Annual Report 2002-2003

Oil and Natural Gas Corporation Ltd.

(Exploration + Production)

+

(Refining + Transportation + Marketing)

Oil and Natural Gas Corporation Ltd

Your Company has suffered the grievous loss of 20 dedicated ONGCians, alongwith 3 contract workers and 4 crew members, in an unfortunate helicopter accident on 11th August, 2003.

The Directors of your Company have placed on record their deep condolences on the tragic loss, conveyed sincere sympathy to the bereaved families, and agreed to provide all possible assistance for their welfare.

All ONGCians pray to the Almighty for the departed souls.

CONTENTS

OUR VISION

To be a World-Class Oil and Gas Company

integrated in Energy business

with dominant Indian leadership

and Global presence.

OUR MISSION

WORLD CLASS

Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people. Imbibe high standards of business ethics and organisational values.

Abiding commitment to health, safety and environment to enrich quality of community life.

Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.

Strive for customer delight through quality products and services.

INTEGRATED IN ENERGY BUSINESS

Focus on domestic and international oil and gas exploration and production business opportunities.

Provide value linkages in other sectors of energy business.

Create growth opportunities and maximise shareholder value.

DOMINANT INDIAN LEADERSHIP

Retain dominant position in Indian Petroleum Sector and enhance India's energy availability.

BOARD OF DIRECTORS

Shri Subir Raha
Chairman & Managing Director

Shri Jauhari Lal
Director (Human Resource)
(upto 30.04.2003)

Shri R. C. Gourh
Director (Onshore)

Shri Y. B. Sinha
Director (Exploration)

Shri V. K. Sharma
Director (Offshore)

Shri Nathu Lal
Director (T&FS)

Shri R. S. Sharma
Director (Finance)

Dr. A. K. Balyan
Director (Human Resource)
(from 23.08.2003)

Shri Atul Chandra

Shri G. S. Dutt
(upto10.06.2003)

Shri P. K. Deb
(from 16.07.2003)

Shri J. M. Mauskar

Dr. Surajit Mitra
(upto 16.07.2003)

Smt. Renuka Devi Barkataki

Shri J. Jayaraman

Dr. K. R. S. Murthy

Shri Jawahar Vadivelu

Shri P. Sugavanam
(upto 11.03.2003)

Shri N. K. Nayyar
(from 12.03.2003)

REFERENCE INFORMATION

Registered Office
Jeevan Bharati, Tower II,
124, Indira Chowk,
New Delhi – 110 001

Corporate Office
Tel Bhavan,
Dehradun – 248 003
Uttaranchal

Statutory Auditors
M/s Thakur Vaidyanath Aiyar & Co.
M/s S.Bhandari & Co.
M/s Chaturvedi & Shah
M/s Brahmayya & Co.
M/s Lodha & Co.

Bankers
State Bank of India

Subsidiaries
ONGC Videsh Limited (OVL)
Mangalore Refinery & Petrochemicals Ltd. (MRPL)

Registrar & Share Transfer Agent
M/s MCS Ltd.,
Srivenkatesh Bhavan,
212-A, Shahpurjat,
Behind Panchsheel Club,
New Delhi – 110 049
Tel.No: 26498705 & 26494830

Listed at
Delhi Stock Exchange
Mumbai Stock Exchange
National Stock Exchange

Depositories
National Securities Depositories Ltd.
Central Depositories Services (India) Ltd.

Company Secretary
Shri H.C.Shah
(from 02.07.2003)

NOTICE

Notice is hereby given that the 10th Annual General Meeting of the Members of **OIL AND NATURAL GAS CORPORATION LIMITED** will be held **on Monday, the 29th September, 2003 at 11:00 hrs at Convention Hall, Hotel Ashok, 50-B, Chanakyapuri, New Delhi-110021** to transact the following **Ordinary Business**:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 and Profit & Loss Account for the year ended on March 31, 2003 and the reports of the Board of Directors' and Auditors' thereon along with review of Comptroller & Auditor General of India.
2. To confirm interim dividend and declare final dividend.
3. To appoint a Director in place of Shri J.M. Mauskar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri N. Lal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R.S. Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Atul Chandra, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Shri N.K. Nayyar, who retires by rotation and being eligible, offers himself for re-appointment.
8. To fix remuneration of the Auditors.

Regd. Office: Jeevan Bharti,
Tower-II, 124, Indira Chowk,
New Delhi-110001

Dated: August 30, 2003

By Order of the Board of Directors

HCS

(H.C. Shah)
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE CORPORATION. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE CORPORATION NOT LATER THAN FORTY-EIGHT HOURS (48 HRS.) BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ATTACHED.**
2. Brief resume of Directors seeking re-election is annexed herewith.
3. The Register of Members and Share Transfer Books of the Corporation will remain closed from Monday, the 15th September, 2003 to Thursday, the 25th September, 2003 (both days inclusive).
4. The Final Dividend as recommended by the Board of Directors, if declared at the Meeting will, subject to the provisions of Section 206 A of the Companies Act, 1956, be paid to those Members, whose names appear on the Register of Members of the Corporation as on 25th September, 2003 on to their registered addresses and the respective Beneficial Owners as at 15th September, 2003. The dividend warrants will be posted to them by 28th October, 2003.
5. Members desirous of obtaining any information/clarification(s) concerning the accounts and operations of the Corporation or intending to raise any query are requested to forward the same at least 10 days before the date of the meeting to Company Secretary at the Registered Office of the Corporation, so that the same may be attended to appropriately.

6. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide their Bank Account Number, Name and Address of the Bank/Branch to M/S MCS Limited, Registrar & Transfer Agent of the Corporation, quoting Folio Number at Srivenkatesh Bhavan, 212-A. Shahpurjat, (Behind Panchsheel Club) New Delhi-110 049 for physical mode and to their respective DPs for demat mode to enable them to incorporate the same in the dividend warrant.

7. Members holding shares in different Folios are requested to apply to the Corporation for consolidation and send relevant Share Certificates for Consolidation.

8. Annual listing fees of all the Stock Exchanges where Corporation's shares are listed for the year 2003-2004 have been paid.

9. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. The shareholders who are desirous of availing this facility may kindly write to M/S MCS Limited, Registrar & Transfer Agent of the Corporation, quoting Folio Number, at Sri Venkatesh Bhavan, 212-A, Shahpurjat, (Behind Panchsheel Club) New Delhi-110 049 for nomination form quoting their folio number. Members holding shares in Demat form may contact their respective DPs for registration of nomination.

10. Shareholders may avail the facility of Electronic Clearing Service (ECS) for receiving direct credit of Dividend to their accounts with Banks. This will enable expeditious credit of dividend amount and protect from loss, theft and postal delay of dividend warrants.

11. Members who have not encashed their dividend warrants may approach the Corporation at its Registered Office or M/S MCS Limited, Registrar & Transfer Agent of the Corporation, for revalidating the warrants or for obtaining duplicate warrants.

12. The balance lying in the unpaid dividend account of the Corporation in respect of dividend declared on 25.09.1996 for the financial year 1995-96 will be transferred to the Investor Education and Protection Fund of the Central Government by 12.11.2003 (tentative date, actual date may vary). Members who have not encashed their dividend warrants pertaining to the said year may approach the Corporation or its Registrar & Transfer Agent for obtaining payments thereof.

13. Members are requested :

   i) to bring their copies of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting. No brief case or bag will be allowed to be taken inside the meeting hall for security reasons.

   ii) to quote their Folio/Identification Nos. in all correspondence.

   iii) Members holding the shares in physical form are requested to notify immediately for change of their address and bank particulars to the Corporation or its Share Transfer Agent.

   AND

   In case their shares are held in dematerialized form then information should be passed on directly to their respective Depository Participant and not the Corporation / Share Transfer Agent, without any delay.

   iv) to note that no gifts will be distributed at the meeting.

Regd.Office: Jeevan Bharti,
Tower-II, 124, Indira Chowk,
New Delhi-110001

Dated: August 30, 2003

By Order of the Board of Directors

HCShah

(H.C. Shah)
Company Secretary

BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION AT THE 10TH AGM

Name	**Shri J.M.Mauskar**	**Shri Nathu Lal**
Date of Birth & Age	October 9, 1951 - 52 Years	April 3 , 1945 - 58 Years
Date of Appointment	May 14, 1999	March 12, 2001
Qualifications	M.Sc.(Physics), IAS	B.E. (Electrical)
Expertise in specific functional areas	Shri J.M. Mauskar, Joint Secretary in the Ministry of Petroleum & Natural Gas, Government of India, has held many responsible positions both in the Central and the State Government(s); last being Finance Secretary in Government of Meghalaya.	Shri Nathu Lal, an Electrical Engineer from Banaras Hindu University has been instrumental in inducting new technologies. Prior to joining the Board, Shri Lal has handled operations of Eastern, Southern, Western fields and Engineering & Construction and Maritime Survey Divisions in Mumbai Region. He is responsible for challenging task of acquisition and assimilation of new technologies in Production, Drilling, Offshore structure, Geo-tech studies and services to Assets.
Directorship held in other Public companies	· Oil India Ltd. · ONGC Videsh Ltd.	· ONGC Videsh Ltd.
Chairmanship/Membership of Committees across Public Companies	<u>**ONGC Committees**</u> **Chairman** · Remuneration · Technology Induction through Alliances **Member** · Mumbai High Re-development Project · Policy & Planning · Health, Safety & Environment · Human Resource Management · Security Related issues	<u>**ONGC Committees**</u> **Member** · Shareholders'/Investors' Grievance · Policy & Planning · Mumbai High Re-development Project.

Shri R.S.Sharma

February 1, 1951 - 52 Years

March 1, 2002

CAIIB, FICWA

Shri R.S. Sharma has attended Advance Financial Management Program in Oil and Gas from University of Texas, Dallas (USA). He has enriched and vast experience of about three decades in finance, accounts, insurance and banking.

- IndianOil Corporation Ltd.
- Mangalore Refinery and Petrochemicals Ltd.
- ONGC Videsh Ltd.

ONGC Committees

Member
- Shareholders'/Investors' Grievance
- Remuneration
- Share Transfer
- Project Appraisal
- Policy & Planning
- Mumbai High Re-development Project.

MRPL Committees

Member
- Audit
- Shareholders'/Investors' Grievance
- Share Transfer

ONGC Videsh Ltd. Committees

Member
- Audit

Shri Atul Chandra

April 10, 1944 - 59 Years

February 27, 1996

Petroleum Engineering Graduate with Honors

Shri Atul Chandra, Managing Director of ONGC Videsh Ltd. has a wide spectrum of experience of over three decades in the Oil Industry – spanning from research and development to field operations, project and general management. Prior to joining ONGC, he served with IMICO, a JV of Philips Petroleum AGIP, as Head of Production and was responsible for offshore fields located in Persian Gulf. At ONGC, he was associated with World Bank and Asian Development Bank funded Cambay Basin petroleum project and Gandhar Phase II respectively.

- ONGC Videsh Ltd.

ONGC Committees

Member
- Policy & Planning

Shri N.K.Nayyar

March 26, 1952 - 51 Years

March 12, 2003

PGDBM (IIMA), FCA

Shri N.K. Nayyar, Director(P&BD), IOCL has attended Advance Financial Management Program in Oil and Gas from University of Texas, Dallas (USA). He has handled international trade & treasury, planning and monitoring crude oil imports for Indian public sector refineries, besides overseeing foreign exchange management plan for oil imports. He remained associated for formulating country's oil supply and security plans alongwith Governmental authorities.

- IndianOil Corporation Ltd.
- IBP Co.Ltd.
- IndianOil Panipat Power Consortium Ltd.
- Petronet LNG Ltd.

ONGC Committees

Member
- Share Transfer

Petronet LNG Ltd. Committees

Member
- Marketing
- Kochi Project
- Human Resource

PERFORMANCE AT A GLANCE

(Rupees in million unless otherwise stated)	**April 1, 2002 to 31st March, 2003**	April 1, 2001 to 31st March, 2002	April 1, 2000 to 31st March, 2001	April 1, 1999 to 31st March, 2000
PHYSICAL				
Quantity Sold				
-Crude Oil (MMT)	**23.90**	22.86	23.38	23.39
-Natural Gas (MMM3)	**21,110**	20,446	20,501	20,064
-LPG (000'Tonnes)	**1,198**	1,157	1,211	1,208
-NGL/Naphtha (000'Tonnes)	**365**	314	223	139
-Ethane/Propane (000'Tonnes)	**619**	528	570	557
-Aromatic Rich Naphtha (000'Tonnes)	**1,277**	1,367	1,291	1,254
-Superior Kerosene Oil (000'Tonnes)	**234**	231	221	228
FINANCIAL				
Income from Operations (Gross)	**353,872**	238,574	242,704	203,236
Statutory Levies	**92,334**	59,742	55,515	51,592
Operating Expenses	**71,017**	49,331	54,455	48,025
Exchange Loss	**191**	469	1,269	3,542
Recouped Costs	**41,277**	38,152	44,533	42,523
Operating Income (PBIT)	**149,053**	90,880	86,932	57,554
Interest(Net)	**(12,185)**	(7,672)	(4,636)	(1,751)
Corporate Tax	**55,945**	36,573	39,280	23,010
Net Profit	**105,293**	61,979	52,288	36,295
Dividend	**42,778**	19,963	15,685	9,268
Tax on Dividend	**2,375**	0	1,600	1,412
Share Capital	**14,259**	14,259	14,259	14,259
Net Worth (Equity)	**356,081**	295,119	301,478	267,368
Borrowings	**3,627**	30,381	41,911	68,501
Working Capital	**127,132**	109,249	91,386	68,485
Capital Employed	**352,170**	329,061	310,331	293,185
Internal Resources Generation	**81,735**	68,448	50,020	44,747
Plan Expenditure	**50,890**	40,403	36,072	40,687
Contribution to Exchequer	**191,016**	108,799	111,428	87,032
Expenditure on Employees	**25,921**	21,847	23,184	23,678
Number of Employees	**39,352**	40,280	40,226	40,021
FINANCIAL PERFORMANCE RATIOS				
PBIDT to Turnover (%)	**53.8**	54.1	54.2	49.2
PBDT to Turnover (%)	**57.2**	57.3	56.1	50.1
Profit Margin(%)	**29.8**	26.0	21.5	17.9
Contribution to Exchequer to Turnover (%)	**54.0**	45.6	45.9	42.8
ROCE(PBIDT to Capital Employed) (%) #	**54.0**	39.2	42.4	34.1
Net Profit to Equity (%) #	**29.6**	21.0	17.3	13.6
BALANCE SHEET RATIOS				
Current Ratio	**2.45:1**	2.62:1	2.89:1	2.36:1
Debt Equity Ratio	**0.01:1**	0.10:1	0.14:1	0.26:1
Debtors Turnover Ratio (Days)	**41**	34	26	31
PER SHARE DATA				
Earning Per Share (Rs.) #	**73.8**	43.5	36.7	25.5
Dividend (%)	**300**	140	110	65
Book Value Per Share(Rs.)	**250**	207	211	188

Annualised

April 1, 1998 to 31st March, 1999	April 1, 1997 to 31st March, 1998	April 1, 1996 to 31st March, 1997	April 1, 1995 to 31st March, 1996	February 1, 1994 to 31st March, 1995 (14 months)	April 1, 1993 to 31st January, 1994 (10 months)
24.45	26.27	26.11	28.38	30.01	17.20
19,386	19,228	17,225	17,016	15,908	10,892
1,180	1,144	1,126	1,111	1,144	777
545	1,503	1,404	1,401	1,381	1,042
506	557	510	489	480	251
906	32	0	0	0	0
177	7	0	0	0	0
151,029	153,462	133,361	135,304	136,282	81,744
46,676	49,529	47,624	49,687	52,311	30,006
30,946	28,540	21,606	21,267	17,621	10,514
5,912	2,914	3,858	2,901	11,210	5,110
31,912	38,374	31,621	33,088	26,459	15,852
35,583	34,105	28,652	28,361	28,681	20,262
(163)	987	3,324	4,818	5,825	2,363
8,201	6,340	4,992	4,089	(597)	1,947
27,545	26,778	20,336	19,454	23,453	15,952
7,842	3,565	2,852	2,016	687	617
863	356	285	0	0	0
14,259	14,259	14,259	14,259	3,459	3,429
241,712	223,228	200,349	176,010	154,480	127,462
79,560	92,734	99,348	120,703	128,117	103,972
43,189	32,684	44,205	45,280	40,787	36,040
267,256	253,820	254,678	252,275	216,088	131,930
41,942	79,264	30,324	37,772	49,950	32,450
44,679	40,053	39,730	42,450	80,680	56,180
64,173	61,644	57,469	57,483	55,520	34,701
13,431	12,631	8,631	12,421	9,020	4,640
41,040	42,158	43,267	44,548	45,736	47,060
44.7	47.2	45.2	45.4	40.5	44.2
44.8	46.6	42.7	41.9	36.2	41.3
18.2	17.5	15.3	14.4	17.2	19.5
42.5	40.2	43.1	42.5	40.7	42.5
25.3	28.6	23.7	24.4	21.9	32.8
11.4	12.0	10.2	11.1	13.0	15.0
1.82:1	1.77:1	2.35:1	2.88:1	2.92:1	1.66:1
0.33:1	0.42:1	0.50:1	0.69:1	0.83:1	0.82:1
27	31	94	31	32	36
19.3	18.8	14.3	13.6	58.1	55.8
55	25	20	20	20	18
170	157	141	123	446	372

STATEMENT OF INCOME AND RETAINED EARNINGS

(Rupees in million)	**April 1, 2002 to 31st March, 2003**	April 1, 2001 to 31st March, 2002	April 1, 2000 to 31st March, 2001	April 1, 1999 to 31st March, 2000
REVENUES				
Sales				
Crude Oil	**244,131**	137,115	141,538	115,614
Natural Gas	**49,986**	49,446	49,756	47,147
LPG	**19,087**	11,473	14,161	9,279
NGL/Naphtha	**4,906**	3,546	2,377	921
Ethane/Propane	**5,837**	4,082	4,359	3,844
Aromatic Rich Naphtha	**17,129**	15,236	16,177	13,142
Superior Kerosene Oil	**3,188**	1,731	1,616	1,028
Others	**1,075**	766	522	451
Price Revision Arrears	**1,568**	5,017	1,355	8,400
Sub-Total	**346,907**	228,412	231,861	199,826
Write Back of Excess Liability	**0**	0	0	0
Pipeline Revenue	**478**	3,966	4,612	1,110
Other Receipts	**6,276**	6,194	5,784	2,148
Accretion / (Decretion) in stock	**211**	2	447	152
Total Revenues	**353,872**	238,574	242,704	203,236
COST & EXPENSES				
Operating, Selling & General				
(a) Royalties	**30,002**	25,142	23,024	21,018
(b) Cess/ Excise Duty	**46,994**	25,660	23,833	23,499
(c) Natural Calamity Contingent Duty-Crude Oil	**98**			
(d) Sales Tax	**12,561**	7,713	7,439	6,453
(e) Octroi & Port Trust Charges	**2,679**	1,227	1,219	622
Sub-Total (a to e)	**92,334**	59,742	55,515	51,592
Pipeline Operations (Excluding Depreciation)	**5,452**	4,951	4,965	5,727
Other Operational Costs	**65,565**	44,380	49,490	42,298
Exchange Loss	**191**	469	1,269	3,542
Recouped Costs				
(a) Depletion	**17,497**	15,638	15,759	14,099
(b) Depreciation	**7,599**	8,286	10,602	16,224
(c) Amortisation	**16,181**	14,228	18,172	12,200
Sub-Total (a to c)	**41,277**	38,152	44,533	42,523
Total Cost & Expenses	**204,819**	147,694	155,772	145,682
Operating Income Before Interest & Tax	**149,053**	90,880	86,932	57,554
Interest				
-Payments	**1,132**	2,469	3,984	6,003
-Receipts	**13,317**	10,141	8,620	7,754
-Net	**(12,185)**	(7,672)	(4,636)	(1,751)
Income After Interest	**161,238**	98,552	91,568	59,305
Corporate Tax (Net)	**55,945**	36,573	39,280	23,010
Net Profit	**105,293**	61,979	52,288	36,295
Dividend	**42,778**	19,963	15,685	9,268
Tax on Dividend	**2,375**	0	1,600	1,412
Retained Earnings For The Year	**60,140**	42,016	35,003	25,615

April 1, 1998 to 31st March, 1999	April 1, 1997 to 31st March, 1998	April 1, 1996 to 31st March, 1997	April 1, 1995 to 31st March, 1996	February 1, 1994 to 31st March, 1995 (14 months)	April 1, 1993 to 31st January, 1994 (10 months)
88,610	96,351	95,501	94,295	99,496	56,762
37,319	36,561	28,361	28,430	26,886	18,806
7,581	3,334	2,606	2,495	2,592	1,678
1,885	3,933	2,974	2,784	2,577	1,911
2,077	2,285	2,084	1,970	1,909	911
5,795	80	0	0	0	0
580	18	0	0	0	0
236	100	21	53	49	537
3,409	8,311	0	0	0	0
147,492	150,973	131,547	130,027	133,509	80,605
20	121	0	2,911	0	0
2,136	1,271	871	998	1,128	913
1,379	1,052	818	1,288	1,684	132
2	45	125	80	(39)	94
151,029	153,462	133,361	135,304	136,282	81,744
17,699	19,058	17,811	17,708	18,417	10,837
23,745	24,976	24,372	26,124	27,461	15,533
4,671	4,895	4,860	5,268	5,831	3,572
561	600	581	587	602	64
46,676	49,529	47,624	49,687	52,311	30,006
3,654	3,070	2,785	3,391	2,895	1,980
27,292	25,470	18,821	17,876	14,726	8,534
5,912	2,914	3,858	2,901	11,210	5,110
15,254	15,724	10,620	11,485	11,361	6,769
6,955	7,751	8,359	5,937	5,397	1,612
9,703	14,899	12,642	15,666	9,701	7,471
31,912	38,374	31,621	33,088	26,459	15,852
115,446	119,357	104,709	106,943	107,601	61,482
35,583	34,105	28,652	28,361	28,681	20,262
8,342	7,185	8,607	9,655	11,362	6,540
8,505	6,198	5,283	4,837	5,537	4,177
(163)	987	3,324	4,818	5,825	2,363
35,746	33,118	25,328	23,543	22,856	17,899
8,201	6,340	4,992	4,089	(597)	1,947
27,545	26,778	20,336	19,454	23,453	15,952
7,842	3,565	2,852	2,016	687	617
863	356	285	0	0	0
18,840	22,857	17,199	17,438	22,766	15,335

STATEMENT OF FINANCIAL POSITION

(Rupees in million)	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001	As at March 31, 2000
RESOURCES				
A. Own				
1. Net Worth				
(a) Equity				
i) Share Capital	**14,259**	14,259	14,259	14,259
ii) Reserves & Surplus	**343,130**	282,963	288,854	253,843
Sub-Total	**357,389**	297,222	303,113	268,102
(b) Less: Intangible Assets	**1,308**	2,103	1,635	734
Net Worth	**356,081**	295,119	301,478	267,368
2. Long Term Liabilities				
Deferred Tax Liability	**52,348**	53,471		
Provision For Gratuity & Abandonment*	**0**	0	7,181	4,183
Total Own Funds (1+2)	**408,429**	348,590	308,659	271,551
B. Outside				
1. Unsecured Loans				
a) Indian Loans	**1,011**	1,213	1,415	2,263
b) Foreign Loans	**2,616**	29,168	38,411	62,557
Total Unsecured Loans	**3,627**	30,381	39,826	64,820
2. Deferred Credits (Principal Only)	**0**	0	2,085	3,681
Total Outside Resources	**3,627**	30,381	41,911	68,501
TOTAL RESOURCES (A+B)	**412,056**	378,971	350,570	340,052
DISPOSITION OF RESOURCES				
A. Block Capital				
1. Fixed Assets	**53,928**	56,008	58,893	64,001
2. Producing Properties (Gross)	**174,380**	166,912	162,913	160,699
Less : Provision for Impairment	**3,270**	3,108	2,861	
Producing Properties (Net)	**171,110**	163,804	160,052	160,699
Total Block Capital	**225,038**	219,812	218,945	224,700
B. Working Capital				
a) Current Assets				
i) Inventories	**15,710**	14,526	15,369	15,649
ii) Debtors (Net of Provision)	**39,359**	22,514	17,338	17,245
iii) Cash & Bank Balances	**61,090**	55,455	20,545	33,554
iv) Loans & Advances and Others	**98,811**	84,164	86,463	52,471
Sub-Total	**214,970**	176,659	139,715	118,919
Less				
b) Current Liabilities and Provisions and Cash Credit Advance (excluding provision for Gratuity, Abandonment & Impairment)*	**87,838**	67,410	48,329	50,434
Working Capital	**127,132**	109,249	91,386	68,485
C. CAPITAL EMPLOYED	**352,170**	329,061	310,331	293,185
D. INVESTMENTS	**39,826**	33,232	23,607	22,857
E. CAPITAL WORKS IN PROGRESS	**9,329**	6,903	7,283	9,757
F. EXPLORATORY WELLS IN PROGRESS	**10,731**	9,775	9,349	14,253
TOTAL DISPOSITION	**412,056**	378,971	350,570	340,052

* For the Year 2002-03 & 2001-02 Provision for Gratuity & Abandonment are included in Current Liabilities.

	As at March 31, 1999	As at March 31, 1998	As at March 31, 1997	As at March 31, 1996	As at March 31, 1995	As at January 31, 1994
	14,259	14,259	14,259	14,259	3,459	3,429
	228,229	209,389	186,532	169,329	161,730	138,166
	242,488	223,648	200,791	183,588	165,189	141,595
	776	420	442	7,578	10,709	14,133
	241,712	223,228	200,349	176,010	154,480	127,462
	2,167	1,865	1,279	1,131	899	625
	243,879	225,093	201,628	177,141	155,379	128,087
	2,809	6,028	6,111	7,847	10,040	14,793
	71,808	80,840	82,850	88,448	91,628	79,564
	74,617	86,868	88,961	96,295	101,668	94,357
	4,943	5,866	10,387	24,408	26,449	9,615
	79,560	92,734	99,348	120,703	128,117	103,972
	323,439	317,827	300,976	297,844	283,496	232,059
	74,114	82,202	85,537	97,671	92,431	30,858
	149,953	138,934	124,936	109,324	82,870	65,032
	149,953	138,934	124,936	109,324	82,870	65,032
	224,067	221,136	210,473	206,995	175,301	95,890
	15,718	18,786	19,475	17,324	15,232	13,823
	11,086	13,093	34,495	11,348	12,109	28,514
	18,960	21,785	1,399	22,197	9,775	1,283
	50,422	21,679	21,511	18,496	24,933	46,666
	96,186	75,343	76,880	69,365	62,049	90,286
	52,997	42,659	32,675	24,085	21,262	54,246
	43,189	32,684	44,205	45,280	40,787	36,040
	267,256	253,820	254,678	252,275	216,088	131,930
	27,115	44,224	17,718	17,836	16,975	23,942
	16,684	9,915	11,715	10,054	25,463	52,489
	12,384	9,868	16,865	17,679	24,970	23,698
	323,439	317,827	300,976	297,844	283,496	232,059

(Rupees in million)	**April 1, 2002 to 31st March, 2003**	April 1, 2001 to 31st March, 2002	April 1, 2000 to 31st March, 2001	April 1, 1999 to 31st March, 2000
DETAILS OF DEPRECIATION ALLOCATED TO:				
Survey	**712**	370	463	376
Exploratory Drilling	**1,590**	1,748	1,680	1,708
Development	**9,587**	9,725	9,000	15,933
Production /Profit & Loss Account	**7,594**	7,865	10,602	16,224
Others	**55**	0	8	31
Total	**19,538**	19,708	21,753	34,272
CONTRIBUTION TO EXCHEQUER				
CENTRAL				
1. Cess/Excise Duty	**47,008**	25,662	23,862	23,501
2. Natural Calamity Contingent Duty - Crude Oil	**98**			
3. Royalties	**17,380**	16,602	15,615	14,586
4. Corporate Tax				
a) On ONGC's Account	**58,850**	31,012	39,280	23,010
b) For Foreign Contractors	**24**	32	76	126
5. Dividend	**35,981**	16,791	13,193	7,796
6. Tax on Dividend	**2,375**	0	1,600	1,412
7. Customs Duties	**1,432**	1,213	1,741	2,984
Sub Total	**163,148**	91,312	95,367	73,415
STATE				
1. Sales Tax	**12,561**	7,719	7,430	6,472
2. Royalties	**12,623**	8,541	7,412	6,524
3. Octroi Duties etc.	**2,684**	1,227	1,219	621
Sub Total	**27,868**	17,487	16,061	13,617
Grand Total	**191,016**	108,799	111,428	87,032

April 1, 1998 to 31st March, 1999	April 1, 1997 to 31st March, 1998	April 1, 1996 to 31st March, 1997	April 1, 1995 to 31st March, 1996	February 1, 1994 to 31st March, 1995 (14 months)	April 1, 1993 to 31st January, 1994 (10 months)
347	288	118	94	178	130
1,598	1,471	2,083	1,526	2,309	1,383
14,597	15,662	16,970	21,625	20,518	5,512
6,955	7,752	8,359	5,936	5,397	1,612
57	6	40	46	9	4
23,554	25,179	27,570	29,227	28,411	8,641
23,746	24,979	24,374	26,126	27,960	15,934
12,446	13,643	12,548	12,673	12,049	7,089
8,202	6,340	4,992	4,089	(597)	1,946
142	82	37	87	(236)	152
6,596	3,427	2,741	1,939	672	617
863	356	285	0	0	0
1,695	1,899	1,796	1,679	3,330	1,219
53,690	50,726	46,773	46,593	43,178	26,957
4,673	4,897	4,860	5,267	5,993	3,650
5,257	5,419	5,265	5,036	5,747	4,021
553	602	571	587	602	73
10483	10,918	10,696	10,890	12,342	7,744
64,173	61,644	57,469	57,483	55,520	34,701

GLOSSARY OF ENERGY & FINANCIAL TERMS

RECOUPED COSTS:
It refers to Depreciation, Depletion and Amortisation charged in accounts. These are non-cash costs.

a) DEPRECIATION:
A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux of time or obsolescence through technology and market changes. It is provided for and allocated as mentioned in para 7 of the Significant Accounting Policies.

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

c) AMORTISATION:
It refers to the Dry wells and Survey expenditure expensed in the accounts in line with para 2 (i) and (ii) of the Significant Accounting Policies.

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

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

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

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

PRODUCTION COSTS:
Costs incurred in lifting the oil and gas to the surface and in gathering, treating and storing the oil and gas.

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

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

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

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

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

ENHANCED RECOVERY:
Techniques used to increase or prolong production from oil and natural gas fields.

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

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

LIQUEFIED NATURAL GAS (LNG):
Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.

LIQUEFIED PETROLEUM GAS (LPG):
Light gases, such as butane and propane that can be maintained as liquids while under pressure.

NATURAL GAS LIQUIDS (NGL):
Separated from natural gas, these include ethane, propane, butane and natural gasoline.

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

OIL EQUIVALENT GAS (OEG):
The volume of natural gas that can be burned to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).

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

DIRECTORS' REPORT

DEAR MEMBERS,

On behalf of the Board of Directors of your Company, it is my privilege to present this 10th Annual Report and Audited Statement of Accounts for the financial year ended 31st March, 2003, together with the Auditors' Report and the Review of the Accounts by the Comptroller and Auditor General of India.

You will be happy to know that your Company has achieved the distinction of the country's **Most Valuable Corporate**; this is an unmatched performance by a Public Sector Enterprise, perhaps even in the global context!

- Your Company is placed at the **top of all Indian Corporates** listed in Forbes 400 Global Corporates (rank 133rd) and Financial Times Global 500 (rank 326th), by Market Capitalisation.
- Your Company is recognized as the **Most Valuable Indian Corporate**, by Market Capitalisation, Net worth and Net Profits, in current listings of Economic Times 500, Business Today 500 and Business Baron 500.
- Your Company has created the **highest-ever MVA** (Rs. 242,580 million) and the **fourth highest EVA** (Rs. 5,960 million), as assessed in a Business Today-Stern Stewart study (April, 2003); your Company is **the only PSE to achieve positive MVA as well as EVA**.
- Your Company has crossed the landmark of earning **Net Profit exceeding Rs. 100,000 million, the first to do so among all Indian Corporates**, and a remarkable Net Profit to Revenue ratio of 29.8%.
- With your approval, your Company will pay out the **highest-ever dividend in Indian Corporate history**.
- Your Company's Market Capitalisation constitutes 10 % of the total market capitalisation on the Bombay Stock Exchange (BSE).
- Your Company now trans-nationally operates Exploration & Production (E&P) business in 9 countries.

Hon'ble Prime Minister being presented a dividend cheque of Rs.1679 crore for the year 2001-02 in the presence of Mr. Ram Naik, Hon'ble Minister of Petroleum & Natural Gas, Mr. S K Gangwar, the then Minister of State for Petroleum & Natural Gas, Mr. B K Chaturvedi, Secretary, MoP&NG, Mr. Naresh Narad, the then Special Secretary, MoP&NG and ONGC Board

★ Your Company has achieved all corporate operational targets with **highest-ever Production and Sales of Natural Gas and Value-added Products**. **The drilling performance**, in terms of wells drilled, is the highest **in the recent five years**, even with much higher number of high-technology wells drilled.

★ **For the third year in succession**, your Company has achieved **positive Reserve Accretion**.

1. Financial Results :

Thanks to the dismantling of price control on crude effective 1st April 2002, your Company registered a remarkable increase of 48% in its gross revenue, from Rs.2,38,574 million to Rs. 3,53,872 million, and an equally remarkable increase of 70% in Net Profit after Tax (PAT), from Rs. 61,979 million to Rs. 1,05,293 million.

★ **Highest-ever Turnover**	Rs. 345,340 million
★ **Highest-ever Profit after Tax** (PAT)	Rs. 105,293 million
★ **Highest-ever Contribution to Exchequer** (Rs. 163,148 million to Central Government by way of Cess, Royalty, Corporate Tax, Dividend and Customs Duties, and Rs. 27,868 million to State Governments by way of Royalty, Sales Tax and Octroi Duties)	Rs. 191,016 million
★ **Highest-ever Dividend @ 300%** (inclusive of Dividend Tax)	Rs. 45,153 million
★ **Lowest ever Debt-Equity Ratio**	0.01%

(**Rs. in million**)

		2002-03		2001-02
Gross Revenue		3,53,872		2,38,574
Gross Profit		2,24,750		1,42,916
Less :				
Interest	1,132		2,469	
Exchange variation	191		469	
Depreciation	7,599		8,286	
Amortisation	16,181		14,228	
Depletion	17,497		15,638	
Provision/write offs	20,912		3,274	
Provision for Taxation (including deferred tax of Rs.5,561 million)	55,945	1,19,457	36,573	80,937
Net Profit after tax		1,05,293		61,979
Appropriations				
Interim Dividend		24,241		0
Proposed Final Dividend		18,537		19,963
Tax on Dividend		2,375		0
Transfer to General Reserves		60,140		42,016
Total		1,05,293		61,979

2. DIVIDEND

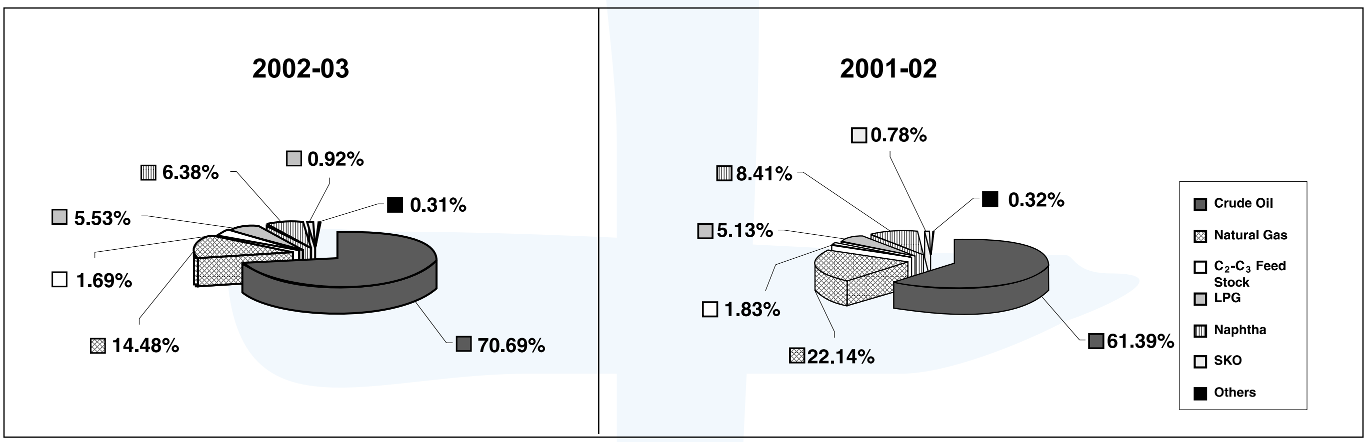
Your Company had paid an interim dividend of Rs. 17/- per share (170%) in February 2003, and your Directors are happy to recommend a final dividend of Rs. 13/- per share (130%), making a total dividend of Rs. 30/- per share (300%), against previous year's Rs. 14/- per share. The total dividend will absorb Rs. 45,153 million, including Rs. 2,375 million as tax on dividend.

3. PHYSICAL PERFORMANCE

Highlights of production & sales of Crude Oil, Natural Gas and Value-added Products during the year:

	Unit	Production		Sales		Value (Rs. in million)	
		2002-03	2001-02	**2002-03**	2001-02	**2002-03**	2001-02
CRUDE OIL	(MMT)	**27.57**	26.30	**23.90**	22.86	**244,131**	137,115
NATURAL GAS	(BCM)	**26.00**	25.42	**21.11**	20.44	**49,986**	49,446
C_2-C_3 FEED STOCK	000 MT	**619**	528	**619**	528	**5,837**	4,082
LPG	000 MT	**1204**	1158	**1198**	1157	**19,087**	11,473
NAPHTHA	000 MT	**1661**	1688	**1642**	1681	**22,035**	18,782
S K O	000 MT	**233**	230	**234**	231	**3,189**	1,731
OTHERS						**1,075**	725
TOTAL						**345,340**	223,354

Product-wise Performance



4. OIL & GAS RESERVES

Your Company added 106.85 Million Metric Tonnes (MMT) of ultimate reserves of oil plus oil-equivalent Gas (O+OEG) during the year under review, maintaining the trend of positive accretion for the third consecutive year.

Ultimate Reserves O+OEG in MMT

Year	Domestic Assets	Foreign Assets (OVL's Share)	Domestic JV Assets (ONGC's Share)	Total
2000-01	66.67	-	1.90	68.57
2001-02	66.48	121.99	2.47	190.94
2002-03	40.72	65.04	1.09	106.85
Total	173.87	187.03	5.46	366.36

Your Company had adopted Reserves Categorisation procedure as per US Securities Exchange Commission (SEC) regulations, and Society of Petroleum Engineers (SPE) classification in 1994, changing over from the Russian system followed earlier. Your Company follows the criteria of US Financial Accounting Standards Board (FASB) statement No.69 for disclosure of annual estimates of proven Oil & Gas reserves.

Mr. Subir Raha, C&MD, addressing the investors during the Investors' Meet at Mumbai

As a measure of good Corporate Governance, it has been decided by your Board of Directors that at the beginning of every Five-year Plan period, the in-house reserve estimates are to be independently audited, covering all major fields. Accordingly, M/s. DeGolyer & MacNaughton (D&M), a globally reputed E&P Consultant, has been engaged, and the audit is in progress. The findings will be reported to all Members.

5. SUBSIDIARIES

i) ONGC Videsh Ltd. (OVL):

OVL, the wholly owned subsidiary of your Company for overseas business, achieved a number of landmarks:

★ **First revenue from sale of hydrocarbons**, in Block 06.1, Vietnam ;

★ **First Participating Interest (PI) in a producing property**, in the Greater Nile Oil Project, Sudan, and

★ **First Exploration and Development contract as Operator**, in Farsi Project, Iran.

Details of Properties as on 31st March, 2003 :

1. Block 06.1, Vietnam

   OVL holds 45 % PI in Block 06.1,Vietnam comprising of two offshore gas fields Lan Tay and Lan Do. OVL's share of investment in the development expenditure was approx US$ 228 million against which an investment of about US$ 163 million has been made till 31st March, 2003. Commercial supplies of gas commenced from the project on 21st January, 2003. The field is currently producing gas @ about 3 MMSCMD.

2. Sakhalin – I, Russia

   Sakhalin – I is a large Offshore oil and gas field on east coast of Russia. OVL acquired 20 % PI in the Project in July, 2001. The investment including 20% carry (loan) is estimated to be about US$ 1741 million against which an investment of US$ 681 million has been made till 31st March, 2003. First oil from the field is scheduled to flow from end-2005.

3. Exploration Block – 8, Iraq

   Block-8 is an on-land exploration block in Iraq where OVL is the sole licensee. The contract was signed in May, 2001. The minimum expenditure obligation for the first phase of exploration for three years is

Drilling Deep *- ONGC rigs drilling deep in the sedimentary basins of India for more hydrocarbon reserves*

Mr. L K Advani, Hon'ble Deputy Prime Minister, Mr. Ram Naik, Hon'ble Minister of Petroleum & Natural Gas, His Excellency, Abdal Mahmood Abdal Haleem, Ambassador of Sudan, Mr. S K Gangwar, the then Hon'ble Minister of State for Petroleum & Natural Gas, Mr. Anant Kumar, Hon'ble Minister for Urban Development, Mr. B K Chaturvedi, Secretary, MoP&NG and Mr. Subir Raha, C&MD, ONGC at Mangalore Port Trust jetty on the occasion of arrival of first overseas equity crude from Sudan

US$ 15 million against which an investment of about US$ 1 million has been made till 31st March, 2003. Work relating to archival, re-processing and interpretation of the existing seismic data for the Block has been completed.

4. Exploration Block A – 1, Myanmar
OVL holds 20% PI in an offshore exploration Block A-1 in Myanmar, acquired in April, 2002. OVL's investment in exploration phase is expected to be about US$ 8.66 million against which an investment of US$ 1.5 million has been made till 31st March, 2003. Exploration activities are currently in progress and the first well is expected to be drilled by the end of 2003.

5. Farsi Exploration Block -Iran
An exploration & development contract for Farsi Offshore Exploration Block, Iran was concluded on 25th December, 2002. OVL's investment in the project is expected to be about US$ 15.3 million. OVL holds 40% equity as operator and the remaining equity has been allocated to other Indian Oil PSUs viz. IndianOil Corporation Ltd. (40%) and Oil India Ltd. (20%).

6. Greater Nile Oil Project - Sudan
OVL acquired 25% PI in Greater Nile Oil Project (GNOP), Sudan through purchase of 100% equity of Talisman (Greater Nile) B.V. Amsterdam; the acquisition was completed on 12th March, 2003 and the company was renamed ONGC Nile Ganga B.V. on 14th March, 2003. The Sale-Purchase Agreement was executed on 30th October, 2002 entitling OVL to revenue benefits from the project effective 1st September, 2002.

7. During the year, in the context of acquisition of stake in GNOP, Sudan, the equity in Sakhalin India Inc. (SII) the wholly-owned subsidiary of OVL, was sold to Oil India Limited (OIL) on 10th March, 2003 at par value.

ii) Mangalore Refinery and Petrochemicals Ltd. (MRPL)

Enduring Nature - ONGC men working in the vastness of high seas

Your Company acquired the entire 37.39% Equity held by the Indian Rayon and Industries Ltd., (IRIL) and its associates on 3rd March, 2003. Consequent to the preferential allotment of 600 million equity shares on 30th March, 2003, as approved by the MRPL shareholders, ONGC's shareholding increased to 51.25% making MRPL a subsidiary of your Company.

On exercise of the call option incorporated in the Debt Restructuring Package (DRP), your Company's shareholding has increased to 71.62% on 11th July, 2003.

The Ministry of Petroleum & Natural Gas has approved the constitution of an Empowered Standing Committee (ESC) for crude oil imports of MRPL, as is the practice with other PSU refineries. With its own ESC, MRPL will now be able to directly execute crude purchase contracts under Government-to-Government (G to G) arrangements, saving on the commission charged by Canalizing Agency.

MRPL has been marketing Motor Spirit, High Speed Diesel, LPG Cooking Gas and Superior Kerosene through Hindustan Petroleum Corporation Ltd. (HPCL), who have agreed to maintain the support in line with the Shareholders' Agreement between ONGC and HPCL. Transport fuels produced by MRPL will be retailed under the Marketing Rights granted to your Company.

Mangalore-Hassan-Bangalore Pipeline project has been commissioned on 1st August, 2003. This pipeline will reduce transportation cost of the white-oil products of MRPL in the hinterland areas and expand the economic supply envelope.

While the operating performance has shown improvement, the financial results of MRPL continued to be impaired due to high interest and depreciation cost, low capacity utilization and low 'gross refinery margins' (GRMs), mainly due to lower domestic product demand/sales, lower realization in exports and relatively high prices paid on crude entirely sourced through imports.

With your Company exercising exclusive management control on MRPL, the Company has already been turned around from the brink of bankruptcy to listing in the Top 30 (Market Capitalisation) companies on the BSE.

6. JOINT VENTURES

i) Petronet LNG Ltd. (PLL)

Your Corporation, as a founder co-promoter, along with IOCL, GAIL and BPCL has already contributed Rs. 1000 million towards 12.5% equity of PLL. Your Company has also extended Guarantees worth Rs. 14000 million, alongwith other founder co-promoters, to PLL; these Guarantees will be recovered once PLL executes the General Sale/Purchase Agreement (GSPA) with their supplier, M/s. RasGas of Qatar. PLL has already tied up

Sweat and Toil - ONGC men performing hard tasks ensuring continuous production of hydrocarbons

Vichar Dhara 2002 - ONGC top management interacting with middle management executives in a first of its kind Interactive Session

its entire Term-loans from a consortium of lenders led by the State Bank of India.

The construction of the LNG Terminal at Dahej is on schedule except for a delay in construction of the breakwater for the jetty; this delay will not affect commissioning of the Terminal on schedule. The first LNG cargo is expected at Dahej in December, 2003 for commissioning trials.

While the other founder co-promoters share the marketing rights of Re-gassified LNG (R-LNG) from PLL, it has been decided by the Ministry of Petroleum & Natural Gas, as well as the Board of PLL, that a project for extraction of value-added components (C_2 plus) from the LNG will be assigned to ONGC. Preparatory work on this project has been initiated by your Company.

With this decision, your Company will resume Natural Gas value-extraction projects after fifteen long years since commissioning of the Gas Processing facility at Hazira, and your Directors are confident that this opens up an opportunity with excellent potential.

ii) Petronet MHB Limited

Thanks to a positive decision from the Ministry of Petroleum & Natural Gas on a representation from your Company, 23% equity has been acquired by your Company, at a cost of Rs. 383.41 million, in Petronet MHB Ltd. The 364 km long cross-country pipeline from Mangalore(Refinery) to Bangalore via Hassan has already been commissioned on 1st August, 2003. MHBPL will carry MRPL white-oil products, offering advantages in freight, reliability and quality in the hinterland.

This is the first participation by your Company in a “common carrier” pipeline, and opens up a new line of business.

iii) ONGIO International Private Ltd.

This 50:50 JV with IndianOil Corporation Ltd (IOCL) was incorporated on 8th June, 2001; the Company has incurred cumulative losses of Rs. 20.56 million. Given lukewarm co-promoter support, it has been decided by your Board of Directors to withdraw from the JV which is to be dissolved.

7. EMPLOYEE WELFARE

Two initiatives, unique in the Indian Corporate scene, were launched during the year:

C&MD Mr. Subir Raha handing over a cheque under 'Agrani Samman' to one of the recipients

7.1 **"Agrani Samman" :** Pioneering employees had superannuated with relatively small sums in Gratuity and Provident Fund, and without any pensionary benefit. They have been facing financial and social distress in the twilight of their lives; in many cases, the employees had passed away, leaving the surviving spouses to helplessness. Some retired employees had even taken up menial jobs to sustain themselves.

Over many years, the former employees had been asking for relief, from the organization they had built from the ground up, creating unmatched prosperity.

Last year, Shri T.N.Seshan, former Chief Election Commissioner and former Cabinet Secretary to the Government of India (also a former Member(Personnel) of the Oil & Natural Gas Commission) was requested to examine the issues in totality. Your Board of Directors accepted the considered recommendations of Shri Seshan and 'Agrani Samman' was launched on 1st January 2003.

'Agrani Samman' ("Honour to the Pioneer") provides a monthly ex-gratia benefit to former employees who do not receive any pensionary benefit, subject to certain terms and conditions. The programme has created tremendous goodwill in the ONGC Family.

7.2 **"Unnati Prayas" :** Over the years, many employees had moved into and up the Executive Ladder without the benefit of professional qualifications mandated at executive entry-level. This necessarily diluted the organizational competencies, and created anomalies in the career aspirations.

The Executive Promotion Policy has been revised, to ensure that promotions are based on professional qualifications, merit in performance, and potential for growth, with allowance for seniority.

To facilitate career growth of employees who have been serving the organization without the requisite professional qualifications, "Unnati Prayas" ("Endeavour for Advancement") has been conceptualized and launched.

ONGC's innovative Quality Upgradation Programme, Unnati Prayas, probably, the most ambitious HR project of its kind by any PSU or Indian corporate - Chairman of Public Enterprises Selection Board (PESB), Mr. T K A Nair, C&MD Mr. Subir Raha,Vice-Chancellor, Punjab Technical University, Prof. Y S Rajan, the then Director (HR) Mr. R S Sharma & Mr.Gautam Sen,Head.IMD, during the launch of the scheme

"Unnati Prayas" is a whole-time mid-career residential learning programme leading to Graduate Degrees and Diplomas in Technology. The programme is affiliated to Punjab Technical University. Employees may volunteer for Admission Tests conducted with the same rigour as applied for admission to Engineering Colleges and Polytechnics. Comprehensive facilities are provided to the student-employees for learning, as well as to mitigate the stress of living away from the family for extended periods.

The Admission Tests for the first batch were conducted in February-March 2003, and nearly 1000 employees volunteered for the tests. Of these, 180 employees have been selected, and they are now in learning.

You will surely be pleased to see the initiatives of your Company in fulfilling the obligations to the pioneering veterans, and in preparing the younger generation for the future.

7.3 A Voluntary Retirement Scheme approved by the Government in conformity to the Department of Public Enterprises (DPE) guidelines has been launched in July, 2003.

ONGCian on Time Magazine - Mr. Virender Sehwag was featured in the Time magazine for his stellar performance in the year 2002-03

8. INDUSTRIAL RELATIONS

Overall, Industrial Relations (IR) remained harmonious throughout the year.

ONGC Scientists received National Mineral Awards, 2002 - Mr. N K Verma, Supdg. Geophysicist (S) Dr. J.V.S.S.N. Murthy, Supdg. Geophysicist, Dr. Anil Bhandari, Chief Geologist and Mr. Partha Pratim Mitra, Supdg. Geophysicist (S) with Mr. Y B Sinha, Director (Exploration)

C&MD, Mr. Subir Raha, along with Director (Finance) Mr. R S Sharma, receiving the National Petroleum Management Programme (NPMP) award for Finance Management from the Hon'ble Petroleum Minister, Mr. Ram Naik

9. OFFICIAL LANGUAGE

For implementation of the Official Language, special Hindi workshops were conducted for the scientific and technical personnel. In-house journals in Hindi were published regularly. Your Company received the Government of India's Regional Rajbhasha Shield for the 3rd consecutive time.

10. HUMAN RESOURCE ACCOUNTING

We are not in the knowledge business; our business is knowledge. With knowledge, we achieve results, create satisfaction and generate wealth.

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

There are, however, methods to measure the potential ability of all employees across the ranks, to produce value out of their knowledge and skills. The standard Lev and Schwartz model uses the anticipated future earnings as the surrogate of the "value" of an employee. This model has been used with the following assumptions:

i) the employee continues at the same position till superannuation,

ii) all direct and indirect employee costs are considered with escalations limited to Corporate compensation practice, and general economic conditions, and

iii) a discounting factor of 8% is applied.

On this basis, your Company's Human Resource has been valued at Rs. 257,623 million as on 31st March, 2003. These are unaudited figures.

The data of Human Resource in your Company, and its valuation as on 31st March, 2003 have been furnished in Annexure D(i) and Annexure D (ii).

11. CORPORATE SOCIAL RESPONSIBILITY

Mr. Luis Bento, President, International Federation of Training and Development Organisations (IFTDO) handing over the Badge-of-Office to C&MD Mr. Subir Raha at Lisbon, Portugal on 30th May, 2003

11.1 As a responsible corporate citizen, your Company has been making significant contribution towards socio-economic development programmes (SEDP), particularly in the areas of its operations. Each year, your Company has been undertaking various schemes for the promotion of education, health-care, and community development. The Board of Directors of your Company has approved the allocation of 0.75% of net profit each year for socio-economic development programmes. During the year, a Social Audit was conducted in major work centers of your Company to evaluate the impact of socio-economic development programmes undertaken by your Company in the last 5 years, in order to identify the gaps between the perception of management and the beneficiaries, and to recommend a suitable governance system for due visibility and effectiveness. Appropriate follow-up actions are being taken to maximise the value created through these programmes.

11.2 Your Company is committed to the welfare of SC/ST communities. Annual scholarships are offered to 75 SC/ST students pursuing Engineering, MBA and Post-graduate courses in Geo-sciences. Special Recruitment Drive for SC/ST Graduate Trainees was carried out during the year.

11.3 Till date, 199 disabled persons have been provided regular employment in your Company.

ONGC signs MoU with BPCL for supply of crude - Mr. V K Sharma, Director(Offshore)-I/c Marketing, ONGC exchanging documents with Mr. M Rohatgi, Director (Refinery), BPCL in the presence of Mr. Subir Raha, C&MD, ONGC and Mr. S Behuria, C&MD, BPCL

11.4 53 Sportspersons of National; and 57 Sportspersons of International standing are employed by your Company, to nurture them for greater achievements. The cadre includes 6 Test Players and 2 International Cricketers, 2 Grandmasters and 3 International Masters in Chess, 5 players in Asiad-level games, to highlight a few. 2 Volleyball players excelled in recently concluded Jr.World Cup Volleyball Championship and one of them was declared best Setter of the World. In recognition to their performance in international arena, 3 players of ONGC were awarded ‘Arjuna Awards’. Your Company has won Petroleum Minister’s Trophy for the year 2002-03 on the basis of highest points -nearly double that of the runners-up - in the Petroleum Sports Promotion Board competitions.

11.5 To prepare for the commemoration of the Golden Jubilee of your Company in 2005-06, an ONGC Museum is being set up in the historic “Tel Bhavan” in Dehradun. Shri Sadashiv Gorakshkar, an eminent museologist, is advising your Company on this project which was launched by Shri Ram Naik, Hon’ble Minister for Petroleum & Natural Gas on 27th September, 2002.

12. WOMEN EMPOWERMENT

Women employees constitute 5% of the total workforce. Women Development Fora have been set up at all work centers to focus on the welfare and professional development of women employees.

13. AWARDS

Your Company and its employees have earned many awards, accreditations and citation. Highlights of the long list are provided in Annexure ‘E’.

14. DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors’ Responsibility Statement, your Directors, hereby confirm that -

(i) the applicable Accounting Standards have been followed alongwith proper explanations relating to material departures, if any;

(ii) such accounting policies as mentioned in Schedule –29 to the accounts, have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the Profit for the year ended on that date;

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

(iv) Annual Accounts have been prepared on a “going concern” basis.

15. CORPORATE GOVERNANCE

Cutting edge technology - A scientist analysing a sample in ONGC's R&D Institute

As per Clause 49 of the Listing Agreement, a report on Corporate Governance, together with Management Discussion & Analysis and a certificate from the Company's Auditors is annexed to this report.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a 'Secretarial Compliance Report' from M/s A.N. Kukreja & Co., Company Secretaries in whole-time practice; which is annexed to this Report.

16. STATUTORY DISCLOSURES

None of the Directors of your Company is disqualified as per provision of section 274(1) (g) of the Companies Act, 1956. Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause - 49 of the Listing Agreement.

The information required under section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended is annexed as Annexure 'A'.

None of the employees of your Company is drawing remuneration exceeding the limits laid down under provisions of section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

17. CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS - 23 on Accounting for Investments in Associates, audited Consolidated Financial Statements for the year ended 31st March, 2003 of the Company and its subsidiaries form part of the Annual Report and Accounts.

18. AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). M/s Brahmayya & Co., Chaturvedi & Shah, Lodha & Co., S.Bhandari & Co. and Thakur Vaidyanath Aiyar & Co., Chartered Accountants were appointed joint Statutory Auditors for the financial year 2002-03. Their Report and comments, with corresponding replies from the Board of Directors, is attached as an addendum at annexure 'B', forming part of this Report.

The review and comments of the C&AG, with corresponding replies of the Management at annexure 'C', forms part of this Report.

19. DIRECTORS

Shri N.K. Nayyar, Director (Planning & Business Development), IOCL joined your Company as Director on 12th March, 2003, in place of Shri P. Sugavanam, Director(Finance), IOCL. Shri P.K. Deb, Jt. Secretary (FT&I), Ministry of Finance, was nominated by the Government to the Board on 16th July, 2003 in place of Shri G.S. Dutt, who consequent upon relinquishing the position of Jt. Secretary (FT&I), Ministry of Finance, ceased to be a Director on 10th June, 2003. Dr. Surajit Mitra resigned from the Board on 16th July, 2003 on relinquishing the position of JS&FA, Ministry of Petroleum & Natural Gas. Shri Jauhari Lal, Director (HR), superannuated on 30th April, 2003. MOP&NG vide its letter No. 31011/5/2002-CA dated 22nd August, 2003 have conveyed approval of appointment of Dr.A.K.Balyan, as Director(HR) for a period of five years on the Board of your Company.

Your Directors place on record the appreciation of the valuable contributions made by S/Shri P. Sugavanam, Jauhari Lal, G.S.Dutt and Dr. Surajit Mitra during their tenure.

In accordance with provisions of Articles of Association of your Company, S/Shri J.M. Mauskar, Nathu Lal, R.S. Sharma, Atul Chandra and N.K. Nayyar retire by rotation, at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

Brief resume of the Directors seeking re-appointment, together with the nature of their expertise in specific functional areas and names of the companies in which they hold the directorship and the membership/ chairmanship of committees of the board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Corporate Governance Report.

20. ACKNOWLEDGEMENT

Your Directors take this opportunity to gratefully acknowledge the support and guidance received from the Government of India in the Ministry of Petroleum & Natural Gas, the Ministry of Finance and other authorities in the Central and State Governments.

The Directors recognize all share-owners, business partners, and members of the ONGC Family for their sustained co-operation in Making Tomorrow Brighter.

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

On behalf of the Board of Directors

(Subir Raha)
Chairman & Managing Director

New Delhi
August 30, 2003

ANNEXURE 'A'

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. ENERGY CONSERVATION

1. Energy Conservation Measures taken:

- Use of waste heat recovery equipment at Offshore platforms, Offshore rigs, LPG Plants at Hazira & Uran.
- Use of energy efficient equipment, devices and Turbo expenders at Hazira & Uran.
- Harnessed solar energy by using solar water heaters and use of photovoltaic panels at various locations.
- Conducting energy audits on regular basis.
- In house training programmes on energy conservation conducted through various training institutes.
- Use of vapour absorption chilling units for centralized Air Conditioning.
- Inter fuel substitution and proper capacity utilization of equipments.
- Thermal Energy cost reduction achieved by maintenance of Steam Traps at processing plants.
- Using natural gas geysers at Mehsana Asset.
- Reduction of energy demand & improvement of Power Factor (P.F).
- To increase awareness for conservation of energy and petroleum products various programmes, posters display and competition conducted in and around ONGC work centers.

Additional Investment of Rs. 0.41 million made for reduction of energy consumption.

2. Impact of of energy conservation measure

Above measures have resulted in reduction of energy consumption (HSD, Natural gas and electricity) valuing Rs. 1484.60 million during the financial year 02-03.

B. RESEARCH & DEVELOPMENT

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

- Risk and Reliability Analysis and HAZOP Studies of offshore & onshore installations and offshore rigs.
- Geotechnical Engineering including Soil investigation, laboratory testing of soil samples and analysis & design of foundations.
- Structural Engineering including damage analysis requalification and analysis & design of offshore platforms, submarine pipelines and design of various RCC structures for onshore.
- Materials & Corrosion Engineering including corrosion audit, failure analysis, electro-chemical and stress corrosion studies, materials selection, design of cathodic protection system, use of composite materials in offshore structures and coating evaluation.
- Conceptual analysis of different technologies for combating shallow water influx problems in deep water areas.
- Technological scheme of drilling through high pressure shallow gas prone area.
- Feasibility of drilling high drift horizontal wells near BSE-2 platform.
- Evaluated materials suitable for designing third generation LCM pills for chronic, acute mud loss situation that is likely to be faced in NELP Blocks in Western Offshore.
- Study on various types of starches in different ionic environment, evaluation of synthetic chemicals to control mud loss and act as shale stabilizing agent.
- Design of non-invasive drilling fluid system for drilling troublesome shales of Jotana, North Kadi and Linch fields.
- Formulate non-damaging mud system for drilling horizontal wells having specific gravity range from 1.35 – 1.45 and from 1.45 – 1.55 and EOR wells in various fields of Mehsana asset.

- Develop improved mud system for drilling in Bhuvangiri and Andimadam formation in Ariyalur-Pondicherry sub-basin.
- Study and application of micro fine cement for remedial cementation jobs.
- Design of light weight cement slurry for Jotana and Sobhasan fields.
- Design of suitable cement slurry for Balol and Santhal fields requiring EOR.
- Detailed litho- and biostratigraphic studies on Pre-Tertiary sediments in Ganga basin.
- Identified new sets of biomarkers called diamondoids.
- Developed an Interactive Web based Database software.
- In-house software has been developed & tested successfully for deghosting of OBC data which will allow GEOPIC to process 3D OBC data.
- Low field Anisotropy of Magnetic Susceptibility (AMS) studies.
- Dating of Sedimentary, igneous and Metamorphic rocks by Rb-Sr, K-Ar, Ar-Ar dating methods.
- Source rock evaluation for identification of petroleum systems.
- Paleoenvironmental modeling for paleogeographic maps.
- Petrophysical evaluation of low resistivity sands.
- Evaluation and application of ‘Delta Carbonate’ technique for Surface Geochemical Prospecting.
- Simulated thermal maturation of immature source rock samples using hydrous pyrolysis technique to evaluate hydrocarbon generation and expulsion parameters.
- Molecular level investigation on oils and source rock extracts to establish oil-to-oil and oil-to-source correlations so as to help expansion of existing fields and delineate new prospective areas.
- Identification of new biomarkers for maturity estimation and correlation of hydrocarbons.
- Multicomponent Technology in association with CREWES, University of Calgary, Canada.
- Fracture characterization in association with Stanford Rock physics and Borehole Project, SRB in Stanford University, USA.
- Full wave form inversion in association with C-DAC Pune.
- Indigenous Development of Hydrophones through NPOL, Kochi for Offshore Seismic Survey.
- Conceptual designing of SWAG pilot in Heera.
- Simulation studies of marginal fields viz. WO-24, BHE-1, D-18 in association with KDMIPE.
- Integrated reservoir simulation study of Vasai.
- Design of WAG pilot in Rudrasagar and for GS-9 and GS-11 sands of Gandhar.
- Performance analysis of K-VI+VII, K-IX+X, K-XII sands of Kalol.
- Feasibility study of Linch and Mehsana sands of North Kadi and for development of marginal fields (Khartar, Sadewala, Bakhri Tibba, Ghotaru) of Western Onshore Basin.
- Execution of Microbial Enhanced Oil Recovery field pilot test on indigenously developed thermophillic bacterial consortium at Sobhasan, Jotana, North Kadi, Kalol and Limbodra fields.
- Laboratory studies for ASP/AS flooding for Gamij, Ahmedabad and Nandasan.
- Design parameters of surface facilities for injection of ASP in Viraj field and back-up support ASP/AS flood pilots in Ankleshwar, Kalol, Jhalora, Sobhasan, Lakwa.
- Evaluation of fluid front movement and reservoir characterization through inter-well tracer test in Gandhar and Neelam fields and determination of residual oil saturation through single well tracer test for Ankleshwar and Sobhasan fields.
- CT Scan studies on coal samples of Jharia field.
- Identification of new chemicals/ polymer (Indigenous substitute) for water shut off & polymer flooding.

2. Benefits Derived as a Result of above R&D

- Due to the consultancy work and applied R&D undertaken, substantial cost savings have accrued directly due to saving in consultancy cost and indirectly by improvement in operational efficiency & safety.
- Improved knowledge about damage assessment of existing jacket structures including re-qualification, soil investigation aspects and foundation concepts for deep-water structures and nearshore structures, risk assessment of deep water field development and FPSO for marginal field development, material selection and corrosion mitigation and monitoring for deep water oil field development etc. were acquired as a result of technology upgradation projects with world renowned institutions. Technologies so obtained are being visualized for our facilities at offshore and onshore and on commercial basis for outside clients as well.
- It has identified component wise nature and type of problems and complications for focused redressal of core issues related to drilling problems.
- It has highlighted the adverse consequences associated with that are complications that is difficult to deal with conventional technologies and identified state of the art technologies available world wide to mitigate such problems.
- Evolved methodologies for drilling through high pressure shallow gas areas.
- Minimize mud losses and allow uninterrupted drilling operations in multiple loss zone situations.
- Suitable drilling fluids with high KCl contents can be formulated upto a temperature of 140^{0}C. Enable formulation of Non-Damaging LCM pills for pay zones.
- Alternate mud system for high tech wells and KCl-PHPA mud system for routine wells for effectively countering troublesome shales.
- Down hole complications related to bore hole instability in Nandasan area and formation damage in Jotana area would be mitigated. The specified fluid system has already delivered positive results in well#NNEE, Nandasan.
- In-house capabilities to drill horizontal wells having specified specific gravity range without damaging the pay zone. It shall also address the activation problems of EOR wells.
- Suggested mud system is perceived to ensure required bore hole stability and simultaneously minimize formation damage commensurate to formation pressure.
- This shall result in field application of Micro Fine Cement for successful remedial cementation in places where conventional cement slurry are not helpful/applicable such as water shut-off jobs, casing leak repair, etc.
- The recommended operational practices are expected to improve the overall cementation success rate.
- Desired cement rise could be achieved with specific gravity (1.60) otherwise not possible with conventional slurry having specific gravity (1.90) and shall result in effective zonal isolation of problematic formation thereby eliminating costly remedial jobs.
- Thermally stable cement slurry to withstand high temperature during in-situ combustion shall maintain integrity of cement sheath. The system being light weight shall achieve cement rise to surface, required for EOR wells and shall eliminate the current phenomenon of shallow water charging form flew gases of the resultant combustion process as a result of conventional cement failure.
- A total of 115 projects were completed during 2002-2003. This is in addition to 27 short term consultancy jobs carried out by IOGPT.
- Total 29 trainings imparted on Offshore Training simulator, LPG simulator, Gas sweetening unit and ISO procedures.
- 6 Commercial projects fetched a total revenue of Rs 3.33 million.
- The revised map provides a better understanding of crystal mosaic of India in terms of its configuration vis-à-vis evolution of sedimentary basins.
- The study of Panna and Vasai has brought out in detail the reservoir development and its distribution pattern and understanding of the source, reservoir and trap interplay.
- The Study of Ganga Basin Sediments (traditionally equated to Vindhyan) helped in revising its age. The older metamorphosed sequence is of Meso-Proterozoic age and the younger unmetamorphosed sequence is of Lower Paleozoic (Cambrian to Silurian) age.

- New set of biomarkers called diamondoids have been identified in some Indian condensates. Their distribution pattern is expected to provide more accurate information on maturity and correlation of condensates.
- The interactive Web based Database software will help all the Exploration softwares available at different Work Centers and those planned to be procured.
- The usefulness of AMS studies in deciphering sediments flow direction in sedimentary basins has been established by applying the technique in parts of Assam-Arakan Basin where sediment transport direction is known.
- Removal of the data gaps related to age of the formation by dating of unfossiliferous rocks.
- Identified sequence boundaries, maximum flooding surfaces, systems tract-High Stand (HST), Transgressive (TSG) and Lowstand (LST) in Krishna-Godavari and Cauvery basins.
- Potential hydrocarbon source rock facies identified in Mumbai Offshore, Krishna-Godavari and Cauvery Basins.
- Identified depositional environments of Paleogene section in Vasai south east and Central Graben area east of B-55 and Panna structure, Mumbai Offshore and Nagapattinam sub-basin, Cauvery Basin identified for paleogeographic reconstructions.
- The study resulted in realistic computations of water saturation in Kamalapuram and Vijaypuram fields in Cauvery Basin. The lesser shale volumes computed from this model are consistent with production profiles of wells.
- Delta carbonate method was adopted as a supplementary exploration tool for HC exploration in addition to adsorbed gas survey. Adsorbed gas studies done for same samples substantiated by delta carbonate anomalies.
- Identified Baisakhi-Bhadasar Formation of Late Jurassic Age as a potential source rock sequence in addition to the Cretaceous Pariwar Formation for the oil and gas occurrences in the Kharatar block of Rajasthan area, based on pyrolysis-gas chromatographic results.
- Prioritized certain stratigraphic intervals within the sands of Miocene in Mehsana-Ahmedabad area that may have accumulations based on ‘free hydrocarbon’ analyses.
- New aromatic biomarkers such as carbazole and thiophenes were used to trace out the migration pathways and facies variation in DCS area.
- Multicomponent technology once implemented will help in differentiation of sands and shale and imaging of low acoustic impedance reservoirs.
- Fractured characterization will help in delineation development of fields where hydrocarbon is entrapped in fractures in the fields like Mumbai High, Borholla in Assam and Padra in Cambay basin.
- Software for Full Wave form inversion will be used as a tool for improved interpretation in estimating the reservoir properties.
- Importing of Hydrophones for Seismic Vessel MV Sagar Sandhani will be stopped once it is fully developed by M/s NPOL, Kochi.
- The delineation of the fracture system will help in making realistic in place hydrocarbon estimates and delineate additional area for exploration. The technology transfer will lead to taking up similar studies in house in ONGC.
- 2D Model Based Seismic Waveform Inversion Algorithm & Software for estimation of Elastic properties of the Earth, which will be developed in this project will be used for interpretation of lithology & fluids in the target zone from seismic data.
- The overriding benefits of multicomponent seismic are that it enhances oil & gas recovery and leads to better Risk Management. In Cambay basin, this technology will help in delineating thin isolated hydrocarbon bearing sands.
- Major 14 producing fields have been analysed, inputs identified and being identified for improved oil recovery (IOR).
- Better reservoir management for Mumbai High, Heera & South Heera, Gandhar, Lakwa, North Kadi, Rudrasagar etc.

- Layer-wise management is being done for better reservoir performance for major fields and this will lead to enhance the production and recovery factor.
- New geological model prepared at IRS of Mandhali pay sands of Sobhasan Complex has resulted in accretion of 7.88 MMt of OIIP (Ultimate: 1.522 MMt).
- Commercial application of in-situ combustion in Balol and Santhal field resulted in additional EOR oil of the order of 0.352 MMt during the year 2002-03.
- Single well & inter-well tracer studies have been taken up for ROS determination and better reservoir characterization for better monitoring of water injection schemes in western on-land and off-shore fields. The results of Inter well Tracer test have confirmed the feasibility of implementation of ASP pilot in Ankleshwar.
- Identification of indigenous polymer (WS-015, import substitute) for water shutoff jobs in Mumbai High and Gandhar fields.
- MEOR field trials using S-2 bacterial consortium conducted in wells of Kalol, Sobhasan and North Kadi have shown substantial oil gain and reduction in water cut.

3. Future Plan of Action

i) Offshore activities

- ISO certification for all process units in offshore is planned by 2005.
- Online water cut meters are under planning at Mumbai high well platforms for arriving at an accurate measurement of water cut in despatch.
- Electrical Submersible Pump (ESP) & Hydro jet pumps as an alternative to Gas Lift in Mumbai High.
- Air injection project on pilot scale, an EOR scheme.
- Application of new generation logging technology - Logging while drilling, Cased Hole Formation Resistivity, Modular Dynamic Testing on large scale.
- Geo Steering of Sweet Zone for improved placement of horizontal section of wells in thin zones.
- Reservoir pressure data acquisition through Electronic Memory Gauge.
- Multi level / multi branch horizontal wells for better productive wells.
- Whip stock for reaching middle layers of L-III.
- Planning to achieve Occupational Health Safety Assessment Series (OHSAS)-18001at Hazira.
- Installation of 3rd drier in LPG unit which will thus increase the shutdown cycle to four years instead of two years.
- In view of increasing H_2S content in associated gas from offshore, a third train of GSU and Sulphur Recovery Unit at Uran, is being contemplated for future.

ii) Technology & Field Services

- Strategy for Compliance of Environmental Regulations on Drilling Fluids.
- Feasibility of Using Expandable Casing in ONGC.
- Slurry Design for Conductor/Surface Casing Near Mud Line Temperature for Deep Water Application and Creation of Testing Facility.
- Evaluation of Third Generation LCM Pill and Formate Brine Package.
- Feasibility of Utilizing Vertitrack Straight Hole Drilling Device in High Dip and Hard Formation Crooked Prone Wells.
- Comparative Analysis of the Performance of Indigenous Xanthan Gum vis-à-vis International Standards and Probable Development for Effective Formulation of Drilling Fluid.
- Drilling Fluid Policy for Soft Clay of Nandasan Area, Mehsana Asset.
- Refinement in Drilling Fluid Policy for Horizontal/High Angle Wells in Ahmedabad Asset.
- Alternate Mud Systems For Ultra Deep Water Wells and HPHT Wells.

- o Compatibility of Salt Upto Saturation vis-à-vis Pay Zones of Ankleshwar Asset.
- o Scouting and Optimizing Technologies for Gas Hydrate Coring in Indian Deep Waters.
- o Conceptual Study of Development Drilling in Deep Water Environment beyond 2000 M Water Depth.
- o Means and Methods of Faster Drilling in Trouble Prone Shale Sections of Cachar.
- o Drilling and Completion of Super High Pressure and Temperature Deep Wells of Tapti Daman Area.
- o Alternate Eco-Friendly Spotting Fluid and Lubricant for Drilling Fluid.
- o Field Implementation of Slim Hole Drilling in ONGC.
- o Field Implementation of High Performance Light Weight Cement Slurry at Mumbai Offshore and CBM wells.
- o Field Implementation of Thermal Cement for EOR Wells.
- o Field Implementation of NIF Package.
- o Field Application of Molasses Based Mud System.
- o Formulation of Drilling Fluid System for Bhuvanagiri, Cauvery and Field Implementation thereof.
- o After interaction with all the work centers of ONGC, TAC (Technical Advisory Committee) meeting took place on 26th March,2003 for finalization of IOGPT work program. The following are the status of the projects included in the Annual Work program 2003:
  - Scheduled Projects: 125.
  - Unscheduled Projects: 1 (as on date, being included as and when it comes).
  - Carry Forwarded Projects: 6 (Carried forwarded from previous year).
- o The following thrust areas have been identified apart from doing regular scheduled, unscheduled and commercial projects :
  - Development of improved Gas Lift Valve technology.
  - Development and field trial of Compact Separator technology for enhancing & de-bottlenecking separator fluid handling capacities.
  - Development of technique for flow assurance against organic solid deposition and its technological application in enhancement of crude oil production.
  - Development and application of Downhole oil water separation system technology for enhancing oil and gas recovery.
  - Production from Deepwater prospects.
  - Coal Bed Methane production from coal seams.
- o Technology upgradation projects in following frontier technology areas are in hand at IEOT with the assistance of OIDB for which an amount of Rs. 62.90 million have already been sanctioned :
  - Non-linear Dynamics Analysis of Deep Water Structures.
  - Studies on Advanced Composite Materials (ACM) for Hydrocarbon E&P Application in Indian Offshore.
  - Integrated Corrosion Management of Offshore Pipelines.
  - Jack-up Pugmark Interaction.
- o In addition to above, five more technology upgradation project proposals have been formulated by IEOT for bridging the technology gaps in ONGC in deepwater field development and other related areas, which are :
  - Geotechnical Aspects of Deepwater Pipelines.
  - Risk Based Inspection & State-of-Art Technology for Pipelines Inspection & maintenance to assess, minimize & mitigate corrosion losses.
  - Reliability based inspection planning for Fixed Steel Jacket structures in Indian Offshore.
  - Comprehensive Risk & Reliability Analysis of transportation of hydrocarbon system (onshore & offshore) and disaster management plan.

– An assessment of likelihood of accident events and the damage potential of domino effect in clusters of hazardous industries.

- o IEOT has taken initiative to finalize a memorandum of understanding with Indian Institute of Science, Bangalore in order to harness its capability in areas of interest to ONGC.

iii) Exploration activities

- o To further test the validity of AMS technique a few traverses and measurement in parts of North Eastern and North Western foothills will be taken up.
- o Standardization of more dating clocks.
- o Develop integrated biozonal scheme by integrating microfossil data with electrologs and high-resolution biostratigraphy / biochronostratigraphic framework for finer zonation and correlation.
- o Stepwise simulated thermal maturation studies on source rocks to characterize different petroleum mixtures that are generated/ expelled and application to corresponding basin/ subbasin.
- o Studies of carbazoles and thiophene compounds.
- o Multicomponent Seismic API Technology is planned to be introduced in ONGC through contractual Surveys and transfer of technology to ONGC. Subsequently this technology is planned to deploy in other basins like K.G, Cauvery and Assam Arakan.
- o Fracture Characterization for Bombay High field is being carried out as pilot project and it will further be carried out for other fields in Assam and Cambay basins.
- o After development of Full Wave form inversion software, it will be integrated with existing interpretation software in ONGC and will be extensively used for interpretation of Geoscientific data.
- o Plans for setting up Virtual Reality Centres at Dehradun, Baroda and Jorhat.
- o PC-Cluster technology for depth domain processing to be introduced at GEOPIC and Regional Computer Centers at Baroda, Chennai and Jorhat.
- o For processing of seismic data of larger volume, H/W Upgradation of ORIGIN 2000 System (Disk & RAM).
- o Seismic Based Pore Pressure Prediction (2004-2005).
- o Multi-mineral Log Processing (2004-2005).
- o Petro-Acoustic Modelling (2004-2005).
- o Optimizing the recovery for the life cycle of the field.
- o Lowering the R/P ratio.
- o Reduction in field development costs.
- o Development of Reservoir management strategies.
- o Adopting technically efficient and cost effective IOR processes.
- o Indigenisation of EOR chemicals.
- o Developing systems and processes for enhancing well productivity.
- o Creating center of excellence for reservoir engineering solute.

iv) Organisation wise activities

- o Establishment of Model Occupational Health Centre.
- o Planning for E-Procurement to achieve faster and cheaper procurement of materials & services and disposal of material.

4. Technology Absorption/ Adaptation and Innovation

i) Drilling Technology

- "Long Term Durable Cement" for formulating cement slurry especially for deep water wells that is durable and long lasting so as to avoid annular gas recharging problems as faced in several parts of the globe. It is an ongoing JIP with CSI Inc. USA where ONGC represented by IDT is a member associate.

- Induction of Slim Hole drilling technology.
- Induction of Expandable Solid Casing technology especially in deep water wells.

ii) Exploration Technology

- A state-of-the art technology, for determination of compressional & shear wave velocities (Vp & Vs) and elastic constants of the core samples under reservoir pressure conditions has been adopted. It helps in integration of core measured elastic parameters with seismic data interpretation.
- ONGC has opted for Schlumberger GeoQuest's Finder E&P data management technology to manage volume of E&P data acquired since inception. The Finder is an integrated, advanced data management system for capturing, storing, archiving, accessing and delivering the corporate E&P data under LAN/WAN environment. The technology has been implemented organization wide in the form of EPINET project.
- Feasibility studies on possible applications of Thermal Inertia and SAR Interferometry in hydrocarbon exploration/ exploitation were taken up.
- Established state-of-art Ar-Ar dating technique.
- Volume based interpretation for Fault trend mapping, Optical Stacking Formation sculpting Geobody detection & Mapping Spectral Decomposition Paleostructural reconstruction and Section Balancing.
- Structural Inversion for Pre-Stack Time Migration Stacking Velocity Inversion & Map Migration Post-Stack Depth Migration Pre -Stack Depth Migration Vintage Merging and AVO.
- 3D Integrated Quantitative Inversion & Modelling : A software, "My–Bench" for advanced reservoir characterization from 3D seismic data after integration with available well data, is being procured from M/s. Jason. Training and technology transfer for the use of the software and the work-flow is currently going on at GEOPIC.
- Volume Based Interpretation: A software called VOXELGEO XV was procured from M/s. Paradigm Geophysical for 3D volume based interpretation and detection of geo-bodies. The technology transfer from M/s. Paradigm for best use of the software and processes is currently going on at GEOPIC through consultancy work awarded to the firm for prospect evaluation of three deep water blocks.
- Archival of Old Seismic Data Tapes to High Density Media: M/S Guardian Data Seismic has been engaged for archiving data from about 70,000 old tapes/cartridges. This will help in rapid retrieval of vintage data & saving of storage space.
- Projects entitled "Development of Thermophillic, Microaerophillic and paraffin degrading bacterial consortium" and "Development of bio-catalyst to enhance the growth degrading bacterial consortium" are in progress with TERI, New Delhi.
- An MOU has been finalised with School of Petroleum Engineering, University of New South Wales, Australia, for five years for collaboration on Reservoir Characterisation & Engineering, Strategies for production of gas from tight gas sands & coal seams, EOR technologies and Pore scale reservoir studies. A project entitled, "Use of Artificial Intelligence in Reservoir characterization of Heera field" is already in progress.
- A study on Development of AMPS based water-soluble polymers and hydro-gels for enhanced oil recovery has been completed as collaborative R&D project with NCL, Pune.
- Under a collaborative project agreement signed with NCL, Pune the study on techno-economic feasibility of manufacturing the AMPS based water-soluble polymers for water shut off applications in oil fields has been completed.
- During the last few years, IRS has acquired new state of art softwares and hardwares and extensively used for better reservoir characterization which leads to better prediction and optimization of recovery factor of the fields.
- Membership and technology agreement with Computer Modeling Group, Calgary, Canada In the area of Reservoir Simulation software's.

5. Information regarding Imported Technology (Imported during the last 5 years from the beginning of the Financial Year):

A.	Import of Technology	Year of Import
(i)	• Hardware and Software for reservoir characterization. (Sun Ultra 60 & SGI Octane 2) • SGI Origin 2000 workstation. • SGI Octane workstation.	1998-99
(ii)	• Gravity magnetic processing and interpretation workstation. • Reservoir Characterisation (Landmark) Ultra 60 work station. • Reservoir Characterisation (Geoquest) Octane work station. • Ar-Ar clock for Radiometric Dating. • Deep water Soil Testing and Foundation Analysis. • DO/PH conductivity meter. • DSC-TGA	1999-00
(iii)	• Shimadzu High Performance Liquid Chromatograph. • High Temperature GC-HT-GC-Chemito 1000. • Varian 3800 GC for Finnigan 1020B GC-MC. • GEO-FINA Hydrocarbon Meter. • Cathodoluminescene Microscopy. • ORIGIN-2000 computer system. • Depth team solution (landmark). • Earth imaging solution (AVO) Hampson Russel. • Gas Porosimeter & Gas Permeameter. • EPINET Server and other workstations. • ElanPlus Model based Log Analysis Software.	2000-01
(iv)	• GM SYS Professional of GEOSOFT, U.K. • NGS System from Canberra, Australia. • KEYPHI and CAPRI for determining petrophysical parameters. • Liquid scintillation system for low level counting of radioactive tracers. • RISC based computer system, Robotic tape library.	2001-02
(v)	• CEMCADE cementing simulator from GeoQuest, Schlumberger • Seismic Survey vessel M/V Sagar Sandhani upgraded to Dual Source, 2 streamer vessel and on – board processing system. • Scanning electron microscope with energy dispersive spectrometer (SEM – EDX). • Accoustic Velocity (Compressional & Shear Wave velocity) measurement system. • Existing VOXELGEO was upgraded to VOXELGEO-XV alongwith procurement of	2002-03

A.	Import of Technology	Year of Import
	additional software with features like attribute calculater, 3D Propogater and Reservoir Navigator enabling us to handle larger data volumes and resolve geological complexities. • Additional licences for ELAN Plus. • Emerge Seismic reservoir characterization software from Hampson Russel.	
B.	**Has the technology been fully absorbed?**	Yes
C.	**If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action**	Not applicable

6. Expenditure on Research & Development

(Rupees in million)

		2002-03	2001-02
i)	Capital	**74.61**	93.79
ii)	Recurring	**854.68**	708.97
iii)	Total	**929.29**	802.76
iv)	Total R&D expenditure as a percentage of Total Turnover	**0.26%**	0.34%

7. Information on Foreign Exchange Earnings and Outgo

(Rupees in million)

		2002-03	2001-02
i)	Foreign Exchange Earnings	**1592.01**	1065.48
ii)	Foreign Exchange Outgo	**55728.48**	34888.63

ANNEXURE 'B'

ADDENDUM TO THE DIRECTORS' REPORT

(MANAGEMENT REPLIES TO THE COMMENTS IN AUDITORS' REPORT)

AUDITORS' REPORT PARA NOS.	MANAGEMENT'S REPLIES
4(b) *Categorization of wells as exploratory and producing, allocation of cost incurred, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, are made according to evaluation by the management, technical and/or otherwise on which we have placed reliance.*	Statement of fact.
5.1 *Note '4' regarding non consideration of depreciation as a charge to Profit and Loss Account, being allocated to assets to be depleted and for the purpose of quantifying depreciation under Section 205 of the Companies Act, 1956.*	ONGC being an E&P company is following the Successful Efforts Method of Accounting. As per this method, depreciation on exploration and development (producing properties) is capitalized. Application for seeking exemption from the compliance of Section 205 of the Companies Act, 1956 for not charging full depreciation to the Profit and Loss Account for the purpose of declaring dividend for 2002-03 has been preferred to the Department of Company Affairs, Government of India. Approval of the Department is awaited. Such exemption was granted during the earlier years.
5.2 *Note '10 (c)' regarding incorporation of unaudited figures of joint venture projects and NELP blocks respectively in the books of the Corporation.*	Since the audited accounts were not available in respect of these Joint Ventures/NELP blocks, the unaudited figures have been adopted as was done in the previous years.
5.3 *Note '12' regarding overdue amounts aggregating Rs.2109.40 million. On the basis of available information, we are unable to form any opinion on the recoverability of these dues.*	These overdue amounts are mainly due from Public Sector Undertakings. The matter is being pursued vigourously with the concerned Public Sector Undertakings for settlement of the dues.
5.4 *Note '13' regarding accounts pending reconciliations. We are unable to comment on the adjustments/provisions, if any, required to be made in this respect.*	Reconciliation of physical inventory of stores and spares with stores ledger and general ledger and fixed assets with assets register and general ledger is carried out on a perpetual basis. Necessary actions including accounting action are taken based on physical verification and reconciliation thereof. As far as reconciliation of sub-ledger accounts including advances to suppliers with control accounts and general ledger balances is concerned, the Corporation has implemented online upgraded financial accounting system at all the work centres during the year which will further improve the reconciliation process. Adjustments required in the books of account, if any, the amount of which is currently unascertainable, will be carried out in due course.
5.5 *Schedule '16' regarding segregation of outstandings of Small Scale Industry (SSI) from the creditors balances, for which we have placed reliance on the certificate issued by the Management.*	Statement of fact.

CLARIFICATION TO THE POINTS RAISED IN ANNEXURE TO THE AUDITORS' REPORT (MAOCARO)

PARA NOS.		MANAGEMENT'S REPLIES
1	The Corporation has generally maintained proper records showing full particulars, including quantitative details and project-wise location of the fixed assets. We are informed that the fixed assets of the Corporation other than furniture and fixtures, have been physically verified by the Management during the year in accordance with a phased programme, *except in respect of few projects where the physical verification is in progress,* which is prima facie reasonable considering the size of the Corporation and the nature of its business. *In the absence of reconciliation between assets physically verified and the book records, we are unable to comment on the materiality of the discrepancies and the consequential adjustment required to be made in the books of account.*	Reconciliation between assets master and general ledger is an on going process and adjustments are carried out on reconciliation of discrepancies from time to time.
5	The discrepancies noticed on verification between the physical stock and the book records were not material having regard to the size of the operations of the Corporation. In cases, where either physical verification has not been carried out, or the discrepancies have not been determined, we are unable to comment on the extent and materiality of the discrepancies.	Discrepancies as and when noticed based on physical verification process are attended to promptly for rectification/reconciliation as the case may be.
10	There are adequate internal control procedures, commensurate with the size of the Corporation and the nature of its business for purchase of plant and machinery, equipment and other assets and for the sale of goods, however, the internal control procedures for purchase of stores, materials and components needs to be strengthened, particularly for timely recording of purchases.	The Corporation has implemented online "Integrated Material Management System" for material accounting and efficient inventory management which has improved the internal control procedures for purchase & recording of stores, material and components.

ANNEXURE 'C'

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF OIL AND NATURAL GAS CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003 AND MANAGEMENT'S REPLIES

COMMENTS	MANAGEMENT'S REPLIES
BALANCE SHEET **Application of Funds** **Producing Properties(Net) :** **Rs. 174380.26 million (Schedule 7)**	
1) This is overstated due to inclusion of:	
(i) Rs. 109.62 million worth of asset (wells and available facilities) for Palej, (block CB-ON-7) which was handed over to contractors in October 2002 as per agreement. This has resulted in under statement of expenditure (depletion) to the extent of Rs. 109.62 million.	This property was handed over to M/s Gujarat State Petroleum Corporation Limited and Hindustan Oil Exploration Company Limited as per the Production Sharing Contract between Govt. of India, ONGC and these parties dated 12th April 2000 and further Handing over Agreement dated 3rd October 2002. The transaction requires impairment of the producing property on handing over the asset to private contractors without past cost compensation. Necessary accounting adjustment will be carried out in 2003-04.
(ii) Rs. 294.20 million on account of allocation of abnormal idle cost of 13 Off Shore Vessels (OSVs), which were lying idle throughout the year. This should have been charged to the revenue during the year as per "Generally Accepted Accounting Principles".	The offshore supply vessels (OSVs) were under repair/ dry docking essential for safe working condition as also to enhance the operational life. Out of the 13 OSVs in question, 3 nos. have been re-commissioned by 31.07.2003, 7 nos. are scheduled to be back from repairs/dry docking by October, 2003 and 1 each in December 2003 and February 2004. One OSV is not likely to be put back in operation as the same is not deemed to be cost-economical. OSVs are a part of Logistics support for offshore operations. As per the standard accounting practice, the expenditure on the entire support function is allocated to the main operating activities e.g. survey, exploration, drilling, production and construction. This practice is being consistently followed and as such it would not be appropriate to expense the costs pertaining to repairs / dry docking period to the profit and loss account.
Current Assets, Loans and Advances **Accrued Interest: Rs. 3721.23 million (Schedule 10)** **Loans and Advances: Rs. 94906.24 million (Schedule 14)**	
2) This does not include 'Accrued Interest Rs. 100.20 million' (up to 31st March 1999) and 'Loans and Advances Rs. 259.50 million', relating to loans	It is a fact that these loans are guaranteed by the Government of India, but the realizations are not forthcoming for several years despite continuous

COMMENTS	MANAGEMENT'S REPLIES
advanced to M/s CCIL and M/s HAL (PSUs). Despite the fact that these loans and interest thereon, is guaranteed by Government of India, the Corporation has categorized these loans and interest thereon as doubtful for recovery for which provision has been made during the year, which lacks justification.	follow-up. Going by conservative principle of accounting, and pursuant to repeated comments from Auditors, provision against the loans and accrued interest has been made in 2002-03 Accounts, with corresponding charge to Profit & Loss Account. In case these amounts are recovered, whether in full or in part, the provision will be reversed accordingly.
Profit and Loss Account	
Expenditure	
Production, transportation, selling and distribution expenditure: Rs. 137961.51 million (Schedule 23)	
3. This is understated by Rs. 86.70 million on account of under-provision for pipeline transportation (for the year) and crude oil conditioning plant charges (for 1995-96 to 1997-98) payable to Oil India Limited.	Necessary accounting adjustment is being carried out in 2003-04.
Bharat Bhushan Pandit	Subir Raha
Principal Director of Commercial Audit & *ex- officio* Member Audit Board-II, Mumbai	**Chairman & Managing Director for and on behalf of Board of Directors**
Mumbai 22 August, 2003	New Delhi 25 August, 2003

REVIEW OF ACCOUNTS OF OIL AND NATURAL GAS CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 2003 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Note:- Review of Accounts has been prepared without taking into account comments under section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.

1. Financial Position

The table below summarizes the financial position of the Corporation under broad headings for the last three years:

(Rs. in million)

	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003
Liabilities			
(a) Paid up Capital			
i) Government	11993.39	11993.39	**11993.39**
ii) Others	2265.88	2265.88	**2265.88**
	14259.27	**14259.27**	**14259.27**
(b) Reserves & Surplus			
i) Free Reserves & Surplus	286961.88	281068.43	**341208.56**
ii) Share Premium Account	1724.49	1724.50	**1724.50**
iii) Capital Reserve	167.23	169.55	**197.26**
(c) Borrowings			
i) From Govt. of India	0.00	0.00	**0.00**
ii) From Financial Institutions/ Banks/ OIDB	1415.23	1213.05	**1010.88**
iii) Foreign Currency Loans & Deferred Credits	38186.04	27294.59	**1171.49**
iv) Cash credit	2885.84	4727.14	**4375.38**
v) Others	2310.24	1873.64	**1444.54**
(d) Liabilities & Provisions			
i) Current liabilities & Provisions	51047.93	60359.64	**83439.50**
ii) Provision for Gratuity & Leave encashment	4437.75	5432.09	**3293.43**
(e) Deferred tax liability	0.00	53470.58*	**61627.21**
Total	**403395.90**	**451592.48**	**513752.02**
Assets			
f) Gross Block	357697.84	373647.47	**390336.63**
g) Less: Depreciation	298805.07	317639.54	**336408.36**
h) Net block	58892.77	56007.93	**53928.27**
i) Producing Properties	162913.23	166912.57	**174380.26**
j) Exploratory wells in progress	9349.48	9774.65	**10730.94**
k) Capital works in progress	7282.95	6903.15	**9329.45**
l) Investments	23607.22	33231.77	**39825.91**
m) Current Assets, Loans and Advances	139715.08	176658.99	**214970.76**
n) Deferred Tax Assets	–	*	**9278.76**
o) Misc.-expenditure not written off	1635.17	2103.42	**1307.67**
Total	**403395.90**	**451592.48**	**513752.02**
p) Working Capital [m-d(i)]	88667.15	116299.34	**131531.26**
q) Capital Employed (h+i+p)	310473.15	339219.84	**359839.79**
r) Net Worth [a+b(i)+b(ii)-o]	301310.47	294948.78	**355884.66**
s) Net Worth per Rupee of paid up capital (in Rs.)	21.13	20.68	**24.96**

* Net (Deferred Tax Liability: Rs. 60,927.50 million, Deferred Tax Assets: Rs. 7,456.92 million); Figures for 2002-03 shown separately.

2. Reserves and Surplus

The free reserves and surplus of the Corporation were 24 times of its paid up capital, as on 31st March 2003 as against 20 times as on 31st March 2002 and as on 31st March 2001 respectively.

3. Producing Properties

Producing properties valuing Rs. 903.20 million (net) as on 31st March 2003 [Previous year Rs. 903.20 million (net)] did not produce any oil/gas during the year due to various technical/administrative reasons.

4. Investments

During the year the Corporation invested funds aggregating Rs. 375176 million (Previous year Rs. 145700 million) in short term deposits/certificates of deposit with public sector banks/financial institutions and earned an income of Rs. 2418 million (Previous year Rs. 4236 million) on these investments.

5. Sources and utilization of funds

Funds amounting to Rs. 140689.26 million from internal and external sources were generated and utilized during the year as given below:

(Rs. in million)

Sources of Funds		
Profit after tax		105293.22
Add: Recouped costs		34567.22
Add: Exchange loss		86.94
Capital Reserve		27.71
Increase in Deferred tax Liability		699.71
Deletion of Assets		14.46
Total		**140,689.26**
Application of Funds		
Capital expenditure		43352.30
Repayment of borrowings		26841.31
Increase in Investments		6594.14
Decrease in Misc. Expenditure		(795.75)
Increase in Working Capital:		
Increase in Current Assets Loans and Advances	38311.77	
Less: Increase in Current Liabilities	(19640.31)	18671.46
Dividend paid including tax on dividend		44203.96
Increase in Deferred Tax Assets		1821.84
Total		**140,689.26**

6. Working results of the Corporation for the last three years are given below :

(Rs. in million)

		2000-01	2001-02	2002-03
i)	Sales, including Pipeline Transportation Receipts	236,403.15	229,335.01	**347,384.94***
ii)	Profit before Tax	91,568.45	98,552.21	**163,021.09**
iii)	Profit after tax	52,287.78	61,978.71	**105,293.22**

*Sales for the year 2002-03 includes arrears of Rs. 2021.49 million on account of price revision of LPG/NGL/SKO (Rs. 1567.81 million) and pipeline transportation receipts (Rs. 453.68 million).

7. Working Capital

a) The working capital of the Corporation as on 31st March 2001, 31st March 2002 and 31st March 2003 was Rs. 88667.15 million, Rs. 116299.34 million and Rs. 131531.26 million respectively.

b) The percentage of working capital to sales as on 31st March 2001, 31st March 2002 and 31st March 2003 was 37.51, 50.71 and 37.86 respectively.

8. Ratio analysis

Some important financial ratios on the financial health and working of the Corporation at the end of last three years are as under:

(In percentages)

	2000-01	2001-02	2002-03
A. Liquidity Ratio			
Current Ratio: Current assets to current liabilities & provisions and interest accrued & due but excluding provisions for gratuity/leave encashment [m/d (i)]	274	292.68	**257.64**
B. Debt Equity Ratio			
Long term debt to equity [c (i to v) but excluding short term loans/r]	13.91	10.30	**1.02**
C. Profitability Ratios			
a) Profit before tax to:			
i) Capital Employed	29.49	29.05	**45.30**
ii) Net Worth	30.39	33.41	**45.81**
iii) Sales	38.73	42.97	**46.93**
b) Profit after tax to Equity	17.35	21.01	**29.59**
c) Earning per share (in Rs.)	36.67	43.47	**73.84**

9. Sundry Debtors

The position of debtors vis-a-vis sales in the last three years is given below:

(Rs. in million)

Year	Debts considered Good	Provision for Doubtful Debts	Total Debtors	Sales	Percentage of Debtors to Sales
2000-01	17337.87	517.24	17855.11	236403.15	7.55
2001-02	22513.84	534.19	23048.03	229335.01	10.05
2002-03	**39359.34**	**663.31**	**40022.65**	**347384.94**	**11.52**

10. Inventory

The inventory position as at the end of the last three years was as follows:

(Rs. in million)

	2000-01	2001-02	2002-03
i) Stores and Spares (including in transit)	12042.16	11754.51	**12837.79**
ii) Capital stores (including in transit)	1866.06	1284.54	**1234.28**
iii) Stock in trade	1316.29	1318.54	**1529.87**
iv) Others	144.72	168.50	**108.22**

(a) The Stores and Spares at the close of each year were equivalent to about 10.24 month's consumption in 2002-03 as against 9.31 months in 2001-02 and 10.2 months in 2000-01.

(b) Inventory as on 31st March 2003 include stores and spares valuing Rs. 1693.27 million and of capital stores valuing Rs. 621.47 million which have not moved for over two years. An aggregate provision of Rs. 2199.00 million has been made in respect of non moving stores and spares and capital stores.

(c) As on 31st March 2003 Stores and Spares valuing Rs. 21.13 million were in transit for over three years.

11. Dividend

The dividend payout ratio calculated as a percentage of total dividend paid/proposed (excluding tax on dividend) to profit after tax for the last three years ending 31st March 2001, 31st March 2002 and 31st March 2003 was 30.00, 32.21 and 40.63 respectively.

Bharat Bhushan Pandit

Mumbai
22 August 2003

Principal Director of Commercial Audit &
***ex-officio* Member Audit Board II, Mumbai**

HUMAN RESOURCE IN ONGC

ANNEXURE 'D(i)'

Employees as on 31st March, 2003

(Numbers)

Employee Group	Age Distribution				Total
	<31	31-40	41-50	51-60	
(A) Technical Executive	430	3897	10595	4207	**19129**
Non - Executive	541	2999	3103	624	**7267**
Total (A)	971	6896	13698	4831	**26396**
(B) Non - Technical Executive	197	525	2472	1461	**4655**
Non - Executive	519	1970	3583	2229	**8301**
Total (B)	716	2495	6055	3690	**12956**
Grand Total (A+B)	**1687**	**9391**	**19753**	**8521**	**39352**

Note: Whole – time Directors excluded.

ANNEXURE 'D(ii)'

Valuation as on 31st March, 2003

(Rs. million)

Employee Group	Age Distribution					Value per employee
	<31	31-40	41-50	51-60	Total	
(A) Technical Executive	5291.05	42241.71	86192.37	13844.00	**147569.13**	7.71
Non - Executive	4051.29	19844.49	16656.61	1429.62	**41982.01**	5.78
Total (A)	9342.34	62086.20	102848.98	15273.62	**189551.14**	7.18
(B) Non - Technical Executive	2354.38	5546.50	18228.14	4628.55	**30757.57**	6.61
Non - Executive	3646.29	12100.53	17241.48	4326.26	**37314.56**	4.50
Total (B)	6000.67	17647.03	35469.62	8954.81	**68072.13**	5.25
Grand Total(A+B)	**15343.01**	**79733.23**	**138318.60**	**24228.43**	**257623.27**	**6.55**

ANNEXURE 'E'

AWARDS

I. Individual

a) Shri Subir Raha, C&MD of your Corporation:

i. was awarded the "**CEO Business Leader of the Year**" in recognition of his 'Leadership Excellence' at India Leadership Summit;
ii. was awarded the **CHEMTECH-CEW's Achiever of the Year Award;**
iii. was awarded the '**Grid Leadership Award**' for his outstanding contribution in the field of Corporate Management from **Dr. P.N. Singh Foundation**;
iv. assumed badge-of-office of the **President** of the **International Federation of Training & Development Organizations (IFTDO), Lisbon, Portugal** on May 30, 2003.

b) Shri Y.B. Sinha, Director (Exploration) was:

i. elected as **Director** of **Petro-technical Open Software Corporation (POSC)**, an International body on software integration, standardization and benchmarking of oil industry;
ii. conferred '**Doon Ratna Award'** for the year 2001.

c) Shri A.G. Pramanik, former ED (R&D) & Head, GEOPIC was elected as member to the European Academy of Sciences with the citation "Elected for Outstanding and Influential contributions to Geophysical Sciences and Promotion of Innovation in Science and Technology".

d) National Mineral Awards for the year 2001 were conferred on:

i. Dr. Anil Bhandari, DGM (Geology), in the field of Basic & Applied Geosciences;
ii. Shri N.K. Verma, Chief Geologist, GEOPIC, in the field of Fuel Minerals;
iii. Dr. J.V.S.S.N. Murty, Suptdg. Geophysicist (Surface), Cauvery Basin in the field of Fuel Minerals;
iv. Shri P.P. Mitra, Suptdg. Geophysicist (Surface) in the field of Basin & Applied Geosciences.

II. National Petroleum Management Programme (NPMP)

i. The Corporation received the **NPMP Award for Excellence in Finance Management** for the year 2001-02 and 2002-03 consecutively;
ii. **Shri Padam Singh**, GM (P) secured **the individual award for excellence in "Creativity and Innovation",** for the year 2002**;**
iii. A team comprising of **Shri Padam Singh**, GM(P) and **Shri Ashok Verma**, GM(P) bagged a **certificate of recognition in "Creativity and Innovation"** for the year 2002**.**

III. Golden Peacock Awards by the Institute of Directors

i. The **Institute of Oil and Gas Production Technology** (IOGPT) won **National Golden Peacock Training Award** for the year 2002 for its outstanding commitment in Training and Development of Human Resources;
ii. The **Institute of Petroleum Safety, Health & Environment Management** (IPSHEM) won the **National Golden Peacock Training Award** for the year 2003 in appreciation of its excellence in training and HRD activities;
iii. **Golden Peacock Award for Excellence in Corporate Governance** was received by **C&MD** on behalf of **ONGC from Lord Swaraj Paul** on 2nd April, 2002 in recognition of the contribution towards Corporate Governance, and helping in giving back to society the best services and products with transparency and accountability;
iv. **Golden Peacock Environment Award** for the year 2002-03, in the category of Corporate Group.

IV. Petroleum Sports Promotion Board (PSPB)

ONGC emerged as the champion for the year 2002-03, and is qualified for award of "Petroleum Ministers Trophy" of Petroleum Sports Promotion Board (PSPB).

V. National Safety Award (Mines)

Year 2001 (Award date March, 2003)

Longest accident free period (LAFP)

1. Winner: **Lakwa** Production Oil Mine, Assam
2. Runners up: **Geleki** Production Oil Mine, Assam

Lowest Injury Frequency Rate (LIFR) per lakh man shift

1. Winner: **Lakwa** Drilling Oil Mine, Assam
2. Runners up: **Cauvery** Production Mine, Karaikal

VI. Oil Industry Safety Directorate (OISD) Awards

YEAR 2001-02 (Award date 12th March, 2003)

Oil and Gas Production Installations

Best GCS **Tatipaka** (Oil & Gas Unit) Group 4

2nd Best GGS **Gandhar** (Oil & Gas Unit) Group 4

Other Processing Organizations

2nd Best Uran (Processing Unit) Group 7

VII. Green Tech Foundation- Greentech Safety Awards

1. Greentech Safety Award 2001-02 to **ONGC Ltd;**
2. Greentech Safety Award 2002-03 to **ONGC Ltd;**
3. Greentech Safety Award 2002 to **Hazira Plant;**
4. Greentech Environment Excellence Award 2001-02 to **ONGC Ltd.**

VIII. Other Awards

- September 2002**- Royal Society of Prevention of Accidents, U.K.** awarded Silver Medal to **Hazira Plant;**
- Runners up award to **Hazira Plant** from **Gujarat Safety Council** for 2002-03;
- **Yogyata Praman Patra** to **Hazira Plant** issued by **National Safety Council** during December 2002.

Certifications (2002-03)

Quality ISO 9000

1. ISO 9001 **Heera** Process Complex **Mumbai High;**
2. ISO 9001 **Neelam** Process Complex **Mumbai High;**
3. ISO 9001 **Sagar Laxmi EPS**;
4. ISO 9001 **IPSHEM;**
5. ISO 9001 **Hazira Plant;**
6. ISO 9001 (2000) upgraded and integrated with ISO 14001-**Uran Plant.**

Environment ISO 14000

EMS ISO 14001

1. **Heera** Process Complex, **Mumbai High;**
2. **Neelam** Process Complex, **Mumbai High;**
3. **Sagar Laxmi** EPS, **Mumbai High;**
4. BPA Platform, **Mumbai High;**
5. BPB Platform**, Mumbai High;**
6. SCA Process Complex, **Mumbai High;**
7. GGS-I **Lakwa, Assam;**
8. CTF **Lakwa, Assam;**
9. GCP-I **Lakwa, Assam;**
10. GCP-III **Geleki, Assam;**
11. GGS **Borholla, Jorhat;**
12. GCP **Borholla, Jorhat;**
13. GGS-I **Koraghat, Jorhat;**

14. GGS-II **Koraghat, Jorhat;**
15. GGS-I **Nambar, Jorhat;**
16. GCS **Konaban, Agartala;**
17. **Tatipaka** Refinery, KG Project, **Rajahmundry;**
18. LPG Plant, **Ankleshwar;**
19. GGS **Olpad, Ankleshwar;**
20. GGS **Kosamba, Ankleshwar;**
21. GGS GNAQ, **Ankleshwar;**
22. GGS **Dabka, Ankleshwar;**
23. GGS-VI **Gandhar, Ankleshwar;**
24. EPS **Jolwa**, **Ankleshwar;**
25. ONGC Township, **Ankleshwar;**
26. GGS-II **Balol, Mehsana;**
27. GGS-IV **Balol, Mehsana;**
28. In-situ **North Santhal, Mehsana;**
29. In-situ **Santhal Main, Mehsana;**
30. ETP **North Kadi, Mehsana;**
31. CTF **Mehsana, Mehsana;**
32. ONGC Nagar, **Mehsana;**
33. **Nhava** Supply Base, **Mumbai.**

Occupational Health & Safety- OHSAS 18000

OHSAS-18001

1. **Heera** Process Complex;
2. **Neelam** Process Complex;
3. **BPA** Process Complex;
4. **BPB** Process Complex;
5. **Uran Plant.**

Safety

International Safety Rating System (ISRS)

Level 7 (i) **Uran Plant**
(ii) **Hazira Plant** (HGPC)
Level 5 (i) **Sagar Bhusan** Drilling Rig (Floater)
(ii) **ICP** Process Complex
(iii) **NQ** Process Complex
Level 4 (i) **Sagar Ratna** Jackup Drilling Rig
(ii) **Sagar Samrat** Jackup Drilling Rig
(iii) **Sagar Pragati** Jackup Drilling Rig
(iv) **Sagar Vijay** Drilling Rig (Floater)
(v) **IPS 700**-V Drilling Rig, **Mehsana**
(vi) **IPS 700**-VII Drilling Rig, **Mehsana**

International Safety Management (ISM) Code

1. **Sagar Vijay** Drilling Rig;
2. **Sagar Samrat** Drilling Rig;
3. **Sagar Bhusan** Drilling Rig;
4. **Sagar Laxmi** EPS.

AUDITORS' REPORT

TO THE MEMBERS OF OIL AND NATURAL GAS CORPORATION LIMITED

We have audited the attached Balance Sheet of OIL AND NATURAL GAS CORPORATION LIMITED as at 31 March, 2003, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

3. Based on the written representations made by all the Directors of the Corporation which was taken on record by the Board of Directors of the Corporation and the information and explanations as made available, none of the Directors of the Corporation is disqualified as on 31.03.2003 from being appointed as a director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

4. (a) The Accounts have been drawn up in accordance with the Significant Accounting Policies (Schedule 29). Accounting Policy 2 relating to "Successful Efforts Method", the treatment of exploration and development costs and Accounting Policy 3 relating to impairment and Accounting Policy 4 relating to abandonment are significant to the oil and gas exploration and production industry.

   (b) Categorisation of wells as exploratory and producing, allocation of cost incurred, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, are made according to evaluation by the management, technical and / or otherwise on which we have placed reliance.

5. *Attention is invited to the following notes in Schedule '30':*

   5.1 Note '4' regarding non consideration of depreciation as a charge to Profit and Loss Account, being allocated to assets to be depleted and for the purpose of quantifying depreciation under Section 205 of the Companies Act, 1956.

   5.2 Note '10(c)' regarding incorporation of unaudited figures of joint venture projects and NELP blocks respectively in the books of the Corporation.

   5.3 Note '12' regarding overdue amounts aggregating Rs. 2109.40 million. On the basis of available information, we are unable to form any opinion on the recoverability of these dues.

   5.4 Note '13' regarding accounts pending reconciliations. We are unable to comment on the adjustments/ provisions, if any, required to be made in this respect.

   5.5 Schedule '16' regarding segregation of outstandings of Small Scale Industry (SSI) from the creditors balances, for which we have placed reliance on the certificate issued by the management.

6. *Subject to our comments in Paragraphs 4 (b) and 5 above, with consequential aggregate effects the quantification of which could not be determined on the profit for the year, reserves and surplus and net assets as at the Balance Sheet date,* we report as follows:

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

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

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

6.4 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes to accounts of Schedule 30 in particular Note 3 regarding change in the Accounting Policy for provision for abandonment give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at 31st March, 2003; and

b) in the case of the Profit and Loss Account of the profit of the Corporation for the year ended on that date.

c) In the case of the Cash Flow Statement for the Cash Flow of the Corporation for the year ended on that date.

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

Anil K. Thakur
Partner

For S. Bhandari & Co.
Chartered Accountants

P. P. Pareek
Partner

For Chaturvedi & Shah
Chartered Accountants

R. Koria
Partner

For Brahmayya & Co.
Chartered Accountants

V. Seetaramaiah
Partner

For Lodha & Co.
Chartered Accountants

N. K. Lodha
Partner

New Delhi
June 23, 2003

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. The Corporation has generally maintained proper records showing full particulars, including quantitative details and project-wise location of the fixed assets. We are informed that the fixed assets of the Corporation other than furniture and fixtures, have been physically verified by the management during the year in accordance with a phased programme, *except in respect of few projects where the physical verification is in progress,* which is prima facie reasonable considering the size of the Corporation and the nature of its business. *In the absence of reconciliation between assets physically verified and the book records, we are unable to comment on the materiality of the discrepancies and the consequential adjustment required to be made in the books of account.*

2. The fixed assets of the Corporation have not been revalued during the year.

3. As explained to us, the stock of finished goods was physically verified/since verified by the management at reasonable intervals and the stock of stores and spare parts (excluding stock lying with third parties, stores and spare parts in transit and capital stores) was physically verified during the year by the management in accordance with perpetual inventory programme.

4. According to the information and explanations given to us, the procedures of physical verification of stocks followed by the management to the extent verified, were generally reasonable and adequate in relation to the size of the Corporation and the nature of its business.

5. The discrepancies noticed on verification between the physical stock and the book records were not material having regard to the size of the operations of the Corporation. In cases, where either physical verification has not been carried out, or the discrepancies have not been determined, we are unable to comment on the extent and materiality of the discrepancies.

6. In our opinion and on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is generally on the same basis as in the previous year.

7. The Corporation has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub Section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31st October, 1998.

8. During the year, the Corporation has granted interest free unsecured loan to one of its wholly owned subsidiary and interest bearing loan to other subsidiary with no stipulation on repayment of loan. As explained to us, in view of the long term relations of the Corporation, the terms and conditions of such loan is not prima-facie prejudicial to the interest of the Corporation. Except above, the Corporation has not granted loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub Section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31st October, 1998.

9. The employees and other parties to whom loans or advances in the nature of loans have been given are generally repaying the principal amounts as stipulated, where stipulations have been made, and are also, where applicable, regular in the payment of interest in most cases.

10. There are adequate internal control procedures commensurate with the size of the Corporation and the nature of its business for purchase of plant and machinery, equipment and other assets and for the sale of goods, however, the internal control procedures for purchase of stores, materials and components needs to be strengthened, particularly for timely recording of purchases.

11. According to the information and explanations given to us, there are no transactions for the purchase of goods and materials, and the sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.

12. The Corporation has a system of determining unserviceable or damaged stores and spare parts on the basis of technical evaluation and on such basis, adequate amounts have been written off in the accounts.

13. The Corporation has not accepted any deposits from the public.

14. In our opinion, reasonable records have generally been maintained for the sale and disposal of by-product and realisable scrap.

15. The Corporation has an internal audit system commensurate with its size and nature of its business.

16. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the Corporation's products.

17. According to the records of the Corporation, the provident fund dues were regularly deposited with the appropriate authorities during the year. We are informed that the Employees' State Insurance Scheme is not applicable to the Corporation.

18. According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due as at 31 March 2003, for more than six months from the date they became payable.

19. During the course of our examination of the books of account carried out in accordance with generally accepted auditing practices, we have not come across personal expenses of employees or directors which have been charged to revenue, other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Corporation is not a Sick Industrial Company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the services rendered by the Corporation, having regard to the nature of the services and basis of billing, it is not considered necessary by the management to have a system of allocation of consumption of stores and spare parts and man-hours to relative jobs. There is a reasonable system of authorization at proper levels, and an adequate system of internal controls on issue of stores and spare parts.

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

Anil K. Thakur
Partner

For S. Bhandari & Co.
Chartered Accountants

P. P. Pareek
Partner

For Chaturvedi & Shah
Chartered Accountants

R. Koria
Partner

For Brahmayya & Co.
Chartered Accountants

V. Seetaramaiah
Partner

For Lodha & Co.
Chartered Accountants

N. K. Lodha
Partner

New Delhi
June 23, 2003

BALANCE SHEET AS AT 31ST MARCH, 2003

(Rupees in million)

	Schedule		As at 31st March, 2003	As at 31st March, 2002
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	14,259.27		14,259.27
Reserves and Surplus	2	343,130.32		282,962.48
			357,389.59	297,221.75
LOAN FUNDS				
Unsecured Loans	3		8,002.29	35,108.42
NET DEFERRED TAX LIABILITY	4		52,348.45	53,470.58
TOTAL			417,740.33	385,800.75
APPLICATION OF FUNDS				
FIXED ASSETS	5			
Gross Block		390,336.63		373,647.47
Less: Depreciation		336,408.36		317,639.54
NET BLOCK		53,928.27		56,007.93
CAPITAL WORKS IN PROGRESS	6	9,329.45		6,903.15
PRODUCING PROPERTIES (NET)	7	174,380.26		166,912.57
			237,637.98	229,823.65
EXPLORATORY WELLS IN PROGRESS (NET)	8		10,730.94	9,774.65
INVESTMENTS	9		39,825.91	33,231.77
CURRENT ASSETS, LOANS AND ADVANCES				
Accrued Interest	10	3,721.23		6,499.04
Inventories	11	15,710.16		14,526.09
Sundry Debtors	12	39,359.34		22,513.84
Cash and Bank Balances	13	61,090.17		55,455.32
Loans and Advances	14	94,906.24		77,484.05
Other Current Assets	15	183.62		180.65
		214,970.76		176,658.99
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	16	31,180.39		28,086.58
Provisions	17	55,552.54		37,705.15
		86,732.93		65,791.73
NET CURRENT ASSETS			128,237.83	110,867.26
MISCELLANEOUS EXPENDITURE	18		1,307.67	2,103.42
(To the extent not written off or adjusted)				
TOTAL			417,740.33	385,800.75
SIGNIFICANT ACCOUNTING POLICIES	29			
NOTES TO THE ACCOUNTS	30			

Schedules referred to above form an integral part of the Accounts

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

Anil K.Thakur
Partner

For S. Bhandari & Co.
Chartered Accountants

P. P. Pareek
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For Chaturvedi & Shah
Chartered Accountants

R. Koria
Partner

For Brahmayya & Co.
Chartered Accountants

V.Seetaramaiah
Partner

For Lodha & Co.
Chartered Accountants

N. K. Lodha
Partner

New Delhi
June 23, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

	SCHEDULE	2002-03	2001-02
INCOME			
Gross Sales	19	346,907.37	228,371.82
Less: Excise Duty Recovered		4,612.08	3,087.63
Net Sales		342,295.29	225,284.19
Pipeline Transportation	20	477.57	3,965.88
Other Income	21	19,460.03	16,334.66
		362,232.89	245,584.73
Increase in stocks	22	211.33	2.25
		362,444.22	245,586.98
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	23	137,961.51	102,915.00
Recouped costs	24	41,272.56	38,054.06
Interest and Exchange Fluctuation	25	1,465.90	2,847.40
Provisions and Write-offs (Net)	26	20,912.34	3,273.72
		201,612.31	147,090.18
Profit for the year before Tax and Prior Period Adjustments		160,831.91	98,496.80
Adjustments relating to Prior Period (Net)	27	(406.46)	(55.41)
Provision for Taxation			
- Current Tax (including Wealth Tax Rs. 15.00 million Previous Year Rs. 12.00 million)		58,850.00	31,012.00
- Deferred Tax		(1,122.13)	5,561.50
- For Earlier years		(1,782.72)	0.00
Profit after Taxation		105,293.22	61,978.71
Surplus at the beginning		0.06	0.06
BALANCE AVAILABLE FOR APPROPRIATION		105,293.28	61,978.77
APPROPRIATIONS			
Proposed Dividend		18,537.14	19,963.08
Tax on Proposed Dividend		2,375.07	0.00
Interim Dividend		24,240.88	0.00
Transfer to General Reserve		60,140.00	42,015.63
Balance carried to Balance Sheet		0.19	0.06
		105,293.28	61,978.77
EARNINGS PER EQUITY SHARE	28		
(Face Value Rs. 10/-Per Share)			
Basic & Diluted (Amount in Rs.)		73.84	43.47
SIGNIFICANT ACCOUNTING POLICIES	29		
NOTES TO THE ACCOUNTS	30		

Schedules referred to above form an integral part of the Accounts

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached

For Thakur Vaidyanath Aiyar & Co.
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Partner

For Lodha & Co.
Chartered Accountants

N. K. Lodha
Partner

New Delhi
June 23, 2003

(Rupees in million)

		As at 31st March, 2003	As at 31st March, 2002
SCHEDULE - 1			
SHARE CAPITAL			
Authorised:			
15000,000,000 Equity Shares of Rs. 10 each		**150,000.00**	150,000.00
Issued and Subscribed:			
1425,933,992 Equity Shares of Rs. 10 each		**14,259.34**	14,259.34
Paid up:			
1425,933,992 Equity Shares of Rs. 10 each	**14,259.34**		14,259.34
Less : Calls in arrears (Other than Directors)	**0.07**		0.07
		14,259.27	14,259.27
TOTAL		**14,259.27**	**14,259.27**

Note : The above includes:
(i) 342,853,716 Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act,1993.
(ii) 1,076,440,366 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve.

		As at 31st March, 2003	As at 31st March, 2002
SCHEDULE - 2			
RESERVES AND SURPLUS			
Capital Reserve (As per last year Balance Sheet)		**159.44**	159.44
Deferred Government Grant			
a) Opening Balance	**10.11**		7.79
b) Addition during the year	**42.21**		6.68
c) Deduction during the year*	**14.50**		4.36
		37.82	10.11
Share Premium Account **			
a) Opening Balance	**1,724.50**		1,724.49
b) Addition during the year	**0.00**		0.01
		1,724.50	1,724.50
Premium on Foreign Currency Bonds (As per last year Balance Sheet)		**168.12**	168.12
Insurance Reserve (As per last year Balance Sheet)		**2,500.00**	2,500.00
General Reserve			
a) Opening Balance	**278,400.25**		284,293.70
b) Less: Transfer to Deferred Tax Liability	**0.00**		47,909.08
c) Add: Transferred from Profit and Loss Account	**60,140.00**		42,015.63
		338,540.25	278,400.25
Profit and Loss Account		**0.19**	0.06
TOTAL		**343,130.32**	**282,962.48**

*Represents the amount equivalent to Depreciation for the year treated as Income.
** Share premium account is credited only on receipt basis.

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 3

UNSECURED LOANS

	As at 31st March, 2003	As at 31st March, 2002
(a) Long Term		
From Oil Industry Development Board	**1,010.88**	1,213.05
Foreign Currency Loans:		
— From Foreign Banks/Financial Institutions (Guaranteed by Government of India)	**0.00**	24,535.00
— From Foreign Banks/Financial Institutions	**1,171.49**	2,759.59
— From others	**1,444.54**	1,873.64
(b) Others		
— Cash Credit - From State Bank of India	**4,375.38**	4,727.14
TOTAL	**8,002.29**	**35,108.42**
Long term includes Repayable within one year	**1,349.54**	27,427.62

SCHEDULE - 4

DEFERRED TAX LIABILITY

	As at 31st March, 2003	As at 31st March, 2002
Deferred Tax Liability	**61,627.21**	60,927.50
Deferred Tax Assets	**(9,278.76)**	(7,456.92)
NET DEFERRED TAX LIABILITY	**52,348.45**	**53,470.58**

SCHEDULE - 5

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2002	Additions during the year	Deletions/ adjustments during the year	As at 31st March, 2003	Up to 31st March, 2002	For the year	Deletions/ Adjustments during the year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land										
i) Freehold	1,032.36	60.10	0.10	**1,092.36**	0.00	0.00	0.00	**0.00**	**1,092.36**	1,032.36
ii) Leasehold	817.65	16.17	0.00	**833.82**	143.70	11.31	0.00	**155.01**	**678.81**	673.95
Buildings and Bunk Houses	7,980.46	1,077.37	11.48	**9,046.35**	4,292.35	297.42	7.74	**4,582.03**	**4,464.32**	3,688.11
Railway Sidings	89.95	0.00	0.00	**89.95**	67.43	3.13	0.00	**70.56**	**19.39**	22.52
Plant and Machinery	356,184.08	15,983.00	184.35	**371,982.73**	306,702.99	18,975.44	183.20	**325,495.23**	**46,487.50**	49,481.09
Furniture and Fittings	2,785.10	281.08	17.28	**3,048.90**	2,011.50	177.37	20.10	**2,168.77**	**880.13**	773.60
Vehicles, Survey Ships, Crew Boats, Aircrafts and Helicopters	4,757.87	54.88	570.23	**4,242.52**	4,421.57	73.13	557.94	**3,936.76**	**305.76**	336.30
TOTAL	**373,647.47**	**17,472.60**	**783.44**	**390,336.63**	**317,639.54**	**19,537.80**	**768.98**	**336,408.36**	**53,928.27**	**56,007.93**
Previous year	357,697.84	16,953.69	1,004.06	**373,647.47**	298,805.07	19,707.85	873.38	**317,639.54**	**56,007.93**	
The above includes the Corporation's share in Joint Venture Assets	13,465.85	2,089.66	4.86	**15,550.65**	10,716.67	818.32	3.89	**11,531.10**	**4,019.55**	

Notes:

1. Additions to Plant and Machinery include Rs. 334.48 million (Previous Year Rs. 603.83 million) on account of net exchange fluctuations during the year.
2. Leasehold land includes land in respect of a few projects for which execution of lease deed is pending.
3. Registration of title deeds in respect of Buildings in a project is pending execution.

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 6

CAPITAL WORKS IN PROGRESS

Buildings	**320.62**	439.06
Plant and Machinery	**8,389.50**	5,029.40
Advances for Capital Works and Progress Payments	**619.33**	1,434.69
TOTAL	**9,329.45**	**6,903.15**

SCHEDULE - 7

PRODUCING PROPERTIES

Gross		
Opening Balance	**326,697.73**	307,060.72
Expenditure during the year	**22,175.06**	17,944.77
Transfer from Exploratory Wells in Progress	**2,789.94**	2,820.15
Transfer to Exploratory Wells in Progress	**0.00**	(707.15)
Other Adjustments	**0.03**	(420.76)
Total (Gross)	**351,662.76**	326,697.73
Less: Depletion		
Opening Balance	**159,785.16**	144,147.49
Depletion for the Year	**17,497.34**	15,960.71
Write back of Depletion	**0.00**	(323.04)
Total Depletion	**177,282.50**	159,785.16
NET PRODUCING PROPERTIES	**174,380.26**	**166,912.57**

(Rupees in million)

		As at 31st March, 2003		As at 31st March, 2002
SCHEDULE - 8				
EXPLORATORY WELLS IN PROGRESS				
Gross				
Opening Balance		**9,774.65**		9,349.48
Expenditure during the year	**13,405.53**		12,396.88	
Less : Sale proceeds of Oil and Gas (Refer Schedule-19)	**13.78**	**13,391.75**	34.00	12,362.88
Transfer from Producing Properties		**0.00**		707.15
Dry wells written back		**900.29**		472.24
		24,066.69		22,891.75
Less :				
Transfer to Producing Properties		**2,789.94**		2,820.15
Wells written off during the year		**10,375.71**		10,294.45
Other adjustments		**170.10**		2.50
		13,335.75		13,117.10
NET EXPLORATORY WELLS IN PROGRESS		**10,730.94**		**9,774.65**

(Rupees in million)

	No. of Shares/ Bonds/ Units	Face Value per Share/ Bond/Unit (in Rupees)	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 9

INVESTMENTS

LONG-TERM INVESTMENTS (FULLY PAID UP)

	No. of Shares/ Bonds/ Units	Face Value per Share/ Bond/Unit (in Rupees)	As at 31st March, 2003	As at 31st March, 2002
A. TRADE INVESTMENTS				
1 Equity Shares (Unquoted)				
i) Pawan Hans Limited	24,500	10,000	**245.00**	245.00
ii) Management and Technology Applications (India) Limited	0 (16,333)	10	**0.00**	0.16
iii) Petronet LNG Limited	45	10	**#**	#
iv) ONGIO Private Ltd.	1,505,000	10	**15.05**	15.05
v) Oil Spill Response Ltd.	100	*	**0.01**	0.01
2 Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	70,968,730	10	**13,720.49**	13,720.49
ii) Gas Authority of India Limited	40,839,549	10	**2,451.06**	2,451.06
iii) Mangalore Refinery and Petrochemicals Ltd.(Subsidiary)	897,153,518 (0)	10	**6,594.30**	—
3 Equity Shares (Unquoted)				
In wholly owned subsidiary				
ONGC-Videsh Ltd.	30,000,000	100	**3,000.00**	3,000.00
4 Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 10.5% Government of India Special Bonds 2005	1	3,850,000,000	**3,850.00**	3,850.00
ii) 6.96% Government of India transferable Special Bonds 2009	961,000	10,000	**9,610.00**	9,610.00
TOTAL TRADE INVESTMENTS			**39,485.91**	**32,891.77**
B. NON-TRADE INVESTMENTS				
1 12% UP State Development Loan-2011- (Quoted)	1	500,000	**0.50**	0.50
2 Bonds of Public Sector Undertakings (Unquoted)				
9% Tax free bonds				
SCICI Ltd.(Series 2) (Since merged with ICICI Ltd.)	33,950	10,000	**339.50**	339.50
TOTAL NON TRADE INVESTMENTS			**340.00**	**340.00**
GRAND TOTAL			**39,825.91**	**33,231.77**
Total Quoted Investments			**22,766.35**	16,172.05
Total Unquoted Investments			**17,059.56**	17,059.72
			39,825.91	33,231.77
Total Market value of Quoted Investments			**26,986.74**	**17,309.77**

Figures in the () represent the figures of previous year.
Rs. 450/- (Previous year Rs. 450/-)
* Pound one each, total value Rs. 6,885/- (Previous year Rs. 6,885/-)

(Rupees in million)

SCHEDULE - 10

INTEREST ACCRUED

	As at 31st March, 2003	As at 31st March, 2002
Unsecured, Considered Good unless otherwise stated		
Interest Accrued On		
- Investments	**42.55**	41.73
- Deposits with Banks/Financial Institutions/PSUs	**1,116.04**	3,988.42
- Others		
- Considered Good	**2,562.64**	2,468.89
- Considered Doubtful	**259.12**	0.00
	3,980.35	6,499.04
Less : Provision for Doubtful Interest	**259.12**	0.00
TOTAL	**3,721.23**	**6,499.04**

SCHEDULE - 11

INVENTORIES

	As at 31st March, 2003	As at 31st March, 2002
(As verified and valued by the Management)		
Finished Goods	**1,529.87**	1,318.54
Stores and spare parts		
- on hand	**10,190.77**	9,442.84
- in transit (including inter-project transfers)	**2,647.02**	2,311.67
Capital Stores		
- on hand	**1,169.18**	1,144.28
- in transit	**65.10**	140.26
Unserviceable scrap	**108.22**	168.50
TOTAL	**15,710.16**	**14,526.09**

(Rupees in million)

SCHEDULE - 12

SUNDRY DEBTORS

	As at 31st March, 2003	As at 31st March, 2002
(Unsecured)		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	**2,109.40**	2,118.82
- Considered Doubtful	**663.31**	526.42
Other debts :		
- Considered Good	**37,249.94**	20,395.02
- Considered Doubtful	**0.00**	7.77
	40,022.65	23,048.03
Less: Provision for Doubtful Debts	**663.31**	534.19
TOTAL	**39,359.34**	**22,513.84**

SCHEDULE - 13

CASH AND BANK BALANCES

	As at 31st March, 2003	As at 31st March, 2002
Cash balance on Hand	**24.38**	24.63
Remittances in Transit	**40.00**	15.00
Balances with Scheduled Banks in:		
Current Accounts	**664.41**	367.32
Deposit Accounts towards margin money against guarantees issued	**0.12**	274.62
Deposit Accounts	**35,491.06**	48,356.67
Deposit Under Site Restoration Fund Scheme*	**24,780.97**	6,350.00
Balances with Non-Scheduled Banks in:		
Current Account with J.P Morgan Chase (Maximum balance during the year Rs. 86.60 million. Previous year Rs. 64.90 million)	**86.60**	64.90
Current Account with Commerz Bank - Frankfurt (Maximum balance during the year Rs. 2.63 million. Previous year Rs. 2.18 million)	**2.63**	2.18
TOTAL	**61,090.17**	**55,455.32**

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

(Rupees in million)

SCHEDULE - 14

LOANS AND ADVANCES

		As at 31st March, 2003		As at 31st March, 2002
Loans to Public Sector Undertakings		**409.50**		409.50
Loans & Advances to Subsidiaries		**72,075.06**		21,210.99
Advance for Petronet LNG Ltd.-Shares (Long term)		**275.00**		275.00
Loans and Advances to Employees		**8,115.89**		7,651.82
Advances Recoverable in Cash or in Kind or for Value to be received		**4,238.04**		3,715.05
Recoverable from Petroleum Planning & Analysis Cell		**6,465.99**		3,166.59
Insurance Claims		**1,097.67**		1,138.43
Deposits:				
a) With Customs/Port Trusts etc.		**221.09**		160.94
b) With Financial Institutions/PSUs		**0.00**		27,830.00
c) Others		**1,125.55**		1,051.27
		94,023.79		66,609.59
Less : Provision for Doubtful Claims/advances		**2,606.77**		1,360.05
		91,417.02		65,249.54
Income Tax:				
Advance payment of Income Tax	**177,387.28**		127,312.49	
Less: Provision	**173,898.06**	**3,489.22**	115,077.98	12,234.51
(Including provision for Wealth Tax Rs. 35.00 million. Previous Year Rs. 32.27 million)				
TOTAL		**94,906.24**		**77,484.05**
Particulars of loans and advances:				
Secured		**7,208.81**		6,754.36
Unsecured - Considered Good		**87,697.43**		70,729.69
- Considered Doubtful		**2,606.77**		1,360.05
		97,513.01		78,844.10
Less : Considered Doubtful and provided for		**2,606.77**		1,360.05
TOTAL		**94,906.24**		**77,484.05**

1. Loans to employees include an amount of Rs. 0.14 million (Previous year Rs. 0.07 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 0.19 million.(Previous year Rs. 0.09 million)

(Rupees in million)

		As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 15

OTHER CURRENT ASSETS

Unsecured, Considered Good unless otherwise stated			
Repair Jobs-in-progress-at Cost		**164.21**	138.54
Other Accounts			
— Considered Good	**19.41**		42.11
— Considered Doubtful	**1,027.50**		823.42
	1,046.91		865.53
Less: Provision for Doubtful Accounts	**1,027.50**		823.42
		19.41	42.11
TOTAL		**183.62**	**180.65**

SCHEDULE - 16

CURRENT LIABILITIES

Sundry Creditors for Supplies/Works :		
– Small Scale Industries	**4.88**	0.10
– Other than Small Scale Industries	**3,448.37**	4,233.29
Liability for Royalty/Cess/Sales tax etc.	**9,158.06**	7,657.50
On Account Payments from PPAC	**100.69**	123.29
Deposits	**2,355.26**	2,032.33
Other Liabilities	**16,043.79**	13,751.42
Unclaimed Dividend *	**50.10**	19.66
Interest Accrued but not due on loans	**19.24**	268.99
TOTAL	**31,180.39**	**28,086.58**

* This does not include any amount due for payment to Investor Education and Protection Fund

SCHEDULE - 17

PROVISIONS

Gratuity	**811.97**	3,627.25
Leave Encashment	**2,481.46**	1,804.84
Provision for Abandonment	**25,664.72**	6,538.91
Provision for Impairment	**3,270.40**	3,108.41
Provision against Non-Moving Inventories and Others	**2,411.78**	2,662.66
Proposed Dividend	**18,537.14**	19,963.08
Tax on Proposed Dividend	**2,375.07**	0.00
TOTAL	**55,552.54**	**37,705.15**

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 18

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)		
Dry Docking Charges	**1,194.32**	1,917.81
Unallocated Expenditure etc.	**113.35**	185.61
TOTAL	**1,307.67**	**2,103.42**

(Rupees in million)

		2002-03		2001-02

SCHEDULE-19

SALES

Sales		**349,640.26**		225,369.13
Less :				
Transfer to Exploratory Wells in Progress (Refer Schedule-8)	**13.78**		34.00	
Adventitious gain Surrendered	**0.00**		9.05	
Profit Petroleum Surrendered to Government of India	**4,286.92**	**4,300.70**	1,971.62	2,014.67
		345,339.56		223,354.46
Price Revision Arrears		**1,567.81**		5,017.36
TOTAL		**346,907.37**		**228,371.82**

SCHEDULE - 20

PIPELINE TRANSPORTATION

Pipeline Transportation	**23.89**	1,787.83
Price Revision Arrears	**453.68**	2,178.05
TOTAL	**477.57**	**3,965.88**

(Rupees in million)

SCHEDULE - 21

OTHER INCOME

		2002-03		2001-02
Contractual Short Lifted Gas Receipts		**54.70**		135.01
Reimbursement from Govt. of India towards :				
Pour Point Depressant (PPD) Charges	**1,822.76**		0.00	
Tanker Hire Charges	**0.00**		30.79	
Recovery of Production Cost etc.	**182.76**		1,946.43	
		2,005.52		1,977.22
Other Contractual Receipts		**1,149.41**		1,082.37
Income from Trade Investments :				
Dividend on Long term Investments (Tax deducted at Source Rs. 171.54 million Previous year Rs. Nil)	**1,537.96**		854.10	
Share of Profit on Investment in Partnership Firm	**0.00**		(2.25)	
		1,537.96		851.85
Income from Non Trade Investments :				
Interest on Long Term Investments		**1,103.72**		436.72
Interest Income on :				
Deposits with Banks/Financial Institutions/PSUs (Tax deducted at source Rs. 1050.22 million Previous year Rs. 399.86 million)	**5,902.45**		7,870.39	
Loans and Advances to Subsidiaries	**0.93**		7.62	
Loans and Advances to Employees	**438.90**		411.03	
Income Tax Refund	**3,604.89**		6.04	
Site Restoration Fund	**431.07**		4.90	
Others	**179.21**		552.34	
		10,557.45		8,852.32
Miscellaneous Receipts		**3,051.27**		2,999.17
TOTAL		**19,460.03**		**16,334.66**

SCHEDULE - 22

INCREASE IN STOCKS (FINISHED GOODS)

	2002-03	2001-02
Closing Stock	**1,529.87**	1,318.54
Opening Stock	**1,318.54**	1,316.29
NET INCREASE IN STOCK	**211.33**	**2.25**

(Rupees in million)

	2002-03	2001-02

SCHEDULE - 23

PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE

	2002-03	2001-02
Royalty	**30,001.51**	25,141.70
Cess	**42,090.32**	22,436.70
Natural Calamity Contingent Duty	**98.17**	0.00
Excise Duty	**291.80**	136.16
Sales Tax	**12,560.67**	7,714.42
Octroi and Port Trust Charges	**2,678.60**	1,226.70
Staff Expenditure	**9,876.19**	6,835.99
Workover Operations	**6,041.93**	6,784.10
Water Injection, Desalting and Demulsification	**2,035.74**	2,614.60
Consumption of Stores and Spares	**1,846.47**	2,108.04
Pollution Control	**2,750.70**	2,423.84
Transport Expenses	**1,668.95**	1,503.33
Insurance	**1,209.08**	507.46
Power and Fuel	**1,220.62**	1,442.61
Repairs and Maintenance	**1,995.11**	1,726.72
Contractual payments including Hire charges etc.	**2,348.55**	2,449.65
Other Production Expenditure	**2,469.60**	1,944.95
Transportation and Freight	**5,451.54**	4,950.73
Research and Development	**854.68**	708.97
Other Expenditure including Overheads	**10,471.28**	10,258.33
TOTAL	**137,961.51**	**102,915.00**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 22 of Schedule 30.

(Rupees in million)

		2002-03		2001-02

SCHEDULE - 24

RECOUPED COSTS

		2002-03		2001-02
Survey		**6,705.34**		4,405.84
Dry Wells				
During the year	**10,375.71**		10,294.45	
Less: Written back	**900.29**	**9,475.42**	472.24	9,822.21
Depletion		**17,497.34**		15,960.71
Depreciation	**19,537.80**		19,707.85	
(Refer Note 4 of Schedule 30)				
Less : Allocated to :				
Survey	**712.05**		369.98	
Exploratory Drilling	**1,590.01**		1,748.01	
Development	**9,586.56**		9,724.37	
Others	**54.72**		0.19	
	11,943.34	**7,594.46**	11,842.55	7,865.30
TOTAL		**41,272.56**		**38,054.06**

SCHEDULE - 25

INTEREST AND EXCHANGE FLUCTUATION

	2002-03	2001-02
A. INTEREST ON :		
i) Fixed Loans		
From Oil Industry Development Board	**55.60**	65.20
Foreign Currency Loans	**367.52**	1,756.26
Foreign Deferred Credits	**0.00**	31.76
ii) Others		
Cash Credit	**43.49**	17.33
Others	**75.22**	192.61
Sub-Total	**541.83**	2,063.16
B. GUARANTEE AND COMMITMENT FEES	**590.13**	314.93
C. EXCHANGE FLUCTUATION		
Exchange Variation for the Year	**668.42**	1,073.14
Less : Capitalised	**334.48**	603.83
Sub-Total	**333.94**	469.31
TOTAL	**1,465.90**	**2,847.40**

(Rupees in million)

	2002-03	2001-02
SCHEDULE - 26		
PROVISIONS AND WRITE-OFFS		
PROVISIONS		
Provision for Doubtful Debts	**138.32**	16.95
Provision for Doubtful Claims/Advances	**1,763.14**	(142.99)
Provision for Abandonment (Refer Note 3 of Schedule 30)	**19,125.81**	2,332.80
Provision for Impairment	**161.98**	247.21
Provision against Non-Moving Inventories & Others	**56.43**	577.15
Excess Provisions Written Back	**(367.28)**	(74.81)
Excess Liabilities Written Back	**(71.20)**	(179.65)
Sub-Total	**20,807.20**	2,776.66
WRITE-OFFS		
Loss on Disposal/Condemnation of Fixed Assets (Net)	**25.08**	66.65
Claims/Advances Written Off	**0.17**	174.78
Inventories Written Off	**74.10**	255.63
Other Write Offs	**5.79**	0.00
Sub-Total	**105.14**	497.06
TOTAL	**20,912.34**	**3,273.72**

SCHEDULE - 27

ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)

	2002-03	2001-02
Statutory levies*	**0.19**	(0.97)
Other production expenditure*	**(135.72)**	(202.74)
Interest	**(0.03)**	90.99
Exchange Fluctuation	**(143.02)**	0.00
Depletion	**0.00**	(323.04)
Depreciation	**4.62**	420.74
Total Debit	**(273.96)**	(15.02)
Sales	**0.00**	40.31
Interest	**117.63**	0.08
Other Income	**14.87**	0.00
Total Credit	**132.50**	40.39
Net Debit/(Credit)	**(406.46)**	**(55.41)**

* The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 22 of Schedule 30.

(Amount in Rupees)

	2002-03	2001-02
SCHEDULE - 28		
EARNINGS PER EQUITY SHARE		
Basic & Diluted earnings per equity share (Face Value Rs. 10/-Per Share)	**73.84**	43.47

Earnings per equity share has been computed by dividing the net profit after taxation of Rs. 105,293.22 million (Previous year Rs. 61,978.71 million) by number of equity shares of 1425933992 (Previous year 1425933992).

SCHEDULE - 29

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Conventions:

The financial statements are prepared under the historical cost conventions in accordance with generally accepted accounting principles (GAAP) and provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

2. Exploration and Development Costs:

Corporation generally follows the "Successful Efforts Method" of accounting for oil and gas exploration and production activities as explained below :

(i) Survey Costs are expensed in the year in which these are incurred.

(ii) Cost of successful/undecided exploratory wells (except for more than three years as explained in the immediately succeeding paragraph) is carried as exploratory wells in progress till the time producing property is created or is expensed in the year when determined to be dry, as the case may be.

(iii) All wells appearing as "exploratory wells in progress" which are more than three years old are charged to Profit and Loss Account except those wells where, there is activity in progress. Such wells, if any, are written back on commencement of commercial production.

(iv) Producing properties are created in respect of areas when commercial production commences.

(v) Cost of temporary occupation of land, successful exploratory wells, development wells and all related development costs including depreciation on support equipment and facilities are capitalised and reflected as producing properties.

(vi) Producing properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to the area covered by individual lease/licence/ amortization base by considering the developed hydrocarbon reserves and related capital costs incurred. Hydrocarbon reserves are estimated annually by the Reserve Estimates Committee of the Corporation, which follows the International Reservoir Engineering Procedures.

(vii) Project, Regional and Headquarters overheads are charged to Profit and Loss Account.

3. Impairment:

(i) Impairment loss is determined on a global basis and adjusted for in the carrying cost of producing properties.

(ii) Provision for impairment to producing properties is made with reference to shortfall in the market value of proved developed reserves at the year end /average prices for the year and attributable future estimated costs at current levels over its book value on individual lease/license/amortization base. The proved developed hydrocarbon reserves are as estimated by the Reserve Estimates Committee of the Corporation. However, provision for impairment being carried forward, will be reviewed for write back, if any, after three years from the year of provision in respect of individual lease/ license / amortization base.

4. Abandonment Costs:

(i) Costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities are provided for on the basis of unit of production method, based on the latest technical assessment available with the Corporation.

(ii) Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred.

5. Joint Ventures:

The Corporation has entered into Joint Ventures in the nature of Production Sharing Agreements with the Government of India and various bodies corporate for development and production activities.

(i) The financial statements reflect the share of the Corporation's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for according to the participating interest of the

Corporation as per the various Joint Venture Agreements on a line by line basis alongwith similar items in the Corporation's financial statements, except in cases of abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Corporation.

(ii) Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Corporation's books as producing property/exploratory wells in progress. Adjustment is made to the uncompensated cost for impairment, if any, on the basis of annual ceiling test (without discounting).

(iii) The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Corporation.

6. Fixed Assets:

(i) Fixed assets are stated at historical cost. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.

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

7. Depreciation:

(i) Depreciation on fixed assets is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956 except on fixed assets with 100% rate of depreciation which are fully depreciated in the year of addition.

(ii) Leasehold land is amortised over the lease period.

(iii) Depreciation on adjustments to fixed assets on account of exchange differences and price variation is provided prospectively over the remaining useful life of such asset.

(iv) Depreciation on fixed assets used for exploration and drilling activities and on facilities is initially capitalised as part of exploration or development costs and amortised/depleted as stated in policy 2 above.

8. Inventories:

(i) Crude oil in saleable condition, Liquified Petroleum Gas, Natural Gasoline, Ethane - Propane, Aromatic Rich Naphtha, Superior Kerosene Oil and Heavy Cut, High Speed Diesel, stocks in pipelines/tanks are valued at cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty wherever applicable.

(ii) Natural gas in pipeline and crude stock in flow lines and Group Gathering Station is not valued.

(iii) Inventory of stores and spare parts is valued at Weighted Average Cost.

(iv) Capital items are valued at cost of their acquisition.

(v) Unserviceable items, when determined are valued at estimated net realisable value.

9. Investments:

(i) Long-term investments (except PSU Bonds) are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

(ii) PSU Bonds are carried at lower of face value or cost. Diminution in their carrying value with reference to the market value is not recognised since these are intended to be held till maturity.

10. Foreign Currency Transactions:

(i) Foreign exchange transactions relating to purchase of fixed assets, goods and services are accounted for at the exchange rates ruling on the date of transaction.

(ii) Foreign Currency loans/deferred credits outstanding at the end of the year and bank balances held abroad are translated at the mean exchange rate prevailing on the last day of the financial year. Losses or gains relating to the loans/deferred credits utilised for acquisition of fixed assets are adjusted to the carrying cost of the relevant assets. Losses or gains due to exchange fluctuations relating to other loans/deferred credits are considered in the Profit and Loss Account.

11. Revenue Recognition:

(i) Revenue from sale of products is recognised on transfer of custody to customers.

(ii) Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.

(iii) Sales are inclusive of all statutory levies. Any retrospective revision in prices is accounted for in the year of such revision.

(iv) 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 realizations from customers.

12. Retirement Benefits:

(i) Contribution to Provident Fund is made as per the rules of the Corporation. The same is paid to a fund administered through a separate Trust.

(ii) Provision for gratuity is made as per actuarial valuation at the end of the financial year. The same is paid to a fund administered through a separate Trust.

(iii) Provision towards leave encashment is made on the basis of actuarial valuation as at the end of the financial year.

13. Insurance claims:

Insurance claims in respect of total loss of assets are accounted for on intimation to the Insurer. In respect of other claims, expenditure incurred to put an asset back to use, less policy deductibles, if any, is accounted for as recoverable from the Insurer. Such policy deductibles are expensed in the year when incurred.

14. Research and Development:

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged when incurred.

15. Rig Days Costs:

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

16. Deferred Revenue Expenditure:

Dry docking charges of MSVs(Multipurpose Supply Vessels), rigs, unallocated capital and other expenditure are considered as deferred revenue expenditure to be amortised over a period of three to five years.

17. Borrowing Costs:

Borrowing Costs that are specifically identified to the acquisition or construction of qualifying assets are capitalised 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.

SCHEDULE - 30

NOTES TO THE ACCOUNTS

1. (a) Pursuant to the decisions contained in the Government of India Resolution No. P-20012/29/97-PP dated 21st November 1997 on phased dismantling of APM, Government vide Resolution No.P-20029/22/2001-PP dated 28th March 2002, decided that price of indigenous crude oil (other than that produced under PSCs/NELP), would be market determined w.e.f. 1st April 2002. Accordingly, revenue from sale of crude oil is based on agreed prices with the customers except for Hindustan Petroleum Corporation Ltd. (HPCL) amounting to Rs. 37235.30 million which is based on the draft MOUs proposed by HPCL. With effect from 01.04.2002, the price of crude oil is inclusive of pipeline transportation charges.

   (b) During the year, Petroleum Planning & Analysis Cell (PPAC) conveyed approval of the Ministry of Petroleum and Natural Gas (MoP&NG) to ONGC's proposals pertaining to APM period (upto 31st March 2002) recognized as follows:-

	Description	Schedule	Rupees in million
i)	Revision of retention price of LPG and NGL, ex-Hazira and ex-Uran for the periods 1993-96 and 1996-98	19	503.42
ii)	Reimbursement of net differential amount on fixation of final rate of royalty of Rs. 539.20 /MT for the period 1993-96 and provisional "on account" rate of Rs. 595 /MT for the period 1996-98 in respect of crude oil including applicable Sales Tax and Octroi	19	857.91
iii)	Reimbursement of Sales Tax and Octroi on fixation of final crude oil price of Rs. 1796/MT for the period 1993-96 and provisional "on account" price of Rs. 2094/MT for the period 1996-98	19	206.48
	Sub-Total - Included as Price Revision Arrears		**1567.81**
iv)	Revision of crude oil pipeline transportation margins in respect of Western Region and Southern Region for the years 1998-99 to 2001-02 and that in respect of Eastern Region and Mumbai Offshore for the year 2001-02	20	**453.68**
v)	Reimbursement of cost of Pour Point Depressant (PPD) in respect of Mumbai Offshore crude pipeline for the period 1998-99 to 2001-02 taken to other income	21	**1822.76**
vi)	Reimbursement of Oil Handling and Transfer Service Charges for transportation of KG crude to HPCL through ocean tankers for the period January 1999 to March 2002	21	116.73
vii)	Reimbursement of Crude Oil Price Equalization Claim	21	24.22
viii)	Reimbursement of Long Term Settlement (LTS) arrears allocated to LPG and NGL extraction plants and crude oil pipelines for the period from 1st January 1991 to 31st March 1993	21	41.81
	Sub-Total - Taken to Other Income		**182.76**

2. The Net Deferred Tax Liability as at 31st March, 2003 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(Rs.in million)

	As on 31.03.2003	As on 31.03.2002
(i) Liabilities		
Depletion of Producing Properties	60,641.29	59,636.95
Depreciation Allocated to Wells in Progress	519.42	533.03
Deferred Revenue Expenditure written off	466.50	757.52
Total (i)	**61,627.21**	**60,927.50**
(ii) Assets		
Depreciation	1,439.34	1,669.41
Dry wells written off	4,453.59	3,481.29
Provision for Non Moving Inventories	832.62	978.53
Provision for Doubtful Claims/Advances	1,256.11	717.57
Provision for Abandonment	317.04	69.42
Provision for Leave Encashment	837.39	400.01
Others	142.67	140.69
Total (ii)	**9,278.76**	**7,456.92**
Net Liability (i-ii)	**52,348.45**	**53,470.58**

Net Deferred Tax Credit for the year amounting to Rs. 1122.13 million has been credited to Profit and Loss Account for the year.

3. The accounting policy on provision for abandonment costs was formulated and implemented for the first time by the Corporation during the year 1999-2000 and accordingly, from the year 1999-2000 onwards, the estimated abandonment costs relating to dismantling, abandoning and restoring offshore well sites, which are likely to be abandoned during next fifteen years were being provided for equally over the remaining useful life of such properties, based on the latest technical assessment available with the Corporation. However, this policy was to be reviewed after three years based on the technical estimates / reports.

   Accordingly, the Corporation has reviewed the policy during the current year and has decided to provide for the estimated abandonment costs in respect of offshore structures and allied facilities on the basis of Unit of Production Method w.e.f. 1999-2000 when the original policy for recognizing such costs was formulated. A sum of Rs. 19125.81 million has been provided for as the provision for abandonment costs during the year, which includes Rs. 12602.50 million for earlier years. The said change in the Accounting Policy has resulted in reducing the profit for the year by Rs. 17000.70 million and increasing the provisions by the same amount.

4. As mentioned in the Accounting Policy No. 2 and 7, depreciation on fixed assets for the year amounting to Rs. 11943.34 million (Previous year Rs. 11842.55 million) has been allocated to survey, exploratory wells in progress and producing properties etc. which is amortised/depleted alongwith the other expenses and this amount is not taken into consideration for the purpose of Section 205 of the Companies Act, 1956 in relation to the proposed dividend for the year. Exemption for the year 2001-02 was granted by the Department of Company Affairs and a similar exemption for the year 2002-03 has been applied for.

5. The Institute of Chartered Accountants of India has issued a guidance note on Accounting for Oil and Gas Producing Activities during the month of March 2003. The Corporation intends to follow the same from the Financial Year 2003-04.

6. The Corporation has acquired majority equity stake of 51.25% in Mangalore Refinery and Petrochemicals Ltd. (MRPL) by acquisition of 37.38% equity, i.e. 29,71,53,518 equity shares of Rs. 10 each @ Rs. 2 per share amounting to Rs. 594.30 million on 03.03.2003 and has infused additional amount of Rs. 6000 million on 30.03.2003 on allotment of 60,00,00,000 equity shares of Rs. 10 each on preferential basis as a part of debt- restructuring package (DRP). By virtue of this investment, MRPL has become a Subsidiary of the Corporation, during the year.

7. (a) Loans and Advances (Schedule-14) includes:

(Rs. in million)

Particulars	**Loans & Advances in the Nature of Loans**	
	Outstanding as on 31.03.2003	**Maximum Amount Outstanding during the Year**
Subsidiaries		
ONGC Videsh Limited (OVL) - Wholly owned subsidiary	68925.06	68925.06
Mangalore Refinery & Petrochemicals Limited (MRPL)	3150.00	3150.00
Loans to employees having repayment schedule of more than seven years	7208.81	7208.81

Notes 1. Loans to ONGC Videsh Limited - fully owned subsidiary are interest free and repayable within a notice period of minimum one year.

2. Working capital advance to M/s MRPL carries interest at SBI Prime Lending Rate repayable on demand.

3. The Corporation has not advanced any money to the employees for the purposes of investment in the securities of the Corporation.

8. Inventories include stores and spare parts and capital stores amounting to Rs 1693.27 million and Rs 621.47 million respectively (Previous year Rs. 1854.60 million and Rs. 794.77 million respectively), which have not moved for two years or more. Provision has been made against such items to the extent of 95% of their carrying cost amounting to Rs. 2199.00 million (Previous year Rs. 2397.68 million).

9. Materials-in-transit, Capital items-in-transit and Fixed assets-in-transit (net) include Rs 73.28 million, Rs. 35.72 million and Rs. 5.52 million respectively (Previous year Rs. 154.70 million, Rs. 86.34 million and Rs. 62.22 million respectively) pending adjustment for over one year. The same is under continuous review by the management. Appropriate accounting adjustments are being carried out based on the results of such review.

10. Joint Venture Accounting:

(a) The Corporation has entered into Production Sharing Contracts in respect of certain properties with the Government of India and some bodies corporate. These joint ventures are:

	Joint Ventures	Participating Interest of ONGC
i)	Ravva	40%
ii)	Mukta/Panna	40%
iii)	Mid/south Tapti	40%
iv)	Pondicherry Offshore(PY-3)	40%
v)	Cambay (CB-OS-1)	10%
vi)	Cambay (CB-OS-2)	40%
vii)	Gulf of Kutch (GK-OSJ-1) and GK-OSJ-3	25%
viii)	Mumbai Offshore MB-OSN-97/4	70%
ix)	Mahanadi Offshore MN-OSN-97/3	85%
x)	Ganga Valley Onshore GV-ONN-97/1	70%
xi)	GS-DWN-2000/2	85%
xii)	KK-DWN-2000/2	85%
xiii)	MB-DWN-2000/1	85%
xiv)	MB-DWN-2000/2	50%
xv)	MB-OSN-2000/1	75%
xvi)	MN-OSN-2000/2	40%
xvii)	MN-ONN-2000/1	20%

xviii)	WB-OSN-2000/1	85%
xix)	WB-ONN-2000/1	85%
xx)	GV-ONN-2000/1	85%
xxi)	CY-DWN-2001/1	80%
xxii)	KG-DWN 98/4	85%
xxiii)	NK-CBM-2000/1/1	80%
xxiv)	BK-CBM-2000/1/1	80%
xxv)	JHARIA	90%
xxvi)	RANIGANJ	74%

(b) In the year 2001-02, where unaudited figures were incorporated, necessary adjustments have been carried out with reference to the audited figures of 2001-02 in the current year.

(c) In respect of 17 (Previous year 15) joint ventures, the figures incorporated are on the basis of unaudited accounts.

11. The Corporation had sent a withdrawal notice in the year 2001-02 from participation in Petroleum India International (PII) in terms of para 5.2 of MOU w.e.f.10th July 2001. Accordingly, the contribution towards seed capital of Rs. 0.50 million was transferred from "Investment" to "Loans & Advances". Pending final settlement of accounts with PII, no accounting effects have been considered towards Corporation's proportionate share in respect of profit/loss since the date of cessation of participation interest in PII. Adjustment in respect of the above as well as for obligations and commitments, if any, and amount receivable by the Corporation will be carried out on settlement of accounts.

12. In respect of sundry debtors amounting to Rs. 2109.40 million (Previous year Rs. 2118.82 million) which are overdue, the management is of the opinion that the amount is realizable.

13. The Corporation is in the process of reconciling the following accounts. Adjustments required in the books of account, the amount of which is currently unascertainable, will be carried out in due course.

(a) Physical inventory of stores and spare parts and stores ledger and general ledger balances.

(b) Physical inventory of fixed assets with the asset register and corresponding general ledger balances.

The Corporation has perpetual verification system where all the stocks, fixed assets and capital stores are verified at regular intervals and accounting adjustments are carried out after examination of these differences.

(c) Certain sub-ledger accounts including advances to suppliers with control accounts and general ledger balances.

14. Balance confirmation in respect of some of the debtors and creditors are awaited.

15. Producing Properties (Schedule - 7) includes an amount of Rs. 832.80 million in respect of an offshore field, which has been offered for Production Sharing Contract (PSC) to a consortium where Corporation holds 40% interest. PSC for the same is yet to be signed. Pending finalization of PSC, no adjustment has been made in the books of Account.

16. Miscellaneous receipts include a sum of Rs. 691.94 million on account of Insurance Claim as full and final settlement of unrepaired damages in respect of BHF Platform.

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

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

a) Name of Joint ventures with whom the company has entered into the transactions during the year: -

i) Ravva Joint Venture
ii) PY-3 Joint Venture
iii) Panna Mukta & Tapti Joint Venture
iv) GK-OSJ-1
v) GK-OSJ-3
vi) CB-OS-1
vii) CB-OS-2

b) Key Management Personnel :-

1. Shri Subir Raha
2. Shri Jauhari Lal
3. Shri R. C. Gourh
4. Shri Y. B. Sinha
5. Shri V. K. Sharma
6. Shri Nathu Lal
7. Shri R.S.Sharma.
8. Shri Atul Chandra
9. Shri G. S. Dutt
10 Shri J. M. Mauskar
11. Dr.Surajit Mitra
12. Smt R. D. Barkataki
13. Shri J. Jayaraman
14. Dr. K. R. S Murthy
15. Shri Jawahar Vadivelu
16. Shri P. Sugavanam
17. Shri N.K.Nayyar

c) Details of Transactions :-

(Rs. in million)

	Joint Ventures	**Key Management Personnel**	**Total**
Payment Towards Helicopter Charges	Nil (1.28)	Nil	Nil (1.28)
Receipt on Account of Lab Testing	0.15 (0.07)	Nil	0.15 (0.07)
Amount Paid/ Payable for Oil Transfer Services	16.01 (17.69)	Nil	16.01 (17.69)
Amount received for use of Drill Site Accommodation	12.18 (12.06)	Nil	12.18 (12.06)
Receipt towards Transportation and Processing Charges	708.41 (672.20)	Nil	708.41 (672.20)
Remuneration/Sitting Fees		5.77 (5.84)	5.77 (5.84)
Contribution towards share of expenditure	5484.89		5484.89
Amount Outstanding as on 31.03.2003	59.58 (57.80)	0.27 (0.27)	59.85 (58.07)

19. The dues to Small Scale Industrial Undertakings have been disclosed based on the information available with the Corporation in this regard. The following amounts were outstanding to Small-Scale Industrial Undertakings due for more than 30 days.

		(Rs. in million)
1.	Laxmi Udyog	0.08
2.	Khalsa Oil field	0.13
3.	Emcon industries	0.40
4.	Mahalaxmi Ind.	0.02
5.	Champalal Sohanlal	0.07
6.	Howrah Cottage	0.03
7.	SPR Ind.	1.00
8.	Kakoti Eng.	1.56
9.	SIGMA	0.18
10.	Kamrup Minerals	0.05
11.	3033 Specilities	0.34
12.	ISRO Products	0.05

	(Rs. in million)
13. Laxmi Udyog	0.03
14. Shardda Associates	0.05
15. Shardda Associates`	0.09
16. Shreeraj Industries	0.05
17. Tarak Chemicals Ltd.	0.28
18. New Age Industries	0.08
19. United Cable Industries	0.38
20. Forward Alloys & castings	0.01

20. Capital commitments (net of advances) not provided for

a) in respect of Joint Ventures Rs. nil (Previous year Rs. 34.39 million)

b) in respect of others Rs. 12373.26. million (Previous year Rs. 15847.84 million)

21. Contingent Liabilities:

(a) Claims against the Corporation not acknowledged as debts

1. in respect of Joint Ventures Rs. 10591.96 million (Previous year Rs. 7706.76 million)

2. in respect of others Rs. 33607.24 million (Previous year Rs. 29610.67 million) which broadly includes;

i. Income tax not acknowledged as debt Rs. 3808.15 million (Previous year Rs. 6732.39 million).

- Income tax demand of Rs. 1223.97 million (Previous year Rs. 3158.16 million) relating to assessment year 1995-96 which has arisen mainly due to disallowance of exchange loss (on foreign currency borrowings) on accrual basis and also on account of reduction of carry forward business loss from assessment year 1994-95. The matter is under appeal before the Income-tax Appellate Tribunal.

- Income-tax demand of Rs. 569.32 million (Previous year Rs. 569.32 million) relating to assessment year 1996-97 which has arisen mainly due to disallowance of exemption of interest on tax free PSU Bonds and also due to wipe off of the carry forward business loss from assessment year 1995-96. The matter is under appeal before the Income-tax Appellate Tribunal.

- Income-tax demand of Rs. 97.93 million (Previous year Rs. 97.93 million) relating to assessment year 1997-98 which has arisen due to levy of interest under section 234C. The waiver petition is pending before the Chief Commissioner of Income-tax.

- Income tax demand of Rs. 379.24 million (previous year Rs. Nil) relating to assessment year 1999-2000 which has arisen mainly due to disallowance of exemption of interest on tax free PSU Bonds, disallowance of 60% of Royalty & Cess for PY-3 Joint Venture and taxability of interest on Oil Bonds. The matter is under appeal before the Commissioner of Income Tax (Appeals).

- Income tax demand of Rs. 1537.69 million (previous year Rs. Nil) relating to assessment year 2000-01 which has arisen mainly due to disallowance of exemption of interest on tax free PSU Bonds, disallowance of Exchange Loss (on Foreign Currency Borrowings) on accrual basis, disallowance of 60% of Royalty & Cess for PY-3 Joint Venture and disallowance of Project Overheads. The matter is under appeal before the Commissioner of Income Tax (Appeals).

ii. Rs. 1981.25 million (Previous year Rs. 226.43 million): Excise Duty demand on lean gas and natural gasoline in respect of which appeals are pending before Committee of Secretaries/CEGAT.

iii. Rs. 210.03 million (Previous year Rs. 238.03 million) pertaining to excise show cause notice on petro products which is pending for adjudication.

iv. Rs.14510.98 million (Previous year Rs. 16850.88 million): Claims of contractors pending decision in Arbitration/Courts.

v. Rs. 336.68 million (Previous year Rs. 336.68 million): Octroi on natural gas and Liquified petroleum gas for the period 1st April, 1978 to 31st January, 1993 demanded by Brihan Mumbai Municipal Corporation. The case is pending before Mumbai High Court.

vi. Rs.1471.60 million (Previous year Rs. 1471.60 million) : Being the demand raised by Tamil Nadu State Authorities towards local cess, local cess surcharge and interest thereon for the period 1985-1986 to 4th April, 1991 against which temporary injunction has been granted.

(b) Guarantee given by the Corporation to Oil Industry Development Board on behalf of its wholly owned subsidiary ONGC Videsh Limited Rs. 877.00 million (Previous year Rs. 877.00 million). Balance outstanding as on 31st March, 2003 Rs. 348.88 million (Previous year Rs. 444.75 million).

(c) Guarantees executed by the Corporation in favour of certain banks towards loan facility granted to its wholly owned subsidiary ONGC Videsh Limited, aggregating USD 114.46 million (Previous year USD 114.46 million) equivalent to Rs.5442.57 million (Previous year Rs. 5571.91 million) to part finance development of gas fields at Lan Do and Lan Tay, Vietnam in terms of JOA against which counter guarantee have been given in favour of the Corporation by ONGC Videsh Limited. Out of total sanctioned loan of USD 114.46 million, ONGC Videsh Limited has drawn USD 60.40 million (equivalent to Rs.2872.02 million).

(d) Guarantees executed by the Corporation in favour of M/s Roseneft-S, R N Astra, SMNG-S and Exxon-N on behalf of its wholly owned subsidiary ONGC Videsh Limited to the extent of USD 1741 million (Previous year USD 1741 million) equivalent to Rs. 82784.55 million (Previous year Rs. 84751.88 million) in terms of Assignment and carry finance Agreements in respect of Sakhalin-I Project against which counter guarantee have been issued in favour of the Corporation by ONGC Videsh Limited (OVL). OVL has already made remittances in respect of the said agreement aggregating USD 672.88 million (Rs. 32103.68 million) till the end of the financial year 2002-03 (previous year USD 415.01 million equivalent to Rs. 19634.04 million).

(e) Guarantee executed by the Corporation during the year 2002-03 in favour of Talisman Inc. on behalf of its wholly owned subsidiary ONGC Videsh Limited to the extent of USD 720 million equivalent to Rs.34236 million in terms of the Purchase and Sale Agreement in respect of acquisition of 25% participating interest in Greater Nile Petroleum Project, Sudan. OVL has already acquired the said participating interest with effect from 12 March, 2003 by acquisition of 100% equity of Talisman (Greater Nile) BV, Netherlands, by making closing payment, subject to final adjustments, of USD 668.70 million (Rs. 31963.45 million), ONGC Videsh Limited has received final closing payment demand of USD 19.256 million (equivalent of Rs. 915.62 million) in April 2003.

(f) Guarantees executed by the Corporation in favour of certain banks towards short term loan granted to Petronet LNG Limited (a company which is promoted by the Corporation together with other three Co-promoters) to the extent of Rs. 14000.00 million (Previous year Rs. 11450.00 million), out of which Corporation's share is for Rs. 3500.00 million (Previous year Rs. 2862.50 million).

22. DETAILS OF EXPENDITURE

(Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development)

(Rupees in million)

			2002-03	**2001-02**
(a)	Salaries, Wages, Ex-gratia etc.	**20,852.85**		17,214.35
(b)	Contribution to Provident and other funds	**1,285.42**		1,245.38
(c)	Provision for gratuity	**811.97**		833.16
(d)	Provision for leave encashment	**1,245.73**		1,090.29
(e)	Staff welfare expenses	**1,724.65**	**25,920.62**	1,463.89
	Stores and spares consumed		**11,943.05**	12,167.73
	Cess		**42,092.71**	22,437.84
	Natural Calamity Contingent Duty - Crude Oil		**98.17**	0.00
	Excise duty		**4,914.92**	3,223.79
	Royalty		**30,003.50**	25,144.82
	Sales Tax		**12,561.40**	7,719.22
	Octroi/BPT		**2,683.99**	1,227.14
	Rent, rates and taxes		**699.85**	779.79
	Hire charges of equipments and vehicles		**14,257.54**	9,440.42
	Power, fuel and water charges		**2,234.71**	2,609.19
	Contractual drilling, logging, workover etc.		**11,572.75**	12,493.32
	Contractual security		**1,021.69**	920.52
	Repairs to building		**363.22**	396.41
	Repairs to plant and machinery		**1,466.23**	3,861.89
	Other repairs		**4,352.59**	1,151.19
	Insurance		**2,245.59**	1,148.26
	Miscellaneous expenditure		**6,613.44**	5,173.82
			175,045.97	131,742.42
	Less:			
	Allocated to exploration, development drilling, capital jobs recoverables etc.		**32,607.91**	25,943.50
	Excise duty recovered		**4,612.08**	3,087.63
	Prior Period Adjustment		**(135.53)**	(203.71)
	Production, Transportation, Selling and Distribution Expenditure etc.		**137,961.51**	**102,915.00**

23) INFORMATION UNDER SCHEDULE VI TO THE COMPANIES ACT,1956

i) SALES TURNOVER

		2002-03			2001-02		
	UNIT	Quantity	Rs. in million	Value Rs. in million	Quantity	Rs. in million	Value Rs. in million
Crude Oil	MT	**23904591**	**247,658.82**		22864132	139,102.44	
Less: From Exploratory fields		**1331**	**13.78**		1152	6.66	
Less: Adventitious Gain/ Profit Oil surrendered			**3,514.10**	**244,130.94**		1,980.67	137,115.11
Natural Gas	000M3	**21109575**	**50,759.33**		20446038	49,473.51	
Less: From Exploratory fields			**0.00**		11481	27.34	
Less: Profit Oil surrendered			**772.82**	**49,986.51**		0.00	49,446.17
Liquefied Petroleum Gas	MT	**1197878**		**19,087.34**	1157124		11,472.65
Natural Gasoline/Naphtha	MT	**364868**		**4,905.79**	313575		3,546.05
Ethane/Propane	MT	**619091**		**5,836.83**	527630		4,081.88
Aromatic Rich Naphtha	MT	**1276839**		**17,128.83**	1367232		15,236.15
Superior Kerosene Oil	MT	**233716**		**3,188.57**	231053		1,731.31
Heavy Cut	MT	**35764**		**511.39**	34854		496.05
LSHS	MT	**27470**		**325.00**	5973		51.31
HSD	MT	**5027**		**80.33**			
Others				**158.03**			177.78
				345,339.56			223,354.46
Price Revision Arrears				**1,567.81**			5,017.36
				346,907.37			**228,371.82**

ii) OPENING AND CLOSING STOCK OF GOODS PRODUCED

		As at 31st March,2003		As at 31st March,2002	
	UNIT	QUANTITY	VALUE Rs. in million	QUANTITY	VALUE Rs. in million
Opening Stock					
Crude Oil*	MT	**762624**	**1,096.22**	793753	1,113.82
Liquefied Petroleum Gas	MT	**9159**	**17.75**	8069	14.61
Natural Gasoline/Naphtha	MT	**25138**	**85.45**	15866	36.05
Ethane/Propane	MT	**988**	**3.63**	856	3.41
Aromatic Rich Naphtha	MT	**41061**	**93.20**	53081	127.39
Superior Kerosene Oil	MT	**10959**	**13.95**	12362	14.68
Heavy Cut	MT	**746**	**1.53**	2720	5.57
LSHS	MT	**343**	**2.68**		
HSD	MT	**357**	**3.33**		
Others	MT	**995**	**0.80**	510	0.76
			1,318.54		**1,316.29**
Closing Stock					
Crude Oil*	MT	**802015**	**1,127.27**	762624	1,096.22
Liquefied Petroleum Gas	MT	**13842**	**48.76**	9159	17.75
Natural Gasoline/Naphtha	MT	**25685**	**113.82**	25138	85.45
Ethane/Propane	MT	**850**	**3.02**	988	3.63
Aromatic Rich Naphtha	MT	**58468**	**199.60**	41061	93.20
Superior Kerosene Oil	MT	**10165**	**25.71**	10959	13.95
Heavy Cut	MT	**565**	**1.81**	746	1.53
LSHS	MT	**468**	**3.43**	343	2.68
HSD	MT	**900**	**6.19**	357	3.33
Others	MT	**146**	**0.26**	995	0.80
			1,529.87		**1,318.54**

*Includes Corporation's share in Stock of Joint Venture Projects.

iii) LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION (CAPACITY AS CERTIFIED BY THE MANAGEMENT)

	UNIT	2002-03		2001-02	
		Installed Capacity Per Annum	Actual Production Quantity	Installed Capacity Per Annum	Actual Production Quantity
Crude Oil	MT	**Not applicable**	**27573872**	Not applicable	26295215
Natural Gas	000M3	**Not applicable**	**26000034**	Not applicable	25419828
Liquefied Petroleum Gas	MT	**1111000**	**1203667**	1111000	1158214
Natural Gasoline/Naphtha	MT	**2040000**	**366668**	2040000	333213
Ethane/Propane	MT	**570000**	**618953**	570000	527762
Aromatic Rich Naphtha	MT	**771715**	**1294264**	771715	1355217
Superior Kerosene Oil	MT	**302320**	**232922**	302320	230227
Heavy Cut	MT	**32965**	**35598**	32965	38298
LSHS	MT	**20000**	**27595**	20000	6316
HSD	MT	**12000**	**17279**	12000	3182

1. Licensed Capacity is not applicable for the above products.
2. Production includes internal consumption and intermediary losses.
3. Crude Oil includes condensate 2.246 MMT (Previous year 2.305 MMT).
4. NGL production excludes 1546315 MT (Previous year 1621275 MT) used for fractionation for producing SKO, ARN and Heavy Cut.

iv) RAW MATERIALS CONSUMED (Out of Own Production)

	UNIT	2002-03		2001-02	
		Quantity	Value At Cost Rs. in million	Quantity	Value At Cost Rs. in million
(For production of Liquefied Petroleum Gas, Natural Gasoline, Ethane/Propane ARN and SKO)					
Crude Oil	MT	92414	**44.54**	16972	10.94
Natural Gas	000M3	822066	**1,143.40**	998210	1,400.10
Gas Equivalent Condensate	000M3	648698	**488.00**	665741	503.42

v) CONSUMPTION OF STORES AND SPARE PARTS

	2002-03		2001-02	
	Amount Rs. in million	%	Amount Rs. in million	%
Imported	**3187.69**	**27**	3,572.95	29
Indigenous	**8755.36**	**73**	8,594.78	71
	11943.05	**100**	**12,167.73**	**100**

vi) VALUE OF IMPORTS ON CIF BASIS

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
Capital items*	**5,459.71**	5,378.14
Stores and Spare Parts	**3,721.66**	5,699.06
	9,181.37	**11,077.20**

*Includes stage payments made against capital works.

vii) EXPENDITURE IN FOREIGN CURRENCY

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
Interest	**367.52**	1,788.01
Services	**14,779.20**	10,536.50
Others	**6,283.88**	9,974.86
	21,430.60	**22,299.37**

viii) EARNINGS IN FOREIGN CURRENCY

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
Interest	**0.08**	0.58
Services	**3.06**	0.94
FOB value of Sales	**1,208.89**	974.26
Others	**379.98**	89.70
	1,592.01	**1,065.48**

ix) MANAGERIAL REMUNERATION (included in 22 above)

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Salaries and Allowances	**3.77**	3.63
Contribution to Provident & Other Funds	**0.43**	0.40
Sitting Fees	**0.59**	0.48
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)	**0.98**	0.62
Leave Encashment and Gratuity of retired directors	**0.00**	1.10
	5.77	**6.23**

Notes:

(1) The remuneration does not include provision for gratuity/leave encashment since the same is not available for individual employees except for directors retired during the year.

x) AUDITORS' REMUNERATION (included in 22 above)

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
Audit Fees	**3.24**	3.00
For Certification work etc.	**3.38**	1.05
Travelling and Out of Pocket Expenses	**3.54**	2.75
	10.16	**6.80**

24. Previous year's figures have been regrouped/reclassified wherever necessary to conform to current year's classification.
25. Figures in the accounts are stated in Rs. Million except those in paranthesis which would otherwise have become Nil on account of rounding off.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

		Year Ended 31st March, 2003		Year Ended 31st March, 2002
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		**160,831.91**		98,496.80
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	**41,272.56**		38,054.06	
Cash Outflows	**(12,233.65)**		(10,240.70)	
	29,038.91		27,813.36	
– Interest on Borrowings	**541.83**		2,378.09	
– Foreign Exchange Loss	**101.54**		161.87	
– Provision for Gratuity	**811.97**		651.77	
– Provision for Leave Encashment	**676.62**		342.57	
– Provision for Abandonment	**19,125.81**		2,332.80	
– Provision for Impairment	**161.99**		247.21	
– Other Provision and Write offs	**1,624.55**		693.71	
– Interest Income	**(11,661.17)**		(9,289.04)	
– Share of Profit on Investment in Partnership Firm	**0.00**		2.25	
– Deffered Government Grant	**(14.50)**		(4.36)	
– Dividend Received	**(1,537.96)**	**38,869.59**	(854.10)	24,476.13
Operating Profit before Working Capital Changes		**199,701.50**		122,972.93
Adjustments for:-				
– Debtors	**(16,974.62)**		(5,192.92)	
– Loans and Advances	**(4,380.15)**		(5,974.98)	
– Other Assets	**(207.05)**		(35.63)	
– Defferred Revenue Expenditure	**789.96**		(468.25)	
– Inventories	**(1,258.17)**		587.51	
– Trade Payable and Other Liabilities	**(245.40)**	**(22,275.43)**	3,956.60	(7,127.67)
Cash generated from Operations		**177,426.07**		115,845.26
Direct Taxes Paid (Net of tax refund)		**(48,321.99)**		(34,531.04)
Cash Flow before prior period		**129,104.08**		81,314.22
Prior period items		**406.46**		153.12
Net Cash Flow from Operating Activities 'A'		**129,510.54**		**81,467.34**

(Rupees in million)

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	**(19,869.40)**	(15,982.06)
Exploratory and Development Drilling	**(17,979.79)**	(12,627.93)
Purchase of Investment	**0.00**	(15.05)
Acquisition of Subsidiary	**(6,594.30)**	0.00
Loans and advances to Subsidiary	**(50,864.07)**	(21,134.04)
(Deposit)/Maturity with PSU's	**2,330.00**	22,370.00
Sale/Maturity/Redemption of Investments	**0.01**	0.01
Dividend Received from Trade Investments	**1,441.80**	837.56
Dividend Received from Associates	**96.16**	16.54
Interest Received	**14,179.86**	8,221.15
Net Cash Flow from Investing Activities 'B'	**(77,259.73)**	**(18,313.82)**
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	**0.00**	0.01
Proceeds from Government Grants	**42.21**	6.68
Proceeds from Long Term Borrowings	**0.00**	1,736.67
Repayment of Long Term Borrowings	**(26,841.31)**	(13,956.37)
Cash Credit Advance	**(351.76)**	1,841.30
Dividend Paid	**(44,173.52)**	(15,680.51)
Tax on Dividend	**0.00**	(1,599.90)
Interest Paid	**(791.58)**	(2,651.46)
Net Cash Flow from Financing Activities 'C'	**(72,115.96)**	**(30,303.58)**
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**(19,865.15)**	**32,849.94**
Cash and Cash Equivalents as at 1st April, 2002 (Opening Balance)	**80,955.32**	**48,105.38**
Cash and Cash Equivalents as at 31st March, 2003 (Closing Balance)	**61,090.17**	**80,995.32**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/ decrease in Capital Creditors. The impact of the above is not readily ascertainable.

3. Cash and Cash equivalents represent:-

(Rupees in million)

	2002-2003	2001-2002
a) Cash and Bank Balances (Schedule 13)	**61,090.17**	55,455.32
b) Deposits with Financial Institutions (Schedule 14)	**0.00**	25,500.00

4. Bracket indicates cash outflow.

5. Previous years figures have been regrouped wherever necessary to conform to current year's classification.

for and on behalf of the Board

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

New Delhi
June 23, 2003

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	55-54155	State Code	55
Balance Sheet Date	31-03-2003		

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

Public Issue	Right Issue
–	–

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

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

Total Liabilities	Total Assets
417740333	417740333

Source of Funds

Paid-up Capital	Reserves & Surplus
14259268	343130319

Secured Loans	Unsecured Loans
–	8002292

Deferred Tax Liability
52348454

Application of Funds

Net fixed Assets	Investments
248368930	39825917

Net Current Assets	Misc. Expenditure
128237822	1307664

Accumulated Losses
–

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

Turnover(Gross Revenue)	Total Expenditure
362152418	200914053
Profit /(Loss) Before Tax	**Profit /(Loss) After Tax**
161238365	105293219
Earning per Share in Rs.	**Dividend Rate %**
73.84	300

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

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

Vijay Poddar
Company Secretary

R. S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

New Delhi
June 23, 2003

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

Name of the Subsidiary Company	ONGC Videsh Limited	Mangalore Refinery and Petrochemicals Limited
1. The Financial Year of the Subsidiary Company ended on	**31st March, 2003**	**31st March, 2003**
2. Date from which it became Subsidiary Companies	**1st February, 1994**	**30th March, 2003**
3. a) Number of shares held by Oil and Natural Gas Corporation Limited alongwith its nominees in the Subsidiary at the end of the financial year of the Subsidiary Companies.	**3,00,00,000 Equity Shares of Rs. 100/- each**	**89,71,53,518 Equity Shares of Rs. 10/- each**
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies.	**100%**	**51.25%**
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company.		
a) Not dealt with in the Holding Company's accounts:		
i) For the financial year ended 31st March, 2003	**Rs. 589.95 Million**	**Rs. (272.31) Million**
ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries.	**Rs. (212.28) Million**	
b) Dealt with in the Holding Company's accounts:		
i) For the financial year ended 31st March, 2003	—	—
ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries	—	—

Vijay Poddar
Company Secretary

R.S.Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

Place: New Delhi
Dated: June 23, 2003

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Outlook

1.1 The Prime Minister has set an aggressive target of 8% GDP growth in the current 10th plan period (2002-07).

Over 15% of the world's population – the Indian citizenry – is looking forward to continuing improvements in the Quality of Life.

The energy market in India, therefore, offers tremendous opportunities for shared growth and prosperity.

1.2 Price control on crude has been removed effective 1st April 2002, with the visible positive impact on the revenues and profits of your Company.

Hopefully, the substantial under-recoveries, including under-pricing, on Natural Gas production of your Company will be corrected, leading to removal of price control on gas as well; it has been proposed that "new" gas produced by your Company, and even "additional" gas from the fields currently in production, are to be sold at market – determined prices.

Price controls on value-added products of your Company had already been removed effective 1st April 1997, except for LPG cooking gas and Superior Kerosene Oil. Given the implications of the pricing differentials, it is likely that phased dismantling of Administered Pricing on these products will happen sooner than later.

These developments will surely add strengths to your Company, but also bring in the inevitable risk of exposure to the volatility of international prices.

1.3 The mandated requirements for compliance of upgraded quality specifications for transport fuels in a time-bound process, poses a tough challenge before the Indian refining industry. The fact that all crudes produced by your Company, including the crudes sourced by your wholly-owned subsidiary – ONGC Videsh Ltd. – are sweet (low-sulphur), brings in the advantage of premium pricing. More than 80% of the crude produced by your Company is also light (in terms of API gravity), offering higher yield of light – and middle distillates, and therefore, higher net-back to the refiners provided they have the capability to exploit the true potential of ONGC crudes. There is a limitation on your Company as permission to export the crude is not available from the Government. Logically, your Company should be able to extract maximum possible value from the offshore production of sweet and light crudes, while the refineries configured on diesel – maximization, may input cheaper, sour crudes from the neighbourhood. The increasing demand of CNG for transportation is another opportunity for your Company.

2. Forward Integration

2.1 Realizing a dream of many decades, your Company has acquired a refinery – Mangalore Refinery & Petrochemicals Ltd. (MRPL). Your Company holds 72% equity and exclusive management control in this subsidiary. The acquisition cost was about Rs. 1,000 Crore; to build a grass-root refinery of similar capacity and technology, the capital investment will exceed Rs. 10,000 Crore, besides the lead – time in land identification and acquisition, environmental – and other clearances, followed by construction and commissioning. Your Company rescued MRPL from the brink of bankruptcy, and the Company has already been rejuvenated with confidence in the future.

2.2.1 On request from your Company, the Government granted Marketing Rights for Transport Fuels viz. Motor Spirit (Petrol) and High Speed Diesel through some 1100 Retail Outlets. It is proposed to set up these Retail Outlets in States where your Company is operating, and in the hinterland States of MRPL.

2.2.2 Without the opportunity to bid for strategic partnership in Hindustan Petroleum Corporation Ltd. (HPCL), your Company will have to build the retail network, the associated infrastructure for supply & distribution and the marketing organization from the ground up. Considering the market realities, it is planned to develop this new business in a calibrated manner. The first Retail Outlet under the ONGC Brand is proposed to be commissioned this year in Mangalore.

2.3 A comprehensive review of the value potentials in the outputs of the ONGC Group of Companies has been carried out; this has brought out several significant opportunities for extending and consolidating the forward integration. Certain opportunities for reduction in transaction costs within the ONGC Group of Companies have also been identified. These projects are being taken up after technical – and financial due diligence.

3. Exploration & Production

3.1 Your Company continues to discover new pools of Oil & Gas as well as extensions of reservoirs discovered earlier. These discoveries add up to the current trend of positive Reserve Accretion for your Company. The onshore discoveries are being brought into early production while field development goes on. For offshore discoveries, development plans are being processed on fast-track. For example, your Board has already approved the development plan for Vasai East field, discovered in February 2001, to bring the field into production in 2005-06.

3.2 There has been excellent response to the offer for development of 18 onshore marginal/isolated oil and gas fields on 'service contract' basis. The contracts are scheduled to be awarded in the next few weeks. The next offer for development of marginal/isolated offshore oil and gas fields will be launched shortly. With these steps, significant quantities of idle reserves will be monetised at economic costs.

3.3 The thrust for technology upgradation in all activities, especially Exploration, Production and Drilling is being vigorously pursued. Orders have been placed for advanced – technology onshore seismic survey equipment. Your Company's offshore survey vessel "Sagar Sandhani", re-commissioned last year after refit and modernization, is operating efficiently at Western Offshore basin. Procurement of a second offshore survey vessel is in progress. Your Company is launching the biggest – ever offshore survey on the Indian coast this year. The first lot of main-line drilling rigs, after refurbishing and modernisation, has been recommissioned. The delivery of modern work-over rigs, acquired at remarkably attractive prices, begins in September 2003. Two Virtual Reality Centers – "Third Eye Centers" – have been commissioned already, providing a quantum jump in the capability of your Company in Exploration, Drilling, Construction and Production.

3.4 Your Company made the first onshore discovery in 1958, and the first offshore discovery came in 1974. Progressive renewal of production facilities, therefore, is a high priority for your Company, especially in case of offshore platforms and sub-sea pipelines. Plans have been drawn up to decommission offshore platforms in sequence for turn-around overhaul, modernisation and certification. A major investment is being made to lay alternate sub-sea trunk pipeline for Mumbai High to Uran, to ensure reliability and safety. It has been decided to launch a running programme to carry out predictive and preventive maintenance & repair, including replacements as necessary, of the sub – sea pipeline systems.

3.5 "Sagar Samriddhi" ("Prosperity from the Seas")

In the first "Strategy Retreat" of your Board in July 2001, three long-term goals were set for the decades 2001-2020. The first strategic goal is to double the reserve accretion through discovery of 6 Billion Tonnes Oil Equivalent (BTOE) in-place hydrocarbons, of which 4 BTOE is targeted from the deep waters off India.

Geo-Scientists of your Company have taken up this challenge in right earnest. Dozens of prospects have been identified in different basins, and the intellectual prowess of your Company is being reinforced by three globally – reputed consultancies.

Deep waters drilling is a frontier technology. The drillers of your Company have applied themselves to this formidable challenge. Based on the exacting requirements and specifications, drilling contracts have been awarded on the innovative concept of "Integrated Well Completion", with single – point responsibility to globally – reputed firms. The financial implication of some Rs. 3,500 crore over three years makes this the largest – ever service contract decision taken by any Corporate in India.

This winter, Sagar Vijay, the deep-water drill-ship of your Company will resume drilling in water-depths upto 900 meters after dry-dock and refit. Belford Dolphin, a Dynamically – Positioned class III drillship will arrive in October to drill in water-depths beyond 1800 meters. Transocean Discoverer

Seven Seas, a Dynamically – Positioned class II drillship is scheduled to reach in early 2004, to drill for prospects in 900-1800 meters water depths. Schlumberger will provide integrated service to both Dolphin and Seven Seas. Your drillers will manage this unprecedented massive effort, assisted by a globally – reputed consultancy.

Your engineers have been working on deep waters production systems, so that your Company is ready to promptly exploit the discoveries, tackling severe constraints of temperature, pressure, waves and currents, winds and flows.

3.6 Redevelopment of ageing, producing fields is yet another crucial challenge for your Company, with the strategic goal to improve recovery factor from the order of 28% to 40% over 2001-2020. The major project of Mumbai High re-development is in progress, with significant benefits coming from high – technology wells. On-shore, your Company is engaged in pioneering work on in-situ combustion process; polymer – flooding has been successfully introduced. Several schemes for Improved/Enhanced Recovery are under implementation, and more schemes are being developed and tested.

3.7 Significant gains have been made in production management, especially in reduction of gas flaring. Heera off-shore platform is perhaps reportedly the globally – first offshore facility to achieve zero flaring, using an innovative scheme developed by your engineers who are now working on an ambitious target of zero-flaring on all offshore platforms by 2004-05. Flaring has been sharply reduced on-shore as well. With these efforts, gas sales have increased, bringing in additional revenue.

4. Sales & Pricing

4.1 Crude Oil Sales Agreements(COSA) have been finalised for 2002-04, the period when your Company is required, on direction of the Ministry of Petroleum & Natural Gas (MoP&NG), to maintain prevailing (2001-02) pattern of supply to the PSU refineries. In the COSAs, the market value of the crudes produced by your Company has been recognized, this break-through from the Administered Pricing Mechanism (APM) paradigm took more than a year's preparation and negotiations. Your Company has recently been authorised to sell crude to all Indian refineries i.e. the restriction on exclusive sales to PSU refineries has been removed; export, however, is still not permitted. Effective April 2004, your Company is authorised to sell crude on best – price basis without any supply compulsion, and this should provide an upside to the revenues.

4.2 Gas price revision has been long overdue. As per the earlier GOI decision (1997), Natural Gas price was to be increased in phases to 100% Fuel Oil parity by 1st April 2000, followed by market-determined pricing. While APM – based protections on Capex and Opex related to Natural Gas were withdrawn from October 1997, the price increases were not allowed. The Group of Ministers (GoM) on Natural Gas prices have recently recommended an adhoc increase in the gas price, and the final decision is awaited. The GoM has also made recommendations to (i) abolish subsidization of private sector Joint Venture partners by ONGC, (ii) restrict the Gas Pool Account, entirely funded by ONGC and (iii) permit ONGC to sell "New" gas at market prices. On approval, these propositions will help reduce the substantial under-recoveries suffered by your Company.

4.3 On direction from the GOI, Natural Gas produced by your Company is being transported and marketed by GAIL India Ltd. It has been decided to replace the Memorandum of Understanding (MoU) with proper Gas Sales/Purchase Agreement (GSPA) as per international practice. In the mean time, substantial outstanding payments have been realized, and it has been agreed that under the prevailing MOU, GAIL will pay Minimum Guaranteed Offtake (MGO) charges – same as the Administered Price – for non-upliftment of gas supplies as well as idling of gas fields. With these steps, the losses in Natural Gas business are coming down.

5. Financials

5.1 With more than 1 BTOE O+OEG producible reserves, "monetizing assets" remains a key priority of your Company; this objective, however, is consciously calibrated to the need for prudent reservoir management so that ultimate recovery is maximized. This is a sound business practice, especially for your Company which as a "Flagship" National Oil Company (NOC) with responsibility to promote Oil security for India, although this does restrict possible short-term cash flows.

5.2 The significant availability of cash resources, together with sovereign credit rating and insignificant debt, brings in a different challenge of "assetising money". Therefore, your Company is proactively investing in (i) reserve accretion in India and abroad, (ii) renewal and modernization of equipment and facilities and (iii) creating state-of-the-art systems especially in information technology.

5.3 Several opportunities for price-risk mitigation as well as quantum improvement in profitability through vertical integration, have been identified, and detailed investment proposals supported by technical – and financial diligence processes, are being drawn up.

6. Opportunities

6.1 Your Company pioneered Coal-Bed Methane (CBM) business in India, and is actively engaged in Gas Hydrate development. Your Company had taken pioneering steps in Underground Coal Gasification (UCG). It is proposed to take up UCG projects as a new line of the E&P business.

6.2 It is proposed to launch an aggressive programme to generate power using non-conventional energy sources, to (i) promote the environment, (ii) release own-use gas for sale and (iii) improve tax management.

6.3 Several major info-tech projects are under implementation.

6.3.1 Project ICE ("Information Consolidation for Efficiency"), the organisation-wide all-modules SAP R/3 ERP implementation was launched in July 2002, and the first roll-out in Western Offshore is coming up in October 2003.

6.3.2 Project KUBER and Project SHRAMIK, SAP R/3 based financial and HR packages respectively, were initiated in late nineties; the roll-outs are nearly complete, and these are being integrated in Project ICE.

6.3.3 Project IMPETUS, the maintenance management initiative, has been rolled-out in offshore assets, and currently, work on this project is in progress in the onshore assets. This is also being integrated in Project ICE.

6.3.4 Project PROMISE is designed to integrate modernized control and communication systems throughout your Company and in the process, eliminate redundancies. This multi-module project is making satisfactory progress.

6.3.5 The initiatives on Six Sigma practice have made significant progress, in the field as well as laboratories.

6.3.6 Second phase of development of Project EPINET, the exclusive system for Exploration Directorate, has been initiated.

6.3.7 All these initiatives, coupled with near – trebling of desktop PCs in your Company, are creating great opportunities for incremental productivity and profitability.

7 HRD

7.1 "ongcreports.net", the internal communications web portal of your Company, registered more than 1.5 million "hits" in the first two years. This portal has become the key instrument of attitudinal change in your Company, creating never – before access, transparency and participation. Inputs and interactions on this forum are leading to substantive corrections and improvement in policies and practices.

7.2 Promotion – and Transfer Policies have been reviewed and revised in the interest of equity, discipline and cumulative competence-building. For the first time Career Path Models have been formulated and circulated. Effective measures have been initiated to correct the serious distortions in the organisational structure.

7.3 Corporate Rejuvenation Campaign (CRC) has stabilized after the organisation-wide roll-out in October 2001, and the second stage of incremental empowerment is being taken up.

7.4 Several ONGCians, individually and in teams, won national and international recognition in different fields of endeavour.

7.5 Overall, Industrial Relations (IR) remained harmonious.

7.6 As on 31st March 2003, 39,352 employees were on the rolls of your Company.

8 Health, Safety & Environment (HSE)

8.1 In your Company, an aggressive campaign has been launched to obtain accreditations in Occupational Health (OHSAS), Safety (ISRS), Environmental Assurance (ISO 14001) and Quality Management (ISO 9000) at all work-centers; considerable progress has been made, as may be seen from information separately provided in this report.

8.2 Occupational Health Centres have been set up at major work-centres. Info-tech-based Hospital Management Systems are being introduced.

8.3 The Crisis Management Team (CMT) has been expanded with modernized equipment through a structured programme.

8.4 Safety Awareness, and Safety Assurance are continuously improving. The Institute of Petroleum Safety, Health and Environmental Management (IPSHEM) at Goa has launched advanced training programmes in co-ordination with the British Safety Council.

8.5 To promote Safety in operations, a School of Maintenance Practice is being set up this year.

9 Internal Control Systems

9.1 The functions of Technical Audit, Quality Assurance and Equipment Management have been re-organised and integrated as Technical Services. Energy Audit has been defined as a Key Performance Area(KPA).

9.2 Several measures to check the increasing trend of controllable Opex (Revenue Costs) have been taken up, taking advantage of the competitive scenario in travel, hospitality and communications markets.

9.3 The Internal Audit process remains under constant review of the Audit & Ethics Committee of the Board; organizational response to Internal Audit (and also Vigilance) is being improved.

9.4 The second annual Vendor Meet has been held, with free and blunt exchange of views. The tendering and contracting processes of your Company are being rationalised on real-time basis, learning from organizational experience as well as vendor feedback.

9.5 Several contracts have been pre-maturely terminated, and punitive actions have been taken in various cases, to protect the interest of your Company.

10 Areas of Concern

10.1 The crude oil revenues of your Company are susceptible to the volatility of global oil prices.

The revenues from Natural Gas are presently constrained by Administered Pricing limits, and associated under-recoveries.

There is no assurance of stability of the fiscal regime for production from the “nomination” blocks, as is evidenced by the decision of the Government to increase the Cess by 100% in March 2002.

10.2 The prevailing policies of “Purchase Preference”, “Price Preference” and Cabotage Laws for marine and air logistics restrict global competitiveness especially in offshore contracts and services, at the cost of quality and timing of delivery. Given the thousands of Crore of Rupees being invested by your Company to promote, *inter-alia*, India’s oil security, it is essential that Indian suppliers and contractors are required to compete on the level playing field of technology, responsiveness and economics.

10.3 Given satisfactory financial – and technical credentials, NELP blocks are awarded on the basis of Minimum Work Programme (MWP) committed by the bidders. The MWP commitments, therefore, need to be held sacrosanct except for authentic force majeure conditions so that responsible bids are duly recognised.

Cautionary Statement

Statement in this ‘Management Discussion and Analysis’ describing your Company’s objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence your Company’s operations include global and domestic supply and demand conditions affecting selling prices, inputs availability and prices, change in Government policies, legislation, tax laws, political and economic developments, within and outside, the country and other allied factors.

CORPORATE GOVERNANCE REPORT

In terms of Clause 49 of the listing agreement of the stock exchanges, the Compliance Report on Corporate Governance is reported below:

1. CORPORATE PHILOSOPHY:

The management of ONGC believes in adopting best Corporate Governance practices, to maintain transparency, accountability and ethics in all transactions and interactions with all stakeholders, including but not limited to the Share-owners, the Government, Suppliers, Contractors and other business associates, Employees and the Public. Corporate Governance in your Company is focussed on a set of core values:

- To pursue Excellence,
- To create wealth on the Integrated Hydrocarbon Value Chain,
- To enhance Oil Security for India,
- To blend the prudence of a State Enterprise with the agility of a Trans-national Corporate, and
- To protect, preserve and promote Safety, Quality and the Environment.

Operationalising these core values, your Directors are

- committed in their duties, obligations and responsibilities to act in the best interest of the Company, with accountability to the share-owners,
- engaged in maximizing stake-holders value through ethical and logical decisions, with consistency and transparency, and
- focussed on prosperity and welfare of the Company and its employees, the Community and the Country.

The Corporate Governance process in your Company is based on the following principles:

- Recognition of the respective roles and responsibilities of Board and the Management;
- Independent verification, and assured integrity of financial reporting;
- Protection of shareholders' rights, and priority for investor relations;
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

2. BOARD OF DIRECTORS

2.1 COMPOSITION, MEETINGS AND ATTENDANCE

The Corporation is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically. The Chairman & Managing Director and six Whole-time Directors manage the business of the Corporation under the overall supervision and guidance of the Board.

2.2 COMPOSITION

The Board has 16 members, comprising of 7 Executive Directors, including the Chairman & Managing Director, 1 Director from ONGC Videsh Ltd., and 8 non-executive Directors comprising of: 3 part-time official Directors (one vacant) and 5 part-time non-official Directors, all nominated by Government of India. The Board of Directors thus, has an adequate combination of executive and non-executive Directors.

2.3 BOARD PROCEDURE

Detailed Agenda with explanatory notes and related information are circulated among the members of the Board in advance of each meeting. All Directors, actively participate in the deliberations. Broadly, the Board considers the following:

- Strategies and Policies
- Business Plans and Budgets

- Decentralisation and Empowerment
- Organisational Structure, procedures and performance
- Health, Safety & Environment management
- Financial investments and risk mitigation
- Capital investment and project management
- Directions required under the Companies Act, Listing Agreements and Presidential Directives
- Mergers, Acquisitions & Joint Ventures
- Discipline and ethics

2.4 BOARD MEETINGS

During the year under review, **nineteen** Board meetings were held on April 3 & 26, May 16 & 30, June 19, July 5 , 25 & 30, August 27, September 25, October 28, November 13 & 29, December 12, 2002, January 16 & 31, February 7, March 12 & 31, 2003. The maximum interval between any two Board meetings was 34 days.

Composition and Attendance:

a) Executive Directors

Names & Designations	Financial Year 2002-03 Attendance at		As on date			
	Board Meeting	Last AGM (20.9.2002)	No. of Directorships in other Public Companies		No. of Committee Positions held in Public Companies @	
			Listed	Others	Chairman	Member
Shri Subir Raha C&MD	18	Yes	1	1	0	0
Shri Jauhari Lal Director (Human Resource) (upto 30.4.2003)	16	Yes	0	1	0	1
Shri R. C. Gourh Director (Onshore)	18	Yes	1	2	0	0
Shri Y. B. Sinha Director (Exploration)	18	Yes	0	2	0	1
Shri V. K. Sharma Director (Offshore)	19	Yes	1	3	0	0
Shri Nathu Lal Director (Technology & Field Services)	16	Yes	0	1	0	1
Shri R. S. Sharma Director (Finance)	19	Yes	2	1	0	5
Dr. A. K. Balyan Director (Human Resource) (from 23.08.2003)	N.A.	N.A.	—	—	—	—

b) Non-Executive Directors

Names & Designations	Financial Year 2002-03 Attendance at		As on date			
	Board Meeting	Last AGM (20.9.2002)	No. of Directorships in other Public Companies		No. of Committee Positions held in Public Companies @	
			Listed	Others	Chairman	Member
(i) Part-time official Directors-Govt. nominees						
Shri G. S. Dutt Joint Secretary (FT&I), MOF (upto 10.6.2003)	11	Yes	0	2	0	0
Shri P.K. Deb Joint Secretary (FT&I), MOF (from 16.7.2003)	NA	NA	–	3	0	0
Shri J. M. Mauskar Joint Secretary, MOP&NG	18	Yes	0	2	1	0
Dr. Surajit Mitra Joint Secretary & Financial Advisor, MOP&NG (from 09.5.2002 to 16.7.2003)	17*	Yes	2	0	0	1
(ii) ONGC Videsh Ltd. Shri Atul Chandra	13	Yes	0	1	0	0
(iii) Part-time non-official independent Directors Smt. R.D. Barkataki	14	Yes	0	0	0	1
Shri J. Jayaraman	15	No	2	2	1	6
Dr. K.R.S. Murthy	15	Yes	1	1	2	0
Shri Jawahar Vadivelu	8	No	1	2	1	1
Shri P. Sugavanam (from 16.4.2002 to 11.3.2003)	10**	Yes	1	4	0	2
Shri N.K. Nayyar (from 12.3.2003)	1***	NA	2	3	0	0

Meetings held during the tenure
*17 **16 ***2

@ Reflects Chairman/ Member of only Statutory Committees, namely Audit & Ethics, Shareholders'/Investors' Grievance and Remuneration Committees.

Notes: (i) ONGC being a PSU, all Directors are appointed/nominated by the President of India;
(ii) Directors are not related to each other;
(iii) Directors do not have any pecuniary relationship with the Corporation.
(iv) MOP&NG vide its letter dated 13th August, 2003 has appointed S/Shri U. Sundararajan, Rajesh V. Shah and M.M. Chitale as Directors.

2.5 STRATEGY MEETS

In addition to the formal meetings of Board, the Corporation has a practice of periodic Retreats. All members of the Board, and High officials of the Ministry of Petroleum & Natural Gas including the Director General, Hydrocarbons are invited. The deliberations are focussed on issues of Corporate Strategy and Policy. The deliberations and interactions at the meet facilitate convergence of the business approach of the Corporation with macro concerns of the owner, the Government of India.

2.6 CONCLAVES

For sharing of knowledge and continuity of value systems, a gathering of all the past and present members of Oil & Natural Gas Commission and the ONGC Board is held annually. The pooling of information and ideas among top management spanning over three decades provides valuable inputs on strategies, policies and practices.

3. BRIEF RESUME OF DIRECTORS PROPOSED TO BE RE-APPOINTED

S/Shri J.M.Mauskar, Nathu Lal, R.S.Sharma, Atul Chandra and N.K. Nayyar, Directors, retire by rotation and seek re-appointment. Their CVs, in brief:

Shri J.M. Mauskar, IAS, Joint Secretary in the Ministry of Petroleum & Natural Gas, Government of India, was nominated on the Board of ONGC on 14th May, 1999. He has held many responsible positions both in the Central and the State Government(s), last being Finance Secretary in Government of Meghalaya. He is on the Boards of Oil India Ltd. & ONGC Videsh Ltd. He is Chairman of Remuneration, Technology Induction through Alliances Committees and Member of Mumbai High Re-development Project, Policy & Planning, Health, Safety & Environment, Human Resource Management and Security Related issues Committees of the Corporation.

Shri Nathu Lal, an Electrical Engineer from Banaras Hindu University, joined ONGC Board on 12th March, 2001 and is responsible for challenging task of acquisition and assimilation of new technologies in Production, Drilling, Offshore structure, Geo-tech studies and Services to assets. Prior to joining the Board, Shri Lal has handled operations of Eastern, Southern, Western Regions oil field, Engineering, Construction and Maritime survey divisions in Mumbai region.

Shri R.S. Sharma, a Fellow member of the Institute of the Cost and Works Accountants of India and Indian Institute of Bankers has attended Advance Financial Management programme in Oil and Gas from University of Texas, Dallas (USA). Shri Sharma has an enriched and vast experience of about three decades in finance, accounts, management, insurance and banking. He joined ONGC Board on 1st March, 2002. He is on the Boards of IndianOil Corporation Ltd, a sister Navratna PSU, ONGC Videsh Ltd (OVL), Mangalore Refinery and Petrochemicals Ltd.(MRPL), both subsidiaries. He is also member of Audit Committees of OVL & MRPL and Shareholders'/Investors' Grievance Committee of MRPL.

Shri Atul Chandra, a Petroleum Engineer from Indian School of Mines, Dhanbad has a wide spectrum of experience of over three decades in the Oil Industry – spanning from research and development to field operations, project and general management. Prior to joining ONGC, he served with IMICO, a JV of Philips Petroleum AGIP, as Head of Production and was responsible for offshore fields located in Persian Gulf. At ONGC he was associated with World Bank & Asian Development Bank funded Cambay Basin petroleum project and Gandhar Phase II.

Shri Atul Chandra is Managing Director of ONGC Videsh Limited, a wholly owned subsidiary, and played a vital role in securing equity oil for the nation. He joined ONGC Board on 27th February, 1996.

Shri N. K. Nayyar, an alumni of Indian Institute of Management, Ahmedabad and a Fellow member of the Institute of Chartered Accountants of India, has attended Advance Financial Management programme in Oil and Gas from University of Texas, Dallas, (USA) joined ONGCs' Board on 12th March, 2003.

He is currently holding position of Director (Planning & Business Development) IndianOil Corporation Ltd, a sister Navratna PSU. He has handled International trade & treasury, planning and monitoring crude oil imports for Indian public sector refineries, besides overseeing foreign exchange management plan for oil imports. He remained associated for formulating country's oil supply and security plans along with Governmental authorities. He is on the Boards of IndianOil Panipat Power Corporation Ltd, IBP Co. Ltd. and Petronet LNG Ltd.

4. SUB-COMMITTEES OF THE BOARD

The Board has constituted several sub-committees to deal with specific issues. In accordance with SEBI guidelines, read with requirements of the Companies Act, 1956 Audit & Ethics, Shareholders'/Investors' Grievance, Share Transfer and Remuneration Committees have been constituted. Besides, the Board has also set-up sub-committees for Project Appraisal, Human Resource Management, Health, Safety & Environment and Policy & Planning.

Minutes of the sub-committee meetings are circulated to the members of the Committee and approved/noted by the Board of Directors.

4.1 AUDIT & ETHICS COMMITTEE

The Audit Committee, constituted in the year 1999, comprises of 3 non-executive independent Directors. The broad terms of reference of the Audit Committee were to establish transparent and effective system of internal monitoring and control, to review annual plan and any special examination by Internal Audit and implementation of internal audit recommendations and technical audit reports etc. The Committee was re-constituted on 27th July, 2001 to cover the scope of activities, prescribed under SEBI guidelines/Listing Agreement and Section 292A of the Companies Act, 1956. The Committee was renamed as Audit & Ethics Committee on 13.11.2002 to enable it to consider and review ethical adherence and Corporate Governance principles. Members of the Audit & Ethics Committee have requisite financial and management expertise and have held senior positions in other reputed organizations. Statutory Auditors are invited for deliberations by the Committee on review and finalization of the accounts.

Dr. K.R.S. Murthy is the Chairman and the Company Secretary acts as Secretary to the Committee. The Chairman of the Committee was present at the last Annual General Meeting to answer the queries of the shareholders.

Composition, Meetings and Attendance

During the year, **six** meetings of the Audit & Ethics Committee were held on May 29, July 30, October 28, November 29, 2002, January 31 and February 18, 2003, including one meeting held before finalisation of the annual accounts. These meetings were attended by the members of the Committee, as detailed below:

Members	Meetings attended
Dr.K.R.S. Murthy-Chairman	6
Smt. R.D. Barkataki	5
Shri J. Jayaraman	6
Permanent Invitees Shri R.S. Sharma, Director (Finance)	6
Shri B. Chaudhuri, Executive Director, Chief- Internal Audit	6

4.2 REMUNERATION COMMITTEE

The Corporation being a PSU, the terms and conditions of appointment of Executive Directors and C&MD, including their remuneration, are determined by the Government of India. Non-executive part-time official Directors do not draw any remuneration, while remuneration by way of sitting fees is paid to part-time non-official Directors.

The Chairman of the Remuneration Committee is Shri J.M. Mauskar, Joint Secretary, MOP&NG, a part-time official Director. S/Shri Jawahar Vadivelu, an independent Director, Jauhari Lal, Director (Human Resource)-up to 30.4.2003 and R.S.Sharma, Director (Finance) are the members. No meeting of the Committee was required to be held during the year.

Directors' Remuneration:

Remuneration of Directors for the year ended 31st March, 2003 was as follows:

(a) Executive Directors

(Rs. in lacs)

Sl. No.	Names	Salary & Allowances	Other Benefits & Perks	Contribution to PF & Other Funds	Total	Term upto
1.	Shri Subir Raha	5.27	1.06	0.65	6.98	24.05.2006
2.	Shri Jauhari Lal*	5.04	1.51	0.60	7.15	30.04.2003
3.	Shri R.C. Gourh	5.77	1.51	0.63	7.91	31.12.2003
4.	Shri Y.B. Sinha	5.36	1.44	0.57	7.37	04.05.2005
5.	Shri V.K. Sharma	5.56	1.43	0.56	7.55	31.05.2004
6.	Shri Nathu Lal	5.69	1.47	0.68	7.84	30.04.2005
7.	Shri R.S. Sharma	4.99	1.38	0.57	6.94	28.02.2007

* Superannuated on 30.4.2003

Notes:
1. The remuneration does not include cost of medical treatment availed from the Corporation's own medical facilities, provision for gratuity and leave encashment.
2. Notice period of 3 months or salary in lieu thereof is required for severance of service.

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

Non-Executive part-time Non-official Directors are paid sitting fee at the rate of Rs.5000/- for attending each meeting of the Board and Committees thereof. Details of sitting fees paid to them during the year are given below:

Names	Sitting fees (Rs. in lacs)
Smt.R.D. Barkataki	1.55
Shri J. Jayaraman	1.80
Dr.K.R.S. Murthy	1.65
Shri Jawahar Vadivelu	0.90

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

4.3 EQUITY SHARES HELD BY DIRECTORS

Except as stated hereunder, none of the Directors, hold any Equity Shares in the Corporation:

Names of Directors	No. of Shares held
Shri Jauhari Lal (upto 30.4.2003)	612
Shri R.C. Gourh	612
Shri Y.B. Sinha	412
Shri Nathu Lal	12
Shri R.S. Sharma	612
Shri Atul Chandra	612
Dr. A.K. Balyan	450

4.4 SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Corporation has been taking all steps to ensure that shareholders' related activities are given due priority and matters/issues are resolved at the earliest. The Shareholders'/Investors' Grievance Committee reviews complaints received and appropriate action is taken promptly. The Committee is headed by Shri Jawahar Vadivelu, an Independent Non-Executive Director. Dy. Company Secretary acts as Secretary to the Committee.

Composition and Attendance

During the year, **four** meetings of the Committee were held on June 25, September 25, November 29, 2002 and March 12, 2003. These meetings were attended by the members of the committee, as under:

Members	Meetings attended
Shri Jawahar Vadivelu-Chairman	3
Shri Nathu Lal	4
Shri R.S. Sharma	4

4.5 HUMAN RESOURCE MANAGEMENT COMMITTEE

The terms of reference include consideration of HR policies & issues and proposals for promotions to below - Board levels. Smt. R. D. Barkataki, a non-executive independent Director is the Chairperson of the Committee. Director (HR) is the convenor of the Committee.

Composition, Meetings and Attendance

During the year, **nine** meetings of the Human Resource Management Committee were held on April 17, May 16, July 2, August 27, September 25, October 10 & 26, December 11, 2002 and January 17, 2003. These meetings were attended by the members of the Committee, as under:

Members	Meetings attended
Smt. R.D. Barkataki - Chairperson	8
Shri J. Jayaraman* (from 26.11.2002)	1
Dr. K.R.S. Murthy	8
Shri J.M. Mauskar	8
Dr. Surajit Mitra ** (from 16.5.2002 to 26.11.2002)	1
Shri Subir Raha	7
Shri R.C. Gourh (from 27.7.2002)	8
Shri Y.B. Sinha	3
Shri V. K. Sharma	8
Shri Nathu Lal	7
Shri R.S. Sharma	8
Shri Jauhari Lal (upto 30.4.2003)	9

Meetings held during the tenure
* 2 ** 6

4.6 PROJECT APPRAISAL COMMITTEE

The terms of reference include examining and recommending projects/capital investment exceeding Rs.150 Crore. Proposals exceeding Rs.150 Crore are appraised in-house, while the proposals exceeding Rs.250 Crore are first appraised by outside technical and financial consultants. Shri J. Jayaraman, a non-executive independent Director is the Chairman and Director (Onshore) is the Convenor of the Committee.

Composition, Meetings and Attendance

During the year, **seven** meetings of Project Appraisal Committee were held on April 26, June 12, August 21, September 24, October 22 & 28 and November 11, 2002. These meetings were attended by the members of the Committee, as under:

Members	Meetings attended
Shri J. Jayaraman – Chairman	7
Dr.K.R.S. Murthy *(from 26.11.2002)	-
Shri Jawahar Vadivelu	3
Dr. Surajit Mitra **(from 16.5.2002)	5
Shri Y. B. Sinha	5
Shri V. K. Sharma	5
Shri Nathu Lal	5
Shri R.S. Sharma	6
Shri R.C. Gourh – Convenor	7

Meetings held during the tenure
* None ** 6

4.7 SHARE TRANSFER COMMITTEE

The Share Transfer Committee approves the requests received for share transfer/ transmission/ transposition, issue of duplicate share certificates, sub-division, consolidation, re-materialization, change of status etc. These requests are processed through the Registrar & Share Transfer Agent, M/s MCS Limited, generally on fortnightly basis. Director (Human Resource) is the Chairman and the Company Secretary acts as Secretary to the Committee.

Composition, Meetings and Attendance

During the year, **twenty four** meetings of the Share Transfer Committee were held on April 17 & 23, May 7, 16 & 30, June 19, July 5, 25 & 30, August 9 & 27, September 20, October 17 & 28, November 13 & 29, December 12 & 24, 2002, January 16 & 24, February 5 & 21, March 7 & 26, 2003. These meetings were attended by the members of the Committee, as under:

Members	Meetings attended
Shri Jauhari Lal	22
Shri R. S. Sharma	24
Shri P. Sugavanam * (from 16.05.2002-11.03.2003)	12
Shri N.K. Nayyar ** (from 29.04.2003)	-

Meetings held during the tenure
* 20 ** None

4.8 HEALTH, SAFETY & ENVIRONMENT COMMITTEE

The terms of reference include all aspects of Occupational Health, Safety & Environment Protection. The Chairman of the Committee is Shri Jawahar Vadivelu, a Non-Executive independent Director and Director (Onshore) acts as the Convenor. Smt. R. D. Barkataki, Dr. K.R.S. Murthy, S/Shri Subir Raha, J.M. Mauskar, Jauhari Lal (upto 30.4.2003), R.C. Gourh, Y.B. Sinha¸ V.K. Sharma, Nathu Lal and R.S. Sharma are the members.

Composition, Meetings and Attendance

During the year, Health, Safety & Environment Committee met on November 13, 2002. The meeting was attended by Shri Jawahar Vadivelu, Smt. R.D. Barkataki, Dr.K.R.S. Murthy, S/Shri Jauhari Lal, R.S.Sharma and R.C.Gourh.

4.9 POLICY & PLANNING COMMITTEE

The terms of reference of Policy & Planning Committee include consideration of new areas of business, proposals for collaborations, joint ventures, amalgamation, mergers and acquisitions; commercial matters including marketing; and periodic performance review of ONGC Videsh Ltd. and MRPL, the subsidiaries. The Chairman of the Committee is Shri J. Jayaraman, a non-executive independent Director and Director (Exploration) is the Convenor.

Composition, Meetings and Attendance

During the year, **five** meetings of the Policy & Planning Committee were held on June 28, August 26, October 22, December 12, 2002 and February 5, 2003. These meetings were attended by the members of the Committee, as under:

Members	Meetings attended
Shri J.Jayaraman – Chairman	5
Shri Subir Raha	5
Shri Jauhari Lal	1
Shri R.C.Gourh	4
Shri V.K.Sharma	5
Shri Nathu Lal	3
Shri R.S.Sharma	4
Shri Atul Chandra	1
Shri J.M.Mauskar	2
Dr.Surajit Mitra	2
Shri Jawahar Vadivelu	2
Shri Y.B.Sinha - Convenor	5

5. SHAREHOLDERS'/INVESTORS' GRIEVANCES

All shareholders'/investors' grievances/ correspondence were expeditiously attended to and the replies sent generally within a period of 15 days of receipt, except in the cases that were constrained by incomplete documentation and/or by legal impediments. Similarly, no share transfer beyond 30 days was pending as on 31.3.2003, except in cases constrained by incomplete documentation and/or under legal impediments. All requests for de-materialisation of shares are likewise processed, and confirmation communicated to investors and Depository Participants within 10 working days.

The status of shareholders'/investors' grievances received during the year under report is as follows:

(a) 48 complaints were received from statutory bodies such as SEBI/ Stock Exchanges/ Department of Company Affairs/Registrar of Companies etc. All these complaints stand redressed. 28 complaints received from 1st April to 31st July, 2003 also stand resolved;

(b) 10,973 direct correspondence from shareholders'/investors', including 426 complaints/grievances, were satisfactorily dealt with;

(c) 2,955 requests, involving 4,54,336 shares for transfer/transmission/transposition, issue of duplicate share certificates, consolidation, sub-division and re-materialization in physical form were processed during the year.

(d) 137 lien cases were cleared by release of shares to the respective shareholders.

COMPLIANCE OFFICER

The Company Secretary has been nominated as the Compliance Officer.

6. GENERAL BODY MEETINGS

The last 3 Annual General Meetings were held at **Convention Hall, Hotel Ashok, 50-B Chanakyapuri, New Delhi-110 021** as under:

Year	Date	Day	Time
2000	27th September	Wednesday	11.30 A.M
2001	27th September	Thursday	11.30 A.M
2002	20th September	Friday	11.30 A.M

There was no requirement for a postal ballot in any of the last 3 years. At the ensuing Annual General Meeting also, there is no resolution proposed to be passed through postal ballot.

DIVIDEND HISTORY

Years	Rate (%)	Per Share (Rs.0.00)	Amount (Rs. in million)
1998-99	55	5.50	7,842.63
1999-00			
- Interim	40	4.50	5,703.74
- Final	25	2.50	3,564.83
2000-01	110	11.00	15,685.27
2001-02	140	14.00	19,963.08
2002-03			
- Interim	170	17.00	24,240.88
- Proposed	130	13.00	18,537.14

7. POLICY ON INSIDER TRADING

Your Corporation has adopted the Code of Conduct for prevention of Insider Trading in accordance with the guidelines specified under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended in 2002. The objective of the Code is to prevent purchase and/or sale of shares of the Corporation by an Insider on the basis of unpublished price sensitive information. Under this Code, Insider (Directors, Officers, Designated Employees and other concerned persons) are prevented to deal in the Corporation's shares beyond specified limits and are required to disclose related information periodically as defined in the code. The Board has appointed Company Secretary as the Compliance Officer under the Code.

8. DISCLOSURES

8.1 MATERIAL CONTRACTS/RELATED PARTY TRANSACTIONS

The Corporation has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners. The Corporation has obtained certificates from all concerned in this regard, which were noted by the Board.

Transactions with related parties are disclosed in Note No. 18 of Schedule 30 to the Accounts in the Annual Report. Being a state enterprise, no disclosure has been made in respect of the transactions with subsidiary companies in line with Accounting Standard-18 on Related Party Transactions.

8.2 COMPLIANCES

During the last three years, there were no cases of non-compliance by the Corporation and no penalties or strictures have been imposed on or proposed against the Corporation by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.

The Corporation has complied with the provisions of relevant acts, rules & regulations framed thereunder during the year 2002-03.

9. MEANS OF COMMUNICATIONS

The Corporation regularly intimates unaudited/ audited financial results to the Stock Exchanges immediately after these are taken on record/ approved by the Board. The financial results are normally published in the Times of India, Indian Express, Business Standard (English), Navbharat Times and Jansatta (Hindi) dailies having wide circulation across the country and are displayed on the website of the corporation, www.ongcindia.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'edifar' from SEBI's official website, www.sebi.gov.in. The results are not sent individually to the shareholders. The Corporation periodically organizes investors' meet to share the information on the performance, latest development and future course of action. The official news releases and the detailed presentations made to the media, investors, analysts, institutional investors, etc. are displayed on the website of the Corporation http//www.ongcindia.com.

The 'Management Discussion and Analysis Report' forms part of the Report of the Directors.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Auditors' certificate on Corporate Governance is annexed.

SECRETARIAL COMPLIANCE REPORT

Secretarial Compliance Report, though not mandatory, obtained from a practising Company Secretary, forms part of the Directors' Report.

10. SHAREHOLDERS' INFORMATION (As on March 31, 2003)

10.1 ANNUAL GENERAL MEETING:

Day, date and time	:	Monday, the 29th September, 2003 at 11.00 A.M.
Venue	:	Convention Hall, Hotel Ashok, 50-B Chanakya Puri, New Delhi - 110021.

10.2 FINANCIAL CALENDER (Tentative):

Approval of quarterly results for the period ending:

● June 30, 2003	End July, 2003
● September 30, 2003	End October, 2003
● December 31, 2003	End January, 2004
● March 31, 2004 (audited)	End June, 2004

10.3 BOOK CLOSURE DATES : September 15th to 25th 2003 (both days inclusive)

10.4 DIVIDEND PAYMENT DATE : Before 28th October, 2003

10.5 LISTING ON STOCK EXCHANGES

The equity shares of the Corporation are listed on the following Stock Exchanges:

The Delhi Stock Exchange Association Ltd. (DSE)

DSE House, 3/1, Asaf Ali Road
New Delhi - 110002
Telephone: 011-23379590, 23379951
Facsimile: 011-23292181
Email: dse@vsnl.com

The Stock Exchange, Mumbai (BSE)

P.J.Towers, Dalal Street, Fort, Mumbai – 400001
Telephone: 022-265 5860/61 Facsimile: 022-22722037/39/41
email: **listing@bseindia.com** Web site : www.bseindia.com

National Stock Exchange of India Ltd.(NSE)

Exchange Plaza, Bandra-Kurla Complex
Bandra (East), Mumbai – 400051
Telephone: 022-2659 8100
Facsimile: 022-2659 8237/38
e-mail: **cmlist@nse.co.in**
Web site: www.nseindia.com

Listing Fees

Annual listing fees due to all the above Stock Exchanges for the year 2002-03 have been paid.

10.6 STOCK CODE

1. National Stock Exchange	ONGC
2. Mumbai Stock Exchange	500312 ONG CORP.LTD
3. Delhi Stock Exchange	115055

10.7 DEMAT ISIN NO:

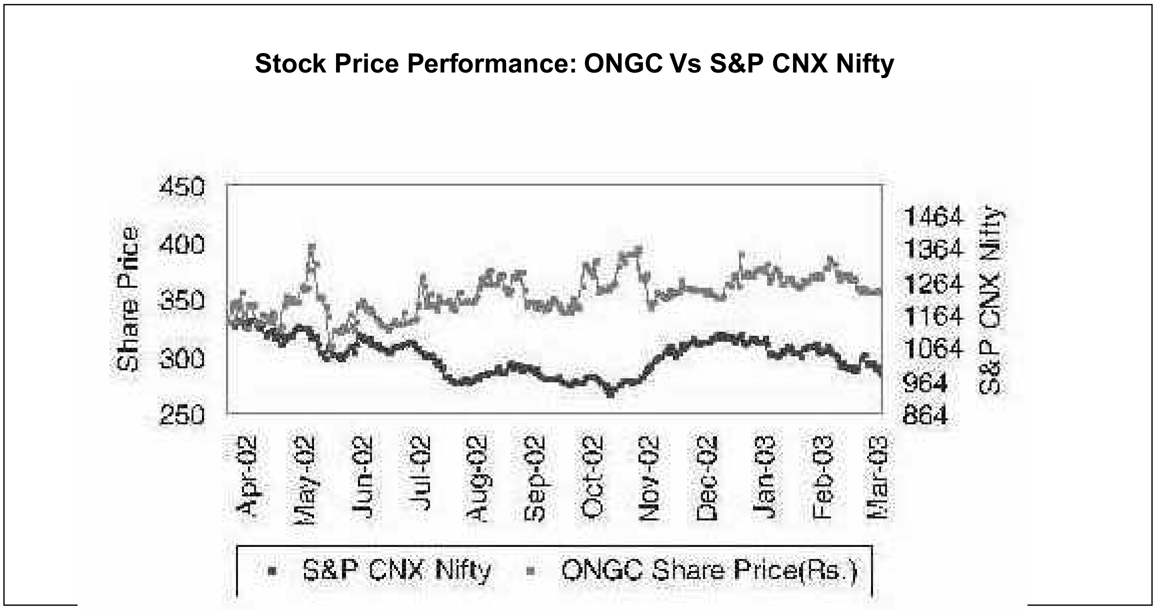
In NSDL and CDSL	INE213A01011

10.8 REGISTRAR & TRANSFER AGENT (RTA)

M/s MCS Ltd.
212-A, Shahpurjat, Near Panchsheel Club,
New Delhi-110049
Telephone : 011- 26494830
Fax : 011- 26494152
e-mail: mcsdel@ vsnl.com

11. STOCK MARKET DATA

11.1 PERFORMANCE IN COMPARISON TO S&P NIFTY



11.2 STOCK MARKET DATA:

Month	Mumbai Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April, 2002	383.00	278.00	1,65,42,380	383.40	279.75	2,83,03,509
May	399.00	302.10	1,51,75,323	415.90	303.95	2,26,37,982
June	355.00	318.00	26,85,088	355.00	319.00	45,00,011
July	378.00	326.00	43,06,186	377.90	325.15	77,46,613
August	382.00	336.00	29,01,473	382.50	336.00	53,98,905
September	384.00	335.10	16,17,820	384.40	334.50	31,60,747
October	391.60	335.55	18,39,929	387.90	336.00	36,01,085
November	406.00	341.25	19,22,591	410.00	338.80	42,61,828
December	383.00	344.10	8,74,511	375.85	348.55	15,79,674
January, 2003	387.00	348.00	16,35,848	388.90	348.00	40,86,653
February	382.70	359.45	9,02,903	383.00	340.00	21,37,051
March	390.45	353.15	8,86,923	390.45	333.00	17,77,956

12.1 DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2003

NUMBER OF SHARES	NUMBER OF SHARE HOLDERS	PERCENTAGE OF SHARE HOLDERS	TOTAL NUMBER OF SHARES	PERCENTAGE
1 to 500	39476	71.71	7458438	0.52
501 - 1000	15053	27.34	8993017	0.63
1001 - 2000	234	0.42	338724	0.02
2001 - 3000	77	0.14	201279	0.01
3001 - 4000	32	0.06	113296	0.01
4001 - 5000	25	0.05	115032	0.01
5001 - 10000	50	0.09	362846	0.03
10001 - above	106	0.19	1408351360	98.77
Total	**55053**	**100.00**	**1425933992**	**100.00**

12.2 SHARE TRANSFER SYSTEM

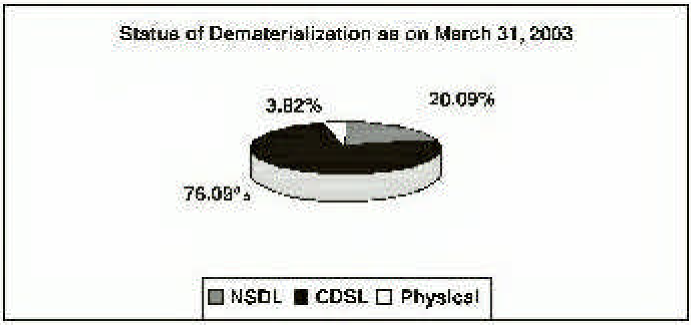
The Registrar and Share Transfer Agent, M/s MCS Limited deals with share transfers both in physical and de-materialized mode. Securities lodged for transfer are normally processed within 15 days from the date of lodgement, if the documents are in order in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 15 days. Grievances received from investors and other miscellaneous correspondence is processed by the Registrar within 15 days. The Corporation extends the facility of simultaneous transfer and dematerialisation of shares to the shareholders. Pursuant to the Clause 47-C of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Corporation. As per SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary in practice for timely dematerialization of the shares and conducting a Secretarial Audit on a quarterly basis for re-conciliation of the share capital of the Corporation.

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

Years	No. of Transfer Deeds processed	No. of Shares Transferred
2002-03	**2955**	**4,54,336**
2001-02	1183	2,65,933
2000-01	6074	6,00,193

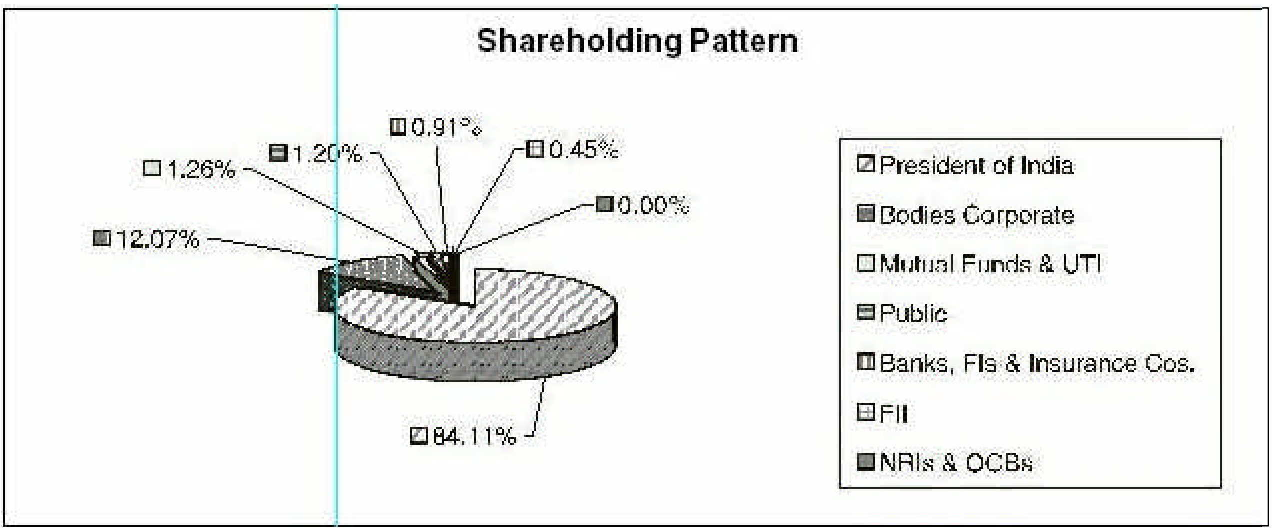
12.3 DEMATERIALISATION OF SHARES

The shares of the Corporation are in compulsory dematerialised segment and are available for trading in depository systems of both National Securities Depository Limited and Central Depository Services (India) Limited. As on 31st March, 2003, 21,79,36,736 equity shares, forming 96.18% of the divested shareholding in the hands of the public, stood de-materialized. Small shareholders can approach separate window at stock exchanges to sell upto 500 shares in physical form.



12.4 SHAREHOLDING PATTERN AS ON 31st MARCH, 2003

Category	No. of Shares held	Percentage of Shareholding
President of India	1,19,93,39,605	84.11
Banks, Financial Institutions and Insurance Companies	1,29,40,644	0.91
Foreign Institutional Investors	65,04,475	0.45
Mutual Funds & UTI	1,79,55,787	1.26
NRIs & OCBs	52,312	0.00
Bodies Corporate:		
- Government	17,13,34,226	12.02
- Others	7,51,523	0.05
Public	1,70,55,420	1.20
Total	**1,42,59,33,992**	**100.00**



12.5 OUTSTANDING GDRs /ADRs/ WARRANTS OR CONVERTIBLE BONDS

No GDR/ADR/ Warrant or Convertible Bond has been issued by the Corporation.

12.6 UNCLAIMED DIVIDEND

Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividend for the year 1995-96 is due for transfer to Investors' Education & Protection Fund (IEPF) on 24.10.2003. All the 1323 shareholders, whose dividend is unpaid, aggregating to Rs.11, 21,751, have been intimated individually to claim their dividend from RTA by submitting an application. Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount once deposited in IEPF; therefore, shareholders are again requested to claim their unpaid dividend, if not already claimed, latest by 1st week of September, 2003.

The dividend for the following years, remaining unclaimed for 7 years, from the date of declaration is required to be transferred to IEPF, as under:

Financial Year	Date of Declaration	Proposed Date for Transfer to IEPF
1995-96	25.9.1996	12.11.2003
1996 - 97	30.9.1997	18.11.2004
1997 - 98	30.9.1998	18.11.2005
1998 - 99	21.9.1999	09.11.2006
1999 - 00		
- Interim	10.5.2000	28.06.2007
- Final	27.9.2000	15.11.2007
2000 - 01	27.9.2001	15.11.2008
2001 - 02	20.9.2002	19.10.2009
2002 - 03		
- Interim	31.1.2003	30.02.2010

12.7 DIRECT DEPOSIT OF DIVIDEND (ELECTRONIC CLEARING SERVICE)

Members desirous of receiving dividend by direct electronic deposit to their Bank Accounts may intimate their ECS mandate by writing to the RTA/DP and /or the Corporation and also inform their Bank account details along with nine digit code number mentioned on the cheque book.

BANK DETAILS

In order to provide protection against the fraudulent encashment of dividend warrants, Members are requested to provide (if not already provided) their Bank account details, such as Bank name, Branch, Account Number, Type of Account, quoting Folio numbers to M/S MCS Limited, RTA to enable them to incorporate the same on the dividend warrants.

BANK DETAILS FOR ELECTRONIC SHAREHOLDING (DEMAT)

While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their Bank account, which are being used by the Corporation for printing on dividend warrants for remittance of dividend to ensure safety. Members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in their Bank Account Details. Members are requested to furnish complete details of their bank accounts including nine digit MICR codes of their Bank branch to their DPs.

13. LEGAL PROCEEDINGS

No case and/or suit of any material or substantial nature have been pending against the Corporation.

14. PLANT LOCATIONS / ASSETS / MAJOR PROJECTS:

A. ASSETS/ PLANTS:

1. Mumbai High Asset, Mumbai
2. Neelam & Heera Asset, Mumbai
3. Bassein & Satellite Asset, Mumbai
4. Uran Plant, Uran
5. Hazira Plant, Hazira
6. Ahmedabad Asset, Ahmedabad
7. Ankleshwar Asset, Ankleshwar
8. Mehsana Asset, Mehsana
9. Rajamundry Asset, Rajamundry
10. Karaikal Asset, Karaikal
11. Assam Asset, Nazira
12. Tripura Asset, Agartala

B. BASINS:

1. Western Offshore Basin, Mumbai
2. Western Onshore Basin, Baroda
3. KG Basin, Rajamundry
4. Cauvery Basin, Chennai
5. Assam & Assam Arakan Basin, Jorhat
6. CBM- BPM Basin, Kolkata
7. Frontier Basin, Dehradun

C. REGIONS:

1. Mumbai Region, Mumbai
2. Western Region, Baroda
3. Eastern Region, Nazira
4. Southern Region, Chennai
5. Central Region, Kolkata

D. INSTITUTES:

1. Keshava Deva Malaviya Institute of Petroleum Exploration, Dehradun
2. Institute of Drilling Technology, Dehradun
3. Institute of Reservior Studies, Ahmedabad
4. Institute of Oil & Gas Production Technology, Navi Mumbai
5. Institute of Engineering & Ocean Technology, Navi Mumbai
6. Geo-data Processing & Interpretation Center, Dehradun
7. Institute of Management Development, Dehradun
8. Institute of Petroleum Safety, Health & Environment Management, Goa.

E. SERVICES:

1. Drilling Services, Mumbai
2. Well Services, Mumbai
3. Geo- Physical Services, Dehradun
4. Logging Services, Baroda
5. Engineering Services, Mumbai

15. INVESTOR SERVICES:

The Corporation serves its investors through its own Investors' Service Cell and Registrar & Transfer Agent, M/s. MCS Ltd. who have adequate computer hardware & software and VSAT connectivity with both the depositories, which facilitate better and faster service to the investors.

Other facilities, such as remittance of dividend through Electronic Clearing Services (ECS), Bank mandate, incorporation of Bank details on dividend warrants, direct deposit of dividends, simultaneous transfer-cum-dematerialisation of shares, reminders for unclaimed dividends, nomination facility, issue of Public Notice for lost share certificate, issue of duplicate share certificate, etc. are also extended.

The following may be contacted for any Investors' Services:

Asstt. Vice -President
M/s MCS Ltd.,
212-A Shahpurjat,
Near Panchsheel club,
New Delhi-110049.
Telephone 011-26494830,
Fax No.: 011- 26494152
e-mail: mcsdel@ vsnl.com

Company Secretary
Oil and Natural Gas Corporation Ltd.
Jeevan Bharti, Tower- II,
124, Indira Chowk ,
New Delhi - 110001.
Telephone: 011-23323201
Fax No.: 011-23311326
e-mail: ent@delhi.ongc.co.in

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Oil And Natural Gas Corporation Ltd.,

We have examined the Compliance of conditions of Corporate Governance by Oil And Natural Gas Corporation Limited, ("the Corporation") for the year ended 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the Corporation with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month except in cases which were constrained by incomplete documentation and/or legal impediments, as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the management has conducted the affairs of the Corporation.

for Chaturvedi & Shah
Chartered Accountants

R. Koria
Partner

for Thakur Vaidyanath Aiyar &Co.,
Chartered Accountants

Anil K. Thakur
Partner

for S. Bhandari & Co.
Chartered Accountants

P.P. Pareek
Partner

for Brahmayya & Co.
Chartered Accountants

V. Seetaramaiah
Partner

for Lodha & Co.
Chartered Accountants

N.K. Lodha
Partner

New Delhi
August 30, 2003

SECRETARIAL COMPLIANCE REPORT

TO THE BOARD OF DIRECTORS, OIL AND NATURAL GAS CORPORATION LIMITED

We have examined the registers, records, books and papers of Oil and Natural Gas Corporation Ltd. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2003 (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers, records, books and papers as per provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana as laid down under the Act and the rules made thereunder.
3. The Company is a 'Government Company' as defined in section 617 of the Act and being a 'listed public company' has its equity shares listed with the Stock Exchanges, Mumbai, the National Stock Exchange and the Delhi Stock Exchange.
4. The Board of Directors of the Company duly met 19 times, during the financial year, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose. The meetings of various committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the minutes book maintained for the purpose.
5. The company closed its Register of Members from 27.8.2002 to 20.9.2002 (both days inclusive) and necessary compliance of section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on 31st March, 2002 was held on 20th September, 2002 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose. No extra-ordinary general meeting was held during the financial year 2002-2003.
7. The Company is keeping its books of account at Dehradun and for this purpose Board of Directors of the Company had passed a resolution on 24.3.1994, a copy of which was filed with the Registrar of Companies, NCT of Delhi and Haryana as required under proviso to sub-section (1) of section 209 of the Act.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act during the financial year. An amount of Rs.0.14 million was, however, outstanding from whole time directors at the end of financial year.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has kept the register required to be maintained under Section 301 of the Act and necessary particulars have been entered therein.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has appointed M/S MCS Ltd, New Delhi as its Registrar and Transfer Agents and is keeping the Register of Members at the office of Registrar and Share Transfer Agents after obtaining approval, by special resolution, in accordance with section 163 of the Act.
13. A Share Transfer Committee of the Board has approved the issue of duplicate share certificates, transfer and transmission, sub-division/consolidation of shares of the Company. The proceedings of the above committee have been properly recorded, signed in the minutes book maintained for the purpose.
14. The Company has:
    (i) delivered all the certificates on lodgement thereof for transfer/transmission/sub-division/consolidation of shares within the stipulated time during the financial year;

(ii) The Company has deposited the amount of dividend declared at the Annual General Meeting held on 20.9.2002, in a separate bank account, on 25.9.2002 with ICICI Bank Ltd. within 5 days from the date of declaration of such dividend in accordance with the provisions of Section 205 of the Act;

(iii) Paid/posted warrants for dividend declared on 20th September, 2002 to the members within a period of 30 days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with ICICI Bank Ltd. on 26.10.2002 within the prescribed time limit.

(iv) The Board of Directors of the Company declared interim dividend on 31.1.2003 which was deposited in separate bank account within the stipulated period of 5 days i.e. on 5.2.2003 with ICICI Bank Ltd.

(v) Paid/posted warrants for interim dividend declared on 31.1.2003 within a period of 30 days from the date of declaration and that all unclaimed/unpaid interim dividend has been transferred to Unpaid Interim Dividend Account of the Company with ICICI Bank Ltd. on 2.3.2003 within the prescribed time limit.

(vi) Duly complied with the requirements of Section 217 of the Act.

15. The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors and directors to fill casual vacancies have been duly made.

16. The appointments of Chairman & Managing Director, Functional Directors on whole time basis and other Directors of the Company have been made in accordance with the Articles of Association of the Company read with the relevant provisions of the Act.

17. The Directors disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder and their disclosures have been noted and recorded by the Board.

18. The Company has not issued any shares or other securities during the financial year.

19. The Company, wherever necessary, has kept in abeyance rights to dividend declared at the Annual General Meeting held on 20.9.2002 and interim dividend declared on 31.1.2003, pending registration of transfer of shares in compliance with provisions of the Act.

20. The Company has not invited/accepted any deposits falling within the purview of section 58A of the Act during the financial year.

21. The Company has not made any secured borrowings during the financial year ended 31st March 2003.

22. The Company has made inter-corporate loans and investments in other bodies corporate and provided guarantees within the limits stipulated in Section 372A of the Act. Particulars of loans and investments made and guarantee or security provided have been entered in the register maintained under the aforesaid Section. The said register is kept at the Registered Office of the Company.

23. The Company has not bought back any shares during the financial year.

24. The Company has not altered any provisions of its Memorandum of Association or Articles of Association during the financial year.

25. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the company during the financial year for offences under the Act.

26. The Company has not received any money as security from any of its employees during the financial year as envisaged under Section 417 of the Act.

27. The Company has created a trust, namely, the ONGC Employees Contributory Provident Fund Trust for its employees. The Company has deposited both employees' and employer's contribution with the above Trust within the prescribed time pursuant to section 418 of the Act.

for A.N. Kukreja & Co.

A.N. Kukreja
Proprietor

New Delhi
July 14, 2003

ओ एन जी सी विदेश

ONGC VIDESH

DIRECTORS' REPORT

DEAR MEMBERS,

On behalf of the Board of Directors, I have the privilege to present to you the 38th Annual Report on the operations of your Company for the financial year ended 31st March, 2003, together with the Audited Statements of Accounts, the Auditors' Report and the Review of the Accounts by the Comptroller and Auditor General of India.

1. HIGHLIGHTS

- Your Company earned the first revenue from the sale of hydrocarbons, in Block 06.1, Vietnam.
- Your Company acquired the first producing property, in the Greater Nile Oil Project, Sudan.
- Your Company concluded the first exploration and development contract as operator, in the Farsi Project, Iran.

2. NEW EQUITIES

2.1 An exploration & development contract for Farsi Offshore Exploration Block, Iran was concluded on 25th December, 2002. The total investment in the exploration phase is expected to be about USD 15.3 Million. Your Company holds 40% equity as operator and balance equity has been allocated to other oil sector Indian PSUs, Indian Oil Corporation Ltd. (40%) and Oil India Ltd. (20%).

2.2 25% Participating Interest (PI) in the producing property of the Greater Nile Oil Project (GNOP), Sudan was acquired through purchase of 100% equity of Talisman (Greater Nile) B.V., Amsterdam; the acquisition was completed on 12th March, 2003 and the company was re-named ONGC Nile Ganga B.V. on 14th March, 2003. China National Petroleum Company (CNPC), Petronas Carigali Overseas Sdn.Bhd. and Sudan Petroleum Company (Sudapet) hold 40%, 30% and 5% equity respectively in GNOP. The Purchase & Sale Agreement was executed on 30th October, 2002 and entitled the company to revenue benefit from the project effective 1st September, 2002.

3. RESULTS

3.1 ONGC Videsh Ltd.

(Rupees in million)

Particulars	2002 - 03	2001 - 02
Total Income	**630.46**	391.74
Expenditure	**598.12**	135.31
Profit before Tax	**32.34**	256.43
Provision for Income Tax	**6.36**	19.62
Net Profit after Tax	**25.98**	236.81
Paid – up Equity Share Capital	**3,000.00**	3,000.00

Notes:

i) Total income was higher mainly on account of commencement of Gas sales from Vietnam project, which was reported at Rs. 98.5 million during the year. Interest income on carry finance to RN-ASTRA & SMNG-S for Sakhalin-1 project, was higher by Rs. 200.07 million as a result of increased carry finance provided to them during the year.

ii) Expenditure for the year includes operating expenditure of Rs. 180.79 million and amortisation charge of Rs. 33.17 million in respect of Vietnam project. Exchange loss of Rs. 180.64 million on carry finance/other loans due to appreciation of Indian Rupee by Rs. 1.13 (2.32%) against USD resulted in increase in expenditure by like amount; there was foreign exchange gain of Rs. 27.96 million during the previous year. The entire expenditure on closed projects was written off during the year which also resulted in increase in expenditure by Rs. 33.10 million.

iii) The profit during the year was lower primarily due to exchange loss and writing off the entire expenditure in respect of closed projects.

iv) The company is liable to pay tax under Minimum Alternative Tax (MAT) provisions of Income Tax Act, 1961; the lower book profit has resulted in lower provision of tax for the year.

v) A sum of Rs. 4.19 Million was transferred to General Reserves out of the Net Profit of the year.

3.2 Consolidated: ONGC Videsh Ltd. & ONGC Nile Ganga B.V.

(Rupees in million)

Particulars	**2002 – 03**
Total Income	2,328.39
Expenditure	1,601.59
Profit before Tax	726.80
Provision for Income Tax	136.85
Net Profit after Tax	**589.95**
Paid – up Equity Share Capital	3,000.00

Notes:

i) Consolidated accounts incorporate accounts of ONGC Nile Ganga B.V. for the period 12th March, 2003 to 31st March, 2003 and form parts of the Annual Report and Accounts.

ii) ONGC Nile Ganga B.V. follows calendar year as its financial year; last audited accounts are therefore for the year ended 31st December, 2002. The same have not been annexed with these accounts as it became Company's subsidiary on 12th March, 2003. However, the statement pursuant to Section 212(1)(e) of the Companies Act, 1956 is annexed to this report.

4. PROJECTS

4.1 Block 06.1, Vietnam

Lan Tay and Lan Do are two large offshore gas fields in Block 06.1, Vietnam. Your Company holds 45% Participating Interest (PI) in the Block; British Petroleum as the operator holds 30% PI and the balance 25% PI is held by PetroVietnam, a Vietnamese Government owned entity. The exploration License for Block 06.1 was acquired by the company in 1988; later British Petroleum and PetroVietnam were farmed in as partners. Lan Tay was under development and produced the first gas on 22nd November, 2002. Your Company's share of the development expenditure was approx USD 228 Million, against which an investment of about USD 163 Million has been made till 31st March, 2003. Commercial supplies of gas commenced from the project on 21st January, 2003 and your Company's share of gas sales during the year was Rs. 98.5 Million. The field is currently producing gas at the rate of about 3 MMSCMD.

4.2 Sakhalin-I, Russia

Sakhalin-1 is one of the large oil and gas field in offshore Sakhalin, Russia. Your company holds 20% PI in the field; Exxon-NefteGas Ltd., a subsidiary of Exxon-Mobil as the operator holds 30% PI; Sodeco an entity owned by a consortium of Japanese companies holds 30% PI and balance 11.5% and 8.5% PI is held by SMNG-S and RN-ASTRA respectively, the two Russian Government controlled entities. Your Company acquired PI in the project in July, 2001 when the project was at advanced stage of exploration. As per the terms of the farm-in, your Company is required to carry (loan) SMNG-S and RN-ASTRA for their share of investment. The Company's share of investment upto year 2005, including carry, is estimated to be about USD 1741 Million against which an investment of about USD 681 Million has been made till 31st March, 2003. Major contracts for the development of the field have already been awarded and the first oil is scheduled to flow from end 2005.

4.3 Exploration Block-8, Iraq

Block-8 is a large onland exploration Block in Iraq. Your Company is the sole licensee of the Block. The exploration and development contract for the Block was signed by the company with the Ministry of Oil, Iraq effective from 15th May, 2001. The minimum expenditure obligation for the first phase of exploration for three years is USD 15 Million, against which an investment of about USD 1 Million has been made till 31st March, 2003. Work relating to archival, reprocessing and interpretation of the existing seismic data for the block has been completed. Tender for additional seismic work in the block has already been floated and evaluation and awarding of the contract is currently in progress.

4.4 Exploration Block A-1, Myanmar

Block A-1 is a large exploration Block in offshore Myanmar. Your Company holds 20% PI in the Block; Daewoo International Corporation (DIC) as the operator holds 60% PI; KOGAS, Korea holds 10% PI and balance 10% PI is held by another oil sector Indian PSU, GAIL (India) Ltd. Your Company acquired PI in the project in April, 2002. The Company's share of investment in the exploration phase is expected to be about USD 8.66 Million, against which an investment of about USD 1.5 Million has been made till 31st March, 2003. Exploration activities are currently in progress and the first well is expected to be drilled by the end of 2003.

5. RESERVES

As on 31st March, 2003 the ultimate reserves of Oil and Gas in the equities including GNOP, held by your Company are as follows:
Oil 90.03 MMT, up from 46.10 MMT on 31st March, 2002
Gas 122.60 BCM, up from 101.49 BCM on 31st March, 2002

6. INVESTMENTS

Cumulatively till 31st March, 2003, your company has committed investments in equity Oil and Gas amounting to about USD 2.7 Billion, against which about USD 1.5 Billion have been actually incurred. The investments have been primarily funded by the parent, ONGC by way of equity and zero-interest loans.

7. OVERSEAS SUBSIDIARY

Sakhalin India Inc.

During the year, a wholly-owned overseas subsidiary company Sakhalin India Inc. (SII) was incorporated in Houston, USA on April 18, 2002 with initial paid-up capital of USD 1000, to facilitate management of operations of Sakhalin-1 project. Subsequently, on 20th August, 2002, SII acquired 10% working interest in an Offshore Gas Exploration Block in South Louisiana, USA from M/s McAlester Fuel Company, USA. In the context of acquisition of stake in GNOP, Sudan, the SII equity was sold to Oil India Limited (OIL), an oil sector Indian PSU on 10th March, 2003, at par value and loan of USD 7.06 Million extended by your company to SII was assigned to OIL repayable in six equal installments with a moratorium of two years from the date of the agreement.

ONGC Nile Ganga B.V.

During the year, your company purchased 100% equity of Talisman (Greater Nile) B.V., Amsterdam (a subsidiary company of Talisman Energy Inc., Canada) for acquisition of PI in Greater Nile Oil Project, Sudan, for a net consideration of USD 669.1 Million, on 12th March, 2003. The wholly-owned subsidiary Talisman (Greater Nile) B.V. was re-named as ONGC Nile Ganga B.V. on 14th March, 2003. The Board comprises of Shri V. Ravindranath, Executive Director, Shri K. K. Venkataramani, Group General Manager and Mr. Alexander R. Baron Mackay, a Dutch Resident, (to comply with the incorporation requirements).

8. OVERSEAS OFFICES

During the year, your Company opened representative offices in Baghdad, Iraq and Tehran, Iran. Other representative offices are located in Ho Chi Minh City, Vietnam and Yuzhno Sakhalinsk, Russia. The wholly owned subsidiary, ONGC Nile Ganga B.V., has its registered office at Amsterdam, and representative office in Khartoum, Sudan.

9. INFORMATION TECHNOLOGY

A project to provide comprehensive MIS on the business of your Company using SAP R/3 ERP package, integrated with Project ICE ("Information Consolidation for Efficiency") of the parent, ONGC has been taken up. It is also proposed to provide high-powered work stations in your Company for review of Geological and Geophysical (G&G) data.

10. HRD

Your Company has been operating with optimally required manpower seconded from the parent, ONGC. The total manpower was 51 as on 31st March, 2003 as compared to 45 as on 31st March, 2002; besides this, ONGC executives are seconded to various overseas projects for short-term assignments. For the operations of your Company in GNOP, Sudan, 53 executives have been deputed for various assignments in Sudan. Shri A. K. Mehra, Executive Director, ONGC has been positioned as Country Manager for your Company at Khartoum, Sudan.

11. BOARD OF DIRECTORS

(i) Shri R. S. Butola joined your company as Director (Finance) on 15th November, 2002.

(ii) Dr. Surajit Mitra, JS&FA, MOP&NG was nominated as Director on 9th June, 2003. Consequent to his relinquishing the charge of JS&FA, Dr. Surajit Mitra vacated the office of Director w.e.f. 16th July, 2003.

(iii) Shri Jauhari Lal, on superannuation from ONGC vacated the office of Director of your company on April 30, 2003.

(iv) Under the provisions of Section 255 and 256 of the Companies Act, 1956, Shri Subir Raha, Chairman, Shri V.K. Sharma, Director and Shri N. Lal, Director retire by rotation at this Annual General Meeting, and being eligible, offer themselves for reappointment.

Your Directors place on record their appreciation for the excellent contribution made by Shri Jauhari Lal and Dr. Surajit Mitra, and extend a warm welcome to Shri R. S. Butola.

12. AUDITORS

M/s Ashok Parveen & Co., Chartered Accountants, New Delhi were appointed as the Statutory Auditors of your Company by the Comptroller & Auditor General of India for the financial year 2002-2003.

13. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo during the financial year 2002-2003 is given below, as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968:

		(Rs. in million)
(i)	Foreign Exchange earned	506.16
(ii)	Foreign Exchange outgo	47232.54

14. STATUTORY DISCLOSURES

(i) None of the Directors of your Company is disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956.

(ii) None of the employees of your Company is drawing remuneration exceeding limits laid down under the provision of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

(iii) As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation and Technology Absorption, the Board hereby discloses as follows:

a) That the sources of energy used by the Company are electricity and Motor Spirit (petrol).

b) That the Board, as part of its existing internal control measures, is striving for the conservation of electricity and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company.

c) The provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provision of Section 217(2AA) of the Companies Act, 1956, the following statement relating to Annual Accounts for the financial year ended 31st March, 2003 is made:

(i) The applicable Accounting Standards have been followed in the preparation of the Annual Accounts for the financial year 2002–2003. The Company has not taken any material departure from those applicable Accounting Standards.

(ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

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

(iv) The Directors have prepared the Annual Accounts on a going concern basis.

During the year ended 31st March, 2003, 11 Board Meetings were held on 14th May, 29th May, 17th July, 24th July, 26th August, 16th October, 5th December, 20th December, 2002, 17th January, 24th January and 21st February, 2003. These meetings were attended by the members of the Board, as under:

Members	Meeting held during tenure of each member	Meeting Attended
Shri Subir Raha, Chairman	11	10
Shri Atul Chandra, Managing Director	11	11
Shri R. S. Butola, Director (Finance)	5	4
Dr. Avinash Chandra, Director	11	6
Shri J. M. Mauskar, Director	11	7
Shri Jauhari Lal, Director	11	8
Shri R. C. Gourh, Director	11	9
Shri Y. B. Sinha, Director	11	8
Shri V. K. Sharma, Director	11	7
Shri N. Lal, Director	11	7
Shri R. S. Sharma, Director	11	8

16. AUDIT COMMITTEE

Complying with the requirement of Section 292A of the Companies Act, 1956, the Audit Committee was re-constituted in May, 2002 with the following members:
Dr. Avinash Chandra, Director - Chairman of the Audit Committee
Shri Y. B. Sinha, Director
Shri V. K. Sharma, Director

Shri R.S. Sharma was appointed as member of the Audit Committee in place of Shri V.K. Sharma on 5th December, 2002. During the year ended 31st March, 2003, three meetings of the Audit Committee were held on 6th May, 22nd May and 5th December, 2002. These meetings were attended by the members of the Committee, as under:

Members	Meeting held during tenure of each member	Meeting Attended
Shri Atul Chandra	2	2
Shri Y. B. Sinha	3	3
Shri V. K. Sharma	2	2
Dr. Avinash Chandra	1	1
Shri R. S. Sharma	1	1

17. ACKNOWLEDGEMENT

Your Directors acknowledge with thanks the continued help, support and guidance received from the Government of India, especially, the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Department of Public Enterprises, the Reserve Bank of India and the Indian Embassies abroad. The employees of the Company have continued to display their total commitment towards the pursuit of excellence. Your Directors take this opportunity to place on record their appreciation for the valuable contribution made by the employees.

for and on behalf of the Board of Directors

(Subir Raha)
Chairman

New Delhi
August 30, 2003

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ONGC VIDESH LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of the ONGC Videsh Limited for the year ended 31st March 2003.

Vijaya Moorthy
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II

New Delhi
August 28, 2003

REVIEW OF THE ACCOUNTS OF ONGC VIDESH LTD. FOR THE YEAR ENDED 31st MARCH 2003 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note: The Review of Accounts has been prepared without taking into account the qualifications contained in the Statutory Auditor's Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the company under broad headings for the last three years:

(Rs. in Crore)

	As at 31st March, 2001	As at 31st March, 2002	As at 31st March, 2003
Liabilities			
a) Paid up Capital			
i) Government	–	–	**–**
ii) Others	300.00	300.00	**300.00**
b) Reserves & Surplus			
i) Free Reserves & Surplus	–	5.78	**20.65**
ii) Share Premium Account	–	–	**–**
iii) Capital Reserve	126.88	126.88	**132.59**
c) Borrowings from			
i) Govt. of India	–	–	**–**
ii) OIDB	54.06	44.48	**34.89**
iii) Foreign Currency Loans	–	181.73	**287.19**
iv) Cash Credit	–	–	**–**
v) Others	–	1963.40	**6731.33**
d) i) Current Liabilities & Provisions	9.04	174.19	**507.10**
ii) Provision for Gratuity	0.20	0.48	**0.67**
Total	**490.18**	**2796.94**	**8014.42**

(Rs. in Crore)

	As at 31st March, 2001	As at 31st March, 2002	As at 31st March, 2003
Assets			
e) Gross Block	0.65	0.80	**537.00**
f) Less : Depreciation	0.25	0.34	**84.01**
g) Net Block	0.40	0.46	**452.99**
h) Capital work in progress	239.27	2377.47	**2390.97**
i) i) Producing properties:	–	–	**452.57**
ii) Less : Depreciation	–	–	**3.32**
iii) Net Amount	–	–	**449.25**
j) Pre-producing properties	–	–	**–**
k) Investment	–	–	**2992.80**
l) Deferred Tax Asset	–	–	**11.06**
m) Current Assets, Loans & Advances	228.02	410.25	**1709.91**
n) Misc. Expenditure not written off (accumulated project expenditure)	4.59	8.76	**7.44**
o) Accumulated loss	17.90	–	**–**
Total	**490.18**	**2796.94**	**8014.42**
p) Working capital (m–d(i))	218.98	236.06	**1202.81**
q) Capital employed (g+i +k+p)	219.38	236.52	**5097.85**
r) Net worth (a+b(i)+b(ii)–n–o)	277.51	297.02	**313.21**
s) Net worth per rupee of Paid up Capital (in Rs.)	0.93	0.99	**1.04**

i) Increase in Borrowing from others is mainly due to loan raised from ONGC Ltd.
ii) Increase in Current Liabilities is mainly due to incorporation on a line by line basis of joint venture creditors.
iii) Producing property has been created in view of the commissioning of Vietnam Project.
iv) Increase in Capital work–in progress is due to progress of work in Sakhalin Project.
v) Investment represents investment in the wholly owned subsidiary ONGC NILE GANGA BV.

Note:– Figures for previous years have been regrouped as per the audited Annual Accounts for the year ended 31st March 2003.

2. WORKING RESULTS

Working results of the company during the last three years are given below:

(Rs. in Crore)

	2000–01	2001–02	2002–03
i) Sales	–	–	**9.85**
ii) Less : Excise Duty	–	–	**–**
iii) Net Sales	–	–	**9.85**
iv) Other or Misc. Income	36.59	39.17	**52.42**
v) Profit/(Loss) before tax and prior period adjustment	26.32	26.10	**3.44**
vi) Prior period adjustment	–	0.46	**0.21**
vii) Profit/(Loss) before tax and after prior period adjustment	26.32	25.64	**3.23**
viii) Tax provisions	2.23	1.96	**0.63**
ix) Profit after tax	24.09	23.68	**2.60**
x) Prepaid dividend	–	–	**–**

3. RATIO ANALYSIS

Some important ratios on the financial health and working of the Company at the end of last 3 years are given below:

(in Percentage)

	2000–01	2001–02	2002–03
A) LIQUIDITY RATIO			
Current Ratio: (Current Assets to Current Liabilities & Provisions and Interest Accrued & due but excluding Provision for Gratuity)	2522.35	235.52	**337.19**
B) DEBT EQUITY RATIO			
Long Term Debt to Net Worth [c (i) to c (v) but excluding the Short–Term Loans/r]	19.48	737.19	**2252.00**
(The increase in debt equity Ratio is mainly due to increase in long term loans taken from ONGC)			
C) PROFITABILITY RATIOS			
Profit before tax to			
a) i) Capital Employed	12.00	10.84	**0.06**
ii) Net Worth	9.48	8.63	**1.03**
iii) Sales	–	–	**32.79**
b) Profit after tax to equity capital	8.03	7.89	**0.87**
c) Earnings per share (in Rs.) of Rs.100 each	8.03	7.89	**0.87**

4. SOURCES AND USES OF FUNDS

(Rs. in crore)

Sources of Funds		
Funds from operations		
– Profit after tax	2.60	
– Capital reserve addition	5.70	
– Project Expenditure written off	4.85	
– Depreciation	3.54	16.69
Deferred Tax Asset		1.21
Increase in Borrowings		4905.20
Total		**4923.10**
Utilization of funds		
Increase in Fixed Assets		536.24
Increase in Working Capital		966.56
Investment		2992.80
Repayment of OIDB Loan		41.40
Producing Properties		366.24
Increase in Capital Works–in–Progress		13.04
Increase in Misc. Expenditure (Project Expenditure)		6.82
Total		**4923.10**

5. SUNDRY DEBTORS

(Rs. in Crore)

Year	Debts Considered Good	Provision for Doubtful Debts	Total Debtors	Sales	Percentage of Debtors to Sales
2000–01	–	–	–	–	–
2001–02	–	–	–	–	–
2002–03	**8.71**	**–**	**8.71**	**9.85**	**88.40**

6. INVENTORY

(Rs. in Crore)

Inventory position as at the end of last three years was as follows:

	2000–01	2001–02	2002–03
i) Stores and Spares	–	–	**17.42**
ii) Capital Stores	–	–	**–**
iii) Stock in trade	–	–	**0.77**
iv) Others	–	–	**–**

Vijaya Moorthy
Principal Director of Commercial Audit
& Ex–officio Member, Audit Board–II

New Delhi
August 28, 2003

AUDITORS' REPORT

TO THE MEMBERS OF ONGC VIDESH LIMITED

We have audited the attached Balance Sheet of ONGC VIDESH LIMITED, NEW DELHI as at 31st March 2003 and the Profit & Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report as follows:-

1. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, a statement on the matters specified in paragraph 4 & 5 of the said Order to the extent applicable to the Company, is annexed.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :

2.1 Categorization of projects into Board Approved Projects, Board Approved and Contracted Projects, Abandonment of Board Approved and Contracted Projects AND Producing Property Projects; Allocation of cost incurred on them, depletion of producing properties on the basis of the Proved Hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on fixed assets/support equipment and facilities; are made according to evaluation by the management, technical and/or otherwise on which, we have placed reliance.

2.2 There are changes in the significant accounting policies. The changes in the significant Accounting Policies, with its impact on accounts of the current year due to change is : -

(a) The policy of writing off the accumulated cost in respect of unsuccessful projects that are abandoned, over period of five years is changed to write off in the year of relinquishment decision itself. Due to the change, the recouped cost has increased by an amount of Rs.33.31 million and consequently the current year profit and assets (Project Expenditure) have been reduced by this amount (Refer Note No. 1(a) of schedule '26').

(b) In respect of depletion of Producing Properties, the policy stated that Producing Properties are created when commercial production commences and depleted using the 'Unit of Production Method'. An addition has been made in the policy by stating that the rate of depletion is computed by considering the proved hydrocarbon reserves and related project costs. Hydrocarbon reserves are estimated annually and are approved by the Board.

This change (addition) in the policy has NIL impact. (Refer Note No. 1(b) of the Schedule'26').

(c) In respect of depreciation of fixed assets the policy stated that depreciation on fixed assets used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and amortized/depleted.

The Policy has been modified to state that "depreciation on fixed assets used for exploration and development activities and on support equipment & facilities is initially capitalized as part of project cost and amortized/depleted as stated in policy 2(i)(c) of Schedule 25." The change has 'NIL' impact. (Refer Note No. 1(c) of Schedule 26).

(d) In respect of Investments, the policy stated that "Investment are valued at cost".

This policy has been changed to : -

"(a) Long term investments are valued at cost. Provision is made for any permanent diminution in the value of such investments.

(b) Current investments are valued at lower of cost and fair value."

This change has 'NIL impact. (Refer Note No. 1(d) of Schedule 26).

(e) In respect of 'Retirement Benefit' an addition is made to the Policy that Contribution to PF and CSS Scheme is paid to fund administered through separate Trusts.

The change (addition) in Policy has 'NIL' impact. (Refer Note No. 1(d) of Schedule 26).

(f) New Accounting policies are introduced in respect of

(i) Joint Venture – Policy No. 3 in Schedule 25 – Significant Accounting Policies.

(ii) Abandonment Cost – Policy No. 4 in Schedule 25. – Significant Accounting Policies.

(iii) Impairment – Policy No. 5 in Schedule 25 – Significant Accounting Policies.

(iv) Revenue Recognition – Policy No. 12 in Schedule 25. – Significant Accounting Policies.

(v) Inventories – Policy No. 13 in Schedule 25. – Significant Accounting Policies.

These changes (additions) in policy have 'NIL' impact. (Refer Note No. 1(e) of Schedule 26).

2.3 The incorporation of Company's share of Assets, Liabilities, Income and Expenses in the Joint Ventures is based on unaudited financial statements as provided by the respective operators of Joint Ventures. (Refer Note No.3 of the schedule-26).

3. **Subject to our comments in paragraphs 2 (comprising of 2.1, 2.2 & 2.3) above,** we report as follows :

3.1 we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary, for the purposes of our audit.

3.2 In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.

3.3 The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

3.4 In our opinion and based on the information given to us, the Profit and Loss Account and Balance Sheet referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

3.5 As informed to us, no director of the Company is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

3.6 Had the changes in accounting policies as observed in para 2.2 been not made; the current years' Profit and Assets (Project Expenditure) would have increased by a sum of Rs.33.31 millions.

Subject to the above and other comments in para 2, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with significant accounting policies and notes to accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and

(b) in the case of Profit and Loss Account, of the Profit for the year ended on 31st March, 2003.

For Ashok Praveen & Co.
Chartered Accountants

New Delhi
June 9, 2003

Ashok Gupta
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date of ONGC Videsh Limited, New Delhi as at 31st March, 2003)

i) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets except fixed assets of Joint Ventures situated outside India. The fixed assets situated in India, have been physically verified by the management during the year. However, fixed assets in which company has interest through Joint ventures, which are situated outside India, have not been physically verified by the management. The discrepancies noticed on such verification are insignificant in nature. We are told that the discrepancies, whatever are there, shall be dealt within Books of Accounts after thorough investigation.

ii) None of the fixed assets have been revalued during the current year.

iii) The stock of finished goods, stores and spare parts are held outside India by operators of Joint ventures where the company has interest. No physical verification of such stock has been conducted by the Management during the current year.

iv) Since the company has not carried out physical verification of stock of finished goods, stores and spare parts during the current year, therefore, we are unable to comment on the reasonableness and adequacy of physical verification.

v) Since the company has not carried out physical verification of stock of finished goods, stores and spare parts during the current year, therefore, we are unable to comment on the extent and materiality of discrepancies.

vi) The company does not have any stocks. The company has interest in Stocks held by operators of Joint Ventures where company has participating interest. In our opinion and on the basis of our examination of the stock statements sent by Operators of Joint Ventures the valuation of stocks of finished goods is fair and proper in accordance with the normally accepted accounting principles. The stock valuation is done by the company for the first time. However, valuation of stock of stores and spare parts has been done by the operators of joint ventures and is incorporated in the books of accounts of the Company on the basis of information provided by them.

vii) The Company has not taken any loan secured or unsecured from companies firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or from companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956, except interest – free loan of Rs.67313.29 million from the Holding Company, ONGC. As explained to us, the terms and conditions of such loan are not prima facie prejudicial to the interest of the Company. In terms of Sub-Section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31st October, 1998.

viii) During the year Company has granted the loan repayable on demand amounting to Rs.3546.84 million to its wholly owned subsidiary, ONGC Nile Ganga B.V. As explained to us, the terms and conditions of such loan are not prima-facie prejudicial to the interest of the Company. Except above, the Company has not granted loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of the sub Section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31st October, 1998.

ix) The employees and other parties to whom loans or advances in the nature of loans have been given are generally repaying the principal amounts as stipulated, where stipulations have been made, and are also, where applicable, regular in the payment of interest.

x) In our opinion and according to information and explanations given to us, the company has an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of other assets during the current year. We are informed that purchase of stores including components, plant and machinery and equipment and sales of goods are made through operators in joint ventures outside India in terms of respective Joint Operating Agreement, therefore, we are unable to comment on internal control procedures in respect of such matters.

xi) According to information and explanations given to us, there are no transactions for the purchase of any goods and materials, and sale of any goods, materials and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956.

xii) Since the Company has not carried out physical verification of stocks of finished goods, stores and spare parts during the current year, we are unable to comment on the determination of unserviceable or damaged stores or finished goods of the company.

xiii) The Company has not accepted any deposit from the public during the current year.

xiv) We are informed that the Company does not have any by products and scraps during the current year, therefore, no records have been maintained by the Company.

xv) The Company has maintained a system of internal audit for the corporate office commensurate with its size and nature of its business.

xvi) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.

xvii) The Provident Fund dues have been transferred by the Company to its parent company, ONGC, and according to the management, ONGC is responsible for depositing the same with the appropriate authority. We are informed that the Employees' State Insurance Scheme is not applicable to the Company.

xviii) According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were outstanding as on 31st March, 2003 for more than six months from the date they become payable.

xix) During the course of our examination of the books of accounts carried out in accordance with generally accepted auditing practices, we have not come across personal expenses of employees or directors which have been charged to revenue, other than those payable under contractual obligations or in accordance with generally accepted business practice.

xx) The Company is not a sick industrial company within the meaning of clause (O) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

xxi) In respect of service activities of the Company, we further report that :

a) there is a reasonable system of recording receipts, issues and consumption of materials and stores, however the nature of the Company's service is such that it does not require allocation of materials consumed to the relative jobs;

b) there is a reasonable system of authorization at proper levels, however the nature of the company's service is such that it does not require allocation of stores to jobs;

c) the Company's service is such that it does not require allocation of man-hours utilized to the relative jobs.

xxii) The Company is not engaged in any trading activity.

For Ashok Praveen & Co.
Chartered Accountants

New Delhi
June 9, 2003

Ashok Gupta
Partner

BALANCE SHEET AS AT 31ST MARCH, 2003

(Rupees in million)

	Schedule		As at 31st March, 2003		As at 31st March, 2002
SOURCE OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	3,000.00		3,000.00	
Reserves and Surplus	2	1,532.34		1,326.67	
			4,532.34		4,326.67
LOAN FUNDS					
Unsecured Loans	3		70,534.08		21,896.09
TOTAL			75,066.42		26,222.76
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		5,369.99		8.07	
Less: Depreciation		840.05		3.41	
Net Block			4,529.94		4.66
PRODUCING PROPERTIES	5		4,492.49		0.00
EXPENDITURE ON PROJECTS IN PROGRESS	6		23,909.68		23,774.69
INVESTMENT	7		29,927.95		0.00
DEFERRED TAX ASSET (Refer Note 8 of Schedule 26)			110.56		0.00
CURRENT ASSETS, LOANS & ADVANCES					
Interest Accrued	8	116.18		73.87	
Inventories	9	181.92		0.00	
Sundry Debtors	10	87.07		0.00	
Cash & Bank Balances	11	2,685.75		1,740.02	
Loans & Advances	12	14,028.20		2,288.60	
		17,099.12		4,102.49	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	13	5,064.82		1,737.54	
Provisions	14	12.91		9.19	
		5,077.73		1,746.73	
NET CURRENT ASSETS			12,021.39		2,355.76
MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)					
PROJECT EXPENDITURE	15		74.41		87.65
TOTAL			75,066.42		26,222.76
Statement of Significant Accounting Policies	25				
Notes to the Accounts	26				

Schedules referred to above form an integral part of accounts

Jagdish Prasad
Company Secretary

R. S. Butola
Director (Finance)

Atul Chandra
Managing Director

Subir Raha
Chairman

As per our report of even date attached
For Ashok Praveen & Co.
Chartered Accountants

Ashok Gupta
Partner

New Delhi
June 9, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

	Schedule	2002-2003	2001-2002
INCOME			
Sales	16	98.50	0.00
Other Income	17	524.23	391.74
Increase in Stock	18	7.73	0.00
		630.46	391.74
EXPENDITURE			
Operating Expenditure	19	180.79	0.00
Establishment Expenditure	20	121.94	79.78
Recouped Costs	21	83.14	20.85
Interest & Exchange Fluctuation	22	210.25	31.68
Provisions & Write-Offs (Net)	23	(0.05)	(1.64)
		596.07	130.67
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		34.39	261.07
Prior Period Adjustments (Net)	24	2.05	4.64
Provision for Taxation			
Current Year Tax		2.55	19.62
Deferred Tax		12.10	0.00
Excess Provision of Income Tax Written Back		(8.29)	0.00
PROFIT AFTER TAXATION		25.98	236.81
Add: Profit / (Loss) brought forward from Last year		57.84	(178.97)
Balance Available for Appropriation		83.82	57.84
Transfer to General Reserve		4.19	0.00
Balance Carried to Balance Sheet		79.63	57.84
		83.82	57.84
Statement of Significant Accounting Policies	25		
Notes to the Accounts	26		

Schedules referred to above form an integral part of accounts

Jagdish Prasad	R. S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

As per our report of even date attached
For Ashok Praveen & Co.
Chartered Accountants

New Delhi
June 9, 2003

Ashok Gupta
Partner

(Rupees in million)

		As at 31st March, 2003	As at 31st March, 2002
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
50,000,000 Equity Shares of Rs.100 each		**5,000.00**	5,000.00
Issued, Subscribed, Called & Paid Up 30,000,000 Equity Shares of Rs.100 each fully paid up in cash. (The entire share capital is held by Oil and Natural Gas Corporation Ltd. and its nominees).		**3,000.00**	3,000.00
TOTAL		**3,000.00**	**3,000.00**
SCHEDULE - 2			
RESERVES AND SURPLUS			
Capital Reserve			
Opening Balance	**1,268.83**		
Add: Addition during the year	**57.03**	**1,325.86**	1,268.83
General Reserve			
Opening balance	**0.00**		
Add:			
Addition for Deferred Tax Assets	**122.66**		
Transfer from Profit & Loss Account	**4.19**	**126.85**	0.00
Profit and Loss Account		**79.63**	57.84
TOTAL		**1,532.34**	**1,326.67**
SCHEDULE - 3			
UNSECURED LOANS			
Long Term			
Indian Rupee Loans			
From Oil Industry Development Board (Guaranteed by Oil & Natural Gas Corporation Ltd.)		**348.88**	444.75
From Oil & Natural Gas Corporation Ltd.		**67,313.29**	19,634.04
Foreign Currency Loans			
From Scheduled Banks (Guaranteed by Oil & Natural Gas Corporation Ltd.)		**2,871.91**	1,817.30
TOTAL		**70,534.08**	**21,896.09**
Repayable within one year		**95.87**	95.87

SCHEDULE - 4

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2002	Additions during the Year	Deletions/ Adjustments during the Year	As at 31st March, 2003	As at 1st April, 2002	For the Year	Deletions/ Adjustments during the Year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
1. Building	**0.00**	29.28	0.00	**29.28**	**0.00**	0.36	0.00	**0.36**	**28.92**	0.00
2. Plant & Machinery	**2.70**	5,317.66	0.02	**5,320.34**	**1.31**	831.64	0.00	**832.95**	**4,487.39**	1.39
3. Computers	**2.42**	9.32	0.00	**11.74**	**0.90**	3.44	0.00	**4.34**	**7.40**	1.52
4. Vehicles	**1.50**	5.55	0.49	**6.56**	**0.63**	1.02	0.37	**1.28**	**5.28**	0.87
5. Furniture and Fittings	**1.45**	0.62	0.00	**2.07**	**0.57**	0.55	0.00	**1.12**	**0.95**	0.88
TOTAL	**8.07**	**5,362.43**	**0.51**	**5,369.99**	**3.41**	**837.01**	**0.37**	**840.05**	**4,529.94**	**4.66**
Previous year	**6.51**	**2.62**	**1.06**	**8.07**	**2.51**	**1.79**	**0.89**	**3.41**	**4.66**	**4.00**
The above includes the Company's share in Joint Venture Assets	0.00	5,357.10	0.00	**5,357.10**	0.00	834.91	0.00	**834.91**	**4,522.19**	0.00

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002
SCHEDULE - 5		
PRODUCING PROPERTIES		
Gross		
Opening Balance	**0.00**	0.00
Add: Transferred from Project Expenditure in Progress	**4,525.66**	0.00
Total Gross (A)	**4,525.66**	**0.00**
Less: Depletion		
Opening Balance	**0.00**	0.00
Depletion for the year	**33.17**	0.00
Total Depletion (B)	**33.17**	0.00
Net Producing Properties (A-B)	**4,492.49**	**0.00**

SCHEDULE - 6

EXPENDITURE ON PROJECTS IN PROGRESS

	As at 31st March, 2003	As at 31st March, 2002
Board Approved and Contracted Projects		
Vietnam Project	**4,525.66**	5,854.42
Sakhalin-1 Project, Russia Federation	**23,782.32**	17,832.27
Block-8 Project, Iraq	**49.32**	29.19
Myanmar Project	**73.47**	58.81
Sub-Total	**28,430.77**	23,774.69
Add: Transfer from Project Expenditure (Ref Schedule - 15)		
Farsi Block,Iran	**4.57**	0.00
Sub-Total	**28,435.34**	23,774.69
Less: Transfer to Producing Properties (Ref Sechedule - 5)		
Vietnam Project	**4,525.66**	0.00
TOTAL	**23,909.68**	**23,774.69**

SCHEDULE - 7

INVESTMENTS

	As at 31st March, 2003	As at 31st March, 2002
Long Term Investments (Fully Paid Up)		
Trade Investments in Shares Unquoted		
In wholly owned subsidiary - ONGC Nile Ganga BV		
40 Class 'A' & 100 Class 'B' Shares of NGL 1000 Each	**29,927.95**	0.00
TOTAL	**29,927.95**	**0.00**

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE - 8

INTEREST ACCRUED

(Unsecured, Considered Good unless otherwise stated)

	As at 31st March, 2003	As at 31st March, 2002
Interest Accrued On		
Deposits with Banks	**51.88**	55.21
Carry Finance to RN-ASTRA & SMNG-S	**56.32**	16.05
On Loan to ONGC Nile Ganga BV	**4.45**	0.00
Others	**3.53**	2.61
TOTAL	**116.18**	**73.87**

SCHEDULE - 9

INVENTORIES

	As at 31st March, 2003	As at 31st March, 2002
Finished Goods	**7.73**	0.00
Stores & Spares	**174.19**	0.00
(In respect of joint venture through operator)		
TOTAL	**181.92**	**0.00**

SCHEDULE - 10

SUNDRY DEBTORS

(Unsecured)

Other Debts:

	As at 31st March, 2003	As at 31st March, 2002
Considered Good	**87.07**	0.00
TOTAL	**87.07**	**0.00**

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002
SCHEDULE - 11		
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	**0.06**	0.01
b) At Vung Tau,Vietnam	**0.00**	0.06
c) At HCMC,Vietnam	**0.05**	0.00
B. Balances with Scheduled Banks		
a) On Current Account	**0.00**	66.93
b) On Deposit Accounts	**1,970.82**	1,670.35
C. Balances with Non-Scheduled Banks		
a) On Current Account with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs. 1.79 million Previous year Rs. 1.61 million)	**0.00**	0.60
b) On SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs. 0.02 million Previous year Rs. NIL)	**0.02**	0.00
c) On SB VND Account with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs. 0.02 million Previous year Rs. NIL)	**0.02**	0.00
d) On Current Accounts, CITI Bank,HCMC,Vietnam (Maximum balance during the year Rs. 3.23 million Previous year Rs. NIL)	**2.58**	0.00
e) On Deposit Account with Vietnam Maritime Comml Stock Bank, V Tau (Maximum balance during the year Rs. 2.07 million Previous year Rs. 2.07 million)	**0.00**	2.07
f) On Current Account with Bank of Moscow,Sakhalin (Maximum balance during the year Rs. 0.43 million Previous year Rs. NIL)	**0.11**	0.00
D. Bank Balance (In respect of joint venture through operator)	**712.09**	0.00
TOTAL	**2,685.75**	**1,740.02**

(Rupees in million)

		As at 31st March, 2003		As at 31st March, 2002
SCHEDULE - 12				
LOANS AND ADVANCES				
Carry Finance to SMNG-S, Russian Federation		**4,926.41**		1,262.32
Carry Finance to RN ASTRA, Russian Federation		**3,641.19**		935.18
Loans & Advances to Employees		**14.29**		15.98
Loans to Oil India Limited		**337.56**		0.00
Advances recoverable in cash or in kind or for value to be received		**288.09**		55.46
Loan to ONGC Nile Ganga BV		**3,546.84**		0.00
Receivable from ONGC Nile Ganga BV		**86.30**		0.00
Deposits:				
a) With Financial Institution	**0.00**		0.00	
b) Others	**1.06**	**1.06**	1.36	1.36
Income Tax:				
Advance Payment of Income Tax	**138.02**		214.83	
Less: Provision	**100.37**	**37.65**	196.53	18.30
Advance recoverable in Cash or in kind or for value to be received		**1,148.81**		0.00
(In respect of joint venture through operator)				
TOTAL		**14,028.20**		**2,288.60**
Particulars of Loans & Advances				
Secured - Considered Good		**8.75**		9.72
Unsecured - Considered Good		**14,019.45**		2,278.88
TOTAL		**14,028.20**		**2,288.60**

(Rupees in million)

		As at 31st March, 2003		As at 31st March, 2002
SCHEDULE - 13				
CURRENT LIABILITIES				
Sundry Creditors for Supplies / Works				
Small Scale Undertakings		**0.00**		0.00
Other than Small Scale Undertakings		**144.00**		36.18
Overdraft Balance in Current A/C with SBI, IFB New Delhi		**191.01**		0.00
Deposits		**0.44**		1.26
Interest Free Advance from Oil and Natural Gas Corporation Ltd.		**1,500.00**		1,500.00
Payable to Oil and Natural Gas Corporation Ltd.		**111.77**		76.96
Payable to Talisman Energy Resource Inc		**915.64**		0.00
Cash Calls Payable to				
Daewoo International for Myanmar Project	**39.43**		58.25	
BPEOC for Vietnam Project	**0.00**		59.19	
Exxon Mobil for Sakhalin Project	**18.62**	**58.05**	0.00	117.44
Other Liabilities		**59.20**		5.61
Interest Accrued But Not Due		**0.00**		0.09
Sundry Creditors for Supplies / Works		**2,084.71**		0.00
(In respect of joint venture through operator)				
TOTAL		**5,064.82**		**1,737.54**

SCHEDULE - 14

PROVISIONS

Gratuity	**6.70**	4.75
Leave Encashment	**6.21**	4.44
TOTAL	**12.91**	**9.19**

SCHEDULE - 15

PROJECT EXPENDITURE

(Rupees in million)

PROJECT		EXPENDITURE			WRITE OFF/TRANSFER			BALANCE	
		Upto 31.3.2002	During 2002-2003	Total	Upto 31.3.2002	During 2002-2003	Total	As at 31.3.2003	As at 31.3.2002
BOARD APPROVED PROJECTS									
1	Tuba project, Iraq	8.45	0.05	**8.50**	0.00	0.00	**0.00**	**8.50**	8.45
2	Caspian Sea Project, Kazakhstan	1.05	9.42	**10.47**	0.00	0.00	**0.00**	**10.47**	1.05
3	GNOP Sudan	28.39	0.00	**28.39**	0.00	28.39	**28.39**	**0.00**	28.39
4	Block 188,189, Libya	0.54	1.85	**2.39**	0.00	0.00	**0.00**	**2.39**	0.54
5	Farsi Block,Iran	3.24	1.33	**4.57**	0.00	4.57	**4.57**	**0.00**	3.24
6	Nelson,Kazakhstan	0.00	14.82	**14.82**	0.00	0.00	**0.00**	**14.82**	0.00
7	Syria	0.00	3.08	**3.08**	0.00	0.00	**0.00**	**3.08**	0.00
8	Bangladesh	0.00	27.67	**27.67**	0.00	0.00	**0.00**	**27.67**	0.00
9	Venezuela	0.00	0.38	**0.38**	0.00	0.00	**0.00**	**0.38**	0.00
10	Exploration Blocks, Sudan	0.00	1.93	**1.93**	0.00	0.00	**0.00**	**1.93**	0.00
11	SAKHALIN Exploration blocks	0.00	1.94	**1.94**	0.00	0.00	**0.00**	**1.94**	0.00
12	Qatar	0.00	3.23	**3.23**	0.00	0.00	**0.00**	**3.23**	0.00
	Sub-Total	**41.67**	**65.70**	**107.37**	**0.00**	**32.96**	**32.96**	**74.41**	**41.67**
	CLOSED PROJECTS								
1	N Rumaila Project, Iraq	0.78	0.00	**0.78**	0.31	0.47	**0.78**	**0.00**	0.47
2	W Texas, USA	1.46	0.00	**1.46**	0.58	0.88	**1.46**	**0.00**	0.88
3	Udmurt Project, Russian Federation	1.57	0.00	**1.57**	0.63	0.94	**1.57**	**0.00**	0.94
4	Lukoil Project, Russian Federation	3.94	0.00	**3.94**	1.58	2.36	**3.94**	**0.00**	2.36
5	Komiarcticoil Project, Russian Federation	11.10	0.00	**11.10**	4.44	6.66	**11.10**	**0.00**	6.66
6	Astrakhan Project, Russian Federation	1.56	0.00	**1.56**	0.93	0.63	**1.56**	**0.00**	0.62
7	Tatneft Project, Russian Federation	1.23	0.00	**1.23**	0.74	0.49	**1.23**	**0.00**	0.49
8	Sugmut,Sibneft Project, Russian Federation	2.47	0.00	**2.47**	0.49	1.98	**2.47**	**0.00**	1.97
9	Ugut Kinyamin,Yukos Project, Russian Federation	3.54	0.00	**3.54**	0.71	2.83	**3.54**	**0.00**	2.84
10	Alibekmola Project, Kazakhstan	5.80	0.00	**5.80**	2.32	3.48	**5.80**	**0.00**	3.48
11	Pavlador Project, Kazakhstan	2.38	0.00	**2.38**	0.95	1.43	**2.38**	**0.00**	1.43
12	Prorva Project, Kazakhstan	0.76	0.00	**0.76**	0.46	0.30	**0.76**	**0.00**	0.30
13	Salman, Iran Project	2.70	0.00	**2.70**	1.62	1.08	**2.70**	**0.00**	1.08
14	Egypt project	0.55	0.00	**0.55**	0.44	0.11	**0.55**	**0.00**	0.11
15	Azerbaijan Project	3.34	0.00	**3.34**	2.67	0.67	**3.34**	**0.00**	0.67
16	Turkey project	0.71	0.00	**0.71**	0.57	0.14	**0.71**	**0.00**	0.14
17	W Australia Project	0.62	0.00	**0.62**	0.50	0.12	**0.62**	**0.00**	0.12
18	Algeria Project	2.14	0.00	**2.14**	1.71	0.43	**2.14**	**0.00**	0.43
19	Zarubezhneft Project	0.22	0.00	**0.22**	0.18	0.04	**0.22**	**0.00**	0.04
20	Kyrghistan Project	0.30	0.00	**0.30**	0.24	0.06	**0.30**	**0.00**	0.06
21	Gabon Project	0.70	0.00	**0.70**	0.28	0.42	**0.70**	**0.00**	0.42
22	Block 242, Algeria	13.65	(0.25)	**13.40**	2.73	10.67	**13.40**	**0.00**	10.92
23	Oman Project	11.93	(0.26)	**11.67**	2.39	9.28	**11.67**	**0.00**	9.55
24	Indonesia	0.00	2.99	**2.99**	0.00	2.99	**2.99**	**0.00**	0.00
	Sub-Total	**73.45**	**2.48**	**75.93**	**27.47**	**48.46**	**75.93**	**0.00**	**45.98**
	TOTAL	**115.12**	**68.18**	**183.30**	**27.47**	**81.42**	**108.89**	**74.41**	**87.65**

(Rupees in million)

		2002-2003		2001-2002
SCHEDULE - 16				
SALES				
Gas Sales		**98.50**		0.00
TOTAL		**98.50**		**0.00**
SCHEDULE - 17				
OTHER INCOME				
Interest Income on:				
On Short Term Deposits with Banks (Tax deducted at source Rs. 24.09 Million previous year Rs. 24.35 Million)		**117.62**		164.79
On Carry Finance to RN-ASTRA & SMNG-S		**239.93**		39.86
On Loans & Advances to Employees		**0.84**		0.68
Others		**12.73**		47.79
Exchange Gain on Carry Loan & Receivables		**0.00**		27.96
Miscellaneous Receipts				
Manpower Deployment	**152.33**		110.17	
Other Receipts	**0.78**	**153.11**	0.49	110.66
TOTAL		**524.23**		**391.74**
SCHEDULE - 18				
INCREASE IN STOCK (FINISHED GOODS)				
Closing Stock		**7.73**		0.00
Opening Stock		**0.00**		0.00
Net Increase in Stock		**7.73**		**0.00**
SCHEDULE - 19				
OPERATING EXPENDITURE				
Transportation Expenditure		**47.98**		0.00
Production Expenditure		**123.86**		0.00
Value Added Tax		**8.95**		0.00
TOTAL		**180.79**		**0.00**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note -13 of Schedule '26'

(Rupees in million)

	2002-2003	2001-2002

SCHEDULE - 20

ESTABLISHMENT EXPENDITURE

	2002-2003	2001-2002
Staff Expenditure		
Salaries, Wages & Bonus	**24.77**	18.85
Contribution to Provident and other Funds	**2.16**	1.86
Provision for Gratuity	**2.29**	3.65
Provision for Leave Encashment	**2.72**	0.00
Staff Welfare Expenses	**2.82**	3.06
Sub-Total	**34.76**	**27.42**
Office and Administrative Expenses		
Rent	**4.24**	3.54
Electricity & Water	**1.56**	1.33
Repair & Maintenance	**4.53**	4.18
Vehicle Hire Charges	**0.50**	0.47
Professional Charges	**0.59**	0.66
Telephone & Telex	**3.72**	3.20
Printing & Stationary	**1.81**	1.25
Training & Seminar	**0.69**	0.26
Business Meeting Expenses	**1.04**	1.10
Travelling Expenses (Including Foreign Travel Rs. 52.93 million previous Year Rs. 29.83 million)	**54.33**	31.77
Insurance	**0.62**	0.00
Advertisement & Exhibition Expenses	**8.27**	0.65
Legal Expenses	**0.00**	0.01
Others	**5.28**	3.94
Sub-Total	**87.18**	**52.36**
TOTAL	**121.94**	**79.78**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note -13 of Schedule '26'.

SCHEDULE - 21

RECOUPED COSTS

	2002-2003	2002-2003	2001-2002	2001-2002
Foreign Blocks Evaluation Expenditure		**0.00**		4.38
Project Expenditure Written Off		**48.47**		14.69
Depreciation	**837.01**		1.79	
Less: Allocated to Project Expenditure	**834.85**		0.01	
Transferred to prior period Expenditure	**0.66**	**1.50**	0.00	1.78
Depletion		**33.17**		0.00
TOTAL		**83.14**		**20.85**

(Rupees in million)

		2002-2003		2001-2002
SCHEDULE - 22				
INTEREST & EXCHANGE FLUCTUATION				
A. Interest On				
Loan from Oil Industry Development Board		**19.07**		23.87
Foreign Currency Loans	**61.27**		11.45	
Less: Capitalised	**50.79**	**10.48**	11.45	0.00
Others		**0.06**		7.81
Sub-Total		**29.61**		**31.68**
B. Exchange Fluctuation				
Total Exchange Variation for the Year	**100.55**		14.49	
Less: Capitalised	**(80.09)**	**180.64**	14.49	0.00
Sub-Total		**180.64**		**0.00**
TOTAL		**210.25**		**31.68**

SCHEDULE - 23

PROVISIONS & WRITE-OFFS (NET)

	2002-2003	2001-2002
Loss on Sale of Fixed Assets	**0.00**	0.16
Excess Provisions Written Back	**(0.05)**	(1.80)
TOTAL (NET)	**(0.05)**	**(1.64)**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note -13 of Schedule '26'

SCHEDULE - 24

PRIOR PERIOD ADJUSTMENTS (NET)

	2002-2003	2001-2002
A. Expense		
Depreciation	**0.66**	0.00
Other Expenses	**1.41**	0.00
Sub-Total	**2.07**	**0.00**
B. Income		
Miscellaneous Items	**0.02**	(4.64)
Sub-Total	**0.02**	**(4.64)**
TOTAL (NET)	**2.05**	**4.64**

SCHEDULE - 25

Significant Accounting Policies

1. Accounting Convention:

The financial statements are prepared on accrual basis under the historical cost convention and in accordance with the Mandatory Accounting Standards.

2. Acquisition, Exploration and Development Costs:

The company follows full cost method of accounting for its oil and gas operation where by all Acquisition, Exploration and Development costs directly attributable to a project are accumulated as project cost and segregated into two categories, **(i) 'Board Approved and Contracted Projects'** and **(ii) 'Board Approved Projects'**.

(i) Board Approved and Contracted Projects

The projects for which formal agreements incorporating work and financial commitments have been made with due approvals are classified as 'Board Approved and Contracted Projects. Following accounting policies are followed in respect of such projects:

a) Accumulated cost relating to Board Approved and Contracted Projects are carried as 'Expenditure on projects in progress' till the time the project is declared as producing property or is abandoned;

b) Accumulated cost relating to Board Approved and Contracted Projects but unsuccessful projects, that are abandoned, are written off in the year of the abandonment decision;

c) Producing Properties are created in respect of projects when commercial production commences and depleted using the 'Unit of Production Method'. The rate of depletion is computed by considering the proved hydrocarbon reserves and related project costs. Hydrocarbon reserves are estimated annually and are approved by the Board.

(ii) Board Approved Projects

The projects which are approved by the Board of Directors for pursuance and for which scouting of data & information is in progress but no formal agreements have been signed yet; are classified as 'Board Approved Projects'.

Accumulated cost relating to Board Approved Projects are carried forward till the project either becomes a Board Approved and Contracted Project or is relinquished for economic or other reasons. Such costs are shown under the head 'Miscellaneous Expenditure to the extent not written off'. In case of relinquishment, such costs are written off in the year of relinquishment decision.

3. Joint Ventures:

The company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangement, the company shares control with other venturers.

In respect of such joint ventures the financial statement of the company reflects its share of Assets, Liabilities, Income and Expenditure in the respective Joint Ventures in proportion to its participating interest as per proportionate consolidation method except in cases of abandonment, depletion and depreciation which is accounted for based on accounting policies of the Company.

4. Abandonment Cost:

The abandonment cost for projects is provided based on the provisions of the respective production sharing and/ or contracts governing the same.

5. Impairment:

Impairment loss is determined in respect of each project after the establishment of reserve and declaration of commercial viability and adjusted for in the carrying cost of the project.

At each balance sheet date an assessment of the recoverable amount based on the value in use method is carried out in respect of each individual project and compared with the carrying amount and if a permanent diminution in value is identified, the asset is impaired to the net recoverable amount.

6. Fixed Assets:

Fixed assets are recorded at historical cost and financing charges relating to loans attributable to acquisition of fixed assets till the time of commissioning of such assets are capitalized.

7. Depreciation:

(i) Depreciation on fixed assets is provided on the written down value method in accordance with Schedule XIV to the Companies Act, 1956.

(ii) Depreciation on adjustment to fixed assets on account of exchange difference and price revision is provided prospectively over the remaining useful life of such assets.

(iii) Depreciation on fixed assets used for exploration and development activities and on support equipment and facilities is initially capitalized as part of project cost and amortized / depleted as stated in policy 2(i) c above.

8. Investment:

(i) Long term investments are valued at cost. Provision is made for any permanent diminution in the value of such investments.

(ii) Current investments are valued at lower of cost and fair value.

9. Foreign Currency Transaction:

(i) Foreign exchange transactions relating to purchase of fixed assets, goods and services are accounted for at the exchange rates ruling on the date of transaction.

(ii) Foreign Currency loans/deferred credits outstanding at the end of the year and bank balances held abroad are translated at the mean exchange rate prevailing on the last day of the financial year. Losses or gains relating to the loans/deferred credits utilized for acquisition of fixed assets are adjusted to the carrying cost of the relevant assets. Losses or gains due to exchange rate fluctuations relating to other loans/deferred credits are considered in the Profit and Loss Account.

10. Retirement Benefits:

(i) Contribution to Provident Fund and Composite Social Security Scheme is made as per the Rules of the parent Company. The same is paid to fund administered through separate trusts.

(ii) Provisions for gratuity and leave encashment are made as per actuarial valuation basis as at the end of the financial year. These are not funded.

11. Borrowing Cost:

Borrowing Costs that are specifically identified to the acquisition or construction of qualifying assets are capitalized as cost 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.

12. Revenue Recognition:

(i) Revenue from sale of products is recognized on transfer of custody to customers and/or as per contracts governing such sale.

(ii) Revenue in respect of Short lifted quantities of gas is recognized when there is reasonable certainty regarding its ultimate collection.

13. Inventories:

(i) Condensate in tanks is valued at cost or net realisable value whichever is lower

(ii) Natural gas in pipeline and crude/condensate stock in flow lines is not valued.

SCHEDULE - 26

NOTES TO THE ACCOUNTS

1. Changes in Accounting Policy:

(a) The Company changed its policy of writing off the accumulated cost in respect of unsuccessful projects that are abandoned, over five years to writing off in the year of relinquishment decision itself. Due to the change, the recouped cost has increased by an amount of Rs 33.31 million and consequently the current year profit has been reduced by this amount.

(b) The existing policy for Producing Properties stated that Producing Properties are created when commercial production commences and depleted using the 'Unit of Production Method'. An addition has been made in the policy by stating that the rate of depletion is computed by considering the proved hydrocarbon reserves and related project costs. Hydrocarbon reserves are estimated annually and are approved by the Board. This addition was necessitated as the Vietnam Project commenced commercial production during the year and depletion was computed for the first time. As this is not a change in the accounting policy but only an addition, there is nil impact of the change.

(c) The existing policy on depreciation stated that depreciation on fixed assets used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and amortized/depleted. This has been modified to align with the policy on computation of depletion as stated in (b) above. The modified policy states that depreciation on fixed assets used for exploration and development activities and on support equipment & facilities is initially capitalized as part of project cost and amortized/depleted as stated in policy 2(i) (c) of Schedule 25. There is no financial implication of the change.

(d) An addition has been made under the policy for investments stating that current investments are valued at lower of cost and fair value. Similarly, under the Retirement Benefit Policy, an addition has been made that contribution to PF and CSS scheme is paid to fund administered through separate trusts. There is no financial implication of these changes.

(e) Certain new accounting policies have been introduced during the year to comply with the mandatory accounting standards and other accounting requirements arising out of increased activities of the Company. These new policies relate to Joint Ventures (Policy No.3 in Schedule 25 Significant Accounting Policies); Abandonment Cost (Policy No.4); Impairment (Policy No.5); Revenue Recognition (Policy No.12), Inventories (Policy No.13).

2. Details of joint ventures:

The activities of the company are being carried out through joint ventures with others and the details of the significant joint ventures are as under:

Name of the Project	Country of operation and Block	OVL participating share (%)	Other Partners	Project Status
Vietnam Project	Vietnam, Block 06.1 Offshore	45%	British Petroleum –35% Petrovietnam– 20%	Production commenced from 21st January 2003
Sakhalin Project	Russia Sakhalin 1 Offshore	20%	Exxon Neftgas Ltd -30% SODECO -30% SMNG- 11.5% R N Astra -8.5%	The project is under development
Myanmar Project	Myanmar Block A-1 Offshore	20%	Daewoo International Corpn, Korea- 60% KOGAS , Korea- 10% GAIL – 10%	The project is under exploration
Iran Project	Iran Farsi Block Offshore	40%	IOCL – 40% OIL - 20%	Exploration service contract was signed on 25th Dec 2002

3. The company's share of assets, liabilities; Income and expenses in the joint ventures is incorporated in its financial statement as furnished by the operator is as given below:

Amount (Rupees in million)

	Vietnam	Sakhalin	Myanmar	Iran
Cash & Bank	42.15	667.34	2.61	-
Current Assets	110.23	1566.39	1.34	-
Project expenditure	-	12438.27	70.82	4.57
Fixed assets	4936.97	419.89	0.24	
Producing property	3626.62	-	-	-
Current liabilities	398.38	1685.14	1.19	-
Long term Liabilities	-	-	-	-
Income	-	-	-	-
Expenses	123.86	-	-	-

The company's share of expenditure in respect of Joint ventures has been incorporated in the Accounts based on the unaudited financial statements provided by the operator for the period ended 31st March 2003. In respect of Sakhalin project the operator's financial statement indicates excess capital contribution of Rs. 1273.39 million (US $ 26.78 million) by the partners. The same has been incorporated in the books of the company by way of reduction from the project expenditure.

4. **Vietnam Project**

The Vietnam project was commissioned on 21st January 2003 and for the first time the Company started earning revenue from sale of hydrocarbons. Consequent upon the commissioning of the project, producing property of Rs. 4073.73 million and Fixed Asset of Rs. 4936.97 million was created out of the Project Expenditure. During the period 21st January 2003 to 31st March 2003 revenue of Rs. 98.50 million was earned from sale of gas against an expenditure of Rs. 213.96 million comprising operating expenditure of Rs. 180.79 million and depletion of Rs. 33.17 million. The reason for the higher expenditure is that, while the operating expenditure for the full 45% participating share was borne by the company, its combined share in cost gas and profit gas during the period was only 11.25% of the total contractors share due to priority of cost recovery allowed to a co-venturer for expenditure solely incurred by it as per the terms of agreement. As a result the operating margin of the company was reduced during this period.

5. **Details of Reserves:**

Company's share of proved reserves in respect of the different projects as on 31.03.2003 is as under:

Project	CRUDE OIL (MM Tonne)*	GAS (Billion Cubic Meter)	Total oil equivalent (Million MT)
Vietnam	0.117	25.540	25.657
Sakhalin	61.400	97.000	158.400

* Oil includes condensate. For calculating OEG 1000$M^3$of Gas has been taken to be equal to 1 MT of oil.

6. **Acquisition of TGN BV**

As per Agreement signed on 30th October 2002 the Company acquired 100% shares of Talisman (Greater Nile) BV, registered in Netherlands, a subsidiary company of Talisman Energy Inc., Canada which has 25% participating interest in Greater Nile Oil Project, Sudan. The sale process was closed and shares transferred in the name of the Company on 12th March, 2003. Subsequently, the name of the wholly owned subsidiary Talisman (Greater Nile) BV was changed to ONGC Nile Ganga BV effective from 14th March 2003. A sum of Rs. 33574.73 million (US$ 688.31 million and Rs. 695.51 million) was incurred in acquiring the 100% shares of Talisman (Greater Nile) BV consisting of the purchase consideration and related acquisition costs after adjustment of revenues from the project as per terms of the agreement. Purchase consideration consists of two components (i) price paid for equity shares and (ii) assignment of Vendor's outstanding Debt to TGN B.V. as on 12th March, 2003 to the company. The debt assigned to the company is equivalent to Rs. 3563.58 million (US $ 74.59 million). In addition, TGN BV had to pay to its holding company and affiliates a sum amounting to Rs. 83.20 million (US $ 1.75 million) towards running account. The same has also been adjusted against the purchase consideration. Accordingly, the acquisition cost of Rs. 33574.73 million has been accounted for as Investment to the extent of Rs. 29927.95 million in the wholly owned subsidiary; Loans to the subsidiary to the extent of Rs. 3563.58 million (US $ 74.59 million), and Receivables by the Company from the subsidiary to the extent of Rs. 83.20 million (US $ 1.75 million) as on the closing date (12th March, 2003).

The investment in the project was financed by way of interest free loan of Rs. 33255.82 million extended by the parent company ONGC. The Greater Nile Project is currently producing oil at an average of 260,000 barrels per day. The subsidiary's share of revenue in the sale of crude oil for the period from the date of acquisition (12th March, 2003 to 31st March, 2003) is equivalent to Rs. 1690.48 million (US$ 35.48 million).

7. Sale of wholly owned subsidiary Sakhalin India Incorporation (SII)

During the year, a wholly owned overseas subsidiary company, Sakhalin India Inc. (SII) was incorporated on 18th April, 2002 with an initial paid up share capital of US$1000 and registered at Texas, USA. It's main purpose was to facilitate and assist in the management of operations of Sakhalin-1 project. Subsequently, SII acquired 10% working interest in an exploration block in South Louisiana, USA (Louis Project) from M/s McAlester Fuel Company, USA. An investment of Rs. 342.56 Million was made in the Louis Project and the expenditure in the project was funded through an interest free loan by the company to SII.

Entire equity holding of the company in SII was divested in favour of Oil India Limited (OIL), a public sector company on 10th March, 2003. As per the terms of agreement, the shares were taken over by OIL at par and the loan extended by OVL to SII for Louis Project was taken over by OIL for Rs. 336.54 million as on March 10, 2003. The exchange loss of Rs. 6.02 million on Loan for Louis Project was charged to the Profit and Loss Account during the year. The loan shall be repayable by OIL in six equal installments with a moratorium of two years from the date of the agreement. The loan to Oil India Limited carries an interest of 5% p.a from the date of the agreement and shall stand revised to 10 % p.a from the date of establishment of commercial success (generating an IRR more than 10% nominal).

8. Taxation:

(a) Deferred Tax Provision

(i) Last year, taking a conservative view, the company did not create deferred tax Asset(Net) in the accounts. However effective from this year company has accounted for the taxes on income in accordance with the Accounting standard (AS-22) "Accounting for Taxes on Income". The company had a net deferred tax Asset of Rs. 122.66 million as at 31st March, 2002 on account of timing difference which has been added to General Reserve as on 1st April 2002.

(ii) The Net Deferred Tax Asset of the Company as at 31st March, 2003 is Rs. 110.56 million. The difference of Rs. 12.10 million has been charged to the current year's Profit and Loss Account.

(iii) The breakup of deferred tax Assets and Liabilities as on 31st March, 2003 is as under:

	(Rupees in million)
Deferred Tax Assets	
Carried Forward Allowance U/S 42 of Income Tax Act, 1961	80.79
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	1.04
Carried Forward Depreciation U/S 32 of Income Tax Act, 1961	2868.59
Carried Forward Losses U/S 72 of Income Tax Act, 1961	238.17
Provision for Gratuity	2.40
Provision for Leave encashment	0.64
Total Deferred Tax Assets	**3191.63**
Deferred Tax Liability	
Revenue Expenditure Carried Forward as Project Expenditure	26.70
Difference in Net Block of Fixed assets for Tax	2920.13
Expenditure claimed U/S 42 but not charged in the Accounts	134.24
Total Deferred Tax Liability	**3081.07**
Net Deferred Tax Asset	**110.56**

(b) Current Tax provision

(i) The Company is liable to pay tax on profits for the financial year 2002-2003 u/s 115 JB of Income Tax Act for Minimum Alternative Tax (MAT) since the book profits are more than taxable profits. Consequently, income tax provision of Rs. 2.55 million has been made towards MAT in the accounts.

(ii) The excess provision of Rs. 8.19 million for the Assessment Year 1999-2000 and Rs. 0.10 million for other Assessment Year, being not required has been written back during the year.

(c) Tax Assessment

(i) The Company has gone in to appeal to Hon'ble High Court of Delhi against the decision of Income Tax Appellate Tribunal for the Assessment Year 1981-82 to 1987-88 in regard to disallowance of its claim for Rs. 94.04 million, on account of depreciation, development allowance, receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard has already been deposited by the Company. The case of the company is awaiting listing for hearing.

(ii) A tax provision of Rs. 57.03 million was created during the year 2000-01 against the farm out proceeds of a part of the participating interest in Vietnam project by way of deduction of Rs. 57.03 million from the capital reserve. As the regular tax assessment for the Assessment year 2001-02 U/s 143(3) has been completed the same amount has been added to capital reserve.

9. Loans and Advances to Employees

Loans and advances to employees include an amount of Rs. 0.25 million (Previous Year Rs.Nil million) outstanding from whole time Directors, Maximum outstanding during the year is Rs. 0.26 million (Previous Year Rs.0.05 million).

10. Other liabilities

Other Liabilities under head 'Current Liabilities' – Schedule '13' includes interest accrued and due on Foreign Currency Loan –Rs. NIL (Previous Year Rs. 0.36 million). Out of this Rs. NIL (Previous Year Rs. 0.27 million) has already been paid.

11. Capital Commitment

(i) In respect of Block A -1 of Myanmar Project the Production sharing contract (PSC) provides for a Minimum work Commitment at an estimated cost of Rs. 380.4 million (US $ 8 million) if the contractor enters into the first one year extension of Exploration period. The consortium has elected to enter into the first one year extension of the exploration period and accordingly the committed share of minimum work commitment of the company is Rs.129.34 million (US $ 2.72 on Million). As per the PSC if the contractor fails to fulfill the minimum work commitment, the contractor shall fulfill its obligation by paying the deficiency, between the estimated cost and the amount actually paid or accrued. The company is confident of meeting the Minimum work commitment.

(ii) In respect of Farsi Block, Iran Project, the company in consortium with other partners has entered into an Exploration Service Contract. The Exploration Service Contract provides for a minimum Exploration expenditure obligation of Rs.1,283.85 million (US $ 27 million). The Company's proportionate share of the Minimum exploration expenditure obligation is Rs. 513.54 million (US $10.8 million). In case the actual dollar amount spent by Company in phase 1 after fulfilling the minimum work obligation is greater or smaller than Rs.1,283.85 million (US $ 27 million) such over or under expenditure shall be allowed to be deducted from or added towards the Minimum Expenditure obligations for phase 2.The company is confident of meeting the minimum work commitment.

(iii) In respect of Block -8, Iraq Project the company has entered into an Exploration and Development Contract. The Exploration and Development Contract provides for a minimum work obligation of Rs. 713.25 million (US $ 15 million) during phase I of the exploration period. In case the actual dollar amount spent during the first phase of exploration period is greater or smaller than the minimum work obligation of Rs. 713.25 million (US $ 15 million) for that phase such over or under expenditure shall be deducted or added to the minimum expenditure obligation of phase two. The project is under first phase of exploration and the company has the option of electing to enter into the second phase of exploration. The company is confident of meeting the minimum work obligation.

12. Contingent Liability

Liability for payment to contractual workers for regularization of their services is pending with Hon'ble Delhi High Court under civil suit. The amount of liability is not ascertainable.

13. Details of : Operating Expenditure (Schedule '19'), Establishment Expenditure (Schedule '20') and Provision & write off (Schedule '23')

(Rupees in million)

			2002-03	**2001-02**
(i)	(a)	Salaries, Wages, Ex-gratia, etc.	**74.00**	27.39
	(b)	Contribution to Provident and other Funds	**2.16**	1.85
	(c)	Provision for Gratuity	**2.29**	3.65
	(d)	Provision for Leave Encashment	**2.72**	0
	(e)	Staff Welfare Expenses	**3.85**	4.09
	Sub-Total		**85.02**	**36.98**
	Less : Allocation to Projects		**13.78**	**9.56**
		(A)	**71.24**	**27.42**
(ii)	Rent		**4.25**	3.54
(iii)	Electricity, Water & Power		**4.00**	1.33
(iv)	Repairs to Building		**0.32**	0.55
(v)	Repairs to Plant and Machinery		**20.63**	2.21
(vi)	Other Repairs		**1.82**	1.42
(vii)	Hire Charges of Vehicles		**0.50**	0.47
(viii)	Professional Charges		**209.34**	307.64
(ix)	Telephone & Telex		**3.72**	3.20
(x)	Printing & Stationary		**1.81**	1.25
(xi)	Training & Seminar		**0.69**	0.26
(xii)	Business Meeting Expenses		**1.43**	1.55
(xiii)	Traveling Expenses		**85.57**	61.74
(xiv)	Legal Expenses		**0**	0.01
(xv)	Insurance		**9.23**	0
(xvi)	Advertisement and Exhibition Expenditure		**8.26**	0.65
(xvii)	Value Added Tax		**8.95**	0
(xviii)	Contractual Transportation		**47.98**	0
(xix)	Stores & Spares		**4.40**	0
(xx)	Logistics		**48.39**	0
(xxi)	Miscellaneous Expenditure		**540.76***	44.69
(xxii)	Provision		**(0.05)**	0
Sub-Total			**1002.00**	**430.51**
Less : Allocation to Projects			**770.56**	**378.15**
		(B)	**231.44**	**52.36**
Establishment Expenditure (Net) (A+B)			**302.68**	**79.78**

* Includes F.E. forward cover cost of Rs. 503.81 million

14. Quantitative and other information pursuant to the provisions in Part II of Schedule VI to the Companies Act, 1956:

(i) SALES TURNOVER

		2002-03		2001-02	
	Unit	**Quantity**	**Value (Rs. in million)**	Quantity	Value (Rs. in million)
Crude Oil	**MT**	**Nil**	**Nil**	Nil	Nil
Gas	**000 Cubic M**	**17292**	**98.5**	Nil	Nil

(ii) OPENING AND CLOSING STOCK OF GOODS PRODUCED

		2002-03		2001-02	
	Unit	**Quantity**	**Value (Rs. in million)**	Quantity	Value (Rs. in million)
Opening Stock Condensate*	MT	**Nil**	**Nil**	Nil	Nil
Closing Stock Condensate*	MT	**3528**	**7.73**	Nil	Nil

***Company's participating share of stock in joint venture.**

(iii) LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

		2002-03		2001-02	
	Unit	**Installed Capacity**	**Actual Production**	Installed Capacity	Actual Production
Gas*	000 M3	**Not applicable**	**69507**	Not applicable	Nil
Condensate	MT	**Not applicable**	**3528**	Not applicable	Nil

*** Company's participating share of production in joint ventures. (Refer note 4 above)**

15. Expenditure in Foreign Exchange:

(Rupees in million)

	2002-03	**2001-02**
Import	**Nil**	Nil
Professional & Consultation Fee	**102.42**	305.32
Interest & Dividend	**Nil**	4.12
Others	**43164.31**	21021.80

16. Earning in Foreign Exchange:

(Rupees in million)

	2002-03	**2001-02**
Export/ Sales	**98.50**	Nil
Royalty/Technical know-how	**Nil**	Nil
Interest & Dividend	**254.66**	95.48
Others (Misc. Income)	**153.00**	115.94

17. Managerial Remuneration:

(Rupees in million)

	2002-03	**2001-02**
Salary and Allowances	**0.85**	1.55
Contribution to Provident Fund	**0.09**	0.11
Other Benefits & Perquisites	**0.03**	0.04
(Excluding provision by Holding Company)	**0.97**	1.70

Note:

a) In addition Whole-time Directors are also allowed the use of Company car for private purposes up to 1000Km/per month on payment of Rs. 400 per month for air-conditioned cars below 16 H.P.

b) The remuneration does not include provision for gratuity & leave encashment since the same is not available for individual employee.

18. Auditor's Remuneration:

(Rupees in million)

	2002-03	2001-02
Audit Fee* Tax Audit Fee* (*Excluding Service Tax)	**0.08**** **0.01**	0.04 0.01
Total	**0.09**	0.05

** Out of this amount Rs. 0.02 million paid to retiring Auditor as incremental Audit fee approved in AGM held in Financial Year 2002-03

19. The Expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC.

20. In compliance of Accounting Standard (AS-18) the details on 'Related Party Disclosures' are as under:

(Rs. in million)

	Holding Company	Subsidiaries	Joint Ventures	Key Management Personnels	Total
Income from Deputation of employees			152.33		152.33
Remuneration				0.97	0.97

Note : Name of related parties and description of relationships.

Holding Company	Oil and Natural Gas Corporation Ltd.
Subsidiary	ONGC Nile Ganga BV, Netherlands
Joint Ventures	Vietnam Project Sakhalin Project Myanmar Project Iran Project Iraq Project
Fellow Subsidiary	Mangalore Refinery and Petrochemicals Ltd.
Key Management Personnel	Shri. Atul Chandra, Managing Director Shri. R.S. Butola, Director (Finance)

21. Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.

22. As per the approval of the Department of Company Affairs effective from this year the figures are disclosed in Rs. in Million as against in Rs in thousand till last year.

Signature to Schedule – '1' to '26'

Jagdish Prasad
Company Secretary

R.S. Butola
Director (Finance)

Atul Chandra
Managing Director

Subir Raha
Chairman

As per our report of even date attached

For ASHOK PRAVEEN & CO
Chartered Accountants

New Delhi
9th June, 2003

Ashok Gupta
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2003

(Rupees in million)

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and extraordinary items		**34.39**		261.07
Adjustments For:				
Recouped Costs (Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	**83.14**		20.86	
Less:Cash Outflows	**0.00**		4.39	
	83.14		16.47	
– Interest on Borrowings	**29.61**		31.68	
– Provision for Gratuity (Net)	**1.94**		2.79	
– Provision for Leave Encashment	**1.77**		(2.99)	
– Loss on Sale of Fixed Assets	**0.00**		0.16	
– Exchange (Gain)/Loss	**179.58**		(27.85)	
– Interest Income	**(371.12)**	**(75.08)**	(253.12)	(232.86)
Operating Profit before Working Capital Changes		**(40.69)**		28.21
Adjustments for:-				
– Debtors	**(87.07)**		0.00	
– Loans and Advances	**(230.65)**		47.01	
– Inventories	**(7.73)**		0.00	
– Trade Payable and Other Liabilities	**195.32**	**(130.13)**	154.25	201.26
Cash generated from Operations		**(170.82)**		229.47
Direct Taxes Paid		**43.44**		(48.33)
Cash Flow before prior period adjustments		**(127.38)**		181.14
Prior Period Adjustments		**(1.39)**		(4.64)
Net Cash Flow from Operating Activities 'A'		**(128.77)**		**176.50**
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		**(5.19)**		(2.61)
Expenditure on Board Approved and Contracted Projects		**(8,505.40)**		(21,356.07)
Expenditure on Board Approved Projects		**(66.86)**		(56.42)
Investment in Subsidiary		**(28,983.92)**		0.00
Loan/Advance to Subsidiaries		**(3,650.10)**		0.00
Loan to Oil India Limited		**(343.58)**		0.00
Advance to SMNG-S & RN ASTRA		**(6,327.03)**		(2,169.65)
Interest Received		**129.14**		284.40
Net Cash Flow from Investing Activities 'B'		**(47,752.94)**		**(23,300.35)**

(Rupees in million)

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long Term Borrowings (Including from Oil and Natural Gas Corporation Ltd. for Sakhalin Project)	**48,812.71**	21,436.84
Repayment of Long Term Borrowings	**(95.88)**	(95.87)
Advance from ONGC	**0.00**	1,500.00
Cash Credit	**191.01**	0.00
Interest Paid	**(80.40)**	(42.77)
Net Cash Flow from Financing Activities 'C'	**48,827.44**	**22,798.20**
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**945.73**	**(325.65)**
Cash and Cash Equivalents as at 1st April, 2002 (Opening Balance)	**1,740.02**	**2,065.67**
Cash and Cash Equivalents as at 31st March,2003 (Closing Balance)	**2,685.75**	**1,740.02**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Bracket indicates cash outflow.
3. Adjustment 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 available.
4. Previous year figures have been regrouped wherever necessary to conform the current year's classification.

for and on behalf of the Board

Jagdish Prasad	R. S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

We have examined the attached Cash flow statement of ONGC Videsh Limited for the year ended March 31, 2003. Subject to notes above, the Statement has been prepared by the company in accordance with the requirements of Accounting Standard (AS-21) 'Consolidated Financial Statement' and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company read together with Notes given in Schedule '26' covered by our Report dated 9th June, 2003 to the Members of the Company.

As per our report of even date attached
For ASHOK PRAVEEN & CO.
Chartered Accountants

New Delhi
9th June, 2003

ASHOK GUPTA
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	55-04343	State Code	55
Balance Sheet Date	31.03.2003		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)

Total Liabilities	Total Assets
75066413	75066413

Source of Funds

Paid -up Capital	Reserves & Surplus
3000000	1532338
Secured Loans	**Unsecured Loans**
NIL	70534075

Application of Funds

Net Fixed Assets	Investments
32932101	29927947
Net Current Assets	**Misc. Expenditure**
12021391	74413
Accumulated Losses	**Deferred Tax Asset**
Nil	110561

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Gross Revenue)	Total Expenditure
630456	598125
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
32331	25982
Earning per Share in Rs. (Weighted Average)	Dividend Rate %
0.87	NIL

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(AS PER MONETARY TERMS)

1.	Item Code No.	27090000
	Product Description	Crude Oil
2.	Item Code No.	27112100
	Product Description	Natural Gas
3.	Item Code No.	27111900
	Product Description	Natural Gasoline

Jagdish Prasad	R.S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

New Delhi
June 9, 2003

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANY

Name of the Subsidiary Company	ONGC Nile Ganga B.V. (A company registered in the Netherlands)
1. The Financial Year of the Subsidiary Company ends on	**31st December, 2003**
2. Date from which it became Subsidiary Company:	**12th March, 2003**
3. a) Number of shares held by ONGC Videsh Ltd. in the Subsidiary at the end of the financial year of the Subsidiary Company (As on 31st March 2003)	**40 Class "A" & 100 Class "B" shares of NGL 1000 Each**
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company (As on 31st March 2003)	**100%**
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company:	
a) Not dealt with in the Holding Company's accounts	
i) For the period ended 31st March, 2003	**Rs. 563.97 million (unaudited)**
ii) For the previous financial year(s) of the Subsidiary Company since it became the Holding Company's Subsidiary:	—
b) Dealt with in the Holding Company's accounts:	
i) For the period ended 31st March, 2003	—
ii) For the previous financial year(s) of the Subsidiary Company since it became the Holding Company's Subsidiary:	—

Notes:-

1. OVL acquired 100% shares in Talisman (Greater Nile) B.V. on 12th March, 2003 and subsequently on 14th March, 2003 the name of the company was changed to ONGC Nile Ganga B.V.
2. The annual accounts of ONGC Nile Ganga B.V., as subsidiary of OVL, shall be prepared for the financial year ending 31st December, 2003.
3. ONGC Nile Ganga has earned a Net profit of Rs. 563.97 Million (unaudited) for the period 12th to 31st March, 2003.

Jagdish Prasad	R.S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

New Delhi
August 18, 2003

ओ एन जी सी विदेश
ONGC VIDESH

ONGC
NILE GANGA B.V.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ONGC VIDESH LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ONGC VIDESH LTD. AND ITS SUBSIDIARY

1. We have examined the attached Consolidated Balance Sheet of ONGC Videsh Limited and its subsidiary as at March 31, 2003, the Consolidated Profit and Loss Account for the year ended on that date.

2. These Financial Statements are the responsibility of the ONGC Videsh Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of ONGC Nile Ganga B.V., the subsidiary company, whose financial statements reflect total assets of Rs. 25031.35 million as at March 31, 2003 and total revenues of Rs.1690.47 million for the period from 12-03-2003 to 31-03-2003. These financial statements furnished to us by the management are unaudited.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard AS-21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of ONGC Videsh Ltd. and unaudited financial statement of its subsidiary – ONGC Nile Ganga B.V. included in the Consolidated Financial Statements.

5. We further report that:

5.1 Categorization of projects into Board Approved Projects, Board Approved and Contracted Projects, Abandonment of Board Approved and Contracted Projects AND Producing Property Projects; Allocation of cost incurred on them, depletion of producing properties on the basis of the Proved Hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on fixed assets / support equipment and facilities; are made according to evaluation by the management, technical and / or otherwise on which, we have placed reliance.

5.2 There are changes in the significant accounting policies in respect of ONGC Videsh Ltd. The changes in the significant accounting policies, with its impact on accounts of the current year due to change is:-

(a) The policy of writing off the accumulated cost in respect of unsuccessful projects that are abandoned, over period of five years is changed to write off in the year of relinquishment decision itself. Due to the change, the recouped cost has increased by an amount of Rs.33.31 million and consequently the current year profit and assets (Project Expenditure) have been reduced by this amount (Refer Note No.3(a) of Schedule 25)

(b) In respect of depletion of Producing Properties, the policy stated that Producing Properties are created when commercial production commences and depleted using the 'Unit of Production Method'. An addition has been made in the policy by stating that the rate of depletion is computed by considering the proved hydrocarbon reserves and related project costs. Hydrocarbon reserves are estimated annually and are approved by the Board.

This change (addition) in the policy has NIL impact. (Refer Note No.3 (b) of the Schedule '25')

(c) In respect of depreciation of fixed assets the policy stated that depreciation on fixed assets used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and amortized / depleted.

The policy has been modified to state that "depreciation on fixed assets used for exploration and development activities and on support equipment & facilities is initially capitalized as part of project cost and amortized / depleted. The change has NIL impact. (Refer Note No.3 (c) of Schedule 25)

(d) In respect of Investments, the policy stated that "Investment are valued at cost."

This policy has been changed to:-

"(a) Long term investment are valued at cost. Provision is made for any permanent diminution in the value of such investments.

(b) Current investments are valued at lower of cost and fair value."
This change has 'NIL' impact. (Refer Note No.3(d) of Schedule 25)

(e) In respect of 'Retirement Benefit' an addition is made to the Policy that Contribution to PF and CSS Scheme is paid to fund administered through separate Trusts.

The change (addition) in Policy has NIL impact. (Refer Note No.3(d) of Schedule 25)

(f) New Accounting policies are introduced in respect of
(i) Joint Venture
(ii) Abandonment Cost
(iii) Impairment
(iv) Revenue Recognition
(v) Inventories

These changes (additions) in policy have NIL impact. (Refer Note No.3(e) of Schedule 25)

5.3 The incorporation of Company's (i.e. ONGC Videsh Ltd.) share of assets, liabilities, Income and Expenses in the joint ventures is based on unaudited financial statements as provided by the respective operators of Joint Ventures. (Refer Note No. 5 of the Schedule -25)

5.4 The Financial Statements of ONGC Nile Ganga BV – the subsidiary company, which are consolidated with the parent company are unaudited.

6. Had the changes in accounting policies as observed in 5.2 been not made, the current year's profit and assets (Project Expenditure) would have increased by a sum of Rs. 33.31 Millions.

Subject to above and other comments in para 5, we report that on the basis of information and explanation given to us and on the consideration of the separate audit reports on audited financial statements of ONGC Videsh Limited and unaudited financial statements of its aforesaid subsidiary, we are of the opinion that the Consolidated Financial Statements read together with the notes given in Schedule 25 **subject to our comments in para 3** give a true and fair view:

(a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of ONGC Videsh Limited and its subsidiary as at March 31, 2003; and

(b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of ONGC Videsh Limited and its subsidiary for the year ended on that date.

For ASHOK PRAVEEN & CO.
Chartered Accountants

Ashok Gupta
Partner

New Delhi
June 9, 2003

ONGC VIDESH LIMITED & ONGC NILE GANGA B.V
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

(Rupees in million)

	SCHEDULE		As at 31st March, 2003
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	3,000.00	
Reserves and Surplus	2	2,096.31	
			5,096.31
LOAN FUNDS			
Unsecured Loans	3		70,534.07
DEFERRED TAX LIABILITY (Refer Note 11 of Schedule 25)			1,933.08
TOTAL			77,563.46
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		17,914.46	
Less: Depreciation		3,590.84	
Net Block			14,323.62
GOODWILL			11,660.63
PRODUCING PROPERTIES	5		16,112.85
EXPENDITURE ON PROJECTS IN PROGRESS	6		23,909.68
DEFERRED TAX ASSET (Refer Note 11 of Schedule 25)			110.56
CURRENT ASSETS, LOANS & ADVANCES			
Interest Accrued	7	111.73	
Inventories	8	881.99	
Sundry Debtors	9	1,700.81	
Cash & Bank Balances	10	3,626.72	
Loans & Advances	11	10,757.57	
		17,078.82	
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	12	5,694.20	
Provisions	13	12.91	
		5,707.11	
NET CURRENT ASSETS			11,371.71
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
PROJECT EXPENDITURE	14		74.41
TOTAL			77,563.46
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24		
NOTES TO THE ACCOUNTS	25		

Schedules referred to above form an integral part of accounts

Jagdish Prasad	R. S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

As per our report of even date attached
For ASHOK PRAVEEN & CO.
Chartered Accountants

ASHOK GUPTA
Partner

Place: New Delhi
Date : 9th June, 2003

ONGC VIDESH LIMITED & ONGC NILE GANGA B.V
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2003

(Rupees in million)

	SCHEDULE	2002-2003
INCOME		
Sales	15	1,788.97
Other Income	16	531.69
Increase in Stock	17	7.73
		2,328.39
EXPENDITURE		
Operating Expenditure	18	1,051.57
Establishment Expenditure	19	122.34
Recouped Costs	20	231.39
Interest & Exchange Fluctuation	21	194.29
Provisions & Write-Offs (Net)	22	(0.05)
		1,599.54
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		728.85
Prior Period Adjustments (Net)	23	2.05
Provision for Taxation		
Current Year Tax		133.05
Deferred Tax		12.10
Excess Provision of Income Tax Written Back		(8.30)
PROFIT AFTER TAXATION		589.95
Add: Profit / (Loss) brought forward from Last year		57.84
Balance Available for Appropriation		647.79
Transfer to General Reserve		4.19
Balance Carried to Balance Sheet		643.60
		647.79
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24	
NOTES TO THE ACCOUNTS	25	

Schedules referred to above form an integral part of accounts

Jagdish Prasad
Company Secretary

R. S. Butola
Director (Finance)

Atul Chandra
Managing Director

Subir Raha
Chairman

As per our report of even date attached
For ASHOK PRAVEEN & CO.
Chartered Accountants

ASHOK GUPTA
Partner

Place : New Delhi
Date : 9th June, 2003

(Rupees in million)

		As at 31st March, 2003

Schedule to the Consolidated Balance Sheet

SCHEDULE - 1

SHARE CAPITAL

Authorised		
50,000,000 Equity Shares of Rs.100 each		5,000.00
Issued, Subscribed, Called & Paid Up		3,000.00
30,000,000 Equity Shares of Rs.100 each fully paid up in cash. (The entire share capital is held by Oil and Natural Gas Corporation Ltd. and its nominees).		
TOTAL		3,000.00

SCHEDULE - 2

RESERVES AND SURPLUS

Capital Reserve		
Opening Balance	1,268.83	
Add: Addition during the year	57.03	1,325.86
General Reserve		
Opening balance	0.00	
Add:		
Addition for Deferred Tax Assets	122.66	
Transfer from Profit & Loss Account	4.19	126.85
Profit and Loss Account		643.60
TOTAL		2,096.31

SCHEDULE - 3

UNSECURED LOANS

Long Term		
Indian Rupee Loans		
From Oil Industry Development Board (Guaranteed by Oil & Natural Gas Corporation Ltd.)		348.87
From Oil & Natural Gas Corporation Ltd.		67,313.29
Foreign Currency Loans		
From Scheduled Banks (Guaranteed by Oil & Natural Gas Corporation Ltd.)		2,871.91
TOTAL		70,534.07
Repayable within one year		95.87

Schedule to the Consolidated Balance Sheet

SCHEDULE - 4

FIXED ASSETS

(Rupees in million)

	GROSS BLOCK				DEPRECIATION				NET BLOCK
Particulars	As at 1st April, 2002	Additions during the Year	Deletions/ Adjustments during the Year*	As at 31st March, 2003	As at 1st April, 2002	For the Year	Deletions/ Adjustments during the Year	Upto 31st March, 2003	As at 31st March, 2003
1. Building	**0.00**	29.28	(52.73)	**82.01**	**0.00**	1.02	(29.27)	**30.29**	**51.72**
2. Plant & Machinery	**2.70**	5,347.16	(12,288.26)	**17,638.12**	**1.31**	869.25	(2,613.06)	**3,483.62**	**14,154.50**
3. Computers	**2.42**	9.32	(29.16)	**40.90**	**0.90**	3.79	(25.13)	**29.82**	**11.08**
4. Vehicles	**1.50**	5.55	(21.09)	**28.14**	**0.63**	1.29	(17.02)	**18.94**	**9.20**
5. Furniture and Fittings	**1.45**	0.62	(123.22)	**125.29**	**0.57**	1.13	(26.47)	**28.17**	**97.12**
TOTAL	**8.07**	**5,391.93**	**(12,514.46)**	**17,914.46**	**3.41**	**876.48**	**(2,710.95)**	**3,590.84**	**14,323.62**
The above includes Company's share in Joint Venture Assets	**0.00**	**5,357.10**	**0.00**	**5,357.10**	**0.00**	**834.91**	**0.00**	**834.91**	**4,522.19**

* As the subsidiary was acquired on 12th March 2003, the opening assets on that date have been shown under Adjustments.

(Rupees in million)

	As at 31st March, 2003
SCHEDULE - 5	
PRODUCING PROPERTIES	
Gross	
Opening Balance	**0.00**
Add: Transferred from Project Expenditure in Progress	**4,765.99**
Add: Acquired during the year	**17,189.17**
Adjustments	**(162.68)**
Total Gross (A)	**21,792.48**
Less: Depletion	
Opening Balance	**0.00**
Add:Aquired during the year*	**5,539.58**
Depletion for the year	**140.05**
Total Depletion (B)	**5,679.63**
Net Producing Properties (A-B)	**16,112.85**

* As the subsidiary was acquired on 12th March 2003, the opening Producing Property and Depletion as on that date have been shown under Adjustments.

(Rupees in million)

	As at 31st March, 2003

Schedule to the Consolidated Balance Sheet

SCHEDULE - 6

EXPENDITURE ON PROJECTS IN PROGRESS

Board Approved and Contracted Projects	
Vietnam Project	4,525.66
Sakhalin-1 Project, Russia Federation	23,782.32
Block-8 Project, Iraq	49.32
Myanmar Project	73.47
Sub-Total	28,430.77
Add: Transfer from Project Expenditure (Ref Schedule - 14)	
Farsi Block,Iran	4.57
Sub-Total	28,435.34
Less: Transfer to Producing Properties (Ref Sechedule - 5)	
Vietnam Project	4,525.66
TOTAL	23,909.68

SCHEDULE - 7

INTEREST ACCRUED

(Unsecured, Considered Good unless otherwise stated)

Interest Accrued On	
Deposits with Banks	51.88
Carry Finance to RN-ASTRA & SMNG-S.	56.32
Others	3.53
TOTAL	111.73

SCHEDULE - 8

INVENTORIES

Finished Goods	7.73
Stores & Spares	874.26
TOTAL	881.99

SCHEDULE - 9

SUNDRY DEBTORS

(Unsecured)	
Other Debts:	
Considered Good	1700.81
TOTAL	1700.81

(Rupees in million)

	As at 31st March, 2003
Schedule to the Consolidated Balance Sheet	
SCHEDULE - 10	
CASH AND BANK BALANCES	
A. Cash Balances	
a) At New Delhi	0.06
c) At HCMC, Vietnam	0.05
d) At Sudan	0.08
B. Balances with Scheduled Banks	
a) On Deposit Accounts	1,970.82
C. Balances with Non-Scheduled Banks	
a) On SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC, Vietnam (Maximum balance during the year Rs. 0.02 million)	0.02
b) On SB VND Account with Bank for Foreign Trade of Vietnam, HCMC, Vietnam (Maximum balance during the year Rs. 0.02 million)	0.02
c) On Current Accounts, CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 3.23 million)	2.58
d) On Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs. 0.43 million)	0.11
e) Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs. 17.74 million)	12.34
f) Mashreq Bank (Sudanees Dinar Account), Khartoum, Sudan (Maximum balance during the year Rs. 4.03 million)	4.03
g) Deutche Bank AG (Multi currency), Amsterdam (Maximum balance during the year Rs. 0.20 million)	0.22
h) Deutche Bank AG, Amsterdam (Maximum balance during the year Rs. 0.04 million)	0.04
i) Deutche Bank AG (GBP), Amsterdam (Maximum balance during the year Rs. 21.74 million)	8.16
j) On Deposit Account, Deutche Bank AG, Amsterdam (Maximum balance during the year Rs. 916.10 million)	916.10
D. Bank Balance (With Project Operators)	712.09
TOTAL	3,626.72

(Rupees in million)

		As at 31st March, 2003

Schedule to the Consolidated Balance Sheet

SCHEDULE - 11

LOANS AND ADVANCES

Carry Finance to SMNG-S, Russian Federation		**4,926.41**
Carry Finance to RN ASTRA, Russian Federation		**3,641.19**
Loans & Advances to Employees		**16.36**
Loans to Oil India Limited		**337.56**
Advances recoverable in cash or in kind or for value to be received		**648.54**
Deposits:		
a) With Financial Institution	**0.00**	
b) Others	**1.06**	**1.06**
Income Tax:		
Advance Payment of Income Tax	**138.02**	
Less: Provision	**100.38**	**37.64**
Advance recoverable in Cash or in kind or for value to be received		**1,148.81**
(In respect of joint venture through operator)		
TOTAL		**10,757.57**
Particulars of Loans & Advances		
Secured - Considered Good		**8.75**
Unsecured-Considered good		**10,748.82**
TOTAL		**10,757.57**

(Rupees in million)

		As at 31st March, 2003
Schedule to the Consolidated Balance Sheet		
SCHEDULE - 12		
CURRENT LIABILITIES		
Sundry Creditors for Supplies / Works		
Small Scale Undertakings		0.00
Other than Small Scale Undertakings		435.31
Overdraft Balance in Current A/C with SBI, IFB New Delhi		191.01
Deposits		0.44
Interest Free Advance from Oil and Natural Gas Corporation Ltd.		1,500.00
Payable to Oil and Natural Gas Corporation Ltd.		111.77
Payable to Talisman Energy Resource Inc		915.64
Cash Calls Payable to		
Daewoo Inernational for Myanmar Project	39.43	
BPEOC for Vietnam Project	0.00	
GNPOC	171.57	
Exxon Mobil for Sakhalin project.	18.62	229.62
Other Liabilities		225.71
Sundry Creditors for Supplies / Works (In respect of joint venture through operator)		2,084.70
TOTAL		5,694.20

SCHEDULE - 13

PROVISIONS

Gratuity	6.70
Leave Encashment	6.21
TOTAL	12.91

Schedule to the Consolidated Balance Sheet

SCHEDULE - 14

PROJECT EXPENDITURE

(Rupees in million)

PROJECT	EXPENDITURE			WRITE OFF/TRANSFER			BALANCE
	Upto 31.03.02	During 2002-03	Total	Upto 31.03.02	During 2002-03	Total	As on 31.03.03
BOARD APPROVED PROJECTS							
1. Tuba project, Iraq	8.45	0.05	**8.51**	0.00	0.00	**0.00**	**8.51**
2 Caspian Sea Project, Kazakhstan	1.05	9.42	**10.47**	0.00	0.00	**0.00**	**10.47**
3. GNOP Sudan	28.39	0.00	**28.39**	0.00	28.39	**28.39**	**0.00**
4 Block 188,189, Libya	0.54	1.85	**2.39**	0.00	0.00	**0.00**	**2.39**
5 Farsi Block,Iran	3.24	1.33	**4.57**	0.00	4.57	**4.57**	**0**
6 Nelson,Kazakhstan	0.00	14.82	**14.82**	0.00	0.00	**0.00**	**14.82**
7 Syria	0.00	3.08	**3.08**	0.00	0.00	**0.00**	**3.08**
8 Bangladesh	0.00	27.67	**27.67**	0.00	0.00	**0.00**	**27.67**
9 Venezuela	0.00	0.38	**0.38**	0.00	0.00	**0.00**	**0.38**
10 Exploration Blocks, Sudan	0.00	1.93	**1.93**	0.00	0.00	**0.00**	**1.93**
11 SAKHALIN Exploration blocks	0.00	1.94	**1.94**	0.00	0.00	**0.00**	**1.94**
12 Qatar	0.00	3.24	**3.24**	0.00	0.00	**0.00**	**3.24**
Sub-Total	**41.67**	**65.70**	**107.37**	**0.00**	**32.96**	**32.96**	**74.41**
CLOSED PROJECTS							
1 N Rumaila Project, Iraq	0.78	0.00	**0.78**	0.31	0.47	**0.78**	**0.00**
2 W Texas, USA	1.46	0.00	**1.46**	0.58	0.88	**1.46**	**0.00**
3 Udmurt Project, Russian Federation	1.57	0.00	**1.57**	0.63	0.94	**1.57**	**0.00**
4 Lukoil Project, Russian Federation	3.94	0.00	**3.94**	1.58	2.36	**3.94**	**0.00**
5 Komiarcticoil Project, Russian Federation	11.10	0.00	**11.10**	4.44	6.66	**11.10**	**0.00**
6 Astrakhan Project, Russian Federation	1.56	0.00	**1.56**	0.93	0.63	**1.56**	**0.00**
7 Tatneft Project, Russian Federation	1.23	0.00	**1.23**	0.74	0.49	**1.23**	**0.00**
8 Sugmut,Sibneft Project, Russian Federation	2.47	0.00	**2.47**	0.49	1.98	**2.47**	**0.00**
9 Ugut Kinyamin,Yukos Project, Russian Federation	3.54	0.00	**3.54**	0.71	2.83	**3.54**	**0.00**
10 Alibekmola Project, Kazakhstan	5.80	0.00	**5.80**	2.32	3.48	**5.80**	**0.00**
11 Pavlador Project, Kazakhstan	2.38	0.00	**2.38**	0.95	1.43	**2.38**	**0.00**
12 Prorva Project, Kazakhstan	0.76	0.00	**0.76**	0.46	0.30	**0.76**	**0.00**
13 Salman, Iran Project	2.70	0.00	**2.70**	1.62	1.08	**2.70**	**0.00**
14 Egypt project	0.55	0.00	**0.55**	0.44	0.11	**0.55**	**0.00**
15 Azerbaijan Project	3.34	0.00	**3.34**	2.67	0.67	**3.34**	**0.00**
16 Turkey project	0.71	0.00	**0.71**	0.57	0.14	**0.71**	**0.00**
17 W Australia Project	0.62	0.00	**0.62**	0.50	0.12	**0.62**	**0.00**
18 Algeria Project	2.14	0.00	**2.14**	1.71	0.43	**2.14**	**0.00**
19 Zarubezhneft Project	0.22	0.00	**0.22**	0.18	0.04	**0.22**	**0.00**
20 Kyrghistan Project	0.30	0.00	**0.30**	0.24	0.06	**0.30**	**0.00**
21 Gabon Project	0.70	0.00	**0.70**	0.28	0.42	**0.70**	**0.00**
22 Block 242, Algeria	13.65	(0.25)	**13.41**	2.73	10.67	**13.40**	**0.00**
23 Oman Project	11.93	(0.26)	**11.67**	2.39	9.28	**11.67**	**0.00**
24 Indonesia	0.00	2.99	**2.99**	0.00	2.99	**2.99**	**0.00**
Sub-Total	**73.45**	**2.48**	**75.93**	**27.47**	**48.46**	**75.93**	**0.00**
TOTAL	**115.12**	**68.18**	**183.30**	**27.47**	**81.42**	**108.89**	**74.41**

(Rupees in million)

		2002-03
Schedule to the Consolidated Profit & Loss Account		
SCHEDULE - 15		
SALES		
Crude oil		1,690.47
Gas Sales		98.50
TOTAL		1,788.97
SCHEDULE - 16		
OTHER INCOME		
Interest Income on:		
On Short Term Deposits with Banks (Tax deducted at source Rs. 24.09 million. Previous year Rs. 24.32 million)		117.62
On Carry Finance to RN-ASTRA & SMNG-S		239.93
On Loans & Advances to Employees		0.84
Others		8.28
Exchange Gain on Carry Loan & Receivables		0.00
Miscellaneous Receipts		
Manpower Deployment	152.33	
Other Receipts	12.69	165.02
TOTAL		531.69
SCHEDULE - 17		
INCREASE IN STOCK (FINISHED GOODS)		
Closing Stock		7.73
Opening Stock		0.00
Net Increase in Stock		7.73
SCHEDULE - 18		
OPERATING EXPENDITURE		
Transportation Expenditure		47.98
Production Expenditure		233.87
Value Added Tax		8.95
Royalty		760.77
TOTAL		1,051.57

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note-15 of Schedule '25'.

(Rupees in million)

	2002-03

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 19

ESTABLISHMENT EXPENDITURE

	2002-03
Staff Expenditure	
Salaries, Wages & Bonus	24.77
Contribution to Provident and other Funds	2.16
Provision for Gratuity	2.29
Provision for Leave Encashment	2.72
Staff Welfare Expenses	2.82
Sub-Total	34.76
Office and Administrative Expenses	
Rent	4.25
Electricity & Water	1.56
Repair & Maintenance	4.53
Vehicle Hire Charges	0.50
Professional Charges	0.59
Telephone & Telex	3.72
Printing & Stationery	1.81
Training & Seminar	0.69
Business Meeting Expenses	1.04
Travelling Expenses (Including Foreign Travel Rs 52.93 million Previous Year Rs 29.83 million)	54.33
Insurance	0.62
Advertisement & Exhibition Expenses	8.27
Others	5.67
Sub-Total	87.58
TOTAL	122.34

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act 1956 and exhibited in note -15 of Schedule '25'

SCHEDULE - 20

RECOUPED COSTS

Exploration Expenditure		1.89
Project Expenditure Written Off		48.47
Depreciation	876.49	
Less: Allocated to Project Expenditure	834.85	
Transferred to prior period Expenditure	0.66	40.98
Depletion		140.05
TOTAL		231.39

(Rupees in million)

		2002-03

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 21

INTEREST & EXCHANGE FLUCTUATION

A. Interest On		
Loan from Oil Industry Development Board		19.06
Foreign Currency Loans	61.28	
Less: Capitalised	50.79	10.49
Other Loans		0.06
Sub-Total		29.61
B. Exchange Fluctuation		
Total Exchange Variation for the Year	84.60	
Less: Capitalised	(80.08)	164.68
Sub-Total		164.68
TOTAL		194.29

SCHEDULE - 22

PROVISIONS & WRITE-OFFS (NET)

Excess Provisions Written Back	(0.05)
TOTAL (NET)	(0.05)

Note : The above expenses have been re-classified in accordance with Part-II of Schedule VI to the Companies Act, 1956 and exhibited in note -15 of Schedule - 25.

SCHEDULE - 23

PRIOR PERIOD ADJUSTMENTS (NET)

A. Expense	
Depreciation	0.66
Other Expenses	1.41
Sub-Total	2.07
B. Income	
Miscellaneous Items	0.02
Sub-Total	0.02
TOTAL (NET)	2.05

SCHEDULE '24'

SIGNIFICANT ACCOUNTING POLICIES

1. **Principles of Consolidation:**
   The Consolidated Financial Statements relate to ONGC Videsh Ltd. (Company) and ONGC Nile Ganga B.V., Netherlands (Subsidiary). The Financial Statements of the Company and its Subsidiary have been 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.

   The financial statements of the foreign subsidiary has been incorporated in the consolidated financial statements by translating to Indian rupees following the principle for translation of the financial statements of foreign branches as laid down in Accounting Standard 11, Accounting for the effect of changes in foreign currency rates.

2. **Other significant accounting policies:**
   These are set out under "Significant Accounting Policies" of the respective Financial Statements of the Company and ONGC Nile Ganga BV.

SCHEDULE '25'

NOTES TO THE ACCOUNTS

1. The Consolidated Financial Statements represent for the first time consolidation of Accounts of ONGC Videsh Ltd. (Company) and ONGC Nile Ganga B.V. (Subsidiary). As the Subsidiary was acquired by the Company on March 12, 2003, the consolidated accounts incorporate unaudited financial statements of the Subsidiary for the period March 12, 2003 to March 31, 2003 and as such no previous year figures appear in the consolidated financial statements.

Name of the Subsidiary Company	:	ONGC Nile Ganga B.V.
Country of Incorporation	:	The Netherlands
Proportion of ownership interest	:	100%, (wholly owned subsidiary)

2. (a) In view of different set of environment in which the subsidiary is operating, the Successful Efforts Method is used by Subsidiary to account for oil and gas exploration and development costs, which is different from the Full Cost Method of Accounting followed by the Company. Such different accounting policies have been adopted in respect of the following:

   Rs. 17266.82 million shown as Producing Property under schedule 5.

   (b) The subsidiary follows Straight Line Method of depreciation on fixed assets whereas the company follows W.D.V. method. Such different policy has been adopted in respect of the following:

   Rs. 9739.7 million shown as Fixed assets under schedule 4.

   (c) In view of presentation of consolidated financial statements for the first time, comparative figures for the previous year are not available

3. **Changes in Accounting Policy:**
   (a) The Company changed its policy of writing off the accumulated cost in respect of unsuccessful projects, that are abandoned, over five years to writing off in the year of relinquishment decision itself. Due to the change, the recouped cost has increased by an amount of Rs 33.31 million and consequently the current year profit has been reduced by this amount.

(b) The existing policy for Producing Properties stated that Producing Properties are created when commercial production commences and depleted using the 'Unit of Production Method'. An addition has been made in the policy by stating that the rate of depletion is computed by considering the proved hydrocarbon reserves and related project costs. Hydrocarbon reserves are estimated annually and are approved by the Board. This addition was necessitated as the Vietnam Project commenced commercial production during the year and depletion was computed for the first time. As this is not a change in the accounting policy but only an addition, there is nil impact of the change.

(c) The existing policy on depreciation stated that depreciation on fixed assets used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and amortized/depleted. This has been modified to align with the policy on computation of depletion as stated in (b) above. The modified policy states that depreciation on fixed assets used for exploration and development activities and on support equipment & facilities is initially capitalized as part of project cost and amortized/depleted. There is no financial implication of the change.

(d) An addition has been made under the policy for investments stating that current investments are valued at lower of cost and fair value. Similarly, under the Retirement Benefit Policy, an addition has been made that contribution to PF and CSS scheme is paid to fund administered through separate trusts. There is no financial implication of these changes.

(e) Certain new accounting policies have been introduced during the year to comply with the mandatory accounting standards and other accounting requirements arising out of increased activities of the Company. These new policies relate to Joint Ventures; Abandonment Cost; Impairment; Revenue Recognition, Inventories.

4. Details of joint ventures:

The activities of the company are being carried out through joint ventures with others and the details of the significant joint ventures are as under:

Name of the Project	Country of operation and Block	OVL participating share (%)	Other Partners	Project Status
Vietnam Project	Vietnam, Block 06.1 Offshore	45%	British Petroleum – 35% Petrovietnam – 20%	Production commenced from 21st January 2003
Sakhalin Project	Russia Sakhalin 1 Offshore	20%	Exxon Neftgas Ltd – 30% SODECO – 30% SMNG – 11.5% R N Astra – 8.5%	The project is under development
Myanmar Project	Myanmar Block A-1 Offshore	20%	Daewoo International Corpn. Korea – 60% KOGAS, Korea – 10% GAIL – 10%	The project is under exploration
Iran Project	Iran Farsi Block Offshore	40%	IOCL – 40% OIL – 20%	Exploration service contract was signed on 25th Dec 2002

5. The company's share of assets, liabilities; Income and expenses in the joint ventures is incorporated in its financial statement as furnished by the operator is as given below:

Amount (Rupees in million)

	Vietnam	Sakhalin	Myanmar	Iran
Cash & Bank	42.15	667.34	2.61	-
Current Assets	110.23	1566.39	1.34	-
Project expenditure	-	12438.27	70.82	4.57
Fixed assets	4936.97	419.89	0.24	
Producing property	3626.62	-	-	-
Current liabilities	398.38	1685.14	1.19	-
Long term Liabilities	-	-	-	-
Income	-	-	-	-
Expenses	123.86	-	-	-

The company's share of expenditure in respect of Joint ventures has been incorporated in the Accounts based on the unaudited financial statements provided by the operator for the period ended 31st March 2003. In respect of Sakhalin project the operator's financial statement indicates excess capital contribution of Rs. 1273.39 million (US $ 26.78 million) by the partners. The same has been incorporated in the books of the company by way of reduction from the project expenditure.

6. **Vietnam Project:**
The Vietnam project was commissioned on 21st January 2003 and for the first time the Company started earning revenue from sale of hydrocarbons. Consequent upon the commissioning of the project, producing property of Rs. 4073.73 million and Fixed Asset of Rs. 4936.97 million was created out of the Project Expenditure. During the period 21st January 2003 to 31st March 2003 revenue of Rs. 98.50 million was earned from sale of gas against an expenditure of Rs. 213.96 million comprising operating expenditure of Rs. 180.79 million and depletion of Rs. 33.17 million. The reason for the higher expenditure is that, while the operating expenditure for the full 45% participating share was borne by the company, its combined share in cost gas and profit gas during the period was only 11.25% of the total contractors share due to priority of cost recovery allowed to a co-venturer for expenditure solely incurred by it as per the terms of agreement. As a result the operating margin of the company was reduced during this period.

7. **Details of Reserves:**
Company's share of reserves in respect of the different projects as on 31.03.2003 is as under:

Project	CRUDE OIL (MM Tonne)*	GAS (Billion Cubic Meter)	Total oil equivalent (Million MT)
Vietnam	0.117	25.540	25.657
Sakhalin	61.400	97.000	158.400
Sudan (GNPOC)	28.33	NIL	28.33

* Oil includes condensate. For calculating OEG 1000 M^3 of Gas has been taken to be equal to 1 MT of oil.

8. Segment Information as per Accounting standard 17 on segment reporting for the year ended 31.03.2003:

a. Information about primary geographical segments: **(Rupees in million)**

Segment Report for 2002-03

Particulars	Asia Pacific	FSU Countries	Africa	Unallocated	Grand total
REVENUE					
External sales	98.5	0	1690.47	0	1788.97
Inter Segment sales	0	0	0	0	0
Total Revenue	98.5	0	1690.47	0	1788.97
Results					
Segment results	(107.73)	0	671.04	0	563.31
Unallocated corporate Expenses (Net)	0	0	0	173.91	173.91
Operating Profit or Loss	(107.73)	0	671.04	(173.91)	389.40
Interest expenses	10.48	0	(15.96)	199.77	194.29
Interest and other income	0.21	0	11.92	519.56	531.69
Income Tax	0	0	130.49	6.36	136.85
Profit / (loss) from ordinary activities	(118.00)	0	568.43	139.52	589.95
Extraordinary losses	0	0	0	0	0
Net Profit / (Loss)	(118.00)	0	568.43	139.52	589.95
Other information					
Segment Assets	9329.95	25725.36	25035.58	69.08	60159.97
Unallocated Corporate Assets	0	0	0	23110.60	23110.60
Total Assets	9329.95	25725.36	25035.58	23179.68	83270.57
Segment liabilities	439.00	1703.75	2562.47	0	4705.22
Unallocated Corporate liabilities	0	0	0	73469.04	73469.04
Total Liabilities	439.00	1703.75	2562.47	73469.04	78174.26
Capital expenditure	3201.77	6013.27	21564.18	11693.66	42472.88
Depreciation (Recouped cost)	33.35	0	148.25	49.79	231.39
Non cash Expenditure	0	0	0	(0.05)	(0.05)

b. Information about Secondary Business (Product-wise) Segments:

Particulars	**Current Year**
Revenue	Rupees in million
Crude Oil	1690.47
Natural Gas	98.50

NOTES:

i. Segments have been identified and reported taking into account, the organisation & management structure for internal reporting & significantly the different risk and return perception in different geographical regions. These are organized into four segments viz. Asia Pacific, FSU Countries, Africa and unallocated.

ii. The segment revenue in the business segment (Product-wise) is gross revenue from sale of crude oil and natural gas.

iii. Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. Unallocated includes common expenditure incurred for all the segments and expenses incurred at corporate level.

9. Acquisition of TGN B.V.

As per Agreement signed on 30th October 2002 the Company acquired 100% shares of Talisman (Greater Nile) B.V., registered in Netherlands, a subsidiary company of Talisman Energy Inc., Canada which has 25% participating interest in Greater Nile Oil Project, Sudan. The sale process was closed and shares transferred in the name of the Company on 12th March, 2003. Subsequently, the name of the wholly owned subsidiary Talisman (Greater Nile) B.V. was changed to ONGC Nile Ganga B.V. effective from 14th March 2003. A sum of Rs. 33574.73 million (US$ 688.31 million and Rs. 695.51 million) was incurred in acquiring the 100% shares of Talisman (Greater Nile) B.V. consisting of the purchase consideration and related acquisition costs after adjustment of revenues from the project as per terms of the agreement. Purchase consideration consists of two components (i) price paid for equity shares and (ii) assignment of Vendor's outstanding Debt to TGN B.V. as on 12th March, 2003 to the company. The debt assigned to the company is equivalent to Rs. 3563.58 million (US $ 74.59 million). In addition, TGN B.V. had to pay to its holding company and affiliates a sum amounting to Rs. 83.20 million (US $ 1.75 million) towards running account. The same has also been adjusted against the purchase consideration. Accordingly, the acquisition cost of Rs. 33574.73 million has been accounted for as Investment to the extent of Rs. 29927.95 million in the wholly owned subsidiary; Loans to the subsidiary to the extent of Rs. 3563.58 million (US $ 74.59 million), and Receivables by the Company from the subsidiary to the extent of Rs. 83.20 million (US $ 1.75 million) as on the closing date (12th March, 2003).

The investment in the project was financed by way of interest free loan of Rs. 33255.82 million extended by the parent company ONGC. The Greater Nile Project is currently producing oil at an average of 260,000 barrels per day. The subsidiary's share of revenue in the sale of crude oil for the period from the date of acquisition (12th March, 2003 to 31st March, 2003) is equivalent to Rs. 1690.48 million (US$ 35.48 million).

10. Sale of wholly owned subsidiary Sakhalin India Incorporation (SII)

During the year, a wholly owned overseas subsidiary company, Sakhalin India Inc. (SII) was incorporated on 18th April, 2002 with an initial paid up share capital of US$1000 and registered at Texas, USA. It's main purpose was to facilitate and assist in the management of operations of Sakhalin-1 project. Subsequently, SII acquired 10% working interest in an exploration block in South Louisiana, USA (Louis Project) from M/s McAlester Fuel Company, USA. An investment of Rs. 342.56 Million was made in the Louis Project and the expenditure in the project was funded through an interest free loan by the company to SII.

Entire equity holding of the company in SII was divested in favour of Oil India Limited (OIL), a public sector company on 10th March, 2003. As per the terms of agreement, the shares were taken over by OIL at par and the loan extended by OVL to SII for Louis Project was taken over by OIL for Rs. 336.54 million as on March 10, 2003. The exchange loss of Rs. 6.02 million on Loan for Louis Project was charged to the Profit and Loss Account during the year. The loan shall be repayable by OIL in six equal installments with a moratorium of two years from the date of the agreement. The loan to Oil India Limited carries an interest of 5% p.a from the date of the agreement and shall stand revised to 10 % p.a from the date of establishment of commercial success (generating an IRR more than 10% nominal).

11. Taxation:

(a) Deferred Tax Provision

a. Last year, taking a conservative view, the company did not create deferred tax Asset (Net) in the accounts. However effective from this year company has accounted for the taxes on income in accordance with the Accounting Standard (AS-22) "Accounting for Taxes on Income". The company had a net Deferred Tax Asset of Rs. 122.66 million as at 31st March, 2002 on account of timing difference which has been added to General Reserve as on 1st April 2002.

b. As on 31st March, 2003, the Company has a Net Deferred Tax Liability of Rs. 1933.08 million and Net Deferred Tax Assets of Rs. 110.56 million.

c. The breakup of deferred tax Assets and Liabilities as on 31st March, 2003 is as under:

	(Rupees in million)
Deferred Tax Assets	
Carried Forward Allowance U/S 42 of Income Tax Act, 1961	80.79
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	1.04
Carried Forward Depreciation U/S 32 of Income Tax Act, 1961	2868.59
Carried Forward Losses U/S 72 of Income Tax Act, 1961	238.17
Provision for Gratuity	2.40
Provision for Leave encashment	0.64
Total Deferred Tax Assets	**3191.63**
Deferred Tax Liability	
Revenue Expenditure Carried Forward as Project Expenditure	26.70
Difference in Net Block of Fixed assets for Tax	2920.13
Expenditure claimed U/S 42 but not charged in the Accounts	134.24
Total Deferred Tax Liability	**3081.07**
Net Deferred Tax Asset	**110.56**
Deferred Tax Liability of the Subsidiary	**1933.08**

(b) Current Tax provision

(i) The Company is liable to pay tax on profits for the financial year 2002-2003 u/s 115 JB of Income Tax Act for Minimum Alternative Tax (MAT) since the book profits are more than taxable profits. Consequently, income tax provision of Rs. 2.55 million has been made towards MAT in the accounts.

(ii) The excess provision of Rs. 8.19 million for the Assessment Year 1999-2000 and Rs. 0.10 million for other Assessment Years being not required has been written back during the year.

(iii) The current tax provision for the Subsidiary is Rs.130.51 million for the period March 12, 2003 to March 31, 2003.

(c) Tax Assessment

(i) The Company has gone in to appeal to Hon'ble High Court of Delhi against the decision of Income Tax Appellate Tribunal for the Assessment Year 1981-82 to 1987-88 in regard to disallowance of its claim for Rs. 94.04 million, on account of depreciation, development allowance, receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard has already been deposited by the Company. The case of the company is awaiting listing for hearing.

(ii) A tax provision of Rs 57.03 million was created during the year 2000-01 against the farm out proceeds of a part of the participating interest in Vietnam project by way of deduction of Rs.57.03 million from the capital reserve. As the regular tax assessment for the Assessment year 2001-02 U/s 143(3) has been completed the same amount has been added to capital reserve.

12. Loans and Advances to Employees

Loans and advances to employees include an amount of Rs. 0.25 million outstanding from whole time Directors, Maximum outstanding during the year is Rs. 0.26 million.

13. Capital Commitment

a. In respect of Block A-1 of Myanmar Project the production sharing contract (PSC) provides for a Minimum work Commitment at an estimated cost of Rs.380.4 million (US $ 8 million) if the contractor enters into the first one year extension of Exploration period. The consortium has elected to enter into the first one year extension of the exploration period and accordingly the committed share of minimum work commitment of the company is Rs.129.34 million (US $ 2.72 Million). As per the PSC if the contractor fails to fulfill the minimum work commitment, the contractor shall fulfill its obligation by paying the deficiency, between the estimated cost and the amount actually paid or accrued. The company is confident of meeting the Minimum work commitment.

b. In respect of Farsi Block, Iran Project, the company in consortium with other partners has entered into an Exploration Service Contract .The exploration service contract provides for a minimum Exploration expenditure obligation of Rs.1,283.85 million (US $ 27 million). The Company's proportionate share of the minimum exploration expenditure obligation is Rs.513.54 million (US $10.8 million). In case the actual dollar amount spent by Company in phase 1 after fulfilling the minimum work obligation is greater or smaller than Rs.1,283.85

million (US $ 27 million) such over or under expenditure shall be allowed to be deducted from or added towards the minimum expenditure obligations for phase 2.The company is confident of meeting the minimum work commitment.

c. In respect of Block -8, Iraq Project the company has entered into an exploration and development contract. The exploration and development contract provides for a minimum work obligation of Rs.713.25 million (US $ 15 million) during phase I of the exploration period. In case the actual dollar amount spent during the first phase of exploration period is greater or smaller than the minimum work obligation of Rs.713.25 million (US $ 15 million) for that phase such over or under expenditure shall be deducted or added to the minimum expenditure obligation of phase two. The project is under first phase of exploration and the company has the option of electing to enter into the second phase of exploration. The company is confident of meeting the minimum work obligation.

14. Contingent Liability

Liability for payment to contractual workers for regularization of their services is pending with Hon'ble Delhi High Court under civil suit. The amount of liability is not ascertainable.

15. Details of : Operating Expenditure (Schedule '18'), Establishment Expenditure (Schedule '19') and provision & write off (Schedule '22')

(Rupees in million)

				2002-03
(i)	(a)	Salaries, Wages, Ex-gratia, etc.		74.00
	(b)	Contribution to Provident and other Funds		2.16
	(c)	Provision for Gratuity		2.29
	(d)	Provision for Leave Encashment		2.72
	(e)	Staff Welfare Expenses		3.85
	Sub-Total			**85.02**
	Less : Allocation to Projects			**13.78**
			(A)	**71.24**
(ii)	Rent			4.25
(iii)	Electricity, Water & Power			4.00
(iv)	Repairs to Building			0.32
(v)	Repairs to Plant and Machinery			20.63
(vi)	Other Repairs			1.82
(vii)	Hire Charges of Vehicles			0.50
(viii)	Professional Charges			209.34
(ix)	Telephone & Telex			3.72
(x)	Printing & Stationary			1.81
(xi)	Training & Seminar			0.69
(xii)	Business Meeting Expenses			1.43
(xiii)	Traveling Expenses			85.57
(xiv)	Insurance			9.23
(xv)	Advertisement and Exhibition Expenditure			8.26
(xvi)	Value Added Tax			8.95
(xvii)	Royality			760.77
(xviii)	Contractual Transportation			47.98
(xix)	Stores and Spares			4.40
(xx)	Logistics			48.39
(xxi)	Miscellaneous Expenditure			651.17*
(xxii)	Provision			(0.05)
	Sub-Total			**1873.18**
	Less : Allocation to Projects			**770.56**
			(B)	**1102.62**
	Establishment Expenditure (Net) (A+B)			**1173.86**

* Includes F.E. forward cover cost of Rs. 503.81 million

16. Quantitative and other information pursuant to the provisions in Part II of Schedule VI to the Companies Act, 1956:

a. SALES TURNOVER

	Unit	2002-03 Quantity	2002-03 Value (Rs. in million)
Crude Oil	MT	**173539**	**1690.47**
Gas	000 Cubic M	**17292**	**98.5**

b. OPENING AND CLOSING STOCK OF GOODS PRODUCED

	Unit	2002-03 Quantity	2002-03 Value (Rs. in million)
Opening Stock			
Condensate*	MT	**NIL**	**Nil**
Closing Stock			
Condensate*	MT	3528	**7.73**

***Company's participating share of stock in joint venture.**

c. LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

	Unit	2002-03 Installed Capacity	2002-03 Actual Production
Oil	MT	**Not applicable**	**179885**
Gas*	000 M3	**Not applicable**	**69507**
Condensate	MT	**Not applicable**	**3528**

*** Company's participating share of production in joint ventures. (Refer note 6 above)**

17. Expenditure in Foreign Exchange:

(Rupees in million)

	2002-03
Import	**NIL**
Professional & Consultation Fee	**102.42**
Interest & Dividend	**NIL**
Others	**43164.31**

18. Earning In Foreign Exchange:

(Rupees in million)

	2002-03
Export/ Sales	**1788.97**
Royalty/Technical know-how	**NIL**
Interest & Dividend	**254.66**
Others (Misc. Income)	**153.00**

19. Managerial Remuneration:

(Rupees in million)

	2002-03
Salary and Allowances	**0.85**
Contribution to Provident Fund	**0.09**
Other Benefits & Perquisites	**0.03**
(Excluding provision by Holding Company)	**0.97**

Note:

a) In addition Whole-time Directors are also allowed the use of Company car for private purposes up to 1000Km/per month on payment of Rs.400 per month for air-conditioned cars below 16 H.P.

b) The remuneration does not include provision for gratuity & leave encashment since the same is not available for individual employee.

20. Auditor's Remuneration

(Rupees in million)

	2002-03
Audit Fee* Tax Audit Fee* (*Excluding Service Tax)	0.08** 0.01
Total	0.09

** Out of this amount Rs. 0.02 million paid to retiring Auditor as incremental Audit fee approved in AGM held in Financial Year 2002-03

21. The expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC.

22. In compliance of Accounting Standard (AS-18) the details on 'Related Party Disclosures' are as under:

(Rupees in million)

	Holding Company	Subsidiaries	Joint Ventures	Key Management Personnels	Total
Income from Deputation of employees			152.33		152.33
Remuneration				0.97	0.97

Note : Name of related parties and description of relationships.

Holding Company	Oil and Natural Gas Corporation Ltd.
Subsidiary	ONGC Nile Ganga BV, Netherlands
Joint Ventures	Vietnam Project Sakhalin Project Myanmar Project Iran Project
Fellow Subsidiary	Mangalore Refinery and Petrochemicals Ltd.
Key Management Personnel	Shri. Atul Chandra, Managing Director Shri. R.S. Butola, Director (Finance)

23. As per the approval of the Department of Company Affairs effective from this year the figures are disclosed in Rs. in million.

Signature to Schedule – '1' to '25'

Jagdish Prasad
Company Secretary

R.S. Butola
Director (Finance)

Atul Chandra
Managing Director

Subir Raha
Chairman

As per our report of even date attached

For ASHOK PRAVEEN & CO
Chartered Accountants

New Delhi
9th June, 2003

Ashok Gupta
Partner

ONGC VIDESH LIMITED & ONCE NILE GANGA B.V. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

		As at 31st March, 2003
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and extraordinary items		728.85
Adjustments For:		
Recouped Costs		
(Represented by Depreciation and Amortisation)		
Gross Amount	231.39	
Less:Cash Outflows	1.89	
Net amount	229.50	
- Interest on Borrowings	29.61	
- Provision for Gratuity (Net)	1.94	
- Provision for Leave Encashment	1.77	
- Exchange (Gain)/Loss	162.63	
- Interest Income	(366.67)	58.78
Operating Profit before Working Capital Changes		787.63
Adjustments for:-		
- Debtors	(1,700.81)	
- Loans and Advances	(593.17)	
- Inventories	(707.79)	
- Trade Payable and Other Liabilities	653.12	(2,348.65)
Cash generated from Operations		(1,561.02)
Direct Taxes Paid		(87.07)
Cash Flow before Prior period adjustments		(1,648.09)
Prior period Adjustments		(1.39)
Net Cash Flow from Operating Activities 'A'		(1,649.48)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)		(9,838.35)
Expenditure on Board Approved and Contracted Projects		(20,061.07)
Expenditure on Board Approved Projects		(66.86)
Investment in Goodwill - Subsidiary	11,660.63	
Less incurred in previous year	28.39	
Less Payable to Talisman	915.64	(10,716.60)
Deferred Tax Liability		1,933.09
Loan to Oil India Limited		(343.58)
Advance to SMNG-S & RN ASTRA		(6,327.03)
Interest Received		129.14
Net Cash Flow from Investing Activities 'B'		(45,291.26)

(Rupees in million)

	As at 31st March, 2003
C. CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from Long Term Borrowings	48,812.71
(Including from Oil and Natural Gas Corporation Ltd. for Sakhalin Project)	
Repayment of Long Term Borrowings	(95.88)
Cash Credit	191.01
Interest Paid	(80.40)
Net Cash Flow from Financing Activities 'C'	48,827.44
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	1,886.70
Cash and Cash Equivalents as at 1st April, 2002 (Opening Balance)	1,740.02
Cash and Cash Equivalents as at 31st March, 2003 (Closing Balance)	3,626.72

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Bracket indicates cash outflow.
3. Previous year figures have been regrouped wherever necessary to confirm the current year's classification.
4. Adjustment have not been made to purchase of Fixed Assets (Investing activities), on account of increase/decrease in Capital creditors. The impact of the above is not readily available.
5. The wholly owned subsidiary was acquired on 12/03/2003 and accordingly the Assets, Liabilities of the subsidiary as on that date are considered as Cash outflow/inflow respectively.

for and on behalf of the Board

Jagdish Prasad	R.S. Butola	Atul Chandra	Subir Raha
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

We have examined the attached Consolidated Cash flow statement of ONGC Videsh Limited & ONGC Nile Ganga B.V. for the year ended March 31, 2003. Subject to notes above, the Statement has been prepared by the company in accordance with the requirements of Accounting Standard (AS-21) 'Consolidated Financial Statement' and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company read together with Notes given in Schedule '25' covered by our Report dated 9th June, 2003 to the Members of the Company.

As per our report of even date attached

For ASHOK PRAVEEN & CO.
Chartered Accountants

New Delhi
9th June, 2003

ASHOK GUPTA
Partner

ओएनजीसी
एमआरपीएल
MRPL
ONGC

DIRECTORS' REPORT FOR THE YEAR 2002-2003

Dear Members,

1. Your Directors present the 15th Annual Report of your Company, together with the audited Accounts for the financial year ended 31st March, 2003.

1.1 Financial Performance

(Rs. in Crore)

	Year ended 31st March, 2003	Year ended 31st March, 2002
Turnover	**8058.77**	5353.91
Profit before Depreciation, Interest and Tax	**402.61**	287.83
Interest and Finance Charges	**567.07**	672.29
Gross Loss after Interest but before Depreciation and Tax	**164.46**	384.46
Depreciation & Amortisations	**404.85**	394.45
Provisions for earlier years claims	**83.47**	—
Provision for Wealth Tax	**0.01**	0.03
Deferred Tax Credit	**(240.98)**	(286.46)
Profit/(Loss) after Tax	**(411.81)**	(492.48)

1.2 Operational Performance

During the year 2002-2003, your Company processed 7.256 million metric tonnes (MMT) of crude oil (up 36% from 5.328 MMT), produced 6.699 MMT of finished products (up 36% from 4.906 MMT), and despatched 6.769 MMT of finished products (up 40% from 4.822 MMT). The refinery was operated at highest-ever monthly thruput of 7,68,137 MT (equivalent to 9.22 MMT on annualised basis) during October 2002.

1.3 While the Operating performance has shown improvement, the financial results continued to be impaired due to high interest and depreciation cost, low capacity utilisation and low 'gross refinery margins' (GRMs), mainly due to lower domestic product demand / sales, lower realisation in exports and relatively high prices paid on crude entirely sourced through imports.

2. Structural Changes

2.1 As members are aware, Oil and Natural Gas Corporation Ltd.(ONGC), the premier Indian Oil & Gas Corporate, acquired the entire 37.39% of Equity Capital held by Indian Rayon and Industries Limited (IRIL) and its associates in MRPL on 3rd March, 2003, after obtaining approval from the Government of India for rescinding the MOU (1987) among Government of India, HPCL and IRIL and associates. This acquisition was processed in a cordial manner, and has been welcomed by all viz. shareholders, lenders and employees.

2.2 ONGC successfully negotiated a proactive Debt Restructuring Package (DRP) with the Lenders' consortium of Banks and Financial Institutions, bringing about sea-change in the financial structure of your Company. The remarkable co-operation of the Heads of (Lending) Institutions is acknowledged.

2.3 The acquisition of equity coupled with the finalisation of DRP by ONGC rescued your Company from the brink of reference to BIFR as a 'Sick Company'.

2.4 The shareholders of MRPL, in the Extraordinary General Meeting held on 28th March, 2003, approved preferential issue of 60 crore equity shares of Rs.10 each to ONGC, and upto 36.50 crore equity shares of Rs.10 each to FIs and Banks participating in the DRP.

2.5 Consequent to the allotment of 60 Crore Equity Shares to ONGC on 30th March 2003, the shareholding of ONGC increased to 51.25 % of the total Equity Capital, making your Company a subsidiary of ONGC, and also a Government Company within the meaning of Section 617 of the Companies Act, 1956, from the said date. As a result of this restructuring of equity, HPCL's shareholding in your Company stands reduced to 16.95%.

2.6 ONGC has exercised its call option incorporated in the DRP for purchase of 35.82 crore equity shares allotted to the lenders under the DRP. As a result, ONGC's shareholding in the company increased to 71.62% as on 11/7/2003.

2.7 The DRP was formulated with unprecedented speed in just 4 weeks in June – July 2002 and was also implemented with equally unprecedented speed in just 4 weeks from the day ONGC acquired IRIL's stake in MRPL. The salient features of the DRP are:-

a) Rupee loans of Rs.600 Crore were paid on 31/3/2003, out of the equity of Rs.600 Crore infused by ONGC.

b) Rupee Term Lenders and Deferred Payment Guarantee (DPG) Lenders have converted Rs.358.20 Crore of their loans into equity, Rs.9.19 Crore into 0.01% Non-cumulative Redeemable Preference Shares ("Preference Shares"), and Rs.147.83 Crore into Secured Zero-Coupon Debentures (ZCD). Preference shares and ZCD are repayable in two annual Instalments at the end of 9th and 10th years from 1/7/2002.

c) The interest rate of Rupee Term borrowings has been reduced from an average of 13.61% p.a. to 9.15% p.a., payable in a stepped up manner to match the interest payments with the projected cashflows.

d) DPG lenders have sanctioned Term Loans of Rs.1700 Crore to meet the repayment obligations towards principal and interest on Foreign Currency borrowings in future.

e) Debt-equity ratio came down from 9.77:1 to 3.45:1 on implementation of DRP. Average DSCR post-DRP has been set at 1.57.

f) The Term Loans are repayable in 8 years after a moratorium of 4 years from 1/7/2002.

g) MRPL can prepay the Rupee term Loans at any time without any prepayment premium.

2.8 The Structural changes brought in by ONGC has reversed the assessment of credit-worthiness of your Company. ICRA has assigned A1+ rating for Short-term Borrowing including Commercial Paper (CP) of Rs.300 Crore of your company, that too without any benefit of comfort from the parent, ONGC. The first issue of CP of Rs.100 Crore was oversubscribed by 50%. CPs for Rs.150 Crore have been issued on 24/7/2003 at an average interest rate of 5.41% p.a. The first MIBOR linked Bonds issue of Rs.50 Crore was also oversubscribed by 4.2 times and the Company issued MIBOR Bonds of Rs.75 Crore at an interest of overnight MIBOR rate plus 15 basis points (5.15 p.a.) on 7/8/2003. State Bank of India and Bank of Baroda have sanctioned working capital demand loans of Rs.240 Crore and Rs.45 Crore at an average interest rate of 5.5% p.a., on 5/7/2003 and 25/7/2003 respectively.

2.9 The Equity of your Company has increased from Rs.794 Crore to Rs.1753 Crore. The Market Capitalisation has gone up from Rs.636 Crore on 3rd March, 2003 when ONGC had acquired the first equity in your Company to Rs.6740 Crore when your Company entered the portal of BSE Top 30 on 17th August 2003.

3. The Renewal

3.1 The new logo of your Company reflects its new identity, the renewed confidence and the Green commitment of your People in the Refinery. The new Logo was unveiled by the Deputy Prime Minister of India, Shri L. K. Advani on 15th May, 2003 at Mangalore in the presence of Shri S. M. Krishna, Chief Minister of Karnataka, Shri Ram Naik, Union Minister of Petroleum and Natural Gas, Shri Ananth Kumar, Union Minister for Urban Development and Poverty Alleviation, Shri Santosh Kumar Gangwar, Minister of State for Petroleum and Natural Gas, Local People's Representatives to the Parliament, the Legislative Council and the Assembly, High Officials of the Government and distinguished invitees. ONGC's role as the premier Oil and Gas "Flagship" PSU in reviving your Company from the verge of bankruptcy was lauded by the Deputy Prime Minister as an example of the Public Sector's strength as a viable alternative to privatisation.

3.2 The Parliamentary Consultative Committee for the Ministry of Petroleum and Natural Gas met on 14/05/2003 at Mangalore, and expressed satisfaction on the revival of your Company by ONGC.

3.3 ONGC as the parent company, started immediate supply of its high quality sweet and light Mumbai High crude to your Company. The first cargo arrived at Mangalore Jetty on 28th March, 2003 itself. The pricing formula from ONGC to MRPL is the same which ONGC recovers from other coastal PSU refineries viz. KRL, CPCL, etc. This provides an inherent advantage to your Company to achieve higher GRMs with competitive pricing for higher quality. Almost simultaneously, ONGC began supply of overseas Nile Blend – a sweet crude rich in potential value to your Company. The first cargo reached Mangalore Jetty on 14th May, 2003. In the celebrations on the 15th May, 2003 the delivery of overseas crude from the parent (ONGC) to the subsidiary company (MRPL), for the first time in India was blessed by the Deputy Prime Minister of India, Shri L.K. Advani.

4. Transaction costs

4.1 The Ministry of Petroleum and Natural Gas has approved the constitution of an Empowered Standing Committee (ESC) for crude oil procurement by your Company, as is the practice with other PSU refineries. With its own ESC, your Company will now be able to directly execute crude purchase contracts under Government-to-Government (G to G) arrangements, saving on the commission charged by the Canalising Agency. A representation has been submitted to the Government for assignment of the present contract for supply of Iranian crude, executed by IOCL, to your Company.

4.2 The agreement for crude procurement with Chevron Texaco Global Trading expired in January 2003. Crude sourcing is now directly managed by your Company, resulting in reduced transaction costs. Your Company is now entering into a term contract for supply of about 1.5 MMT of Arab mix crude oil from Saudi Aramco. With these arrangements your Company has fully tied up its feedstock requirements for sustaining thruput at full installed capacity of 9.69 MMTPA.

4.3 Your Company, as a PSU, is now arranging crude shipping through Transchart, Ministry of Shipping, Government of India and finalised a Contract of Affreightment (COA) for transportation of imported Iranian / Saudi crude oil from July 2003 to March 2004 at a very competitive rate. Your company has concurrently also finalised a direct COA with the Shipping Corporation of India Ltd., for transporting Mumbai High Crude Oil from August 2003 to March 2004 also at a very competitive rate.

5. Exports

5.1 Your company exported products (Motor Spirit, Naphtha, Reformate, HSD, ATF and Bunker Fuel (FO)) worth Rs.1,913 Crore during the Year (up 622% from Rs.265 Crore).

5.2 Export Planning of your Company is now integrated with the plans of the parent, ONGC. With such integration and effective processing, the export realisation of your Company have improved. An integrated Trading Desk covering the business interest of the parent ONGC and the subsidiaries including your Company is proposed to be set up; preparatory actions have been initiated.

5.3 With increasing volumes and value of exports, your Company is earning higher incentives under the various export promotion schemes of the Government of India.

6. Marketing

6.1 Your company has been marketing Motor Spirit, High Speed Diesel, LPG Cooking Gas and Superior Kerosene through HPCL who have agreed to support the business operations of your Company, under the Shareholders Agreement (SHA) between ONGC & HPCL.

6.2 Your Company had already commenced direct marketing of deregulated products from October 2000. Administered Pricing Mechanism (APM) in the Oil Sector has been dismantled w.e.f. 1/4/2002, and therefore, your Company is now eligible to market LPG, MS, SKO and HSD directly. Actions have been initiated for direct marketing of HSD. Capital Budget provision has been made to debottleneck and expand the facilities to enable independent despatches for your Company, saving on transactions cost and facilitating smooth and indepedent operations.

6.3 Transport fuels (MS, HSD and ATF) produced by your Company will be retailed under the licence granted to the parent, ONGC, by the Government of India.

6.4 Mangalore-Hassan-Bangalore Pipeline (MHBPL) is now operational. The first parcel of HSD supplied by your Refinery transported through this pipeline was delivered at Bangalore on 1st August, 2003. This pipeline will reduce transportation cost of the white oil products of your Company in the hinterland areas, and expand the economic supply envelope. Recognizing the importance of this facility, the parent, ONGC, has acquired in April 2003, a 23% stake in the Equity Capital of Petronet MHB Ltd., the Company that owns this pipeline, at a cost of Rs.38.34 Crore.

7. Investment Plans

Your Directors have approved a Capital Budget of about Rs. 720 Crore to improve profitability and productivity of your Company. This includes Rs. 600 Crore for upgrading quality of Motor Gasoline and Diesel to meet emerging specifications of Bharat II and Euro III in India; Rs. 75 Crore for extracting Mix Xylenes which will fetch better value; de-bottleneck processes to produce higher quantities of LPG which is projected to be deficit in the country and, for putting up a dedicated dispatch Terminal for products by rail and road without going through existing PSUs. Another Rs. 45 Crore account for energy saving schemes and other devices.

8. Directors

8.1 On acquisition of entire shareholding of IRIL and its associates by ONGC, the concerned nominees viz. Shri M. C. Bagrodia, Shri B.N. Puranmalka, Shri P. Ramakrishnan and Shri Ravi Kastia have resigned from the Directorship of your Company w.e.f. 3rd March, 2003. ONGC has nominated Shri Subir Raha, Chairman and Managing Director and Chairman, ONGC Videsh Ltd., Shri R. C. Gourh, Director (Onshore), Shri R. S. Sharma, Director (Finance) and Shri V. K. Sharma, Director (Offshore) to the Board of your Company. Shri D.S.Mathur and Shri D.K. Deshpande, Nominee Directors of HPCL, resigned from the directorship of your Company w.e.f. 30th March, 2003, in terms of the Shareholders Agreement between ONGC and HPCL.

8.2 The Board places on record its sincere appreciation for the contribution, support and guidance extended by the outgoing Directors Shri M.C. Bagrodia, Shri D.S. Mathur, Shri B.N. Puranmalka, Shri P. Ramakrishnan, Shri D. K. Deshpande and Shri Ravi Kastia during their tenure as Directors of your Company. The Board also places on record, its appreciation for the valuable contributions made by Aditya Birla Group (ABG) Companies as Co-promoter of your Company.

8.3 In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri N. K. Puri, Director (nominee of HPCL) will retire by rotation at the 15th Annual General Meeting of the Company and being eligible has offered himself for re-appointment. Shri S.T. Bambawale, an Independent Director, will also retire by rotation and has conveyed his unwillingness to seek reappointment.

9. Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors state that :

a) the Annual Accounts have been prepared in compliance of the applicable Accounting Standards together with proper explanations relating to material departures;

b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the Profit and Loss of the Company for that period ;

c) The Directors took proper and sufficient care for the maintenance of proper and adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) The Annual Accounts are prepared on a "going concern" basis.

10. Fixed Deposit

The Company has not accepted any Fixed Deposits from the public.

11. Debentures

The Directors confirm that the proceeds of the 16% Partly Convertible Debentures (PCDs) and the 17.5 % Non-Convertible Debentures (NCDs) have been utilised for the purposes declared in the Prospectus dated 13th April, 1992. The 16% Partly Convertible Debentures (PCDs) have been fully redeemed during the year on due date. The rescheduled portion of Non Convertible Debentures amounting to Rs.97.95 Crore relating to Institutional investors which became due on 7th August, 2003 has also been redeemed on due date.

12. Auditors

M/s. Lodha & Co., Chartered Accountants and M/s. Sharp & Tannan, Chartered Accountants, Statutory Auditors of the Company hold the office until the conclusion of the ensuing Annual General Meeting. Since the Company has now become a Govt. Company, the appointment of statutory auditors of the Company will henceforth be done by Comptroller and Auditor General of India (C&AG).

13. Corporate Governance

13.1 The Company has implemented all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements. The Annual Report contains a separate section on the same.

13.2 As required under the said provisions, the Company has obtained the Certificate from the Auditors of the Company which is annexed to and forms part of the Annual Report.

13.3 The Management Discussion and Analysis Report forms part of the Annual Report.

14. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The additional information required to be disclosed pursuant to the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the 'Annexure I' forming part of this Report.

15. Particulars of employees

There is no employee whose particulars are required to be shown in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

16. Industrial relations

The industrial relations in your Company remains peaceful and harmonious, without any disruption in operations.

17. Community development

17.1 Your Company is committed to the well-being of the local community under the Community Development programme and has focused on improving drinking water facilities, health awareness and health care facilities and upgradation of educational infrastructure in the neighbourhood. The Company has cumulatively spent over Rs.2.5 Crore on various schemes implemented under the Community Development programme.

17.2 The MRPL School, affiliated to CBSE, gets a recurring annual grant of Rs.10 Lakh. About 65% of the students of the school come from the neighbourhood; similarly, the MRPL Hospital is open to the neighbouring public at concessional rates.

17.3 Women employees constitute about 3% of the workforce of the Company. Your company organises, with the help of local Mahila Mandals, training programmes for the un-employed women in making condiments, pickles, soaps and candles, etc.

18. Delisting of shares

At the Extraordinary General Meeting held on 28th March 2003, the shareholders have approved a Resolution authorising the Board of Directors to seek delisting of the shares of the Company from one or more of the stock exchanges. The Board of Directors, at the meeting held on 28th March 2003, have approved delisting of shares from Bangalore, Delhi, Calcutta, Madras and Ahmedabad Stock Exchanges as no particular benefit is available to the shareholders of the Company by continuing listing of shares on these Stock Exchanges. The trading volumes on these Stock exchanges are very thin and do not justify the payment of listing fees to these exchanges. Moreover, these Stock Exchanges do not provide any value-added services to the Company or to its shareholders. The Company has made application to these exchanges on 28th March, 2003 to seek delisting. Madras and Bangalore Stock Exchanges have already approved the delisting. However, with a view to provide improved convenience in trading of shares, your Company has applied for getting its shares listed on National Stock Exchange.

19. Acknowledgement

19.1 The Directors of your Company place on record their sincere gratitude to Shri Ram Naik, Hon'ble Minister for Petroleum & Natural Gas, Government of India, for his visionary decision to engage ONGC Ltd. for the revival of your Company. Your Directors wish to sincerely acknowledge the guidance and assistance from Officials of the Ministry of Petroleum and Natural Gas, Ministry of Finance, other Ministries of the Central Government and the Government of Karnataka.

19.2 Your Directors recognise the continuing co-operation from the New Mangalore Port Trust, your promoter Companies and the members of the Oil Industry.

19.3 Your Directors appreciate the support received from the Financial Institutions and Banks.

19.4 Your Directors recognise the support received from all other stake holders viz. suppliers of crude oil and other inputs, vendors, contractors, transporters and others.

19.5 Your Directors thank the Shareholders and Debenture-holders for the confidence reposed by them in the Company.

19.6 Your Directors wish to place on record their sincere appreciation of the sustained and dedicated efforts put in by all employees.

19.7 Finally, the Customers. Your Directors recognise the patronage extended by the ever increasing circle of valued customers, and promise to provide them the best satisfactions.

For and on behalf of the Board

(Subir Raha)
Chairman

Place: Mangalore
Date: 29th August, 2003

ANNEXURE I TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March, 2003.

CONSERVATION OF ENERGY

a) Energy conservation measures taken:

   i) Stopping of heavy flushing oil pump in Phase-1 Crude unit with minor modification has helped in saving power of 41.7 Kwhr / Hr.

   ii) Variable speed drives were installed on two LT drives in hydrocracker unit 2 successfully.

   iii) Use of special material for air-preheater tubes in power plant 2, which will last longer with lower flue gas temperature.

   iv) Regular monitoring of excess air in furnaces which has improved furnace efficiencies.

   v) Regular monitoring of functioning of steam traps across the refinery.

   vi) Flexibility between Phase 1 and Phase 2 to optimise the load on various units.

   vii) Stopping of various other drives in CDU 1 & CDU 2 units has resulted in saving power of 633.87 Kwhr/hr.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

   i) Additional circulation scheme in hydrocracker HPNA system, to conserve nitrogen. The scheme is under commissioning.

   ii) Taking hot sour diesel to GOHDS unit, saving 0.15 MT/hr of fuel oil to be fired in CPP.

   iii) Advanced process Control proposed to be implemented in Crude Distillation Unit 1 & 2 for improvements in yields and energy consumption.

   iv) Implementation of VSD on many drives in the refinery.

   v) Recovery of SCAPH condensate as Hot condensate and hot condensate from steam traps in CPP area back to the deaerator.

   vi) Rain water harvesting. Currently the rain water flowing from the villages through our storm drain is proposed to be used as raw water. This will help in reducing the quantity of water to be pumped from Sarpady, thereby by reducing the pumping cost.

   vii) Using of MP steam instead of HP steam for fuel oil heating in CPP fuel oil system.

   viii) Routing of Amine flash column hydrocarbon vapours to Sulphur Recovery unit incinerator.

c) Impact of the measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

   i) Anticipated savings due to the schemes already implemented, as per section "a" is approximately Rs. 521 lacs/year, when operated at full load.

   ii) Estimated energy savings due to the schemes to be implemented / proposed as per section "b" will be approximately Rs. 165 lacs for the year 2003-2004. However the total saving potential on an annual basis is Rs. 2252 lacs/year.

d) Total Energy Consumption and Energy Consumption per unit of Production.

	2002-03	2001-02
a) Power and Fuel Consumption		
1. Electricity		
a. Purchased		
Unit (KWH)	**4070080**	3317531
Total Amount (Rs.)	**29955039**	27398948
Rate / Unit (Rs. / KWH)**	**7.36**	8.26
**Include Demand Charges of Rs.144.55 lacs (Rs. 157.72 lacs for 2001-02). The unit cost per KWH excluding Demand charges is Rs. 3.81 for 2002-03 and Rs. 3.50 for 2001-02		
b. Own Generation		
i) Through Diesel Generator (at Sarpady)		
Unit (KWH)	**219210**	119550
Unit per ltr. Of Diesel (KWH / ltr.)	**3.41**	3.40
Cost / Unit (Rs. / KWH)	**5.26**	5.04
ii) Through Steam turbine/generator		
Unit (KWH)	**462135790**	376565300
Unit per ltr. Of Fuel Oil (KWH / ltr.)	**2.08**	2.09
Cost / Unit (Rs. / KWH)	**4.36**	3.48
2. Fuel Oil		
Quantity (MT) (Oil + Gas)	**480356**	376538
Total Amount (Rs.)	**4555438641**	2856741091
Average Rate (Rs./MT)	**9483.46**	7586.86
3. Others / Internal Generation		
Diesel (at Sarpady)		
Quantity (K.ltr.)	**64.21**	35.19
Total Cost (Rs.)	**1152010**	602856
Rate (Rs. / K.ltr.)	**17941**	17130
b) Consumption per unit of production		
Total Crude Processed (TPA)	**7256478**	5476995
Total Fuel Oil Consumed (TPA) ***	**557197**	434293
Total Electricity (KWH) (after deducting power to HGIL)	**463095980**	375096159
Fuel Oil Consumption / MT of Crude processed	**0.0768**	0.0793
Electricity Consumption / MT of Crude processed	**63.82**	68.49

*** includes fuel and loss

B. TECHNOLOGY ABSORPTION

Research & Development:

1. Specific areas in which Research & Development (R&D) has been carried out by the Company.
   - i) Study on the microbiological corrosion of treated effluent recycle line to cooling towers.
   - ii) Spent caustic (High sulphides) oxidation at the generation unit.
   - iii) Analysis of catalysts.
   - iv) Crude evaluation.
   - v) Stability of Furnace Oil.
2. Benefits derived as a result of the above Research & Development :
   - i) On the basis of the study new biocides have been introduced which has resulted in better-treated effluent quality and recycle rate.
   - ii) Lower consumption of hydrogen peroxide in wastewater treatment plant and low odour.
   - iii) Customer satisfaction in use of Furnace Oil and higher domestic absorption of product.
3. Future Plan of action:
   - i) To monitor the lubricity characteristics of Aviation Turbine Fuel (ATF) and Low Sulphur High speed diesel (<0.05 % sulphur) with different sources of crude and operating conditions.
   - ii) To develop new valuable products like LAB feed stock using capillary column.
4. Expenditure on R & D:
   Capital: Rs 41.24 lakhs for 2002-2003
   Recurring: Rs. 2 lacs.
   Total R & D expenditure as percentage on total turnover:- Negligible
5. Technology Absorption, Adoption & Innovation:
   - i) To satisfy customer's requirement, efforts are being taken to convert Phase 1 Kerosene Merox unit to Light naphtha Merox. The mercaptans in the MS as a result of this will get reduced to less than 20 ppm by volume. The entire innovation has been done in-house.
   - ii) Operation of the Visbreaker unit with high soaker pressure and high temperature has helped in reducing the black oil make from the unit. The entire experiment was done in-house.
   - iii) Other licensed technologies have been fully absorbed, from operational point of view.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2002-2003 (Rs. in lacs)	**2001-2002 (Rs. in lacs)**
Foreign Exchange Earnings (Includes Exports of Rs. 3839.83 lakhs through Indian Oil Corporation Ltd.)	**1,91,295.45**	26,505.85
Foreign Exchange Outgo (excluding imports of crude oil through Indian Oil Corporation Ltd.)	**2,24,458.73**	2,15,121.83

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry :

1.1 Overall, the surplus in the domestic refining capacity is getting reduced. The annual consumption of some 107 MMT of products matches the rated domestic refining capacity of 113 MMT. There are, however, serious imbalances in product-wise demand and production. The fact that HSD demand has plateaued in the recent years defies logic. The inescapable conclusion is that the pricing differentials are leading to adulteration using imported as well as domestic stocks. The profitability of majority of the domestic refineries is threatened since the designs and the operations are configured to maximise diesel production.

1.2 Increasing customer awareness, and stipulations on phased improvements in transport fuels' specifications for enhanced environmental protection call for major capital investments in additional facilities in the refineries. These essential investments do not yield any incremental margins, and therefore, overall cost-optimisation becomes the determinant for refinery profitability.

1.3 In the commodity market of petroleum products, pricing is the competitive determinant in Direct Sales, whereas Service-cum-Satisfaction attract the retail customer. The relevant costs are to be paid out of the available margins, reducing profitability per unit sold. Value addition in the refinery and beyond, therefore, assumes critical importance.

2. The New MRPL :

2.1 Confidence is the hall-mark of the New MRPL. The employees of your Company are confident of the technological edge and resultant opportunities. The management is confident of sustained growth in all aspects. The business-partners are confident of mutually beneficial association. The market is confident of benefits to the share-owners.

2.2.1 Operationally, the confidence is based on the state-of-the-art technology of the refinery, and the team of skilled and committed refiners.

2.2.2 Your refinery has been producing components for high-quality environment-friendly transportation fuels, and the premium in pricing has improved.

2.2.3 In 2003 – 04, for the first time, the refinery is proposed to be operated at the rated annual capacity. The increased thruput will bring down unit costs. Moreover, the crude-mix has been changed, the proportion of sweet crude going up from 10% or less to 30% or more. The increasing yield of light and middle distillates will add to the profitability. The reduction in de-sulphurisation will save energy costs.

2.2.4 MRPL is now buying sweet and light Mumbai High Crude, one of the best in the world, with the same pricing advantage as is available to other coastal refineries like KRL, CPCL etc. The price advantage vis-à-vis imported crude of equivalent quality and the improved yield pattern is significantly adding to the GRM. Effective April 2004, after ONGC's commitment on supply of offshore crudes to other PSU refineries (as per directive of the Ministry of Petroleum & Natural Gas) ends, it should be possible to process higher quantities of MH crude in MRPL.

2.2.5 The processing of ONGC's overseas crude – Nile Blend from Sudan – brings in the advantage of low-sulphur operations plus significant potentials for value addition.

2.2.6 MRPL is now in a position to directly contract sour crudes under Government-to-Government arrangements on Term basis, leading to reduction in transaction costs.

2.2.7 The recently concluded shipping contracts have resulted in substantial advantages in ocean freight (including coastal freight), with positive impact on profitability.

2.2.8 Capital investments for (i) production of transport fuels meeting Bharat II/ Euro III specifications, (ii) replacement / modernisation of plant and equipment, (iii) additional facilities to obtain flexibilities in product despatch and (iv) production of mixed xylenes for value addition have already been approved. Several short-gestation high-yield value addition projects have been identified, and project formulation is in progress.

2.2.9 Several representations have been made to the Ministry of Petroleum & Natural Gas on various issues; on approval, several bottlenecks in profitability will be removed.

2.2.10 With re-structuring of the equity base and outstanding debts, the financial outlook of your Company has undergone a sea-change. Your Company now enjoys A1+ credit rating from ICRA, and invitations for short-term borrowing are being substantially over-subscribed at competitive interest rates, without any parent company undertaking.

2.2.11 Integrated export planning with ONGC and the advantage of intrinsic product quality from MRPL have helped improve the export realisations. These advantages are proposed to be reinforced through the proposed integrated Trading desk of the ONGC Group of Companies.

2.2.12 Mangalore-Hassan-Bangalore Pipeline has been commissioned, bringing pricing advantage to MRPL's products in expanded hinterland.

2.2.13 It has been decided to implement all relevant modules of SAP R/3 ERP at the refinery, integrating the system to project ICE ("Information Consolidation for Efficiency") of the ONGC Group. The comprehensive MIS will help cut costs and optimise decisions.

2.2.14 Direct marketing of HSD has been taken up, and realisations on sales of Naphtha, Bitumen etc are improving. Retail marketing of MS and HSD will be initiated this year under ONGC's licence and brand.

2.2.15 Dr. C.M. Lamba has been appointed as President (Refinery & Projects) and Mr. J.M.Gugnani, as President (Marketing). Both are outstanding professional in their respective disciplines, with in-depth knowledge and experience.

2.2.16 Overdue promotions have been granted to senior and middle Managers, in recognition of the competence, contribution and potential of the individuals concerned, and certain positions below-the-Board have been upgraded. These motivations will surely be reflected in the performance of your Company.

2.2.17 The Government has been requested to (i) classify MRPL as a Schedule 'B' PSU, (ii) sanction the posts for Managing Director and Director (Finance) followed by selection and appointment and (iii) nominations to the Board of Directors. Pending these actions, a Committee of Directors has been constituted and empowered by your Board to manage the operations of your Company.

2.2.18 Officers have been deputed from MRPL to work in the ONGC Videsh Ltd. (OVL) team on a proposed mega-project for Refinery & Pipelines abroad. Such opportunities have come up for the first time to MRPL.

2.2.19 The pay-roll of your Company was 936 as on 31st March, 2003.

2.2.20 Safety and Environment Protection are accorded over-riding priority by the Management and the Employees of your Company.

3. The Uncertainties

3.1. Like all other refineries, the fortunes of your Company are tied with the volatility in international prices of crude and products.

3.2. ONGC had conceded certain privileges to HPCL as a sister-PSU, in the Shareholder Agreement. These need to be reviewed in the context of the decision of the Government to privatise HPCL.

3.3. Domestic sales contribute to the major part of the revenue of your Company. The state of the economy, therefore, influence the turnover and profitability.

4. Internal Control Systems and their Adequacy

The Company has the required internal control systems and procedures. These ensure optimal use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors.

5. Financial performance

The refinery achieved a crude thruput of 7.256 MMT during the year and produced 6.699 MMT of finished products both up by 36% from 5.328 MMT and 4.906 MMT. The turnover during the year was Rs. 8058.77 Crore, up 51% from Rs.5353.91 Crore. This includes exports amounting to Rs.1913 Crore up by 622% from Rs.265 Crore. Profitability was adversely affected on account of high interest and depreciation costs, low GRMs and low capacity utilisation mainly due to lower domestic demand of the products / sales and lower realisation in exports and relatively high prices paid for crude entirely sourced through imports.

Cautionary Statement

These discussions are "forward looking statements" within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

REPORT ON CORPORATE GOVERNANCE

1) Code of Governance:

- The Directors of the Company are committed in their duties, obligations and responsibilities, to act in the best interest of the Company, with accountability to the shareholders.
- The Directors of the Company are engaged in maximising shareholder value through ethical and logical decisions, with transparency and consistency.
- The Directors of the Company are focussed on prosperity and welfare of the Company and its employees, the Community and the Country.

2) Board of Directors :

a) Composition and Category of Directors

Executive Directors : Nil

Non Executive Directors : 10

Director	Executive/ Non-Executive	Category	No. of other Directorship		No. of outside Committees	
			Public	Private	Member	Chairman
Shri Subir Raha	(Chairman) (Non Executive)	Promoter Company's Director	2	–	–	–
Shri R.C. Gourh	Non-Executive	Promoter Company's Director	2	–	–	–
Shri N.K.Puri	Non-Executive	Promoter Company's Director	3	1	–	–
Shri V.K. Sharma	Non-Executive	Promoter Company's Director	4	–	–	–
Shri R.S. Sharma	Non-Executive	Promoter Company's Director	3	–	2	–
Shri C. Ramulu	Non-Executive	Promoter Company's Director	5	2	3	3
Shri M.P. Modi	Non-Executive	Independent Director, ICICI Nominee (lender)	3	–	1	1
Shri G.M. Ramamurthy	Non-Executive	Independent Director, IDBI Nominee (lender)	3	–	3	–
Shri Girish Dave	Non-Executive	Independent Director	7	4	3	–
Shri S.T. Bambawale	Non-Executive	Independent Director	–	–	–	–

The Chairman of the Board is non-executive and hence 1/3rd of the Board comprises of independent directors.

b) Attendance of Directors at the Board Meeting and last AGM

Director	No. of Board Meetings held during the year	No. of Board Meetings attended	Attended Last AGM
Shri Subir Raha *	11	4	No
Shri R.C. Gourh *	11	4	No
Shri N.K. Puri	11	8	Yes
Shri V.K. Sharma *	11	4	No
Shri R.S. Sharma **	11	2	No
Shri C. Ramulu	11	11	Yes
Shri M.P. Modi	11	7	Yes
Shri G.M. Ramamurthy	11	8	Yes
Shri Girish Dave	11	4	No
Shri S.T. Bambawale	11	8	Yes
Shri D.S. Mathur (*)	11	8	Yes
Shri M.C. Bagrodia (**)	11	6	Yes
Shri P. Ramakrishnan (**)	11	5	No
Shri B.N. Puranmalka (**)	11	4	No
Shri D.K. Deshpande (*)	11	9	Yes
Shri Ravi Kastia (**)	11	7	Yes

* appointed w.e.f. 3/3/2003 and attended all the four Board meetings held thereafter.
** appointed w.e.f. 3/3/2003 and attended two out of four board meetings thereafter
(*) ceased to be director w.e.f. 30/3/2003
(**) ceased to be director w.e.f. 3/3/2003

c) Details of Board Meetings held

Date of Meeting	Venue
June 22, 2002	Mumbai
July 31, 2002	Mumbai
August 8, 2002	Mumbai
October 28, 2002	Mumbai
December 23, 2002	Mumbai
January 30, 2003	New Delhi
February 28, 2003	Mumbai
March 11, 2003	New Delhi
March 28, 2003	Mangalore
March 30, 2003 (4:00 p.m)	Mumbai
March 30, 2003 (4:30 p.m)	Mumbai

3) Audit Committee :

i) Composition of Audit Committee

The Audit Committee comprises of five Non Executive Directors as follows:

1) Shri M.P.Modi - Independent Director
2) Shri R.S.Sharma (w.e.f. 30.03.2003) – Promoter Director
3) Shri C. Ramulu – Promoter Director
4) Shri S.T Bambawale (w.e.f. 14.05.2002) – Independent Director
5) Shri Girish Dave (w.e.f.14.05.2002) – Independent Director
6) Shri M.C. Bagrodia (ceased to be a member w.e.f. 03.03.2003).

Shri M.P. Modi, an independent director is the Chairman of the Committee. As per the provisions of Clause 49 of Listing Agreement atleast one director is required to have financial and accounting knowledge. Shri R.S. Sharma being a Cost Accountant and Shri C. Ramulu being a Chartered Accountant are having financial and accounting knowledge.

ii) *Details of the Audit Committee Meetings held:*

Date of Meeting	No. of Members Attended
July 31, 2002	5
August 27, 2002	5
December 23, 2002	5

Attendance in Audit Committee Meetings :

Director	No. of Meetings Attended
Shri M.P. Modi	3
Shri M.C. Bagrodia	3
Shri C. Ramulu	3
Shri Girish Dave	3
Shri S.T. Bambawale	3

iii) *Terms of Reference :*

The functioning and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

4) Remuneration Committee :

At present the Company has not constituted any remuneration committee. The Company does not pay remuneration to its non-executive directors except sitting fees for the Committee and Board meetings. After change of status of MRPL as a PSU, sitting fee are paid only to the non executive independent directors. For the Whole-time Directors, the remuneration was being determined by the Board of Directors during the Joint Venture status of the Company.

Details of remuneration to Directors:

Directors	Salary (Rs.)	Other allowances (Rs.)	Benefits (Rs.)	Stock options/ Pension (Rs.)	Sitting fees (Rs.)	Total (Rs.)
Shri Subir Raha	N.A.	N.A.	N.A.	N.A.	NIL	**NIL**
Shri R.C. Gourh	N.A.	N.A.	N.A.	N.A.	NIL	**NIL**
Shri N.K.Puri	N.A.	N.A.	N.A.	N.A.	8,000	**8,000**
Shri V.K. Sharma	N.A.	N.A.	N.A.	N.A.	NIL	**NIL**
Shri R.S. Sharma	N.A.	N.A.	N.A.	N.A.	NIL	**NIL**
Shri C. Ramulu	N.A.	N.A.	N.A.	N.A.	20,000	**20,000**
Shri M.P. Modi	N.A.	N.A.	N.A.	N.A.	20,000	**20,000**
Shri G.M. Ramamurthy	N.A.	N.A.	N.A.	N.A.	18,000	**18,000**
Shri S.T. Bambawale	N.A.	N.A.	N.A.	N.A.	22,000	**22,000**
Shri Girish Dave	N.A.	N.A.	N.A.	N.A.	14,000	**14,000**
Shri M.C. Bagrodia	N.A.	N.A.	N.A.	N.A.	18,000	**18,000**
Shri D.S. Mathur	N.A	N.A.	N.A.	N.A.	12,000	**12,000**
Shri B.N. Puranmalka	N.A.	N.A.	N.A.	N.A.	8,000	**8,000**
Shri P. Ramakrishnan	N.A.	N.A.	N.A.	N.A.	10,000	**10,000**
Shri D.K. Deshpande	577,713	380,558	Nil	Nil	NIL	**9,58,271**
Shri Ravi Kastia	586,794	327,805	69,514	Nil	NIL	**9,84,113**

Break up of fixed components and performance linked incentives with performance criteria

Name of the Directors	Fixed Component (Rs.)	Performance linked (Rs.)	Total (Rs.)
Shri D.K. Deshpande	958,271	—	**958,271**
Shri Ravi Kastia	984,113	—	**984,113**

Service Contract –notice period, Severance fees :

The Managing Director (Technical), Shri D.K. Deshpande was on deputation from one of the Promoter Company viz. from Hindustan Petroleum Corporation Ltd. (HPCL) for a period of 5 years. His nomination was withdrawn by Promoter Company w.e.f. 30/3/2003. No severance fee has been paid to him.

The Managing Director (Finance & Administration), Shri Ravi Kastia was a nominee of one of the Promoter Company viz. Indian Rayon & Industries Ltd. (IRIL). He was appointed for a period of 5 years. His nomination was withdrawn by the Promoter Company w.e.f. 3/3/2003. No severance fee has been paid to him.

Stock Options details (if any) : N.A.
Whether issued at discount
Period over which it is accrued and is exercisable.

5) Shareholders'/ Investors' Grievance Committees :

i) (a) The Company has constituted **Shareholders'/ Investors' Grievance Committee** to look into the redressing of shareholders' and investors' complaints. The composition of the Committee is as follows :-

1) Shri G.M. Ramamurthy – Chairman (Independent Director)
2) Shri R.S. Sharma – (Director) (w.e.f. 30.03.2003)
3) Shri C. Ramulu – (Director) (w.e.f. 30.03.2003)
4) Shri D.K. Deshpande – Managing Director (Tech.) (ceased to be a member w.e.f. 30.03.2003)
5) Shri Ravi Kastia – Managing Director (F & A) (ceased to be a member w.e.f. 03.03.2003)

(b) The Company also has a **Share Transfer Committee** comprising of the following:

1) Shri R.S. Sharma, (Director) (w.e.f. 30.03.2003)
2) Shri J.M. Joshi, (Executive Director, Incharge) (w.e.f. 30.03.2003 upto 31.07.2003)
3) Shri D.K. Deshpande, Managing Director, (Tech.) (ceased to be a member w.e.f. 30.03.2003)
4) Shri Ravi Kastia, Managing Director, (F&A) (ceased to be a member w.e.f. 03.03.2003).
5) Shri Lalit Kumar Gupta, Vice President (Finance) & Company Secretary.

ii) Name and designation of the Compliance officer : Shri Lalit Kumar Gupta
Vice President (Finance) & Company Secretary.

iii) No. of Shareholders' complaints received during the year 2002-2003 : 10275

iv) No. of complaints not solved to the satisfaction of the shareholders : 213*

v) No. of pending share transfers : 175 Transfer request *(28100 shares) (since resolved)
* (Except 9 cases in which the investors / bankers have to revert back to the Company, all the complaints have been subsequently resolved).

6) Details of General Body Meetings :

i) Location, place and time where last 3 AGMs were held

Year	Location	Date	Time
2000	Registered Office Mudapadav, Kuthethoor P.O.Via Katipalla, Mangalore –575 030.	22.09.00	4 p.m.
2001	Registered Office Mudapadav, Kuthethoor P.O.Via Katipalla, Mangalore –575 030.	29.09.01	4 p.m.
2002	Registered Office Mudapadav, Kuthethoor P.O.Via Katipalla, Mangalore –575 030.	28.09.02	3.30 p.m.

ii) Whether special resolutions were put through Postal ballot last year?
There were no special resolutions which were put through postal ballot before the last AGM.

iii) Persons who conducted the Postal Ballot exercise
Not Applicable.

iv) Procedure for Postal Ballot
Not Applicable.

7) Disclosures :

i) Materially Significant related party transactions
Transactions with related parties are disclosed in note no.11 of Schedule S to the Accounts in the Annual Report.

ii) Details of non compliance by the company, penalties, strictures imposed by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last 3 years.
NIL

8) Means of Communication :

i)	Whether half yearly report sent to each shareholders resident	: As the Company's financial results are displayed on the website the same are not sent to each shareholder's resident
ii)	Newspapers in which Quarterly results were normally published	: Indian Express, (English) Financial Express, (English) Udaywani (Manipal) (Kannada).
iii)	Website where the results are displayed	: www.mrpl.co.in
iv)	Any presentation made to the institutional investors or to the analysts	: No
v)	Whether Management Discussion and Analysis is a part of Annual Report	: Yes

9) General Shareholders' Information :

15th Annual General Meeting

i) Date and time : 30th September, 2003 at 4.00 p.m.

ii) Venue : Registered Office
Mudapadav,
Kuthethoor P.O.Via Katipalla,
Mangalore-575 030.

iii) Financial Year : 2002-2003.

iv) Book Closure Date : 22nd September, 2003 to 30th September, 2003

v) Dividend Payment Date : N.A.

vi) Listing on Stock Exchanges

The Company has listed its shares at 7 stock exchanges as stated below :

1) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai –400 001.

2) Mangalore Stock Exchange Limited
4th Floor, Rambhavan Complex,
Kodialbal, Mangalore- 575 003.
[Regional Stock Exchange for the Company]

3) Bangalore Stock Exchange Ltd.
Stock Exchange Tower
51, 1st Cross
J. C. Road
Bangalore - 560 027.

4) The Delhi Stock Exchange Assn. Ltd.
DSE House, 3/1, Asaf Ali Road
New Delhi-110 002.

5) The Calcutta Stock Exchange Assn. Ltd
7, Lyons Range
Kolkata - 700 001.

6) Madras Stock Exchange Ltd.
Exchange Building
Post Box No.183
11, Second Line Beach
Chennai - 600 001.

7) The Stock Exchange - Ahmedabad
Kamdhenu Complex
Near Polytechnic, Ambawadi
Ahmedabad - 380 015.

At the Extraordinary General Meeting held on 28th March 2003 the shareholders have approved the resolution authorising the Board of Directors to seek delisting of the shares of the Company from one or more of the stock exchanges. The Board of Directors at the meeting held on 28th March 2003 have approved the delisting of shares from Bangalore, Delhi, Calcutta, Madras and Ahmedabad Stock Exchanges. The Company has made application to these exchanges on 28th March, 2003 to seek delisting from these exchanges. The Company since received delisting approval from Bangalore and Madras Stock Exchange. The Company has, however, applied for getting its shares listed on National Stock Exchange.

vii) Stock code:

Physical Segment- BSE : 500109

Demat Segment - ISIN : INE103A01014

viii) Market Price Data :

Month (2002-2003)	Mumbai Stock Exchange High Rs.	Mumbai Stock Exchange Low Rs.
April 2002	9.30	7.10
May 2002	9.40	6.70
June 2002	12.40	8.40
July 2002	12.75	8.05
August 2002	8.90	7.60
September 2002	9.20	6.40
October 2002	8.15	6.55
November 2002	8.30	6.85
December 2002	8.60	7.00
January 2003	9.25	6.85
February 2003	9.10	7.50
March 2003	9.85	8.00

Performance in comparison to broad based indices such as BSE sensex :

As on	MRPL Share Price (Rs.)	BSE 30 Index	BSE 100	NSE 50 NIFTY
31.3.2003	8.10	3048.72	1500.72	978.20
31.3.2002	6.80	3469.35	1716.28	1129.55
31.3.2001	7.70	3604.38	1691.71	1148.20
31.3.2000	13.15	5001.28	2902.20	1528.45
31.3.1999	10.30	3739.96	1651.37	1078.05

ix) Share transfer system:

The share transfer work is being handled by Company's R&T agents, M/s MCS Ltd., Andheri –East, Mumbai 400 093 who are also having connectivity with the depositories viz. NSDL and CDSL. The transfers are approved by the Share transfer Committee. Share transfers are registered and despatched within a period of 30 days from the date of receipt if the documents are correct and valid in all respects.

x) Distribution of Shareholding as on 31st March, 2003

No.of Equity Shares held	No. of shareholders holding shares in Physical form	No. of shareholders holding shares in Demat form	No.of shares held in Physical form	No.of shares held in Demat form	% of Equity capital held in Physical form	% of Equity capital held in Demat form
1 – 500	595595	144747	107227595	31643869	7.84	8.25
501 – 1000	4622	13600	3602050	11082114	0.26	2.89
1001 – 2000	934	5430	1386800	8249018	0.10	2.15
2001 – 3000	182	1570	456025	4015330	0.03	1.05
3001 – 4000	71	631	252100	2276325	0.02	0.59
4001 – 5000	45	508	209452	2395000	0.02	0.62
5001-10000	45	645	327158	4574119	0.02	1.19
10001 & above	33	384	1253520120	319362725	91.70	83.26
Shares in Transit (in the depository)	—	—	126500	—	0.01	—
Total	**601527**	**167515**	**1367107800**	**383598500**	**100.00**	**100.00**

Shareholding Pattern as on 31st March, 2003

Particulars	**31.03.2003**	
	No. of Shares	**Percentage**
Oil and Natural Gas Corpn. Ltd.	897153518	51.25
Hindustan Petroleum Corpn. Ltd.	297153518	16.97
Resident Individuals	167560354	9.57
Non Resident Individuals	14327079	0.82
Domestic Companies	7069024	0.40
Non Domestic Companies	26400	Negligible
GIC & Subsidiaries	5762505	0.33
Banks & Financial Institutions	360238707	20.58
Mutual Funds	1415195	0.08
Total	**1750706300**	**100.00**

xi) Dematerialisation of Shares and liquidity

As on 31st March, 2003, 383598500 equity shares representing 21.91 %, were in dematerialised form.

Trading in Equity shares of the Company is permitted only in dematerialised form w.e.f. February 15, 1999 as per the notification issued by Securities and Exchange Board of India.

xii) Outstanding GDR/ ADR/ Warrants or any convertible instruments, conversion date and impact on equity

Nil.

xiii) Plant Location : Mudapadav, Kuthethoor P.O.Via Katipalla, Mangalore-575 030.

xiv) Address for Correspondence :

REGISTRAR & SHARE TRANSFER AGENTS
M/S MCS Limited,
UNIT: MRPL
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
M.I.D.C, Andheri (E)
Mumbai-400093.
Tele. No. : 28215235
Email: mcsmum@vsnl.com

COMPANY'S INVESTOR RELATIONS CELL
Arcadia, 7th floor,
195, N.C.P.A. Marg,
Nariman Point, Mumbai-400 021.
Tele. No. : 56393333
Fax No. : 56393355
Email: mrplbom@bom.mrplindia.com

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

We have examined the compliance of conditions of corporate governance by **Mangalore Refinery and Petrochemicals Limited** for the year ended on 31st March 2003, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements except that two independent Directors as required under sub-clause 1(A) of clause 49 of the Listing Agreement were appointed on the Board and the Audit Committee on 14th May, 2002.

Except 9 cases in which the shareholders / bankers have to report back to the Company, we state that no investor grievance is pending as at 31st March 2003 for a period exceeding one month against the Company as per the records maintained by the Company and as presented to Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
PARTNER

For SHARP & TANNAN
Chartered Accountants
By the hand of

L. VAIDYANATHAN
PARTNER

Mumbai, Dated : 31st July, 2003

AUDITORS' REPORT

TO THE MEMBERS OF MANGALORE REFINERY AND PETROCHEMICALS LTD

We have audited the attached Balance Sheet of MANGALORE REFINERY AND PETROCHEMICALS LTD. as at 31st March, 2003 and also the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (hereinafter referred to as the Act) we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that :

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

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

   c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Balance Sheet and the Profit and Loss Account have been prepared in compliance with the accounting standards as prescribed under the provisions of Section 211(3C) of the Act.

   e. On the basis of written representations received from the Directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director of the Company in terms of Section 274 (1) (g) of the Act;

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule 'R', and notes appearing in Schedule 'S' and elsewhere in the accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2003;

      (ii) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date and

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

For LODHA & COMPANY
Chartered Accountants

N.KISHORE BAFNA
PARTNER

For SHARP & TANNAN
Chartered Accountants
by the hand of

L.VAIDYANATHAN
PARTNER

New Delhi, 3rd June 2003.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

1. The Company has maintained proper records to show full particulars including quantitative details and situation of the fixed assets. The fixed assets have been physically verified by the management in accordance with a phased programme, which in our opinion is considered reasonable having regard to the size of the Company and the nature of its assets. During the year, no material discrepancies were noticed on such verification.

2. The fixed assets have not been revalued during the year.

3. As explained to us, stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during the year.

4. As per information given to us, the procedures of physical verification of stocks followed by the management are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

5. No discrepancies were noticed on physical verification of stocks as compared to book records.

6. On the basis of examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. In respect of loans taken from the parties listed in the register maintained under Section 301 of the Act, the rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the Company. No loans have been taken from the companies under the same management within the meaning of Section 370 (1-B) (non-operative) of the Act.

8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Act or to the companies under same management within the meaning of Section 370 (1-B)(non-operative) of the Act.

9. The parties to whom the Company has granted loans or advances in the nature of loans are repaying the principal amounts as stipulated and are also regular in the payment of interest.

10. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods.

11. According to information and explanations given to us, there were no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating to Rs. 50,000 or more during the year in respect of each party.

12. The Company has a regular procedure to determine unserviceable or damaged stores, raw materials and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.

13. The Company has not accepted any deposits from the public during the year.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and general scrap.

15. The Company has an internal audit system commensurate with the size and nature of its business.

16. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act for any of the products manufactured by the Company.

17. The Company is regular in depositing Provident Fund dues with the appropriate authorities. As explained to us in respect of the Employees State Insurance Scheme (ESI), the extension of exemption beyond 27th July 2002 is awaited. However, the Company has as a matter of abundant caution deducted and provided liability for ESI dues aggregating to Rs.0.91 lacs but has not deposited the same.

18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty which were outstanding as at the last date of the financial year for a period of more than six months from the date they became payable.

19. On the basis of our examination of books of account in accordance with the generally accepted auditing practices, the vouchers examined by us on test check basis, based on review of the Company's internal control system for authorising and booking of payments and according to the information and explanations given to us and in our opinion and to the best of our knowledge and belief, we have not come across any personal expenses other than those payable under contractual obligations with the Company's employees/directors and/or generally accepted business practices which have been charged to revenue account.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For LODHA & COMPANY
Chartered Accountants

N.KISHORE BAFNA
PARTNER

New Delhi, 3rd June 2003.

For SHARP & TANNAN
Chartered Accountants
by the hand of

L.VAIDYANATHAN
PARTNER

BALANCE SHEET AS AT 31ST MARCH 2003

	Schedule	As at 31.03.2003 (Rs. in lacs)	As at 31.03.2002 (Rs. in lacs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	**175,960.01**	79,215.68
Reserves and Surplus	B	**44,700.84**	47,344.81
LOAN FUNDS			
Secured Loans	C	**443,104.18**	499,067.21
Unsecured Loans	D	**92,442.58**	64,174.39
Lease Finance		**3,971.75**	11,170.67
TOTAL		**760,179.36**	**700,972.76**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross Block		**675,138.92**	672,014.38
Less:Accumulated Depreciation		**158,336.75**	121,011.02
Net Block		**516,802.17**	551,003.36
Capital work-in-progress		**86.12**	786.44
		516,888.29	551,789.80
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	F	**99,711.04**	83,540.81
Sundry Debtors	G	**33,252.15**	42,755.18
Cash and Bank Balances	H	**988.08**	1,491.13
Loans and Advances	I	**28,649.84**	30,373.79
		162,601.11	158,160.91
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	J	**117,074.34**	147,244.18
Provisions	K	**454.01**	428.24
		117,528.35	147,672.42
Net Current Assets		**45,072.76**	10,488.49
NET DEFERRED TAX ASSETS		**70,551.83**	46,454.08
MISCELLANEOUS EXPENDITURE	L		
(To the extent not written off or adjusted)		**9,215.94**	12,326.48
PROFIT AND LOSS ACCOUNT (LOSS)		**118,450.54**	79,913.91
TOTAL		**760,179.36**	**700,972.76**
Significant Accounting Policies	R		
Notes on Accounts	S		
Cash Flow Statement	T		

Schedules referred to above form part of the accounts

As per our report of even date attached

for and on behalf of the board

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner

For SHARP & TANNAN
Chartered Accountants
by the hand of

L. VAIDYANATHAN
Partner

L.K. GUPTA
Company Secretary
Associate Vice President (Finance) - I/C

V.K. SHARMA

R.S. SHARMA
Directors

New Delhi, 3rd June 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

	Schedule	For the year ended 31.03.2003 (Rs. in lacs)	For the year ended 31.03.2002 (Rs. in lacs)
INCOME			
Income from Operations	M	**805,876.58**	535,390.67
Other Income	N	**5,477.89**	1,584.23
Increase/(Decrease) in Stocks	O	**9,103.11**	13,553.85
		820,457.58	**550,528.75**
EXPENDITURE			
Raw Materials consumed		**758,408.19**	480,563.16
Operating & Other Expenses	P	**21,788.35**	41,182.42
		780,196.54	**521,745.58**
Profit for the year before interest and depreciation/amortisation		**40,261.04**	28,783.17
Interest & Finance Charges	Q	**56,707.32**	67,228.59
Depreciation/Amortisation		**37,374.07**	36,335.22
Miscellaneous Expenditure written off		**3,110.54**	3,110.54
Provision for claims relating to earlier years (Refer Note No.5.4 (a) in Schedule 'S')		**8,346.35**	—
		105,538.28	106,674.35
Loss for the year before tax		**65,277.24**	**77,891.18**
Provision for Wealth Tax		**1.11**	2.95
Provision for Income Tax			
- Deferred Tax Credit		**(24,097.75)**	(28,646.20)
Net Loss		**41,180.60**	**49,247.93**
Balance of loss brought forward from previous year		**79,913.91**	48,473.86
Transfer from Debenture Redemption Reserve		**(2,643.97)**	—
Deferred tax assets relating to earlier years		**—**	(17,807.88)
Balance being Loss carried to Balance Sheet		**118,450.54**	**79,913.91**
Basic and Diluted earnings/(loss) per Share		**(5.15)**	(6.20)
Significant Accounting Policies	R		
Notes on Accounts	S		
Cash Flow Statement	T		
Schedules referred to above form part of the accounts			

As per our report of even date attached

for and on behalf of the board

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner

For SHARP & TANNAN
Chartered Accountants
by the hand of

L. VAIDYANATHAN
Partner

L.K. GUPTA
Company Secretary
Associate Vice President (Finance) - I/C

V.K. SHARMA
R.S. SHARMA
Directors

New Delhi, 3rd June 2003

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)

Schedules Forming Part of the Balance Sheet

SCHEDULE - A

SHARE CAPITAL

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)
AUTHORISED			
190,00,00,000 Equity Shares of Rs.10 each	**190,000.00**		200,000.00
(Previous Year 200,00,00,000 Equity Shares of Rs 10 each)			
10,00,00,000 Non-Cumulative, Redeemable,			
Preference Shares of Rs.10 each	**10,000.00**		—
		200,000.00	200,000.00
		200,000.00	200,000.00
ISSUED, SUBSCRIBED AND PAID UP			
175,07,06,300 (Previous year 79,47,01,748) Equity Shares			
Rs. 10 each fully paid up.			
[out of the above 89,71,53,518 numbers (Previous Year Nil)			
held by ONGC, the Holding Company]	**175,070.63**		79,470.17
Less : Allotment/Call money in arrears			
(from other than Directors)	**29.24**		254.49
		175,041.39	79,215.68
91,86,242 -0.01%, Non-Cumulative, Redeemable,			
Preference Shares of Rs.10 each fully paid-up		**918.62**	—
(Redeemable in Two equal annual instalments on 1st July 2009			
and 1st July 2010)		**175,960.01**	**79,215.68**

SCHEDULE - B

RESERVES AND SURPLUS

Securities Premium Account			
- As per last Balance Sheet		**34,905.30**	34,905.30
Debenture Redemption Reserve			
- As per last Balance Sheet	**12,439.51**		12,439.51
- Less transferred to Profit & Loss account	**2,643.97**		—
		9,795.54	12,439.51
		44,700.84	**47,344.81**

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)

Schedules Forming Part of the Balance Sheet

SCHEDULE - C

SECURED LOANS

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)
(a) 4,31,60,000, 16% Debentures of Rs.19 each	—		8,200.40
Less : Allotment/Call Money in arrears	—		7.43
		—	8,192.97
(b) 2,44,88,848, 16% Debentures of Rs.40 each		**9,795.54**	9,795.54
(c) Foreign Currency Term Loans			
– From Banks		**73,130.49**	84,826.38
(d) RupeeTerm Loans			
– From Banks	**87,496.47**		101,500.00
Interest accrued and due	—		6,354.21
– From Financial Institutions	**152,084.00**		189,367.85
Interest accrued and due	—		14,171.79
		239,580.47	311,393.85
(e) Suppliers' Deferred Payment Credit - Foreign Currency		**30,448.35**	36,005.48
(f) Working Capital facilities			
– From Banks			
Rupee Loans	**32,165.10**		36,365.35
Foreign Currency Loans	**57,984.23**		12,487.64
		90,149.33	48,852.99
		443,104.18	**499,067.21**

NOTES TO SCHEDULE – C

1. Debentures referred in the (b) above are repayable on 7th August 2003 and carry interest @ 16% p.a. and are secured by way of legal/equitable mortgage in favour of the Debenture Trustees on all the Company's immovable properties both present and future. These Debentures are further secured by hypothecation of all movable assets (save and except book debts) including uncalled capital both present and future.
2. A) Foreign Currency Term Loan from a bank of Rs. 59,402.92 lacs (Previous Year Rs. 69,496.31 lacs) is secured by the letter of comfort/guarantees issued by the local bank in favour of overseas lending branch. These letters of comfort/guarantees are secured by equitable mortgage/hypothecation of Company's immovable and movable properties (save and except book debts) both present and future.

   B) Foreign Currency Term Loan from a bank of Rs.13,727.57 lacs (Previous Year Rs. 15,330.07 lacs) is secured by equitable mortgage/hypothecation of Company's immovable and movable properties (save and except book debts) both present and future.
3. Rupee Term Loans as referred in (d) from Banks of Rs. 87,496.47 lacs (Previous Year Rs. 1,07,854.21 lacs) and from Financial Institutions of Rs.1,52,084.00 lacs (Previous Year Rs. 2,03,539.64 lacs) along with all interest, cost charges, expenses and other monies whatsoever payable to Lenders are secured/to be secured by :

   i) Equitable mortgage over the immovable properties, both present & future;

   ii) Hypothecation over the present and future movable properties.
4. Supplier's Deferred Payment Credit - Foreign Currency is guaranteed by the consortium of Banks/Financial Institutions. These guarantees are secured/to be secured by equitable mortgage/hypothecation of Company's immovable and movable properties (save and except book debts) both present and future.
5. Working Capital Facilities from banks are secured by way of hypothecation of Company's stocks of raw materials, finished goods, stock-in-process, stores, spares, components, book debts, outstanding moneys receivable, claim, bills, contracts, engagements, securities, both present and future and further secured/to be secured by residual charge on Company's immovable and movable properties (save and except Current Assets) both present and future, ranking pari passu inter se.
6. Charges created/to be created in favour of lenders as referred to in note 1,2,3 & 4 shall rank pari passu inter se and are subject to the charge(s) created/to be created by Company in favour of its bankers on the Company's stock of raw materials, semi-finished goods, consumable stores and book debts and such other movables as may be specifically permitted to secure its working capital requirements in the ordinary course of business.

Schedules Forming Part of the Balance Sheet

SCHEDULE - D

UNSECURED LOANS

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)
From Banks			
– Rupee Term Loans	—		5,000.00
Interest accrued and due	—		316.91
		—	5,316.91
From others			
– Bodies Corporate*	**48,746.31**		33,629.67
– Sales Tax Deferment Loan	**43,696.27**		25,227.81
(Refer note No. 6 in Schedule 'S')		**92,442.58**	58,857.48
		92,442.58	**64,174.39**
Amount repayable within one year		**48,746.31**	38,946.58
* Loan from Holding Company		**31,500.00**	—

SCHEDULE - E

FIXED ASSETS

(Rupees in lacs)

		GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
PARTICULARS	REF. NOTE	As at 31.3.2002	Additions during the Year	Sale/ Adjustments during the Year	As at 31.3.2003	Upto 31.3.2002	Provided during the Year	Adjustments during the Year	Upto 31.3.2003	As at 31.3.2003	As at 31.3.2002
Land - Freehold		9.09	–	–	**9.09**	–	–	–	**–**	**9.09**	9.09
Land - Leasehold	1	2,110.92	–	–	**2,110.92**	–	–	–	**–**	**2,110.92**	2,110.92
Buildings		25,215.67	22.24	–	**25,237.91**	2,212.70	476.77	–	**2,689.47**	**22,548.44**	23,002.97
Plant & Machinery											
– Owned	2,3,4	601,198.18	3,134.14	110.82	**604,221.50**	104,622.10	34,584.76	33.01	**139,173.85**	**465,047.65**	496,576.08
– Taken on Lease	5	42,596.22	–	–	**42,596.22**	13,793.34	2,249.08	–	**16,042.42**	**26,553.80**	28,802.88
Furniture & Fittings		397.13	4.04	4.49	**396.68**	252.97	14.43	3.69	**263.71**	**132.97**	144.16
Vehicles		487.17	106.58	27.15	**566.60**	129.91	49.03	11.64	**167.30**	**399.30**	357.26
TOTAL		**672,014.38**	**3,267.00**	**142.46**	**675,138.92**	**121,011.02**	**37,374.07**	**48.34**	**158,336.75**	**516,802.17**	**551,003.36**
Previous year		662,445.88	10,039.86	471.36	**672,014.38**	84,195.26	36,876.77	61.01	**121,011.02**	**551,003.36**	

NOTE:

1) No amortisation of cost is considered necessary in view of the fact that eventually the ownership will get transferred to the Company on expiry of the lease period of 20 years or 30 years, as the case may be.

2) Includes an amount of Rs.7,829.82 lacs (Previous Year Rs. 7,829.82 Lacs) being Company's share of an asset owned together with another Company. [Net Block Rs. 4,928.01 lacs (Previous Year Rs. 5,341.42 Lacs)].

3) Borrowing Cost capitalised during the year Rs. NIL (Previous Year Rs. 458.71 Lacs).

4) Additions during the year includes exchange difference, being net increase in the value of foreign currency liability adjusted to the carrying cost of fixed assets Rs.1,312.19 Lacs (Previous Year Rs. 2,942.93 Lacs increase) due to realignment of exchange rates.

5) Refer Note No. 4.1 (c) in Schedule 'S'.

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)

Schedules Forming Part of the Balance Sheet

SCHEDULE - F

INVENTORIES

(As taken, valued and certified by the Management)

Stores, Spares & Chemicals (net of provisions)		**3,223.04**	3,039.35
Raw Materials		**44,182.34**	37,298.91
(including in transit Rs.15,720.66 lacs; Previous Year Rs.15,721.93 lacs)			
Stock-in-Process		**9,029.99**	8,203.32
Finished Products		**43,275.67**	34,999.23
		99,711.04	**83,540.81**

SCHEDULE - G

SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)

Debts due for more than six months			
Considered Good	**1,134.32**		601.53
Considered Doubtful	**194.96**		—
		1,329.28	601.53
Others			
Considered Good	**32,117.83**		42,153.65
Considered Doubtful	**102.90**		—
		32,220.73	42,153.65
		33,550.01	42,755.18
Less: Provision for Doubtful Debts		**297.86**	—
		33,252.15	**42,755.18**

SCHEDULE - H

CASH AND BANK BALANCES

Cash in hand		**1.27**	1.38
Cheques in hand		**52.78**	89.61
Balances with Scheduled Banks			
In Current Accounts (including refund/interest accounts etc.)	**717.75**		542.91
In Deposit Accounts (under lien/pledge with Banks/ customs authorities Rs. 183.94 lacs; previous year Rs. 173.94 lacs)	**216.28**		857.23
		934.03	1,400.14
		988.08	**1,491.13**

		As at 31.03.2003 (Rs in lacs)	As at 31.03.2002 (Rs in lacs)

Schedules Forming Part of the Balance Sheet

SCHEDULE - I

LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)			
Bills Receivable		—	1,752.27
Loans to Employees/Port Trust		**5,084.17**	5,093.16
Advances recoverable in cash or in kind or for value to be received			
Considered Good	**5,924.37**		12,470.93
Considered Doubtful	**8,449.84**		11.35
	14,374.21		12,482.28
Less: Provision for Doubtful advances	**8,449.84**		11.35
		5,924.37	12,470.93
Balance with Customs, Port Trust etc.		**15,613.06**	8,942.47
Other Deposits		**1,892.65**	1,939.41
Interest accrued		**135.59**	175.55
		28,649.84	**30,373.79**

SCHEDULE - J

CURRENT LIABILITIES

Sundry Creditors			
- Creditors on Capital account	**1,583.47**		2,640.52
- Other Creditors	**97,096.63**		129,437.04
		98,680.10	132,077.56
Advance from Customers		**1,050.72**	350.44
Other Liabilities		**8,921.20**	7,677.82
Interest accrued but not due		**8,422.32**	7,138.36
		117,074.34	**147,244.18**

SCHEDULE - K

PROVISIONS

Taxation (Net of taxes paid of Rs. 299.83 lacs; Previous Year Rs. 299.15 lacs)		**131.23**	130.80
Retirement Benefits		**322.78**	297.44
		454.01	**428.24**

SCHEDULE - L

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)			
Marketing and crude procurement study		**57.85**	115.70
Extended trial run expenditure		**9,158.09**	12,210.78
		9,215.94	**12,326.48**

		For the Year ended 31.03.2003 (Rs in lacs)	For the Year ended 31.03.2002 (Rs in lacs)

Schedules Forming Part of the Profit & Loss Account

SCHEDULE - M

INCOME FROM OPERATIONS

		For the Year ended 31.03.2003 (Rs in lacs)	For the Year ended 31.03.2002 (Rs in lacs)
Sale of Products (Gross) (Refer Note No.7 in Schedule 'S')	**858,077.72**		539,093.16
Less: Excise Duty	**52,201.14**		6,556.80
Sale of Products (Net)		**805,876.58**	532,536.36
Net (Surrender)/Recovery from Pool Accounts		**—**	2,854.31
		805,876.58	**535,390.67**

SCHEDULE - N

OTHER INCOME

	For the Year ended 31.03.2003 (Rs in lacs)	For the Year ended 31.03.2002 (Rs in lacs)
Interest (Gross) (Tax deducted at source Rs.0.01 lacs; Previous Year Rs. 1.35 lacs)	**671.87**	712.37
Provision of interest on unpaid debentures calls written back	**—**	1,748.51
Provisions no longer required written back (Net)	**1,045.14**	1,214.69
Other Miscellaneous income	**755.14**	723.52
Exchange Fluctuations (Net)	**3,005.74**	(2,814.86)
	5,477.89	**1,584.23**

SCHEDULE - O

INCREASE/(DECREASE) IN STOCKS

	For the Year ended 31.03.2003 (Rs in lacs)	For the Year ended 31.03.2002 (Rs in lacs)
Closing Stock		
– Stock - in - Process	**9,029.99**	8,203.32
– Finished Products	**43,275.67**	34,999.23
	52,305.66	43,202.55
Less:		
Opening Stock		
– Stock - in - Process	**8,203.32**	1,465.38
– Finished Products	**34,999.23**	4,844.16
Stock transfer from trial run production	**—**	23,339.16
	43,202.55	29,648.70
	9,103.11	**13,553.85**

Schedules Forming Part of the Profit & Loss Account

SCHEDULE - P

OPERATING AND OTHER EXPENSES

		For the Year ended 31.03.2003 (Rs in lacs)	For the Year ended 31.03.2002 (Rs in lacs)
Payments to and Provisions for Employees			
Salaries, Wages, Bonus & Gratuity		**2,296.07**	2,230.70
Contribution to PF & Other Funds		**207.84**	184.65
Staff Welfare Expenses		**118.50**	113.21
Power & Fuel	**45,913.92**		
Less: Own Consumption	**45,554.39**		
		359.53	28,532.27
Repairs & Maintenance			
Plant & Machinery	**1,055.07**		811.95
Buildings	**32.36**		10.52
Others	**503.10**		530.39
		1,590.53	1,352.86
Stores, Spares and Chemicals consumed		**1,817.29**	1,126.75
Packing Materials consumed		**603.61**	754.65
Rent		**172.45**	197.71
Insurance		**1,392.25**	1,094.87
Rates & Taxes		**3,369.21**	2,872.08
Excise Duty on Stocks (Net)		**6,709.82**	1,405.75
Directors' Sitting Fees		**1.50**	1.10
Loss On Sale of Fixed Assets (Net)		**76.70**	99.70
Provision for Non-Moving Inventory		**136.00**	—
Bad debts written off		**104.88**	—
Miscellaneous Expenses		**2,832.17**	1,216.12
		21,788.35	**41,182.42**

SCHEDULE - Q

INTEREST AND FINANCE CHARGES

Interest on Term Loans and Debentures		**39,786.43**	52,253.65
Other Interest & Finance Charges		**15,952.37**	12,908.68
Lease Finance Charges		**968.52**	2,066.26
		56,707.32	**67,228.59**

SCHEDULE - R

SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Presentation / Accounting**

   1.1 The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

   1.2 All income and expenses to the extent considered receivable / payable with reasonable certainty are accounted for on accrual basis.

2. **Fixed Assets**

   2.1 Fixed assets are stated at cost.

   2.2 Spares received along with the Plant or Equipment and those purchased subsequently for specific machinery and having irregular use are being capitalised.

   2.3 During the period of construction, directly identifiable expenses are capitalised at the first instance and all other allocable expenses are capitalised proportionately on the basis of the value of the assets.

3. **Depreciation/Amortisation**

   3.1 Depreciation on Fixed Assets (including those taken on lease) is provided on Straight Line Method, at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except the cost of the jetty which is amortised over a period of two years.

   3.2 Depreciation on amounts capitalised on account of foreign exchange fluctuation is provided prospectively over residual life of the assets.

   3.3 Depreciation on spares having irregular use and purchased subsequent to the installation of specific machinery is provided prospectively over residual life of the specific machinery.

4. **Inventories**

   Inventories are valued at lower of the cost and net realisable value and the cost has been determined as under:

   4.1 Raw material - on First in First Out (FIFO) basis.

   4.2 Finished Products and Stock-in-Process - at Raw material and Proportionate Conversion cost.

   4.3 Stores and Spares - on weighted average cost basis.

5. **Sales**

   'Sale of Products' includes excise duty and is net of discounts / sales tax.

6. **Claims**

   Claims and provisions on Pool accounts are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after Pool audit, as stipulated. All other claims and provisions are booked on the merits of each case.

7. **Foreign Currency Transactions**

   Foreign Currency Transactions are accounted for at the exchange rates prevailing on the date of the transactions.

   The exchange differences on settlement/conversion are adjusted :

   (i) to the cost of Fixed Assets, if the foreign currency liability relates to Fixed Assets, and

(ii) to the Profit and Loss Account in other cases. Wherever forward contracts (on revenue account) are entered into, the exchange difference are dealt with in the Profit and Loss account over the period of contracts.

8. **Retirement Benefits**

The Company contributes for Provident Fund to Trust authorities and for Superannuation under the Group Superannuation Scheme of Life Insurance Corporation of India.

Gratuity and Leave encashment liability is provided for on the basis of actuarial valuation.

9. **Miscellaneous Expenditure**

Expenditure incurred on study conducted on marketing and crude procurement and extended trial run expenditure are treated as Deferred Revenue Expenditure and are being written off equally over a period of 5 years.

10. **Leases**

Lease rentals in respect of finance lease are segregated into cost of assets and interest component by applying the implicit rate of return.

11. **Borrowing Costs**

Borrowing costs that are attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are charged to the Profit and Loss Account and /or to deferred revenue expenditure.

12. **Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised on timing differences between taxable and accounting income/expenditure that originates in one period and are capable of reversal in one or more subsequent period(s). Deferred Tax Asset is recognised on the basis of reasonable certainty about its realisability.

13. **Contingent Liabilities**

Contingent liabilities in respect of show cause notices received are considered only when they are converted into demands.

14. **Research and Development expenditure**

Capital expenditure on Research and Development is capitalised under the respective fixed assets. Revenue expenditure is charged to the Profit and Loss account.

SCHEDULE – S

NOTES ON ACCOUNTS

1. **Contingent Liabilities not provided for in respect of :**

1.1 Corporate Guarantee given by the Company towards loan of Rs. 33,723.00 lacs sanctioned by certain bankers/financial institutions to New Mangalore Port Trust (NMPT) for construction of Jetties. Amount outstanding as at the close of the year is Rs. 16,942.10 lacs (Previous Year Rs.16,125.70 lacs).

1.2 Claims against the Company not acknowledged as debt Rs. 7,538.69 lacs (Previous Year Rs. 936.10 lacs).

1.3 Disputed tax matters : Rs. 34,428.51 lacs (Previous Year Rs. 16,370.43 lacs).

1.4 Disputed Excise matters : Rs.1,374.26 lacs (Previous Year Rs. 185.85 lacs).

1.5 Disputed Customs Duty matters : Rs. 26,404.32 lacs (Previous Year Rs. 26,404.32 lacs) towards duty on project imports for which the Company has given the Bank Guarantees/Deposits. Depreciation on such import duty, if any, will be provided prospectively in the year of payment.

1.6 Customers Bills discounted Rs. Nil (Previous Year Rs 704.28 lacs).

2. The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 59.44 lacs (Previous Year Rs. 270.45 lacs).

3. **Debt Restructuring :**

3.1 During the year, pursuant to the approval by the lenders under the debt restructuring package effective 1st July 2002:

a) Equity shares of Rs. 60,000 lacs have been allotted to Oil & Natural Gas Corporation Limited (The Holding Company as at the close of the year).

b) Equity shares of Rs. 35,600.46 lacs have been allotted to the lenders.

c) Preference shares of Rs. 918.62 lacs have been allotted to the lenders.

d) Term loans have been restructured, inter alia, by extending/giving moratorium for repayment and reducing the interest rates.

e) Waiver of penal/compound interest etc.

3.2 Penal/compound interest provided in earlier years of Rs.997.47 lacs has been reversed and netted from interest and finance charges.

4. **Leases :**

4.1 Finance Leases

a) Aggregate minimum lease payments due and the net present value as at the balance sheet date is Rs. 5,866.53 lacs (Previous Year Rs. 14,164.42 lacs) and Rs. 3,971.75 lacs (Previous Year Rs. 11,170.67 lacs) respectively, out of which:

Particulars	**Within One year**	**Later than one year and not later than five years**	**Later than five years**
Minimum lease payments due	Rs. 5,866.53 lacs	Nil	Nil
Net present value	Rs. 3,971.75 lacs	Nil	Nil

b) Significant terms of the lease agreement

No.	Terms of the lease agreement provide for:	Amount (Rs. In Lacs)			
		Yes	No	Not specified	TOTAL
a.	Purchase Option	1,806.93	–	40,789.29	42,596.22
b.	Renewal Option	21,906.51	–	20,689.71	42,596.22

c) In respect of the assets taken on lease of Rs. 10,133.27 lacs (Previous Year Rs. NIL) the primary period of the lease has expired and the Company is taking necessary steps to get the ownership transferred in its name.

4.2 Operating Leases
The lease agreements entered into with various parties are mutually renewable/cancellable.

5. Loans and Advances :

5.1 Loans to employees / Port Trust include:

a) Balance due from an officer Rs.4.41 lacs (Previous Year Rs. 4.66 lacs), maximum amount due at any time during the year Rs.4.66 lacs (Previous Year Rs. 4.92 lacs).

b) In respect of loans to employees/ port trust having repayment schedule of more than seven years, balance outstanding is Rs. 5,084.17 lacs (Previous Year Rs. 5,093.16 lacs); Maximum balance due at any time during the year was Rs. 5,093.16 lacs (Previous Year Rs. 5,100.90 lacs).

5.2 Advances recoverable in cash or in kind or for value to be received include Rs. 5.58 lacs (Previous Year Rs. 144.98 lacs) being advances towards Capital Expenditure.

5.3 Balance with Customs, Port Trust etc. include an amount of Rs. 3,485.71 lacs being refund of CST receivable from Department on account of revision of sales tax returns for the years 2000-01 and 2001-02 and refund claim for the current year pursuant to the order of the Department confirming the levy of CST on Excise Duty value of sales. The assessment for the aforesaid years is yet to commence.

5.4 a) Certain amounts recoverable from Petroleum Planning & Analysis Cell (PPAC) aggregating to Rs. 8,346.35 lacs in respect of certain claims / reimbursements relating to earlier years have become overdue and therefore, as a matter of prudence, provided for. The management would, however, continue to make its efforts for realising the same.

b) Besides the above, there are certain other claims/reimbursements relating to earlier years aggregating to Rs. 2,845.34 lacs in respect of which the management is confident of recovering the same in due course of time.

6. Commercial Tax incentives :

The Company as per the Government of Karnataka notification is entitled to Sales Tax deferment loan and exemption from Turnover Tax as follows:

Refinery Project	**Maximum Amount (Rs.in lacs)**	**Availment period**	**Repayment terms**
Phase I (3 MMTPA)	4,000.00 per annum	11 years from the date of issue of notification viz. 26th April 1997.	11 annual instalments on year to year basis commencing from the date of completion of the deferment period.
Phase II (6 MMTPA)	25,000.00 per annum	14 years from the date of issue of notification viz.14th August 2000.	14 annual instalments on year to year basis commencing from the date of completion of the deferment period.

7. From this year onwards, to fall in line with the generally accepted accounting principles, the Company has adopted the accounting policy to exclude Captive Fuel Oil consumption from sale of Products. Consequently, Sale of Products and Power & Fuel are stated lower by Rs. 45,554.39 lacs.

8. Certain balances in Sundry Debtors and Sundry Creditors are subject to confirmations/reconciliations and

adjustments, if any, which in the opinion of the management will not be significant and would be carried out as and when settled.

9. Other Liabilities as on 31.3.2003 include following amounts to be credited to Investor Education and Protection Fund:

a)	Unpaid dividend	Nil
b)	Unpaid application money received for allotment of securities and due for refund	Rs 273.05 lacs since paid
c)	Unpaid matured Deposits	Nil
d)	Unpaid matured Debentures	Nil
e)	Interest accrued on (a) to (d) above	Rs 528.52 lacs since paid

10. Following expenses are included under other heads of expenses –
   a) Stores and spares consumed Rs. 706.92 lacs (Previous Year Rs. 620.96 lacs).
   b) Insurance Rs. 431.78 lacs (Previous year Rs. 68.66 lacs).
   c) Other Interest and Finance charges Rs. 1,830.71 lacs (Previous year Rs. 1,213.73 lacs).

11. Disclosures as per the Accounting Standard 18 (AS-18) of Related Party Disclosures issued by the Institute of Chartered Accountants of India are as follows:
   a) Party where control exists:
      Oil and Natural Gas Corporation Limited (ONGC) (Holding Company from 30.03.2003).
   b) Names of Associates with whom the Company has entered into transactions during the year:
      1) Hindustan Petroleum Corporation Limited (HPCL) (upto 3.03.2003).
      2) Grasim Industries Limited (upto 3.03.2003).
      3) Indo Gulf Corporation Limited (upto 3.03.2003).
   c) Key Management personnel:

Sl. No.	Name	Designation
1.	Shri Ravi Kastia	Managing Director (Finance & Administration) upto 3.03.2003
2.	Shri D.K. Deshpande	Managing Director (Technical) upto 30.03.2003

   d) Details of Transactions:

Nature of Transaction	**Associates (Rs. in lacs)**	**Key Management personnel (Rs. in lacs)**
Sale of Products	6,00,357.94 (4,67,292.02)	Nil
Miscellaneous sale & services	269.68 (180.45)	Nil
Purchase of consumables	47.80 (71.74)	Nil
Advance received from time to time	#	Nil
Interest paid	4,408.84 (Nil)	Nil
Deputation of employees-services availed	27.01 (30.63)	Nil
Lease Rental paid	762.01 (627.64)	Nil
Remuneration paid	Nil	19.42 (18.25)

Maximum amount due at any time during the year Rs. 76,583.16 lacs (Previous Year Rs.45,000.00 lacs)

e) As per AS-18, transactions between the State controlled enterprises need not be disclosed. Accordingly, since the Company became a State controlled enterprise effective 3rd March 2003, transactions entered into from the aforesaid date with other State controlled enterprises have been excluded for the purpose of above disclosure.
f) No amounts have been written off/back in respect of the aforesaid related parties upto the date the relationship existed.
g) Related parties have been identified by the Management and relied upon by the auditors.
h) Figures in brackets pertain to previous year.

12. Sale of LPG & Kerosene (subsidised products) have been recognised on the basis of provisional refinery gate prices declared by the marketing company. These are likely to be revised upwards considering the import parity prices. The aggregate revision estimated at Rs. 3,060.66 lacs would be accounted for as and when these are finally declared.

13. **Taxes on Income :**

13.1 No provision for current tax has been made in view of the loss for the year.

13.2 Pursuant to the Accounting Standard 22 relating to “Accounting for Taxes on Income”, the Company has recognised net Deferred Tax Asset to the extent of Rs. 24,097.75 lacs (Previous Year Rs. 28,646.20 lacs) for the year. The same has been recognised since the management is virtually certain of realising the same in due course within the statutory time frame of allowability of the unabsorbed losses/allowances under the Income Tax Act, 1961 particularly in view of successful completion of the debt restructuring and the Company now becoming a subsidiary of ONGC.

13.3 The break up of net Deferred Tax Asset is as under :

Particulars	**Deferred Tax Asset (Rs. In lacs)**		**Deferred Tax Liability (Rs. In lacs)**	
	31.3.2003	31.3.2002	**31.3.2003**	31.3.2002
Timing differences on account of :				
Unabsorbed losses and allowances	**1,48,808.54**	1,07,475.19	**—**	—
Book and Income tax depreciation	**—**	—	**70,949.02**	51,591.50
Lease Finance	**—**	—	**8,101.31**	6,452.42
Deferred Revenue Expenditure	**—**	—	**2,450.02**	3,324.91
Others	**3243.64**	347.72	**—**	—
Total	**1,52,052.18**	1,07,822.91	**81,500.35**	61,368.83
Net Deferred Tax Asset	**70,551.83**	46,454.08	**—**	—

14. **Basic and Diluted Earnings Per Share :**

	31.3.2003 (Rs. In lacs)	31.3.2002 (Rs. In lacs)
Numerator – Net Loss	**41,180.60**	49,247.93
Denominator – Average number of Equity Shares outstanding during the year	**7,99,990,465**	7,94,701,748
Nominal Value per share	**10 each**	10 each
Basic and Diluted Earnings/(Loss) Per Share	**(5.15)**	(6.20)

15. **Segment Reporting :**

The Company is engaged in refining the crude oil and all activities of the Company revolve around this business and the operations are mainly in India. As such there is no other reportable segment as defined by the Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

16. **Dues to Small scale & ancillary industries :**

a) The names of Small Scale and/or Ancillary industrial suppliers to whom amounts are due as at the close of the year for more than thirty days are M/S. Trupna Polymers, M/S. Associated Company of Engineers and M/S. Canara Engineering.

b) Sundry Creditors include amount due to small scale and ancillary industries Rs. 0.17 lacs. (Previous Year Rs. 0.25 lacs).

c) This disclosure is based on the information available with the Company.

17. Additional Information pursuant to the Provisions of Paragraphs 3, 4-C and 4-D of Part II of Schedule-VI to the Companies Act, 1956.

	2002-2003		2001-2002	
	Qty. (M.T.)	**Value Rs. in lacs**	Qty. (M.T.)	Value Rs. in lacs
a) Licensed Capacity	**Delicensed**		Delicensed	
b) Installed Capacity As certified by the Management and relied upon by the auditors	**9,690,000**	**—**	9,000,000	—
c) Opening stock of Petroleum products	**330,087**	**34,999.23**	53,693	4,844.16
d) Stock Transfer from Trial production	**—**	**—**	192,028	23,339.16
e) Closing stock of Petroleum products	**260,618**	**43,275.67**	330,087	34,999.23
f) Actual Production of Petroleum products* (include fuel transfers and stock transfer of trial run production)	**6,699,281**	**—**	4,906,178	—
g) Sale of Petroleum products	**6,768,750**	**858,077.72**	4,821,812	539,093.16
h) CIF value of imports				
- Capital goods		**31.03**		72.47
- Raw materials - Direct		**215,393.90**		205,403.42
- Raw materials - Through Indian Oil Corporation Limited		**474,353.33**		245,085.59
- Stores, Spares and Chemicals		**526.01**		106.63
i) Expenditure in Foreign Currency (On actual payment basis)				
- License & Know - how fees		**—**		67.50
- Interest		**7,589.83**		8,561.01
- Others		**917.96**		910.80
j) Earnings in Foreign currency-FOB value of exports Includes Rs. 3,839.83 lacs (previous year Nil) through M/s. Indian Oil Corpn. Ltd.		**191,295.45**		26,505.85
k) Remuneration paid / payable to Whole Time Directors				
- Salaries and Allowances		**9.38**		9.29
- Contribution to PF and Other Funds		**2.26**		2.26
- Other perquisites and benefits		**7.78**		6.70

	2002-03	2001-02
	Rs. in lacs	Rs. in lacs
l) Payment to Auditors		
- Audit Fees (includes Rs. 3.50 lacs of previous year)	**11.00**	4.00
- Tax Audit Fees (includes Rs. 0.70 lacs of previous year)	**2.20**	0.80
- For Certification (includes Rs. 2.05 lacs of previous year)	**7.65**	1.67
- Reimbursement of Expenses	**1.23**	0.55
- Other advisory services	**0.30**	1.97

m) Consumption of Raw materials, Stores, Spares and Chemicals

	2002-03			2001-02		
	(in M.T.)	**Value in lacs**	**(%)**	(in M.T.)	Value in lacs	(%)
Raw materials - Crude Oil						
- Imported	**7,256,478**	**758,408.19**	**100.00**	5,327,916	480,563.16	100.00
- Indigenous	**—**	**—**	**—**	—	—	—
	7,256,478	**758,408.19**		5,327,916	480,563.16	
Stores, Spares and Chemicals						
- Imported		**638.57**	**25.30**		525.48	30.07
- Indigenous		**1,885.64**	**74.70**		1,222.23	69.93
		2,524.21			1,747.71	

* Excludes own consumption : 4,80,356 M.T. (Previous year 3,76,538 M.T.)

18. Previous year's figures have been re-grouped/re-arranged wherever necessary to conform to the current year's presentation.

SCHEDULE - T

CASH FLOW STATEMENT FOR THE YEAR ENDED 3IST MARCH 2003

(Rs. In Lacs)

		For the year ended 31.03.2003		For the year ended 31.03.2002	
A. CASH FLOW FROM OPERATING ACTIVITIES :					
Profit/(Loss) Before Tax		(65,277.24)		(77,891.18)	
Adjustments for:					
– Depreciation		**37,374.07**		36,335.22	
– Loss/(profit) on sale of Fixed Assets		**76.70**		99.70	
– Provisions Written Back		**(1,045.14)**		(2,963.20)	
– Provision for claims relating to earlier years		**8,346.35**		—	
– Provision for doubtful recovery / obsolete inventory		**240.88**		—	
– Miscellaneous Expenditure written off		**3,110.54**		3,110.54	
– Interest Expense		**56,707.32**		67,228.59	
– Interest Income		**(671.87)**		(712.37)	
Operating Profit before Working Capital changes		**38,861.61**		25,207.30	
Adjustments for:					
– Trade and other receivables		**3,070.11**		(23,586.31)	
– Inventories		**(16,170.23)**		(11,369.41)	
– Trade payables and Provisions		**(30,744.29)**		33,963.94	
Cash generated from Operations		**(4,982.80)**		24,215.52	
– Income tax paid (net of refunds)		**(0.68)**		354.15	
		(4,983.48)		24,569.67	
Net Cash from Operating Activities	**(A)**		**(4,983.48)**		**24,569.67**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Fixed assets		**(2,311.55)**		(4,546.78)	
Sale of Fixed assets		**17.42**		471.35	
Net Cash used in Investing Activities	**(B)**		**(2,294.13)**		**(4,075.43)**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Issue of Share Capital		**96,744.33**		0.38	
Proceeds from Long Term borrowings		**(36,432.31)**		(1,907.09)	
Proceeds from Short Term borrowings		**28,268.19**		42,209.20	
Repayment of Finance Lease Liabilities		**(7,198.92)**		(8,375.44)	
Interest and Finance Charges paid		**(74,848.92)**		(53,244.50)	
Interest Income received		**711.83**		759.23	
Net Cash used in Financing Activities	**(C)**		**7,244.20**		**(20,558.22)**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)			**(33.41)**		**(63.98)**
Cash and Cash Equivalents as at the beginning of the year			**93.06**		**157.04**
Cash and Cash Equivalents as at the end of the year			**59.65**		**93.06**
			(33.41)		**(63.98)**

NOTES:

1) Cash and cash equivalents include cash, cheques in hand and balance with scheduled banks and excludes balances in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks/Govt. authorities Rs. 928.43 lacs; (Previous year Rs. 1,398.06 lacs).
2) The Company has undrawn working capital facilities of Rs 23,834.90 lacs (Previous year Rs 18,349.37 lacs).
3) Previous year's figures have been re-grouped / re-arranged wherever necessary to conform to the current year's presentation.

Signatures to Schedules 'A' to 'T'

for and on behalf of the board

L.K. GUPTA
Company Secretary and
Associate Vice President (Finance) - I/C

V.K. SHARMA
R.S. SHARMA
Directors

New Delhi, 3rd June 2003

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MANGALORE REFINERY AND PETROCHEMICALS LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Mangalore Refinery and Petrochemicals Limited for the year ended 31st March, 2003.

BALVINDER SINGH
Principal Director of Commercial Audit &
***ex-officio* Member, Audit Board – II, Mumbai**

Mumbai
4th August, 2003

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION NO.	08/08959/1988	STATE CODE	08
BALANCE SHEET DATE	31st March 2003		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

PUBLIC ISSUE*	RIGHT ISSUE
22,526	NIL
BONUS ISSUE	PRIVATE PLACEMENT
NIL	9,651,908

* REPRESENTS REALISATION OF ALLOTMENT/CALL MONEY IN ARREARS

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

TOTAL LIABILITIES	TOTAL ASSETS
76,017,936	76,017,936

SOURCES OF FUNDS

PAID-UP CAPITAL	RESERVES & SURPLUS
17,596,001	4,470,084
SECURED LOANS	UNSECURED LOANS
44,310,418	9,244,258
	LEASE FINANCE
	397,175

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
51,688,829	NIL
NET CURRENT ASSETS	MISC. EXPENDITURE
4,507,276	921,594
DEFERRED TAX ASSET	ACCUMULATED LOSSES
7,055,183	11,845,054

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

TURNOVER	TOTAL EXPENDITURE
80,587,658	87,115,382
PROFIT/(LOSS) BEFORE TAX	PROFIT/(LOSS) AFTER TAX
(6,527,724)	(4,118,060)
EARNINGS PER SHARE	DIVIDEND @ %
(5.15)	NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(AS PER MONETARY TERMS)

ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
27-10-93	HIGH SPEED DIESEL OIL
ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
27-10-99	FUEL OIL
ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
27-10-19	MOTOR SPIRIT

for and on behalf of the board

L.K. GUPTA
Company Secretary and
Associate Vice President (Finance) - I/C

V.K. SHARMA
R.S. SHARMA
Directors

New Delhi, 3rd June 2003

ओएनजीसी

ONGC

ओ एन जी सी विदेश
ONGC VIDESH

ONGC
NILE GANGA B.V.

ओएनजीसी
एमआरपीएल
MRPL
ONGC

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF OIL AND NATURAL GAS CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF OIL AND NATURAL GAS CORPORATION LIMITED, ITS SUBSIDIARIES AND ITS ASSOCIATES

We have examined the attached Consolidated Balance Sheet of **Oil and Natural Gas Corporation Limited** ("the Corporation") its subsidiaries and its associates, as at 31st March 2003 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended and annexed thereto. These financial statements are the responsibility of management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted accounting standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

2. We did not audit the financial statements of Subsidiaries namely Mangalore Refineries and Petrochemicals Limited, ONGC Videsh Limited and ONGC Nile Ganga BV, whose financial statements reflect total assets of Rs. 159196 million as at 31st March, 2003 and total revenues of Rs. 3062 million for the year ended on that date. These financial statements (except of ONGC Nile Ganga BV, which incorporated as unaudited) have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of subsidiaries, is based solely on the report of the other auditors.

3. We did not audit the financial statements of associate namely Pawan Hans Limited and ONGIO International Private Limited. These financial statements have been audited by other auditors or are certified by management whose reports or certificates have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors or certificates of management as the case may be.

4. We report that the consolidated financial statements have been prepared by the Corporation in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investment in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Corporation, its subsidiaries and its associates included in the consolidated financial statements.

5. We further report that:

   Categorisation of wells as exploratory and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms into transportation and facilities, projects as 'Board Approved and Contracted Projects' and 'Board Approved Projects', 'relinquishment' or 'abandonment' of the project are made according to evaluation by the management, technical and/or otherwise on which we have placed reliance.

6. Attention is invited to the following notes in Schedule '31':

   6.1 Note '9' regarding non consideration of depreciation as a charge to Profit and Loss Account, being allocated to assets to be depleted and for the purpose of quantifying depreciation under Section 205 of the Companies Act, 1956.

6.2 Note '13(c)' regarding incorporation of unaudited figures of joint venture projects and NELP blocks in the books of the Corporation and Subsidiary respectively.

6.3 Note '14' regarding overdue amounts aggregating to Rs. 2507.36 Million. On the basis of available information, we are unable to form any opinion on the recoverability of these dues.

6.4 Note '15' regarding accounts pending reconciliation. We are unable to comment on the adjustments/provisions, if any, required to be made in this respect.

6.5 Schedule '17' regarding segregation of outstandings of Small Scale Industry (SSI) from the creditors balances, for which we have placed reliance on the certificate issued by the Management.

7. Subject to our comments in paragraphs 5 and 6 above, with consequential aggregate effects the quantification of which could not be determined on the profit for the year, reserves and surplus and net assets as at Balance Sheet date, we report that:

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Corporation, its subsidiaries and its associates, we are of opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Corporation as at 31st March, 2003;

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Corporation for the year ended on that date and

(c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Corporation for the year ended on that date.

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

Anil K.Thakur
Partner

For S. Bhandari & Co.
Chartered Accountants

P.P. Pareek
Partner

For Chaturvedi & Shah
Chartered Accountants

R. Koria
Partner

For Brahmayya & Co.
Chartered Accountants

V. Seetaramaiah
Partner

For Lodha & Co.
Chartered Accountants

N. K. Lodha
Partner

New Delhi
June 23, 2003

OIL AND NATURAL GAS CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

(Rupees in million)

	Schedule		As at 31st March, 2003	As at 31st March, 2002
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	14,259.27		14,259.27
Reserves and Surplus	2	344,432.74		284,289.15
			358,692.01	298,548.42
MINORITY INTEREST			5,028.82	
LOAN FUNDS				
Secured Loans	3	44,310.42		0.00
Unsecured Loans	4	17,317.33	61,627.75	37,370.47
LEASE FINANCE			397.17	0.00
NET DEFERRED TAX LIABILITY	5		47,115.79	53,470.58
TOTAL			472,861.54	389,389.47
APPLICATION OF FUNDS				
GOODWILL ON CONSOLIDATION			12,790.44	0.00
FIXED ASSETS	6			
Gross Block		475,764.98		373,655.54
Less: Depreciation		355,832.87		317,642.95
NET BLOCK		119,932.11		56,012.59
CAPITAL WORKS IN PROGRESS	7	9,338.06		6,903.15
PRODUCING PROPERTIES (NET)	8	190,493.11		166,912.57
			319,763.28	229,828.31
EXPLORATORY WELLS IN PROGRESS (NET)	9		34,640.62	33,549.34
INVESTMENTS	10		30,603.05	30,231.77
CURRENT ASSETS, LOANS AND ADVANCES				
Accrued Interest	11	3,845.59		6,572.91
Inventories	12	25,634.70		14,526.09
Sundry Debtors	13	42,842.59		22,513.84
Cash and Bank Balances	14	64,815.70		57,195.34
Loans and Advances	15	36,427.05		58,561.66
Other Current Assets	16	183.62		180.65
		173,749.25		159,550.49
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	17	45,391.04		28,247.16
Provisions	18	55,597.73		37,714.35
		100,988.77		65,961.51
NET CURRENT ASSETS			72,760.48	93,588.98
MISCELLANEOUS EXPENDITURE	19		2,303.67	2,191.07
(To the extent not written off or adjusted)				
TOTAL			472,861.54	389,389.47
SIGNIFICANT ACCOUNTING POLICIES	30			
NOTES TO THE ACCOUNTS	31			

Schedules referred to above form an integral part of the Accounts

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants
Anil K. Thakur
Partner

For S. Bhandari & Co.
Chartered Accountants
P.P. Pareek
Partner

For Chaturvedi & Shah
Chartered Accountants
R. Koria
Partner

For Brahmayya & Co.
Chartered Accountants
V. Seetaramaiah
Partner

For Lodha & Co.
Chartered Accountants
N. K. Lodha
Partner

New Delhi
June 23, 2003

OIL AND NATURAL GAS CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

	SCHEDULE	2002-03	2001-02
INCOME			
Gross Sales	20	349,449.72	228,371.82
Less : Excise Duty Recovered		4,674.40	3,087.64
Net Sales		344,775.32	225,284.18
Pipeline Transportation	21	477.57	3,965.88
Other Income	22	19,990.17	16,690.82
		365,243.06	245,940.88
Increase/(decrease) in stocks	23	(1,115.29)	2.25
		364,127.77	245,943.13
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	24	139,325.76	102,994.76
Recouped costs	25	41,514.22	38,074.92
Interest and Exchange Fluctuation	26	1,681.48	2,843.50
Provisions and Write-offs (Net)	27	21,802.56	3,272.08
		204,324.02	147,185.26
Profit for the year before Tax and Prior Period Adjustments		159,803.75	98,757.87
Adjustments relating to Prior Period (Net)	28	(404.41)	(50.77)
Provision for Taxation			
– Current Tax (including Wealth Tax Rs.15.01 million Previous Year Rs. 12.00 million)		58,983.05	31,031.62
– Deferred Tax		(1,407.17)	5,561.50
– For Earlier years		(1,791.02)	0.00
Profit after Taxation		104,423.30	62,215.52
Share of Profit/(Loss) in Associates		(7.75)	0.00
Share of Loss- Minority Interest		259.04	0.00
Group Profit after Tax		104,674.59	62,215.52
Surplus at the beginning		57.90	(178.91)
BALANCE AVAILABLE FOR APPROPRIATION		104,732.49	62,036.61
APPROPRIATIONS			
Proposed Dividend		18,537.14	19,963.08
Tax on Proposed Dividend		2,375.07	0.00
Interim Dividend		24,240.88	0.00
Transfer to General Reserve		59,579.00	42,015.63
Balance carried to Balance Sheet		0.40	57.90
		104,732.49	62,036.61
EARNINGS PER EQUITY SHARE	29		
(Face Value Rs. 10/-Per Share)			
Basic & Diluted (Amount in Rs.)		73.41	43.63
SIGNIFICANT ACCOUNTING POLICIES	30		
NOTES TO THE ACCOUNTS	31		

Schedules referred to above form an integral part of the Accounts

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached

For Thakur Vaidyanath Aiyar & Co.
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For Lodha & Co.
Chartered Accountants
N. K. Lodha
Partner

New Delhi
June 23, 2003

(Rupees in million)

		As at 31st March, 2003	As at 31st March, 2002
Schedule to the Consolidated Balance Sheet			
SCHEDULE - 1			
SHARE CAPITAL			
Authorised:			
15000,000,000 Equity Shares of Rs. 10 each		**150,000.00**	150,000.00
Issued and Subscribed:			
1425,933,992 Equity Shares of Rs. 10 each		**14,259.34**	14,259.34
Paid up:			
1425,933,992 Equity Shares of Rs. 10 each	**14,259.34**		14,259.34
Less : Calls in arrears (Other than Directors)	**0.07**		0.07
		14,259.27	14,259.27
TOTAL		**14,259.27**	**14,259.27**

Note : The above includes:

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

(ii) 1,076,440,366 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve.

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 2

RESERVES AND SURPLUS

		As at 31st March, 2003	As at 31st March, 2002
Capital Reserve			
a) Opening Balance	**1,428.27**		1,428.27
b) Additions during the year	**57.03**		0.00
		1,485.30	1,428.27
Deferred Government Grant			
a) Opening Balance	**10.11**		7.79
b) Additions during the year	**42.21**		6.68
c) Deduction during the year *	**14.50**		4.36
		37.82	10.11
Share Premium Account **			
a) Opening Balance	**1,724.50**		1,724.49
b) Additions during the year	**0.00**		0.01
		1,724.50	1,724.50
Premium on Foreign Currency Bonds (As per last year Balance Sheet)		**168.12**	168.12
Insurance Reserve (As per last year Balance Sheet)		**2,500.00**	2,500.00
General Reserve			
a) Opening Balance	**278,400.25**		284,293.70
b) Less: Transfer to Deferred Tax Liability	**(122.66)**		47,909.08
c) Add : Share of Profit - Associates	**379.19**		0.00
d) Add : Provision not required on consolidation	**35.50**		0.00
e) Transferred from Profit and Loss Account	**59,579.00**		42,015.63
		338,516.60	278,400.25
Profit and Loss Account		**0.40**	57.90
TOTAL		**344,432.74**	**284,289.15**

* Represents the amount equivalent to Depreciation for the year treated as Income.
** Share premium account is credited only on receipt basis.

(Rupees in million)

		As at 31st March, 2003		As at 31st March, 2002

Schedule to the Consolidated Balance Sheet

SCHEDULE - 3

SECURED LOANS

(a) 2,44,88,848, 16% Debentures of Rs. 40 each		**979.55**		0.00
(b) Foreign Currency Term Loans				
- From Banks		**7,313.05**		0.00
(c) Rupee Term Loans				
- From Banks	**8,749.65**		0.00	
- From Financial Institutions	**15,208.40**	**23,958.05**	0.00	0.00
(d) Suppliers' Deferred Payment Credit				
- Foreign Currency		**3,044.84**		0.00
(e) Working Capital facilities				
- From Banks				
Rupee Loans	**3,216.51**		0.00	
Foreign Currency Loans	**5,798.42**	**9,014.93**	0.00	0.00
TOTAL		**44,310.42**		**0.00**

NOTES TO SCHEDULE – 3

1. Debentures referred in the (a) above are repayable on 7th August 2003 and carry interest @ 16% p.a. and are secured by way of legal/equitable mortgage in favour of the Debenture Trustees on all the MRPL's immovable properties both present and future. These Debentures are further secured by hypothecation of all movable assets of MRPL (save and except book debts) including uncalled capital both present and future.

2. A) Foreign Currency Term Loan from a bank of Rs. 5940.29 million is secured by the letter of comfort/guarantees issued by the local bank in favour of overseas lending branch. These letters of comfort/guarantees are secured by equitable mortgage/hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.

   B) Foreign Currency Term Loan from a bank of Rs.1372.76 million is secured by equitable mortgage/hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.

3. Rupee Term Loans as referred in (c) from Banks of Rs. 8749.65 million and from Financial Institutions of Rs.15208.40 million along with all interest, cost charges, expenses and other monies whatsoever payable to Lenders are secured/to be secured by :

   i) Equitable mortgage over the immovable properties of MRPL, both present & future;

   ii) Hypothecation over the present and future movable properties of MRPL.

4. Supplier's Deferred Payment Credit - Foreign Currency is guaranteed by the consortium of Banks/Financial Institutions. These guarantees are secured/to be secured by equitable mortgage/hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.

5. Working Capital Facilities from banks are secured by way of hypothecation of MRPL's stocks of raw materials, finished goods, stock-in-process, stores, spares, components, book debts, outstanding moneys receivable, claim, bills, contracts, engagements, securities, both present and future and further secured/to be secured by residual charge on MRPL's immovable and movable properties (save and except Current Assets) both present and future, ranking pari passu inter se.

6. Charges created/to be created in favour of lenders as referred to in note 1,2,3 & 4 shall rank pari passu inter se and are subject to the charge(s) created/to be created by MRPL in favour of its bankers on its stock of raw materials, semi-finished goods, consumable stores and book debts and such other movables as may be specifically permitted to secure its working capital requirements in the ordinary course of business.

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 4

UNSECURED LOANS

	As at 31st March, 2003	As at 31st March, 2002
(a) Long Term		
- From Oil Industry Development Board	**1,359.75**	1,657.80
Foreign Currency Loans:		
- From Foreign Banks/Financial Institutions (Guaranteed by Government of India)	**0.00**	24,535.00
- From Foreign Banks/Financial Institutions	**1,171.49**	2,759.59
- From Scheduled Banks	**2,871.91**	1,817.30
- Sales Tax Deferment Loan	**4,369.63**	0.00
- From others	**1,444.54**	1,873.64
(b) Others		
- Bodies Corporate	**1,724.63**	—
- Cash Credit- From State Bank of India	**4,375.38**	4,727.14
TOTAL	**17,317.33**	**37,370.47**
Long term includes Repayable within one year	**3,170.04**	27,523.50

SCHEDULE - 5

DEFERRED TAX LIABILITY

Deferred Tax Liabilty	**74,791.39**	60,927.50
Deferred Tax Asset	**(27,675.60)**	(7,456.92)
NET DEFERRED TAX LIABILITY	**47,115.79**	**53,470.58**

Schedule to the Consolidated Balance Sheet

SCHEDULE - 6

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2002	Additions during the year	Deletions/ adjustments during the year	As at 31st March, 2003	Up to 31st March, 2002	For the year	Deletions/ Adjustments during the year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land										
i) Freehold	1,032.36	61.01	0.10	**1,093.27**	0.00	0.00	0.00	**0.00**	**1,093.27**	1,032.36
ii) Leasehold	817.65	227.26	0.00	**1,044.91**	143.70	11.31	0.00	**155.01**	**889.90**	673.95
Buildings and Bunk Houses	7,980.46	3,683.17	11.48	**11,652.15**	4,292.35	596.66	7.74	**4,881.27**	**6,770.88**	3,688.11
Railway Sidings	89.95	0.00	0.00	**89.95**	67.43	3.13	0.00	**70.56**	**19.39**	22.52
Plant and Machinery										
i) Owned	356,186.78	94,051.63	195.41	**450,043.00**	306,704.30	36,378.43	186.50	**342,896.23**	**107,146.77**	49,482.48
ii) Taken on Lease	0.00	4,259.62	0.00	**4,259.62**	0.00	1,604.24	0.00	**1,604.24**	**2,655.38**	0.00
Furniture and Fittings	2,788.97	483.51	17.73	**3,254.75**	2,012.97	260.62	20.47	**2,253.12**	**1,001.63**	776.00
Vehicles, Survey Ships, Crew Boats, Aircrafts and Helicopters	4,759.37	140.42	572.46	**4,327.33**	4,422.20	108.97	558.73	**3,972.44**	**354.89**	337.17
TOTAL	**373,655.54**	**102,906.62**	**797.18**	**475,764.98**	**317,642.95**	**38,963.36**	**773.44**	**355,832.87**	**119,932.11**	**56,012.59**
Previous year	357,704.35	16,956.31	1,005.12	**373,655.54**	298,807.58	19,709.64	874.27	**317,642.95**	**56,012.59**	
The above includes the Corporation's share in Joint Venture Assets	13,472.36	2,092.28	5.92	**15,558.72**	10,719.18	820.11	4.78	**11,534.51**	**4,024.21**	

Notes:

1. Additions to Plant and Machinery include Rs. 254.40 million (Previous year Rs.618.32 million) on account of net exchange fluctuations during the year.
2. Leasehold land includes land in respect of a few projects for which execution of lease deed is pending.
3. Registration of title deeds in respect of Building in a project is pending execution.
4. Plant & Machinery-owned includes an amount of Rs. 782.98 million (Previous year Rs. Nil) being MRPL share of an asset owned together with another company.

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 7

CAPITAL WORKS IN PROGRESS

	As at 31st March, 2003	As at 31st March, 2002
Buildings	**321.70**	439.06
Plant and Machinery	**8,397.03**	5,029.40
Advances for Capital Works and Progress Payments	**619.33**	1,434.69
TOTAL	**9,338.06**	**6,903.15**

SCHEDULE - 8

PRODUCING PROPERTIES

	As at 31st March, 2003	As at 31st March, 2002
Gross		
Opening Balance	**326,697.73**	307,060.72
Expenditure during the year	**22,175.06**	17,944.77
Transfer from Exploratory Wells in Progress	**7,555.93**	2,820.15
Transfer to Exploratory Wells in Progress	**0.00**	(707.15)
Other Adjustments	**17,026.52**	(420.76)
Total (Gross)	**373,455.24**	326,697.73
Less: Depletion		
Opening Balance	**159,785.16**	144,147.49
Depletion for the Year	**17,637.39**	15,960.71
Other adjustment/Write back of Depletion	**5,539.58**	(323.04)
Total Depletion	**182,962.13**	159,785.16
NET PRODUCING PROPERTIES	**190,493.11**	**166,912.57**

Note : As the ONGC Nile Ganga B.V, Subsidiary of OVL was acquired on 12th March 2003, the opening Producing Property and depletion as on that date have been shown under Other Adjustment.

(Rupees in million)

		As at 31st March, 2003		As at 31st March, 2002
Schedule to the Consolidated Balance Sheet				
SCHEDULE - 9				
EXPLORATORY WELLS & PROJECTS IN PROGRESS				
Exploratory Wells in Progress				
Opening Balance		9,774.65		9,349.48
Expenditure during the year	13,405.53		12,396.88	
Less : Sale proceeds of Oil and Gas	13.78	13,391.75	34.00	12,362.88
(Refer Schedule-20)				
Transfer from Producing Properties		0.00		707.15
Dry wells written back		900.29		472.24
		24,066.69		22,891.75
Less :				
Transfer to Producing Properties		2,789.94		2,820.15
Wells written off during the year		10,375.71		10,294.45
Other adjustments		170.10		2.50
		13,335.75		13,117.10
Sub-Total		10,730.94		9,774.65
Expenditure on Projects in Progress				
(Refer Note 4 of Schedule 31)				
OVL Board Approved and Contracted Projects				
Vietnam Project	4,525.66			5,854.42
Less: Transfer to Producing Properties	4,525.66	0.00		
Sakhalin-1 Project, Russia Federation		23,782.32		17,832.27
Block-8 Project, Iraq		49.32		29.19
Myanmar Project		73.47		58.81
Farsi Block, Iran		4.57		0.00
Sub-Total		23,909.68		23,774.69
EXPLORATORY WELLS & PROJECTS IN PROGRESS		34,640.62		33,549.34

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 10

INVESTMENTS

LONG-TERM INVESTMENTS (FULLY PAID UP)

	No. of Shares/ Bonds/ Units	Face Value per Share/ Bond/Unit (in Rupees)	As at 31st March, 2003	As at 31st March, 2002
A. TRADE INVESTMENTS				
1 Equity Shares (Unquoted)				
Investment in Associates				
i) Pawan Hans Limited	24,500	10,000	**626.73**	245.00
ii) ONGIO Private Ltd.	1,505,000	10	**4.76**	15.05
Investment in Others				
i) Management and Technology Applications (India) Limited	0 (16,333)	10	**0.00**	0.16
ii) Petronet LNG Limited	45	10	**#**	#
iii) Oil Spill Response Ltd.	100	*	**0.01**	0.01
2 Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	70,968,730	10	**13,720.49**	13,720.49
ii) Gas Authority of India Limited	40,839,549	10	**2,451.06**	2,451.06
3 Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 10.5% Government of India Special Bonds 2005	1	3,850,000,000	**3,850.00**	3,850.00
ii) 6.96% Government of India transferable Special Bonds 2009	961,000	10,000	**9,610.00**	9,610.00
TOTAL TRADE INVESTMENTS			**30,263.05**	**29,891.77**
B. NON-TRADE INVESTMENTS				
1 12% UP State Development Loan-2011- (Quoted)	1	500,000	**0.50**	0.50
2 Bonds of Public Sector Undertakings (Unquoted)				
9% Tax free bonds				
SCICI Ltd.(Series 2) (Since merged with ICICI Ltd.)	33,950	10,000	**339.50**	339.50
TOTAL NON TRADE INVESTMENTS			**340.00**	**340.00**
GRAND TOTAL			**30,603.05**	**30,231.77**
Total Quoted Investments			**16,172.05**	16,172.05
Total Unquoted Investments			**14,431.00**	14,059.72
			30,603.05	**30,231.77**
Total Market value of Quoted Investments			**19,630.08**	**17,309.77**

Figures in the ( ) represent the figures of previous year.

Rs. 450/- (Previous year Rs. 450/-)

* Pound one each, total value Rs. 6,885/- (Previous year Rs. 6,885/-)

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002
Schedule to the Consolidated Balance Sheet		

SCHEDULE - 11

INTEREST ACCRUED

	As at 31st March, 2003	As at 31st March, 2002
Unsecured, Considered Good unless otherwise stated		
Interest Accrued On		
- Investments	**42.55**	41.73
- Deposits with Banks/Financial Institutions/PSUs	**1,168.57**	4,043.63
- Others		
Considered Good	**2,634.47**	2,487.55
Considered Doubtful	**259.12**	0.00
	2,893.59	2,487.55
Less : Provision for Doubtful Interest	**259.12**	0.00
TOTAL	**3,845.59**	**6,572.91**

SCHEDULE - 12

INVENTORIES

	As at 31st March, 2003	As at 31st March, 2002
(As verified and valued by the Management)		
Stores and spare parts		
- on hand	**11,387.33**	9,442.84
- in transit (including inter-project transfers)	**2,647.02**	2,311.67
Capital Stores		
- on hand	**1,169.18**	1,144.28
- in transit	**65.10**	140.26
Finished Goods	**5,865.16**	1,318.54
Raw Material (Including in transit Rs. 958.72 million)	**3,489.68**	0.00
Stock in Process	**903.00**	0.00
Unserviceable scrap	**108.23**	168.50
TOTAL	**25,634.70**	**14,526.09**

SCHEDULE - 13

SUNDRY DEBTORS

	As at 31st March, 2003	As at 31st March, 2002
(Unsecured)		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	**2,222.83**	2,118.82
- Considered Doubtful	**647.31**	526.42
Other debts :		
- Considered Good	**40,619.76**	20,395.02
- Considered Doubtful	**10.29**	7.77
	43,500.19	23,048.03
Less: Provision for Doubtful Debts	**657.60**	534.19
TOTAL	**42,842.59**	**22,513.84**

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 14

CASH AND BANK BALANCES

	As at 31st March, 2003	As at 31st March, 2002
Cash balance on Hand	**24.70**	24.70
Remittances in Transit	**40.00**	15.00
Balances with Scheduled Banks in:		
Current Account	**741.46**	434.25
Deposit Accounts towards margin money against guarantees issued	**0.12**	274.62
Deposit Accounts*	**37,483.51**	50,027.02
Deposit Under Site Restoration Fund Scheme**	**24,780.97**	6,350.00
Balances with Non-Scheduled Banks in:		
Current Accounts with J.P Morgan Chase	**86.60**	64.90
(Maximum balance during the year Rs. 86.60 million. Previous year Rs.64.90 million.)		
Current Accounts with Commerz Bank - Frankfurt	**2.63**	2.18
(Maximum balance during the year Rs. 2.63 million. Previous year Rs. 2.18 million.)		
Current Account with Bank for Foreign Trade of Vietnam, HCMC, Vietnam	**0.00**	0.60
(Maximum balance during the year Rs. 1.79 million. Previous year Rs.1.61 million.)		
Deposit Account with Vietnam Maritime Comml Stock Bank, V Tau	**0.00**	2.07
(Maximum balance during the year Rs. 2.07 million. Previous year Rs.2.07 million.)		
SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC Vietnam	**0.02**	0.00
(Maximum balance during the year Rs. 0.02 million. Previous year Rs. Nil)		
SB VND Account with Bank for Foreign Trade of Vietnam, HCMC Vietnam	**0.02**	0.00
(Maximum balance during the year Rs. 0.02 million. Previous year Rs. Nil)		
Current Accounts, CITI Bank, HCMC, Vietnam	**2.58**	0.00
(Maximum balance during the year Rs. 3.23 million. Previous year Rs. Nil)		
Current Account with Bank of Moscow, Sakhalin	**0.11**	0.00
(Maximum balance during the year Rs. 0.43 million. Previous year Rs. Nil)		
Mashreq Bank, Khartoum, Sudan	**12.34**	0.00
(Maximum balance during the year Rs.12.34 million. Previous year Rs. Nil)		
Mashreq Bank (Sudanees Dinar Account), Khartoum, Sudan	**4.03**	0.00
(Maximum balance during the year Rs. 4.03 million. Previous year Rs. Nil)		
Deutche Bank AG(Multi currency), Amsterdam	**0.22**	0.00
(Maximum balance during the year Rs. 0.22 million. Previous year Rs. Nil)		
Deutche Bank AG, Amsterdam	**0.04**	0.00
(Maximum balance during the year Rs. 0.04 million. Previous year Rs. Nil)		
Deutche Bank AG(GBP), Amsterdam	**8.16**	0.00
(Maximum balance during the year Rs. 21.74 million. Previous year Rs. Nil)		
Deposit Account, Deutche Bank AG, Amsterdam	**916.10**	0.00
(Maximum balance during the year Rs. 916.10 million. Previous year Rs. Nil)		
Bank Balances (With Project Operators)	**712.09**	0.00
TOTAL	**64,815.70**	**57,195.34**

* Includes Rs. 18.39 million (Previous year Rs. Nil) under lien/pledge with Banks/customs authorities.

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

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 15

LOANS AND ADVANCES

		As at 31st March, 2003		As at 31st March, 2002
Loans to Public Sector Undertakings		**409.50**		409.50
Advance for Petronet LNG Ltd.-Shares (Long term)		**275.00**		275.00
Loans and Advances to Employees		**8,140.66**		7,667.80
Advances Recoverable in Cash or in Kind or for Value to be received		**8,242.88**		3,770.51
Recoverable from Petroleum Planning & Analysis Cell		**7,757.23**		3,166.59
Carry Finance to SMNG-S & RN-ASTRA,Russian Federation		**8,567.60**		2,197.50
Loans to Oil India Limited		**337.56**		0.00
Insurance Claims		**1,097.67**		1,138.43
Deposits:				
a) With Customs/Port Trusts etc.		**221.09**		160.94
b) With Financial Institutions/PSUs		**0.00**		27,830.00
c) Others		**1,315.88**		1,052.63
		36,365.07		47,668.90
Less : Provision for Doubtful Claims/Advances		**3,451.75**		1,360.05
		32,913.32		46,308.85
Income Tax:				
Advance payment of Income Tax	**177,555.28**		127,527.32	
Less: Provision	**174,041.55**	**3,513.73**	115,274.51	12,252.81
(Including provision for Wealth Tax Rs. 37.29 million. Previous Year Rs. 32.27 million)				
TOTAL		**36,427.05**		**58,561.66**
Particulars of loans and advances:				
Secured		**7,225.97**		6,764.08
Unsecured - Considered Good		**29,201.08**		51,797.58
- Considered Doubtful		**3,451.75**		1,360.05
		39,878.80		59,921.71
Less : Considered Doubtful and provided for		**3,451.75**		1,360.05
TOTAL		**36,427.05**		**58,561.66**

1. Loans to employees include an amount of Rs. 0.39 million (Previous year Rs. 0.07 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 0.45 million (Previous year Rs. 0.14 million).

(Rupees in million)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 16

OTHER CURRENT ASSETS

		As at 31st March, 2003	As at 31st March, 2002
Unsecured, Considered Good unless otherwise stated			
Repair Jobs-in-progress-at Cost		**164.21**	138.54
Other Accounts			
— Considered Good	**19.41**		42.11
— Considered Doubtful	**1,027.50**		823.42
	1,046.91		865.53
Less: Provision for Doubtful Accounts	**1,027.50**		823.42
		19.41	42.11
TOTAL		**183.62**	**180.65**

SCHEDULE - 17

CURRENT LIABILITIES

		As at 31st March, 2003	As at 31st March, 2002
Sundry Creditors for Supplies/Works			
— Small Scale Industries		**4.90**	0.10
— Other than Small Scale Industries		**14,258.09**	4,269.56
Liability for Royalty/Cess/Sales tax etc.		**9,289.20**	7,657.50
On Account Payments from PPAC		**100.69**	123.29
Investor Education and Protection Fund			
— Securities application money due for refund	**27.31**		—
— Unclaimed Interest on debentures	**52.81**	**80.12**	—
Deposits		**2,355.70**	2,033.59
Other Liabilities		**18,391.70**	13,874.47
Unclaimed Dividend*		**50.10**	19.66
Interest Accrued but not due on loans		**860.54**	268.99
TOTAL		**45,391.04**	**28,247.16**

* This does not include any amount due for Payment to Investor Education and Protection Fund.

(Rupees in million)

	As at 31st March, 2003	As at 31st March, 2002

Schedule to the Consolidated Balance Sheet

SCHEDULE - 18

PROVISIONS

Gratuity	**836.91**	3,632.01
Leave Encashment	**2,501.71**	1,809.28
Provision for Abandonment	**25,664.72**	6,538.91
Provision for Impairment	**3,270.40**	3,108.41
Provision against Non-Moving Inventories and Others	**2,411.78**	2,662.66
Proposed Dividend	**18,537.14**	19,963.08
Tax on Proposed Dividend	**2,375.07**	0.00
TOTAL	**55,597.73**	**37,714.35**

SCHEDULE - 19

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Dry Docking Charges	**1,194.32**	1,917.81
Unallocated Expenditure etc.	**119.13**	185.61
Extended Trial Run Expenditure	**915.81**	0.00
Projects Expenditure-OVL	**74.41**	87.65
TOTAL	**2,303.67**	**2,191.07**

(Rupees in million)

		2002-03		**2001-02**

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 20

SALES

Sales		**352,182.61**		225,369.13
Less :				
Transfer to Exploratory Wells in Progress (Refer Schedule-9)	**13.78**		34.00	
Adventitious Gain Surrendered	**0.00**		9.05	
Profit Petroleum Surrendered to Government of India	**4,286.92**	**4,300.70**	1,971.62	2,014.67
		347,881.91		223,354.46
Price Revision Arrears		**1,567.81**		5,017.36
TOTAL		**349,449.72**		**228,371.82**

(Rupees in million)

		2002-03		2001-02

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 21

PIPELINE TRANSPORTATION

		2002-03		2001-02
Pipeline Transportation		**23.89**		1,787.83
Price Revision Arrears		**453.68**		2,178.05
TOTAL		**477.57**		**3,965.88**

SCHEDULE - 22

OTHER INCOME

		2002-03		2001-02
Contractual Short Lifted Gas Receipts		**54.70**		135.01
Reimbursement from Govt. of India towards :				
PPD Charges	**1,822.76**		0.00	
Tanker Hire Charges	**0.00**		30.79	
Recovery of Production Cost etc.	**182.76**		1,946.43	
		2,005.52		1,977.22
Other Contractual Receipts		**1,149.41**		1,082.37
Income from Trade Investments :				
Dividend on Trade Investments (Tax deducted at source Rs. 171.54 million. Previous year Rs. Nil)	**1,537.96**		854.10	
Share of Profit on Investment in Partnership Firm	**0.00**		(2.25)	
		1,537.96		851.85
Income from Non Trade Investments :				
Long Term Investments		**1,103.72**		436.72
Interest Income on :				
Deposits with Banks/Financial Institutions/PSUs	**6,020.25**		8,040.08	
(Tax deducted at source Rs.1074.31 million. Previous year Rs. 424.21 million)				
Loans and Advances to Employees	**439.74**		411.71	
Income Tax Refund	**3,604.89**		6.04	
Site Restoration Fund Scheme	**431.07**		4.90	
Others	**427.42**		635.09	
		10,923.37		9,097.82
Miscellaneous Receipts		**3,215.49**		3,109.83
TOTAL		**19,990.17**		**16,690.82**

(Rupees in million)

		2002-03		2001-02

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 23

INCREASE/(DECREASE) IN STOCKS

		2002-03		2001-02
Closing Stock				
Stock in Process	**903.00**		0.00	
Finished Products	**4,936.62**	**5,839.62**	1,318.54	1,318.54
Opening Stock				
Finished Products	**1,318.54**		1,316.29	
Stock in Process of subsidiary as on date it became subsidiary	**906.76**		0.00	
Stock of finished products of subsidiary as on date it became subsidiary	**4,729.61**	**6,954.91**	0.00	1,316.29
NET INCREASE/(DECREASE) IN STOCK		**(1,115.29)**		**2.25**

SCHEDULE - 24

PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE

	2002-03	2001-02
Royalty	**30,762.28**	25,141.70
Cess	**42,090.32**	22,436.70
Sales Tax	**12,572.20**	7,714.42
Natural Calamity Contingent Duty	**98.17**	0.00
Excise Duty	**291.80**	136.15
Octroi and Port Trust Charges	**2,687.55**	1,226.70
Staff Expenditure	**9,876.91**	6,841.50
Workover Operations	**6,041.93**	6,784.10
Water Injection, Desalting and Demulsification	**2,035.74**	2,614.60
Consumption of Stores and Spares etc.	**1,846.84**	2,108.04
Raw Material Consumed	**173.32**	0.00
Pollution Control	**2,750.70**	2,423.84
Transport Expenses	**1,668.95**	1,503.33
Insurance	**1,209.59**	507.46
Power and Fuel	**1,220.67**	1,442.61
Repairs and Maintenance	**1,995.54**	1,726.72
Contractual payments including Hire charges etc.	**2,348.55**	2,449.65
Other Production Expenditure	**2,703.47**	1,944.95
Transportation and Freight	**5,499.52**	4,950.73
Research and Development	**854.68**	708.97
Other Expenditure including Overheads	**10,597.03**	10,332.59
TOTAL	**139,325.76**	**102,994.76**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 26(i) of Schedule 31.

(Rupees in million)

		2002-03		2001-02

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 25

RECOUPED COSTS

		2002-03		2001-02
Survey		**6,707.23**		4,410.23
Project Expenditure Written off		**48.47**		14.69
Dry Wells				
During the year	**10,375.71**		10,294.45	
Less: Written back	**900.29**	**9,475.42**	472.24	9,822.21
Depletion		**17,637.39**		15,960.71
Depreciation	**20,424.56**		19,709.64	
(Refer Note 9 of Schedule 31)				
Less: Allocated to:				
Survey	**712.05**		369.98	
Exploratory Drilling	**2,424.86**		1,748.02	
Development	**9,586.56**		9,724.37	
Others	**55.38**		0.19	
	12,778.85	**7,645.71**	11,842.56	7,867.08
TOTAL		**41,514.22**		**38,074.92**

SCHEDULE - 26

INTEREST AND EXCHANGE FLUCTUATION

		2002-03		2001-02
A. INTEREST ON :				
i) Fixed Loans				
Loans from Government of India/Banks		**75.49**		89.07
Foreign Currency Loans				
Gross	**441.42**		1,767.71	
Less: Capitalised	**50.79**	**390.63**	11.45	1,756.26
Foreign Deferred Credits		**—**		31.76
Interest on Debentures		**0.44**		0.00
Lease Finance Charges		**0.47**		0.00
ii) Others				
Cash Credit		**44.51**		17.33
Others		**81.19**		192.80
Sub-Total		**592.73**		2,087.22
B. GUARANTEE AND COMMITMENT FEES		**590.13**		314.93
C. EXCHANGE FLUCTUATION				
Exchange Variation for the Year		**753.02**		1,059.67
Less : Capitalised		**254.40**		618.32
Sub-Total		**498.62**		441.35
TOTAL		**1,681.48**		**2,843.50**

	2002-03	2001-02
		(Rupees in million)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 27

PROVISIONS AND WRITE-OFFS

	2002-03	2001-02
PROVISIONS		
Provision for Doubtful Debts	**138.32**	16.95
Provision for Doubtful Claims/Advances	**2,597.77**	(142.99)
Provision for Abandonment	**19,125.81**	2,332.80
Provision for Impairment	**161.98**	247.21
Provision against Non-Moving Inventories & Others	**70.03**	577.15
Excess Provisions Written Back	**(335.78)**	(76.61)
Excess Liabilities Written Back	**(71.20)**	(179.65)
Sub-Total	**21,686.93**	2,774.86
WRITE-OFFS		
Loss on Disposal/Condemnation of Fixed Assets (Net)	**25.08**	66.81
Claims/Advances Written Off	**10.66**	174.78
Inventories Written Off	**74.10**	255.63
Other Write offs	**5.79**	0.00
Sub-Total	**115.63**	497.22
TOTAL	**21,802.56**	**3,272.08**

(Rupees in million)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 28

ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)

	2002-03	2001-02
Statutory levies*	**0.19**	(0.97)
Other Production Expenditure*	**(134.31)**	(202.74)
Interest	**(0.03)**	90.99
Exchange Fluctuation	**(143.02)**	0.00
Depletion	**0.00**	(323.04)
Depreciation	**5.28**	420.74
Total Debit	**(271.89)**	(15.02)
Sales	**0.00**	40.31
Interest	**117.63**	0.08
Other Income	**14.89**	(4.64)
Total Credit	**132.52**	35.75
Net Debit/(Credit)	**(404.41)**	**(50.77)**

* The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 26(i) of Schedule 31.

(Amount in Rupees)

SCHEDULE - 29

EARNINGS PER EQUITY SHARE

	2002-03	2001-02
Basic & Diluted earnings per equity share	**73.41**	**43.63**
(Face Value Rs. 10/-Per Share)		

Earnings per equity share has been computed by dividing the net profit after taxation of Rs.104,674.59 million (Previous year Rs. 61978.71 million) by number of equity shares of 1425933992 (Previous year 1425933992).

SCHEDULE - 30

SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The Consolidated Financial Statements relate to the Corporation (Oil and Natural Gas Corporation Ltd.), its subsidiaries and associates. The Consolidated Financial Statements have been prepared on the following basis: -

i) The Financial Statements of the Corporation 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 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 Corporation’s Separate Financial Statements except otherwise stated in Schedule 31 – Notes to the Accounts.

iii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the Financial Statements as Goodwill or Capital Reserve as the case may be.

iv) 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 Corporation.

v) 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 Corporation’s shareholders.

vi) In case of foreign subsidiaries, foreign currency transactions are translated as per the provisions contained in AS-11 – “Accounting for Effects of changes in Foreign Exchange Rates” in the Consolidated Financial Statements.

vii) 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”.

viii) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

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 & Loss Account as the profit or loss on disposal of the investment in the subsidiary.

2. Investments other than in subsidiaries and associates have been accounted for as per Accounting Standard (AS) –13 on “Accounting for Investments”.

3. Other significant accounting policies:

These are set out under “Significant Accounting Policies” as given in the respective Financial Statements of the Corporation and its subsidiaries.

SCHEDULE - 31

NOTES TO THE ACCOUNTS

1.1 The Consolidated Financial Statements represent consolidation of accounts of the Corporation (Oil and Natural Gas Corporation Limited) and its subsidiaries as detailed below:

Name of the subsidiaries	Country of Incorporation	Proportion of ownership interest
ONGC Videsh Limited (OVL)	India	100%
ONGC Nile Ganga B.V.*	Netherlands	100%
Mangalore Refinery & Petrochemicals Ltd. (MRPL)	India	51.25 %

* 100% subsidiary of ONGC Videsh Ltd.

1.2 Since MRPL and ONGC Nile Ganga B.V. became subsidiaries of the Corporation during the year, the figures for the current year are not comparable with those of the previous year.

2. The Corporation has acquired majority equity stake of 51.25% in Mangalore Refinery and Petrochemicals Ltd. (MRPL) by acquisition of 37.39% equity, i.e. 29,71,53,518 equity shares of Rs. 10 each @ Rs. 2 per share amounting to Rs. 594.30 million on 03.03.2003 and has infused additional amount of Rs. 6000 million on 30.03.2003 on allotment of 60,00,00,000 equity shares of Rs. 10 each on preferential basis as a part of debt- restructuring package (DRP). By virtue of this investment, MRPL has become a subsidiary of the Corporation, during the year. The equity of the subsidiary for the purposes of consolidated accounts has been calculated as on the date when it became subsidiary of the Corporation.

3.1 During the year, the Corporation's Subsidiary, OVL had incorporated an overseas subsidiary namely Sakhalin India Inc. (SII) on 18th April, 2002 with an initial paid up share capital of US$1000 and registered at Texas, USA. Its main purpose was to facilitate and assist in the management of operations of Sakhalin-1 project. Subsequently, SII acquired 10% working interest in an exploration block in South Louisiana, USA (Louis Project) from M/s McAlester Fuel Company, USA. An investment of Rs. 342.56 million was made in the Louis Project and the expenditure in the project was funded through an interest free loan by OVL to SII. Entire equity holding of the company in SII was divested in favour of Oil India Limited (OIL), a public sector company on 10th March 2003. As per the terms of agreement, the shares were taken over by OIL at par and the loan extended by ONGC Videsh Limited to SII for Louis Project was taken over by OIL for Rs. 336.54 million as on March 10, 2003.

3.2 During the year, OVL acquired 100% shares of Talisman (Greater Nile) BV (TGNB.V.), registered in Netherlands, a subsidiary company of Talisman Energy Inc., Canada, which had 25% participating interest in Greater Nile Oil Project, Sudan. The sale process was closed and shares transferred in the name of the OVL on 12th March 2003. Subsequently, the name of the wholly owned subsidiary Talisman (Greater Nile) BV was changed to ONGC Nile Ganga B.V. effective from 14th March, 2003. A sum of Rs. 33574.73 million (US$ 688.31 million and Rs. 695.51 million) was incurred in acquiring the 100% shares of Talisman (Greater Nile) BV consisting of the purchase consideration and related acquisition costs after adjustment of revenues from the project as per terms of the Agreement. Purchase consideration consists of two components (i) price paid for equity shares and (ii) assignment of Vendor's outstanding Debt to TGN B.V. as on 12th March, 2003 to the OVL. The Debt assigned is equivalent to Rs. 3563.58 million (US $ 74.59 million). In addition, TGN B.V. had to pay to its holding company and affiliates a sum amounting to Rs. 83.20 million (US $ 1.75 million) towards running account. The same has also been adjusted against the purchase consideration. Accordingly, the acquisition cost of Rs. 33574.73 million has been accounted for as Investment to the extent of Rs. 29927.95 million in the wholly owned subsidiary; Loans to the subsidiary to the extent of Rs. 3563.58 million (US $ 74.59 million), and Receivables by the Company from the subsidiary to the extent of Rs. 83.20 million (US $ 1.75 million) as on the closing date (12th March, 2003).

4. In view of different sets of environment in which the subsidiaries are operating, the accounting policies followed for treatment of acquisition, exploration and development costs, depreciation of fixed assets and amortisation of leasehold land by the subsidiaries are different from the accounting policies mentioned in schedule 29 of the

Financial Statements of the Corporation. Such different accounting policies have been adopted in respect of the following:

Particulars	Name of Subsidiary	Accounting Policies		Proportion (Rs. in milion)	
		Corporation	Subsidiaries	2002-03	2001-02
Producing Property (Schedule-8)	ONGC Videsh Limited	Successful Efforts Method	Full Cost Method	**4525.66**	Nil
Exploratory Wells and projects in Progress (Schedule-9)	ONGC Videsh Limited	Successful Efforts Method	Full Cost Method	**23909.68**	23774.69
Depreciation-Fixed Assets (Schedule-6)	ONGC Nile Ganga BV	Written Down Value Method	Straight Line Method as applicable in Netherlands	**9739.70**	Nil
Depreciation-Fixed Assets (Schedule-6)	MRPL	Written Down Value Method	Straight Line Method	**67302.80**	Nil
Amortisation of Lease hold land	MRPL	Amortised over the lease period	Not amortised as the ownership will get transferred to MRPL on expiry of the lease period.	**211.09**	Nil

5.1 The associates considered in the Consolidated Financial Statements are as under:

Name of the Associates	Country of Incorporation	Proportion of ownership interest
Pawan Hans Limited	India	21.5 %
ONGIO International Pvt. Ltd.	India	50.0 %

5.2 As required by Accounting Standard (AS) 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements', the carrying amount of investments in associates at the beginning of the year have been restated by Rs. 379.19 million by applying 'Equity Method' of accounting from the date of acquisition of the associates and corresponding adjustment has been made to the retained earning at the beginning of the year. In respect of Pawan Hans Limited such adjustment has been made on the basis of audited results upto 31st March, 2001, as the Annual Accounts for the financial year 2001-02 onwards have not yet been finalized. Necessary adjustments will be made on receipt of the audited accounts.

5.3 As this is the first year of adoption of Accounting Standard (AS 23) on 'Accounting for Investments in Associates in Consolidated Financial Statements', figures for the previous year are, therefore, not comparable to that extent.

5.4 Due to different nature of their operations, Pawan Hans Limited and ONGIO International Pvt. Ltd. , the associates of the Corporation follow different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Corporation to make adjustment for purposes of applying the equity method.

6.1 Pursuant to the decisions contained in the Government of India Resolution No. P-20012/29/97-PP dated 21st November, 1997 on phased dismantling of APM, Government vide Resolution No.P-20029/22/2001-PP dated 28th March, 2002, decided that price of indigenous crude oil (other than that produced under PSCs/NELP), would be market determined w.e.f. 1st April, 2002. Accordingly, revenue from sale of crude oil is based on agreed prices with the customers except Hindustan Petroleum Corporation Limited (HPCL) amounting to Rs. 37235.30 million which is based on the draft MOU proposed by HPCL. With effect from 01.04.2002, the price of Crude Oil is inclusive of pipeline transportation charges.

6.2 During the year, Petroleum Planning & Analysis Cell (PPAC) conveyed approval of the Ministry of Petroleum and Natural Gas (MoP&NG) to ONGC's proposals pertaining to APM period (upto 31st March, 2002) in respect of its products and reimbursement of certain costs as elaborated in the Corporations stand alone financial statements. Arrears amounting to Rs. 4027.01 million have been accounted for in the respective schedules in the Consolidated Financial Statements.

6.3 Sale of LPG & Kerosene (subsidized products) by MRPL has been recognized on the basis of provisional refinery gate prices declared by its marketing company. These are likely to be revised upwards considering the import parity prices. The aggregate revision estimated at Rs. 306.07 million would be accounted for as and when these are finally declared.

7.1 The Net Deferred Tax Liability as at 31st March, 2003 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(Rs. in million)

		As on 31.03.2003	As on 31.03.2002
(i)	**Liabilities**		
	Depletion of Producing Properties	**60,641.29**	59,636.95
	Depreciation Allocated to Wells in Progress	**546.12**	533.03
	Deferred Revenue Expenditure written off	**711.50**	757.52
	Lease Finance	**810.13**	0.00
	Depreciation	**10,015.03**	0.00
	Others	**2,067.32**	0.00
	Total (i)	**74,791.39**	**60,927.50**
(ii)	**Assets**		
	Depreciation	**1,439.34**	1,669.41
	Unabsorbed losses and allowances	**18,069.44**	0.00
	Dry wells written off	**4,453.59**	3,481.29
	Provision for Non Moving Inventories	**832.62**	978.53
	Provision for Doubtful Claims/Advances	**1,256.11**	717.57
	Provision for Abandonment	**317.04**	69.42
	Provision for Leave Encashment	**838.03**	400.01
	Others	**469.43**	140.69
	Total (ii)	**27,675.60**	**7,456.92**

7.2 MRPL has recognised Net Deferred Tax Asset to the extent of Rs. 2409.78 million for the year, as the management is virtually certain of adjusting the same in due course within the statutory time frame of allowability of the unabsorbed losses/allowances under the Income Tax Act, 1961, particularly in view of successful completion of the debt restructuring.

7.3 Last year, taking a conservative view, ONGC Videsh Ltd, a subsidiary of the Corporation did not create Deferred Tax Asset (Net) in the accounts. However during the year, the subsidiary has recognised Net Deferred Tax Asset of Rs. 122.66 million as at 31st March, 2002 on account of timing differences and the same has been credited to General Reserve as on 1st April, 2002 in Schedule-2.

8. The accounting policy on provision for abandonment costs was formulated and implemented for the first time by the Corporation during the year 1999-2000 and accordingly, from the year 1999-2000 onwards, the estimated abandonment costs relating to dismantling, abandoning and restoring offshore well sites, which are likely to be abandoned during next fifteen years were being provided for equally over the remaining useful life of such properties, based on the latest technical assessment available with the Corporation. However, this policy was to be reviewed after three years based on the technical estimates / reports.

Accordingly, the Corporation has reviewed the policy during the current year and has decided to provide for the estimated abandonment costs in respect of offshore structures and allied facilities on the basis of Unit of Production

Method w.e.f. 1999-2000 when the original policy for recognizing such costs was formulated. A sum of Rs. 19125.81 million has been provided for as the 'provision for abandonment costs' during the year, which includes Rs. 12602.50 million for earlier years. The said change in the Accounting Policy has resulted in reducing the profit for the year by Rs. 17000.70 million and increasing the provision by the same amount.

9. As mentioned in the Accounting Policy No. 2 and 7 of the Corporation, depreciation on fixed assets for the year amounting to Rs. 11943.34 million (Previous year Rs. 11842.55 million) in respect of the Corporation has been allocated to survey, exploratory wells in progress and producing properties etc. which is amortised/depleted along with the other expenses and this amount is not taken into consideration for the purpose of Section 205 of the Companies Act, 1956 in relation to the proposed dividend for the year. Exemption for the year 2001-02 was granted by the Department of Company Affairs and a similar exemption for the year 2002-03 has been applied for.

10. The Institute of Chartered Accountants of India has issued a guidance note on Accounting for Oil and Gas Producing Activities during the month of March 2003. The Corporation intends to follow the same from the Financial Year 2003-04.

11. Inventories include stores and spare parts and capital stores amounting to Rs 1693.27 million and Rs 621.47 million respectively (Previous year Rs. 1854.60 million and Rs. 794.77 million respectively), which have not moved for two years or more. Provision has been made against such items to the extent of 95% of their carrying cost amounting to Rs. 2199.00 million (Previous year Rs. 2397.68 million).

12. Materials-in-transit, Capital items-in-transit and Fixed assets-in-transit (net) include Rs 73.28 million, Rs. 35.72 million and Rs. 5.52 million respectively (Previous year Rs. 154.70 million, Rs. 86.34 million and Rs. 62.22 million respectively) pending adjustment for over one year. The same is under continuous review by the management. Appropriate accounting adjustments are being carried out based on the results of such review.

13. Joint Venture Accounting:

(a) The Corporation has entered into production sharing contracts in respect of certain properties with the Government of India and some bodies corporate. These joint ventures are:

	Joint Ventures (In India)	Participating Interest of ONGC
i)	Ravva	40%
ii)	Mukta/Panna	40%
iii)	Mid/south Tapti	40%
iv)	Pondicherry Offshore (PY-3)	40%
v)	Cambay (CB-OS-1)	10%
vi)	Cambay (CB-OS-2)	40%
vii)	Gulf of Kutch (GK-OSJ-1)and GK-OSJ-3	25%
viii)	Mumbai Offshore MB-OSN-97/4	70%
ix)	Mahanadi Offshore MN-OSN-97/3	85%
x)	Ganga Valley Onshore GV-ONN-97/1	70%
xi)	GS-DWN-2000/2	85%
xii)	KK-DWN-2000/2	85%
xiii)	MB-DWN-2000/1	85%
xiv)	MB-DWN-2000/2	50%
xv)	MB-OSN-2000/1	75%
xvi)	MN-OSN-2000/2	40%
xvii)	MN-ONN-2000/1	20%
xviii)	WB-OSN-2000/1	85%
xix)	WB-ONN-2000/1	85%
xx)	GV-ONN-2000/1	85%
xxi)	CY-DWN-2001/1	80%
xxii)	KG-DWN 98/4	85%
xxiii)	NK-CBM-2000/1/1	80%
xxiv)	BK-CBM-2000/1/1	80%
xxv)	JHARIA	90%
xxvi)	RANIGANJ	74%

Joint Ventures (Outside India)		Participating Interest of ONGC
xxvii)	VIETNAM PROJECT, VIETNAM, BLOCK 06.1 OFFSHORE	45%
xxviii)	SAKHALIN PROJECT, RUSSIA SAKHALIN 1 OFFSHORE	20%
xxix)	MYANMAR PROJECT, MYANMAR BLOCK A-1 OFFSHORE	20%
xxx)	IRAN PROJECT, IRAN FARSI BLOCK OFFSHORE	40%

(b) In the year 2001-02, where unaudited figures were incorporated, necessary adjustments have been carried out with reference to the audited figures of 2001-02 in the current year.

(c) In respect of 21 Joint Ventures (Previous year 15), the figures incorporated are on the basis of un-audited accounts.

14. In respect of sundry debtors and other claims amounting to Rs. 2507.36 million (Previous year Rs. 2118.82 million), which are overdue, the management is of the opinion that the amount is realizable.

15. The Corporation is in the process of reconciling the following accounts. Adjustments required in the books of account, the amount of which is currently unascertainable, will be carried out in due course.

(a) Physical inventory of stores and spare parts with stores ledger and general ledger balances.

(b) Physical inventory of fixed assets with the asset register and corresponding general ledger balances.

The Corporation has perpetual verification system where all the stocks, fixed assets and capital stores are verified at regular intervals and accounting adjustments are carried out after examination of these differences.

(c) Certain sub-ledger accounts including advances to suppliers with control accounts and general ledger balances.

16. Balances in respect of some of the debtors and creditors are subject to confirmation. Adjustments, if any, which in the opinion of the management will not be significant, would be carried out as and when settled.

17. Producing Properties (Schedule – 8) includes an amount of Rs. 832.80 million in respect of an offshore field, which has been offered for Production Sharing Contract (PSC) to a consortium where Corporation holds 40% interest. PSC for the same is yet to be signed. Pending finalization of PSC, no adjustment has been made in the books of account.

18.1 Loans and Advances (Schedule – 15) include Balance with Customs, Port Trust etc. in respect of MRPL amounting to Rs. 348.57 million being refund of CST receivable from department on account of revision of sales tax returns for the year 2000-01 and 2001-02 and refund claim for the current year pursuant to the order of the Department confirming the levy of CST on Excise Duty value of sales. The assessment for the aforesaid years is yet to commence.

18.2 Loans and advances include loans to employees having repayment schedule of more than 7 years amounting to Rs. 7225.97 million. The Corporation has not advanced any money to its employees for the purposes of investment in the securities of the Corporation.

19.1 During the year, pursuant to the approval by the lenders under the debt restructuring package effective 1st July, 2002 in respect of MRPL:

a) Equity shares of Rs. 3560.04 million have been allotted to the lenders.

b) Preference shares of Rs. 91.86 million have been allotted to the lenders.

c) Term loans have been restructured, inter alia, by extending/giving moratorium for repayment and reducing the interest rates.

d) Waiver of penal/compound interest etc.

19.2 Penal/compound interest provided in earlier years of Rs. 99.75 million has been reversed and netted from interest and finance charges.

20.1 Disclosures as per AS–19 in respect of Leases

Finance Leases:

20.1.1 Aggregate minimum lease payments due and the net present value as at the balance sheet date is Rs. 586.65 million (Previous year Rs.1416.44 million) Rs 397.18 million (Previous year Rs. 1117.07 million) respectively, out of which:

Particulars	Within One year	Later than one year and not later than five years	Later than five years
Minimum lease payments due	Rs. 586.65 million	Nil	Nil
Net present value	Rs. 397.18 million	Nil	Nil

20.1.2 Significant terms of the lease agreement

No.	Terms of the lease agreement provide for:	Amount (Rs. in million)			
		Yes	No	Not specified	TOTAL
a.	Purchase Option	180.69	-	4078.93	4259.62
b.	Renewal Option	2190.65	-	2068.97	4259.62

20.1.3 In respect of the assets taken on lease of Rs 1013.33 million (Previous year Rs NIL) the primary period of the lease has expired and the company is taking necessary steps to get the ownership transferred in its name.

20.2 Operating Leases:

The lease agreements entered into with various parties are mutually renewable/cancelable.

21. As per the Government of Karnataka notification, the Corporation's subsidiary – MRPL is entitled to certain commercial tax incentives (Sales Tax deferment loan and exemption from Turnover tax) which are as follows:

Refinery Project	Maximum Amount (Rs. in million)	Availment period	Repayment terms
Phase I (3 MMTPA)	400.00 per annum	11 years from the date of issue of notification viz. 26th, April 1997	11 annual installments on year to year basis commencing from the date of completion of the deferment period
Phase II (6 MMTPA)	2500.00 per annum	14 years from the date of issue of notification viz. 14th August, 2000	14 annual installments on year-to-year basis commencing from the date of completion of the deferment period.

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

22.2 Name of Joint ventures with whom the company has entered into the transactions during the year :-

i) Ravva Joint Venture
ii) PY-3 Joint Venture
iii) Panna Mukta & Tapti Joint Venture
iv) GK-OSJ-1
v) GK-OSJ-3
vi) CB-OS-1
vii) CB-OS-2
viii) Vietnam Project
ix) Sakhalin Project
x) Myanmar Project
xi) Iran Project

22.3 Key Management Personnel: -

1. Shri Subir Raha
2. Shri Jauhari Lal
3. Shri R. C. Gourh
4. Shri Y. B. Sinha
5. Shri V. K. Sharma
6. Shri Nathu Lal
7. Shri R.S. Sharma
8. Shri Atul Chandra
9. Shri G. S. Dutt
10. Shri J. M. Mauskar
11. Dr. Surajit Mitra
12. Smt R. D. Barkataki
13. Shri J. Jayaraman
14. Dr. K. R. S Murthy
15. Shri Jawahar Vadivelu
16. Shri P. Sugavanam
17. Shri N.K. Nayyar
18. Shri R.S. Butola
19. Shri D.K. Deshpande

22.4 Details of Transactions

(Rs. in million)

	Joint Ventures	Key Management Personnel	Total
Payment Towards Helicopter Charges	Nil (1.28)	Nil	Nil (1.28)
Receipt on Account of Lab Testing	0.15 (0.07)	Nil	0.15 (0.07)
Amount Paid/ Payable for oil transfer Services	16.01 (17.69)	Nil	16.01 (17.69)
Amount received for use of Drill site accommodation	12.18 (12.06)	Nil	12.18 (12.06)
Receipt towards transportation and Processing Charges	708.41 (672.20)	Nil	708.41 (672.20)
Remuneration/Sitting Fees	Nil	6.74 (7.54)	6.74 (7.54)
Income from deputation of employees	152.33 (110.17)	Nil	152.33 (110.17)
Contribution towards share of expenditure	5484.89	Nil	5484.89
Amount Outstanding as on 31.03.2003	59.58 (57.80)	0.52 (0.27)	60.10 (58.07)

23. Capital commitments (net of advances) not provided for
   (a) In respect of Joint Ventures Rs. 1356.13 million (Previous year Rs. 34.39 million)
   (b) In respect of others Rs. 12379.20 million (Previous year Rs. 15874.89 million)

24. Contingent Liabilities:

24.1 Claims against the Corporation not acknowledged as debts

24.1.1 In respect of Joint Ventures Rs. 10591.96 million (Previous year Rs. 7706.76 million).

24.1.2 In respect of others Rs. 34361.11 million (Previous year Rs. 29610.67 million) which broadly includes;

i. Disputed Income tax matters Rs. 7251.00 million (Previous year Rs. 6732.39 million).
ii. Disputed Excise matters Rs. 2328.71 million (Previous year Rs. 464.36 million).
iii. Disputed Custom Duty matters Rs. 2640.43 million (Previous year Rs. Nil).
iv. Disputed matters with Municipal Corporation Rs. 336.68 million (Previous year Rs. 336.68 million).
v. Matters pending before Arbitration/Courts Rs. 15982.58 million (Previous year Rs. 18322.48 million).
vi. In respect of its subsidiary-OVL, liability for payment to contractual workers for regularization of their services pending with the Honorable Delhi High Court under civil suit. The amount of liability is not ascertainable.

24.2 Guarantees executed by the Corporation in favour of M/s Roseneft-S, R N Astra, SMNG-S and Exxon-N on behalf of its wholly owned subsidiary OVL to the extent of USD 1741 million (Previous year USD 1741 million) equivalent to Rs. 82784.55 million (Previous year Rs. 84751.88 million) in terms of Assignment and carry finance Agreements in respect of Sakhalin-I Project. OVL has already made remittances in respect of the said agreement aggregating USD 672.88 million (Rs. 32103.68 million) till the end of the financial year 2002-03 (Previous year USD 415.01 million equivalent to Rs. 19634.04 million).

24.3 Guarantees executed by the Corporation in favour of certain banks towards short term loan granted to Petronet LNG Limited (a company which is promoted by the Corporation together with other three Co-promoters) to the extent of Rs. 14000.00 million (Previous year Rs. 11450.00 million), out of which Corporation's share is for Rs. 3500.00 million (Previous year Rs. 2862.50 million).

24.4 Corporate Guarantee given by the MRPL towards loan of Rs. 3372.30 million sanctioned by certain bankers/ financial institutions to New Mangalore Port Trust (NMPT) for construction of Jetties. Amount outstanding as at the close of the year is Rs. 1694.21 million.

25.1 As per Accounting Standard 17 on Segment Reporting, the Corporation has reported segment information on consolidated basis including business conducted through its subsidiaries.

25.2 Segment Wise Information :

(Rs. in million)

Particulars	2002-03						2001-02				
	In India						In India				
	E&P										
	Offshore	Onshore	Refining	Outside India	Unallocated	Grand Total	Offshore	Onshore	Outside India	Unallocated	Grand Total
Revenue											
External Sales	261895.80	91017.94	1720.21	1954.83	203.37	**356792.15**	174152.80	64519.52	110.66	270.18	**239053.16**
Inter Segment Sales											
Total Revenue	**261895.80**	**91017.94**	**1720.21**	**1954.83**	**203.37**	**356792.15**	**174152.80**	**64519.52**	**110.66**	**270.18**	**239053.16**
Results											
Segment Result Profit(+)/Loss(-)	126504.67	26926.96	(380.90)	390.58		**153441.31**	81041.05	13336.70	7.03		**94384.78**
Unallocated Corporate Expenses					5175.60	**5175.60**				2886.02	**2886.02**
Operating Profit	**126504.67**	**26926.96**	**(380.90)**	**390.58**	**(5175.60)**	**148265.71**	**81041.05**	**13336.70**	**7.03**	**(2886.02)**	**91498.76**
Interest/Exchange Loss					1182.86	**1182.86**				2665.48	**2665.48**
Interest/Dividend Income					13125.31	**13125.31**				9975.36	**9975.36**
Income Taxes					55784.86	**55784.86**				36593.12	**36593.12**
Profit from Ordinary Activities	126504.67	26926.96	(380.90)	390.58	(49018.01)	**104423.30**	81041.05	13336.70	7.03	(32169.26)	**62215.52**
Extraordinary loss											
Net Profit	**126504.67**	**26926.96**	**(380.90)**	**390.58**	**(49018.01)**	**104423.30**	**81041.05**	**13336.70**	**7.03**	**(32169.26)**	**62215.52**
Other Information											
Segment Assets	189041.42	133447.83	69080.14	69439.02		**461008.41**	171355.50	122882.39	26280.84		**320518.73**
Unallocated Corporate Assets					112841.90	**112841.90**				134832.25	**134832.25**
Total Assets	**189041.42**	**133447.83**	**69080.14**	**69439.02**	**112841.90**	**573850.31**	**171355.50**	**122882.39**	**26280.84**	**134832.25**	**455350.98**
Segment Liabilities	50679.29	17705.26	11739.71	5707.11		**85831.37**	29170.68	17072.09	169.78		**46412.55**
Unallocated Corporate Liabilities					129326.94	**129326.94**				110390.01	**110390.01**
Total Liabilities	**50679.29**	**17705.26**	**11739.71**	**5707.11**	**129326.94**	**215158.31**	**29170.68**	**17072.09**	**169.78**	**110390.01**	**156802.56**
Capital Expenditure	34627.36	20240.50	326.70	5595.20	611.65	**61401.41**	28102.94	18497.80	21441.05	314.82	**68356.61**
Depreciation (Recouped Cost)	28915.04	12177.06	10.27	231.39	180.46	**41514.22**	25169.49	12621.72	20.86	262.85	**38074.92**
Non-cash Expenses(excl. Dep.)	20435.39	(184.00)	890.27	(0.05)	660.94	**21802.55**	2646.37	645.07	(1.64)	(17.72)	**3272.08**

25.3 The above matrix presentation depicts the geographical segments and business segment as primary segments.

25.4 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 segments:

a) In India - E&P - Offshore & Onshore
- Refining

b) Outside India – E&P

25.5 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.

25.6 The external sales shown under segment revenues includes income from other than sales like pipeline transportation receipts, other contractual receipts, miscellaneous receipts, interest income on loans and advances to employees.

25.7 Previous year segments have been regrouped wherever necessary.

26 (i) DETAILS OF EXPENDITURE

(Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development)

(Rupees in million)

		2002-03	2001-02
(a) Salaries, Wages, Ex-gratia etc.	20,927.57		17,241.74
(b) Contribution to Provident and other funds	1,287.58		1,247.24
(c) Provision for gratuity	814.26		836.81
(d) Provision for leave encashment	1,248.45		1,090.29
(e) Staff welfare expenses	1,728.50	26,006.36	1,467.98
Raw Material Consumed		173.32	0.00
Stores and spares consumed		11,947.82	12,167.73
Cess		42,092.71	22,437.84
Natural Calamity Contingent Duty - Crude Oil		98.17	0.00
Excise duty		4,977.24	3,223.79
Royalty		30,764.27	25,144.82
Sales Tax		12,572.93	7,719.22
Octroi/BPT etc.		2,692.94	1,227.14
Rent, rates and taxes		704.25	783.33
Hire charges of equipments and vehicles		14,354.41	9,440.89
Power, fuel and water charges		2,238.76	2,610.52
Contractual drilling, logging, workover etc.		11,572.75	12,493.32
Contractual security		1,021.69	920.52
Repairs to building		363.54	396.95
Repairs to plant and machinery		1,487.29	3,864.10
Other repairs		4,354.41	1,152.62
Insurance		2,255.33	1,148.26
Miscellaneous expenditure		7,580.10	5,594.79
		177,258.29	132,209.90
Less:			
Allocated to exploration, development drilling, capital jobs recoverables etc.		33,392.25	26,331.21
Excise duty recovered		4,674.40	3,087.64
Prior Period Adjustment		(134.12)	(203.71)
Production, Transportation, Selling and Distribution Expenditure etc.		**139,325.76**	**102,994.76**

ii) MANAGERIAL REMUNERATION (included in 26(i) above)

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Salaries and Allowances	**4.62**	4.72
Contribution to Provident & Other Funds	**0.52**	0.51
Sitting Fees	**0.59**	0.48
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)	**1.01**	0.66
Leave Encashment and Gratuity of retired directors	**0.00**	1.56
	6.74	**7.93**

Notes:

(1) The remuneration does not include provision for gratuity/leave encashment since the same is not available for individual employees except for directors retired during the year.

iii) AUDITORS' REMUNERATION (included in 26(i)above)

	2002-03 Amount Rs. in million	2001-02 Amount Rs. in million
Audit Fees	**3.32**	3.40
For Certification work etc.	**3.38**	1.15
Travelling and Out of Pocket Expenses	**3.54**	2.75
	10.24	**7.30**

27. Figures in the accounts are stated in Rs. Million except those in paranthesis which would otherwise have become Nil on account of rounding off.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rupees in million)

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		**159,803.75**		98,757.87
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	**41,514.22**		38,074.92	
Cash Outflows	**(12,235.54)**		(10,245.09)	
	29,278.68		27,829.83	
– Interest on Borrowings	**592.73**		2,402.15	
– Foreign Exchange Loss/(Gain)	**264.17**		134.02	
– Provision for Gratuity	**813.91**		654.57	
– Provision for Leave Encashment	**678.39**		339.58	
– Provision for Abandonment	**19,125.81**		2,332.80	
– Provision for Impairment	**161.99**		247.21	
– Provision for claims relating to earlier years	**834.64**		—	
– Other Provision and Write offs	**1,680.18**		693.87	
– Interest Income	**(12,027.08)**		(9,534.54)	
– Share of Profit on Investment in Partnership Firm	**—**		2.25	
– Deferred Government Grant	**(14.50)**		(4.36)	
– Dividend Received	**(1,537.96)**	**39,850.96**	(854.10)	24,243.28
Operating Profit before Working Capital Changes		**199,654.71**		123,001.15
Adjustments for:-				
– Debtors	**(13,133.47)**		(5,192.92)	
– Loans and Advances	**(4,972.39)**		(5,916.54)	
– Other Assets	**(207.05)**		(35.63)	
– Deferred Revenue Expenditure/ Miscellaneous Exp. written off	**790.81**		(468.25)	
– Inventories	**(426.60)**		587.51	
– Trade Payable and Other Liabilities	**(4,212.80)**	**(22,161.50)**	4,099.42	(6,926.41)
Cash generated from Operations		**177,493.21**		116,074.74
Direct Taxes Paid (Net of tax refund)		**(48,409.06)**		(34,979.24)
Cash Flow before prior period and Extra ordinary Items		**129,084.15**		81,095.50
Prior period and other non cash items		**405.07**		148.48
Net Cash Flow from Operating Activities 'A'		**129,489.22**		**81,243.98**

(Rupees in million)

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	**(29,712.75)**	(15,984.66)
Exploratory and Development Drilling/ Board Approved and Contracted/ Board Approved Projects	**(38,107.72)**	(34,040.42)
Purchase of Investment	**—**	(15.05)
Acquisition of Subsidiary	**(594.30)**	—
Investment in goodwill	**(10,716.60)**	—
Loan to Oil India Limited	**(343.58)**	—
Advance to SMNG-S & RN ASTRA	**(6,327.03)**	(2,169.65)
Deferred Tax liability	**1,933.09**	—
(Deposit)/Maturity with PSU's	**2,330.00**	22,370.00
Sale/Maturity/Redemption of Investments	**0.01**	0.01
Dividend Received from Trade Investments	**1,441.80**	854.10
Dividend Received from Associates	**96.16**	—
Interest Received	**14,309.00**	8,897.79
Net Cash Flow from Investing Activities 'B'	**(65,691.92)**	**(20,087.88)**
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	**—**	0.01
Proceeds from Government Grants	**42.21**	6.68
Proceeds from Long Term Borrowings	**1,133.46**	3,539.48
Repayment of Long Term Borrowings	**(34,087.34)**	(14,052.25)
Proceeds/(Repayments) from Short Term Borrowings	**(2,187.08)**	—
Cash Credit Advance	**(160.75)**	1,841.30
Repayment of Finance Lease Liabilities	**—**	—
Dividend Paid	**(44,173.52)**	(15,680.51)
Tax on Dividend	**—**	(1,599.90)
Interest Paid	**(2,341.44)**	(2,686.61)
Net Cash Flow from Financing Activities 'C'	**(81,774.46)**	**(28,631.80)**
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**(17,977.16)**	**32,524.30**
Cash and Cash Equivalents as at 1st April, 2002 (Opening Balance)	**82,700.02**	**50,171.04**
Cash and Cash Equivalents as at 31st March, 2003 (Closing Balance)	**64,722.86**	**82,695.34**

Notes:

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

(Rupees in million)

	2002-03	**2001-02**
a) Cash and Bank Balances (Schedule 14)	**64722.86**	57200.02*
b) Deposits with Financial Institutions (Schedule 15)	**0.00**	25500.00

* Includes cash & bank balance of MRPL (Rs. 4.68 million).

4. Cash balances in respect of MRPL excludes balances in current account/deposit account of interest warrant/ refund accounts, under lien, pledge with Banks/Govt Authorities Rs. 92.84 million.
5. The Subsidiary Company, MRPL, has undrawn working capital facilities of Rs. 2383.49 million.
6. Bracket indicates cash outflow.
7. Previous years figures have been regrouped wherever necessary to conform to current year's classification.
8. Previous years figures are not comparable as the corporation has acquired MRPL during the year and current year figures include figures for the same.

for and on behalf of the Board

Vijay Poddar
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

New Delhi
June 23, 2003

PROXY FORM

OIL AND NATURAL GAS CORPORATION LIMITED

Registered Office: Jeevan Bharti, Tower-II, 124 Indira Chowk, New Delhi-110 001

DP.ID* ………………… Master Folio No. ……………........………

Client Id* ………………… No. of Share(s) held …………………

I/We ……of ……………………………………………………………….........……..being a member(s) of OIL AND NATURAL GAS CORPORATION LIMITED hereby appoint Mr./Ms.…...................................……………………………………… of ………………………………………..........……..or failing him/her …………………………………………………………....... of ………………………………...........……………………… as my/our proxy to vote for me/us and on my/our behalf at the **10th Annual General Meeting to he held on Monday, the 29th September, 2003 at 11.00 A.M.** or at any adjournment thereof.

Signed this …………………………….. day of ………………………………………….2003.

Affix Rs.1/- Revenue Stamp

* Applicable for investor holding Share(s) in electronic form.

Note : The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Corporation not less than 48 hours before the scheduled time of the aforesaid meeting.

.... Tear Here ....

ATTENDANCE SLIP

OIL AND NATURAL GAS CORPORATION LIMITED

Registered Office: Jeevan Bharti, Tower-II, 124 Indira Chowk, New Delhi-110 001

Please fill attendance slip and hand it over at the entrance of the meeting venue:

DP.ID* ……………………...……….. Master Folio No. ……....………………………….

Client Id* …………………………….. No. of Share(s) held ……………………………..

I certify that I am a member/proxy for the member of the Corporation.

I hereby record my presence at the **10th Annual General Meeting** of the Corporation held on **Monday, the 29th September, 2003 at 11.00 A.M. at Convention Hall, Hotel Ashok, 50-B, Chanakyapuri, New Delhi-110 021.**

Member's /Proxy's name in Block Letters Signature of Member/Proxy

* Applicable for investor holding Share(s) in electronic form.