanding an additional Gujarat sales tax payment of ₹ 2,180.70 million (“**GST Amount**”) and central sales tax of ₹ 2,629.99 million (“**CST Amount**”), including interest and penalty from the Deputy Commissioner of Commercial Taxes (“**DCCT**”), Gujarat in relation to our Company’s unit at Hazira, Surat. The aforementioned assessment order stated that tax on production of LPG meant for domestic use and superior kerosene oil for supply under the public distribution system (together “**Products**”) for the assessment year 2004-2005 would be levied on the pre-discount price as opposed to the Post-discount price of the Products charged to the customers. Thereafter our Company filed an application (4168 of 2009) against the State of Gujarat and DCCT, before the Gujarat High Court praying, amongst others, for issuance of a writ of mandamus or any other appropriate writ, order or direction quashing and setting aside the assessment orders dated March 30, 2009 and for a declaration that the demand notices issued by the department which raised a tax demand and levied interest and penalty on our Company was unconstitutional and illegal, and grant of consequential refund of tax with interest. By order dated July 21, 2009 the Gujarat High Court asked our Company to prefer an appeal before the first appellate authority (being the Joint Commissioner of Sales Tax, Gujarat) Thereafter our Company approached the Joint Commissioner of Sales Tax, Gujarat who by order dated December 29, 2009 revised the CST Amount to ₹ 2,192.32 million and GST Amount to ₹ 2,822.82 million pursuant to which our Company approached the Gujarat Value Added Tax Tribunal, by an appeals (Nos. 91, 360 and 361 of 2010). The matter is currently pending.
15. Our Company received an assessment order dated March 23, 2010 demanding an additional Gujarat sales tax payment of ₹ 2,033.24 million (“**GST Amount**”) and central sales tax of ₹ 2,839.66 million (“**CST Amount**”), including interest and penalty, from the Deputy Commissioner of Commercial Taxes (“**DCCT**”), Gujarat in relation to our Company’s unit at Hazira, Surat. The aforementioned order stated that tax on production of liquefied petroleum gas meant for domestic use and superior kerosene oil for supply under the public distribution system (together “**Products**”) for the assessment year 2005-2006 would be levied on the pre-discount price as opposed to the Post-discount price of the Products charged to the customers. Thereafter our Company approached the Joint Commissioner of Sales Tax, Gujarat who by order dated April 21, 2010 stated that our Company would need to deposit 25% of the tax amount and 10% of penalty and interest imposed on us by the assessment order as a condition for admission of the first appeal filed by us, pursuant to which our Company approached the Gujarat Value Added Tax Tribunal, by appeals (Nos. 91, 360 and 361 of 2010). The matter is currently pending.
16. Our Company has received a demand notice (No.5191/M/09) dated October 8, 2010 from the Department of Mines and Geology, Andhra Pradesh claiming that our Company was liable to pay a royalty amount of ₹ 356.7 million and penalty of ₹ 293.8 million for delay in payment of royalty over crude oil for the period between 2008 to 2010 since the royalty in question had been paid by our Company, during this period on the sale price of crude oil and natural gas from the onshore fields of our Company less the amount of discount granted to the same by the MoPNG, GoI in terms of its



circular (bearing No. P-2003/28/97-PP (Part II-A) dated May 23, 2008. Our Company filed a reply dated March 14, 2011 to this demand notice. The matter is currently pending.

17. Our Company received four demand notices all marked (R.C No. 021/5/431) and dated December 7, 2010 from the Deputy Commissioner of Sales Tax, Mumbai. Of these notices, one notice raised an additional sales and purchase tax demand of ₹ 504.73 million under the Mumbai Sales Tax Act of 1959 (“BST”) for the period of 2003-2004 and an amount of ₹ 56.56 million under the Central Sales Tax Act (“CST”) for the same period in relation to activity of undertaking and engaging oil exploration and production of crude oil, natural gas, liquefied petroleum gas, naphtha and C2C3 in our Company’s Mumbai unit. The other two notices raised an additional sales and purchase tax demand of ₹ 199.96 million under BST for the period of 2002-2003 and an amount of ₹ 10.78 million under CST for the same period, in relation to the above mentioned activities. Thereafter, our Company filed an appeal dated February 7, 2011 before the Joint Commissioner of Sales Tax, Mumbai which granted an interim stay on March 16, 2011 to deposit an amount of ₹. 25 million as part payment and this was duly complied with. The Joint Commissioner of Sales Tax, Appeals-I, Mumbai has, by an order dated May 21, 2011, granted final stay in relation to the assessment orders for the assessment years 2002-03 and 2003-04 till the earlier of the date of decision of the appeal or from the date the same is vacated. The matter is currently pending.
18. Our Company received a demand notice dated June 5, 1995 from the Director of Geology and Mining, Government of Gujarat alleging short payment in royalty and raising a demand of ₹ 330.9 million and a penalty of ₹ 2,260.3 million, in relation to gas that was flared and supplied by our Company to the ONGC colonies between the period of 1995-1996. Thereafter the secretary MOPNG wrote to the Chief Secretary, Government of Gujarat on August 8, 1996, pursuant to which there has been no further development in the matter since then and the matter is currently pending.
19. Our Company received an assessment order from the Deputy Commissioner of Commercial Taxes, Gujarat dated March 31, 2011 demanding the payment of Gujarat sales tax of ₹ 1920.60 million and Central sales tax of ₹ 605.89 million (including interest and penalty), in relation to our Company’s unit at Hazira. The aforementioned order stated that tax on production of liquefied petroleum gas meant for domestic use and superior kerosene oil for supply under the public distribution system for the assessment year 2006-2007 would be levied on the pre-discount price as opposed to the post-discount price of the same as charged to the customers. Against this order, an appeal was filed before the First Appellate Authority, Baroda, by our Company on April 26, 2011, which was summarily rejected by an order dated May 7, 2011. Against this order, an appeal was filed before Gujarat Value Added Tax Tribunal by our Company on May 10, 2011. The matter is currently pending.

### **Consumer Cases**

There are 22 consumer proceedings pending against our Company in various consumers forums. The amounts involved in these matters, wherever ascertainable, aggregate approximately to ₹ 1.52 million.

### **Service Matter Cases**

There are 224 service matters pending against our Company in various forums. These cases primarily relate to recruitment, promotion, transfer, reinstatement, allegations of default in payment of pension, failure to make payment of employees provident fund and regularization matters. The aggregate amount involved in these matters are not ascertainable.

### **Arbitration Matters**

There are 149 arbitration related matters are pending against our Company before various arbitration tribunals and courts. The value of the claims made against our Company aggregate approximately to ₹ 4,050 million and USD 376.33 million, with additional interest. The value of the counter-claims made by our Company in the above mentioned cases aggregates approximately to ₹ 2,418.93 million and USD 23.88 million. Among these cases, the details of the Material Cases are mentioned below:

1. Our Company entered into a contract with Dolphin Drilling Limited (“**Dolphin**”) on October 17, 2003 for drilling operations to be performed with Dolphin on charter hire basis and integrated services. Dolphin invoked the arbitration clause in the contract for alleged non-payment of certain invoices

raised by it on our Company and by its claim before the arbitral tribunal dated March 17, 2005 claimed an amount of USD 10.20 million along with interest thereon. Our Company filed a written statement in response to this claim dated June 2, 2005 before the arbitral tribunal disputing and denying the claim of Dolphin. Our Company has thus prayed that the statement of claim filed by Dolphin be rejected with cost. In response to the same, Dolphin has filed a rejoinder dated July 11, 2005 in reply to the written statement filed by our Company reiterating its contentions under the claim and submitting that the statement of claim filed by it be made absolute. The arbitral tribunal by its order dated April 7, 2010 directed our Company to pay an amount of USD 2.70 million on account of Dolphin providing wellhead tools and services to our Company. The arbitral tribunal also directed our Company to pay an amount of ₹ 7.168 million by way of cost of arbitration to Dolphin. Our Company has filed an arbitration petition (No.1065 of 2010) before the Bombay High Court on July 7, 2010 against the order dated April 7, 2010. The matter is currently pending.

Subsequently, Dolphin has further invoked the arbitration clause on January 29, 2008 to refer some disputes pertaining to few part paid/ unpaid invoices and accordingly claimed USD 12.56 million and ₹ 0.55 million along with interest amounting to USD 2.84 million to be referred to arbitration and appointed Mr. Justice S.P. Bharucha as an arbitrator for arbitrating the same. Pursuant to the arbitration petition (no 21/ 2009) filed by Dolphin before the Supreme Court, a fresh arbitral tribunal as subsequently been formed to arbitrate this dispute. The total claim of Dolphin against our Company in both these matters is USD 30.02 million and ₹ 14.84 million. The matter is currently pending.

2. Our Company entered into a contract with Punj Lloyd limited and PT Sempec Indonesia (“**P & P**”) dated February 9, 2007 for execution of the Heera redevelopment project. Subsequently, disputes arose between the parties and by way of arbitration notice dated August 3, 2010, P & P referred claims against our Company amounting to USD 210.33 million and ₹ 2,304.26 million along with interest to arbitration. Subsequently P & P filed an arbitration application dated September 15, 2010 before the Supreme Court against our Company for the appointment of the second arbitrator. P & P has alleged that our Company had failed to appoint the second arbitrator on the arbitral tribunal to be constituted in terms of the agreement between the P & P and our Company within the required time. In response to the same, our Company has filed a counter-affidavit on January 7, 2011 stating, amongst others, that it had already appointed an arbitrator by its letter dated September 27, 2010 as the second arbitrator and the same has accordingly been informed to the petitioner arbitrator on behalf of P & P. It was further submitted that P & P was responsible for the delay in appointment of the arbitrator as it had already been conveyed to P & P that the arbitration notice dated August 3, 2010 was not in conformity with the terms of the contract and instead of rectifying the defects in the notice, P & P had resorted to making fraudulent attempt to mislead the Supreme Court. Our Company thus prayed that the abovementioned arbitration application be dismissed. The Supreme Court vide consensus order dated April 1, 2011 disposed off the matter directing the parties to refer the matter to an arbitral tribunal. An arbitral tribunal has been constituted and the matter is currently pending.
3. Ganesh Benzoplast Limited (“**GBL**”) has filed a statement of claim before an arbitral tribunal on January 28, 2004 claiming an amount of ₹ 649.98 million along with interest against our Company for a number of grounds, including, amongst others, not making/withholding payment, non-reimbursement of costs and wrongful invocation of GBL’s bank guarantee under the contract entered into between our Company and GBL (bearing No. number MRBC/MM/E&C/MS/9/2000-2001) on July 16, 2001 for maintenance and management, geo-technical and diving services on integrated basis on board our Company’s vessel Samudra Sarvekshak. Our Company has filed a written statement and a counter-claim against the same on May 21, 2004, stating, amongst others, that abovementioned contract was terminated by our Company on March 24, 2003 due to non-performance of GBL of its obligations under the contract. Our Company has further stated, in the counter-claim that the claims of GBL are false and fabricated and at no point before the termination of the contract did GBL bring such claims to the notice of our Company and for these reasons, our Company has prayed for the arbitral tribunal to direct GBL to pay a sum of ₹ 545.80 million with interest and dismiss the claim of GBL. The matter has subsequently been referred to the OEC and is currently pending.
4. Jagson International Limited (“**JIL**”) has filed a statement of claim before an arbitral tribunal on March 30, 2005 against our Company in relation to a dispute arising out of a contract entered into between JIL and our Company (bearing No. MR/DB/MAT/CT/RIGS(MAT)/15(66)/2000/OT-925/DYDF0180 dated September 21, 2001) for the chartered hire of drilling unit Deepsea Matdrill. JIL has alleged that certain invoices raised by it including for alleged hire charges, damages and cost of repair had not been

honoured by our Company and has thus claimed an amount of ₹ 285.89 million and USD 5.08 million together with interest from our Company. Our Company filed a written statement in response to the same dated September 30, 2005, opposing the claim of JIL as being false, frivolous and vexatious and requesting the arbitral tribunal to dismiss the claim. The arbitral tribunal, by an order dated July 29, 2010, allowed the joint application submitted by the parties on the same day, proposing to refer the claim to outside expert committee in accordance with the provisions of Part III of the Arbitration and Conciliation Act, 1996 and requesting to keep the arbitral proceedings in abeyance till the disposal of outside expert committee proceedings. The matter is currently pending.

5. Our Company has received a notice on behalf of Jindal Drilling & Industries Limited (“**JDL**”) dated February 4, 2011 with respect to four contracts entered into between our Company and JDL (bearing Nos. MR/DS/MAT/CT/RIGS/(CH)/61 (127)/2002-2003/OT-1029/DY8DE0258 dated December 23, 2003, MR/D/MAT/CT/ RIGS (CH)/ 2006-09/DY8DF0357 dated December 2, 2006, MR/D/MAT/CT/ RIGS (CH)/1 88(1058)/ 2005-06/P46JC05002/DY8DF0336 dated August 17, 2006, and MR/D/MAT/CT/ SDMM/141(389)/2003-04/ DY8DF0304/ 9010002406 dated December 9, 2004) Under the terms of the said contracts JDL was to provide offshore drilling and directional drilling services to our Company. JDL has invoked the arbitration clause of the aforesaid four contracts and served our Company with a notice dated February 4, 2010 claiming an amount of USD 14.77 million and USD 2,25 million with interest at the rate of 12% per annum. JDL has further called upon our Company to nominate our arbitrator as per the Arbitration and Conciliation Act, 1996. Subsequent to the appointment of the arbitrators by both the parties, a preliminary meeting was fixed for December 3, 2010. The arbitral tribunal held on December 3, 2010 that JDI is required to file its statement of claim on or before February 28, 2011. JDL has filed four statements of claim, all dated March 23, 2011, claiming an aggregate amount of USD 22.63 million plus interest and our Company is currently preparing its reply. The matter is currently pending.
6. Our Company has received a notice of arbitration from Cairn Energy India Pty and Cairn Energy Hydrocarbons Limited (“**Claimants**”) dated September 21, 2009 in relation to certain disputes with regard to the commercial production of crude oil from the Mangla oil field in Rajasthan in block RJ-ON-90/1 which began on August 29, 2009 under the product sharing contract dated May 15, 1995 (“**Contract**”) between the Government of India, our Company, and Shell India Production Development BV (“**SIPD**”). The Claimants succeeded SIPD as a party to the Contract. The Claimants are in dispute with the Union of India and our Company concerning the alleged liability of the Claimants to pay cess on oil produced from this block under section 15(2) of the Oil Industry Development Act, 1974 (“**OIDA**”). In their statement of claims the Claimants, amongst others, pray that (i) they be not made to pay the cess amount of ₹ 30.42 million which the Commissioner of Central Excise on February 28, 2006 adjudicated was payable by the Claimants, (ii) a declaration be made that increase in the rate of OIDA cess since May 15, 1995 amounted to a material change to the economic benefit accruing to the Claimants under the Contract by virtue of changes in Indian law or Indian regulation (or both) with the result that it has become necessary in order to maintain the economic benefits expected by the Claimants under the Contract, to revise the Contract to provide that the Claimants would not be liable for payment of OIDA cess in excess of the rate of ₹. 900/per metric tonne, (iii) a declaration be made that the Claimants were entitled to alternatively an order for, repayment by the Government of India of any or all such OIDA cess which the Claimants might pay (under protest or otherwise) in respect of the Rajasthan crude in excess of ₹ 900/MT and (iv) they be awarded compound interest on such sums ordered to be repaid to it pursuant to section 49 of the Arbitration Act of 1996, at such rates with such rests and for such periods as the tribunal thinks fit. The first meeting of the arbitral tribunal was held on May 24 and May 25, 2011 at London for hearing on jurisdictional issues. The By procedural order dated June 1, 2011 the tribunal, amongst others, held that, in exercise of the discretion conferred upon it under article 21(4) of the UNCITRAL Arbitration Rules 1976, the tribunal would proceed with the arbitration and deal with the jurisdictional issue in its final award. Our Company received a letter dated August 16, 2011 from Cairn Energy Plc intimating its intention of withdrawing the arbitration proceedings. The matter is currently pending.
7. Essar Oil Limited (“**Essar**”) invoked the arbitration clause on December 17, 1999 against our Company arising out of contract No. BRBC/E&C/MM/8/91 dated November 27, 1992. The dispute arose regarding the date of completion of the contract and the alleged delay on part of Essar in completing the contract. Our Company filed a written statement of counter-claims on October 27, 2000. The arbitral tribunal, by its order dated September 30, 2010 directed our Company to pay a sum of ₹ 500.21 million to Essar along with release of the bank guarantee for the sum of ₹ 250 million. Our

Company has filed a petition in the Bombay High Court (No. 1418 of 2010) challenging this award on December 28, 2010. The matter is currently pending.

8. Transocean Offshore Deepwater Drilling Inc. and Schlumberger Asia Services (“**Claimants**”) filed a statement of claim before the Arbitral Tribunal on March 10, 2007 in relation to contract No. MR/DS/MM/CT/DW RIGS/251(103)-OT-1032/2003/DYKDF0267 dated November 6, 2003 entered into between our Company and the Claimants for the charter hire of the drill ship DSS along with integrated services and for drilling wells up to water depths of 1833 meters for a duration of three years commencing from February 26, 2004. The total amount claimed by the Claimants is (i) USD 0.23 million towards integrated services, (ii) USD 1.22 million towards integrated services and (iii) USD 1.45 million in respect of work performed by the drill ship DSS along with interest at the rate of 12% from the date of claim till the date of payments. Our Company filed a counter-claim on August 2, 2007 for an amount of (i) USD 11 million on account of loss of well and (ii) ₹ 479.8 million on account of infructuous overheads along with interest of 18% from September 6, 2005 till the date of payment. The matter has subsequently been referred to the outside expert committee for reconciliation on by a joint application dated November 30, 2010 and the arbitration was kept in abeyance. The matter is pending before the OEC.

### ***Legal Notices***

As on date, there are no legal notices that have been received and are pending against our Company.

### ***Property and land acquisition cases***

There are 103 proceedings relating to damages caused to crops and property and land acquisition that are pending against our Company in various forums relating to our various projects. A majority of these proceedings relate to, amongst others, disputes regarding compensation paid. The aggregate of claim amounts filed against our Company is approximately ₹ 37.23 million.

### ***Commercial Court Cases***

There are 121 commercial cases against our Company and the aggregate financial implication of these claims against us in these proceedings is approximately ₹ 1,190.08 million and USD 281.75 million. The value of the counter-claims made by our Company in some of these cases aggregates approximately to ₹ 971.28 million. The cases primarily relate to commercial disputes, challenge of arbitral awards and contractual breaches by contractors. Of these cases, details of three Material Cases is mentioned below:

1. Our Company hired offshore vessels from Essar Shipping Ports and Logistics Limited (“**Essar Ports**”) for which our Company paid an amount based on the charter hire rate. Essar Ports raised invoices upon our Company claiming a difference between the amount paid by our Company and the expenses incurred by Essar Ports. Essar Ports filed a statement of claims dated May 22, 2001 claiming an amount of ₹ 440.19 million in respect of the alleged outstanding invoices. The arbitrator, by an order dated January 16, 2008 held that there was no arbitration agreement between the parties and the arbitral tribunal had no jurisdiction in the instant dispute. In response to this order, Essar Ports filed an appeal (Arbitration Appeal No. 5 of 2009 dated February 12, 2008) before the Bombay High Court which by its order dated December 4, 2009 upheld the order of the tribunal. Essar Ports has filed a petition for special leave to appeal (Civil No. 9161 of 2010) against this order in the Supreme Court of India. As interim relief, Essar Ports has prayed for stay on the order of the Bombay High Court dated February 12, 2008 and order of the sole arbitrator dated January 16, 2008. Essar Ports has further prayed that the matter be remitted back to a newly constituted arbitral tribunal. Our Company has filed a counter-affidavit in this matter on September 21, 2010. The amount involved in this matter is ₹ 500.7 million. The matter is currently pending.
2. Flag Telecom Group Limited (“**FTG**”) has filed an admiralty suit (No. 6 of 2008) against certain entities, including our Company, before the Bombay High Court on December 10, 2007. FTG has claimed that on August 1, 2005 and August 2, 2005, their submarine cable network was damaged due to faulty/gross negligence in operation of the vessel, which was being used to service our Company’s Mumbai High North Platform rig, by the defendants in this matter. FTG has prayed, amongst others, for orders directing all the defendants, jointly and severally to pay FTG a sum of USD 13.43 million with a further interest at the rate of 12% per annum on the principal amount of USD 10.47 million. Our

Company has filed a joint written statement along with the other defendant, namely MVS Samudra Suraksha, dated June 27, 2008, denying the claim of FTG and submitting that the said vessel was not responsible for the alleged damage to the cable network of FTG and praying that the suit be dismissed with costs. The matter is currently pending.

3. A dispute arose between our Company and Jagson International Limited (“JIL”) with respect to a tender No. MRBC/DBG/MM/ RIGS (CH)/ 51(46)/99 /OT-873for charter hire of one slot/cantilever type jack up rig, against which JIL submitted its bids and our Company issued letter of intent dated April 4, 2000 for the rigs Saklinskiya and Kurilskaya. JIL also furnished an irrevocable and unconditional bank guarantee of USD 0.60 million to our Company. As the rigs were not procured as per the terms of the contract, our Company issued a show cause notice dated April 30, 2001 to JIL intimating as to why the contract should not be terminated. JIL invoked the arbitration clause on January 7, 2002.

The Arbitral Tribunal, on August 9, 2004, passed an interim order directing our Company not to encash the bank guarantee pending the hearing and final disposal of the arbitration proceedings. Our Company filed an Arbitration Petition No. 432 in the Bombay High Court challenging this interim order on September 8, 2004, which was eventually heard by the Supreme Court, which by its order dated August 5, 2005, directed that the pending the hearing, the bank guarantee shall be kept alive but shall not be allowed to be encashed. The Supreme Court put no restraint on the arbitral proceedings directing the arbitrator to hear the matter and pass the final award. The Arbitral Tribunal passed an award dated January 12, 2009, inter-alia, permitting our Company to invoke and encash the bank guarantee and holding our Company entitled to interest at the rate of 12% from August 1, 2002 till encashment of the bank guarantee and damages of USD 0.39 million. The Arbitral Tribunal, however, rejected our Company’s claim of USD 21.26 million for liquidated damages. Our Company has filed an application for modification of the order of the Supreme Court dated August 5, 2005 praying that in light of the Arbitral Award dated January 12, 2009, our Company be permitted to encash the bank guarantee.

Our Company and JIL have also filed separate petitions, which have subsequently been clubbed, 345 of 2009 dated April 9, 2009 and 92 of 2009 dated January 12, 2009, respectively, before the Bombay High Court against the award dated January 12, 2009.

4. A dispute arose between our Company and Samsung Heavy Industries Company Limited Korea (“SHI”) for the contract on the Vasai East Development Project, pursuant to which the parties opted for resolution of disputes through conciliation by outside expert committee. SHI filed a statement of claims on January 20, 2010 amounting to USD 271.89 million. Thereafter, our Company filed a response to the claims submitted by SHI on March 30, 2010 refuting the claims of SHI and subsequently SHI filed a rejoinder to our Company’s response on June 2, 2010. Our Company has filed a counter claim of ₹ 964.22 million on October 4, 2010. The matter is currently pending before the OEC.

#### ***Cases relating to intellectual property rights***

There is one dispute in relation to intellectual property rights pending against our Company in the Delhi High Court. The amount involved in this matter is ₹ 2.50 million.

#### ***Motor Accident Claims***

There are 26 motor accident and personal injury claims pending against our Company in various forums in which the aggregate amount claimed against our Company is approximately ₹ 7.29 million.

#### ***Miscellaneous cases***

In addition to the cases described above, there are 17 additional matters pending against the Company in various forums in relation to a number of grounds. The aggregate amount in relation to these cases, wherever ascertainable, is approximately ₹ 8.50 million.

#### ***Pending Investor Grievances Involving our Company***

Presently, there are 123 pending investor grievances involving our Company.

## C. PENDING LITIGATION FILED BY OUR COMPANY

### *Criminal Cases*

Our Company has filed two criminal cases before the various forums. Details of the same are given below.

1. The Security Officer, of our Company has filed a criminal case (No. 623 of 2005) against the State of Gujarat, before the Gujarat High Court praying, amongst others, the setting aside of the order dated June 29, 2005 passed by the Additional Sessions and Fast Track Judge. The Security Officer had filed a first information report (CR No. I.54 of 1998) for offenses of theft of crude oil under sections 379, 120B, 427 and 114 of the IPC and under sections of 3 and 7 of the Essential Commodities Act, 1955, as amended. Pursuant to this, another first information report (CR No. I.55 of 1998) was lodged under sections 307, 333, 186, 147, 148, 149 of the IPC, and the Complainant sought that since both of the first information reports arose out of the same incident they should be tried by the same judge. However, by order dated June 29, 2005, the Additional and Fast Track Judge, Ahmedabad rejected the application, pursuant to which the Security Officer has filed the current criminal case. The matter is currently pending.
2. A first information report dated February 21, 1999 was lodged by the Superintendent Engineer (Production, Well Simulation Services), Ahmedabad who was the operator in-charge of the hydro fracturing segment, pursuant to theft of two steel tanks, iron plates, pipes, valves, iron ladder, and other materials of our Company, at Koteswar, Gandhinagar. The theft was allegedly done by Mr. Ajay Kumar Suvalal, Mr. Mukeshbhai Omprakash and Mr. Bharat Singh. Thereafter in 2007, Mr. Suvalal filed an application before the Additional Civil Judge, Gandhinagar for release of the seized stolen property, on the ground that such alleged stolen properties were scrap material purchased from the Western Railway section. The matter is currently pending.

### *Arbitration Cases*

A total of 62 arbitration related matters have been initiated by our Company against various contractors and are pending before arbitrators and various courts in India. The total value claimed by our Company in these cases is approximately ₹ 1,483.09 million, USD 0.18 million, GBP 0.27 million and BEF 7.06 million. The total value of the counter-claims against our Company in the above mentioned proceedings is approximately ₹ 661.6 million and GBP. 0.13 million. Among these cases, the details of the Material Cases are mentioned below.

1. A tender (through tender notice No. MRBC/MM/TECH/DRY-DOCK/10(58)/2001/S-4) dated May 17, 2001) for dry docking, repairs, steel renewal of vessel OSV M.V. Sindhu-4, was awarded by our Company to Western India Shipyard Limited (“WIS”) by a letter of acceptance dated October 12, 2001 and a subsequent contract dated January 25, 2002. In relation to this contract, as per the statement of claim submitted by our Company, there was delay on part of WIS in discharging its obligations under the contract and delivery of the said vessel pursuant to which our Company terminated the contract by its letters dated July 27, 2004, August 2, 2004 and August 10, 2004 and called upon WIS to hand over the vessel. Our Company had filed this statement of claim on August 6, 2005 before the Arbitration Tribunal against WIS for an amount of ₹ 320.88 million. WIS has filed a reply to the statement of claim on January 24, 2006 denying the allegation made by our Company in our statement of claims and made a counter-claim of ₹ 488.6 million. The matter is currently pending before the OEC.
2. Our Company had approached the Permanent Machinery of Arbitrators (“PMA”) in relation to a dispute arising out of the contract (bearing No. MR/MH/MM/SCON/NOMI/SCI-TANKER/80/2006-07/Y15KS060 12/PC-4063) dated June 12, 2007 between our Company and the Shipping Corporation of India Limited (“SCI”) for charter hire of tanker MT M.Karve with double hull conversion for NA-SBM. The PMA by its order dated August 20, 2010 in relation to case No. PMA/Dr.GR/15/2010, had, amongst others, directed our Company to file a statement of facts/claims by September 17, 2010. Further, by the aforementioned order they PMA had directed SCI to file a counter- reply/statement of counter-claims by October 15, 2010. Our Company filed a statement of claims before the PMA on September 15, 2010, amongst others, claiming an amount of ₹ 959.99 million with interest at the rate of 18% from July 5, 2007 until the date of payment for negligence on the part of SCI which lead to the sinking of special equipment, namely, Single Point Mooring (“SPM”) due to damage by tanker A.B Tarapore (the replacement tanker of MT.M.Karve). Thereafter, SCI filed a reply and counter-statement dated November 11, 2010 before the PMA, amongst others, denying that the sinking was caused due to

the tanker and prayed for the our Company's claim be dismissed with costs. Our Company has filed a rejoinder dated January 12, 2011 in response to the reply and counter-statement filed by SCI reiterating and confirming the statement of claims and denying all statements, contentions and allegations contained in the reply and counter-statement of SCI. The matter is currently pending.

### **Commercial Court Cases**

There are 87 commercial cases/ civil proceedings filed by our Company and the aggregate value of the claims made by our Company in these proceedings is approximately ₹ 42,536.90 million and USD 915.15 million along with interest and penalties (wherever applicable). The value of the counter-claims made against our Company in some of the above mentioned cases aggregates approximately to ₹ 29.6 million. Of these cases, the details of the Material Cases are mentioned below:

1. Our Company has filed a civil suit (SCS No. 56 of 2008) before the Civil Judge, Mehsana against Indian Farmers Fertilizers Cooperative Limited (“**IFFCO**”) for the recovery of various amounts claimed by our Company being the amount payable by IFFCO arising out of an agreement entered between our Company and IFFCO on March 23, 1972 for the supply of gas to IFFCO (“**IFFCO Gas Supply Agreement**”). In this suit, our Company has claimed that while it had increased the prices at which it had agreed to sell gas to IFFCO under the IFFCO Gas Supply Agreement on numerous occasions since 1982 till date, IFFCO had not made payments under the IFFCO Gas Supply Agreement at such increased prices, and is therefore, liable to pay an amount aggregating to ₹ 24,608 million along with interest to our Company. The matter is currently pending.
2. Our Company has filed a civil suit (SCS No. 181/2008) on May 2, 2008 before Principal Civil Judge, Baroda against the Gujarat State Fertilizers & Chemicals Limited (“**GSFCL**”) claiming a sum of ₹ 14,191.10 million (including interest) towards arrears due to our Company by GSFCL during the period between 1982 to 1987 under the terms and conditions of an agreement dated January 3, 1969 between our Company and GSFCL for the supply of gas to GSFCL by our Company. The matter is currently pending.
3. Our Company filed statement of claims for an amount of ₹ 638.73 million and USD 1.75 million on August 18, 2008 against Discovery Enterprises Private Limited (“**DEPL**”) and Jindal Drilling and Industries Limited arising out of a contract dated March 22, 2006 entered into between DEPL and our Company for operating a Floating Production, Storage and Offloading Vessel. As per the statement of claims, in terms of the contract DEPL imported the vessel, Crystal Sea, for oil and gas processing at Mumbai High in our Company's offshore fields. Our Company paid the customs duty of ₹ 557.81 million with an understanding that the vessel will be re-exported under the duty drawback system and DEPL would completed all requirements to avail the benefit of duty drawback. However, alleged failure on the part of DEPL resulted in the vessel not being commissioned and the said vessel left moved out of the Indian Waters. DEPL filed a counter-claim dated October 20, 2008 for an amount of ₹ 27.9 million. The Arbitral Tribunal passed an interim award on October 27, 2010, amongst others, deleting the name of Jindal Drilling and Industries Limited. Thereafter the interim award was challenged vide arbitration petition (No. (L) 185 of 2011) dated February 14, 2011 before the High Court of Bombay .The matter is currently pending.

Our Company also filed an arbitration petition (no 193 of 2008) before the Bombay High Court on July 2, 2008 against DEPL. Our Company, amongst others, prayed that it be allowed to withhold the sum amounting to ₹ 638.74 million deducted from the monies payable to Jindal Drilling and Industries Limited as security pending adjudication in the arbitration proceedings between the parties.

Subsequently, DEPL has filed an affidavit dated August 5, 2008 in response before the High Court of Bombay, stating, amongst others, since the arbitral tribunal has been constituted for the dispute between the parties, our Company's petition is liable to be dismissed with costs. Thereafter the petition under section 9 of the Arbitration Act, 1996 was disposed of as withdrawn by an order dated February 25, 2011 of the High Court of Bombay. A claim dated January 10, 2011 under section 17 was filed before the Arbitral Tribunal by our Company for, amongst others, directing DEPL to furnish a security/guarantee of a scheduled nationalized bank to the sum of ₹ 638.74 million and USD 1.76 million. The matter is currently pending.

### ***Property and Land Acquisition related matters***

There are 175 proceedings relating to damages caused to property and land acquisition filed by our Company in various forums. The aggregate of claims filed by our Company in these matters is approximately ₹ 31.82 million. Of these cases, the details of the one Material Case is as follows:

1. Our Company, along the former General Manager and the former Manager (P&A) of our Company's unit at Rajasthan has filed a writ petition (No. 421 of 2006) against the State of Rajasthan and others before the Division Bench of the Rajasthan High Court praying for the setting aside of the order of the Single Bench of the Rajasthan High Court dated July 3, 2006, in writ petition (No. 264 of 2000).

### ***Revenue Suits***

1. A suit was filed by a land owner against our Company before the sub-divisional officer, Jodhpur for declaration and injunction alleging that the land was not acquired by the state government for our Company. This suit was decreed on April 29, 1994 against which our Company filed an appeal before the Revenue Appellate Authority, Jodhpur who rejected the appeal on the grounds that it was barred by time. Aggrieved by the order, our Company filed a revision petition before the Board of Revenue ("Board"), Ajmer which subsequently converted into an appeal and the matter is currently pending for consideration before the Board. In the meantime, the respondents filed an execution application of the order dated April 29, 1994 before the sub-divisional officer, Jodhpur who allowed the execution application on July 2, 1999. Our Company submitted an application to the sub-divisional officer, Jodhpur on July 24, 1999 for staying the order dated July 2, 1999 who stayed the implementation of the order for a week on July 24, 1999. Against the order dated July 2, 1999, our Company filed a revision petition before the Board which granted an interim order on July 27, 1999 and passed a mandatory order on August 23, 1999 directing the maintenance of the position of the land in question which existed prior to July 2, 1999.

### ***Criminal proceedings in relation to the abovementioned matter***

1. Ms. Harpyari and others have filed various first information reports against our Company under sections 147, 323, 379, 427, 438, 447 and 452 of the Indian Penal Code, in relation to the alleged forcible land acquisition by our Company. Thereafter our Company filed a writ petition before the Rajasthan High Court (No.264/2000) before the single judge bench and the petition was dismissed on July 3, 2006. In the proceedings the disputed piece of land was the subject matter of the proceedings under section 145 and 146 of the Code of Criminal Procedure and a receiver was appointed in relation to the disputed piece of land. Thereafter the matter went to the Supreme Court which directed on January 24, 2003 that demarcation of land should only be carried out as per the order of the Board. The matter was last pending before the division bench of the Rajasthan High Court which vide order dated April 20, 2011 allowed the appeal filed by our Company for setting aside of the order dated July 3, 2006 of the single judge bench of the Rajasthan High Court and remanded the matter back to the single judge for decision on merit.

### ***Cases relating to intellectual property rights***

There are two disputes in relation to intellectual property rights that have been filed by our Company. The amounts involved in these matters cannot be ascertained.

### ***Consumer Case***

There is one consumer proceeding filed by our Company. The amount involved in this matter is approximately ₹ 4,500.

### ***Miscellaneous cases***

In addition to the cases described above, there are three additional matters filed by the Company in various forums in relation to a number of grounds. The aggregate amount claimed by our Company in relation to these cases, wherever ascertainable, is approximately ₹ 0.10 million.



***Details of Proceedings Initiated/Pending against our Company for Economic Offenses***

There are no proceedings pending against our Company for any economic offenses.

***Details of Past Penalties Imposed on our Company***

There are no past penalties imposed on our Company, by any statutory/regulatory authority.

***Details of Potential Material Litigation/ Notices Received***

Except as stated above, there are no potential material litigation or notices received by our Company.

***Details of Adverse Findings, in Respect of our Company as regards Compliance with the Securities Laws***

There are no adverse findings in respect of our Company, as regards compliance with the securities laws.

***Cases against other Companies whose outcome could have an effect on our Company.***

There is no pending litigation against another company whose outcome could have an effect on our Company.

***Material Developments since the Date of the Last Balance Sheet***

Except as disclosed in the sub section “Management’s Discussion and Analysis of Financial Condition and Results of Operations- *Significant Developments after June 30, 2011 that may affect our future financial operations*” on page 454, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our total assets or ability to pay our material liabilities within the next 12 months.

***Outstanding dues to Small Scale Undertakings or any other Creditors***

As required by Section 22 of the Micro, Small and Medium enterprises Development Act, 2006, as amended, the following information is disclosed on the basis of information available with our Company as on June 30, 2011:

| <b>Particulars</b>                                                                                                                                                                                                                                  | <b>(₹ in million)<br/>As on June 30,<br/>2011</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| a) Principal amount remaining unpaid but not due as at year end                                                                                                                                                                                     | 9.02                                              |
| b) Interest due thereon as at year end                                                                                                                                                                                                              | -                                                 |
| 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                             | -                                                 |
| 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 | -                                                 |
| e) Interest accrued and remaining unpaid as at year end                                                                                                                                                                                             | -                                                 |
| 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                                                                               | -                                                 |

## **D. PENDING LITIGATION INVOLVING OUR SUBSIDIARIES**

### **1. ONGC Videsh Limited**

#### **A. Pending litigation filed against ONGC Videsh Limited**

##### ***Income Tax Proceedings***

There are 20 income tax appeals pending at various forums filed by OVL or the Income-tax Department (the Department) in relation to various assessment orders, including orders passed against OVL for the assessment years between 1981-1982 to 1987-1988. These appeals relate to various matters, including, amongst others, claims for depreciation under section 32 of the Income tax Act on acquisition costs, assets used for the purposes of businesses in Iran, pre-acquisition expenses, provision for exploration wells drilled under service contract, foreign tax credit, etc. The total disputed tax demands in the abovementioned cases aggregate to ₹ 10,766.43 million. Due to adjustments by the Department against refunds due or payment by OVL from time to time (as explained below), no tax demand is pending against OVL. Of these cases, the details of the Material Cases are mentioned below:

##### ***Assessment Year 2007-2008***

1. OVL filed an appeal (No 239/10-11) on February 3, 2011 with the Commissioner against the order dated December 30, 2010 by the assessing officer under section 143(3) of the IT Act for the assessment year 2007-2008 whereby the assessing officer had made additions to the income by way of disallowance of expenditure amounting to ₹5,617.51 million. The resulting demand amounting to ₹ 2,326.27 million was adjusted against the tax refund due to OVL for other years. The matter is currently pending.

##### ***Assessment Year 2006-2007***

1. OVL filed an appeal (No 140/2009-10) on January 11, 2010 with the CIT(A) against the order dated December 4, 2009 of the assessing officer under section 143(3) of the IT Act for the assessment year 2006-2007 whereby the assessing officer had made additions to the income, by way of disallowance of expenditure amounting to ₹4,683.46 million. The resulting demand amounting to ₹ 2,051.30 million was adjusted against the tax refund due to OVL for other years. The matter is currently pending.

##### ***Assessment Year 2005-2006***

1. The Department filed an appeal (No 1140/DEL-2011) on March 1, 2011 with the ITAT against the order dated November 18, 2010 of the CIT(A) under section 251 of the IT Act for the assessment year 2005-2006 whereby CIT(A) had deleted all the disallowances/additions made by the assessing officer by order dated February 29, 2008 under section 143(3) of the Act. The disputed amount is to ₹ 3,212.03 million. Further, under the same order, the assessing officer had disallowed the set-off of carried forward losses for an amount of ₹ 6,868.03 million. The resulting demand of ₹ 3,226.84 million was adjusted against the tax refund due to OVL for other years. The matter is currently pending.
2. OVL has filed an appeal (No. 2555/DEL-2010) dated May 28, 2010 with the ITAT against the order of the Commissioner of Income-tax (“CIT”) dated March 29, 2010 under section 263 of the IT Act whereby CIT directed the assessing officer to re-calculate the foreign tax credit granted under the India-Vietnam double-taxation avoidance agreement (“**Indo-Vietnam DTAA**”) and to allow the same, after an assessment of tax by an authority/officer of the Vietnam government. The matter is currently pending.
3. OVL has filed an appeal (No. 210/2010-11) on January 27, 2011 with the CIT(A) against the order dated December 21, 2010 of the assessing officer under sections 263/143(3) of the IT Act for the assessment year 2005-2006 whereby assessing officer had withdrawn the foreign tax credit amounting to ₹ 709.88 million granted under the Indo-Vietnam DTAA. The said tax credit was allowed under the assessing officer’s order dated February 29, 2008 and proceedings were initiated pursuant to abovementioned order of the CIT under section 263 of the IT Act. The resulting demand amounting to

₹ 958.34 million was adjusted against the tax refund due to OVL for other years. The matter is currently pending.

#### *Assessment Year 2004-2005*

1. The Department has filed an appeal (No 5054/DEL-2010) on November 16, 2010 with the ITAT against the order dated August 3, 2010 of the CIT(A) under section 251 of the IT Act for the assessment year 2004-2005 whereby CIT(A) had deleted all the disallowances/additions made by the assessing officer by order dated October 30, 2006 under section 143(3) of the IT Act. The disputed amount is ₹ 3,470.30 million. There is no tax demand due to set-off of carried forward losses as well as foreign tax credit. The matter is currently pending.

#### *Assessment Year 2003-2004*

1. OVL has filed an appeal (No. 3692/2008) on December 16, 2008 with the ITAT against the order dated September 29, 2008 (“**Order**”) by the CIT(A) under section 251 of the IT Act for the assessment year 2003-2004 which amongst others, stated that deductions should be made on the entire period during which the contract was subsisting, as opposed to the time during which OVL acquired participating interest in the contract. In this appeal, OVL has prayed for (a) allowance of depreciation under section 32 (1) (ii) of the IT Act on acquisition costs or in the alternative treatment of costs as revenue expenditure under section 37(1) of the IT Act and (b) writing off of expenditure relating to the projects, pending final evaluation/approval.

Simultaneously, the Department has also filed an appeal (appeal nos. 3610/2008) against the Order, by which the CIT(A) allowed deduction of acquisition costs as deferred revenue expenditure. The dispute pertains to the original order dated February 7, 2006 of the assessing officer whereby the assessing officer disallowed expenditure aggregating to ₹ 3,006.17 million claimed by OVL in its tax return towards depreciation on acquisition costs and expenditure relating to certain projects. There is no tax demand due to tax loss in the year, pending final evaluation and approval. The matter is currently pending.

2. OVL has filed an appeal (No. 14/2010-11) dated April 30, 2010 with the CIT(A) against the penalty demand of ₹ 1,046.81 million imposed by the assessing officer vide order dated March 30, 2010 under section 271(1)(c) of the IT Act. The demand has since been adjusted by the assessing officer against tax refunds due to OVL for other years. The matter is currently pending.

#### *Assessment Year 2002-2003*

1. OVL has filed an appeal (No. 1954 of 2010) on March 10, 2010 with the Delhi High Court against the order dated October 30, 2009 (“**Order**”) of the ITAT, New Delhi under section 254 of the IT Act, for the assessment year 2002-2003 which declined OVL’s claim for allowing deduction of the entire expenditure of ₹ 1,5991 million in relation to a certain project. In this appeal, OVL has prayed for treatment of acquisition costs as revenue expenditure under section 37(1) of the IT Act.

Simultaneously, the Department has also filed an appeal (Nos. 2096/2010 and 2097/2010) before the Delhi High Court, against the Order vide which the ITAT deleted all the disallowances for an amount of ₹ 3,958.54 million made by the assessing officer under section 143(3) of the IT Act by order dated March 11, 2005. The matter is currently pending.

2. The Department has filed an appeal (No. 981/DEL-2010) dated March 8, 2010 with the ITAT against the order dated December 14, 2009 of the CIT(A), New Delhi, which deleted the penalty for an amount of ₹ 1,142.00 million, that was initially imposed by the assessing officer on OVL by order dated March 30, 2009 under section 271 (1)(c) of the IT Act. The matter is currently pending.

#### **Service tax cases**

There is no litigation pending against OVL for any service tax demand. OVL's claims for refunds of service tax aggregating ₹ 2.80 million are pending with the Service Tax Department

### **Arbitration cases**

There are two arbitration matters pending against OVL with various arbitral tribunals. These cases involve various matters, including, amongst others, disputes arising out of alleged breaches of various contracts entered into by OVL with other entities. The amounts involved in these matters aggregate to approximately ₹ 4.66 million and USD 25 million. Of these cases, details of one Material Case is as profiled below:

1. Dodsai Engineering and Construction Pte. Limited (“**Dodsai**”) and another (together “**Claimants**”) have brought about an arbitration proceeding against, OVL before an arbitral tribunal in relation to certain disputes regarding payment for additional work executed by Dodsai. Previously in 2004, the Government of Sudan entered into a contract with OVL for the construction of a multi-product pipeline system in Sudan. Pursuant to this, our Company on behalf of OVL invited participation by contractors in the bid for the engineering procurement and construction of this pipeline system through a tender which resulted in a consortium of Dodsai and Dodsai Engineering & Construction Private Limited being awarded the project. Thereafter a contract was executed on August 31, 2004 (“**Contract**”) between OVL and the Claimant. During the execution of the Contract, the Claimants allegedly encountered significant upward revision in the quantity of actual work required to be undertaken as against the quantities set forth in the Contract and the amount for execution of such work was valued at USD 25.49 million (“**Amount**”). Unable to resolve the matter, the Claimants the current arbitration proceeding and the Claimants in their statement of claim, in addition to the Amount, amongst others, pray for a sum of USD0.44 million towards bank charges incurred by the Claimants in obtaining and maintaining the performance bank guarantee, costs and interest at the rate of 18%. The matter is currently pending.

### **B. Pending litigation filed by ONGC Videsh Limited**

#### **Commercial Court Case**

There is one case that has been filed by OVL before the Civil Court, Mehsana for the recovery of dues amounting approximately to ₹ 3.6 million in relation to a bond of service that had been left unfulfilled by a former employee of OVL.

2. **Mangalore Refinery and Petrochemicals Limited (“MRPL”)**

### **A. Pending litigation filed against MRPL**

#### **Criminal Case**

1. Mr. R. K. Dhaka filed a complaint case (no. 1624 of 1999) before the Chief Judicial Magistrate (“**CJM**”), Muzaffarnagar, Uttar Pradesh, under sections 403, 406 and 420 of the Indian Penal Code of 1860, on behalf of his wife, against MRPL and MCS Limited, alleging non-receipt of interest on partly convertible debentures, purchased by her. The CJM by order dated December 12, 2003 dismissed the preliminary objections raised by MRPL, challenging the framing of the suit, pursuant to which a revision petition (No. 22 of 2004) was filed before the High Court of Allahabad, for relief under section 482 of the Criminal Procedure Code of 1973 which granted a stay of the proceedings in the matter pending before the lower court until the next date of listing. The matter is currently pending.

### **Central Excise Cases**

There are eight matters in relation to central excise pending against MRPL in the Karnataka High Court. These matters are in relation to various grounds, including, amongst others, non compliance by MRPL with various provisions of the CENVAT Credit Rules, 2004. The aggregate amount involved in these matters is approximately ₹ 271.40 million. The matters are currently pending.

### **Customs Cases**

There are six matters in relation to customs duty pending against MRPL in the Supreme Court. These matters are in relation to various grounds, including, amongst others, disputes in relation to valuations in for the purposes of payment of customs duty. The aggregate amount involved in these matters is approximately ₹ 40.83 million. The matters are currently pending.

### **Public Interest Litigation**

1. Dakshin Kannada Parisarasaktha Okkoota (“**DKPO**”) and various other individuals have filed a writ petition by way of a public interest litigation (WP No. 2204/2007) in the Karnataka High Court on February 2, 2007 against the State of Karnataka, MRPL and other entities claiming that the State of Karnataka has, by an order dated June 28, 2006, allotted land in a park called the Kadri Park to MRPL in violation of the provisions of the Karnataka Parks Preservation Act, 1975 (“**KPPA**”) and the Karnataka Parks, Playfields and Open Spaces Act, 1985 (“**KPPOSA**”). In its petition, DKPO has claimed that although the Kadri Park had initially been acquired in 1971 by the State of Karnataka and allotted to the Department of Horticulture for creation of a public garden, the State of Karnataka had, by the aforementioned order, allotted the aforementioned land in the park to MRPL for the construction of a retail petroleum outlet. DKPO has further claimed that such allotment of land is not only in violation of the provisions of the KPPA and the KPPOSA which prohibit the alienation of park-lands or the construction of buildings in park-areas, but are also in violation of Articles 21 and 48 of the Constitution of India. DKPO has claimed for appropriate directions from the Karnataka High Court quashing the order of the State of Karnataka dated June 28, 2006 allotting the aforementioned land to MRPL, restoring the same to the Department of Horticulture and an interim order against MRPL to restrain from developing the land in any manner. The Karnataka High Court has, by an order dated March 15, 2007, asked MRPL to appear in this matter. The matter is currently pending.

### **Income Tax Proceedings**

There are 11 income tax proceedings pending against MRPL involving disputed tax amounts aggregating approximately to ₹ 12,025.73 million, including sums paid by our Company under protest. Of these cases, the details of the Material Cases are mentioned below.

#### *Assessment Year 2006-2007*

1. MRPL has filed an appeal (No. 1240/M/10) with the ITAT, Mumbai on February 16, 2010 against the order of the Additional Commissioner of Income Tax- Appeals-7, Mumbai dated December 15, 2009 in relation to the assessment order dated December 18, 2008 passed by the Additional Commissioner of Income Tax, Mumbai assessing the income of MRPL for the assessment year 2006-2007. In this appeal, our Company has prayed for the ITAT to set aside various disallowances and additions made in the abovementioned order, including, amongst others, the disallowance of freight charges under section 40 of the IT Act, disallowance of customs duties adjusted against advance license benefits, the addition of certain sums as interest on bank deposits as “Income from other sources” of MRPL, the addition of customs duties while calculating book profits of MRPL under section 115JB of the IT Act and the disallowance of depreciation on assets created on capitalization of capital work-in -progress. The disputed tax amount in this matter aggregates approximately to ₹ 4,371.45 million. The matter is currently pending.

#### *Assessment Year 2005-2006*

1. The Assistant Commissioner of Income Tax, Mumbai has filed an appeal with the ITAT, Mumbai (IT Appeal No. 7341/M/2008), on December 28, 2008 against the order of the Commissioner of Income Tax- Appeals III dated October 13, 2008 in relation to the assessment order dated November 30, 2007 passed by the Deputy Commissioner of Income Tax, Mumbai assessing the income of MRPL for the assessment year 2005-2006. In this appeal, the Assistant Commissioner of Income Tax has prayed for the ITAT to set aside various allowances and deductions made in the abovementioned order, including, amongst others, the allowance of deductions claimed by MRPL as payments made by MRPL to the MRPL Education Trust and MRPL Janaseva Trust, the treatment of various sums *in lieu* of interest from bank deposits, discount charges from customers, contractor advances, housing loans and call money as business income and various other amounts.

MRPL has also filed a memorandum of cross objections in relation to the order of the Commissioner of Income Tax-Appeals III, wherein it has prayed for the ITAT to set aside various disallowances and additions made in the aforementioned order, including, amongst others, the disallowance of approximately ₹ 1,054.5 million claimed by MRPL as deduction on account of customs duty paid by MRPL. The disputed tax amount in this matter aggregates approximately to ₹ 233.4 million in relation

to the appeal filed by the Assistant Commissioner of Income Tax, and ₹ 1,054.5 million in respect of the appeal filed by the Company. The matter is currently pending.

#### *Assessment Year 2004-2005*

1. The Assistant Commissioner of Income Tax, Mumbai has filed an appeal (IT Appeal No. 6835/Mum of 2008) with the ITAT, Mumbai, on December 1, 2008 against the order of the Commissioner of Income Tax- Appeals III, Mumbai dated September 16, 2008 in relation to the assessment order dated October 30, 2006 passed by the Deputy Commissioner of Income Tax, Mumbai assessing the income of MRPL for the assessment year 2004-2005. In this appeal, the Assistant Commissioner of Income Tax has prayed for the ITAT to set aside various allowances and deductions made in the abovementioned order, including, amongst others, the deletion of the discount given by the Government of Karnataka as loan payable by MRPL from sales tax collected by MRPL, the treatment of interest received from the Oil-Coordination Committee by MRPL as business income, the allowance of the deduction of payments made to the MRPL Education Trust and MRPL Janaseva Trust and various other grounds. The disputed tax amount in the matter aggregates approximately to ₹ 3,172.24 million. The matter is currently pending.

#### *Other Income Tax Proceedings*

1. The Deputy Director of Income Tax, Mumbai had passed an order against MRPL on December 30, 2002 under sections 201 and 201(1A) of the IT Act holding that MRPL was required to deduct tax at source (“TDS”) on various remittances made by MRPL to Toyo Engineering Corporation, Mitsui and Mitsubishi, such remittances being taxable as fees for technical services rendered to MRPL, and remit such TDS amounting approximately to ₹ 1,434.5 million, along with interest and penalties, to the Income Tax Department. Against this order, an appeal was filed by MRPL (Appeal No. CIT(A)XXXIII/Intl.Tax.Rg.3/IT/15-M, 16M/02-03) on January 29, 2003 in the CIT(A), Mumbai, which, by an order dated February 27, 2004 upheld the appeal, stating that an order under section 201 and 201(1A) of the IT Act cannot be passed after the expiry of six years from the end of the relevant financial year. An appeal was filed by the Deputy Director of Income Tax, Mumbai in response to this order in the ITAT (ITA No. 1826/ MUM 04 and ITA No. 1827/Mum/2004), which in an order dated January 17, 2007 confirmed the order of the CIT(A). The Deputy Director of Income Tax, Mumbai has filed an appeal in the Mumbai High Court against this order (IT Appeal No. 788 of 2008) on October 31, 2007. The disputed tax amount in this matter aggregates approximately to ₹ 1,434.54 million. The matter is currently pending.

#### *Other Cases*

There are seven matters pending against MRPL in the Karnataka High Court. These matters pertain to various issues, including, amongst others, disputes relating to acquisition of land, employment and service issues, fixation of appropriate rehabilitation packages for displaced individuals, etc. The amounts involved in these matters cannot be quantified, and the matters are currently pending.

Further there are 322 pending cases against MRPL before various authorities including, amongst others, the, High Court of Bombay, City Civil Courts at Delhi, Kolkata, Ludiana, Porbandhar, District Consumer Disputes Redressal Forums at Bikaner, Bara, Delhi and Bangalore and State Commissions at Mumbai, Orissa, Lucknow and Dehradun. These matters pertain to various issues, including, amongst others, disputes relating to non-receipt of shares after transfer, requests for refund amount adjusted towards call money and delayed interest; non-receipt of interest; rejection of d-mat requests, requests for interest on delayed refund of application money, non-receipt of shares on conversion of partly convertible debentures, theft and loss of shares by the holder. The amounts involved in these matters cannot be quantified, and the matters are currently pending.

#### **B. Pending litigation filed by MRPL**

There are no cases that have been filed by MRPL as on the date of filing of this Red Herring Prospectus.

#### **3. OOO Alliancneftgaz (“Alliancneftgaz”)**

##### **A. Pending litigation filed against Alliancneftgaz**

## ***Environment Case***

There is currently one court claim by RosPrirodNadzor Department in Tomsk Region pending against Allianceneftgaz in relation to alleged environmental damage caused by Allianceneftgaz. The claim amount, to the extent ascertainable, is RUR 22.87 million. Allianceneftgaz sent a motivated objection to the above notice, drawing attention to lack of proof of fact of damage to the environment, as well as objecting to the claimed damage amount. No other / repeated claims or writs were received from RosPrirodNadzor Department in Tomsk Region since the time of objection.

Tomsk Regional Interdistrict Environmental Prosecutor filed a court claim to oblige LLC Allianceneftgaz to ensure a minimum acceptable level of APG utilization as specified in the corresponding license agreement. The Prosecutor's claim has been satisfied by the court.

### **4. LLC Nord Imperial ("Nord Imperial")**

#### **A. Pending litigation filed against Nord Imperial**

##### ***Cases involving non-fulfillment of statutory obligation and other offenses***

Tomsk Regional Inter-district Environmental Prosecutor filed a court claim to oblige LLC Nord Imperial to ensure a minimum acceptable level of APG utilization as specified in the corresponding license agreement.

#### **B. Pending litigation filed by Nord Imperial**

##### ***Environmental Cases***

Nord Imperial has filed a case against West Siberian Department of RosTechNadzor, Tomsk Office, to declare it illegal that they violated the schedule of approval of Draft Normatives for Maximum Permissible Contaminant Emissions and the Permit for Emissions. The matter is now pending for final decision.

### **5. LLC Rus Imperial Group ("Rus Imperial")**

#### **A. Pending litigation filed against Rus Imperial**

##### ***Cases involving non-fulfillment of statutory obligation and other offenses***

There is one statutory claim pending against Rus Imperial involving the imposition by taxation authorities of additional Value Added Charges and the reduction of the amount of loss on account of profit taxes on Rus Imperial for the year 2008. The amount involved in this matter aggregates approximately to RUR 6.44 million.

#### **B. Pending litigation filed by Rus Imperial**

There is no pending litigation that has been filed by Rus Imperial.

### **C. OUTSTANDING LITIGATION/PROCEEDINGS INVOLVING THE DIRECTORS**

#### ***Litigation Involving our Directors***

There are no pending litigation against the Directors involving violation of statutory regulations or alleging criminal offence. There are no criminal/ civil prosecution against the Directors for any litigation towards tax liabilities and there are no defaults, non payment of statutory dues, proceedings initiated for civil offenses.

#### ***Proceedings Initiated against the Directors for economic offenses***

No proceedings have been initiated against our Directors for economic offenses.

#### ***Details of Past Penalties Imposed on the Directors***

There are no past penalties imposed on any of our Directors.

***Proceedings Initiated by SEBI***

There are no proceedings initiated by the SEBI against our Directors or any entity in which our Directors are involved as promoters or directors.

***Potential Material Litigation/ Notices Received***

There are no potential material litigation or notices that have been received by our Directors.



## GOVERNMENT AND OTHER APPROVALS

### Business approvals

Our Company is engaged in the exploration and production of oil and gas in India and abroad. In this regard, as of June 30, 2011, our Company operates 340 crude oil and natural gas reserves bearing fields in India. In addition, as of June 30, 2011 we held petroleum exploratory licences for 115 exploratory blocks in India to which we have not yet ascribed reserves. Of these 115 exploratory blocks, we have made hydrocarbon discoveries in 25 such blocks. Our Company also undertakes exploration and production of oil and gas internationally through its Subsidiary, OVL. Our Company's refining operations in India are conducted through MRPL, a Subsidiary.

We have made disclosures relating to 63 oil and gas reserve bearing fields of our Company in India, which, based on management estimates, together constitute 77.96% of the total domestic 3P reserves of our Company and 80.62% of the 3P reserves of our Company in India (excluding our participating interest in domestic JVs) as on April 1, 2011 ("**Material Fields**"). The Material Fields are the same as have been audited by and in relation to which certificates of the independent consultants are attached as Annexure A and B to this Red Herring Prospectus.

This section discloses a list of approvals and licenses, under Indian laws, which our Company believes are key approvals for (i) ownership of oil and gas mining/ exploration rights and for undertaking mining/ exploration activities in relation to the Material Fields, (ii) conducting the refining operations of MRPL in India and (iii) conducting the business of OVL in India ("**Key Approvals**"). Further, only such Key Approvals have been detailed which have expired and/or are pending. Please see "Risk Factors – *Various statutory and regulatory approvals that are material to the conduct of our business and operations have not been received or are pending with various regulatory authorities and the failure to obtain them in a timely manner or at all may adversely affect our operations*" on page 34.

#### *I. Business approvals of our Company*

For the Material Fields, the Key Approvals in relation to the onshore fields are as follows:

1. PML or PEL, as applicable, issued under the Oil Fields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959.
2. Approval of the MoEF or State Environment Impact Assessment Authority, as the case may be, under the Environment Impact Assessment Notification, 2006.
3. Approval of the State Pollution Control Board under the Water (Prevention and Control of Pollution) Act, 1974 ("**Water Act**") and the Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**")
4. Approval of the Central Government under the Forest (Conservation) Act, 1980 for use or diversion of forest land.
5. License from the Chief Controller of Explosives under the Explosives Act, 1884 for usage, carriage and storage of explosives.
6. Approval from the Directorate General of Mines Safety under Oil Mines Regulations, 1984 for constructing the plants in relation to exploration and production of oil and natural gas.

For the Material Fields, the Key Approvals in relation to the offshore fields are as follows:

1. PML or PEL, as applicable, issued under the Oil Fields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1959.
2. Approval of the State Pollution Control Board under the Water Act and the Air Act, as applicable.

In relation to the Material Fields, the following are the Key Approvals that have expired and/or are pending:

| S. no. | Particulars of the area                 | Particulars of the Key Approval                                                      |
|--------|-----------------------------------------|--------------------------------------------------------------------------------------|
| 1.     | Gandhar, Cambay basin                   | Gandhar Extension- IX PML*                                                           |
|        |                                         | Dahej Extension- I PML*                                                              |
| 2.     | Kalol, Cambay basin                     | Kalol West Extension- I PML*                                                         |
|        |                                         | Kalol West Extension- II PML*                                                        |
| 3.     | South Kadi, Cambay basin                | Balasar PML*                                                                         |
| 4.     | Geleki, Assam & AAFB Basin              | South East Geleki PML*                                                               |
| 5.     | Annapurna and DWN-D, KG-PG Basin        | KG-DWN-98/2 PEL**                                                                    |
| 6.     | Bechraji, Cambay basin                  | Bechraji PML***                                                                      |
| 7.     | Agartala Dome CGS, Assam and AAFB Basin | Approval under the Water Act and the Air Act ( <i>Expired on February 16, 2011</i> ) |
| 8.     | Baramura CGS, Assam and AAFB Basin      | Approval under the Water Act and the Air Act ( <i>Expired on February 16, 2011</i> ) |
| 9.     | Konaban GCS, Aasam and AAFB Basin       | Approval under the Water Act and the Air Act ( <i>Expired on February 16, 2011</i> ) |
| 10.    | Rokhia GCS, Assam & AAFB Basin          | Approval under the Water Act and the Air Act ( <i>Expired on February 16, 2011</i> ) |

\* For each of these PMLs, relevant orders granting the PMLs have been received by our Company from the MoPNG. Orders from respective State Governments granting these PMLs are, however, currently pending.

\*\* An application has been submitted to the MoPNG by the Company for re-grant of this PEL on March 31, 2011 for a period till April 11, 2012 and requisite license fees has been paid.

\*\*\* An application has been made by the Company for re-grant of this PML on July 20, 2011 for an additional period of twenty years.

## II. Business approvals of MRPL

The Key Approvals in relation to the refining operations of MRPL in India are as follows:

1. Approval of the State Pollution Control Board under the Water Act and the Air Act.
2. Approval of the State Pollution Control Board under the Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008.
3. Approval of the Petroleum and Explosives Safety Department under the Petroleum Act, 1934 and the Petroleum Rules, 2002.
4. License from the Factory Inspector under the Factories Act, 1948.
5. License from the Electricity Inspector under the Indian Electricity Act, 2003.

MRPL has all the Key Approvals in relation to its refining operations in India.

## III. Business approvals of OVL

The Key Approval to be obtained by OVL in India is as follows:

1. Approval from the GoI in relation to investments sought to be made by OVL outside India which exceeds ₹ 3,000 million or USD 75.00 million, whichever is lower.

As on the date of filing this Red Herring Prospectus, OVL has all the Key Approvals in India.

## Authorization under our Memorandum of Association and incorporation details

The main objects clause of our Memorandum of Association and objects incidental to the main objects enable our Company to undertake the existing business activities. For details on the main objects clause of our Memorandum of Association, see “History and certain Corporate Matters” on page 214.

The incorporation details of our Company are as follows.

1. Certificate of incorporation dated June 23, 1993 under the Companies Act.
2. Certificate of commencement of business dated August 10, 1993 under the Companies Act.

## **Offer-related approvals**

### *Approvals from GoI*

The GoI acting through the MoPNG has conveyed its approval for the Offer through its letter (no. G-38011/47/2009-Fin.I) dated August 31, 2010.

### *Regulatory approvals*

Letter dated February 18, 2011 (bearing no. F.E.CO.FID/19674/10.21.227/2010-2011) from the RBI approving the transfer of Equity Shares to non-residents in the Offer.

### *Approvals from stock exchanges*

1. NSE letter NSE/LIST/143764-Z dated September 2, 2011 granting its approval to use its name in this Red Herring Prospectus.
2. BSE letter DCS/IPO/NP/IPO-IP/279/2011-12 dated September 2, 2011 granting its approval to use its name in this Red Herring Prospectus.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Offer

- The GoI acting through the MoPNG has conveyed its approval for the Offer through its letter (no. G-38011/47/2009-Fin.I) dated August 31, 2010.
- The Reserve Bank of India has conveyed its “no-objection” to the transfer of 427,774,504 Equity Shares by the Selling Shareholder in favor of residents outside India in the Offer by letter (FE.CO.FID/19674/10.21.227 /2010-2011) dated February 18, 2011.

### Prohibition by SEBI, RBI or Governmental authorities

Our Company, our Promoter and our Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. None of our Directors have been or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by SEBI.

Our Directors are not in any manner associated with the securities market and there has been no action taken by SEBI against our Directors or any entity in which any of our Directors are involved as a promoter or director.

Neither the Company, nor the Promoter or Directors, have been detained as willful defaulters by the RBI or any other government authorities. There are no violations of securities laws committed by any of them in the past, or pending against them.

### Eligibility for the Offer

Our Company is eligible for the Offer in accordance with Regulation 27 read with Regulation 26(1)(d) and (e) of the SEBI ICDR Regulations as described below:

- (a) The aggregate of the proposed Offer and all previous issues made in the same financial year in terms of Offer size is not expected to exceed five times the pre-Offer net worth of our Company as per the audited balance sheet of the preceding financial year; and
- (b) Our Company has not changed its name within the last one year.

Hence, our Company is eligible to undertake the Offer under Regulation 27 read with Regulation 26(1)(d) and (e) of the SEBI ICDR Regulations.

In addition, in accordance with Regulation 26(4) of the SEBI ICDR Regulations, our Company will ensure that the number of Bidders to whom Equity Shares are Allotted in the Offer will be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it, then the Selling Shareholder shall on and from the expiry of such eight days, be liable to repay the money with interest in accordance with Section 73 of the Companies Act.

Further, our Company is eligible to make a ‘fast track issue’ in accordance with Regulation 10 of the SEBI ICDR Regulations, as described below:

- (a) The Equity Shares have been listed on BSE and NSE, which are recognized stock exchanges having nationwide trading terminals for a period of at least three years immediately preceding the date of registering this Red Herring Prospectus with the RoC;
- (b) The average market capitalization of public shareholding of our Company is at least ₹ 50,000 million;
- (c) The annualized trading turnover of our Equity Shares during the six calendar months immediately preceding the month of registering this Red Herring Prospectus with the RoC has been at least 2% of the weighted average number of Equity Shares listed during such six months’ period;
- (d) Our Company has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month of registering this Red Herring Prospectus with the RoC. See “Other Regulatory and Statutory Disclosures – *Disposal of Investor Grievances by our Company*” on page 501 for the status of investor complaints since the FPO 2004, i.e., from April 1, 2004 till June

- 30, 2011 which is the end of the quarter immediately preceding the month of registering this Red Herring Prospectus with the RoC;
- (e) Our Company has not complied with the Equity Listing Agreements relating to composition of board of directors for certain quarters during the last three years immediately preceding the date of registering this Red Herring Prospectus with the RoC, but is compliant with such provisions on the date of this Red Herring Prospectus, and adequate disclosures have been made in this Red Herring Prospectus about such non-compliances during the three years immediately preceding the date of registering this Red Herring Prospectus with the RoC, and accordingly, our Company is compliant with the condition. Our Company is compliant with the Equity Listing Agreements from June 20, 2011, with the induction of three independent Directors on its Board. Other than as mentioned above, the Company has been in compliance with the Equity Listing Agreements for a period of at least three years immediately preceding the registering of this Red Herring Prospectus with the RoC;
  - (f) The impact of auditors' qualifications, if any, on the audited accounts of our Company in respect of those financial years for which such accounts are disclosed in this Red Herring Prospectus does not exceed 5% of the net profit or loss after tax of our Company for the respective years;
  - (g) SEBI had issued a show cause notice dated September 28, 2007 to the Company in terms of Rule 4 of the Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 for alleged non-compliance with Clause 49 I (A) of the Equity Listing Agreements relating to the failure of the Company to appoint the requisite number of independent directors on its Board of Directors in respect of the quarters ended March 2006, June 2006, September 2006, December 2006 and March 2007 (the "**Show Cause Notice**"). In view of the Company's submissions that the power to appoint independent directors on our Board vests with the President of India and that our Company had continuously followed-up the matter of appointment of independent directors on our Board with the MoPNG, the adjudication proceedings against the Company were disposed-off by order dated November 3, 2008, issued by the SEBI adjudicating officer. Except for the Show Cause Notice which has been disposed-off as described hereinabove, no show-cause notices have been issued or prosecution proceedings initiated by SEBI or pending against our Company or our Promoter or whole time Directors as on the date of registering this Red Herring Prospectus with the RoC; and
  - (h) The entire shareholding of the Promoter of our Company is held in dematerialised form as on the date of registering this Red Herring Prospectus with the RoC.

**Compliance with Part A of Schedule VIII of the SEBI ICDR Regulations, read with Part B of Schedule VIII of the SEBI ICDR Regulations**

Our Company is in compliance with the applicable provisions specified in Part A of Schedule VIII of the SEBI ICDR Regulations, read with Part B of Schedule VIII of the SEBI ICDR Regulations. However, with regard to disclosure of financial information of our Company as per sub-item (B) of item (2) (IX) of Part A of schedule VIII of the SEBI ICDR Regulations, our Company has been permitted by SEBI, vide letter (CFD/DIL/SP/VB/OW/6663/2011) dated February 25, 2011, to disclose alternate financial information of our Company as per sub-item (BA) of item (2) (IX) of Part A of schedule VIII of the SEBI ICDR Regulations.

Further, our Company has not been formed by the conversion of a partnership firm into a company.

**DISCLAIMER CLAUSE OF SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED THAT IT HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING JM FINANCIAL CONSULTANTS PRIVATE LIMITED, CITIGROUP CAPITAL MARKETS INDIA PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED AND NOMURA FINANCIAL ADVISORY & SECURITIES (INDIA) PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN**

**FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE BIDDERS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, CITIGROUP CAPITAL MARKETS INDIA PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED AND NOMURA FINANCIAL ADVISORY & SECURITIES (INDIA) PRIVATE LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 5, 2011 WHICH READS AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION SUCH AS COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC AND OTHER MATERIAL IN CONNECTION WITH THE FINALIZATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
  - A. THE RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
  - B. ALL THE LEGAL REQUIREMENTS RELATING TO THE OFFER AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS ETC., FRAMED/ISSUED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE BIDDERS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED OFFER AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, AND THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**
- 4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS; - NOTED FOR COMPLIANCE.**
- 5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SPECIFIED SECURITIES AS PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF**

**LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS - NOT APPLICABLE;**

- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE RED HERRING PROSPECTUS - NOT APPLICABLE;**
- 7. WE UNDERTAKE SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION WILL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE OFFER. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT WILL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION WILL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND WILL BE RELEASED TO THE COMPANY, WITH THE PROCEEDS OF THE PUBLIC OFFER - NOT APPLICABLE;**
- 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT OFFER FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY (NOT APPLICABLE) AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION;**
- 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE OFFER ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956, AND THAT SUCH MONEYS WILL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE OFFER AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION;**
- 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE RED HERRING PROSPECTUS THAT THE INVESTORS WILL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE**
- 11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE BIDDER TO MAKE A WELL INFORMED DECISION;**
- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RED HERRING PROSPECTUS:**
  - a. AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME THERE WILL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND**
  - b. AN UNDERTAKING FROM THE COMPANY THAT IT WILL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.**

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE OFFER;
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC;
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY;
16. WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY;
17. WE CONFIRM THAT THE COMPANY IS ELIGIBLE TO MAKE FAST TRACK OFFER IN TERMS OF REGULATION 10 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION, BY THE COMPANY, HAS ALSO BEEN DISCLOSED IN "OTHER REGULATORY AND STATUTORY DISCLOSURES" ON PAGE 490 OF THE RED HERRING PROSPECTUS;
18. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THE RED HERRING PROSPECTUS AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE OFFER UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS OFFER SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-OFFER ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE OFFER HAVE BEEN GIVEN; - COMPLIED WITH AND NOTED FOR COMPLIANCE
19. WE CONFIRM THAT THE ABRIDGED PROSPECTUS CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009; - NOTED FOR COMPLIANCE;
20. WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE COMPANY; AND
21. WE CERTIFY THAT AS PER THE REQUIREMENTS OF THE FIRST PROVISO TO SUB-REGULATION (4) OF REGULATION 32 OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE RED HERRING PROSPECTUS AND/OR THE PROSPECTUS. - NOT APPLICABLE

The filing of this Red Herring Prospectus with the RoC does not absolve our Company from any liabilities under section 63 and section 68 of the Companies Act, or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed offer. SEBI further reserves the right to take up at any point of time, with the BRLMs any irregularities or lapses in this Red Herring Prospectus.

All legal requirements pertaining to this Offer has been complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements



**pertaining to this Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.**

#### **Disclaimer from our Company, the Selling Shareholder, the Directors and the Syndicate**

Our Company, the Selling Shareholder, the Directors and the Syndicate accept no responsibility for statements made otherwise than those contained in this Red Herring Prospectus or in any advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website at [www.ongcindia.com](http://www.ongcindia.com), or the website of its Subsidiaries, Joint Ventures or of any affiliate or associate of our Company or its Subsidiaries, would be doing so at his or her own risk.

#### **Caution**

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the underwriting agreement to be entered into among the Underwriters, the Selling Shareholder and our Company.

All information will be made available by our Company, the Selling Shareholder and the BRLMs to the Bidders and the public at large and no selective or additional information will be made available for a section of the Bidders or the public, in any manner whatsoever, including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither our Company, the Selling Shareholder nor any member of the Syndicate is liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire Equity Shares.

Each of the BRLMs and their respective affiliates may engage in transactions with, and perform services for, our Company, Subsidiaries, Joint Ventures or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Company, Subsidiaries, Joint Ventures or affiliates, for which they have received, and may in the future receive, compensation.

#### **Disclaimer in Respect of Jurisdiction**

This Offer is being made in India to persons resident in India, including Indian nationals who are competent to contract under the Indian Contract Act, 1872, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their respective constitutions to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI and permitted Non-Residents including FIIs and Eligible NRIs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

**This Red Herring Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus or the Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.**

**The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the United States, and may not be offered or sold within the United States, or to, or for the account or benefit of the U.S. persons (as defined in Regulation S of the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.**

**Accordingly, the Equity Shares are being offered and sold (a) in the United States only to U.S. QIBs in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action will be required for that purpose. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained here is correct as of any time subsequent to this date.

#### **Disclaimer Clause of the BSE**

As required, a copy of the Red Herring Prospectus has been submitted to the BSE. BSE has given, by its letter No. DCS/IPO/NP/IPO-IP/279/2011-12 dated September 2, 2011, permission to our Company to use BSE's name in this offer document as one of the stock exchanges on which our securities are listed.

**“BSE Limited (Bombay Stock Exchange Limited) has given vide its letter dated September 2, 2011, permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges in which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-**

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or**
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or**
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;**

**and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”**

#### **Disclaimer Clause of the NSE**

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has given, by its letter No. NSE/ LIST/ 143764-Z dated September 2, 2011 permission to our Company to use NSE's name in this offer document as one of the stock exchanges on which our securities are listed.

**“National Stock Exchange of India Limited (hereinafter referred to as NSE) has given vide its letter ref: NSE/ LIST/ 143764-Z dated September 2, 2011 permission to the Issuer to use the Exchange's name in the offer document as one of the stock exchanges on which the Issuer's securities are listed. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed and construed that the offer document has been cleared or approved by NSE; nor does it in any manner**

warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed and will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss that may be suffered by such person consequent to or in connection with such subscription/ acquisition, whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever."

### **Filing**

A copy of this Red Herring Prospectus will be filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of this Red Herring Prospectus, with the other documents required to be filed under Section 60B of the Companies Act, has been delivered for registration with the RoC at the office of the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with the RoC at the following address of the RoC:

### **Registrar of Companies**

National Capital Territory of Delhi and Haryana  
4<sup>th</sup> Floor, IFCI Tower,  
61, Nehru Place,  
New Delhi 110 019  
India

### **Listing**

The Equity Shares are listed on the NSE and the BSE. Applications have been made to the Stock Exchanges to use their respective names in this Red Herring Prospectus. NSE through its letter dated September 2, 2011 and BSE through its letter dated September 2, 2011 granted approval for the use of their respective names in this Red Herring Prospectus. BSE will be the Designated Stock Exchange, with which the basis of allocation will be finalized for the Offer.

If the trading permission of the Equity Shares is not granted by any of the Stock Exchanges, the Selling Shareholder shall forthwith repay without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it, then the Selling Shareholder shall, on and from expiry of the eight days, be liable to repay the money, with interest in accordance with Section 73 of the Companies Act.

Our Company will ensure that all steps for the completion of the necessary formalities for commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Offer Closing Date.

### **Impersonation**

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

## Consents

Consents in writing of the Directors, our Company Secretary and Compliance Officer, members of the Syndicate, Registrar to the Offer, Bankers to the Offer, Auditors, DeGolyer and MacNaughton, Gaffney Cline & Associates Limited and Sproule International Limited, domestic legal counsel to our Company and the Selling Shareholder, domestic legal counsel to the BRLMs, international legal counsel to our Company and the Selling Shareholder, international legal counsel to the BRLMs and Banker to our Company, each as referred to in this Red Herring Prospectus, in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Further, in accordance with the Companies Act and the SEBI ICDR Regulations, Arun K. Agarwal & Associates, Chartered Accountants, Kalyaniwalla & Mistry, Chartered Accountants, Ray & Ray, Chartered Accountants, M Kuppuswamy PSG & Co, Chartered Accountants and S Bhandari & Co., Chartered Accountants, have agreed to provide their written consent to the inclusion of their report on the financial statements and the statement of general tax benefits, in the form and context in which they appear in this Red Herring Prospectus, and such consent and reports have not been withdrawn up to the time of delivery of the Red Herring Prospectus to the RoC.

For the purpose of offers and sales of Equity Shares in the United States in transactions exempt from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S under the U.S. Securities Act, Arun K. Agarwal & Associates, Chartered Accountants, Kalyaniwalla & Mistry, Chartered Accountants, Ray & Ray, Chartered Accountants, M Kuppuswamy PSG & Co, Chartered Accountants and S Bhandari & Co., Chartered Accountants, have acknowledged and consented to the inclusion in this Red Herring Prospectus of all references to their name, and their report in the form and context in which it appears in this Red Herring Prospectus.

## Expert opinion

Except for the following, our Company has not obtained any expert opinion.

- The reports of our Auditors on Standalone and Consolidated Financial Statements and the Statement of Tax Benefits included on pages 258, 329 and 105 respectively;
- The reserves opinion letter of GCA in respect of its reserve report in relation to its estimates of our crude oil and natural gas reserves in our Mumbai High field as of March 31, 2011, annexed to this Red Herring Prospectus as Annexure A;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in 62 selected domestic fields in India as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure B;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in all international fields (excluding fields in Sudan, South Sudan and Imperial Energy assets in Russia), as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure C;
- The certificate of D&M in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in our Imperial Energy assets in Russia as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure D; and
- The certificate of Sproule in respect of its reserve report in relation to its audited estimates of our crude oil and natural gas reserves in substantially all our fields in Sudan as of April 1, 2011, annexed to this Red Herring Prospectus as Annexure E. The audit of the reserves in Sudan by Sproule was conducted prior to the separation of Sudan and South Sudan. Consequently, the reserves estimates contained in Sproule's reserve report do not distinguish between reserves in Sudan and South Sudan. As of the date of this Red Herring Prospectus, the portions of blocks in the Greater Nile Oil Project fall within the

newly formed territories of South Sudan and block-5A falls entirely within the newly formed territories of South Sudan.

### Offer related expenses

The estimated Offer expenses are as under:

| S. No. | Activity Expense                                                                                                                                    | Amount<br>(₹ million) | Percentage of<br>Total<br>Estimated<br>Offer<br>Expenditure | Percentage of<br>Offer Size |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------|-----------------------------|
| 1.     | Fees of the Book Running Lead Managers*                                                                                                             |                       |                                                             |                             |
| 2.     | Underwriting commission, brokerage and selling commission (including commission and processing fees to SCSBs for ASBA Applications, as applicable)* | [•]                   | [•]                                                         | [•]                         |
| 3.     | Fees of the Registrar to the Offer*                                                                                                                 | [•]                   | [•]                                                         | [•]                         |
| 4.     | Fees of Advisors to the Offer*                                                                                                                      | [•]                   | [•]                                                         | [•]                         |
| 5.     | Fees to the Bankers to the Offer*                                                                                                                   | [•]                   | [•]                                                         | [•]                         |
| 6.     | Other Expenses (Auditors' fees, advertisement and marketing expenses, roadshow expenses, etc.) *                                                    | [•]                   | [•]                                                         | [•]                         |
|        | <b>Total</b>                                                                                                                                        | [•]                   | [•]                                                         | [•]                         |

\* Will be incorporated at the time of filing of the Prospectus.

The above-mentioned Offer expenses will be borne by the GoI.

### Fees, Brokerage and Selling Commission

The details of fees, underwriting and selling commission and brokerage payable to the members of the Syndicate will be as stated in the engagement letters with the BRLMs, issued by the Department of Disinvestment, MoF and the Syndicate Agreement, copies of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Offer Period.

The members of the Syndicate shall be paid a selling commission of 0.35%, 0.15% and 0.25% on the Amount Allotted to successful Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees, respectively, in relation to Bid cum Application Forms and ASBA Forms procured by them (the “**Selling Commission**”).

In relation to ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, 10.00% of the Selling Commission payable to the members of the Syndicate for such ASBA Forms will be available for distribution as processing fee to the relevant SCSBs (the “**Syndicate ASBA Processing Fee**”). The Syndicate ASBA Processing Fee will be divided by the total number of ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, to arrive at the per application Syndicate ASBA processing fee (“**Per Application Syndicate ASBA Processing Fee**”). For calculating the total number of ASBA Forms procured by the members of the Syndicate as above, ASBA Forms procured by the members of the Syndicate in the QIB category and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations will also be included. Each SCSB will receive a product of the Per Application Syndicate ASBA Processing Fee, and the number of ASBA Forms procured by the members of the Syndicate and submitted to the relevant SCSBs at the Syndicate ASBA Bidding Locations for processing. The remaining Selling Commission in relation to ASBA Forms procured by the members of the Syndicate and submitted to the relevant branches of the SCSBs at the Syndicate ASBA Bidding Locations for processing, after deducting the Syndicate ASBA Processing Fee, will be payable to the members of the Syndicate.

In case of ASBA Forms procured directly by the SCSBs in the Retail Individual Bidders, Non-Institutional Bidders and Eligible Employees categories, the relevant SCSBs shall be entitled to the applicable Selling Commission and no additional Per Application Syndicate ASBA Processing Fees shall be payable to them. No Selling Commission is payable to SCSBs in relation to ASBA Forms submitted by QIBs and procured directly by the SCSBs.

In addition to the Selling Commission and syndicate ASBA processing fee contemplated hereinabove, applicable service tax will be separately invoiced and payable.

#### **Fees Payable to the Registrar to the Offer**

The fees payable to the Registrar to the Offer by the GoI will be as per the agreement dated June 13, 2011 signed with the Selling Shareholder and our Company, a copy of which will be made available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days during the Offer Period.

#### **Particulars regarding Public or Rights Issues during the last five years**

Our Company has not made any public issues or any rights issues in the five years preceding the date of this Red Herring Prospectus.

#### **Previous issues of Equity Shares otherwise than for cash**

Except as disclosed in “Capital Structure” on page 94, our Company has not issued any Equity Shares for consideration other than cash.

#### **Underwriting Commission, Brokerage and Selling Commission on Previous Offer**

Since the FPO 2004 was an offer for sale by the Promoter, no underwriting, brokerage and selling commissions was paid by the Company in relation to the FPO 2004.

#### **Promise v/s performance - Last Three Issues of the Company**

The objects of the FPO 2004 was disinvestment of equity shares of face value of ₹10 each by the President of India, acting through the MoPNG. The Company did not receive any proceeds from the FPO 2004.

Further, besides FPO 2004, our Company has not made any public/ rights issues in the last 10 years.

#### **Performance vis-à-vis objects - Last one issue of Subsidiaries / associate companies**

None of our subsidiaries has made any public/rights issue in the last 10 years.

#### **Outstanding Debentures or Bond Issues or redeemable Preference Shares**

Our Company has no outstanding debentures or bonds or redeemable preference shares as on date of this Red Herring Prospectus.

#### **Partly Paid-up Shares**

There are no partly paid up Equity Shares.

#### **Stock Market Data of the Equity Shares**

See “Stock Market Data for Equity Shares of our Company” on page 457.

#### **Other Disclosures**

Neither the Selling Shareholder nor our Directors have purchased or sold any Equity Shares during the period of six months immediately preceding the date of filing of this Red Herring Prospectus with the RoC.

Except the show cause notice issued by SEBI against our Company which was disposed-off by order dated November 3, 2008 issued by the SEBI adjudicating officer (for details see “Other Regulatory and Statutory Disclosures” on page 490), SEBI has not initiated any action against any entity related to the securities market, with which our Directors are associated.

### **Status of Investor Complaints**

Our Company received a total of 8,739 investor complaints since July 1, 2008 till the date of this Red Herring Prospectus. During the same period the Company disposed off 8,956 investor complaints. The number of investor complaints pending as on date of filing the Red Herring Prospectus with RoC is 123.

### **Mechanism for Redressal of Investor Grievances**

The agreement dated June 13, 2011 among the Registrar to the Offer, the Selling Shareholder and our Company provides for retention of records with the Registrar to the Offer for a period of at least three years to enable Bidders to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to this Offer may be addressed to the Registrar to the Offer quoting the full name of the sole or first Bidder, Bid cum Application Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate, as the case may be, where the Bid was submitted and cheque or draft number and issuing bank thereof.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB, quoting the full name of the sole or first Bidder, ASBA Form number, Bidders' DP ID, Client ID, PAN, number of Equity Shares applied for, date of ASBA Form, name and address of the member of the Syndicate or the Designated Branch, as the case may be, where the ASBA Bid was submitted and ASBA Account number in which the amount equivalent to the Payment Amount was blocked.

### **Disposal of Investor Grievances by our Company**

Our Company estimates that the average time required by our Company or the Registrar to the Offer for redressal of routine investor grievances will be within seven to 10 Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Since the FPO 2004, our Company has redressed approximately 99.37 % of the investor complaints received from April 1, 2004 to June 30, 2011, i.e., the end of the quarter immediately preceding the month of registering this Red Herring Prospectus with the RoC.

Our Company has appointed Mr. N. K Sinha as the Compliance Officer and, in case of any pre-Offer or post-Offer related problems he may be contacted at the following address:

#### **Oil and Natural Gas Corporation Limited**

Tower II, Jeevan Bharati Building  
124, Indira Chowk  
New Delhi 110 001  
India  
Telephone: +91 (11) 2331 0878  
Facsimile: +91 (11) 2331 6413  
E-mail: fpo2011@ongc.co.in

### **Disposal of investor grievances by listed companies under the same management as our Company**

There is no listed company under the same management as our Company.

### **Change in Auditors in the past three years**

| <b>Fiscal</b> | <b>Name of the Auditor</b> | <b>Reason for Change</b>         |
|---------------|----------------------------|----------------------------------|
| 2010-2011     | M/s Ray & Ray              | Appointment as Statutory Auditor |
| 2010-2011     | M/s Kuppuswamy PSG & Co.   | Appointment as Statutory Auditor |
| 2010-2011     | M/s Bhandari & Co.         | Appointment as Statutory Auditor |
| 2010-2011     | M/s PSD & Associates       | Expiry of the term               |
| 2010-2011     | M/s Padmanabhan Ramani &   | Expiry of the term               |

| <b>Fiscal</b> | <b>Name of the Auditor</b> | <b>Reason for Change</b>         |
|---------------|----------------------------|----------------------------------|
|               | Ramanujam                  |                                  |
| 2010-2011     | M/s Singhi & Co.           | Expiry of the term               |
| 2011-2012     | M/S Kuppuswamy PSG & Co*   | Expiry of term                   |
| 2011-2012     | Varma & Varma*             | Appointment as Statutory Auditor |

*\*M Kuppuswamy PSG & Co were one of the statutory auditors of our Company for Fiscal 2011, and for the three months ended June 30, 2011, who were replaced by Varma & Varma for Fiscal 2012, appointed pursuant to Section 619 (2) of the Companies Act, by the Comptroller and Auditor General of India by letter (No./CA. V/ COY/ Central Government, ONGC (5)/ 55) dated August 18, 2011, subject to conditions mentioned in the said letter with respect to their appointment.*

### **Capitalization of Reserves or Profits**

Apart from issuances of bonus Equity Shares, our Company has not undertaken capitalization of reserves and profits since incorporation. For further details, please see “Capital Structure” on page 94.

### **Revaluation of Assets**

Our Company has not revalued its assets since its incorporation.



## SECTION VII – OFFER RELATED INFORMATION

### OFFER STRUCTURE

The Offer of 427,774,504 Equity Shares, at an Offer Price of ₹ [●] for cash, including a premium of ₹ [●] per Equity Share, aggregating ₹ [●] million is being made through the Book Building Process. The Offer will constitute 5.00% of the paid up Equity Share capital of our Company and the Net Offer will constitute 4.90% of the paid up Equity Share capital of our Company. The Offer comprises a Net Offer of 419,221,336 Equity Shares to the public and a reservation of 8,553,168 Equity Shares for Eligible Employees.

|                                                               | Eligible Employees                                                                                                                                                                                           | QIB Bidders                                                                                                                                                                                                                                                                                                   | Non-Institutional Bidders                                                                                                                               | Retail Individual Bidders                                                                                                                                                                                    |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Equity Shares available for allocation <sup>1</sup> | 8,553,168 Equity Shares                                                                                                                                                                                      | Up to 209,610,667 Equity Shares, or Net Offer less allocation to Non-Institutional Bidders and Retail Individual Bidders                                                                                                                                                                                      | Not less than 62,883,201 Equity Shares or Net Offer less allocation to QIB Bidders and Retail Individual Bidders                                        | Not less than 146,727,468 Equity Shares or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders                                                                                            |
| Percentage of Offer size available for allocation             | Approximately 2.00% of the Offer. The Employee Reservation Portion comprises approximately 0.10% of our Company's post-Offer paid-up Equity Share capital.                                                   | Up to 50% of the Net Offer will be available for allocation to QIBs. However, 5% of the QIB Portion will be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Fund portion will be available for allocation to QIBs                                       | Not less than 15% of the Net Offer or the Net Offer less allocation to QIB Bidders and Retail Individual Bidders                                        | Not less than 35% of the Net Offer or the Net Offer less allocation to QIB Bidders and Non-Institutional Bidders                                                                                             |
| Basis of allocation if respective category is oversubscribed  | Proportionate.                                                                                                                                                                                               | Proportionate as follows:<br><br>(a) 10,480,533 Equity Shares will be available for allocation on a proportionate basis to Mutual Funds; and<br>(b) 199,130,134 Equity Shares will be available for allocation on a proportionate basis to QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate                                                                                                                                           | Proportionate                                                                                                                                                                                                |
| Mode of Bidding                                               | Either through (i) ASBA Form or (ii) Bid cum Application Form.<br><br>Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations | ASBA Form<br><br>Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations                                                                                                                                                       | ASBA Form<br><br>Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations | Either through (i) ASBA Form or (ii) Bid cum Application Form.<br><br>Physical ASBA Form can be submitted either with the SCSBs or with the members of the Syndicate at the Syndicate ASBA Bidding Locations |
| Minimum Bid                                                   | [●] Equity Shares                                                                                                                                                                                            | Such number of Equity Shares in multiples of [●] Equity Shares so that the Payment Amount exceeds ₹ 200,000                                                                                                                                                                                                   | Such number of Equity Shares in multiples of [●] Equity Shares so that the Payment Amount exceeds ₹ 200,000.                                            | [●] Equity Shares                                                                                                                                                                                            |

|                   | Eligible Employees                                                                                                                                                                                                                                                                         | QIB Bidders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Non-Institutional Bidders                                                                                                                                                                                                                                                                                                       | Retail Individual Bidders                                                                                                                                        |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maximum Bid       | Such number of Equity Shares in multiples of [●] Equity Shares so that the maximum Payment Amount does not exceed ₹ 200,000.                                                                                                                                                               | Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Offer, subject to applicable limits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Offer, subject to applicable limits                                                                                                                                                                                      | Such number of Equity Shares in multiples of [●] Equity Shares so that the Payment Amount does not exceed ₹ 200,000                                              |
| Mode of Allotment | Compulsorily in dematerialised form.                                                                                                                                                                                                                                                       | Compulsorily in dematerialised form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Compulsorily in dematerialised form                                                                                                                                                                                                                                                                                             | Compulsorily in dematerialised form                                                                                                                              |
| Bid Lot           | [●] Equity Shares and in multiples of [●] Equity Shares thereafter.                                                                                                                                                                                                                        | [●] Equity Shares and in multiples of [●] Equity Shares thereafter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | [●] Equity Shares and in multiples of [●] Equity Shares thereafter.                                                                                                                                                                                                                                                             | [●] Equity Shares and in multiples of [●] Equity Shares thereafter.                                                                                              |
| Allotment Lot     | [●] Equity Shares and in multiples of one Equity Share thereafter.                                                                                                                                                                                                                         | [●] Equity Shares and in multiples of one Equity Share thereafter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | [●] Equity Shares and in multiples of one Equity Share thereafter.                                                                                                                                                                                                                                                              | [●] Equity Shares and in multiples of one Equity Share thereafter.                                                                                               |
| Trading Lot       | One Equity Share                                                                                                                                                                                                                                                                           | One Equity Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | One Equity Share                                                                                                                                                                                                                                                                                                                | One Equity Share                                                                                                                                                 |
| Who can Apply     | Eligible Employees applying for Equity Shares such that the Payment Amount does not exceed ₹ 200,000.                                                                                                                                                                                      | Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India, insurance funds set up and managed by the Department of Posts, GoI and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India. | Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign individual applying for Equity Shares such that the Payment Amount exceeds ₹ 200,000. | Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Payment Amount does not exceed ₹ 200,000 |
| Terms of Payment  | The entire Payment Amount will be payable at the time of submission of the Bid. In case of ASBA Bidders, the SCSB will be authorized to block such funds in the relevant ASBA Account. QIB bidders and Non institutional bidders can only participate in the Offer under the ASBA process. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                  |

<sup>1</sup> The Offer is being made through the Book Building Process, where up to 50% of the Net Offer will be available for allocation to QIBs on a proportionate basis. Further, not less than 15% and 35% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Offer Price.

Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from

other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

## Retail Discount and Employee Discount

The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please see “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.

## Withdrawal of the Offer

In accordance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Offer Opening Date, without assigning the reasons thereof. Provided, if the Selling Shareholder and our Company withdraw the Offer after the Offer Closing Date, our Company and the Selling Shareholder will give the reason thereof within two days of the Offer Closing Date by way of a public notice in the same newspapers where the pre-Offer advertisement had appeared. The Stock Exchanges shall also be informed promptly and the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Offer after the Offer Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with the Offer.

Notwithstanding the foregoing, the Offer is subject to obtaining (i) the final trading approvals of the Stock Exchanges with respect to the Equity Shares issued in the Offer, which our Company will apply for only after Allotment and within 12 Working Days of the Offer Closing Date; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

| OFFERING PROGRAMME |                    |                                         |                    |
|--------------------|--------------------|-----------------------------------------|--------------------|
| OFFER OPENS ON     | SEPTEMBER 20, 2011 | OFFER CLOSES ON (FOR QIB BIDDERS)       | SEPTEMBER 22, 2011 |
|                    |                    | OFFER CLOSES ON (FOR ALL OTHER BIDDERS) | SEPTEMBER 23, 2011 |

Bids and any revision in Bids will be accepted **only between 10 a.m. and 5.00 p.m. (Indian Standard Time)** during the Offer Period as mentioned above at the bidding centers mentioned in the Bid cum Application Form or in case of Bids submitted through ASBA Forms, the Designated Branches and the bidding centers of the members of the Syndicate at the Syndicate ASBA Bidding Locations (mentioned in the ASBA Form), **except that:**

- A) On the QIB Offer Closing Date, QIB Bids will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded till 4.00 p.m; and
- B) On the Offer Closing Date, Bids from Non Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until (i) 4.00 p.m in case of Bids by Non Institutional Bidders, and (ii) 5.00 p.m in case of Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, which may be extended up to such time as deemed fit by the Stock Exchanges.

Due to limitation of time available for uploading the Bids on the Offer Closing Date, Bidders other than QIB Bidders, are advised to submit their Bids one day prior to the Offer Closing Date and, no later than 3.00 p.m (Indian Standard Time) on the Offer Closing Date. Bidders, other than QIB Bidders, are cautioned that in the

event a large number of Bids are received on the Offer Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Offer. Bids will only be accepted on Working Days.

On the Offer Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion, after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

The Selling Shareholder in consultation with the Company and the BRLMs, reserve the right to revise the Price Band during the Offer Period, in accordance with the SEBI ICDR Regulations. The upper end of the Price Band will be less than or equal to 120% of the lower end of the Price Band and the lower end of the Price Band will not be less than the face value of the Equity Shares. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band may move up or down to the extent of 20% of the lower end of the Price Band and the upper end of the Price Band will be revised accordingly. In the event there is a revision of the Price Band, the Selling Shareholder, in consultation with the Company and the BRLMs may revise the Retail Discount and/or the Employee Discount.

**In case of revision in the Price Band, the Offer Period will be extended for at least three additional Working Days after revision of Price Band subject to the Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate and intimation to SCSBs.**

## TERMS OF THE OFFER

The Equity Shares offered and sold in the Offer will be subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, the Equity Listing Agreements, the terms of this Red Herring Prospectus and the Prospectus, the Bid cum Application Form (including the ASBA Form), the Revision Form (including ASBA Revision Form), if any, and other terms and conditions as may be incorporated in the Allotment Advice and other documents and certificates that may be executed in respect of the Offer. The Equity Shares will also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the sale of capital and trading of securities, issued from time to time by SEBI, the GoI, the Stock Exchanges, the RoC, the RBI and/or other authority as in force on the date of this Offer, to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being offered and sold in the Offer will, subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, rank *pari passu* with the existing Equity Shares, including in respect of dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. See “Main Provisions of the Articles of Association” on page 552.

### Mode of Payment of Dividend

Our Company will pay dividend, if declared, to our Equity Shareholders, as per the provisions of the Companies Act, and any guidelines or directives that may be issued by the GoI in this respect. See “Dividend Policy” on page 257.

### Cost of the Offer

The GoI shall bear the cost of making this offer as the Offer involves a disinvestment by the GoI.

### Face Value and Price Band

The face value of each Equity Share is ₹ 5. At any given point of time there will be only one denomination for the Equity Shares.

The Floor Price of the Equity Shares is ₹ [●] per Equity Share and the Cap Price is ₹ [●] per Equity Share. The Price Band, the minimum Bid lot and the rupee amount of the Retail Discount and the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions).

Investors may be guided in the meantime by the secondary market prices.

### Compliance with SEBI Requirements

Our Company will comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

### Rights of the Equity Shareholder

Subject to applicable law, the Equity Shareholders will have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive any surplus on liquidation subject to any statutory and preferential claims being satisfied;
- Right of free transferability of their Equity Shares, subject to applicable foreign exchange regulations and other applicable law; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Equity Listing Agreements and our Memorandum of Association and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see “Main Provisions of Our Articles of Association” on page 552.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares will be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of our Equity Shares will only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in the Offer will be only in electronic form in multiples of one Equity Share, subject to a minimum Allotment of [●] Equity Shares.

The Price Band and the minimum Bid lot for the Offer together with the rupee amount of the Retail Discount and the Employee Discount will be decided by the Selling Shareholder in consultation with the Company and the BRLMs, and published by our Company at least one Working Day prior to the Offer Opening Date, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions).

### **Joint Holders**

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship.

### **Nomination Facility**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, will vest. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of the holder's death during minority. A nomination will stand rescinded on a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or Corporate Office or with the Registrar to the Offer.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, will on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividend, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

### **Minimum Subscription**

The requirement of minimum subscription is not applicable to the Offer. In terms of Regulation 26(4) of the SEBI ICDR Regulations, our Company will ensure that the number of Bidders to whom the Equity Shares are Allotted in the Offer will be not less than 1,000.

### **Jurisdiction**

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the United States, and may not be offered or sold within the United States, or to, or for the account or benefit of the U.S. persons (as defined in Regulation S of the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.**

**Accordingly, the Equity Shares are being offered and sold (a) in the United States only to U.S. QIBs in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

### **Arrangement for Disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

### **Restriction on Transfer of Shares**

Except for lock-in of the Promoter's post- Offer equity shareholding in the Offer as detailed in "Capital Structure" on page 94, there are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting.

### **Option to receive Equity Shares in Dematerialised Form**

Allotment of Equity Shares to successful Bidders will only be in the dematerialised form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialised segment of the Stock Exchanges.

## OFFER PROCEDURE

*This section applies to all Bidders. Please note that QIBs and the Non-Institutional Bidders can participate in the Offer only through the ASBA process. However, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion may Bid through the Bid cum Application Form or the ASBA Form. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. ASBA Bidders should note that they may submit their ASBA Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate. Please note that all the Bidders are required to make payment of the full Payment Amount or ensure that the ASBA Account has sufficient credit balance such that the full Payment Amount can be blocked by the SCSB at the time of making the Bid.*

*The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please see “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.*

*Our Company, the Selling Shareholder, and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids do not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Red Herring Prospectus.*

### **Book Building Procedure**

The Offer is being made through the Book Building Process where up to 50% of the Net Offer will be available for allocation to QIBs on a proportionate basis. Further, 5% of the QIB Portion will be available for allocation on a proportionate basis to Mutual Funds. The remainder will be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, in the event of under-subscription in the Mutual Fund Portion, the balance Equity Shares in the Mutual Fund Portion will be added to the QIB Portion and allocated to QIBs (including Mutual Funds) on a proportionate basis, subject to valid Bids at or above Offer Price. Further, not less than 15% and 35% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Offer Price. 8,553,168 Equity Shares shall be available for allocation to Eligible Employees bidding in the Employee Reservation Portion, subject to valid bids being received at or above the Offer Price.

Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

**QIBs and Non-Institutional Bidders can participate in the Offer only through the ASBA process. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion have the option to Bid through the ASBA process or the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.**



In case of QIBs, the members of the Syndicate or SCSBs can reject Bids at the time of acceptance of the ASBA Form, provided that the reasons for such rejection shall be disclosed to such QIB in writing. Further, QIB Bids can also be rejected on technical grounds listed on page 539. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids can be rejected on the technical grounds listed on page 539 or if all required information is not provided or the Bid cum Application Form/ ASBA Form is incomplete in any respect.

**The Price Band, the minimum Bid lot and the rupee amount of the Retail Discount and Employee Discount for the Offer will be decided by the Selling Shareholder, in consultation with the Company and the BRLMs, and advertised in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions) at least one Working Day prior to the Offer Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price. Investors may be guided in the meantime by the secondary market prices.**

**Investors should note that Allotment to successful Bidders will be only in the dematerialized form. Bid cum Application Forms or ASBA Forms which do not have the details of the Bidder's depository accounts including DP ID, PAN and Client ID will be treated as incomplete and rejected. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.**

#### **Bid cum Application Form and ASBA Form**

Retail Individual Bidders and the Eligible Employees bidding in the Employee Reservation Portion may Bid through the Bid cum Application Form or the ASBA Form. However, QIBs and Non Institutional Bidders can only use the ASBA process to participate in the Offer.

*Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion through the Bid cum Application Forms:*

Retail Individual Bidders and the Eligible Employees bidding in the Employee Reservation portion may Bid through the Bid cum Application Form or the ASBA Form in the Offer. In case Retail Individual Bidders are bidding through the Bid cum Application Form, they shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate. Copies of the Bid cum Application Form other than for the Eligible Employees bidding in the Employee Reservation Portion will be available with the members of the Syndicate and at our Registered Office and Corporate Office. Copies of the Bid cum Application Form for the Eligible Employees bidding in the Employee Reservation Portion will be available at the respective offices of the Company. The members of the Syndicate or the sub-Syndicate members will be required to affix their stamp on the Bid cum Application Forms for Eligible Employees bidding in the Employee Reservation Portion before uploading them.

The Bid cum Application Form shall be serially numbered, the date and time shall be stamped at the bidding centres and such form shall be issued in duplicate signed by the Retail Individual Bidder or the Eligible Employees bidding in the Employee Reservation Portion and stamped by the relevant member of the Syndicate.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, Retail Individual Bidder and Eligible Employees bidding in the Employee Reservation Portion are deemed to have authorised the Selling Shareholder and our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to Retail Individual Bidder and Eligible Employees bidding in the Employee Reservation Portion. Upon determination of the Offer Price and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Retail Individual Bidder and the Eligible Employees bidding in the Employee Reservation Portion can also Bid through the ASBA process.

*Retail Individual Bidder, Eligible Employee bidding in the Employee Reservation Portion, QIBs and Non Institutional Bidders bidding through the ASBA Form:*

ASBA Bidders can submit their Bids by submitting ASBA Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained or in physical form to the members of Syndicate at the

Syndicate ASBA Bidding Locations. The physical ASBA Form except for the Eligible Employees bidding in the Employee Reservation Portion will be available with the Designated Branches, members of the Syndicate at the Syndicate ASBA Bidding Locations and at our Registered Office and our Corporate Office. The electronic ASBA Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Offer Opening Date. In the event a physical ASBA Form is submitted with a member of Syndicate, the relevant member of the Syndicate should stamp it before uploading the details of the ASBA Form. The physical ASBA Form shall be serially numbered. Copies of the ASBA Form for the Eligible Employees bidding in the Employee Reservation Portion will be available at the respective officers of the Company. The members of the Syndicate or the sub-Syndicate members or the SCSBs, as the case may be, will be required to affix their stamp on the ASBA Forms for Eligible Employees bidding in the Employee Reservation Portion before uploading them.

In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form bearing the stamp of the SCSB and/or Designated Branch and/or the member of the Syndicate, as the case may be, at the relevant Designated Branch or the members of the Syndicate at the Syndicate ASBA Bidding Locations.

**ASBA Bidders bidding through a member of the Syndicate should ensure that the ASBA Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat). Kindly note that ASBA Forms submitted to members of the Syndicate at the Syndicate ASBA Bidding Locations will not be accepted if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). ASBA Bidders bidding directly through the SCSBs should ensure that the ASBA Form is submitted to a Designated Branch of a SCSB where the ASBA Account is maintained.**

In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids.

Upon completing and submitting the ASBA Form to the SCSB or the member of the Syndicate at the Syndicate ASBA Bidding Locations, the ASBA Bidder is deemed to have authorised the Selling Shareholder and our Company to make the necessary changes in the Red Herring Prospectus and the ASBA Form, as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

To supplement the foregoing, the mode and manner of bidding is illustrated in the following chart.

| Category of bidder                                                                           | Mode of bidding                                                                              | Application form to be used for bidding                                        | To whom the application form has to be submitted                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion | Either (i) ASBA or (ii) non-ASBA                                                             | (i) If bidding through ASBA, the ASBA Form (physical or electronic); <b>or</b> | (i) If physical ASBA Form is being used, either to the members of the Syndicate only at Syndicate ASBA Bidding Locations <sup>(1)</sup> or to the Designated Branches of the SCSBs where the ASBA Account is maintained; <b>or</b> |
|                                                                                              |                                                                                              | (ii) If bidding through non-ASBA, the Bid cum Application Form.                | (ii) If electronic ASBA Form is being used, to the SCSBs, electronically through internet banking facility.                                                                                                                        |
| Non-Institutional Bidders and QIBs                                                           | ASBA ( <i>Kindly note that ASBA is mandatory and no other mode of bidding is permitted</i> ) | ASBA Form (physical or electronic)                                             | (i) If physical ASBA Form is being used, to the members of the Syndicate only at Syndicate ASBA Bidding Locations <sup>(1)</sup> or to the Designated Branches of the SCSBs where the ASBA Account is maintained; <b>or</b>        |
|                                                                                              |                                                                                              |                                                                                | (ii) If electronic ASBA Form is being used, to                                                                                                                                                                                     |

| Category of bidder | Mode of bidding | Application form to be used for bidding | To whom the application form has to be submitted             |
|--------------------|-----------------|-----------------------------------------|--------------------------------------------------------------|
|                    |                 |                                         | the SCSBs, electronically through internet banking facility. |

- 1) ASBA Bidders bidding through a member of the Syndicate should ensure that the ASBA Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat). Kindly note that ASBA Forms submitted to members of the Syndicate at the Syndicate ASBA Bidding Locations will not be accepted if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>).

The prescribed colour of the Bid cum Application Form and the ASBA Form for various categories of Bidders is as follows:

| Category                                                                                                                                             | Colour                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| <b>Bid cum Application Forms</b>                                                                                                                     |                               |
| 1) Resident Indians and Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees bidding in the Employee Reservation Portion | Blue border on White paper    |
| 2) Non-Residents and Eligible NRIs applying on a repatriation basis                                                                                  | Blue border on Blue paper     |
| 3) Eligible Employees bidding in the Employee Reservation Portion                                                                                    | Blue border on Pink paper     |
| <b>ASBA Forms *</b>                                                                                                                                  |                               |
| 4) Resident Indians and Eligible NRIs applying on a non-repatriation basis, excluding Eligible Employees bidding in the Employee Reservation Portion | Green border on White paper # |
| 5) Non-Residents and Eligible NRIs applying on a repatriation basis                                                                                  | Green border on White paper # |
| 6) Eligible Employees bidding in the Employee Reservation Portion                                                                                    | Green border on Pink paper    |

\* Excluding electronic ASBA Forms.

# Same ASBA Form with a check box for Resident/ Non-Resident ASBA Bidders.

Bidders shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective Bid Amount) in the Bid cum Application Form/ ASBA Form and such options shall not be considered as multiple Bids.

### Who can Bid?

- Indian nationals resident in India, who are competent to contract under the Indian Contract Act, 1872 in single or joint names. Furthermore, based on the information provided by the Depositories, the Company shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship);
- HUFs, in the individual name of the *Karta*. Such Bidders should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form or the ASBA Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs will be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;
- Mutual Funds registered with SEBI;
- Eligible NRIs (whether on a repatriation basis or on a non-repatriation basis), subject to applicable law;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI ICDR Regulations and other applicable law);
- FII's and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, bidding in the QIB Portion;
- Sub-accounts of FII's registered with SEBI, which are foreign corporates or foreign individuals, bidding in the Non-Institutional Portion;
- State industrial development corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;

- Scientific and/or industrial research organizations in India, which are authorized to invest in equity shares;
- Insurance companies registered with the IRDA;
- Insurance funds set up and managed by the Department of Posts, India;
- Provident funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
- Pension funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
- National Investment Fund;
- Insurance funds set up and managed by the army, navy or air force of the Union of India;
- Multilateral and bilateral development financial institutions;
- Limited liability partnerships;
- Eligible Employees; and
- Any other person eligible to Bid in this Offer, under the laws, rules, regulations, guidelines and policies applicable to them.

**In accordance with the regulations made by the RBI, OCBs cannot Bid in the Offer.**

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“**U.S. Securities Act**”), or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act and referred to in this Red Herring Prospectus as “U.S. QIBs”; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Red Herring Prospectus as “**QIBs**”), in reliance on Rule 144A under the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act, and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

**Participation by associates and affiliates of the Book Running Lead Managers and Syndicate Members**

The Book Running Lead Managers and the Syndicate Members shall not be allowed to subscribe to this Offer in any manner, except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Running Lead Managers and the Syndicate Members may subscribe to or purchase Equity Shares in the Offer, in the QIB Portion or in Non-Institutional Portion as may be applicable to such Bidders. Such bidding and subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

**Bids by Mutual Funds**

As per the SEBI ICDR Regulations, 5% of the QIB Portion is reserved for allocation to Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand from Mutual Funds is greater than 10,480,533 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion. With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must

be lodged with the ASBA Form. Failing this, the Selling Shareholder and our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made.

**In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.**

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

#### **Bids by Non Residents including Eligible NRIs, FIIs registered with SEBI**

There is no reservation in the Offer for Eligible NRIs or FIIs. Eligible NRIs will be treated on the same basis as other categories for the purpose of allocation. As per regulations made by the RBI, OCBs cannot participate in this Offer.

##### *Bids by Eligible NRIs*

Only Bids accompanied by payment in Indian ₹ or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs intending to make payment through freely convertible foreign exchange and bidding on a repatriation basis could make payments through Indian Rupee drafts purchased abroad or cheques or bank drafts or by debits to their Non-Resident External ("NRE") or Foreign Currency Non-Resident ("FCNR") accounts, maintained with banks authorized by the RBI to deal in foreign exchange. Eligible NRIs bidding on a repatriation basis are advised to use the Bid cum Application Form/ ASBA Form meant for Non-Residents (Green border on White paper for ASBA/ Blue border on Blue paper for non-ASBA), accompanied by a bank certificate confirming that the payment has been made by debiting to the NRE or FCNR account, as the case may be. Payment for Bids by non-resident Bidder bidding on a repatriation basis will not be accepted out of Non-Resident Ordinary ("NRO") accounts. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form for Resident Indians (Green border on White paper for ASBA/ Blue border on White paper for non-ASBA).

##### *Bids by FIIs*

Under the extant law, the total holding by a single FII or a Sub-Account cannot exceed 10% of the post-Offer paid-up equity share capital of our Company and the total holdings of all FIIs and Sub-Accounts cannot exceed 24% of the post-Offer paid-up equity share capital of our Company. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. Our Company has not obtained board or shareholders approval to increase the FII limit to more than 24%. Thus as of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued and paid-up Equity Share capital of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the FII Regulations, an FII or its Sub-Account may issue, deal or hold, offshore derivative instruments (as defined under the FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or Sub-Account is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the FII Regulations. Associates and affiliates of the Underwriters, including the Book Running Lead Managers that are FIIs, may issue offshore derivative instruments against Equity Shares Allotted to them. Any such offshore derivative instrument does not constitute any obligation or claim on or interest in, the Selling Shareholder and our Company.

With respect to Bids by FIIs, a certified copy of their SEBI registration certificate must be lodged with the ASBA Form. Failing this, the Selling Shareholder and our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### **Bids by limited liability partnerships**

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form or the ASBA Form. Failing this, the Selling Shareholder and our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

#### **Bids by insurance companies**

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the ASBA Form. Failing this, the Selling Shareholder and our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 (the “**IRDA Investment Regulations**”), are broadly set forth below:

- (a) equity shares of a company: the least of 10% of the investee company’s subscribed capital (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;
- (b) the entire group of the investee company: the least of 10% of the respective fund in case of a life insurer or 10% of investment assets in case of a general insurer or reinsurer (25% in case of ULIPS); and
- (c) the industry sector in which the investee company operates: 10% of the insurer’s total investment exposure to the industry sector (25% in case of ULIPS).

In addition, the IRDA partially amended the exposure limits applicable to investments in public limited companies in the infrastructure and housing sectors, providing, among other things, that the exposure of an insurer to an infrastructure company may be increased to not more than 20%, provided that in case of equity investment, a dividend of not less than 4% including bonus should have been declared for at least five preceding years. This limit of 20% would be combined for debt and equity taken together, without sub-ceilings. Further, investments in equity including preference shares and the convertible part of debentures shall not exceed 50% of the exposure norms specified under the IRDA Investment Regulations.

#### **Bids by provident funds/ pension funds**

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the ASBA Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

**The above information is given for the benefit of the Bidders. The Selling Shareholder, our Company, the Directors, the officers of the Company and the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

#### **Bids by Banking Companies**

The investment limit for banking companies as per the Banking Regulation Act, 1949, as amended, is 30% of the paid-up share capital of the investee company or 30% of the banks’ own paid-up share capital and reserves, whichever is less (except in case of certain specified exceptions, such as setting up or investing in a subsidiary company, which requires RBI approval). Additionally, any investment by a bank in equity shares must be approved by such bank’s investment committee set up to ensure compliance with the applicable prudential

norms for classification, valuation and operation of investment portfolio of banks (currently reflected in the RBI Master Circular of July 1, 2010).

### **Bids by Eligible Employees**

Bids under the Employee Reservation Portion shall be subject to the following:

- Only Eligible Employees would be eligible to apply in the Offer under the Employee Reservation Portion.
- The sole/ first Bidder shall be an Eligible Employee.
- Bid shall be made only in the prescribed Bid cum Application Form or ASBA Form (i.e. Green border on Pink paper for ASBA/ Blue border on Pink paper for non-ASBA).
- Eligible Employees should provide the details of the depository accounts including DP ID, Client ID and PAN as well as employee number in the relevant space in the Bid cum Application Form/ ASBA Form.
- The Employee Discount is being offered to Eligible Employees bidding in the Employee Reservation Portion at the time of making a Bid. Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Employee Discount, at the time of making a Bid.
- Eligible Employees who bid for Equity Shares in the Employee Reservation Portion may Bid at Cut-Off Price. Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Employee Discount at the time of making a Bid.
- Eligible Employees bidding in the Employee Reservation Portion should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Employee Discount. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Employee Discount. In order to be eligible to get allotment under the Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 2,00,000. Please see “Offer Procedure - *Rejection of Bids - Grounds for Technical Rejections*” on page 539 for information on rejection of Bids.
- The value of Allotment to any Eligible Employee bidding in the Employee Reservation Portion shall not exceed ₹ 200,000.
- The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter such that the maximum Payment Amount does not exceed ₹ 200,000.
- Only those Bids, which are received at or above the Offer Price, would be considered for allocation under the Employee Reservation Portion.
- Bid by an Eligible Employee can also be made in the “Net Offer” portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 8,553,168 Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 8,553,168 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see “Offer Procedure- *Basis of Allotment*” on page 544.
- Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the

Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.

### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the Union of India, insurance funds set up by the Department of Posts, India or the National Investment Fund, provident funds with minimum corpus of ₹ 250 million and pension funds with a minimum corpus of ₹ 250 million (in each case, subject to applicable law and in accordance with their respective constitutional documents), a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, with a certified copy of the memorandum of association and articles of association and/or bye laws, as applicable, must be lodged with the Bid cum Application Form or the ASBA Form. Failing this, the Selling Shareholder and our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Selling Shareholder and our Company in their absolute discretion, reserve the right to relax the condition of simultaneous lodging of the power of attorney with the Bid cum Application Form/ ASBA Form, subject to such terms and conditions that the Selling Shareholder, our Company and the BRLMs deem fit, without assigning any reasons therefor.

### **Maximum and Minimum Bid Size**

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Payment Amount i.e. Bid Amount less Retail Discount does not exceed ₹ 200,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Payment Amount does not exceed ₹ 200,000. Where the Payment Amount is over ₹ 200,000, non-QIB Bidders, other than Eligible Employees bidding in the Employee Reservation Portion, must ensure that they apply only through the ASBA route and such Bidders applying through the ASBA route will be considered for allocation under the Non-Institutional Portion and will not be eligible for the Retail Discount. Furthermore, in case of non-ASBA Bids, if the Payment Amount is over ₹ 200,000, the Bid is liable to be rejected. Please see “Offer Procedure - *Rejection of Bids - Grounds for Technical Rejections*” on page 539 for information on rejection of Bids.

Retail Individual Bidders have the option to Bid at Cut-off Price indicating their agreement to Bid and purchase at the Offer Price. Retail Individual Bidders bidding at the Cut-Off Price have to ensure payment at the Cap Price less Retail Discount at the time of making a Bid. For details on completing the Bid cum Application Form / ASBA Form please see “Offer Procedure - *Instructions for completing the Bid cum Application Form and ASBA Forms*” on page 532. The Offer Price will be determined at the end of the Book Building Process. Retail Individual Bidders have an option to participate in the Offer through the ASBA process.

- (b) **For Non-Institutional Bidders and QIBs:** The Bid must be for a minimum of such number of Equity Shares such that the Payment Amount exceeds ₹ 200,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Offer size. However, the Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. **A QIB cannot withdraw its Bid after the QIB Closing Date.** The identity of QIBs bidding in the Offer under the QIB Portion shall not be made public during the Offer Period.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the revised Payment Amount is greater than ₹ 200,000 for being considered for allocation in the Non-Institutional Portion. **Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.**

**Please note that QIBs and Non Institutional Bidders can participate in the Offer only through the ASBA process.**

- (c) **For Eligible Employees:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●]



Equity Shares thereafter, so as to ensure that the Payment Amount, i.e., Bid Amount less Employee Discount, does not exceed ₹ 200,000. In case of revision of Bids, Eligible Employees bidding in the Employee Reservation Portion have to ensure that the Payment Amount does not exceed ₹ 200,000. In case the Payment Amount is over ₹ 200,000, due to, among other things, revision of the Bid or revision of the Price Band or on exercise of bidding at Cut-off Price the Bid is liable to be rejected. Eligible Employees bidding in the Employee Reservation Portion have the option to bid at Cut-off Price indicating their agreement to Bid and purchase at the Offer Price. Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Employee Discount at the time of making a Bid. For details on completing the Bid cum Application Form / ASBA Form please see “Offer Procedure - *Instructions for completing the Bid cum Application Form and ASBA Form*” on page 532. The Allotment in the Employee Reservation Portion will be on a proportionate basis in case of over-subscription in this category. Further, the value of Allotment to any Eligible Employee bidding in the Employee Reservation Portion shall not exceed ₹ 200,000. The Offer Price will be determined at the end of the Book Building Process. Eligible Employees bidding in the Employee Reservation Portion have an option to participate in the Offer through the ASBA process.

The maximum and minimum bid size applicable to a QIB, Retail Individual Bidder, Non-Institutional Bidder or Eligible Employee bidding in the Employee Reservation Portion shall be applicable to an ASBA Bidder in accordance with the category that such ASBA Bidder falls under.

**Bidders are advised to make independent enquiries and ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

#### **Information for Bidders:**

1. Our Company shall file the Red Herring Prospectus with the RoC at least three days before the Offer Opening Date.
2. Subject to Section 66 of the Companies Act, our Company shall, after registering this Red Herring Prospectus with the RoC, make a pre-Offer advertisement, in the form prescribed under the SEBI ICDR Regulations, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions). In the pre-Offer advertisement, our Company and the BRLMs shall declare the Offer Opening Date and the Offer Closing Date. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Part A of Schedule XIII of the SEBI ICDR Regulations.
3. Our Company shall announce the Price Band, the minimum Bid lot and the rupee amount of the Retail Discount and Employee Discount at least one Working Day before the Offer Opening Date in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions). This announcement shall contain relevant financial ratios computed for both upper and lower end of the Price Band.
4. The Offer Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Offer Period shall be extended, by an additional three Working Days, subject to the total Offer Period not exceeding 10 Working Days. The revised Price Band and Offer Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions) and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
5. The BRLMs shall dispatch the Red Herring Prospectus and other Offer material including ASBA Forms, to the Designated Stock Exchange, members of the Syndicate, Bankers to the Offer, investors' associations and SCSBs in advance.
6. Copies of the Bid cum Application Form will be available for Retail Individual Bidders with the members of the Syndicate, and at our Registered Office and our Corporate Office. The BRLMs shall ensure that adequate arrangements are made to circulate copies of the abridged Red Herring Prospectus and Bid cum Application Form to the Syndicate.

7. Copies of the Bid cum Application Form/ASBA Form for the Eligible Employees bidding in the Employee Reservation Portion will be available at the respective offices of the Company.
8. **QIBs and Non-Institutional Bidders can participate in the Offer only through the ASBA process. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion have the option to Bid through the ASBA Form or the Bid cum Application Form. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.**
9. Bid cum Application Forms and ASBA Forms submitted to the members of the Syndicate should bear the stamp of the members of the Syndicate, otherwise they are liable to be rejected. ASBA Forms submitted directly to the SCSBs should bear the stamp of the SCSBs and/or the Designated Branch and/ or the member of the Syndicate at the Syndicate ASBA Bidding Locations, if not, the same are liable to be rejected.
10. Bid cum Application Forms or Revision Forms shall be submitted to the members of the Syndicate, and shall be duly completed and accompanied by account payee cheques or drafts.
11. **The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please see “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.**
12. **Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable. In order to be eligible to get allotment under Retail Portion or Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 200,000. Please see “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.**

#### **Additional information specific to ASBA Bidders**

1. ASBA Forms in physical form will be available with the Designated Branches, members of the Syndicate at the Syndicate ASBA Bidding Locations and at our Registered Office and our Corporate Office. Electronic ASBA Forms will be available on the websites of the SCSBs and on the websites of the Stock Exchanges at least one day prior to the Offer Opening Date. Further, the SCSBs will ensure that a soft copy of the abridged Red Herring Prospectus is made available on their websites. The BRLMs shall ensure that adequate arrangements are made to circulate copies of the abridged Red Herring Prospectus and ASBA Form to the SCSBs and the members of the Syndicate. Copies ASBA Form for the Eligible Employees bidding in the Employee Reservation Portion will be available at the respective offices of the Company
2. The ASBA Forms can be submitted (i) in physical mode, to a member of Syndicate at the Syndicate ASBA Bidding Locations; or (ii) either in physical or electronic mode, to the SCSBs with whom the ASBA Account is maintained. ASBA Form in electronic mode can be submitted only to the SCSBs with whom the ASBA Account is maintained and not to the members of Syndicate. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA

Account.

**ASBA Bidders bidding through a member of the Syndicate should ensure that the ASBA Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations. Kindly note that ASBA Forms submitted to members of the Syndicate at the Syndicate ASBA Bidding Locations will not be accepted if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). ASBA Bidders bidding directly through the SCSBs should ensure that the ASBA Form is submitted to a Designated Branch of a SCSB where the ASBA Account is maintained.**

3. For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the members of the Syndicate shall upload the ASBA Bid onto the electronic bidding system of the Stock Exchanges and deposit the ASBA Form with the relevant branch of the SCSB at the relevant Syndicate ASBA Bidding Locations named by such SCSB to accept such ASBA Forms from the members of the Syndicate (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). The relevant branch of the SCSB shall perform verification procedures and block an amount in the ASBA Account equal to the Payment Amount specified in the ASBA Form. For ASBA Bids submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to the Payment Amount specified in the ASBA Form, before entering the ASBA Bid into the electronic bidding system.

**ASBA Bidders should ensure that they have funds equal to the Payment Amount in the ASBA Account before submitting the ASBA Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations or the respective Designated Branch. An ASBA Bid where the corresponding ASBA Account does not have sufficient funds equal to the Payment Amount at the time of blocking the ASBA Account is liable to be rejected.**

4. The members of the Syndicate at the Syndicate ASBA Bidding Locations and the SCSBs shall accept ASBA Bids from ASBA Bidders only during the Offer Period. The SCSBs and the members of the Syndicate at the Syndicate ASBA Bidding Locations shall not accept any ASBA Form after the closing time of acceptance of Bids on the Offer Closing Date.
5. ASBA Forms submitted to the members of the Syndicate should bear the stamp of the members of the Syndicate; otherwise they are liable to be rejected. ASBA Forms submitted directly to the SCSBs should bear the stamp of the SCSBs and/or the Designated Branch and/or the member of the Syndicate; if not, the same are liable to be rejected.

**Bidders may note that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form or the ASBA Form, as the case may be and entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, Client ID and PAN available in the Depository database, the Bid cum Application Form or the ASBA Form, as the case may be, is liable to be rejected and the Selling Shareholder, our Company and the members of the Syndicate shall not be liable for losses, if any.**

For Bid cum Application Forms, the basis of allotment will be based on the Registrar's validation of the electronic bid details with the Depository records, and the complete reconciliation of the final certificates received from the Escrow Collection Banks with the electronic bid details in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010 and the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar will undertake technical rejections based on the electronic bid details and the Depository database. In case of any discrepancy between the electronic bid data and the Depository records, the Selling Shareholder, in consultation with the Designated Stock Exchange, the BRLMs, the Registrar and the Issuer, reserves the right to proceed as per the Depository records or treat such Bid as rejected.

For ASBA Bids submitted to the SCSBs, in terms of the SEBI circular CIR/CFD/DIL/3/2010 dated April 22, 2010, the Registrar to the Offer will reconcile the compiled data received from the Stock Exchanges and all SCSBs, and match the same with the Depository database for correctness of DP ID, Client ID and PAN. In cases where any DP ID, Client ID and PAN mentioned in the Bid file for an ASBA Bidder does not match with the one available in the Depository database the Selling Shareholder, in consultation with the Designated Stock

Exchange, the BRLMs, the Registrar and the Company, reserves the right to proceed as per the Depository records for such ASBA Bids or treat such ASBA Bids as rejected. The Registrar to the Offer will reject multiple ASBA Bids based on common PAN as available on the records of the Depositories.

For ASBA Bids submitted to the members of the Syndicate at the ASBA Bidding Locations, the basis of allotment will be based on the Registrar's validation of the electronic bid details with the Depository records, and the complete reconciliation of the final certificates received from the SCSBs with the electronic bid details in terms of the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The Registrar to the Offer will undertake technical rejections based on the electronic bid details and the Depository database. In case of any discrepancy between the electronic bid data and the Depository records, the Selling Shareholder, in consultation with the Designated Stock Exchange, the BRLMs, the Registrar and the Company, reserves the right to proceed as per the Depository records or treat such ASBA Bid as rejected.

Based on the information provided by the Depositories, the Company shall have the right to accept Bids belonging to an account for the benefit of a minor (under guardianship).

In case of Bids for a higher number of Equity Shares than specified for that category of Bidder, only the maximum amount permissible for such category of Bidders will be considered for Allotment.

### **Method and Process of bidding**

1. The Selling Shareholder in consultation with the Company and the Book Running Lead Managers shall decide the Price Band, the minimum Bid lot and the rupee amount of the Retail Discount and Employee Discount for the Offer and the same shall be advertised in in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions), at least one Working Day prior to the Offer Opening Date. The members of the Syndicate and the SCSBs shall accept Bids from the Bidders during the Offer Period.
2. The Offer Period shall be for a minimum of three Working Days and shall not exceed 10 working days. The Offer Period maybe extended, if required, by an additional three Working Days, subject to the total Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Offer Period, if applicable, will be published in in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions) and also by indicating the change on the website of the Book Running Lead Managers.
3. During the Offer Period, ASBA Bidders shall approach the members of the Syndicate at the Syndicate ASBA Bidding Locations or the Designated Branches to register their Bids. Please note that QIBs and Non-Institutional Bidders can participate in the Offer only through the ASBA process.

Bidders other than ASBA Bidders who are interested in subscribing for the Equity Shares should approach the members of the Syndicate to register their Bid. The members of the Syndicate accepting Bids have the right to vet the Bids during the Offer Period in accordance with the terms of the Red Herring Prospectus.

4. Each Bid cum Application Form and/ or the ASBA Form will give the Bidder the choice to bid for up to three optional prices (for details please see "Offer Procedure- *Bids at Different Price Levels*" on page 523) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form and/ or the ASBA Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Offer Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
5. The Bidder cannot bid on another Bid cum Application Form or ASBA Form after Bids on one Bid cum Application Form or ASBA Form have been submitted to the members of the Syndicate or SCSBs, as the case may be. Submission of a second Bid cum Application Form or ASBA Form to the members of the Syndicate or SCSBs will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the approval of the Basis of Allotment. However, Eligible Employee bidding under the Employee Reservation Portion may also Bid in the Net Offer and such Bids will not be treated as multiple Bids. Further, the

Bidder can revise the Bid through Revision Form or ASBA Revision Form, the procedure for which is detailed under paragraph titled “Offer Procedure- *Build up of the book and revision of Bids*” on page 526.

6. The members of the Syndicate/ the SCSBs, as the case may be, will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“**TRS**”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form or ASBA Form.
7. Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in “Offer Procedure - *Payment Instructions*” on page 535.
8. For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, each Bid option will be entered into the electronic bidding system as a separate Bid and a TRS shall be generated for each price and demand option. The ASBA Form shall be deposited with the relevant branch of the SCSB at the relevant Syndicate ASBA Bidding Location named by such SCSB to accept such ASBA Forms from the members of the Syndicate (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). Upon receipt of the ASBA Forms deposited by the members of Syndicate, the relevant branch of the SCSB shall perform verification procedures and check if sufficient funds equal to the Payment Amount are available in the ASBA Account, as mentioned in the ASBA Form. If sufficient funds are not available in the ASBA Account, the relevant ASBA Bids are liable to be rejected. If sufficient funds are available in the ASBA Account, the relevant branch of the SCSB shall block an amount equivalent to the Payment Amount mentioned in the ASBA Form.
9. For ASBA Bids submitted directly to the SCSBs, whether in physical or electronic mode, the respective Designated Branch shall verify if sufficient funds equal to the Payment Amount are available in the ASBA Account, as mentioned in the ASBA Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the respective Designated Branch shall reject such Bids and shall not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Payment Amount and will enter each Bid option as mentioned in the ASBA Form into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option.
10. The TRS/ acknowledgement shall be furnished to the ASBA Bidder on request.
11. The Payment Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment and consequent transfer of the Payment Amount against the Allotted Equity Shares to the Public Offer Accounts, or until withdrawal/failure of the Offer or until withdrawal/rejection of the ASBA Form, as the case may be. Once the Basis of Allotment is approved, the Registrar to the Offer shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Offer Accounts. In case of withdrawal/failure of the Offer, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Offer.

#### **Bids at Different Price Levels**

1. In accordance with SEBI ICDR Regulations, the Selling Shareholder in consultation with the Company and the Book Running Lead Managers and without prior intimation to or approval from the Bidders, reserve the right to revise the Price Band during the Offer Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price, disclosed at least one Working Day prior to the Offer Opening Date and the Cap Price will be revised accordingly.
2. The Selling Shareholder in consultation with the Company and the BRLMs, will finalise the Offer Price within the Price Band, without the prior approval of or intimation to the Bidders.
3. The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price.

4. The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid.
5. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion may bid at the Cut-off Price. However, bidding at Cut-off Price is not permitted for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.
6. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band adjusted for the Retail Discount or Employee Discount, as applicable. Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion bidding at Cut-off Price shall deposit the Payment Amount based on the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid into the Escrow Account(s). In case of ASBA Bidders bidding at the Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price, less Retail Discount or Employee Discount, as applicable. In the event the Payment Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who Bid at the Cut-off Price, the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who Bid at the Cut-off Price will receive refunds of the excess amounts in the manner provided in this Red Herring Prospectus.
7. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.
8. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable. In order to be eligible to get allotment under Retail Individual Bidders or Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 200,000.
9. The members of the Syndicate and the SCSBs, as the case may be, shall enter the Bid options onto the electronic bidding system of the Stock Exchanges as indicated by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion in the Bid cum Application Form/ ASBA Form (without adjusting for the Retail Discount or Employee Discount, as applicable). Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.

#### **Escrow mechanism, terms of payment and payment into the Escrow Accounts**

For details of the escrow mechanism and payment instructions, please see “Offer Procedure - Payment Instructions” on page 535.

#### **Electronic Registration of Bids**

1. The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The Book Running Lead Managers, the Selling Shareholder, our Company and the Registrar to the Offer are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the SCSBs and the members of the Syndicate, (ii) the Bids uploaded by the members of the Syndicate and the SCSBs, (iii) the Bids

accepted but not uploaded by the members of the Syndicate and the SCSBs or (iv) with respect to ASBA Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Payment Amount has been blocked in the relevant ASBA Account. ASBA Bids will only be registered by the members of the Syndicate at the ASBA Bidding Locations or the SCSBs.

2. In case of apparent data entry error by the members of the Syndicate or the collecting bank (for Bids other than ASBA Bids), or by the members of the Syndicate at the Syndicate ASBA Bidding Locations or the SCSBs (for ASBA Bids), in entering the Bid cum Application Form or the ASBA Form number in their respective schedules, other things remaining unchanged, the Bid cum Application Form or ASBA Form may be considered as valid.
3. The Stock Exchanges will offer an electronic facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents and the SCSBs during the Offer Period. The members of the Syndicate and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building Process on a regular basis. On the Offer Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the members of the Syndicate on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Offer Period may lead to some Bids received on the last day not being uploaded and such Bids will not be considered for allocation.
4. Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price would be made available at the bidding centres during the Offer Period.

At the time of registering each Bid, other than ASBA Bids, the members of the Syndicate shall enter the following details the Bidders in the on-line system:

- Bid cum Application Form number
- PAN (of the first Bidder, in case of more than one Bidder)
- Investor category and sub-category
- DP ID
- Client ID
- Number of Equity Shares Bid for
- Price per Equity Share (price option)
- Cheque amount
- Cheque number

With respect to ASBA Bids, submitted directly to the SCSBs at the time of registering each Bid, the Designated Branches shall enter the following information pertaining to the Bidder into the on-line system:

- ASBA Form number
- PAN (of the first Bidder, in case of more than one Bidder)
- Investor category and sub-category
- DP ID
- Client ID
- Number of Equity Shares Bid for
- Price per Equity Share (price option)
- Bank account number.

With respect to ASBA Bids submitted to the members of Syndicate at the Syndicate ASBA Bidding Locations, at the time of registering each Bid, the members of Syndicate shall enter the following details on the on-line system:

- ASBA Form number
- PAN (of the first Bidder, in case of more than one Bidder)

- Investor category and sub-category
  - DP ID
  - Client ID
  - Number of Equity Shares Bid for
  - Price per Equity Share (price option)
  - Bank code for the SCSB where the ASBA Account is maintained
  - Location of Syndicate ASBA Bidding Location
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches, as the case may be. The registration of the Bid by the members of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/ Allotted. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
  6. In case of QIBs, the members of the Syndicate or SCSBs have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the ASBA Form and only after assigning a reason for such rejection in writing. Further, QIB Bids can also be reject on technical grounds listed on page 539. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids can be rejected on the technical grounds listed on page 539 or if all required information is not provided or the Bid cum Application Form/ ASBA Form is incomplete in any respect.
  7. The permission given by the Stock Exchanges to use their network and software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Selling Shareholder, our Company and/or the Book Running Lead Managers are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Selling Shareholder (who is also our Promoter), our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus or the Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
  8. Only Bids that are uploaded on the online system of the Stock Exchanges shall be considered for allocation/ Allotment. The members of the Syndicate and the SCSBs shall capture all data relevant for the purposes of finalizing the Basis of Allotment while uploading Bid data in the electronic Bidding systems of the Stock Exchanges. In order that the data so captured is accurate the members of the Syndicate and the SCSBs will be given up to one Working Day after the Offer Closing Date to modify/ verify certain selected fields uploaded in the online system during the Offer Period after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL.

#### **Build up of the book and revision of Bids**

1. Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
2. The book gets built up at various price levels. This information will be available with the member of the Syndicate on a regular basis at the end of the Offer Period.
3. During the Offer Period, any Bidder who has registered his or her Bid at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form or the ASBA Revision Form, as the case may be.
4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form or the ASBA Revision Form, as the case may be. Apart from mentioning the revised options in the Revision Form or the ASBA Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form, ASBA Form or earlier Revision Form/ASBA Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form/ ASBA Form and such Bidder is changing only one of the options in the Revision Form/ASBA Revision Form, he must still fill the details of the other two options that are not being revised, in the



Revision Form or the ASBA Revision Form, as the case may be. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Form/ ASBA Revision Form.

5. The Bidder can make this revision any number of times during the Offer Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the same Designated Branch of the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form/ASBA Revision Form and the revised Bid must be made only in such Revision Form/ASBA Revision Form or copies thereof.
6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who had Bid at Cut-off Price could either (i) revise their Bid or (ii) (a), in case of ASBA Bids, issue instructions to block the revised amount based on cap of the revised Price Band (adjusted for the Retail Discount and Employee Discount, as applicable) in the ASBA Account, to the same member of the Syndicate or the same Designated Branch (as the case may be) through whom such Bidder had placed the original Bid, or (ii) (b) in case of Bids other than ASBA Bids, make additional payment based on the cap of the revised Price Band (adjusted for the Retail Discount and Employee Discount, as applicable) to the same member of the Syndicate through whom such Bidder had placed the original Bid, such that the total amount payable i.e., original Payment Amount plus additional payment does not exceed ₹ 200,000 (if the Bidder wants to continue to Bid at Cut-off Price). If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.
7. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be unblocked in case of ASBA Bids or refunded from the Escrow Account in case of Bids other than ASBA Bids.
8. Retail Individual Bidders and Eligible Employees should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable. In order to be eligible to get allotment under Retail Portion or Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 200,000. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids
9. The Selling Shareholder in consultation with the Company and the Book Running Lead Managers, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹ 5,000 to ₹ 7,000.
10. Any revision of the ASBA Bid shall be accompanied by instructions to block the revised Payment Amount, if any, on account of the upward revision of the ASBA Bid. The ASBA Revision form and upward revision of the ASBA Bid at the time of one or more revisions will be provided to the same member of the Syndicate or the same Designated Branch, as the case may be, through whom such ASBA Bidder had placed the original ASBA Bid. In such cases, the member of the Syndicate or the Designated Branch, as the case may be, will revise the earlier ASBA Bid details with the revised ASBA Bid.

With respect to the Bids, other than ASBA Bids, any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the additional amount, if any, to be paid on account of the upward revision of the Bid. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the additional payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases, the

members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book.

The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

11. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

### **Price Discovery and Allocation**

1. Based on the demand generated at various price levels and the book built, the Selling Shareholder in consultation with the Company and the Book Running Lead Managers shall finalise the Offer Price.
2. Any under-subscription in the Employee Reservation Portion will be added to the Net Offer. In the event of under-subscription in the Net Offer, spill over to the extent of under-subscription will be allowed from the Employee Reservation Portion. Subject to valid Bids being received at or above the Offer Price, any under-subscription in any other category will be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Selling Shareholder and our Company, in consultation with the BRLMs and the Designated Stock Exchange. In the event of over-subscription in any category, allocation will be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price.
3. Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI will be subject to applicable law, rules, regulations, guidelines and approvals.
4. QIBs shall not be allowed to withdraw their Bid after the QIB Offer Closing Date.

### **Signing of the Underwriting Agreement and the RoC Filing**

1. The Selling Shareholder, the Company, the Book Running Lead Managers and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after finalisation of the Offer Price.
2. After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed the 'Prospectus'. The Prospectus will contain details of the Offer Price, underwriting arrangements and will be complete in all material respects.

### **Pre-Offer Advertisement**

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in the following newspapers, i.e. Indian Express (all editions), Financial Express (all editions), New Indian Express (all editions) and Jansatta (all editions).

### **Advertisement regarding Offer Price and Prospectus**

Our Company will issue an advertisement after the filing of the Prospectus with the RoC. This advertisement, among other things, shall indicate the Offer Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such an advertisement.

### **Issuance of Allotment Advice**

1. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Offer shall send to the members of the Syndicate and the SCSBs a list of the successful Bidders who have been or are to be Allotted Equity Shares in the Offer.
2. The Registrar to the Offer will send Allotment Advice to Bidders who have been Allotted Equity Shares

in the Offer.

3. The dispatch of an Allotment Advice shall be deemed a valid, binding and irrevocable contract for the Bidder for all the Equity Shares allotted to such Bidder.

#### **Designated Date and Allotment**

- (a) The Selling Shareholder and our Company will ensure that the Allotment and credit to the successful Bidder's depository account will be completed within 12 Working Days of the Offer Closing Date.
- (b) Equity Shares will be offered and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them.**

#### **GENERAL INSTRUCTIONS**

##### **Do's:**

- (a). Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law;
- (b). Ensure that you have Bid within the Price Band;
- (c). Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;
- (d). Ensure that the details about the DP ID, Client ID and PAN are correct and beneficiary account is activated as Allotment will be in the dematerialised form only;
- (e). Ensure that the Bids are submitted at the bidding centres only on Bid cum Application Forms bearing the stamp of a member of the Syndicate, for Bids other than ASBA Bids;
- (f). Ensure that you have been given a TRS for all your Bid options and an acknowledgement as proof of having accepted;
- (g). Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS and/or acknowledgment;
- (h). Except for Bids (i) on behalf of the Central or State Government and officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should provide their PAN. Bid cum Application Forms in which the PAN is not provided will be rejected. The exemption for the Central or State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the demographic details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the demographic details evidencing the same;
- (i). Ensure that the Demographic Details including PAN are updated, true and correct in all respects;
- (j). Ensure that signatures other than in the languages specified in the Eighth Schedule to the Constitution of India is attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
- (k). Ensure that the names given in the Bid cum Application Form is exactly the same as the names available in the depository database. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same

sequence in which they appear in the Bid cum Application Form;

- (l). Ensure that the DP ID, the Client ID and the PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the stock exchanges by the members of the Syndicate and the SCSBs, as the case may be, match with the DP ID, Client ID and PAN available in the Depository database;
- (m). Ensure that you Bid only through the ASBA process if you are a QIB or a Non Institutional Bidder;
- (n). If you are a Retail Individual Bidder or an Eligible Employee bidding in the Employee Reservation Portion, ensure that you have made payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. If you are a Retail Individual Bidder and Eligible Employee bidding in the Employee Reservation Portion at the Cut-Off Price please ensure payment at the Cap Price, less Retail Discount and Employee Discount, as applicable, at the time of making a Bid;
- (o). If you are a Retail Individual Bidder or an Eligible Employee bidding in the Employee Reservation Portion, ensure that the Payment Amount does not exceed ₹ 200,000.; and
- (p). If you are a Retail Individual Bidder or Eligible Employee bidding in the Employee Reservation Portion, ensure that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, you indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable.

**Don'ts:**

- (a). Do not Bid for lower than the minimum Bid size;
- (b). Do not Bid/ revise Bid Amount to less than the Floor Price or higher than the Cap Price;
- (c). Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d). Do not pay the Payment Amount in cash, by money order or by postal order or by stockinvest;
- (e). Do not send Bid cum Application Forms by post; instead submit the same to the members of the Syndicate only;
- (f). Do not bid at Cut-off Price (for QIBs and Non-Institutional Bidders, for Payment Amount in excess of ₹ 200,000);
- (g). Do not make payment of an amount exceeding ₹ 200,000 for Bids by Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion;
- (h). Do not fill up the Bid cum Application Form/ ASBA Form such that the Equity Shares Bid for exceeds the Offer size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (i). Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;
- (j). Do not submit incorrect details of the DP ID, Client ID and PAN or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer.
- (k). Do not submit Bids without payment of the full Payment Amount;
- (l). Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms/ ASBA Forms, or on Bid cum Application Forms/ ASBA Forms in a colour prescribed for another category of

Bidder;

- (m). Do not Bid if you are not competent to contract under the Indian Contract Act, 1872;
- (n). Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
- (o). Do not submit a Bid that does not comply with the securities law of your respective jurisdiction.
- (p). Do not Bid under the non-ASBA process if you are a QIB or a Non Institutional Bidder;
- (q). If you are a Retail Individual Bidder or an Eligible Employee bidding in the Employee Reservation Portion, do not make the payment for an amount exceeding ₹ 200,000; and
- (r). If you are a Retail Individual Bidder or an Eligible Employee bidding in the Employee Reservation Portion, while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, do not indicate the Bid Price by adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable.

#### **ADDITIONAL INSTRUCTIONS SPECIFIC TO ASBA BIDDERS**

##### **Do's:**

1. Ensure that you use the ASBA Form specified for the purposes of ASBA bearing the stamp of the relevant SCSB and/ or the Designated Branch and/ or the members of the Syndicate (except in case of electronic ASBA Forms);
2. Read all the instructions carefully and complete the ASBA Form;
3. Ensure that your ASBA Form is submitted either at a Designated Branch of a SCSB where the ASBA Account is maintained or with the members of the Syndicate at the Syndicate ASBA Bidding Locations, and not to the Escrow Collecting Banks (assuming that such bank is not a SCSB) or to our Company or the Selling Shareholder or the Registrar to the Offer;
4. ASBA Bidders bidding through a member of the Syndicate should ensure that the ASBA Form is submitted to a member of the Syndicate only at the Syndicate ASBA Bidding Locations and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at-least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>);
5. Ensure that the ASBA Form is signed by the ASBA Account holder in case the ASBA Bidder is not the account holder;
6. Ensure that you have mentioned the correct ASBA Account number in the ASBA Form;
7. Ensure that you have funds equal to the Payment Amount in the ASBA Account before submitting the ASBA Form to the respective Designated Branch or to the members of the Syndicate at the Syndicate ASBA Bidding Locations;
8. Ensure that you have correctly signed the authorization/undertaking box in the ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Payment Amount mentioned in the ASBA Form;
9. Ensure that you receive an acknowledgement from the Designated Branch or from a member of the Syndicate at the Syndicate ASBA Bidding Locations, as the case may be, for the submission of your ASBA Form;

10. Submit ASBA Revision Form to the same Designated Branch or the member of the Syndicate at the Syndicate ASBA Bidding Locations through whom the original ASBA Form was placed and obtain a revised acknowledgment;
11. Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Form.

**Don'ts:**

1. Do not Bid on another ASBA Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch or to the members of the Syndicate at the Syndicate ASBA Bidding Locations;
2. Payment of Payment Amounts in any mode other than through blocking of Payment Amounts in the ASBA Accounts shall not be accepted under the ASBA process;
3. Do not send your physical ASBA Form by post. Instead submit the same to a Designated Branch or to a member of the Syndicate at the Syndicate ASBA Bidding Location;
4. Do not submit more than five ASBA Forms per ASBA Account; and
5. Do not submit the ASBA Form with a member of the Syndicate at a location other than the Syndicate ASBA Bidding Locations;

Kindly note that ASBA Forms submitted to members of the Syndicate at the Syndicate ASBA Bidding Locations will not be accepted if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>).

Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.

**INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM AND ASBA FORMS**

1. QIBs and Non-Institutional Bidders can participate in the Offer only through the ASBA process. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion may Bid through the Bid cum Application Form or the ASBA Form. ASBA Bidders are required to submit their Bids to the members of the Syndicate at the Syndicate ASBA Bidding Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat) or to the SCSBs. Bidders other than ASBA Bidders are required to submit their Bids to the members of the Syndicate.
2. Bids and revisions of Bids must be made only in the prescribed Bid cum Application Form, Revision Form, ASBA Form or ASBA Revision Form, as applicable.

Bidders can Bid at any price within the Price Band. The Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Where the Payment Amount is over ₹ 200,000, non-QIB Bidders, other than Eligible Employees bidding in the Employee Reservation Portion, must ensure that they apply only through the ASBA route and such Bidders applying through the ASBA route will be considered for allocation under the Non-Institutional Portion and will not be eligible for the Retail

Discount. Furthermore, Bids by Eligible Employees bidding in the Employee Reservation Portion where the Payment Amount is over ₹ 200,000 are liable to be rejected. In case of non-ASBA Bids, if the Payment Amount is over ₹ 200,000, the Bid is liable to be rejected. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.

3. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion should note that while filling the “Bid Options” block in the Bid cum Application Form/ ASBA Form, they must indicate the Bid Price without adjusting the Retail Discount or Employee Discount, as applicable. However, for the purpose of filling in the “Payment Details” block in the Bid cum Application Form/ ASBA Form, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must mention the Payment Amount i.e. the Bid Amount less Retail Discount or Employee Discount, as applicable. In order to be eligible to get allotment under Retail Portion or Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 200,000. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 below for information on rejection of Bids.
4. In case of Retail Individual Bidders (including Eligible NRIs) and Eligible Employees bidding in the Employee Reservation Portion, Bids and revisions of Bids must be made for a minimum of [●] Equity Shares and in multiples of [●] thereafter so as to ensure that the Payment Amount does not exceed ₹ 200,000. The option to Bid at the Cut-Off Price is available only to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion indicating their agreement to Bid and purchase at the Offer Price as determined at the end of the Book Building Process.
5. In case of Non-Institutional Bidders and QIB Bidders, Bids and revisions of Bids must be made for a minimum of such number of Equity Shares in multiples of [●] such that the Payment Amount exceeds ₹ 200,000.
6. Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Form are to be completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in this Red Herring Prospectus and the Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Form, as the case may be. Incomplete Bid cum Application Forms, ASBA Forms or Revision Forms or ASBA Revision Forms are liable to be rejected. Bidders should note that the Selling Shareholder, our Company and the members of the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms, ASBA Forms, Revision Forms or ASBA Revision Forms.
7. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal. Bids must be in single name or in joint names (not more than three, and in the same order as their Depository Participant details).
8. Bidders must provide details of valid and active DP ID, Client ID and PAN clearly and without error. On the basis of the Bidder’s active DP ID, Client ID and PAN provided in the Bid cum Application Form or the ASBA Form, and as entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, the Registrar to the Offer will obtain from the Depository the Demographic Details. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment.
9. Information provided by the Bidders will be uploaded in the online system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. The Bidders should ensure that the details are correct and legible.
10. Bids through ASBA must be:
  - a. made only in the prescribed ASBA Form or ASBA Revision Forms (if submitted in physical mode) or the electronic mode.
  - b. made in single name or in joint names (not more than three, and in the same order as their details appear with the Depository Participant).

- c. completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in this Red Herring Prospectus and in the ASBA Form.
- 11. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the ASBA Form.
- 12. For ASBA Bidders, the Bids in physical mode should be submitted to the SCSBs or to the member of the Syndicate at the Syndicate ASBA Bidding Locations on the prescribed ASBA Form. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account. For further details in relation to submission of an ASBA Bid, please see “Offer Procedure-Information for Bidders” on page 519.

#### **Bidder’s PAN, Depository Account and Bank Account Details**

**Bidders should note that on the basis of the DP ID, CLIENT ID and PAN provided by them in the Bid cum Application Form or ASBA Form, the Registrar to the Offer will obtain from the Depository the Demographic Details of the Bidders including PAN and MICR code. These Demographic Details would be used for giving Allotment Advice and refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS), if any, to the Bidders. Hence, Bidders are advised to immediately update their Demographic Details (including bank account details) as appearing on the records of the Depository Participant and ensure that they are true and correct. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders, delivery of Allotment Advice or unblocking of ASBA Account at the Bidders sole risk, and neither the members of the Syndicate or the Registrar to the Offer or the Escrow Collection Banks or the SCSBs nor our Company or the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form or the ASBA Form, as the case may be.**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DP ID, CLIENT ID AND PAN IN THE BID CUM APPLICATION FORM OR ASBA FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID CUM APPLICATION FORM OR ASBA FORM IS EXACTLY THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. IN CASE THE BID CUM APPLICATION FORM OR ASBA FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM OR ASBA FORM.**

**Bidders may note that in case the DP ID, Client ID and PAN mentioned in the Bid cum Application Form or the ASBA Form, as the case may be and entered into the electronic bidding system of the stock exchanges by the members of the Syndicate or the SCSBs, as the case may be, do not match with the DP ID, Client ID and PAN available in the Depository database or in case PAN is not available in the Depository database, the Bid cum Application Form or the ASBA Form, as the case may be, is liable to be rejected and the Selling Shareholder, our Company and the members of the Syndicate shall not be liable for losses, if any.**

The Demographic Details would be used for all correspondence with the Bidders including mailing of the Allotment Advice and printing of bank particulars on the refund orders, or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form or ASBA Form would not be used for any other purpose by the Registrar to the Offer except in relation to the Offer.

By signing the Bid cum Application Form or ASBA Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Allotment Advice and Refund orders, if any, would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Furthermore, Allotment Advice for ASBA Bidders would be mailed at the address of the ASBA Bidders as per the Demographic Details received from the Depositories.



Bidders may note that delivery of refund orders, / Allotment Advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at such Bidders sole risk and neither our Company, the Selling Shareholder, Escrow Collection Banks, SCSBs, Registrar to the Offer nor the members of the Syndicate shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Red Herring Prospectus, refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, DP ID, Client ID and PAN, then such Bids are liable to be rejected.

### **Bids by Non Residents including Eligible NRIs, FIIs registered with SEBI**

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form, ASBA Form, Revision Form or the ASBA Revision Form, as applicable (Green border on White paper for ASBA/ Blue border on Blue paper for non-ASBA), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Bids by Eligible NRIs for a Payment Amount of up to ₹ 200,000 would be considered under the Retail Portion for the purposes of allocation. Where the Payment Amount is over ₹ 200,000, NRIs must ensure that they apply only through the ASBA route and such NRIs will be considered under the Non-Institutional Bidders category and will not be eligible for the Retail Discount or Employee Discount. Bids by Eligible Employees bidding in the Employee Reservation Portion where the Payment Amount is over ₹ 200,000 are liable to be rejected.

Refunds, dividends and other distributions, if any, will be payable in Indian ₹ only and net of bank charges and / or commission.

**As per the existing policy of the Government of India, OCBs are not permitted to participate in the Offer.**

**There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.**

### **PAYMENT INSTRUCTIONS**

#### **Escrow Mechanism for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion through the non-ASBA process**

The Selling Shareholder, our Company and the Syndicate shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion through the non-ASBA process shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Payment Amount from Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks, for and on behalf of the Bidders, shall maintain the monies in the Escrow Account. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by Allotment of Equity Shares (other than in respect of Allotment to successful ASBA Bidders) from the Escrow Accounts, as per the terms of the Escrow Agreement,

into the Public Offer Accounts. The balance amount after transfer to the Public Offer Accounts shall be transferred to the Refund Accounts. Payments of refund to the relevant Bidders shall also be made from the Refund Accounts as per the terms of the Escrow Agreement and this Red Herring Prospectus.

**The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholder, the Syndicate, the Escrow Collection Banks and the Registrar to the Offer to facilitate collections from the Bidders. Under the terms of the escrow mechanism for this Offer, the Selling Shareholder will be entitled to benefits accruing from monies lying to the credit of the Escrow Accounts and Refund Accounts at such terms as may be mutually agreed between the Escrow Collection Banks and the Selling Shareholder. Bidders expressly agree that they will not be entitled to any benefits on such monies lying to the credit of the Escrow Accounts and Refund Accounts and that such benefits may be transferred to the Selling Shareholder as may be agreed by the Selling Shareholder with the Escrow Collection Banks and provided under the escrow arrangement.**

#### **Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the ASBA Account number in the ASBA Form.

For ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, the members of the Syndicate shall upload the ASBA Bid onto the electronic bidding system of the Stock Exchanges and deposit the ASBA Form with the relevant branch of the SCSB at the Syndicate ASBA Bidding Locations named by such SCSB to accept such ASBA Form from the members of the Syndicate (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). The relevant branch of the SCSB shall perform verification procedures and block an amount in the ASBA Account equal to the Payment Amount specified in the ASBA Form.

For ASBA Bids submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to the Payment Amount specified in the ASBA Form, before entering the ASBA Bid into the electronic bidding system. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

**ASBA Bidders should ensure that they have funds equal to the Payment Amount in the ASBA Account before submitting the ASBA Form to the members of the Syndicate at the Syndicate ASBA Bidding Locations or the respective Designated Branch. An ASBA Bid where the corresponding ASBA Account does not have sufficient funds equal to the Payment Amount at the time of blocking the ASBA Account is liable to be rejected.**

In the event of withdrawal or rejection of the ASBA Form or for unsuccessful ASBA Forms, the Registrar to the Offer shall give instructions to the SCSB to unblock the application money in the relevant bank account within 12 Working Days of the Offer Closing Date. The Payment Amount shall remain blocked in the ASBA Account until finalization of basis of allotment and consequent transfer of the Payment Amount to the Public Offer Accounts, or until withdrawal/ failure of the Offer or until rejection of the ASBA Bid, as the case may be.

#### **Payment into Escrow Account for Bidders other than ASBA Bidders**

Each Bidder shall draw a cheque or demand draft for the entire Payment Amount as per the following terms:

1. All Bidders would be required to pay the full Payment Amount at the time of the submission of the Bid cum Application Form.

**Kindly note that the Retail Discount and Employee Discount is being offered to Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, respectively, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at a price within the Price Band can make payment at the Payment Amount, i.e., the Bid Amount less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount or Employee Discount, as applicable, at the time of making a Bid. Retail**

**Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion must ensure that the Payment Amount does not exceed ₹ 200,000. Please refer to “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.**

**For details on completing the Bid cum Application Form / ASBA Form please refer to “Offer Procedure - Instructions for completing the Bid cum Application Form and ASBA Form” on page 532.**

**In order to be eligible to get allotment under the Retail Portion or Employee Reservation Portion, the Bidders should ensure that the Payment Amount does not exceed ₹ 200,000. Please refer to the “Offer Procedure - Rejection of Bids - Grounds for Technical Rejections” on page 539 for information on rejection of Bids.**

2. The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Payment Amount in favour of the Escrow Account and submit the same to the members of the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid will be rejected. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of resident Retail Individual Bidders: “Escrow Account–ONGC– R”
  - In case of Non-Resident Retail Individual Bidders: “Escrow Account–ONGC –NR”
  - In case of Eligible Employees: “Escrow Account–ONGC –Eligible Employees”.
4. In case of Bids by Eligible NRIs applying on repatriation basis, only Bids accompanied by payment in Indian ₹ or freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through freely convertible foreign exchange and are Bidding on a repatriation basis may make the payments through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
6. In case of Bids by FIIs, the payment should be made out of funds held in a ‘Special Rupee Account’ along with documentary evidence in support of the remittance.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders (other than ASBA Bidders) till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Offer Accounts with the Bankers to the Offer.
9. No later than 12 Working Days from the Offer Closing Date, the Registrar to the Offer shall despatch

all refund amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on bidding, if any, after adjusting for Allotment to such Bidders.

10. Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/postal orders will not be accepted.
11. Bidders are advised to provide the number of the Bid cum Application Form on the reverse of the cheque or bank draft to avoid misuse of instruments submitted with the Bid cum Application Form.

#### **Payment by cash/ stockinvest/ money order**

Payment through cash/ stockinvest/ money order shall not be accepted in this Offer.

### **OTHER INSTRUCTIONS**

#### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

#### **Multiple Bids**

A Bidder should submit only one Bid cum Application Form or the ASBA Form (and not more than one) for the total number of Equity Shares required.

In this regard, the procedures which would be followed by the Registrar to the Offer to detect multiple Bids include the following:

- All Bids will be checked for common PAN as per Depository records. For Bidders other than Mutual Funds and FII sub-accounts, Bids bearing the same PAN will be treated as multiple Bids and are liable to be rejected.
- For Bids from Mutual Funds and FII sub-accounts, which are submitted under the same PAN, as well as Bids for whom the submission of PAN is not mandatory such as on behalf of the Central or State government, an official liquidator or receiver appointed by a court and residents of Sikkim, the Bids will be scrutinized for DP ID and Client ID. In case such Bids bear the same DP ID and Client ID, these will be treated as multiple Bids and are liable to be rejected.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Eligible Employees both under the Employee Reservation Portion as well as in the Net Offer shall not be treated as multiple Bids.

After submitting an ASBA Form either in physical or electronic mode, where such ASBA Bid is uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Form or a Bid cum Application Form. Submission of a second Bid cum Application Form or an ASBA Form to either the same or to another Designated Branch of the SCSB or to any member of the Syndicate, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in the Offer. More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Forms from such ASBA Bidders with respect to any single ASBA Account. However, an ASBA Bidder may revise the Bid through the ASBA Revision Form.

The Selling Shareholder and our Company reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

### **Permanent Account Number or PAN**

Except for bids by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the Income Tax Act. In accordance with the SEBI ICDR Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form or ASBA Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

However, the exemption for the Central or State Government and the officials appointed by the courts and for investors residing in the State of Sikkim is subject to the Depository Participants' verifying the veracity of such claims of the investors by collecting sufficient documentary evidence in support of their claims. At the time of ascertaining the validity of these Bids, the Registrar will check under the Depository records for the appropriate description under the PAN field i.e. either Sikkim category or exempt category.

With effect from August 16, 2010, the beneficiary accounts of Bidders for whom PAN details have not been verified will be "suspended for credit" and no credit of Equity Shares pursuant to the Offer will be made in the accounts of such Bidders.

### **Withdrawal of ASBA Bids**

ASBA Bidders can withdraw their ASBA Bids during the Offer Period by submitting a request for the same to the member of the Syndicate or the Designated Branch, as the case may be, through whom the ASBA Bid had been placed. In case of ASBA Bids submitted to the members of the Syndicate at the Syndicate ASBA Bidding Locations, upon receipt of the request for withdrawal from the ASBA Bidder, the relevant Syndicate Member shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges. In case of ASBA Bids submitted to the Designated Branch, upon receipt of the request for withdraw from the ASBA Bidder, the relevant Designated Branch shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account directly.

In case an ASBA Bidder (other than a QIB) wishes to withdraw the Bid after the Offer Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Offer prior to the finalization of Allotment. The Registrar to the Offer shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account. QIBs cannot withdraw their Bids after the Offer Closing Date.

### **REJECTION OF BIDS**

In case of QIBs, the members of the Syndicate Member or SCSB can reject Bids at the time of acceptance of the ASBA Form, provided that the reasons for rejecting the same shall be disclosed to such QIB in writing. Further, QIB Bids can also be reject on technical grounds listed on page 539. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids would be liable to be rejected on the technical grounds listed on page 539 or if all required information is not provided or the Bid cum Application Form/ ASBA Form is incomplete in any respect.

### ***Grounds for Technical Rejections***

Bidders are advised to note that Bids are liable to be rejected on technical grounds including:

- Bid submitted without payment of the entire Payment Amount;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply. However a limited liability partnership firm can apply in its own name;

- Bids by persons not competent to contract under the Indian Contract Act, 1872;
- PAN not mentioned in the Bid cum Application Form or ASBA Form, except for bids by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim provided such claims have been verified by the Depository Participants;
- DP ID and Client ID not mentioned in the Bid cum Application Form or ASBA Form;
- GIR number furnished instead of PAN;
- Bids by OCBs;
- Bids for lower number of Equity Shares than the minimum specified for that category of investors;
- Submission of more than five ASBA Forms per ASBA Account;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- Bids at Cut-off Price by Non-Institutional Bidders and QIBs;
- Bids for a Payment Amount of more than ₹ 200,000 by Bidders applying through the non-ASBA process and Eligible Employees bidding in the Employee Reservation Portion;
- Bids by persons who are not Eligible Employees and have submitted their Bids under the Employee Reservation Portion;
- Bids by persons who are not eligible to acquire Equity Shares of our Company in terms of applicable laws, rules, regulations, guidelines and approvals;
- Bids for number of Equity Shares which are not in multiples of [●];
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and/ or joint Bidders missing. In case of joint Bidders, the Bid cum Application Forms/ASBA Forms not being signed by each of the joint Bidders;
- ASBA Forms not being signed by the ASBA account holder, if the account holder is different from the Bidder;
- Bid cum Application Form or ASBA Form submitted to the members of the Syndicate does not bear the stamp of the members of the Syndicate. ASBA Forms submitted directly to the SCSBs does not bear the stamp of the SCSB and/or the Designated Branch and/or the members of the Syndicate, as the case may be;
- ASBA Forms not having details of the ASBA Account to be blocked;
- Bid cum Application Forms and ASBA Forms do not have Bidder's depository account details;
- Bid cum Application Forms and ASBA Forms not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms and ASBA Forms, Offer Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms and ASBA Forms;

- In case no corresponding record is available with the Depositories that matches three parameters namely, DP ID, Client ID and PAN or if PAN is not available in the Depository database;
- With respect to ASBA Bids, inadequate funds in the ASBA Account to enable the SCSB to block the Payment Amount specified in the ASBA Form at the time of blocking such Payment Amount in the ASBA Account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations and applicable law;
- Bids where clear funds are not available in Escrow Accounts as per final certificates from Escrow Collection Banks;
- Authorization to the SCSB for blocking funds in the ASBA Account not provided;
- Bids by persons prohibited from buying, selling or dealing in shares, directly or indirectly, by SEBI or any other regulatory authority;
- Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
- Bids by persons (a) in the United States that are not “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act, and (b) outside the United States that are not in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur;
- Bids not uploaded on the terminals of the Stock Exchanges;
- Bids by QIB Bidders uploaded after 5.00 p.m. on the QIB Offer Closing Date, Bids by Non-Institutional Bidders uploaded after 4.00 p.m. on the Offer Closing Date, and Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion uploaded after 5.00 p.m. on the Offer Closing Date unless extended by the Stock Exchanges, as applicable;
- Bids by Bidders whose demat accounts have been 'suspended for credit' pursuant to the circular issued by SEBI on July 29, 2010 bearing number CIR/MRD/DP/22/2010;
- Where PAN details in the Bid cum Application Form/ ASBA Form, as the case may be, and entered into the electronic bidding system of the stock exchanges, are not as per the records of the depositories;
- Entities other than Individuals and HUFs bidding under the Retail Individual Bidders category and applying for Equity Shares such that the Payment Amount does not exceed ₹ 200,000;
- Bids by QIBs or Non Institutional Bidder not submitted through the ASBA process;
- Bids by QIB Bidders and Non Institutional Bidders accompanied by cheque(s) or demand draft(s);
- ASBA Form submitted to a member of the Syndicate at locations other than the Syndicate ASBA Bidding Locations or at a Designated Branch of a SCSB where the ASBA Account is not maintained, and ASBA Forms submitted to the Escrow Collecting Banks (assuming that such bank is not a SCSB), to our Company, the Selling Shareholder or the Registrar to the Offer; and
- Bid Price option in the Bid cum Application Form/ASBA Form have been provided after adjusting for Retail Discount or Employee Discount, as applicable.

**IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM OR ASBA FORM, AS THE CASE MAY BE, AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES THE APPLICATION IS LIABLE TO BE REJECTED AND THE SELLING SHAREHOLDER, OUR COMPANY AND THE MEMBERS OF THE SYNDICATE SHALL NOT BE**

## **LIABLE FOR LOSSES, IF ANY.**

**Kindly note that ASBA Forms submitted to members of the Syndicate at the Syndicate ASBA Bidding Locations will not be accepted if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit ASBA Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>).**

For information on certain procedures to be carried out by the Registrar to the Offer for finalization of the basis of allotment, please refer to “Offer Procedure- *Information for Bidders*” on page 519.

## **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

The Allotment shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this regard, connectivity has already been established with the share transfer agent.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the DP ID, Client ID and PAN) appearing in the Bid cum Application Form, ASBA Form, Revision Form or ASBA Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names mentioned in the Bid cum Application Form, Revision Form, ASBA Form or ASBA Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form, ASBA Form, Revision Form and the ASBA Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form or ASBA Form vis-à-vis those with his or her Depository Participant.
- (g) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

## **Communications**

All future communications in connection with Bids made in this Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or first Bidder, Bid cum Application Form or ASBA Form number, Bidders’ DP ID, Client ID, PAN, number of Equity Shares applied for, date of Bid cum Application Form or ASBA Form, name and address of the member of the Syndicate or the Designated Branch, as the case may be, where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, ASBA Account number in which the amount equivalent to the Payment Amount was blocked. All grievances relating to the ASBA process may be addressed to the Registrar to the Offer, with a copy to the relevant SCSB.

**Bidders can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of Allotment Advice, credit of Allotted Equity Shares in the**



**respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the relevant Designated Branch.**

## **PAYMENT OF REFUND**

Within 12 Working Days of the Offer Closing Date, the Registrar to the Offer will dispatch the refund orders for all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also any excess amount paid on Bidding, after adjusting for allocation/ Allotment to Bidders

In the case of Bidders other than ASBA Bidders, the Registrar to the Offer will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the DP ID, Client ID and PAN provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their details as appearing on the records of their Depository Participants. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and neither our Company, the Selling Shareholder, the Registrar to the Offer, the Escrow Collection Banks, or the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

### *Mode of making refunds for Bidders other than ASBA Bidders*

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories.
2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as per Demographic Details received from the Depositories, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Selling Shareholder.
3. RTGS – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹0.2 million, have the option to receive refund through RTGS provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding Indian Financial System Code ("IFSC"). Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched through Speed Post or Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn on the relevant Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### *Mode of making refunds for ASBA Bidders*

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Offer Closing Date.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

With respect to Bidders other than ASBA Bidders, the Selling Shareholder and our Company shall ensure dispatch of Allotment Advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants within 12 Working Days of the Offer Closing Date. With respect to the ASBA Bidders, the Selling Shareholder and our Company shall ensure dispatch of Allotment Advice and/or unblocking of funds in the ASBA Account within 12 working Days of the Working Days of the Offer Closing Date.

In case of applicants who receive refunds through ECS, direct credit or RTGS or NEFT, the refund instructions will be given to the clearing system within 12 Working Days from the Offer Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 12 Working Days of Offer Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for commencement of trading at all the Stock Exchanges where the Equity Shares are listed are taken within 12 Working Days from the Offer Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company further undertakes that:

- Allotment shall be made only in dematerialised form within 12 Working Days of the Offer Closing Date; and
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days of the Offer Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's ASBA Account shall be made within 12 Working Days from the Offer Closing Date.

The Selling Shareholder shall pay interest at 15% per annum, if Allotment is not made or refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 12 Working Days from the Offer Closing Date.

## **IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

***“Any person who:***

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,***

***shall be punishable with imprisonment for a term which may extend to five years.”***

## **BASIS OF ALLOTMENT**

### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Offer Price.
- The Net Offer size less Allotment to Non-Institutional Bidders and QIBs shall be available for Allotment to Retail Individual Bidders who have Bid at a price that is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 146,727,468 Equity Shares at or above the Offer Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 146,727,468 Equity Shares at or above the Offer Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

**B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Offer Price.
- The Net Offer size less Allotment to QIBs and Retail Individual Bidders shall be available for Allotment to Non-Institutional Bidders who have Bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 62,883,201 Equity Shares at or above the Offer Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 62,883,201 Equity Shares at or above the Offer Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment refer below.

**C. For QIBs in the QIB Portion**

- Bids received from the QIBs bidding in the QIB Portion at or above the Offer Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIBs will be made at the Offer Price.
- The QIB Portion shall be available for Allotment to QIBs who have Bid at a price that is equal to or greater than the Offer Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids by Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Offer Price;
    - (iii) Equity Shares remaining unsubscribed, if any and not allocated to Mutual Funds shall be available for Allotment to all QIBs as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

- (i) In the event of oversubscription in the QIB Portion, all QIBs who have submitted Bids above the Offer Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion;
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIBs;
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIBs on a proportionate basis.

- The aggregate Allotment to QIBs bidding in the QIB Portion may be upto 209,610,667 Equity Shares.

#### **D. For Employee Reservation Portion**

- The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Payment Amount by the Eligible Employees does not exceed ₹ 200,000. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion may bid at Cut-Off Price.
- The value of Allotment to any Eligible Employee shall not exceed ₹ 200,000.
- Bids received from the Eligible Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Eligible Employees will be made at the Offer Price.
- If the aggregate demand in this category is less than or equal to 8,553,168 Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 8,553,168 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.
- Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

#### **Method of Proportionate Basis of Allotment in the Offer**

In the event of the Offer being over-subscribed, the Selling Shareholder and our Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the Book Running Lead Managers and the Registrar to the Offer shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI ICDR Regulations.

The allocation shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of [●] Equity Shares.
- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### Illustration of Allotment to QIBs and Mutual Funds (“MF”)

##### A. Offer Details

| Sr. No. | Particulars                           | Offer details             |
|---------|---------------------------------------|---------------------------|
| 1.      | Offer size                            | 202 million equity shares |
| 2.      | Employee Reservation Portion          | 2 million equity shares   |
| 3.      | Net Offer Size                        | 200 million equity shares |
| 4.      | Portion available to QIBs (50%)       | 100 million equity shares |
|         | Of which:                             |                           |
|         | a. Allocation to MF (5%)              | 5 million equity shares   |
|         | b. Balance for all QIBs including MFs | 95 million equity shares  |
| 5.      | No. of QIB applicants                 | 10                        |
| 6.      | No. of shares applied for             | 500 million equity shares |

##### B. Details of QIB Bids

| Sr. No. | Type of QIBs <sup>#</sup> | No. of shares bid for (in million) |
|---------|---------------------------|------------------------------------|
| 1.      | A1                        | 50                                 |
| 2.      | A2                        | 20                                 |
| 3.      | A3                        | 130                                |
| 4.      | A4                        | 50                                 |
| 5.      | A5                        | 50                                 |
| 6.      | MF1                       | 40                                 |
| 7.      | MF2                       | 40                                 |
| 8.      | MF3                       | 80                                 |
| 9.      | MF4                       | 20                                 |
| 10.     | MF5                       | 20                                 |
|         | <b>Total</b>              | <b>500</b>                         |

# A1-A5: (QIBs other than MFs), MF1-MF5 (QIBs which are Mutual Funds)

##### C. Details of Allotment to QIBs / Applicants

| (Number of equity shares in million) |                |                                                                                       |                                                                                                  |                             |
|--------------------------------------|----------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------------|
| Type of QIBs                         | Shares bid for | Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to MFs |
| (I)                                  | (II)           | (III)                                                                                 | (IV)                                                                                             | (V)                         |

| Type of QIBs | Shares bid for | Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to MFs |
|--------------|----------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------------|
| A1           | 50             | 0                                                                                     | 9.60                                                                                             | 0                           |
| A2           | 20             | 0                                                                                     | 3.84                                                                                             | 0                           |
| A3           | 130            | 0                                                                                     | 24.95                                                                                            | 0                           |
| A4           | 50             | 0                                                                                     | 9.60                                                                                             | 0                           |
| A5           | 50             | 0                                                                                     | 9.60                                                                                             | 0                           |
| MF1          | 40             | 1                                                                                     | 7.48                                                                                             | 8.48                        |
| MF2          | 40             | 1                                                                                     | 7.48                                                                                             | 8.48                        |
| MF3          | 80             | 2                                                                                     | 14.97                                                                                            | 16.97                       |
| MF4          | 20             | 0.50                                                                                  | 3.74                                                                                             | 4.24                        |
| MF5          | 20             | 0.50                                                                                  | 3.74                                                                                             | 4.24                        |
|              | <b>500</b>     | <b>5</b>                                                                              | <b>95</b>                                                                                        | <b>42.42</b>                |

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in “Offer Structure” beginning on page 503.
2. Out of 100 million equity shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.
3. The balance 95 million equity shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million equity shares).
4. The figures in the fourth column entitled “Allocation of balance 95 million equity shares to QIBs proportionately” in the above illustration are arrived as under:
  - For QIBs other than Mutual Funds (A1 to A5) = No. of equity shares bid for (i.e. in column II) X 95 / 495
  - For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted ( i.e., column III of the table above)] X 95 / 495
  - The numerator and denominator for arriving at allocation of 95 million equity shares to the 10 QIBs are reduced by 5 million equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

#### **Letters of Allotment or Refund Orders or instructions to the SCSBs**

The Registrar to the Offer shall give instructions for credit to the beneficiary account with depository participants within 12 Working Days of the Offer Closing Date. Applicants residing at the locations where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit, RTGS and NEFT. The Selling Shareholder and our Company shall ensure dispatch of refund orders through registered post or speed post at the sole or first Bidder’s sole risk within 12 Working Days of the Offer Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of the Offer Closing Date. In case of ASBA Bidders, the Registrar to the Offer shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Offer Closing Date.

#### **Interest in case of delay in Allotment or Refund Orders/ instruction to SCSB by the Registrar to the Offer**

Our Company agrees that Allotment and credit to the successful Bidders’ depository accounts will be completed within 12 Working Days of the Offer Closing Date.

The Selling Shareholder shall pay interest at 15% per annum, if Allotment is not made or refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 12 Working Days from the Offer Closing Date.

The Selling Shareholder will provide adequate funds required for dispatch of refund orders and Allotment Advice, as applicable, to the Registrar to the Offer.

Refunds other than through NECS, direct credit, RTGS and NEFT will be made by cheques, pay-orders or demand drafts drawn on the banks appointed by the Selling Shareholder as the Refund Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other locations will be payable by the Bidders.

#### **UNDERTAKINGS BY OUR COMPANY**

Our Company undertakes the following:

- That the complaints received in respect of this Offer shall be attended to by our Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for commencement of trading at all the Stock Exchanges where the Equity Shares are listed are taken within 12 Working Days of the Offer Closing Date;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Offer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days of the Offer Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities or refund orders to the non-resident Indians shall be despatched within specified time, as applicable;
- That no further issue of securities shall be made till final trading approvals from all the Stock Exchanges have been obtained for the Equity Shares offered through the Offer; and
- That adequate arrangements shall be made to collect all ASBA Forms and to consider them similar to non-ASBA applications while finalising the Basis of Allotment.

#### **UNDERTAKINGS BY THE SELLING SHAREHOLDER**

The Selling Shareholder undertakes the following:

- That the Equity Shares are free and clear of all liens or encumbrances and shall be transferred to the successful Bidders within the specified time;
- The funds required for making refunds to unsuccessful Bidders or despatch of Allotment Advice as per modes prescribed in this Red Herring Prospectus shall be made available to the Registrar to the Offer;
- That the transfer of Equity Shares shall be made and the refund orders shall be dispatched or refund instructions will be given to the clearing system within 12 Working Days of the Offer Closing Date, as far as possible, and that the Selling Shareholder shall pay interest of 15% /per annum if allotment has not been made and refund orders have not been dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system within the aforesaid period;

- If the Selling Shareholder does not proceed with the Offer after the Offer Closing Date, the reason thereof shall be given as a public notice within two days of the Offer Closing Date. The public notice shall be issued in the same newspapers where the pre-Offer advertisement had appeared. The stock exchanges where the Equity Shares are listed shall also be informed promptly;
- If the Selling Shareholder withdraws the Offer after the Offer Closing Date, our Company shall be required to file a fresh offer document with the RoC/SEBI, in the event the Company subsequently decides to proceed with the Offer;
- The Selling Shareholder shall not further transfer Equity Shares during the period commencing from submission of this Red Herring Prospectus with the SEBI until the final trading approvals from all the Stock Exchanges have been obtained for the Equity Shares Allotted/ to be Allotted pursuant to the Offer
- The Selling Shareholder will not sell, transfer, dispose of in any manner or create any lien, charge or encumbrance on the Equity Shares available in the Offer for Sale;
- The Selling Shareholder will take all such steps as may be required to ensure that the Equity Shares are available for transfer in the Offer for Sale;
- The Selling Shareholder has authorized the Compliance Officer of our Company and the Registrar to the Offer to redress any complaints received from Bidders in respect of the Offer for Sale;
- The Selling Shareholder shall not have recourse to the proceeds of the Offer for Sale until the final trading approvals from all the Stock Exchanges have been obtained.

#### **Utilisation of Offer proceeds**

The Selling Shareholder along with the Company declares that all monies received out of this Offer shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act.

#### **Subscription by foreign investors (NRIs/FIIs)**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer, subject to the applicable ceiling for foreign investment in such Indian company, without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

There is no reservation for Eligible NRIs and FIIs registered with SEBI. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”), or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws in the United States.**

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act and referred to in this Red Herring Prospectus as “U.S. QIBs”; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Red Herring Prospectus as “QIBs”), in reliance on Rule 144A under the U.S. Securities Act or another available exemption from the registration requirements of the U.S. Securities Act, and (b) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.



**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

#### **Withdrawal of the Offer**

In accordance with the SEBI ICDR Regulations, the Selling Shareholder, in consultation with the Company and the BRLMs, reserves the right not to proceed with the Offer at anytime including after the Offer Opening Date, without assigning the reasons thereof. Provided, if the Selling Shareholder and our Company withdraw the Offer after the Offer Closing Date, our Company and the Selling Shareholder will give the reason thereof within two days of the Offer Closing Date by way of a public notice in the same newspapers where the pre-Offer advertisement had appeared. The Stock Exchanges shall also be informed promptly and the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts specified by the ASBA Bidders within one day from the date of receipt of such notification.

In the event the Selling Shareholder and our Company, in consultation with the BRLMs, withdraw the Offer after the Offer Closing Date, a fresh offer document will be filed with the RoC/SEBI in the event we subsequently decide to proceed with the Offer.

## SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI ICDR Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restriction on transfer and transmission of Equity Shares or debentures and/or their consolidations/splitting as detailed below. Please note that each provision below is numbered as per the corresponding article number in the Articles of Association.

| CAPITAL AND SHARES                    |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Share Capital</b>                  | 5  | The Authorised Share Capital of the Company is 15000,00,00,000 (₹ fifteen thousand crores) divided into 3000,00,00,000 (Three thousand crores) equity shares of ₹ 5 (₹ Five) each.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Allotment of Shares</b>            | 7  | Subject to the provisions of the Act and the Articles of the Company, the shares in the capital of the Company shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons, on such terms and conditions as the Board may consider fit. However, that option or right to call for or be allotted shares shall not be given to any person except with the sanction of the Company in General Meeting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                       | 9  | Subject to the provisions of the Act and the Articles of the Company, the Board may allot and issue shares in the capital of the Company as payment or part payment for any property (including goodwill of any business) sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be such fully paid up or partly paid up shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                       | 8  | The Company may increase its subscribed capital by allotment of further shares subject to the provisions of Section 81 of the Act. Subject to the foregoing, but without derogating from the powers conferred on the Board to allot shares under Article 7 of the Articles, the Company in General Meeting may determine that any shares, (whether forming part of the original capital or any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportions and on such terms and conditions and either at a premium or at par or subject to compliance with provisions of the Act, at a discount; as such General Meeting shall determine and with full power to give to any such persons (whether a member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or (subject to compliance with the provisions of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting of the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares. |
| <b>Calls on Shares</b>                | 23 | The Board may, make calls from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments and may be revoked at the discretion of the Board before issue of notice of call.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                       | 27 | The Board may, from time to time at its discretion extend the time fixed for the payment of any call but no member shall be entitled to such extension save as a matter of grace and favour.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>When interest on calls payable</b> | 28 | If any member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, such member shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board; but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Calls paid in advance</b>          | 30 | The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of his shares beyond the sums actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest, at such rate (not exceeding, unless the Company otherwise directs in a General Meeting, six percent per annum) as the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                                             |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                             |     | <p>member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the member three months' notice in writing.</p> <p>No member paying such sum in advance shall be entitled to profits or dividend or to voting rights in respect of the moneys so paid by him until the same would but for such payment had become presently payable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Sums deemed to be calls</b>                                              | 29  | Any sum which by the terms of issue of a share become payable on allotment or at any fixed date whether on account of the nominal value of the share or by way of premium, shall for the purpose of the Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same became payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Partial payment not to preclude forfeiture</b>                           | 36  | Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>CERTIFICATES</b>                                                         |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Right of Members to Certificates</b>                                     | 19  | <p>Every member of the Company shall be entitled, without payment, to receive one or more certificates in marketable lots for all shares of each class or denomination specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid up thereon such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation, or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Company Secretary or some other person appointed by the Board for the purpose and the two Directors or their attorney and the Secretary or other person shall sign the share certificate; provided that if the composition of the Board permits to it, at least one of the aforesaid two Directors shall be a person other than a managing or a whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue. The certificate of such shares shall be delivered within three months after the allotment or within one month after the receipt of application for the registration of the transfer of such shares as the case may be provided always that notwithstanding anything contained in the Articles of the Company, the certificate of title to shares may be executed and issued in accordance with such other provisions of the Act or rules made thereunder, as may be in force for the time being and from time to time.</p> <p>Two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge. The Company shall comply with the provisions of Section 113 of the Act.</p> <p>A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as, engraving in metal or lithography, but not by means of a rubber stamp; Provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.</p> |
| <b>Issue of new certificates in place of one defaced, lost or destroyed</b> | 21. | A share certificate may be renewed or a duplicate of a certificate may be issued if such certificate: (a) is proved to have been lost or destroyed; or (b) having been defaced or mutilated or torn, is surrendered to the Company; or (c) has no further space on its back for the endorsement of transfer. The manner of renewal of a certificate or issue of a duplicate thereof, the form of a certificate (original or renewed) or of a duplicate thereof, the particulars to be entered in the Register of Members or in the Register of renewed or duplicate certificates, the form of such Registers, the fee on payment of which, the terms and conditions on which a certificate may be renewed or a duplicate thereof may be issued, shall be such as prescribed by the Companies (Issue of Share Certificates) Rules, 1960 or any other Rules in substitution or modification thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                                               |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Company's lien on shares or debentures</b> | 32     | <p>The Company shall have a first and paramount lien upon all the shares, debentures (other than fully paid-up) registered in the name of each member/ debenture-holder (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any shares/ debentures shall be created. And such lien shall extend to all dividends/interests and bonuses from time to time declared in respect of such shares/ debentures.</p> <p>The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.</p> |
|                                               | 33     | For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit; and for that purpose may cause to be issued a duplicate certificate in respect of such shares/debentures and may authorise some persons to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until after the expiry of the fixed time in which moneys called or payable have become due and until notice in writing of the intention to sell shall have been made by him or them for payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.                                          |
| <b>Enforcement of Company's lien by sale</b>  | 34     | The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares/debentures before the sale) be paid to the person entitled to the shares/ debentures at the date of the sale.                                                                                                                                                                                                                                                                                                           |
|                                               | 35 (a) | If any member or debenture-holder fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.                                                                                                                                                                                                                                               |
| <b>Forfeiture of shares or debentures</b>     | (b)    | The notice aforesaid shall (not being less than fourteen days from the date of the service of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid, are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment is payable, will be liable to be forfeited.                                                                                                                                               |
|                                               | 37     | If the requirements of any such notice as aforesaid are not complied with, every or any share or debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or interest or any other moneys payable in respect of the forfeited shares or debentures and not actually paid before the forfeiture.                                                                                                                                                                                                |
|                                               | 36     | Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.                                                                                                                                                                                                                                                                                                                      |
|                                               | 38     | When any share or debenture have been so forfeited, notice of the forfeiture shall be given to the member or debenture-holder in whose name is stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members or Register of debenture-holders but no forfeiture shall, in any manner, be invalidated by any omission or neglect or to make any such entry as aforesaid.                                                                                                                                                                                                                                                                       |
|                                               | 40     | Any member whose shares or debenture-holder whose debentures have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, installments, interest and expenses owing upon or in respect of such shares or debentures at the time of forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding 20% per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.                                                                                                                                                                                        |
|                                               | 41     | The forfeiture of a share or debenture shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share/debenture, except only such of the rights as by the Articles are expressly saved.                                                                                                                                                                                                                                                                                                                                                                                               |
|                                               | 42     | A declaration in writing that the declarant is a Director or Secretary of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                                                                             |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                             |       | and that a share or debenture in the Company has been duly forfeited in accordance with the Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares or debentures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                             | 44    | Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers here in before given, the Board may appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register in respect of the shares or debentures sold and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register in respect of such shares or debentures, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                                             | 45    | The Board may at any time before any share or debenture so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Company may buy back its own Securities</b>                                              | 60A   | Notwithstanding anything contained in the Articles, but subject to the provisions of Section 77A, 77AA and 77B of the Act and SEBI (Buy Back of Securities) Regulations, 1998 as may be in force at any time and from time to time, the Company by special resolution or the Board, as the case may be, subject to limits, restrictions, terms and conditions, approvals as may be required under the provisions of the Act in order to acquire, purchase and own for extinguishing and physically destroying any of its fully paid shares and/or any other securities as may be specified under the Act, rules and regulations from time to time and may make payment thereof out of its free reserves, Securities Premium account or the proceeds of any other specified securities issued specially for the purpose of buy-back or any other modes as may be permitted from time to time. The Company or the Board as the case may be, may also decide other terms and conditions including that of payments in one or more installments for such purchase or acquisition as may be permitted under the Act or the Regulations in force at the relevant time. |
| <b>Surrender of Shares/ Debentures/Securities</b>                                           | 60    | Subject to applicable provisions of the Act, the Board may accept from any shareholder the surrender of shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Register and Index of Members/Debenture Holders</b>                                      | 6     | The Company shall cause to be kept a Register of Members, Index of Members, Register of debenture holders and an Index of debenture- holders in accordance with the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>TRANSFER AND TRANSMISSION OF SHARES OR DEBENTURES OR OTHER SECURITIES</b>                |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Execution of a transfer and transmission of shares or debentures or other securities</b> | 48    | The instrument of transfer of any shares or debentures shall be in writing executed both by the transferor and transferee and in such form as may be prescribed. All the provisions of Section 108 of the Act and of any statutory modifications thereof for the time being shall be duly complied with in respect of all transfers and the registration thereof. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the certificate of shares or debenture (and if no such certificate is in existence, along with the letter of allotment of shares or debentures) to be transferred and such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares or debentures and every instrument of transferor shall remain in the custody of the company until destroyed by the order of the Board. The transferor shall be deemed to remain the holder of the share or debenture until the name of the transferee is entered in the Register of members or debenture-holders in respect thereof.                                                           |
| <b>Register of Transfers</b>                                                                | 47    | The Company shall keep Registers of Transfer of Shares and Transfer of Debentures and therein enter the particulars of several transfers or transmission of any share or debenture.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Transmission of shares</b>                                                               | 50    | Nothing contained in Article 46 of the Articles shall prejudice any power of the Company to register as share holder or debenture-holder any person to whom the right to any shares or debentures in the Company has been transmitted by operation of law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                             | 46(f) | Any person becoming entitled to any shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with the Articles, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall require, either be registered as a Member in respect of such shares or may, subject to the regulations as to transfer in the Articles contained, transfer such shares to some other person.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|                                                                            |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            | 46(g)         | The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>DEMATERIALIZATION OF SECURITIES</b>                                     |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Dematerialisation/<br/>Rematerialisation of<br/>securities</b>          | 48A<br>(2)(A) | Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities and to offer its securities in dematerialised form pursuant to the Depositories Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                            | 48A(3)        | Every person subscribing to securities offered by the Company shall have the option to receive the security certificate(s) or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate(s) of securities. If a person opts to hold his securities with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.                                           |
| <b>Securities in Depository<br/>to<br/>be in Fungible Form</b>             | 48A(4)        | All securities in depository shall be dematerialised and be in fungible form. Nothing contained in 153, 153A, 153B, 187B and 187C and such other provisions of the Act as may be applicable, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Rights and Liabilities of<br/>Beneficial Owner(s)</b>                   | 48A(5)        | (a) Notwithstanding anything to the contrary contained in the Companies Act, 1956 or in the articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of the security on behalf of the beneficial owners.<br><br>(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting right or any other rights in respect of securities held by it.<br><br>(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository. |
| <b>Service of Documents</b>                                                | 48A(6)        | Notwithstanding anything in the Act, or in the Articles to the contrary, where securities are held in a depository, the notice of beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Transfer of securities</b>                                              | 48A(7)        | Nothing contained in Section 108 of the Act or in the Articles shall apply to transfer of securities effected by a transferor and a transferee, both of whom are entered as beneficial owner in the records of the depository.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Allotment of Securities<br/>to be<br/>dealt within a<br/>Depository</b> | 48A(8)        | Notwithstanding anything contained in the Act or in the Articles after any issue where the securities are dealt within a depository, the Company shall intimate the details thereof to the Depository immediately on allotment of securities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Distinctive number of<br/>securities</b>                                | 48(9)         | Nothing contained in the Act, or in the Articles regarding necessity of having distinctive numbers for securities issued by the Company shall apply to the securities held by a depository.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Nomination of shares</b>                                                | 49A           | Notwithstanding anything contained in Articles 48 and 49 or in any other law for the time being in force where a nomination has been made in the manner described in Section 109A of the Act, purporting to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of the company or, as the case may be, on the death of joint holder, become entitled to all the rights in the shares or debentures of the Company as the case may be, all the joint holders in relation to such shares in, or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Section 109A and 109B of the Act, shall be applicable to such cases.             |
| <b>INCREASE, REDUCTION AND ALTERATION OF CAPITAL</b>                       |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Increase of Capital</b>                                                 | 56            | Subject to the provisions of the Act, the Company in General Meeting may increase the authorised share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>On what condition new<br/>shares may be issued</b>                      | 57            | Subject to the provisions of the Act, new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation whereof shall direct and, if no directions be                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

|                                                                      |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                      |        | <p>given, as the Directors shall determine, and in particular, whether such share may be preference share or not.</p> <p>Provided that no shares (not being preference shares) shall be issued carrying voting rights or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).</p>                                                                                                                                                                                                                                                                                                                         |
| <b>When to be offered to existing members</b>                        | 58     | The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Article 7, 8, 9 and 10 above.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Same as original capital</b>                                      | 59     | Except so far as otherwise provided by the conditions of issue or by the Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installment, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.                                                                                                                                                                                                                                                                                                                                                |
| <b>Reduction of capital</b>                                          | 60.    | Subject to the provisions of Sections 100 to 104 of the Act, the Company may from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may seem expedient and capital may be paid off upon the footing that it may be called upon, again or otherwise and the Board may, subject to the provisions of the Act, accept surrender of shares                                                                                                                                                                                                 |
| <b>Sub-Division and consolidations of shares</b>                     | 61     | Subject to the provisions of the Act, the Company in General Meeting may, from time to time sub- divide or consolidate its shares or any of them and exercise any of the other powers conferred by clause (d) of Sub-Section I of Section 94 of the Act and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.                                                                                                                                                                                                                                                                                                                                                               |
| <b>BORROWING POWERS</b>                                              |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Conditions on which money may be borrowed</b>                     | 99.    | Subject to the provisions of Sections 292 and 293 of the Act, the Board may from time to time, by a resolution passed at a meeting of the Board accept deposits, or borrow moneys from members, either in advance of calls or otherwise or accept deposits from public and may generally raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds perpetual or redeemable debentures or debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being. |
| <b>Issue at discount etc. or with special privileges</b>             | 100(b) | Subject to the provisions of Section 79 and 117 of the Act, any bonds, debentures, debenture stock may be issued at discount, premium and otherwise and with any special privileges to redemption, surrender, drawings and allotment of shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>GENERAL MEETINGS</b>                                              |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Notices of general meetings</b>                                   | 68     | At least twenty-one days' notice of every General Meeting, Annual or Extraordinary whomsoever called, specifying the date, hour and place of the meeting and with a statement of the business to be transacted at the meeting (and in case it is proposed to pass a Special Resolution, the intent to propose such resolution as a Special Resolution) shall be given to the persons entitled under and in the manner provided by the Act and the Articles.                                                                                                                                                                                                                                                                       |
| <b>Omission to give notice not to invalidate a resolution passed</b> | 70     | The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Quorum</b>                                                        | 71     | Five or more members present in person shall be a quorum for any General Meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Chairman of General Meeting</b>                                   | 75     | The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting but if the Chairman is not present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as Chairman, the Directors present, who are also members of the Company, shall choose one amongst themselves as Chairman and if no such Director shall be present or if all such Directors present decline to take, the chair, then the members present shall choose one of their members to be Chairman.                                                                                                                                                                                  |
| <b>Chairman's decision conclusive</b>                                | 97     | The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>VOTES OF MEMBERS</b>                                              |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Votes</b>                                                         | 87(1)  | <p>Subject to the provisions of the Act and particularly of Section 87 and 92(2) and of the Articles :</p> <p>(i) shall, upon a show of hands, have one vote; and</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                   |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |         | <p>(ii) shall, (subject to the provisions of Section 92 of the Act and Article 30) upon a poll having voting rights in proportion to his share of the paid-up equity capital of the Company</p> <p>Subject to the provisions of Section 92 of the Act and Article 30 every member of the Company holding any preference share capital shall in respect of such capital have a right to vote on resolutions to the extent and in the manner laid down in sub-section (2) of Section 87 of the Act.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Postal Ballot</b>                              | 87A     | <p>Notwithstanding anything contained elsewhere in the Articles, but subject to the provisions of Section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 the Company, being a listed Company, may and in the case of resolutions relating to such business, as the Central Government may by the Rules and/or notifications, declare to be conducted only by postal ballot, shall get such resolutions passed by means of postal ballot instead of transacting the business in a General Meeting of the Company personally.</p> <p>Where it is decided to pass any resolution by Postal Ballot, the Company shall adhere to the procedure prescribed by Section 192A of the Act and such other applicable provisions of the Act and the Rules framed by the Government in respect thereof. It is clarified that the term Postal Ballot shall include voting by electronic mode.</p>                              |
| <b>No member to vote unless calls are paid up</b> | 89      | Subject to the provisions of the Act, no member shall be entitled to vote at any General Meeting either personally or by proxy or attorney for any other member or be reckoned in a quorum whilst any call or other sum shall be overdue and payable to the Company in respect of any of the shares of such members for more than one month.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>BOARD OF DIRECTORS</b>                         |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Management</b>                                 | 102     | The business of the Company shall be managed by a Board of Directors. The directors shall not be required to hold any qualification shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Number of Directors</b>                        | 103     | Unless otherwise determined by the Company in a General Meeting, the number of Directors shall be not less than four and not more than twenty one. These Directors may be functional Directors on whole-time basis or part time Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Appointment of Board of Directors</b>          | 104(a)  | Two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. The remaining Directors shall not be liable to retire by rotation and shall, subject to the provisions of the Articles, be appointed by the President of India so long as the President holds 51% or more, of the paid up equity share capital of the Company. At every Annual General Meeting of the Company held next after the date of General Meeting in which the first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being as are liable to retire by rotation and if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. |
|                                                   | 104(c)  | So long as the President holds 51% or more of the paid up equity share capital of the Company, the Chairman cum Managing Director of the Company shall be appointed by the President on such terms and conditions, remuneration and tenure as the President may determine from time to time. The Chairman cum Managing Director shall be the Chief Executive Officer of the Company and a non-retiring Director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                   | 104 (d) | The President shall, subject to the provisions of Section 255 of the Act and Article 104(a) appoint in consultation with the Chairman of the Company, such number of functional Directors on whole time basis as deemed fit on such terms & conditions, remuneration and tenure, as the President may from time to time determine.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Which Directors to retire</b>                  | 104 (b) | <p>Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who became Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.</p> <p>A retiring Director shall be eligible for reelection. The Company at the Annual General Meeting in which the Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.</p>                                                                                                                                                                                                                                                                                           |
|                                                   | 104 (f) | If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



|                                                            |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | (g)      | <p>holiday, till the next succeeding day which is not a public holiday, at the same time and place, and if at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless</p> <p>(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost;</p> <p>(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his un- willingness to be so re-appointed;</p> <p>(iii) he is not qualified or disqualified for appointment;</p> <p>(iv) a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act.</p> |
| <b>Nominee Directors</b>                                   | 104 (e)  | A Director representing a Ministry of the Government of India shall retire on his ceasing to be an official of that Ministry.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>President to have power to remove certain Directors</b> | 104(i)   | The President may from time to time or at any time remove any part time Director appointed him, from the office at his absolute discretion, the Chairman cum Managing Director or whole time Director may be removed from the office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of remuneration in lieu of the notice period.                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                            | 104(j)   | The President shall so long as he holds 51% of the paid up equity capital have the right to fill any vacancy in the office of the Directors including Chair man-cum-Managing Director, appointed by him, caused by removal, resignation, death or otherwise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Alternate Director</b>                                  | 106      | Subject to Section 313 of the Act, the Board of Directors may appoint an Alternate Director to act for a Director at his suggestion or otherwise, during his absence for a period not exceeding 3 months from the State in which meetings of the Board are ordinarily held.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Matters reserved for the President</b>                  | 108      | So long as the President holds 51% or more of the paid up equity share capital of the Company, the Chairman-cum-Managing Director shall reserve for the decision of the President any proposals or decisions of the Directors in respect of the following:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                            | 108(i)   | Five Year Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                            | 108(ii)  | Any programme of capital expenditure exceeding the fiduciary power of the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                            | 108(iii) | Revenue budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                            | 108(iv)  | Winding up of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                            | 108(v)   | Any other matter which in the opinion of the Chairman and Managing Director be of such importance as to be reserved for the approval of the President.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Powers of President to issue directives</b>             | 109      | Notwithstanding anything contained in the Articles the President may, so long as he holds 5% or more of the paid up equity share capital of the Company, from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the Company and in like manner may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers :                                                                                                                                                                                                                                                                                                                                                                         |
|                                                            | 109(i)   | To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                            | 109(ii)  | To call for such returns, accounts and other information with respect to the property and activities of the Company as may be required from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                            | 109(iii) | To determine in consultation with the Board annual, short and long term financial and economic objectives of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                            |          | Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Board may set up Committee</b>                          | 125      | The Board may, subject to the provisions of Section 292 of the Act, delegate any of their powers to Committees consisting of such member or members of their body as they think fit, and they may, from time to time, revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may, from time to time, be imposed on it by the Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Specific Powers given to</b>                            | 132      | Subject to the provisions of the Act and without prejudice to the general power                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|                                                 |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>the Board</b>                                |         | conferred by the Articles, the Board shall have the following powers, that is to say, powers:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>To make bye-laws</b>                         | 132(1)  | To make, vary and repeal from time to time bye-laws for the regulation of the business of the company and for governing its officers and servants including wage and welfare policy, terms and conditions of services, discipline, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>To pay &amp; charge interests, etc.</b>      | 132(2)  | To pay and charge to the capital account of the Company any interest lawfully payable thereat under the provisions of the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>To acquire property</b>                      | 132(3)  | To purchase, take on lease or otherwise acquire or deal with the Company property, rights or privileges which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>To undertake capital works</b>               | 132(4)  | <p>To authorise, from time to time undertaking of works of capital nature, irrespective of any monetary ceilings, subject to the guidelines and conditions laid down by Department of Public Enterprises, Government of India for exercising such enhanced authority by the Board of Directors.</p> <p>Provided that:</p> <p>(i) Within any financial year the funds required will be found from the internal resources and within the budget allocation for the project;</p> <p>(ii) The expenditure on such works in subsequent years would be first call on the respect budget allocation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>To pay for property in debentures</b>        | 132(5)  | To pay for any property or rights acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, debentures stock or in shares that may be issued as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, debenture stock or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>To secure contracts by mortgage</b>          | 132(6)  | To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>To refer to arbitration</b>                  | 132(7)  | To refer any claim or demand by or against the Company to arbitration and to challenge, observe and perform the awards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>To invest money</b>                          | 132(8)  | To invest and deal with any of the moneys of the Company in any currency not immediately required for the purposes thereof, upon such securities and in such manner as they may think fit and from time to time to vary or realise such investment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>To give bonus, to create provident fund</b>  | 132(9)  | To provide for the welfare of employees or ex- employees of the Company or of its predecessors in business and the wives, widows and families or the dependents or connections of such employees or ex-employees by building or contributing to the building of houses, dwellings or chawis or by grants of money, allowances, bonuses, profit sharing bonuses or benefit of any other kind or by creating and from time to time subscribing or contributing to provident and other association, institution, funds, profit sharing or other scheme or trusts or by providing or subscribing or contributing towards places of instructions and recreation; hospitals and dispensaries, medical and other attendances and any other form of assistance, welfare or relief as the Directors shall think fit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>To subscribe to other funds</b>              | 132(10) | To subscribe or otherwise to assist or to guarantee money to scientific institutions or objects;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>To create depreciation &amp; other funds</b> | 132(11) | To set aside before recommending any dividend out of the profit of the Company such sums as they may think proper for depreciation or to depreciation fund Reserve or to Reserve Fund to meet contingencies or Insurance Fund or any special or other fund to meet contingencies or to repay Redeemable Preference Shares, and for special dividends and for equalising dividends and for repairing, replacing, improving, extending and maintaining any part of the properties of the Company and for such other purposes (including the purposes referred to in the sub-clause (10) as the Directors may, in their absolute discretion think conducive to the interest of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by the Act), as the Directors may think fit; and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Directors apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied |

|                                                  |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                  |              | or expended and to divide the Reserve Fund into such special funds as the Directors may think fit and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares and that without being bound to keep the same separate from the other assets, and without being bound to pay or allow interest on the same, with power, however, to the Directors at their discretion to pay or allow to credit such fund interest at such rate as the Director may think proper.                                                                                                                                                                                                                                                     |
| <b>To create posts and appoint officers</b>      | 132(12)<br>) | To create posts and to appoint and at their discretion remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants from permanent, temporary or special service, as they may from time to time, think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit and also without prejudice as aforesaid from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India or any other part of the world in such manner as they think fit.                                                                                                                                                                                                                      |
| <b>To delegate</b>                               | 132(13)<br>) | Subject to Sections 292 and 293 of the Act, to delegate all or any of the powers, authorities and discretions for the time being vested in the Directors, subject however to the ultimate control and authority being retained by them.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Authority to further sub-delegate</b>         | 132(14)<br>) | Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or, any of the powers authorities and discretions for the time being vested in them.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>To lend money</b>                             | 132(15)<br>) | To lend moneys to subsidiaries and associated organisations, on such terms and conditions as they may consider desirable subject to the provisions of the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>To insure property etc.</b>                   | 132(16)<br>) | To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company either separately or conjointly; also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power                                                                                                                                                                                                                                                                                                                                      |
| <b>To Open Bank Accounts</b>                     | 132(17)<br>) | To open accounts with any bank or bankers in any currency, and pay money into and draw money from any such account from time to time as the Directors may think fit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>To appoint trustees</b>                       | 132(19)<br>) | To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested, or for any other purposes and to execute and do all such acts and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>To give receipts</b>                          | 132(20)<br>) | To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>To authorise acceptance etc.</b>              | 132(21)<br>) | To determine from time to time who shall be entitled to sign on the Company's behalf bills, receipts, notes, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>To give security by way of indemnity</b>      | 132(22)<br>) | To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed to.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>To give share in profits</b>                  | 132(23)<br>) | To give to any Director, officer or other person employed by the Company an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as a part of the working expenses of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>To subscribe to charitable or other funds</b> | 132(24)<br>) | To subscribe or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or any other institutions or objects, or for any exhibition.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>To establish local boards</b>                 | 132(25)<br>) | From time to time and at any time to establish any Local Board in any specified locality in India or elsewhere and to appoint any persons to be members of any Local Board, and to fix their remuneration, and from time to time, and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Directors, other than their powers to make call and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit, and the Directors may at any time remove any person so appointed, and may annual or vary any such delegation. Any such delegates may |

|                                                                     |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     |              | be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>To appoint attorneys</b>                                         | 132(26)<br>) | At any time and from time to time by power of attorney to appoint any person or persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment (if the Directors think fit) may be made in favour of the members or any of the members, of any Local Board established as aforesaid or in favour of any company or the members, Directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body or persons whether nominated directly or indirectly by the Directors, and any such Power of Attorney may contain such powers for the protecting or convenience of persons dealing with, such attorneys as the Directors may think fit. |
| <b>To enter into contracts</b>                                      | 132(27)<br>) | To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name of and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>To institute or defend action</b>                                | 132(28)<br>) | To institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its officers or otherwise concerning the affairs of the Company and also to compound satisfaction of any- debts, due and of any claims or demands by or against the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>To pay preliminary expenses</b>                                  | 132(29)<br>) | To pay the costs, charges, and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>To maintain foreign register</b>                                 | 132(30)<br>) | To keep Foreign Register of members/debenture holders in accordance with the provisions of the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>DIVISION OF PROFITS AND DIVIDEND</b>                             |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Division of profits</b>                                          | 135          | The profits of the Company subject to Section 206 of the Act and any restrictions and limitations or special rights relating thereto created or authorised to be created by the Memorandum of Association or by the Articles shall be divisible among the members in proportion to the amount of capital paid up in the shares held by them respectively.<br><br>Provided always that (subject as aforesaid) any capital paid up on share during the period in respect of which a dividend is declared shall, unless the Directors otherwise determine, only entitle the holder of such share to an apportioned amount of such dividends as from the date of payment.                                                                                                                                                                                                                                                                                      |
|                                                                     | 136          | The Company in General Meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Power of Directors to limit dividends</b>                        | 137          | No larger dividends shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Debts may be reduced</b>                                         | 138          | The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Interim dividend</b>                                             | 139          | The Directors may from time to time pay to the member such interim dividends as in their judgement the position of the Company justifies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>No member to receive dividend whilst indebted to the Company</b> | 141          | Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise either alone or jointly with any other person or persons; and the Directors may detain from the interest or dividend payable to any member all sums of money so due from him to the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Transfer of shares must be registered</b>                        | 142          | A transfer of shares shall not pass the right to any dividend declared thereon before the registration of transfer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Unpaid or Unclaimed Dividend</b>                                 | 144          | No unclaimed dividend shall be forfeited and all unclaimed dividends shall be dealt with in accordance with the relevant provisions under the Act for the time being in force or such other instructions as may be given in this regard by the Government from time to time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                     | 144A         | Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the "Investor Education and Protection Fund."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Special provisions in relation to dividend</b>                   | 146          | Subject to the provisions of the Act, any General Meeting sanctioning or declaring a dividend in terms of the Articles may direct payment of such dividend wholly or in                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|                       |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       |        | <p>part in any manner otherwise than in cash and in particular without prejudice to the generality of the foregoing by the distribution of specific assets or property of the Company, shares, debentures or debenture stocks, bonds or other obligations of the Company, or in any one or more of such ways and the Directors shall give effect to such direction and where any difficulty arises in regard to the distribution they may settle the same as they think expedient and in particular may issue fractional certificates and may determine that cash payment shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets, shares, debentures, debenture stock, bonds or other obligations of the Company in trustees upon such terms for the persons entitled to the dividend as may seem expedient to the Directors. Where requisite, the Directors shall comply with Section 75 of the Act and the Directors may appoint any person to sign any contract thereby required on behalf of the person entitled to the dividend and such appointment shall be effective.</p> |
| <b>Capitalisation</b> | 147(1) | <p>Subject to the provisions of the Act and regulations made thereunder or any other applicable law/guidelines, any General Meeting may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and, where permitted by law, from the appreciation in value of any capital assets of the company) standing to the credit of the General Reserve or Reserve Fund or any other Reserve or Fund of the Company or in the hands of the company and available for dividend, be capitalised:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                       |        | <p>(a) by issue and distribution as fully paid up shares, of the Company; or</p> <p>(b) by crediting shares of the Company which may have been issued to and are not fully paid up with the whole or any part of the sum remaining unpaid thereon.</p> <p>Provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as therein provided as fully paid bonus shares).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                       | 147(2) | <p>Such issue and distribution under sub-clause (1) (a) above and such payment to credit of unpaid capital under sub-clause (1) (b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (1) (a) or payment under sub-clause (1) (b) above shall be made on the footing that such members become entitled thereto as capital.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                       | 147(3) | <p>The Board shall give effect to any such resolution and apply such portion of the profits, General Reserve or Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligation of the Company so distributed under sub clause (1) (a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under sub-clause (1) (b) above; provided that no such distribution or payment shall be made unless recommended by the Directors and, if so recommended, such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.</p>                                                                                                                                                                                                                                                                                                                    |
|                       | 147(4) | <p>For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other Obligations and fractional certificates or otherwise as they may think fit.</p>                                                                                                                                                                                                                                                                                                                            |
|                       | 147(5) | <p>Subject to the provisions of the Act and the Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only such capitalization may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but, so that, as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|                                                  |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                  |        | paid on the existing fully paid and partly paid shares respectively.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                  | 147(6) | When deemed requisite, a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>WINDING UP</b>                                |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Distribution of assets</b>                    | 163(a) | If the Company shall be wound up whether voluntarily or otherwise, the liquidators may, with the sanction of a Special Resolution, and any other sanction required by the Act, divide amongst the contributories in specie or kind, the whole or any part of the assets of the Company and may, with the like sanction, vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the Liquidators with the like sanction shall think fit.                                                                                                                                                                                                                                                                                                    |
| <b>INDEMNITY AND RESPONSIBILITY</b>              |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Directors' and others' right to indemnity</b> | 166(a) | Subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary and other officer or employee of the Company shall be indemnified by the Company against any bonafide liability and it shall be the duty of the Directors to pay out of the Funds of the Company, all costs, losses and expenses (including traveling expenses) which any such Director, Manager, Officers or employees may incur or become liable to by reason of any contract, entered into or act or deed done by him or them as such Director, General Manager, Manager, Officer or Servant or in any other way in the discharge of his duties and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims. |
|                                                  | 166(b) | Subject as aforesaid every Director, Manager, Officer or (with the consent of the Directors) Auditors of the Company shall be indemnified against any liability incurred by him or them in defending any proceedings whether civil or criminal in which judgement is given in his or their favour or in which he or they are acquitted or in connection with any application under Section 633 of the Act in which relief is given to him or them by the Court.                                                                                                                                                                                                                                                                                                                                                                  |

## **SECTION IX – OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which will be attached to the copy of this Red Herring Prospectus delivered to the RoC for registration, and also the documents for inspection referred to hereunder may be inspected at our Registered Office from 10.00 am to 4.00 pm during the Offering Period.

#### **Material Contracts**

1. Engagement Letters dated January 21, 2011 for the appointment of JM Financial Consultants Private Limited, Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited, Morgan Stanley India Company Private Limited and Nomura Financial Advisory & Securities (India) Private Limited, and dated January 31, 2011 for the appointment of HSBC Securities and Capital Markets (India) Pvt. Ltd. as BRLMs.
2. Offer Agreement dated August 26, 2011, among our Company, the Selling Shareholder and the BRLMs.
3. Agreement dated June 13, 2011, among the Selling Shareholder, our Company and the Registrar to the Offer.
4. Escrow Agreement dated August 26, 2011, between our Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Banks, and the Registrar to the Offer.
5. Syndicate Agreement dated August 26, 2011, between our Company, the Selling Shareholder and the members of the Syndicate.
6. Underwriting Agreement among the Underwriters, the Selling Shareholder and the Company to be entered into, after the determination of the Offer Price.

#### **Material Documents**

1. Our Memorandum and Articles of Association amended until date.
2. Our certificate of incorporation dated June 23, 1993.
3. Copies of annual reports of our Company for the past two financial years.
4. Letter (no. G-38011/47/2009-Fin.I) dated August 31, 2010 issued by MoPNG, granting approval for the Offer including the Offer for Sale.
5. Letter (No. G-38011/25/10-Fin.1) dated February 7, 2011, issued by the President of India acting through the MoPNG in relation to lock in of its Equity Shares,
6. Approval of the RBI for the transfer of 427,774,504 Equity Shares in favor of residents outside India in the Offer for Sale, by letter (bearing no. F.E.CO.FID/19674/10.21.227/2010-2011) dated February 18, 2011.
7. Auditor's Reports on Standalone Financial Statements and Consolidated Financial Statements dated August 29, 2011.
8. Statement of Tax Benefits dated August 29, 2011 prepared by the Auditors.
9. Consents of Arun K. Agarwal & Associates, Kalyaniwalla & Mistry, Ray & Ray, M Kuppuswamy P S G & Co and S. Bhandari & Co. for the inclusion of their report on the financial statements and the statement of general tax benefits, in the form and context in which they appear in this Red Herring

## Prospectus

10. Consents in writing of our Directors, our Company Secretary and Compliance Officer, members of the Syndicate, Reserve Engineers, Registrar to the Offer, Bankers to the Offer, Domestic Legal Counsel to our Company and the Selling Shareholder, Domestic Legal Counsel to the BRLMs, International Legal Counsel to our Company and the Selling Shareholder, International Legal Counsel to the Underwriters and Bankers to our Company, each as referred to in this Red Herring Prospectus, in their respective capacities.
11. Letter (CFD/DIL/SP/VB/OW/6663/2011) dated February 25, 2011 by SEBI granting, among other things, relaxation under Regulation 109 of the SEBI ICDR Regulations with regard to disclosure of financial information of our Company in this Red Herring Prospectus.
12. Resolution of the Board dated August 29, 2011, approving this Red Herring Prospectus.
13. Due diligence certificate dated September 5, 2011, to SEBI from JM Financial Consultants Private Limited, Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited, HSBC Securities and Capital Markets (India) Pvt. Ltd, Morgan Stanley India Company Private Limited and Nomura Financial Advisory & Securities (India) Private Limited.
14. BSE and NSE letters dated September 2, 2011, respectively granting approval to use their names in this Red Herring Prospectus.
15. Copies of the letters by the MoPNG, GoI for appointment and remuneration of our whole time Directors.
16. Memorandum of Understanding between our Company and the MoPNG for the year 2011-2012.
17. Shareholders' agreement dated October 28, 1998 between Petronet India Limited and Hindustan Petroleum Corporation Limited.
18. Tripartite agreement dated August 23, 2006 among Petronet India Limited, Hindustan Petroleum Corporation Limited and our Company.
19. Shareholders' agreement dated June 2, 2001 among Bharat Petroleum Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited, G.D.F. International and our Company.
20. Framework Agreement dated February 23, 2010 between Jarpeno Limited and Imperial Energy Corporation Plc.
21. Framework agreement dated December 21, 2010 between ONGC Videsh Limited and Sistema JSFC.
22. Joint venture agreement dated March 22, 2006 between The Energy and Resources Institute and our Company.
23. Shareholders' agreement dated March 29, 2007 among Mangalore SEZ Limited, Infrastructure Leasing and Financial Services Limited, Kanara Chamber of Commerce and Industries, Karnataka Industrial Area Development Board and our Company.
24. Shareholders' agreement dated September 18, 2008 among Infrastructure Leasing and Financial Services Limited, Government of the State of Tripura, ONGC Tripura Power Company Limited and our Company.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance with applicable law.



## DECLARATION

We, the undersigned hereby declare that all the relevant provisions of the Companies Act, 1956, the guidelines issued by the Government of India and the regulations and guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, including the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### SIGNED BY THE SELLING SHAREHOLDER

---

Name: Mr. R.S. Sikdar

Designation: Under Secretary, Ministry of Petroleum and Natural Gas, Government of India  
On behalf of the President of India, acting through the Ministry of Petroleum and Natural Gas,  
Government of India.

### SIGNED BY THE DIRECTOR (FINANCE)

---

Mr. D.K. Sarraf

Designation: Director (Finance)

### SIGNED BY THE DIRECTORS OF OUR COMPANY

---

|                                                                                                        |                                                                  |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Mr. A.K. Hazarika<br><i>Chairman and Managing Director (Additional Charge);<br/>Director (Onshore)</i> | Mr. U.N. Bose<br><i>Director (Technology and Field Services)</i> |
| Mr. D.K. Sarraf<br><i>Director (Finance)</i>                                                           | Mr. S. Vasudeva<br><i>Director (Offshore)</i>                    |

|                                                       |                                                       |
|-------------------------------------------------------|-------------------------------------------------------|
| Mr. S.V. Rao<br><i>Director (Exploration)</i>         | Mr. K.S. Jamestin<br><i>Director (HR)</i>             |
| Ms. L.M. Vas<br><i>Government Nominee Director</i>    | Mr. S. Bhargava<br><i>Government Nominee Director</i> |
| Mr. S.S. Rajsekar<br><i>Independent Director</i>      | Mr. S. Balachandran<br><i>Independent Director</i>    |
| Mr. Santosh Nautiyal<br><i>Independent Director</i>   | Ms. Anita Das<br><i>Independent Director</i>          |
| Dr. D. Chandrasekharam<br><i>Independent Director</i> | Mr. Deepak Nayyar<br><i>Independent Director</i>      |

|                                                            |                                                        |
|------------------------------------------------------------|--------------------------------------------------------|
| <p>Mr. Arun Ramanathan<br/><i>Independent Director</i></p> | <p>Ms. Usha Thorat<br/><i>Independent Director</i></p> |
|------------------------------------------------------------|--------------------------------------------------------|

Date: September 5, 2011

Place: New Delhi

## ANNEXURE A

### LETTER FROM GAFFNEY, CLINE & ASSOCIATES ON THE MUMBAI HIGH FIELD IN INDIA OWNED BY OUR COMPANY



Bentley Hall  
Blacknest, Alton  
Hampshire GU34 4PU  
United Kingdom  
Telephone: +44 (0) 1420 525366  
Facsimile: +44 (0) 1420 525367  
email: [gcauk@gaffney-cline.com](mailto:gcauk@gaffney-cline.com)  
[www.gaffney-cline.com](http://www.gaffney-cline.com)

Registered London No. 1122740

**BCR/EE025580/0502/kab**

**3<sup>rd</sup> June, 2011**

**Oil and Natural Gas Corporation Limited**

Jeevan Bharati Tower-II  
124, Indira Chowk  
New Delhi, India

President of India  
Represented by the Joint Secretary (Exploration),  
**Ministry of Petroleum & Natural Gas,**  
**Government of India**  
New Delhi, India

**Morgan Stanley India Company Private Limited**

18F/19F, One Indiabulls Centre, Tower 2  
Jupiter Mills Compound  
Elphinstone Road  
Mumbai 400 013, India

**Citigroup Global Markets India Private Limited**

Bakhtawar, 8th Floor  
Nariman Point  
Mumbai 400 021, India

**JM Financial Consultants Private Limited**

117, Himalaya House, 23,  
Kasturba Gandhi Marg  
New Delhi 001, India

**Nomura Financial Advisory & Securities (I) P4. Ltd.**

Ceejay House, Level 11, Plot F, Shivsagar Estate  
Dr. Annie Besant Road, Worli  
Mumbai 400 013, India

**DSP Merrill Lynch Ltd.**

8th Floor, Mafatlal Centre, Nariman Point  
Mumbai 400 021, India

**HSBC Securities & Capital Markets (India) Private Limited**

1-ISBC Building  
52160, MG. Road  
Fort, Mumbai 400 001, India

Gentlemen:

**INDEPENDENT AUDIT AND A RESERVES ESTIMATE OPINION  
OF THE PETROLEUM RESERVES OF THE MUMBAI HIGH FIELD**

Following the notice of award effective May 10<sup>th</sup>, 2011 from Oil and Natural Gas Corporation of India (ONGC), Gaffney, Cline & Associates (GCA) has conducted an independent audit of the oil, condensate, and natural gas Reserves, as at 31<sup>st</sup> March 2011, of the Mumbai High field in India as prepared by ONGC. ONGC operates and owns a 100% working interest in the field. As well as conducting the audit of ONGC Reserves based on the ONGC corporate processes and methodology, GCA has prepared, as requested by ONGC, a separate Reserves estimate based on the SPE PRMS international standard of the oil, condensate and gas Reserves of Mumbai High.

GCA understands that this letter is to be issued in connection with a public offering of shares in ONGC and it is intended that it shall be included in the offer document with respect to such offering.

Mumbai High is a large offshore development located off the west coast of India (Figure 1). A total of more than 100 platforms have been installed in water depths that average around 80 m, and there is an established infrastructure of more than 3,000 km of pipelines to handle all the fluid transfer requirements of the field (oil, gas and water). More than 1,000 wells have been drilled for appraisal, production and water injection operations.

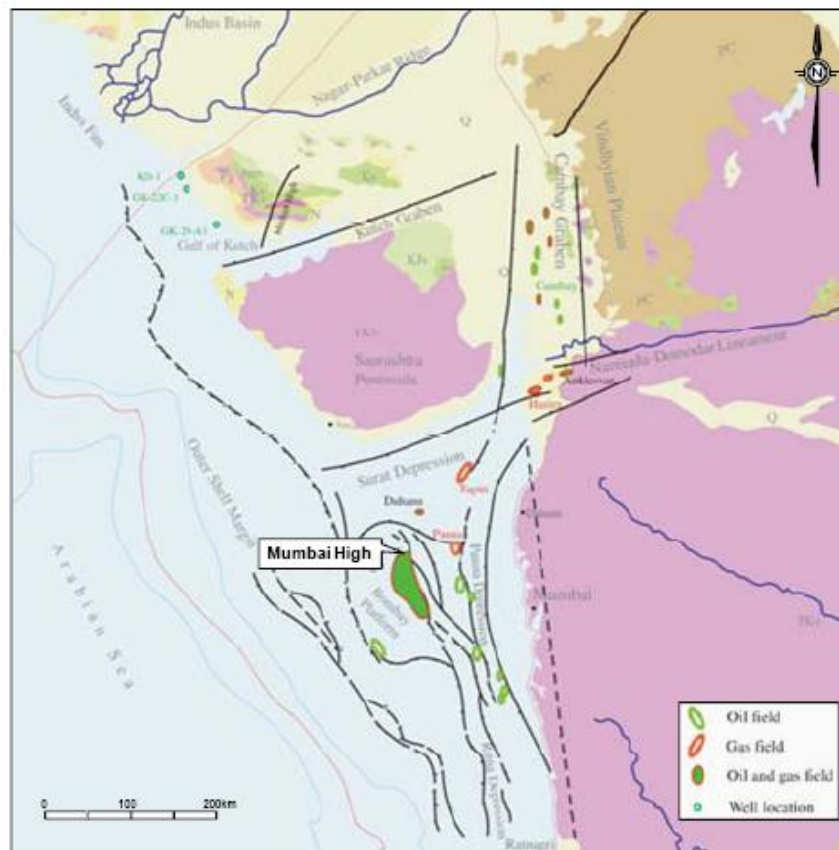
The field comprises two areas designated Mumbai High South (MHS) and Mumbai High North (MHN). There is one main oil reservoir (designated L-3) in each area at a depth of around 1,300 m subsea. In the MHN area there are a series of additional less extensive reservoirs stacked one upon the next including the L-1 and L-2 oil reservoirs. The L-1 reservoir is also present in the south of the field where it is gas bearing. There is a separate, shallower gas-bearing unit designated S-1 in both areas.

ONGC has made available to GCA some details of its internally-derived Reserves and a data set of technical information including geological, geophysical, and engineering data and reports together with financial data and the fiscal terms applicable to the Mumbai High. In carrying out this assessment GCA has relied on the accuracy of this information. GCA has had extensive prior exposure in reviewing the surface and subsurface aspects of Mumbai High and has used that experience in the conduct of the audit and the reserves estimate.

GCA has used the Petroleum Resources Management System published by the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) in March 2007 ("SPE PRMS") as the standard for its estimate of Reserves. An abbreviated form of the SPE PRMS is attached as Appendix I. In conducting this audit and reserves estimate, GCA has followed the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information, as revised by the SPE in February, 2007. ONGC has its own internal processes for estimating Reserves, which GCA has been advised are based on the definitions and guidelines of the SPE/WPC published in 1997. Since SPE PRMS states that "it consolidates, builds on and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions", it should be noted that there are inherent differences in the systems used by GCA for the Reserves estimate and that under which GCA has audited the ONGC Reserves.

FIGURE I

## MUMBAI HIGH FIELD LOCATION MAP



## Explanation

- Geologic contact
- Evident fault
- Inferred fault
- River
- Water depth contour
- Latitude/longitude vic
- Q - Quaternary sediments
- Qs - Quaternary sand and dunes
- N - Neogene sedimentary rocks
- Pg - Paleogene sedimentary rocks
- Ti - Tertiary igneous rocks
- TKv - Tertiary and Cretaceous volcanic rocks
- Ks - Cretaceous sedimentary rocks
- KJs - Cretaceous and Jurassic sedimentary rocks
- Jms - Jurassic metamorphic and sedimentary rocks
- pC - Undivided Precambrian rocks
- Surface water



## **RESERVES AUDIT**

GCA's audit of ONGC's internally-derived Reserves involved reviewing certain of the pertinent facts interpreted and assumptions made by ONGC in preparing estimates of Reserves. GCA was not provided with a copy of ONGC's Reserves estimating processes and procedures manual. Thus it was not possible for GCA to carry out a full audit or to render an opinion on the appropriateness of the methodologies employed, adequacy and quality of the data relied upon, the depth and thoroughness of the Reserves estimation process, the classification and categorization of Reserves appropriate to the relevant definitions used. However, as a result of the audit, GCA does recognize that ONGC's estimation of Reserves has been somewhat restricted by the internal planning process, which is constrained presently to the final year of the 2007-2012 planning cycle, plus a Commitment Budget Estimate for the 2012-13 financial year. Further, this ONGC planning process revolves around the Proved Developed Reserves category. ONGC also reports some Possible Reserves and limited Probable and these represent incremental volumes.

Gas volumes shown herein are expressed at a temperature of 15.6 degrees Centigrade and a pressure of 760 millimetres of mercury. Condensate is defined as the liquid produced from the gas during the normal separation processes. The estimates as at 1<sup>st</sup> April, 2011 are expressed in millions of tons (MMt) of oil and condensate and Billions of cubic metres (Billion m<sup>3</sup>) of gas. ONGC has further converted volumes of gas to oil equivalent at the conversion rate of one Billion m<sup>3</sup> of gas to one million tons of oil equivalent (MMtoe).

ONGC has represented that its estimates of the gross Proved, Probable and Possible Reserves of oil, condensate, and separator-gas are as follows:

### **MUMBAI HIGH FIELD ONGC RESERVES AS AT 1<sup>st</sup> APRIL, 2011**

|          | <b>Oil &amp;<br/>Condensate<br/>(MMt)</b> | <b>Gas<br/>(Separator)<br/>(Billion m<sup>3</sup>)</b> | <b>Oil Equivalent<br/>(MMtoe)<sup>(1)</sup></b> |
|----------|-------------------------------------------|--------------------------------------------------------|-------------------------------------------------|
| Proved   | 119.9                                     | 46.5                                                   | 166.4                                           |
| Probable | 11.8                                      | 11.8                                                   | 23.6                                            |
| Possible | 54.4                                      | 14.4                                                   | 68.8                                            |

(1) Oil Equivalent values provided by ONGC.

The results of GCA's audit for the ONGC MH Reserves are as follows. These results are stated at the end of a reporting period, in line with GCA's policy.

### **MUMBAI HIGH FIELD GCA RESERVES AUDIT RESULTS AT 31<sup>ST</sup> MARCH, 2011**

|          | <b>Oil &amp;<br/>Condensate<br/>(MMt)</b> | <b>Sales Gas<br/>(Billion m<sup>3</sup>)</b> |
|----------|-------------------------------------------|----------------------------------------------|
| Proved   | 123.0                                     | 40.4                                         |
| Probable | 2.9                                       | 1.4                                          |
| Possible | 47.0                                      | 25.8                                         |

GCA considers the ONGC Reserves estimates to be, in general, within the bounds of acceptable variance, but based on the findings from this audit, the present ONGC Reserves evaluation is considered to have certain limitations. The volumes for both the Proved and the Unproved categories are incomplete. The available capital expenditure forecast covered the current development phase, Phase 2 (i.e. up to 1Q 2012) which coincides with the end of the current five year plan, and a budget estimate for the financial year 2012-2013. There is limited detail for the

investment beyond the present phase. The operating costs provided by ONGC, cover the period up to the end of the present Licence (i.e. 2030).

### **RESERVES ESTIMATION UNDER SPE PRMS**

Under SPE PRMS Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of Reserve volumes quoted herein have been determined within the context of an economic limit test (pre-tax and exclusive of accumulated depreciation amounts).

ONGC's practices oblige it to prepare Reserves estimates based on the current five-year planning cycle, ignoring incremental recovery from later planning cycles, and therefore the approach did not allow for a full assessment of the field's Reserves. For the purposes of estimating under SPE PRMS, GCA has considered the rolling plan for water injection as indicated by ONGC. This has allowed GCA to estimate additional Reserves for the Proved Undeveloped (PUD), Proved plus Probable and Proved plus Probable plus Possible cases.

The results of GCA's estimation for the MH Reserves based on the SPE PRMS and bearing in mind ONGC's confirmation of its investment for increased water injection are summarised in Table 0.5. In preparing these estimates GCA has used the "scenario" or "uncertainty-based" methodology, which is commonly used for such work. Under the "uncertainty-based" approaches within SPE PRMS, Reserves are associated only with projects that are already in production or which are at a sufficiently advanced stage that (a) the commerciality of the project can be demonstrated and (b) there is a firm intention to go ahead with the project. The results are presented in a scenario form, which is different to the system employed currently by ONGC.

GCA's estimates of Reserves of oil, condensate, and natural gas (sales) under SPE PRMS which have been estimated according to the scenario methodology and are thus expressed as Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) are as follows:

#### **MUMBAI HIGH FIELD RESERVES ESTIMATED BY GCA UNDER SPE PRMS AT 31<sup>ST</sup> MARCH, 2011**

|    | <b>Oil &amp; Condensate<br/>(MMt)</b> | <b>Gas (Sales)<br/>(Billion m<sup>3</sup>)</b> |
|----|---------------------------------------|------------------------------------------------|
| 1P | 130.8                                 | 37.7                                           |
| 2P | 226.9                                 | 53.2                                           |
| 3P | 265.0                                 | 80.6                                           |

### **QUALIFICATIONS**

GCA is an independent energy consultancy specialising in petroleum evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with ONGC. The management and staff of GCA have been, and continue to be, independent of ONGC in the services they provide to the company including the provision of the opinion expressed in this assessment. Furthermore, the management and staff of GCA have no interest in any assets or share capital of ONGC or in the promotion of the company.



The staff of GCA engaged in performing the audit and in undertaking the estimation of Reserves fulfils the criteria set down by the SPE for professional qualification and experience.

### **BASIS OF OPINION**

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

It should be understood that the evaluation of petroleum properties involves judgments in respect of a series of issues and parameters that cannot be measured precisely. It should be understood that any determination of Reserve volumes particularly involving petroleum developments, may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

This report should only be used for the purpose for which is intended.

Yours Sincerely  
**GAFFNEY, CLINE & ASSOCIATES**

A handwritten signature in black ink, appearing to read 'B Rhodes', with a stylized, cursive script.

Brian Rhodes  
Principal Advisor

### **APPENDIX**

- I. Abbreviated Form of SPE PRMS

**APPENDIX I**  
**Abbreviated Form of SPE PRMS**

**Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers**

**Petroleum Resources Management System**

**Definitions and Guidelines <sup>(1)</sup>**

**March 2007**

**Preamble**

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that SPE PRMS will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:  
[www.spe.org/specma/binary/files/6859916Petroleum\\_Resources\\_Management\\_System\\_2007.pdf](http://www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System_2007.pdf)

**RESERVES**

***Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.***

<sup>1</sup> These Definitions and Guidelines are extracted from the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.



Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

#### **On Production**

*The development project is currently producing and selling petroleum to market.*

The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

#### **Approved for Development**

*A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.*

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

#### **Justified for Development**

*Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.*

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

## Proved Reserves

*Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.*

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes:

- (1) the area delineated by drilling and defined by fluid contacts, if any, and
- (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8). Reserves in undeveloped locations may be classified as Proved provided that the locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

## Probable Reserves

*Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.*

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

## Possible Reserves

*Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves*

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

## Probable and Possible Reserves

*(See above for separate criteria for Probable Reserves and Possible Reserves.)*

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly



documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

#### **Developed Reserves**

*Developed Reserves are expected quantities to be recovered from existing wells and facilities.*

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

#### **Developed Producing Reserves**

*Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.*

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

#### **Developed Non-Producing Reserves**

*Developed Non-Producing Reserves include shut-in and behind-pipe Reserves*

Shut-in Reserves are expected to be recovered from:

- (1) completion intervals which are open at the time of the estimate but which have not yet started producing,
- (2) wells which were shut-in for market conditions or pipeline connections, or
- (3) wells not capable of production for mechanical reasons.

Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

#### **Undeveloped Reserves**

*Undeveloped Reserves are quantities expected to be recovered through future investments:*

- (1) from new wells on undrilled acreage in known accumulations,
- (2) from deepening existing wells to a different (but known) reservoir,
- (3) from infill wells that will increase recovery, or
- (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to
  - (a) recomplete an existing well or
  - (b) install production or transportation facilities for primary or improved recovery projects.

### **CONTINGENT RESOURCES**

*Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.*

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the

accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

#### **Development Pending**

*A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.*

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

#### **Development Unclassified or on Hold**

*A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.*

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

#### **Development Not Viable**

*A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.*

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

## **PROSPECTIVE RESOURCES**

*Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.*

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

### **Prospect**

*A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.*

Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

### **Lead**

*A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.*

Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

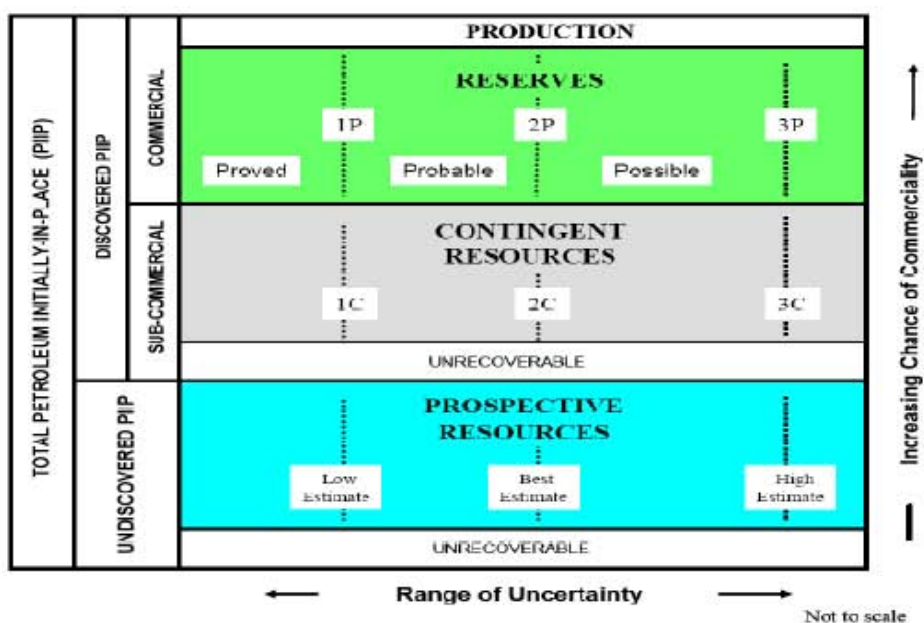
### **Play**

*A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.*

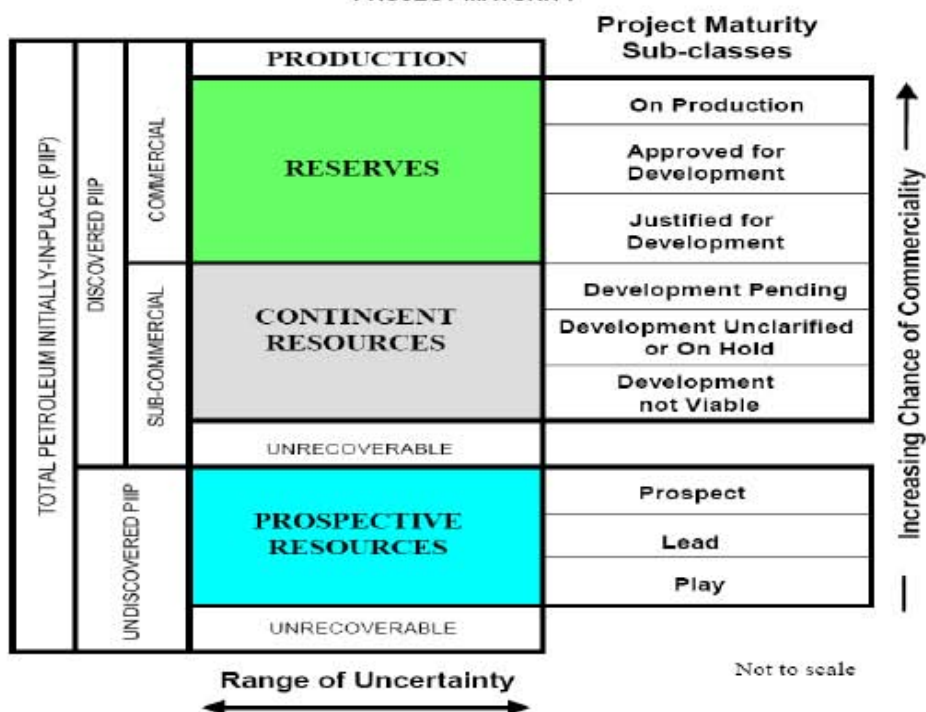
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.



## RESOURCES CLASSIFICATION



## PROJECT MATURITY



**ANNEXURE B**

**CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON 62 SELECTED FIELDS IN INDIA  
OPERATED BY OUR COMPANY**

**DEGOLYER AND MACNAUGHTON**  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

This is a digital representation of a DeGolyer and MacNaughton report.

This file is intended to be a manifestation of certain data in the subject report and as such are subject to the same conditions thereof. The information and data contained in this file may be subject to misinterpretation; therefore, the signed and bound copy of this report should be considered the only authoritative source of such information.



**DEGOLYER AND MACNAUGHTON**  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

May 20, 2011

Oil and Natural Gas Corporation Limited  
Jeeven Bharati Tower-II  
124, Indira Chowk  
New Delhi, India

Gentlemen:

Pursuant to the request of the Oil and Natural Gas Corporation of India (ONGC), we have prepared independent estimates of the proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and natural gas reserves, as of April 1, 2011, of 62 selected fields in India operated by ONGC. We also have reviewed ONGC's estimates of the reserves, as of April 1, 2011, of the same fields. The fields evaluated are those that were selected by ONGC and are the same as were evaluated in our report entitled "Report as April 1, 2011 on Oil, Condensate, and Gas Reserves of Certain Fields in India for Oil and Natural Gas Corporation Limited Executive Summary" (the Report).

The following is a listing of the 62 fields evaluated in the Report:

|               |              |                  |                   |
|---------------|--------------|------------------|-------------------|
| Agartala Dome | C-39         | Kesanapalli West | Periyapattinam    |
| Ankleswar     | D-1          | Konaban          | Rudrasagar        |
| Annapurna     | D-33         | Kuthalam         | Sanand            |
| B-28/B-28A    | Dahanu       | Laiplingaoon     | Santhal           |
| B-55          | Dahanu North | Lakwa Lakhmani   | Sobhasan          |
| B-105         | Demulgaon    | Lanwa            | South Heera       |
| B-119-121     | DWN-D        | Limbodra         | South Kadi        |
| B-127         | G-1          | Linch            | South Sobhasan    |
| B-173A        | G-4          | Mandapeta        | SW-Motwan         |
| B-192         | Gandhar      | Nandasan         | Tatipaka - Kadali |
| Balol         | Geleki       | Narimanam        | Vasai West        |
| Baramura      | Heera        | Nawagam          | Vashishta         |
| Bassein       | Jhalora      | Neelam           | WO-16             |
| Bassein East  | Jotana       | North Kadi       | WO-24             |
| Bechraji      | Kalol        | North Tapti      |                   |
| C-24          | Kanjirangudi | Pasarlupudi      |                   |

DEGOLYER AND MACNAUGHTON

Reserves are expressed as working-interest reserves and are defined as the total estimated oil, condensate, and gas to be produced from these fields after April 1, 2011, attributable to the interests owned by ONGC, less interests owned by others. ONGC owns 100 percent of these fields.

Gas volumes shown herein are separator-gas volumes expressed at a temperature base of 15.6 degrees Centigrade and a pressure base of 760 millimeters of mercury. Separator gas is defined as the gas remaining after field separation but prior to gas processing and shrinkage for fuel use and flare. Condensate is defined as the liquid produced from the gas during normal separation processes.

ONGC represents that its estimates of the gross proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves of the 62 fields, as of April 1, 2011, are as follows, expressed in millions of tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

| Working-Interest Reserves as of<br>April 1, 2011<br>Estimated by ONGC |                                |                                         |                            |
|-----------------------------------------------------------------------|--------------------------------|-----------------------------------------|----------------------------|
|                                                                       | Oil and<br>Condensate<br>(MMt) | Separator<br>Gas<br>(MMm <sup>3</sup> ) | Oil Equivalent<br>(MMmtoe) |
| Proved                                                                | 217.58                         | 241,294.2                               | 458.87                     |
| Proved-plus-Probable                                                  | 255.14                         | 366,760.0                               | 621.90                     |
| Proved-plus-Probable-plus Possible                                    | 282.51                         | 435,931.3                               | 718.44                     |

Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.

ONGC has advised us that its estimates of oil, condensate, and natural gas reserves were prepared in accordance with the reserves definitions adopted by the Society of Petroleum Engineers and the World Petroleum Council in 1997.

DEGOLYER AND MACNAUGHTON

Our estimates of the proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves, as of April 1, 2011, are as follows, expressed in millions of metric tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

|                                    | <b>Working-Interest Reserves as of</b>       |                          |                       |
|------------------------------------|----------------------------------------------|--------------------------|-----------------------|
|                                    | <b>April 1, 2011</b>                         |                          |                       |
|                                    | <b>Estimated by DeGolyer and MacNaughton</b> |                          |                       |
|                                    | <b>Oil and</b>                               | <b>Separator</b>         | <b>Oil Equivalent</b> |
|                                    | <b>Condensate</b>                            | <b>Gas</b>               | <b>(MMmtoe)</b>       |
|                                    | <b>(MMt)</b>                                 | <b>(MMm<sup>3</sup>)</b> |                       |
| Proved                             | 194.82                                       | 235,700.0                | 430.52                |
| Proved-plus-Probable               | 234.13                                       | 362,218.6                | 596.34                |
| Proved-plus-Probable-plus Possible | 287.18                                       | 447,073.2                | 734.24                |

## Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.
3. Numbers may not add due to rounding.

The reserves estimated by DeGolyer and MacNaughton in the Report and summarized in this letter have been prepared in accordance with the reserves definitions adopted by the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

In comparing the detailed reserves estimates prepared by us and those prepared by ONGC for the fields involved, we have found differences, both positive and negative, in reserves estimates for individual fields. These differences appear to be compensating to a great extent when considering the reserves of ONGC in the evaluated fields. It is our opinion that the reserves estimates prepared by ONGC, expressed on an oil equivalent basis, on the fields reviewed by us and referred to previously, when compared in total for the evaluated fields, result in overall differences not being substantial, even though the reserves estimates were prepared using different vintages of reserves definitions.

In preparing the Report and this letter, we have endeavored to provide our services in a professional manner and to use appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry.

DEGOLYER AND MACNAUGHTON

ONGC has advised us that this letter will be included in the red herring prospectus and prospectus to be filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana and the Securities and Exchange Board of India.

Submitted,

*DeGolyer and MacNaughton*

DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716



*R. M. Shuck, P.E.*

R. M. Shuck, P.E.  
Senior Vice President  
DeGolyer and MacNaughton

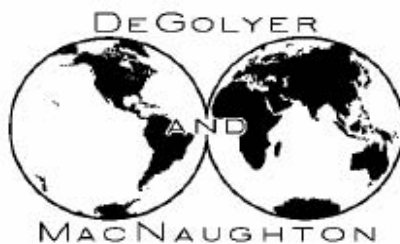
ANNEXURE C

**CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON ALL INTERNATIONAL FIELDS  
(EXCLUDING FIELDS IN SUDAN, SOUTH SUDAN AND THE IMPERIAL ENERGY ASSETS IN  
RUSSIA)**

DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

This is a digital representation of a DeGolyer and MacNaughton report.

Each file contained herein is intended to be a manifestation of certain data in the subject report and as such is subject to the definitions, qualifications, explanations, conclusions, and other conditions thereof. The information and data contained in each file may be subject to misinterpretation; therefore, the signed and bound copy of this report should be considered the only authoritative source of such information.



DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

May 20, 2011

Oil and Natural Gas Corporation Limited  
Jeeven Bharati Tower-II  
124, Indira Chowk  
New Delhi, India

Gentlemen:

Pursuant to the request of ONGC Videsh Limited (ONGC Videsh), we have prepared independent estimates of the proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and natural gas reserves, as of April 1, 2011, of certain assets located in various countries outside India with interests owned by ONGC Videsh. We also have reviewed estimates of the reserves, as of April 1, 2011, of the same fields, provided by ONGC Videsh, that ONGC Videsh represents are their estimates. The fields evaluated are those that were selected by ONGC Videsh and are the same as were evaluated in our report entitled "Report as April 1, 2011 on Reserves of Certain Properties for ONGC Videsh Limited" (the Report).

The following is a listing by country and block of the fields evaluated in the Report:

| Country   | Block         | Field                                                                                     |
|-----------|---------------|-------------------------------------------------------------------------------------------|
| Brazil    | BC-10         | Abalone, Argonauta, Nautilus, Ostra-C                                                     |
| Colombia  | MECL          | Girasol, Girasol North, Jazmin, Moriche, Moriche Buffer, Nare Sur, Under River, Velasquez |
| Myanmar   | Block A1/A3   | Shwe, Shwe Phyu, Mya                                                                      |
| Russia    | Sakhalin I    | Chayvo, Odoptu, Arktun Dagi                                                               |
| Syria     | AFPC          | 38 fields                                                                                 |
| Syria     | Block - 24    | Abu Khasab, Rashid                                                                        |
| Venezuela | North Central | Carabobo-1                                                                                |
| Venezuela | PIVSA         | San Cristobal                                                                             |
| Vietnam   | Block 06-1    | Lan Tay, Lan Do                                                                           |



Reserves are expressed as working interest reserves and are defined as the total estimated oil, condensate, and gas to be produced from the properties after March 31, 2011, attributable to the interests owned by ONGC Videsh before deduction of any associated royalty burdens or production share owed to others under the applicable fiscal terms.

Gas quantities shown herein are separator-gas quantities expressed at a temperature base of 15.6 degrees Centigrade and a pressure base of 760 millimeters of mercury. Separator gas is defined as the gas remaining after field separation but prior to gas processing and shrinkage for fuel use and flare. Condensate is defined as the liquid produced from the gas during normal separation processes.

ONGC Videsh represents that its estimates of the working interest proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves of the fields, as of April 1, 2011, are as follows, expressed in millions of metric tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

| Working Interest Reserves as of<br>April 1, 2011<br>Estimated by ONGC Videsh |                                 |                                         |                            |
|------------------------------------------------------------------------------|---------------------------------|-----------------------------------------|----------------------------|
|                                                                              | Oil and<br>Condensate<br>(MMmt) | Separator<br>Gas<br>(MMm <sup>3</sup> ) | Oil Equivalent<br>(MMmtoe) |
| Proved                                                                       | 63,331                          | 93,033                                  | 156.36                     |
| Proved-plus-Probable                                                         | 130,169                         | 130,715                                 | 260.87                     |
| Proved-plus-Probable-plus Possible                                           | 132,005                         | 150,225                                 | 282.23                     |

Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.
3. Working-interest reserves are not equivalent to net entitlement reserves in the case where production sharing agreements exist, or where royalties are paid in kind.

ONGC Videsh has advised us that its estimates of oil, condensate, and natural gas reserves were prepared in accordance with the reserves definitions adopted by the Society of Petroleum Engineers (SPE) and the World Petroleum Council (WPC) in 1997 for all fields except Sakhalin I, which was evaluated according to Russian reserves standards.

DEGOLYER AND MACNAUGHTON

Our estimates of the working interest proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves, as of April 1, 2011, are as follows, expressed in millions of metric tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

|                                    | Working Interest Reserves as of<br>April 1, 2011<br>Estimated by DeGolyer and MacNaughton |                                         |                            |
|------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
|                                    | Oil and<br>Condensate<br>(MMmt)                                                           | Separator<br>Gas<br>(MMm <sup>3</sup> ) | Oil Equivalent<br>(MMmtoe) |
|                                    |                                                                                           |                                         |                            |
| Proved                             | 39.72                                                                                     | 55,630                                  | 95.36                      |
| Proved-plus-Probable               | 117.66                                                                                    | 99,440                                  | 217.12                     |
| Proved-plus-Probable-plus Possible | 147.12                                                                                    | 130,469                                 | 277.62                     |

## Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.
3. Working-interest reserves are not equivalent to net entitlement reserves in the case where production sharing agreements exist, or where royalties are paid in kind.

The reserves estimated by us in the Report and summarized in this letter have been prepared in accordance with the reserves definitions adopted by the Petroleum Resources Management System (PRMS) approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

In comparing the detailed reserves estimates prepared by us and those prepared by ONGC Videsh for the fields involved, we have found differences, both positive and negative, in reserves estimates for individual fields. These differences appear to be compensating to a great extent when considering the proved-plus-probable-plus-possible reserves of ONGC Videsh in the evaluated fields. It is our opinion that the reserves estimates prepared by ONGC Videsh, expressed on an oil equivalent basis, on the fields reviewed by us and referred to previously, when compared in total for the evaluated fields, result in overall differences not being substantial, on a proved-plus-probable-plus-possible reserves basis, even though certain of the reserves estimates were prepared using different reserves definitions.

DeGOLYER AND MacNAUGHTON

In preparing the Report and this letter, we have endeavored to provide our services in a professional manner and to use appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry.

ONGC Videsh has advised us that this letter will be included in the red herring prospectus and prospectus to be filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana, and the Securities and Exchange Board of India.

Submitted,

*DeGolyer and MacNaughton*

DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716



*R. M. Shuck, P.E.*

R. M. Shuck, P.E.  
Senior Vice President  
DeGolyer and MacNaughton

**ANNEXURE D**

**CERTIFICATE FROM DEGOLYER AND MACNAUGHTON ON IMPERIAL ENERGY ASSETS IN  
RUSSIA**

**DEGOLYER AND MACNAUGHTON**  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

This is a digital representation of a DeGolyer and MacNaughton report.

Each file contained herein is intended to be a manifestation of certain data in the subject report and as such is subject to the definitions, qualifications, explanations, conclusions, and other conditions thereof. The information and data contained in each file may be subject to misinterpretation; therefore, the signed and bound copy of this report should be considered the only authoritative source of such information.



DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

May 20, 2011

Oil and Natural Gas Corporation Limited  
Jeeven Bharati Tower-II  
124, Indira Chowk  
New Delhi, India

Gentlemen:

Pursuant to the request of ONGC Videsh Limited (ONGC Videsh), we have prepared independent estimates of the proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and natural gas reserves, as of April 1, 2011, of certain fields with interests owned by Nord Imperial Ltd. (Imperial) (a wholly owned subsidiary of ONGC Videsh) in the Tomsk region of western Siberia, Russia. The fields evaluated were included in our report entitled "Report as of April 1, 2011 on the Oil, Condensate, and Gas Reserves owned by Nord Imperial Ltd. in Certain Fields Western Siberia, Russia" (the Report).

The following is a listing of the 19 fields evaluated in the Report:

| <u>Subsidiary<br/>Field</u> | <u>Imperial<br/>Ownership Interest<br/>in Subsidiary</u> | <u>Subsidiary<br/>Ownership Interest<br/>in License Block</u> |
|-----------------------------|----------------------------------------------------------|---------------------------------------------------------------|
| OOO Alliancenneftegaz       | 100 percent                                              | 100 percent                                                   |
| Chagvinskoye                | 100 percent                                              | 100 percent                                                   |
| Maiskoye                    | 100 percent                                              | 100 percent                                                   |
| Middle Glukhovskoye         | 100 percent                                              | 100 percent                                                   |
| Middle Maiskoye             | 100 percent                                              | 100 percent                                                   |
| North Chertalinskoye        | 100 percent                                              | 100 percent                                                   |
| Nyuglinskoye                | 100 percent                                              | 100 percent                                                   |
| South Festivalnoye          | 100 percent                                              | 100 percent                                                   |
| South Maiskoye              | 100 percent                                              | 100 percent                                                   |
| Tamratskoye                 | 100 percent                                              | 100 percent                                                   |
| Vodorazdelnoye              | 100 percent                                              | 100 percent                                                   |
| West Kvenseraskoye          | 100 percent                                              | 100 percent                                                   |
| West Maiskoye               | 100 percent                                              | 100 percent                                                   |

Table – (Continued)

| Subsidiary<br>Field          | Imperial<br>Ownership Interest<br>in Subsidiary | Subsidiary<br>Ownership Interest<br>in License Block |
|------------------------------|-------------------------------------------------|------------------------------------------------------|
| OOO Nord Imperial            | 100 percent                                     | 100 percent                                          |
| Central Festivalnoye         | 100 percent                                     | 100 percent                                          |
| Dvoinoye                     | 100 percent                                     | 100 percent                                          |
| Festivalnoye (Ai-Kagalskoye) | 100 percent                                     | 100 percent                                          |
| Kiev-Eganskoye               | 100 percent                                     | 100 percent                                          |
| North Festivalnoye           | 100 percent                                     | 100 percent                                          |
| Snezhnoye                    | 100 percent                                     | 100 percent                                          |
| OOO Sibinterneft             | 100 percent                                     | 100 percent                                          |
| Buranovskoye                 | 47.5 percent                                    | 100 percent                                          |

Reserves are expressed as working-interest reserves and are defined as the total estimated oil, condensate, and gas to be produced from the properties after March 31, 2011, attributable to the interests owned by ONGC Videsh through Imperial before deduction of any associated royalty burdens or production share owed to others under the applicable fiscal terms.

Gas quantities shown herein sales-gas quantities expressed at a temperature base of 15.6 degrees Centigrade and a pressure base of 760 millimeters of mercury. Sales gas is defined as the gas remaining after field separation and shrinkage for fuel use and flare. Condensate is defined as the liquid produced from the gas during normal separation processes.

ONGC Videsh represents that its estimates of the working interest proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves of the fields, as of April 1, 2011, are as follows, expressed in millions of metric tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

|                                    | Working Interest Reserves as of<br>April 1, 2011<br>Estimated by ONGC Videsh |                                         |                            |
|------------------------------------|------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
|                                    | Oil and<br>Condensate<br>(MMmt)                                              | Separator<br>Gas<br>(MMm <sup>3</sup> ) | Oil Equivalent<br>(MMmtoe) |
| Proved                             | 17,181                                                                       | 5,310                                   | 22,491                     |
| Proved-plus-Probable               | 96,937                                                                       | 14,322                                  | 111,259                    |
| Proved-plus-Probable-plus Possible | 96,937                                                                       | 14,322                                  | 111,259                    |

## Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.

DEGOLYER AND MACNAUGHTON

ONGC Videsh has advised us that its estimates of oil, condensate, and natural gas reserves were prepared in accordance with the reserves definitions adopted by the Society of Petroleum Engineers (SPE) and the World Petroleum Council (WPC) in 1997.

Our estimates of the working interest proved, proved-plus-probable, and proved-plus-probable-plus-possible oil, condensate, and separator-gas reserves, as of April 1, 2011, are as follows, expressed in millions of metric tons (MMmt) of oil and condensate, millions of cubic meters (MMm<sup>3</sup>) of gas, and millions of metric tons of oil equivalent (MMmtoe):

|                                    | Working Interest Reserves as of<br>April 1, 2011<br>Estimated by DeGolyer and MacNaughton |                                         |                            |
|------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
|                                    | Oil and<br>Condensate<br>(MMmt)                                                           | Separator<br>Gas<br>(MMm <sup>3</sup> ) | Oil Equivalent<br>(MMmtoe) |
|                                    |                                                                                           |                                         |                            |
| Proved                             | 14,867                                                                                    | 4,683                                   | 19,050                     |
| Proved-plus-Probable               | 96,731                                                                                    | 14,163                                  | 110,894                    |
| Proved-plus-Probable-plus Possible | 351,764                                                                                   | 30,911                                  | 382,675                    |

Notes:

1. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.
2. Oil equivalent is calculated by dividing gas (MMm<sup>3</sup>) by 1,000 and adding to oil and condensate.

The reserves estimated by DeGolyer and MacNaughton in the Report and summarized in this letter have been prepared in accordance with the reserves definitions adopted by the Petroleum Resources Management System (PRMS) approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

In comparing the detailed reserves estimates prepared by us and those prepared by ONGC Videsh for the fields involved, we have found differences, both positive and negative, in reserves estimates for individual fields. These differences appear to be compensating to a great extent when considering the proved-plus-probable reserves of ONGC Videsh in the evaluated fields. It is our opinion that the reserves estimates prepared by ONGC Videsh expressed on an oil equivalent basis, on the fields reviewed by us and referred to previously, when compared in total for the evaluated fields, result in overall differences not being substantial, on a proved-plus-probable reserves basis, even though the reserves estimates were prepared using different vintages of reserves definitions.

DeGOLYER AND MacNAUGHTON

In preparing the Report and this letter, we have endeavored to provide our services in a professional manner and to use appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry.

ONGC Videsh has advised us that this letter will be included in the red herring prospectus and prospectus to be filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana, and the Securities and Exchange Board of India.

Submitted,



DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716



R. M. Shuck, P.E.  
Senior Vice President  
DeGolyer and MacNaughton



## ANNEXURE E

### CERTIFICATE FROM SPROULE INTERNATIONAL LIMITED ON SUBSTANTIALLY ALL FIELDS IN SUDAN AND SOUTH SUDAN



R.M. MacLeod\*, B.Sc., P.Eng., President  
H.J. McVernier\*, B.Sc., P.Eng., Executive V.P.  
J.L. Clippertfield\*, B.Sc., P.Eng., Senior V.P.  
R.N. Johnson\*, B.Sc., P.Eng., V.P., Engineering  
D.W.C. Hu\*, B.A.Sc., P.Eng., V.P., Engineering  
G.D. Robinson\*, B.Sc., P.Eng., V.P., Engineering  
D.J. Cantler\*, C.D., B.Sc., P.Eng., V.P., Geoscience  
K.P. McDonald, B.Com., C.A., Controller  
Corporate Secretary

\*Director

C.M.F. Gales, Ph.D., P.Eng., Manager, Reservoir Studies  
R. Gentles, B.Sc., Manager, Systems  
R.P. Jones, M.Sc., P.Eng., Manager, Geoscience  
A. Kandelchewski, M.Sc., P.Eng., Manager, Geoscience  
P.W. Pantalone, B.Sc., P.Eng., Manager, Engineering  
C.P. Shi, B.Sc., P.Eng., Manager, Engineering  
R.B. Warholin, B.Sc., P.Eng., Manager, Engineering  
D.W. Woods, B.Ed., B.Sc., P.Eng., Manager, Engineering  
R. Bredke, B.Sc., P.Eng.  
A.H. Cao, M.Sc., P.Eng.  
J. Chisholm, B.Eng., P.Eng.  
G.R. Fowles, B.Sc., P.Eng.  
K. Chaffert, M.Sc., P.Eng.  
S.J. Golke, B.Sc., P.Eng.

P.B. Jung, B.Sc., P.Eng.  
S. Karik, M.Sc., P.Eng.  
M. Klein, B.A.Sc., P.Eng.  
M.J. O'Brien, M.Sc., P.Eng.  
S.W. Parnell, B.Sc., P.Eng.  
L.M. Prasad, M.Sc., P.Eng.  
V.Y. Savanikov, M.Sc., MBA, P.Eng.  
P.C. Shiley, B.Sc., P.Eng.  
M.T. Stewart, B.A.Sc., P.Eng.  
G.D. Strother-Stewart, B.Sc., P.Eng.  
A.A. Sealoe, B.Sc., P.Eng.  
W.J. Washdell, B.Sc., P.Eng.  
T.K. Wong, B.Sc., P.Eng.

May 27, 2011

Oil and Natural Gas Corporation Limited  
Jeevan Bharati Tower-II  
124 Indra Chowk  
New Delhi-110 001, India

President of India  
Represented by Joint Secretary  
(Exploration)  
Ministry of Petroleum and Natural Gas  
Government of India  
New Delhi, India

Morgan Stanley India Company Private  
Limited  
18F/19F, One Indiabulls Centre, Tower 2  
Jupiter Mills Compound  
Elphinstone Road  
Mumbai 400 013  
India

Citigroup Global Markets India Private  
Limited  
Bakhtawar, 8th Floor  
Nariman Point  
Mumbai 400 021  
India

JM Financial Consultants Private Limited  
117 Himalaya House 23  
Kasturba Gandhi Marg  
New Delhi 110 001  
India

Nomura Financial Advisory & Securities  
(I) Pvt. Ltd.  
Ceejay House, Level 11, Plot F, Shivasagar  
Estate  
Dr. Annie Besant Road, Worli  
Mumbai 400 013  
India

DSP Merrill Lynch Ltd.  
8th Floor, Mafatal Centre, Nariman Point  
Mumbai 400 021  
India

HSBC Securities & Capital Markets  
(India) Private Limited  
HSBC Building  
52/60, M.G. Road  
Fort, Mumbai 400 001  
India

**Worldwide Petroleum Consultants**

9000 - 101st Avenue, Suite 100, Calgary, Alberta T2C 1M9, Canada Phone: (403) 243-5500 Fax: (403) 243-5506 E-mail: info@sproule.com  
E-mail: sproule@sproule.com Website: www.sproule.com

**Re: Reserve Audit of Selected GNOP and Block 5a Fields in Sudan  
As of April 1, 2011**

Dear Sir or Madam:

At the request of ONGC Videsh Limited ("OVL" or "the Company"), we have conducted an independent audit of the estimates as of April 1, 2011 set forth by OVL with respect to the proved (1P), proved plus probable (2P), and proved plus probable plus possible (3P) reserves of the Greater Nile Oil Project (GNOP) and Block 5a of Sudan. The GNOP contains Blocks 1a, 1b, 2a, 2b and 4.

We understand that this letter is to be issued in connection with an offering of shares of ONGC and shall be included in the document with respect to such offering.

Sproule specializes in economic evaluations of oil and gas reserves and has been in business for 60 years. Our clients include international oil and gas companies, financial organizations, and government agencies, which use Sproule reports for investment analysis, technical and financial planning, mergers, acquisitions and divestitures, securities reporting, debt financing, estate settlements, insurance claims, and litigation. Our opinions are highly respected by international banking institutions and securities commissions.

We are independent with respect to OVL as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE.

OVL represents that its estimate of 1P, 2P and 3P oil reserves as of April 1, 2011 (January 1, 2011 reserves estimates adjusted for production to April 1, 2011) are shown in Tables 1a through 1d. The volumes are expressed in both millions of tonnes and millions of stock tank barrels, both on a gross (100% interest) and working interest basis. The conversion factors supplied by OVL are 7.3 stock tank barrels per tonne for GNOP crude, and 6.81 stock tank barrels per tonne for Block 5a crude. OVL owns a 25 percent interest in the GNOP properties and a 24.125 percent interest in the Block 5a properties. The values in the tables may not add exactly due to rounding.

**Table 1a: Gross Oil Reserve Estimates for Selected Fields in Sudan****Prepared by OVL****As of April 1, 2011**

| Joint Venture | Block              | Gross Oil Reserves* (millions of tonnes) |      |      |             |      |       |                            |       |       |
|---------------|--------------------|------------------------------------------|------|------|-------------|------|-------|----------------------------|-------|-------|
|               |                    | Developed                                |      |      | Undeveloped |      |       | Developed plus Undeveloped |       |       |
|               |                    | 1P                                       | 2P   | 3P   | 1P          | 2P   | 3P    | 1P                         | 2P    | 3P    |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 29.2                                     | 31.3 | 36.3 | 36.9        | 49.8 | 83.8  | 66.1                       | 81.1  | 120.1 |
| Block 5a      | 5a                 | 10.2                                     | 11.0 | 11.7 | 17.1        | 18.7 | 20.4  | 27.4                       | 29.8  | 32.2  |
| TOTAL         |                    | 39.5                                     | 42.3 | 48.1 | 54.0        | 68.5 | 104.2 | 93.4                       | 110.9 | 152.3 |

\* Gross reserve estimates, not adjusted for OVL's working interest.

**Table 1b: Working Interest Oil Reserve Estimates for Selected Fields in Sudan****Prepared by OVL****As of April 1, 2011**

| Joint Venture | Block              | Working Interest Oil Reserves (millions of tonnes) |      |      |             |      |      |                            |      |      |
|---------------|--------------------|----------------------------------------------------|------|------|-------------|------|------|----------------------------|------|------|
|               |                    | Developed                                          |      |      | Undeveloped |      |      | Developed plus Undeveloped |      |      |
|               |                    | 1P                                                 | 2P   | 3P   | 1P          | 2P   | 3P   | 1P                         | 2P   | 3P   |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 7.3                                                | 7.8  | 9.1  | 9.2         | 12.4 | 20.9 | 16.5                       | 20.3 | 30.0 |
| Block 5a      | 5a                 | 2.5                                                | 2.7  | 2.8  | 4.1         | 4.5  | 4.9  | 6.6                        | 7.2  | 7.8  |
| TOTAL         |                    | 9.8                                                | 10.5 | 11.9 | 13.3        | 17.0 | 25.9 | 23.1                       | 27.5 | 37.8 |

**Table 1c: Gross Oil Reserve Estimates for Selected Fields in Sudan****Prepared by OVL****As of April 1, 2011**

| Joint Venture | Block              | Gross Oil Reserves* (millions of stock tank barrels) |       |       |             |       |       |                            |       |         |
|---------------|--------------------|------------------------------------------------------|-------|-------|-------------|-------|-------|----------------------------|-------|---------|
|               |                    | Developed                                            |       |       | Undeveloped |       |       | Developed plus Undeveloped |       |         |
|               |                    | 1P                                                   | 2P    | 3P    | 1P          | 2P    | 3P    | 1P                         | 2P    | 3P      |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 213.3                                                | 228.6 | 265.2 | 269.0       | 363.4 | 611.4 | 482.3                      | 592.0 | 876.6   |
| Block 5a      | 5a                 | 69.7                                                 | 75.0  | 79.9  | 116.6       | 127.6 | 139.2 | 186.4                      | 202.7 | 219.1   |
| TOTAL         |                    | 283.0                                                | 303.6 | 345.1 | 385.7       | 491.0 | 750.6 | 668.6                      | 794.7 | 1,095.7 |

\* Gross reserve estimates, not adjusted for OVL's working interest.

**Table 1d: Working Interest Oil Reserve Estimates for Selected Fields in Sudan**  
**Prepared by OVL**  
**As of April 1, 2011**

| Joint Venture | Block              | Working Interest Oil Reserves (millions of stock tank barrels) |      |      |             |       |       |                            |       |       |
|---------------|--------------------|----------------------------------------------------------------|------|------|-------------|-------|-------|----------------------------|-------|-------|
|               |                    | Developed                                                      |      |      | Undeveloped |       |       | Developed plus Undeveloped |       |       |
|               |                    | 1P                                                             | 2P   | 3P   | 1P          | 2P    | 3P    | 1P                         | 2P    | 3P    |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 53.3                                                           | 57.2 | 66.3 | 67.3        | 90.8  | 152.9 | 120.6                      | 148.0 | 219.1 |
| Block 5a      | 5a                 | 16.8                                                           | 18.1 | 19.3 | 28.1        | 30.8  | 33.6  | 45.0                       | 48.9  | 52.9  |
| TOTAL         |                    | 70.1                                                           | 75.3 | 85.6 | 95.4        | 121.6 | 186.4 | 165.5                      | 196.9 | 272.0 |

Sproule has audited the reserves data prepared by OVL, using Society of Petroleum Engineers (SPE) standards for auditing reserves. Based on these standards and the supporting reserves information supplied by OVL, Sproule considers the volumes presented in Tables 2a through 2d to represent a reasonable estimate of reserves as of April 1, 2011, consistent with the SPE/WPC/AAPG/SPEE 2007 Petroleum Resource Management System (SPE-PRMS).

**Table 2a: Gross Oil Reserve Estimates for Selected Fields in Sudan**  
**based on Audit\* prepared by Sproule**  
**As of April 1, 2011**

| Joint Venture | Block              | Gross Oil Reserves** (millions of tonnes) |      |      |             |      |      |                            |      |       |
|---------------|--------------------|-------------------------------------------|------|------|-------------|------|------|----------------------------|------|-------|
|               |                    | Developed                                 |      |      | Undeveloped |      |      | Developed plus Undeveloped |      |       |
|               |                    | 1P                                        | 2P   | 3P   | 1P          | 2P   | 3P   | 1P                         | 2P   | 3P    |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 27.3                                      | 36.0 | 41.9 | 15.1        | 21.2 | 27.9 | 42.3                       | 57.2 | 69.8  |
| Block 5a      | 5a                 | 8.4                                       | 10.5 | 11.5 | 12.4        | 15.8 | 20.6 | 20.9                       | 26.4 | 32.1  |
| TOTAL         |                    | 35.7                                      | 46.5 | 53.4 | 27.5        | 37.1 | 48.5 | 63.2                       | 83.6 | 101.9 |

\* An audit does not constitute a complete reserve study.

\*\* Gross reserve estimates, not adjusted for OVL's working interest.

**Table 2b: Working Interest Oil Reserve Estimates for Selected Fields in Sudan**  
**based on Audit\* prepared by Sproule**  
**As of April 1, 2011**

| Joint Venture | Block              | Working Interest Oil Reserves (millions of tonnes) |      |      |             |     |      |                            |      |      |
|---------------|--------------------|----------------------------------------------------|------|------|-------------|-----|------|----------------------------|------|------|
|               |                    | Developed                                          |      |      | Undeveloped |     |      | Developed plus Undeveloped |      |      |
|               |                    | 1P                                                 | 2P   | 3P   | 1P          | 2P  | 3P   | 1P                         | 2P   | 3P   |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 6.8                                                | 9.0  | 10.5 | 3.8         | 5.3 | 7.0  | 10.6                       | 14.3 | 17.5 |
| Block 5a      | 5a                 | 2.0                                                | 2.5  | 2.8  | 3.0         | 3.8 | 5.0  | 5.0                        | 6.4  | 7.7  |
| TOTAL         |                    | 8.9                                                | 11.5 | 13.3 | 6.8         | 9.1 | 11.9 | 15.6                       | 20.7 | 25.2 |

\* An audit does not constitute a complete reserve study.

**Table 2c: Gross Oil Reserve Estimates for Selected Fields in Sudan  
based on Audit\* prepared by Sproule  
As of April 1, 2011**

| Joint Venture | Block              | Gross Oil Reserves** (millions of stock tank barrels) |       |       |             |       |       |                            |       |       |
|---------------|--------------------|-------------------------------------------------------|-------|-------|-------------|-------|-------|----------------------------|-------|-------|
|               |                    | Developed                                             |       |       | Undeveloped |       |       | Developed plus Undeveloped |       |       |
|               |                    | 1P                                                    | 2P    | 3P    | 1P          | 2P    | 3P    | 1P                         | 2P    | 3P    |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 199.2                                                 | 262.8 | 306.2 | 109.9       | 155.0 | 203.7 | 309.1                      | 417.8 | 509.9 |
| Block 5a      | 5a                 | 57.2                                                  | 71.7  | 78.1  | 84.8        | 107.8 | 140.4 | 142.0                      | 179.5 | 218.4 |
| TOTAL         |                    | 256.5                                                 | 334.5 | 384.3 | 194.7       | 262.8 | 344.0 | 451.1                      | 597.3 | 728.3 |

\* An audit does not constitute a complete reserve study.

\*\* Gross reserve estimates, not adjusted for OVL's working interest.

**Table 2d: Working Interest Oil Reserve Estimates for Selected Fields in Sudan  
based on Audit\* prepared by Sproule  
As of April 1, 2011**

| Joint Venture | Block              | Working Interest Oil Reserves (millions of stock tank barrels) |      |      |             |      |      |                            |       |       |
|---------------|--------------------|----------------------------------------------------------------|------|------|-------------|------|------|----------------------------|-------|-------|
|               |                    | Developed                                                      |      |      | Undeveloped |      |      | Developed plus Undeveloped |       |       |
|               |                    | 1P                                                             | 2P   | 3P   | 1P          | 2P   | 3P   | 1P                         | 2P    | 3P    |
| GNOP          | 1a, 1b, 2a, 2b & 4 | 49.8                                                           | 65.7 | 76.6 | 27.5        | 38.8 | 50.9 | 77.3                       | 104.5 | 127.5 |
| Block 5a      | 5a                 | 13.8                                                           | 17.3 | 18.8 | 20.5        | 26.0 | 33.9 | 34.3                       | 43.3  | 52.7  |
| TOTAL         |                    | 63.6                                                           | 83.0 | 95.4 | 47.9        | 64.8 | 84.8 | 111.5                      | 147.8 | 180.2 |

\* An audit does not constitute a complete reserve study.

A Reserves Audit is the process of reviewing certain of the pertinent facts interpreted and assumptions made that have resulted in an estimate of reserves and/or Reserves Information prepared by others and the rendering of an opinion about (1) the appropriateness of the methodologies employed, (2) the adequacy and quality of the data relied upon, (3) the depth and thoroughness of the reserves estimation process, (4) the classification of reserves appropriate to the relevant definitions used, and (5) the reasonableness of the estimated reserves quantities and/or the Reserves Information.

The process involved in the audit included methods for estimating reserves such as (i) the volumetric method, (ii) evaluation of the performance history, (iii) review of computer simulation techniques, and (iv) analogy to other reservoirs in the same geographic location, which had similar formation characteristics, or similar factors rendering such analogy appropriate. Where possible, combinations of a number of

methods which, in our professional judgment, are considered most appropriate were applied. For all methodologies applied, the current reservoir conditions, such as pressures, production, injection and fluid contacts, were given consideration. Our examination included such tests and procedures as we considered necessary under the circumstances to render the opinion set forth herein.

OVL has provided the reserves data found in Tables 1a through 1d. OVL has informed Sproule that its reserves bookings were based on an internal evaluation performed effective January 1, 2011, adjusted to an effective date of April 1, 2011 by deducting production for the period January through March 2011. Therefore, performance trends of the existing wells between January 1 and March 31, 2011 have not been considered by OVL. Similarly, the results of drilling, production testing and reservoir studies completed during the first three months of 2011 have not been incorporated. As a result, as of the date of this letter, the OVL April 1, 2011 estimates have not been updated to account for such matters.

OVL has provided Sproule with geological, geophysical, petrophysical and engineering data for all fields. The technical data was provided in many separate files and at different times throughout the audit period. A single report describing and supporting the procedures, interpretations and assumptions used in the reserves bookings was not provided. The audit performed was based on an examination of the technical data provided and the parameters used to estimate the 1P, 2P and 3P reserves for the properties listed below.

Sproule examined the GNOP developed and undeveloped reserves data for 23 producing fields and the undeveloped reserves data for 22 discovered and tested fields, in Blocks 1a, 1b, 2a, 2b and 4. In total, 100% of the developed reserves and 67% of the undeveloped reserves assigned to these fields by OVL, on a 2P basis, were examined. Our audit of the developed and undeveloped reserves data for the 45 fields was based on an examination of the production performance, geological data and resulting recovery factors. SPE standards pertaining to auditing of oil and gas reserves consider reserves variances of not more than plus or minus 10 percent to be reasonable. The OVL GNOP developed 1P reserves were considered to be reasonable, while the GNOP developed 2P and 3P reserves were considered to be underestimated by OVL. The OVL GNOP undeveloped reserves were found to be considerably higher than Sproule's testing supported.

Sproule examined the reserves data for Block 5a. Block 5a contains 5 producing fields and 15 tested discovered fields. In total, 100% of the developed reserves and 83% of the undeveloped reserves assigned to these fields by OVL, on a 2P basis, were examined. The OVL Block 5a developed 1P reserves were considered to be overestimated, while the OVL Block 5a developed 2P and 3P reserves were



considered to be reasonable. The OVL Block 5a undeveloped 1P and 2P reserves were found to be higher than Sproule's testing supported, while the OVL Block 5a 3P reserves were considered to be reasonable.

On a total 2P basis, Sproule audited 100% of the developed reserves and 71% of the undeveloped reserves estimated by OVL. This equates to 82% of the total 2P developed plus undeveloped reserves.

A list of the fields audited follows. These fields were selected by OVL.

| Producing Fields |                |          | Discovered Fields |                  |          |
|------------------|----------------|----------|-------------------|------------------|----------|
| 1                | Azraq Central  | GNOP     | 1                 | Azraq NW         | GNOP     |
| 2                | Azraq K        | GNOP     | 2                 | Azraq West       | GNOP     |
| 3                | Azraq North    | GNOP     | 3                 | Canar North      | GNOP     |
| 4                | Azraq SW       | GNOP     | 4                 | Canar South West | GNOP     |
| 5                | Canar          | GNOP     | 5                 | Canar West       | GNOP     |
| 6                | El Harr        | GNOP     | 6                 | El Mahafir       | GNOP     |
| 7                | El Nar         | GNOP     | 7                 | El Toor North    | GNOP     |
| 8                | El Sandal SW   | GNOP     | 8                 | Farhan North     | GNOP     |
| 9                | Khairat NE     | GNOP     | 9                 | Hilba            | GNOP     |
| 10               | El Toor        | GNOP     | 10                | Khairat West     | GNOP     |
| 11               | Greater Bamboo | GNOP     | 11                | Lol              | GNOP     |
| 12               | Greater Diffra | GNOP     | 12                | Neem North A     | GNOP     |
| 13               | Greater Heglig | GNOP     | 13                | Sunut North      | GNOP     |
| 14               | Greater Munga  | GNOP     | 14                | Sutaib South     | GNOP     |
| 15               | Greater Neem   | GNOP     | 15                | Sutaib SW        | GNOP     |
| 16               | Greater Unity  | GNOP     | 16                | Umm Sagura East  | GNOP     |
| 17               | Neem F         | GNOP     | 17                | Bamboo AG        | GNOP     |
| 18               | Simbir North   | GNOP     | 18                | Canar A          | GNOP     |
| 19               | Simbir West    | GNOP     | 19                | Hamra SW         | GNOP     |
| 20               | Sutaib         | GNOP     | 20                | Hubara SW        | GNOP     |
| 21               | Taiyib         | GNOP     | 21                | Kaikang          | GNOP     |
| 22               | Toma South     | GNOP     | 22                | Neem G           | GNOP     |
| 23               | Umm Sagura     | GNOP     | 23                | Dorang           | Block 5a |
| 24               | Thar Jath      | Block 5a | 24                | Jarayan          | Block 5a |
| 25               | Mala Main      | Block 5a | 25                | Joknyang         | Block 5a |
| 26               | Mala Southeast | Block 5a | 26                | Joknyang C       | Block 5a |
| 27               | Mala East      | Block 5a | 27                | Joknyang CS      | Block 5a |
| 28               | Mala North     | Block 5a | 28                | Joknyang East    | Block 5a |
|                  |                |          | 29                | Joknyang S       | Block 5a |
|                  |                |          | 30                | Joknyang SE      | Block 5a |
|                  |                |          | 31                | Mala C           | Block 5a |
|                  |                |          | 32                | Mala ESE         | Block 5a |
|                  |                |          | 33                | Mirmir           | Block 5a |
|                  |                |          | 34                | Mirmir East      | Block 5a |
|                  |                |          | 35                | Mirmir North     | Block 5a |
|                  |                |          | 36                | Thar Jath South  | Block 5a |
|                  |                |          | 37                | Thoon            | Block 5a |

Our conclusions are:

- a) The developed plus undeveloped GNOP reserves estimated by Sproule are lower than OVL's by 36%, 29% and 42% (relative to the OVL estimates) in the 1P, 2P and 3P cases, respectively.
- b) The developed plus undeveloped Block 5a reserves estimated by Sproule are lower than OVL's by 24% and 11% (relative to the OVL estimates) in the 1P and 2P cases, respectively. The reserves in the 3P case were effectively the same.
- c) In aggregate for GNOP and Block 5a, the developed plus undeveloped reserves estimated by Sproule are lower than OVL's by 32%, 25% and 33% (relative to the OVL estimates) in the 1P, 2P and 3P cases, respectively.
- d) As OVL has calculated its reserves to April 1, 2011 by mechanically adjusting its January 1, 2011 reserves for cumulative production only, the OVL April 1, 2011 estimates have not been updated to incorporate all information that became available during the first three months of 2011.
- e) The variances between the Sproule audited estimates and the OVL estimates, in aggregate for GNOP and Block 5a, exceed the recommended SPE audit standards of plus or minus 10 percent and therefore are not "reasonable" within the parameters of PRMS.

Examination of the reserves reports provided indicated that OVL has included "Potential Recovery" in their 1P, 2P and 3P estimates. "Potential Recovery" is defined by OVL as "the Discovered Resources that are recoverable but not producible at specific date due to economic, political, environmental or technological reasons or yet to be evaluated for production/economic potential." The classification by OVL of "Potential Recovery" as 1P, 2P and 3P reserves has contributed significantly to our audit variances described above.

It should be understood that our audit does not constitute a complete reserve study of the oil and gas properties of OVL. In the conduct of our report, we have not independently verified the accuracy and completeness of information and data furnished by OVL with respect to ownership interests, oil and gas production, historical costs of operation and development, product prices, agreements relating to current and future operations and sales of production.



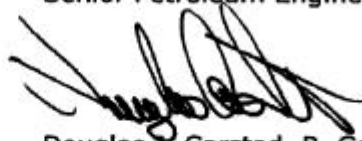
It was a pleasure to work with OVL on this project and if there are any questions, please contact the undersigned.

Sincerely,

SPROULE INTERNATIONAL LIMITED



Ahmed N. Rahuma, P. Eng.  
Senior Petroleum Engineer



Douglas J. Carsted, P. Geol.  
Vice-President, Geoscience and Director



Greg D. Robinson, P. Eng.  
Vice-President, Engineering and Director