PRELIMINARY SALE DOCUMENT DATED FEBRUARY 19, 2004

(100% BOOK BUILDING OFFER)

Offer for Sale by the President of India

acting through and represented by the Director, Ministry of Petroleum and Natural Gas, the Government of India (the "Selling Shareholder") of equity shares in

Oil and Natural Gas Corporation Limited

Offer for Sale by the Selling Shareholder of up to 142,593,300 equity shares ("Equity Shares") of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million (hereinafter referred to as the "Offer"). The Offer constitutes up to 10 percent of the total paid-up capital of Oil and Natural Gas Corporation Limited (the "Company" or "ONGC"). The Equity Shares being offered for sale are listed and permitted for trading on The National Stock Exchange of India Limited (NSE) , The Stock Exchange, Mumbai (BSE) and the Delhi Stock Exchange Association Limited (DSE).

THE PRICE BAND FOR THE OFFER WILL BE DECIDED BY THE SELLING SHAREHOLDER AND ADVERTISED BY THE SELLING SHAREHOLDER PRIOR TO THE BID OPENING DATE.

The Equity Shares being offered pursuant to this Offer are already listed. As advised by the Secuities and Exchange Board of India, the SEBI guidelines for public issues/offers do not apply to a listed company facilitating one of the shareholders to dispose of its shareholding through an offer for sale such as this Offer. However, the Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for 100 percent Book Building Process, save for certain deviations. Pursuant to the decision of the Selling Shareholder, up to 10 percent of the Offer is reserved for Permanent Employees / Whole-time Directors of ONGC, up to 10 percent of the Offer is reserved for shareholders of ONGC (excluding the President of India, IOC and GAIL) and shareholders of MRPL (excluding ONGC and HPCL). Thereafter, the Net Offer ("Net Offer") to the Public is up to 114,074,640 Equity Shares, out of which a maximum of 50 percent of the Net Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25 percent of the Net Offer will be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25 percent of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price. The Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors of the Company, shareholders of the Company and shareholders of MRPL who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer. The Selling Shareholder is solely responsible for this decision and the consequences thereof.

THE COMPANY

The Company was incorporated on June 23, 1993 under the Companies Act, 1956 and its Registered Office is located at Jeevan Bharati Tower II, 124, Indira Chowk, New Delhi 110 001. The Company obtained Certificate of Commencement of business on August 10, 1993. The contact details of the Registered Office of the Company are Tel: +91-11-2330 1000; Fax +91-11-2331 6413; Website: www.ongcindia.com ; e-mail: ongcoffer@ongc.net

SEBI DISCLAIMER

The Equity Shares offered under this Offer being already listed on the stock exchanges, the SEBI Guidelines for public issues/offers are not applicable to this sale offer by the Selling Shareholder. The Selling Shareholder has on its own volition decided to follow the process that is substantially similar to the process specified in the SEBI Guidelines. However, this document does not constitute an offer document or prospectus in terms of the SEBI Guidelines. This is not a document issued by or on behalf of the Company. The document has been voluntarily forwarded by the Selling Shareholder to SEBI for seeking its guidance/suggestions and the Selling Shareholder has on its own volition also decided on the terms of the Offer, Price Band, allocation pattern, etc. SEBI's guidance to the Selling Shareholder should not in any way be construed or deemed that the sale document has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the projects or for the correctness of the statements made or opinions expressed in the sale document. The Company has confirmed that the requirements under the listing agreement have been complied with.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offer. The equity shares of ONGC are already quoted on the Stock Exchanges. The price band and final pricing decided by the Selling Shareholder may be different from the prices quoted on the Stock Exchanges. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Sale Document. Specific attention of the investors is invited to the summarised and detailed statements in "Risk Factors as Perceived by the Company" beginning on page 17 of this Preliminary Sale Document.

COMPANY'S ABSOLUTE RESPONSIBILITY

Oil and Natural Gas Corporation Limited, having made all reasonable inquiries, accepts responsibility for and confirms that this Preliminary Sale Document contains all information with regard to Oil and Natural Gas Corporation Limited, which is material in the context of the Offer, that the information contained in this Preliminary Sale Document is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this Preliminary Sale Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Company has made disclosures from time to time in compliance with the terms of the listing agreements with the Stock Exchanges.

SELLING SHAREHOLDER'S ABSOLUTE REPONSIBILITY

It is the Selling Shareholder's absolute responsibility to provide and disseminate information about the terms of the Offer in this Preliminary Sale Document and during the Offer process.

FILING

In relation to this Offer, the Ministry of Disinvestment, the Government of India has endorsed letters to the BRLMs vide which the Department of Company Affairs, Ministry of Finance, Government of India has noted, in case of a similar transaction for offer for sale of shares in a listed company by the Government, that SEBI has informed that the offer document is to be called "Preliminary Sale Document" and accordingly, therefore,the Ministry of Disinvestment may file a 'Preliminary Sale Document' with the Registrar of Companies along with the requisite fee so that it can be placed for public inspection. Therefore, a copy of this Preliminary Sale Document has been filed with the Registrar of Companies for public inspection.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
JM MORGAN STANLEY **JM Morgan Stanley Pvt. Ltd.** 141, Maker Chambers III Nariman Point, Mumbai - 400 021 Tel no.: +91-22-5630 3030 Fax no.: +91-22-5630 1694 E-mail: ongc.offer@jmmorganstanley.com	DSP Merrill Lynch **DSP Merrill Lynch Ltd.** Mafatlal Centre, 10th Floor, Nariman Point, Mumbai - 400 021 Tel: +91 - 22 - 5632 8000 Fax: +91 - 22 - 2204 8518 Email: ongc_offer@ml.com	kotak Investment Banking **Kotak Mahindra Capital Company Ltd.** 3rd floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021 Tel: +91 - 22 - 5634 1100 Fax: +91 - 22 - 2284 0492 Email: ongc.offer@kotak.com	**MCS LIMITED**: Unit - ONGC-Offer Sri Padmavathi Bhavan, Plot no. 93, Road no. 16, MIDC Area, Andheri (East), Mumbai - 400 093, Tel no: +91-22-2820 1785 Fax no: +91-22-2820 1783 Email: ongcoffer@mcsind.com Contact Person: Mr. Shashi Kadam

OFFER PROGRAM	
BID/OFFER OPENS ON : MARCH 05, 2004	**BID/OFFER CLOSES ON : MARCH 13, 2004**

This Preliminary Sale Document does not constitute an offer or an invitation to any person to purchase the equity shares of Oil and Natural Gas Corporation Limited and is being issued for the sole purpose of ascertaining the demand for the equity shares being offered pursuant to this Offer.

Table of Contents

SECTION I: GENERAL 3
Definitions and Abbreviations 3
Certain Conventions 12
Presentation of Financial and Reserve Information of the Company and Market Data 13
Forward-Looking Statements 15
Currency of Presentation 16
Risk Factors as Perceived by the Company 17
Summary of the Business of the Company 30
Summary Financial Data of the Company 33
Summary Reserves and Production Data of the Company 36
The Offer 37
SECTION II: OFFER FOR SALE BY SELLING SHAREHOLDER 38
General Information 38
Objects of the Offer 50
Terms of the Offer 51
Offer Structure 54
Offer Procedure 56
Basis of Offer Price 72
SECTION III: THE COMPANY 73
Capital Structure 73
The Indian Oil and Gas Industry 77
Regulatory Environment of Oil & Gas Industry 86
Business 89
Our History and Certain Corporate Matters 123
Management 125
Our Promoter, Subsidiaries and Group Companies 133
Selected Financial Data 140
Management's Discussion and Analysis of Financial Condition and Results of Operations 142
Outstanding Litigations 164
Government Approvals 178
Dividend Policy 182
Other Regulatory Disclosures 183
Statutory and Other Information 185
Main Provisions of the Articles of Association of ONGC 192
Unconsolidated Financial Statements 212
Consolidated Financial Statements 267
Summary of Significant Differences Between Indian GAAP and US GAAP 283
Material Contracts and Documents for Inspections 289
Declaration 291
APPENDIX A - DeGolyer and MacNaughton Letter 292

SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Offer-Related Terms

Term	Description
"ONGC" or "the Company"	Oil and Natural Gas Corporation Limited, a public limited company incorporated and registered in India under the provisions of the Companies Act
Articles or Articles of Association	Articles of Association of ONGC
Auditors	The statutory auditors of our Company namely M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants; M/s S. Bhandari & Co. Chartered Accountants; M/s RSM & Co. Chartered Accountants; M/s Brahmayya & Co. Chartered Accountants; and M/s Lodha & Co. Chartered Accountants
Banker(s) to the Offer	Canara Bank, HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, IDBI Bank Limited, Deutsche Bank and Citibank N.A.
Bid	An offer made during the Bidding Period by a prospective investor to acquire the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Offer
Bid Closing Date or Offer Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Offer, which shall be notified in an English national newspaper and a Hindi national newspaper
Bid cum Application Form or Bid Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for transfer of the Equity Shares in terms of this Preliminary Sale Document
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Preliminary Sale Document
Bid Opening Date or Offer Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Offer, which shall be notified in an English national newspaper and a Hindi national newspaper
Bidding Period or Offer Period	The period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors or Board	The Board of Directors of ONGC or a Committee authorised to act on its behalf
Book Building or Book Building Process or Method	Book building route as provided in Chapter XI of the SEBI Guidelines. The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for the 100 percent book building process, and the processes, procedures and practices which are generally followed in the 100 percent Book Building process, save for deviations specified on page 70 of this Preliminary Sale Document
BRLMs	Book Running Lead Managers to the Offer, in this case being JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited
CAN or Confirmation of Allocation Note	The note, advice or intimation of allocation of Equity Shares that may be sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The high end of the Price Band, above which the Offer Price will not be finalised and above which no Bids will be accepted
Committee	A committee of the Board of Directors unless otherwise specified
Companies Act or The Act	Companies Act, 1956, as amended from time to time
Cut-off Price	Any price within the Price Band. A Bid submitted at Cut-off Price by a Retail Individual Bidder or by Permanent Employees/Whole-time Directors off the Company, individual shareholders of ONGC and MRPL who apply or bid for Equity Shares of not more than 50,000 in any off the Bidding options is a valid Bid at all price levels within the Price Band

Term	Description
Delivery Date	Date on which Registrar delivers to depositories, the list of successful bidders for effecting delivery of Equity Shares into respective bidder's account. Following this, funds in respect of Equity Shares sold will be transferred to GoI account from Public Offer Account.
Depositories Act	Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Offer Account after the Final Sale Document is filed with the RoC, for public inspection following which the Selling Shareholder shall give delivery instructions for transfer of Equity Shares.
Designated Stock Exchange	The National Stock Exchange of India Limited
Director(s)	Director(s) of ONGC unless otherwise specified
Equity Shares	Up to 142,593,300 equity shares of ONGC of face value of Rs. 10 being offered for sale pursuant to the Offer
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid, or the amount payable by the Bidder after allocation within the Pay-in Period
Escrow Agreement	Agreement entered into among the the Selling Shareholder, Syndicate Member, the Company, the Registrar and the BRLMs for collection of the Bid Amounts and refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks at which the Escrow Account for the Offer will be opened
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed thereunder
FII or Foreign Institutional Investor	Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI and as under FEMA (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000 and under other applicable laws in India
Final Sale Document	The final sale document containing, inter alia, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information. The Final Sale Document will be filed with the RoC for public inspection, if required
Financial Year or Fiscal or Fiscal Year or FY	Twelve months period ended March 31 of a particular year
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The low end of the Price Band, below which the Offer Price will not be finalised and below which no Bids will be accepted
Indian GAAP	Generally accepted accounting principles in India
Industrial Policy	Manual on foreign direct investment in India
I.T. Act	Income Tax Act, 1961, as amended from time to time
Margin Amount	The amount paid by the Bidder at the time of submission of his / her Bid, which may range between 0 percent to 100 percent of the Bid Amount
Memorandum or Memorandum of Association	The Memorandum of Association of ONGC
Net Offer	Shall have the same meaning as ascribed to it on the cover page
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders

Term	Description
Non Institutional Portion	The portion of the Offer being minimum of 28,518,660 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Non Residents	All Bidders who are not persons resident in India as defined in FEMA
NRI or Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60 percent by NRIs, including overseas trusts in which not less than 60 percent of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to invest in this Offer
Offer or Offer for Sale	The offer for sale by the Selling Shareholder of the Company of up to 142,593,300 Equity Shares of Rs. 10 each at the Offer Price in terms of this Preliminary Sale Document. All references to Offer size in this Preliminary Sale Document are on the basis of an Offer size of 10 percent of the total paid-up capital of the Company
Offer Price	The final price at which Equity Shares will be transferred in terms of this Preliminary Sale Document, as determined by the Selling Shareholder, in consultation with the BRLMs on the Pricing Date. After the determination of the Offer Price, the Selling Shareholder shall transfer the Equity Shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors of the Company, shareholders of the Company and shareholders of MRPL who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in Period	This term means (i) with respect to Bidders whose Margin Amount is 100 percent of the Bid Amount the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100 percent of the Bid Amount the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Permanent Employee	A regular employee on the rolls of ONGC, unless the context otherwise requires
Preliminary Sale Document	This preliminary sale document, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Offer. It will be filed with the RoC for public inspection at least three days before the Bid / Offer Opening Date
President	The President of India
Price Band	Being the price band of a minimum price (Floor Price) and the maximum price (Cap Price) (both inclusive) which shall be advertised by the Selling Shareholder prior to the Bid Opening Date, including revisions thereof
Pricing Date	The date on which the Selling Shareholder, in consultation with the BRLMs, finalises the Offer Price
Promoter	The Government of India
Public Offer Account	An account opened with the Bankers to the Offer to receive monies from the Escrow Account on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn, pension funds with minimum corpus of Rs. 250 mn, and multilateral and bilateral development financial institutions

Term	Description
Registered Office of the Company	Jeevan Bharati Tower II, 124, Indira Chowk, New Delhi-110 001
Registrar or Registrar to the Offer	In this case being MCS Limited, having its office as indicated on the cover page of this Preliminary Sale Document
Retail Individual Bidder(s)	Individual bidders (including HUFs and NRIs) who apply or bid for securities of or for a value of not more than Rs. 50,000 in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being minimum of 28,518,660 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Selling Shareholder	The President of India, acting through and represented by the Director, Ministry of Petroleum and Natural Gas, the Government of India
Stock Exchanges	The National Stock Exchange of India Limited, The Stock Exchange, Mumbai and the Delhi Stock Exchange Association Limited
Syndicate	The BRLMs and the Syndicate Member
Syndicate Agreement	The agreement to be entered into among the Selling Shareholder, the Company and the members of the Syndicate, in relation to the collection of Bids in this Offer
Syndicate Member	Kotak Securities Limited
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
TRS / Transaction Registration Slip	The slip or document that may be issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate, the Company and the Selling Shareholder to be entered into on the Pricing Date
US GAAP	Generally accepted accounting principles in the United States

Abbreviations of general terms

Abbreviation	Full Form
AGM	Annual General Meeting
AOA	Articles of Association
AOD	Assam Oil Division
ARN	Aromatic Rich Naphtha
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ATF	Aviation Turbine Fuel
Bbl	Barrel
Bbls	Barrels
Bn or bn	Billion
BCM or bcm	Billion Cubic Meters
BPCL	Bharat Petroleum Corporation Limited
BPD or bpd or bbl/d	Barrels per Day
BRPL	Bongaigaon Refineries and Petrochemicals Limited
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CCD	Cabinet Committee on Disinvestment
CDSL	Central Depository Services Ltd
CEGAT	Central Excise & Gold (Control) Appellate Tribunal
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CIT	Commissioner of Income Tax
CIT (A)	Commissioner of Income Tax (Appeals)
CNG	Compressed Natural Gas
CPCL	Chennai Petroleum Corporation Limited
CTF	Central Tank Farm
CY	Calendar Year
DGH	Directorate General of Hydrocarbons
DGMS	Director General of Mines and Safety
DP	Depository Participant
DSE	The Delhi Stock Exchange Association Limited
DSPML	DSP Merrill Lynch Limited
EBP	Ethanol Blended Petrol
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
E&P	Exploration and Production
EPC	Engineering Procurement and Construction
EPS	Earnings per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FOB	Free on Board
GAIL	GAIL (India) Limited
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOM	Group of Ministers
GoI or Government or Central Government	Government of India

Abbreviation	Full Form
GSPC	Gujarat State Petroleum Corporation Limited
HCR	Heavy Cut Residue
HNI	High Net-worth Individual
HPCL	Hindustan Petroleum Corporation Limited
HSD	High Speed Diesel (also referred to as diesel)
HUF	Hindu Undivided Family
IBP	IBP Co. Limited
IOC	Indian Oil Corporation Limited
IPCL	Indian Petrochemicals Corporation Limited
IRIL	Indian Rayon Industries Limited
ISIN	International Securities Identification Number
IST	Indian Standard Time
IT	Income Tax
JMMS	JM Morgan Stanley Private Limited
KMCC	Kotak Mahindra Capital Company Limited
Kms or kms	Kilometers
KRL	Kochi Refineries Limited
LIBOR	London Inter Bank Offered Rate
LNG	Liquified Natural Gas
LPG	Liquified Petroleum Gas
LSHS	Low Sulphur Heavy Stock
MCM or mcm	Thousand Cubic Meters
MMCM or mmcm	Million Cubic Meters
ML	Mining Lease, also known as Petroleum Mining Lease or PML
Mmbbl or mmbbl	Million Barrels
MMCMD or mmcmd	Million Cubic Meters per Day
MMT or mmt	Million Metric Tons
MMTPA or mmtpa	Million Metric Tons per Annum
Mn / mm / mn / MM	Million
MOA	Memorandum of Association
MOPNG / MoPNG	Ministry of Petroleum and Natural Gas
MRPL	Mangalore Refinery and Petrochemicals Limited
MS	Motor Spirit (also referrred to as gasoline or petrol)
MT or mt	Metric Tons
MMtoe or mmtoe	Million Metric Tons Oil Equivalent
N.A.	Not Applicable or Not Available, as the case may be
NAV	Net Asset Value
NELP	New Exploration Licensing Policy
NGL	Natural Gas Liquids
NOC	National Oil Company
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NRL	Numaligarh Refineries Limited
NSDL	National Securities Depository Ltd
NSE	National Stock Exchange of India Limited
OCC	Oil Co-ordination Committee
OEG	Oil Equivalent of Gas

Abbreviation	Full Form
OID	ActOil Industry (Development) Act, 1974, as amended from time to time
OIL	Oil India Limited
OMCs	Oil Marketing Companies
ONGBV or ONGC Nile Ganga	ONGC Nile Ganga B.V.
ONGIO	ONGIO International Private Limited
OPEC	Organization of Petroleum Exporting Countries
ORD Act	Oilfields (Regulation and Development) Act, 1948, as amended from time to time
OVL	ONGC Videsh Limited
PAN	Permanent Account Number
P&NG Rules	Petroleum and Natural Gas Rules, 1959, as amended from time to time
PDS	Public Distribution System
PEL	Petroleum Exploration License
P/E Ratio	Price/Earnings Ratio
PHHL	Pawan Hans Helicopters Limited
PLL	Petronet LNG Limited
PMHBL	Petronet MHB Limited
PML	Petroleum Mining Lease, also known as Mining Lease or ML
PMT or pmt	Per Metric Ton
PPAC	Petroleum Planning and Analysis Cell
PSC	Production-Sharing Contract
PSE	Public Sector Enterprise, being a Government Company as defined under Section 617 of the Companies Act
PSU	Public Sector Undertaking, being a Government Company as defined under Section 617 of the Companies Act
QRs	Quantitative Restrictions
RBI	Reserve Bank of India
RIL / Reliance	Reliance Industries Limited
R&D	Research and Development
R & M	Refining and Marketing
R/P Ratio	Reserve/ Production Ratio; for a given period, equals proved developed reserves divided by production from such reserves for such period.
RoC/ Registrar of Companies	Registrar of Companies, National Capital Territory of Delhi and Haryana
RONW	Return on Net Worth
SBU	Strategic Business Unit
SCN	Show Cause Notice
SEC	United States Securities and Exchange Commission
Shell India	Shell India Private Limited
SPE	Society of Petroleum Engineers
SKO	Superior Kerosene Oil (also referred to as kerosene)
Sq. Km. or sq. km.	Square Kilometers
Sq. mtr. or sq. mtr. or sq. m.	Square Meters
Sq. ft. or sq. ft.	Square Feet
TAIPP	Tariff Adjusted Import Parity Price
TCM or tcm	Trillion Cubic Meters
VAP	Value Added Product
VAT	Value Added Tax
WPC	World Petroleum Congress

Glossary of Energy, Financial, Technical and Industry Terms

Term	Description
Amortisation	Refers to the dry wells and survey and other expenditure expensed in the accounts as per significant accounting policies
Asset	If the context indicates, "Asset" may refer to an organizational unit within ONGC
Basin	A geological depression on the Earth's surface which is filled with sedimentary material. If the context indicates, "Basin" may also refer to an organizational unit within ONGC
Cess	A duty of excise imposed under the Oil Industry Development Act, 1974 on crude oil produced in India and payable to the Central Government
Condensate	Low vapor pressure hydrocarbons obtained from natural gas through condensation or extraction; condensate refers solely to those hydrocarbons that are liquid at normal surface temperature and pressure conditions
Depletion	A measure of exhaustion of a wasting asset 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 proved developed hydrocarbon reserves and multiplied by production
Depreciation	A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from the use, passage of time, obsolescence through technology and market changes
Development	Following discovery, drilling and related activities necessary to begin production of oil or natural gas
Development Costs	All direct and allocated indirect costs incurred in respect of the development activities including costs incurred to: (i) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, gas lines and power lines to the extent necessary in developing the proved oil and gas reserves; (ii) drill and equip development wells, development-type stratigraphic test wells and service wells, including the cost of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly; (iii) acquire, construct and install product facilities such as lease flow lines, separators, heater-treaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants and utility and waste disposal systems; and (iv) provide advanced recovery system. Development costs also include depreciation and applicable operating costs of related support equipment and facilities in connection with development activities, and annual PML fees
Development Well	A well drilled within a proved area of an oil and gas reservoir and completed to a targeted horizon known to be productive
Dry Well	A dry well, or dry hole, is either a well devoid of hydrocarbons, or a well where hydrocarbon indications are present but which is not economically feasible to develop
Enhanced Recovery	Techniques used to increase or prolong production from oil and natural gas fields
Exploration	Systematically searching for oil and/ or natural gas, by topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells
Exploration Costs	All direct and allocated indirect costs of exploration activities, which include depreciation and applicable operating costs of related support equipment and facilities and: (i) costs of surveys and studies, rights of access to properties to conduct those studies (e.g., costs incurred for environment clearance, defense clearance, etc.), and salaries and other expenses of geologists, geophysical crews and other personnel conducting those studies; (ii) costs of carrying and retaining undeveloped properties, such as delay rental, *ad valorem* taxes on properties, legal costs and title defense, maintenance of land and lease records and annual license fees; (iii) dry hole contributions; (iv) costs of drilling and equipping exploratory and appraisal wells; and (v) costs of drilling exploratory-type stratigraphic test wells
Exploratory Well	A well drilled in an unproved area for the purpose of finding and producing oil and/or gas (includes exploratory-type stratigraphic test wells)
Finding Costs	A measurement used to evaluate the success of exploration activities, consisting of the ratio of exploration costs incurred in a given period in connection with such activities to reserves discovered as a result of such activities

Term	Description
Heavy Cut	Heavier hydrocarbons obtained from the fractionation of natural gas liquids into aromatic rich naphtha and kerosene
Integrated Petroleum Company	A company engaged in all aspects of the petroleum industry from exploration and production of crude oil and natural gas (upstream) to refining, marketing and transporting products (downstream)
Line kilometer or LKM	A unit of spatial measurement referring to a linear region for which seismic data is acquired. As used in this Preliminary Sale Document, line kilometers are calculated according to an internally-developed ONGC formula which takes into account variations in recording parameters at the time of seismic data acquisition. As an ONGC-specific definition, "line kilometer" does not necessarily correspond to similar units of measurement used elsewhere in the oil and gas industry such as "ground line kilometer" or "surface line kilometer"
Liquified Natural Gas	Gas that is liquified under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels
Liquified Petroleum Gas	Light gases such as butane and propane that exist as liquids under pressure
Natural Gas Liquids	Light hydrocarbons that can be extracted in liquid form from natural gas through special separation plants
Plant	A processing, refining or manufacturing facility to extract value-added products. If the context indicates, "Plant" may also refer to an organizational unit within ONGC
Production Costs	Consist of direct and indirect costs incurred to operate and maintain our wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities. Examples of production costs include amortised finding costs (which are capitalised if incurred in respect of successful wells), pre-wellhead costs (such as costs of labour, repairs and maintenance, materials, supplies, fuel and power, property taxes, insurance, severance taxes, royalty) incurred in respect of lifting the oil and gas to the surface, operation and maintenance including servicing and work-over of wells, and post-wellhead costs in respect of gathering, treating, field transportation, and field processing of extracted hydrocarbons, including cess and royalty up to the outlet valve on the lease or field production storage tank
Proved Developed Reserves	Proved reserves that are expected to be recovered from existing wells
Proved Reserves	Reserves of crude oil and natural gas that are estimated to be commercially recoverable with a high degree of certainty from known accumulations, from a given day forward, under existing economic conditions, by established operating practices and under current government regulations
Royalty	With respect to domestic production, a statutory levy imposed under the ORD Act and P&NG Rules payable to the respective State or Central Government granting the lease (Central Government in case of offshore) on crude oil and natural gas production
Seismic Data	Data recorded in either two dimensional (2-D) or three dimensional (3-D) form from sound wave reflections off of subsurface geology. This is used to understand and map geological structures for exploratory purposes to predict the potential location of undiscovered reserves
Success	A discovery of crude oil and/or natural gas by an exploration well. Such an exploration well is known as a discovery. A discovery is not necessarily commercial, meaning that there may not necessarily be enough hydrocarbon deposits present for economical recovery
Successful Well	A successful well is a well in which crude oil or natural gas has been discovered and the commercial flow of hydrocarbons has been established

CERTAIN CONVENTIONS

In this Preliminary Sale Document, the terms “we”, “us”, “our”, the “Company”, “our Company”, or “ONGC”, unless the context otherwise indicates or implies, refers to Oil and Natural Gas Corporation Limited.

All references to “India” contained in this Preliminary Sale Document are to the Republic of India. All references to the “US”, “U.S.”, “USA”, or “United States” contained in this Preliminary Sale Document are to the United States of America.

In this Preliminary Sale Document, all references to “independent” reserves, production, exploration ordevelopment, or related activities, refer to domestic reserves, production, exploration or development or related activities, that are not subject or related to a production-sharing, joint venture or similar contract or arrangement.

In this Preliminary Sale Document, all references to “domestic” reserves, production, exploration or development, or related activities refer, respectively, to reserves located in India, production from reserves located in India, and production, exploration, development or related activities conducted in India (on an independent basis or in the context of production-sharing, joint venture or similar contracts or arrangements).

In this Preliminary Sale Document, all references to “international” reserves, production, exploration or development, or related activities, refer, respectively, to reserves located outside India, production from reserves located outside India, and production, exploration, development or related activities conducted outside India.

In this Preliminary Sale Document, all references to “global” reserves, production, exploration or development, or related activities, refer, respectively, to domestic and international reserves, production, exploration or development, or related activities.

For purposes of the reservations for shareholders of ONGC category in terms of this Preliminary Sale Document, “shareholders of ONGC” will exclude the President of India, IOC and GAIL, and “shareholders of MRPL” will exclude ONGC and HPCL.

For additional definitions used in this Preliminary Sale Document, see the section “Definitions and Abbreviations” on page 3 of this Preliminary Sale Document. In the section entitled “Main Provisions of Articles of Association of ONGC”, defined terms have the meaning given to such terms in the Articles of Association of the Company.

In this Preliminary Sale Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

In this Preliminary Sale Document, references to “allocation” of Equity Shares in this Offer, unless the context otherwise requires, also include a reference to “transfer” of Equity Shares.

PRESENTATION OF FINANCIAL AND RESERVE INFORMATION OF THE COMPANY AND MARKET DATA

Financial Information

The Company's unconsolidated financial statements for the five fiscal years ended March 31, 2003 and the nine months ended December 31, 2003 have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines and restated as described in the report of our statutory auditors dated February 10, 2004, which is included in this Preliminary Sale Document under "Unconsolidated Financial Statements". The Company's unconsolidated financial statements do not reflect the results or financial condition of its subsidiaries, which make up a significant portion of its business. The Company's consolidated financial statements for the two fiscal years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003 have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines and restated as described in the report of its statutory auditors dated February 10, 2004, which is included in this Preliminary Sale Document under "Consolidated Financial Statements". The separate restated financial statements of the Company's subsidiaries are included under "Unconsolidated Financial Statements". Those financial statements are also prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines. These restated consolidated and unconsolidated financial statements are based on audited financial statements of the Company and its subsidiaries that are not included in the Preliminary Sale Document. Certain financial information incorporated in these audited financial statements relating to domestic and international joint ventures, including the financial statements of ONGC Nile Ganga B.V., are based on unaudited financial data. Unless stated otherwise, the financial data in this Preliminary Sale Document are derived from the Company's unconsolidated financial statements, excluding the results and financial condition of its subsidiaries. The Company prepares its financial statements in Rupees. See "Currency of Presentation" on page [ü] of this Preliminary Sale Document for information on translation of U.S. Dollar amounts presented herein. Our fiscal year commences on April 1 and ends on March 31.

There are significant differences between Indian GAAP and US GAAP; accordingly, the degree to which the Indian financial statements included in this Preliminary Sale Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Sale Document should accordingly be limited. The Company has not attempted to explain those differences or to quantify their impact on the financial data included herein and the Company urges you to consult your own advisers regarding such differences and their impact on its financial data. For details on differences between Indian GAAP and US GAAP, please refer to "Summary of Significant Differences Between Indian GAAP and US GAAP" on page 283 of this Preliminary Sale Document.

As used in this Preliminary Sale Document, the term "revenues" refers to the term "income" in our financial statements.

Reserve Information

In this Preliminary Sale Document, we report gross proved reserves. Our gross proved reserves consist of our percentage interest in total reserves, which in turn consists of our 100 percent interest in our independent oil and gas properties and our percentage interest in joint ventures and production-sharing contracts, and do not include any adjustments for royalties, cess, taxes or other amounts payable by us. Production is calculated in the same manner as gross proved reserves. For more information, see "Business—Crude Oil and Natural Gas Reserves" on page 91 of this Preliminary Sale Document.

At our request, DeGolyer and MacNaughton, independent petroleum engineering consultants, carried out an audit of our reserves in 38 fields as of April 1, 2002. Based on our own estimate of our total reserves as of April 1, 2002, the reserves covered by the audit constituted approximately 50 percent of our estimated total domestic independent proved reserves and approximately 40 percent of our estimated total proved reserves, each as of that date. None of the reserve information as of April 1, 2002 appearing with respect to our other reserves is covered by the report of DeGolyer and MacNaughton or has been subject to an audit on our behalf. Likewise, none of the reserve information as of April 1, 2003 or April 1, 2001 set forth in this Preliminary Sale Document is covered by the report of DeGolyer and MacNaughton or has been subject to an audit. In addition, all of our estimates of international proved reserves have been provided to us by our international joint venture partners based on international standards that may be different than those used by us.

In calculating our domestic proved reserves, we use internally-developed definitions that are based in large part on international standards promulgated from March 1995 by the Society of Petroleum Engineers, or SPE, and the World Petroleum Congresses, or WPC. These international standards, referred to as SPE International Standards, differ in certain material respects from standards applied by the United States Securities and Exchange Commission, referred to as the SEC Standards. For further information regarding the differences between SPE International Standards and SEC Standards, see "Business—Crude Oil and Natural Gas Reserves—Differences between SPE International Standards and SEC Standards" on page 92 of this Preliminary Sale Document. Accordingly, information relating to our estimated natural gas and crude oil reserves included in this Preliminary Sale Document is not indicative of information that would be reported under SEC Standards.

If at some point in the future we were to adopt SEC Standards, such adoption could potentially cause the amount of estimated proved crude oil and natural gas reserves reported by us in future periods to be lower than would otherwise be reported under SPE International Standards.

The reserve information included in this Preliminary Sale Document is not intended to comply with the reporting requirements of the SEC. Compliance with such requirements would require the inclusion of supplementary financial information regarding changes to proved reserves as a result of revisions to estimates, discoveries, purchases and production, capitalised and acquisition costs data, and calculations of discounted net cash flow, and of certain other reserve information.

Market Data

Market and other industry data used throughout this Preliminary Sale Document were obtained from internal company reports and Government and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market and other industry data used in this Preliminary Sale Document are reliable, they have not been independently verified by us. Similarly, internal company reports, while believed by us to be reliable, have not been verified by any other sources.

The information regarding IOC and GAIL included in this Preliminary Sale Document has been taken from reports produced by them and made publicly available. We have not independently verified the accuracy of such information.

FORWARD-LOOKING STATEMENTS

This Preliminary Sale Document includes forward-looking statements. All statements other than statements of historical fact included in this Preliminary Sale Document regarding our business, financial condition, results of operations and our plans, objectives, assumptions, expectations or beliefs with respect to these statements and statements regarding other future events or prospects, are forward-looking statements. These statements include, without limitation, those concerning: our strategy and ability to achieve it; expectations regarding future results and growth; reserve data; exploration prospects; prices of crude oil, natural gas and other petroleum products and supply and demand for these products; plans for development or exploration; capital expenditure and investments; adequacy of capital and financing plans; regulation; and research and development.

Words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "shall", "may", "will pursue" and similar expressions or the negative or other variations of such expressions as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. In addition, this Preliminary Sale Document includes forward-looking statements relating to our potential exposure to various types of market risks, such as commodity, foreign exchange rate and interest rate risks and other risks related to financial assets and liabilities.

Actual results and developments may differ materially from those suggested by the forward-looking statements and past results, performance or achievements, due to a number of factors, including, without limitation, declines in oil and gas prices, regulation of oil and gas prices and supply, our failure to acquire or find commercially viable reserves, difficulties we encounter in the refining, retail, international or other business ventures, intense competition, significant capital expenditure requirements, an inability to upgrade technologies we use, problems in our development projects, security issues that disrupt our operations, hazards our operations face, conflicts with our controlling shareholder, our significant contingent liabilities and litigation exposure, changes in Indian or other regulations or taxes, environmental liabilities, developments in economic, political or business conditions in India or elsewhere in the world, and the performance of Indian or global financial markets. The foregoing list is not exhaustive. For further discussion of factors that could cause our actual results to differ, see the other sections in this Preliminary Sale Document, including the section entitled "Risk Factors as perceived by the Company" beginning on page 17.

None of the Company, the Selling Shareholder, any Underwriter or any of their respective affiliates has any obligation to, or intends to, update or otherwise revise any statements or estimates reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. The Selling Shareholder, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the completion of necessary formalities, including grant of trading permission by the Stock Exchanges.

CURRENCY OF PRESENTATION

In this Preliminary Sale Document, all references to "Indian Rupees", "Rupees" and "Rs." are to the legal currency of India, and all references to "U.S. Dollars", "Dollars", "US$", "USD" and "$" are to the legal currency of the United States. On March 31, 2003 and December 31, 2003, the Reserve Bank of India reference rate was Rs. 47.50 and Rs. 45.61, respectively, per U.S. Dollar. On February 6, 2004, the reference rate was Rs. 45.28 per U.S. Dollar.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled "Average" in the table below is the average of the daily noon buying rate for each day in the period.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine Months ended December 31, 2003
Period End	Rs. 46.85	Rs. 48.83	Rs. 47.53	Rs. 45.55
Average	Rs. 45.74	Rs. 47.71	Rs. 48.43	Rs. 46.20
Low	Rs. 47.47	Rs. 48.91	Rs. 49.07	Rs. 47.46
High	Rs. 43.63	Rs. 46.58	Rs. 47.53	Rs. 45.29

In this Preliminary Sale Document, unless otherwise specified, Indian Rupee amounts have been translated into U.S. Dollar amounts at the exchange rate of 1 USD = Rupees 45.5. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rates stated above, or at all. Investors are cautioned to not rely on such translated amounts.

Significant amounts of our revenues and certain of our expenditure are linked to the U.S. Dollar. These amounts have been originally calculated in U.S. Dollars, and then converted to Indian Rupees at the foreign exchange rate prevailing at the time such revenues are recognised and such expenditure is incurred. For the purposes of reporting such financial data in this Preliminary Sale Document, we have, except where otherwise noted, converted those Indian Rupee amounts to U.S. Dollar amounts at the exchange rate of 1 USD = Rupees 45.50. In light of the recent appreciation of the Indian Rupee against the U.S. Dollar, which is reflected in the table above, such rate is not equivalent to the rates at which the U.S. Dollar amounts originally were converted to Indian Rupee amounts. Accordingly, certain data related to revenues and expenditure as reported, or otherwise as accounted for, in U.S. Dollars in this Preliminary Sale Document may be higher than, and not directly comparable to, the revenues actually realised and the expenditure actually incurred in Indian Rupees at the time of such revenue recognition and expenditure incurrence. Investors are cautioned to not rely on such translated amounts.

The financial data derived from our subsidiary ONGC Nile Ganga B.V. has been translated into Rupees by the auditors under the Indian Accounting Standard 11 — "Accounting for effects of changes in foreign exchange rates".

RISK FACTORS AS PERCEIVED BY THE COMPANY

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Preliminary Sale Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our equity shares could decline, and you may lose all or part of your investment.

Unless stated otherwise, the financial data in this section are derived from our unconsolidated financial statements prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines, and included elsewhere in this Preliminary Sale Document.

Internal Risk Factors

Risks Related to Our Industry

A substantial or extended decline in international prices for crude oil would have a material adverse effect on our business.

Declines in crude oil prices may adversely affect our revenues and profits, and substantial or extended declines will have a material adverse effect on our results of operations, financial condition and liquidity, including our ability to finance planned capital expenditure. Historically, international prices for oil and value-added products have been volatile and have fluctuated widely in response to changes in many factors. These fluctuations are expected to result in fluctuations in our quarterly results of operations. We do not and will not have control over the factors affecting prices for oil and value-added products. These factors include:

- global and domestic economic conditions;
- global and regional economic and political developments in resource-producing regions, particularly the Middle East;
- global and regional supply and demand;
- the ability of the Organization of Petroleum Exporting Countries and other oil and gas producing nations to set and maintain global production levels and prices;
- discoveries of, and commercial availability of, alternative fuels at cheaper prices that affect our realised prices under our oil and value-added products sales contracts;
- Indian and foreign governmental regulations and actions, fiscal or otherwise, including tariffs on imports;
- price and availability of new technology; and
- weather conditions.

It has not been possible to forecast future oil and value-added product price movements with accuracy. Our profitability is determined in large part by the difference between the prices obtained for crude oil that we produce and the costs of exploring for, developing, producing and selling crude oil. We do not enter into oil or gas hedging contracts to reduce our exposure to fluctuations in oil and gas prices. For more detailed analysis of the impact of fluctuation of prices for oil and value-added products on our results of operations and financial condition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Our Results of Operations" on page 144 of this Preliminary Sale Document. Lower prices of oil and value-added products may also reduce the amount of oil and value-added products that we can produce economically or reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets which may result in decreased earnings or losses.

While declines in international oil prices adversely affect the profitability of the upstream business of oil production, they may have a positive impact on profitability in the downstream businesses of refining and retail marketing. The fact that our upstream operations continue to contribute the substantial majority of our revenues limits our ability to offset the adverse impact of declines in oil prices on our upstream business with a benefit to our downstream business.

Until March 2002, crude oil pricing was regulated by the Government of India. Since April 2002, these controls have been removed and we have been negotiating market-determined prices with customer refineries. However, the Government continues to allocate most of the crude oil produced in the industry, including most of the crude oil we produce, and this reduces our negotiating power. Our memoranda of understanding with the three Government-controlled refining companies to which our crude oil is allocated expire on March 31, 2004, and we expect that we will enter into new memoranda of understanding for supply of crude oil to these customers. As a result of oil price deregulation, our future results of operations can be expected to be significantly more volatile than they have been prior to April 2002. All these factors may have a material adverse effect on our business and operating results.

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

The majority of our proved reserves are in the Western Offshore, including Mumbai High, Western Onshore and Upper Assam basins, which are all maturing resource provinces. Unless we conduct successful exploration and development (or redevelopment)

activities or acquire properties containing proved reserves, or both, our proved reserves will decline over time as existing reserves are produced. In addition, the volume of production from oil and natural gas properties generally declines as reserves are depleted. For example, Mumbai High has been a major producing field since 1976 and accounted for 48 percent of our crude oil production in fiscal 2003. After initial development and recording its peak annual production in fiscal 1990, Mumbai High experienced declining production levels. We have introduced a plan for redevelopment of the Mumbai High field for improved and enhanced oil recovery and augmentation of production facilities to maintain production. If our efforts to implement methods of enhancing production in mature reserves are not successful, production will gradually decline. As of April 1, 2003, 25.5 percent and 23.1 percent, respectively, of our total domestic proved crude oil and natural gas reserves were undeveloped. Our future production will be highly dependent upon our success in acquiring or finding and developing additional reserves in a timely and cost-effective manner. If we are unsuccessful, our total proved reserves and production will decline, which will adversely affect our results of operations and financial condition.

In addition, we have a limited global presence in the field of oil exploration, development and production. Most major international oil and gas exploration and production companies have been in the business of acquiring international assets for a long period of time and have accumulated a large share of the world's hydrocarbon resources. We have now initiated an aggressive strategy to build up our international oil and gas reserves through our wholly owned subsidiary, ONGC Videsh Limited, or OVL, but we may be unable to match the international oil majors in the quantity and rate of reserve accretion and discovery of commercially viable hydrocarbon reserves. We also have to venture into more difficult and hostile environments, both politically and geographically, where exploration, production and development will be more technologically challenging and expensive. Most of our international investments to date have been in the form of joint ventures where we are not the operator. In the course of such investments, we are dependent to an extent on the operating partner, including for the success of the joint venture. We also may disagree with actions proposed to be taken by the operating partner and may be exposed to liability for actions taken by the operating partner.

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

We are exploring various geographic areas in India, including new resource provinces that are on-land, and deep-water projects in the Arabian Sea, the Bay of Bengal and the Andaman Sea, where environmental conditions are challenging, limited data are available and costs can be higher. We have only limited experience in ultra deep-water exploration, which is a particularly high-risk and capital-intensive activity. We are carrying out exploration and development activities overseas through OVL in various countries where we are not the operators in any of the fields and have limited control over expenditure and drilling decisions. In addition, our use of advanced technologies requires high resolution surveys and infrastructure for interpretation, which involve greater exploration expenditures than traditional exploration practices.

The cost of drilling, completing and operating wells is often uncertain. As a result, we have in the past incurred, and may continue to incur, cost overruns, or may be required to curtail, delay or terminate drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or variations in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of drilling rigs and the delivery of equipment. We have encountered delays in domestic exploration projects due to failure of third party contractors hired for the project to complete their scope of work in a timely manner, as well as delays and cost overruns due to such factors as inflation, foreign currency exchange rate fluctuations and unanticipated conditions prevailing in the areas of exploration.

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

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

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

Exploration for and production of oil and natural gas is hazardous, and natural disasters, operator error or other accidents can result in oil spills, blowouts, cratering, fires, equipment failure, and loss of well control, which can injure or kill people, damage or destroy wells and production facilities, and damage property and the environment. Offshore operations are subject to marine perils, including severe storms and other adverse weather conditions, vessel collisions, and governmental regulations as well

as interruptions or termination by governmental authorities based on environmental and other considerations. Also, we run the risk that we may not find any economically productive natural gas or oil reservoirs. In addition, the costs of drilling, completing and operating wells could be subject to shortages of, or delays in obtaining, equipment, and the inadequacy or unavailability of, or other problems with, transportation facilities. Breakdowns in our equipment or that of contractors, or in the infrastructure on which we rely, could disrupt our operations and adversely affect our business. In particular, our computer, telecommunications and electronic systems and equipment are vulnerable to breakdowns, disruptions or other problems that may adversely affect our operations. We maintain insurance coverage against some, but not all, potential losses. For example, we have no insurance coverage for loss of profits or earnings, radioactive contamination, damaged or destroyed data or records, or damage or loss due to pollution or contamination arising out of our onshore exploration and production activities. Losses and liabilities arising from such events may significantly reduce our revenues or increase our costs and have a material adverse effect on our results of operations or financial condition.

Risks Related to Our Company

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

The Gas Linkage Committee of the Government of India allocates the gas produced by us. Practically all the gas sold by us is sold to GAIL at prices regulated by the Government which are considerably lower than market prices. In addition, the prices of gas produced by joint ventures in which we participate are linked to the international prices of a basket of fuel oils| subject to, among other things, a floor and a ceiling. The gas prices received by us are net of an annual contribution of Rs. 2,500 million to the gas pool account of the Government plus the difference between the price at which GAIL purchases gas sold by our joint ventures and the price at which it sells such gas to its customers. Increases in the price of gas payable by GAIL to our joint ventures, which occur when international prices of fuel oils increase, and increases in the quantity of gas produced by the joint ventures would tend to further reduce the net price we receive for our gas. The gas pool account is utilised for compensating Oil India Limited, or OIL, for concessions in gas prices in the North East region of India, compensating GAIL and OIL for increases in their operating costs linked to inflation, providing a marketing margin to GAIL, and funding research and development for exploration and exploitation of small fields. Any balance left in the gas pool account after distributions in relation to the above items is transferred to the Central Exchequer.

The control by the Government of the sale prices of our natural gas from nomination blocks places us at a disadvantage as compared to the price of gas from joint ventures.

The revision of the current sales prices of natural gas as well as removal of controls on gas prices are under consideration by the Government. If the administered pricing mechanism for gas sales is abolished by the Government of India, we expect that our gas sales prices will rise, but the factors that affect market-determined pricing of oil and value-added products (as described in "—A substantial or extended decline in international prices for crude oil would have a material adverse effect on our business" on page 17 of this Preliminary Sale Document) will then be applicable to our gas sales prices as well.

The new requirement that we share in the under-recovery of the oil marketing companies as a result of Government subsidies on SKO and LPG will adversely affect our results of operations.

As part of its decision to dismantle the administered pricing mechanism, the Government of India introduced a subsidy on superior kerosene oil, or SKO, for public distribution, and liquefied petroleum gas, or LPG, for domestic use, on a flat rate basis. It was also decided that the public sector oil marketing companies (BPCL, HPCL and IOC) will not increase the selling prices of these products during fiscal 2004. The resultant under-recoveries of oil marketing companies on sales of SKO and LPG are being absorbed and shared among the oil companies. A part of the under-recoveries is being made up by allowing the oil marketing companies' to charge higher prices for other retail products, and the balance is being shared between the public sector oil marketing companies and the public sector upstream companies, namely ONGC and GAIL. Our required contribution to the sharing of these under-recoveries depends on various factors, including changes in LPG and SKO prices.

In the nine months ended December 31, 2003, we contributed Rs. 15,356.8 million to the sharing of these under-recoveries, by providing a discount of US$ 2.35 per barrel of crude oil, and Rs. 4,968.1 per ton and Rs. 1,939.6 per ton of LPG and SKO, respectively, to the oil marketing companies. This sharing of the SKO and LPG under-recovery has materially and adversely affected our results of operations for the nine months ended December 31, 2003 and will continue to materially and adversely affect our results of operations for the remainder of fiscal 2004. It is not clear whether this sharing of the SKO and LPG under-recovery will continue in fiscal 2005 at current levels or at all. Further, if it does, the amount of our required contribution to the sharing of the under-recovery is not yet decided. In its interim budget for fiscal 2005, the Government announced its intention to reduce the Government's contribution to the LPG and SKO subsidy in fiscal 2005. To the extent this occurs and is not matched by an increase in consumer prices for these products, our required contributions to the sharing of these under-recoveries may increase. If we are required to contribute to the sharing of any under-recovery in fiscal 2005 or beyond, it will have a material negative impact on our earnings.

The crude oil and natural gas reserve data in this Preliminary Sale Document are estimates, and our actual production, revenues and expenditure with respect to our reserves may differ materially from these estimates.

The reliability of proved reserve estimates depends on:

- the quality and quantity of our geoscientific, engineering and economic data;
- whether the prevailing tax rules and other government regulations, contracts, and oil, gas and other prices will remain the same as on the date estimates were made;
- the current and future production performance of our reservoirs; and
- extensive engineering judgments.

Many of the factors, assumptions and variables involved in estimating reserves are based on data that are currently available and subject to variations over time. Results of drilling, testing and production after the date of the estimates may require upward or downward revisions in our reserve data, which could be significant. Any downward adjustment could lead to lower future production and thus adversely affect our financial condition, future prospects and market value.

At our request, DeGolyer and MacNaughton, independent petroleum engineering consultants, carried out an audit of our reserves in 38 fields as of April 1, 2002. Based on our own estimate of our total reserves as of April 1, 2002, the reserves covered in the audit constituted approximately 50 percent of our total domestic independent proved oil and gas reserves, and approximately 40 percent of our total proved reserves, including international proved reserves, each as of that date. A summary letter from DeGolyer and MacNaughton describing its conclusions as of April 1, 2002 appears as Appendix A to this Preliminary Sale Document. None of the reserve information as of April 1, 2002 appearing with respect to our other reserves is covered by the report of DeGolyer and MacNaughton or has been subject to an audit on our behalf. Likewise, none of the reserve information as of April 1, 2003 or April 1, 2001 set forth elsewhere in this Preliminary Sale Document is covered by the report of DeGolyer and MacNaughton or has been subject to an audit. In addition, all of our estimates of our international proved reserves have been provided to us by our international joint venture partners in countries where OVL operates, based on international standards that may differ from those used by us.

In calculating our proved domestic reserves, we use internally-developed definitions that are based in large part on international standards promulgated from March 1995 by the Society of Petroleum Engineers, or SPE, and the World Petroleum Congresses, or WPC. SPE International Standards differ in certain material respects from standards applied by the United States Securities and Exchange Commission, referred to as the SEC Standards. Accordingly, information relating to our estimated natural gas and crude oil reserves included in this Preliminary Sale Document is not indicative of information that would be reported under SEC Standards. It should also be noted that the magnitude of any proved reserve difference between the SPE International Standards and the SEC Standards could vary greatly. For more information, see "Business-Crude Oil and Natural Gas Reserves-Differences between SPE International Standards and SEC Standards" on page 92 of this Preliminary Sale Document.

If at some point in the future we were to adopt SEC Standards, such adoption could potentially cause the amount of estimated proved crude oil and natural gas reserves reported by us in future periods to be lower than would otherwise be reported under SPE International Standards. A decrease in the amount of estimated proved developed crude oil and natural gas reserves reported by us could, if material, affect the amount of depreciation and depletion expense, impairment charges or certain other financial information derived from or relating to such reserve amounts reported by us in our consolidated and unconsolidated financial statements in future periods.

The other reserve information included in this Preliminary Sale Document also is not intended to comply with the reporting requirements of the SEC. Compliance with such requirements would require the inclusion of supplementary financial information regarding changes to proved reserves as a result of revisions to estimates, discoveries, purchases and production, capitalised and acquisition costs data, and calculations of discounted net cash flow, and of certain other reserve information.

Our development projects involve many uncertainties and operating risks that can prevent us from realizing profits and may cause substantial losses.

Our development projects may be delayed or may not be entirely successful for many reasons, including financial constraints, cost overruns, lower oil and gas prices, equipment shortages, mechanical and technical difficulties, the failure to obtain necessary governmental approvals, and industrial action. These projects may also sometimes require the use of additional new and advanced technologies, which can be expensive to purchase and implement, and may not function as expected. In addition, some of our development projects will be located in logistically difficult environments, such as the deep-water projects in the Arabian Sea and Bay of Bengal, or will involve challenging reservoirs, which can exacerbate such problems. For example, developing the large and complex facilities of the Western Offshore resource province has been one of the most demanding developments we have undertaken. We experienced substantial cost overruns and delays caused by our inability to finance one of our Western Offshore projects in a timely manner because of limited budgetary allocations during the early 1990s, resulting in delayed production. We have encountered delays in certain other development projects due to failure of third party contractors hired for the project to complete their scope of work in a timely manner as well as delays and cost overruns due to such factors as inflation, foreign currency exchange rate fluctuations, and unanticipated conditions prevailing in the areas of development activity. There is a risk that other development projects that we undertake may suffer from similar or additional problems.

In our marginal fields in the Western Offshore resource province, where we are increasingly developing smaller satellite fields with shorter life spans, we encounter the technological challenge of establishing re-usable facilities and platforms, and also face the challenge of remaining profitable. Our other development projects in mature fields, such as the heavy oil fields of Northern Gujarat where enhanced and improved recovery techniques are being utilised, also face potentially higher operating costs and capital expenditure. In addition, our development projects, particularly those in remote areas, could become less profitable, or unprofitable, if we experience a prolonged period of low oil or gas prices.

We may be unable to realize the economic benefits of our acquisition of MRPL and our efforts to integrate our exploration and production business with MRPL's refining operations.

At present, the downstream business of refining in India suffers from overcapacity. We recently entered this business by acquiring 71.6 percent of the outstanding equity shares of MRPL during 2003 at a total cost of Rs. 10,406 million. We also implemented a debt restructuring plan for MRPL during 2003. Subsequently, our Board of Directors, or Board, approved a loan of Rs. 26,000 million to MRPL, of which an aggregate principal amount of Rs. 24,000 million was disbursed and is outstanding as of February 16, 2004, which MRPL utilised to repay its outstanding restructured loans. Our Board has approved plans to acquire an additional 16.95 percent interest in MRPL from one of its other shareholders.

The success of the acquisition of MRPL will depend in part on our ability to successfully manage our business and operations as a more fully vertically integrated petroleum company. The management of MRPL, supervised by us, will be required to devote significant time and resources towards efforts to make its operations profitable. For more information about MRPL, see "Business—Refining—Mangalore Refinery and Petrochemicals Limited" on page 112 of this Preliminary Sale Document. In addition, a decline in the margins of the refined petroleum products sold by MRPL, such as motor spirit, high speed diesel, LPG cooking gas and superior kerosene, would adversely affect our consolidated results of operations. Construction of additional refineries and capacity upgrades at existing refineries continue, and are expected to further contribute to overcapacity and declining margins in the refining sector. Demand in the domestic market for downstream petroleum products has been relatively flat over the past several years. In addition, MRPL purchases most of its crude oil feedstock from two suppliers-Saudi Aramco and the National Iranian Oil Company. If these suppliers are unable to provide MRPL with its feedstock, including as a result of any economic, political or social instability in their respective countries, and we are unable to obtain it at comparable prices from alternative sources, our consolidated results of operations may be adversely affected. Our contracts with these two suppliers are one-year contracts that expire on March 31, 2004, and we expect them to be automatically renewed as of that date. If we do not succeed in making the operations of MRPL profitable, or are unable to fully realise the economic benefits of our acquisition of MRPL and its integration into our existing business, our business, results of operations and financial condition may be materially adversely affected. In addition, we may need to make further investments, which could be significant, in MRPL in order to improve its results of operations.

Potential delays in the launch of our new venture into the downstream retail marketing business, lower than anticipated market acceptance of our brand and an inability to acquire attractively situated retail outlets may prevent us from gaining market share and adversely affect our results of operations.

As part of our strategy to become a more fully vertically integrated petroleum company, we have received authorization to establish up to 1,100 retail outlets and enter the business of downstream marketing of motor spirit, also known as gasoline or petrol, and high-speed diesel. We plan to enter this business either through a wholly owned subsidiary, a joint venture with other parties, or a special purpose vehicle. In a highly competitive environment where the downstream retail business has excess capacity and sales lower than the global average, other new entrants such as Reliance and Essar may gain significant advantages by acquiring infrastructure in strategic locations and positioning their brand before we are able to do so. As of February 13, 2004, five companies, ONGC, MRPL, Reliance, Essar and Numaligarh Refineries Limited, have obtained authorizations to market motor spirit and high-speed diesel domestically, including approvals to establish, in the aggregate, over 9,500 new domestic retail outlets. In addition, an in-principle approval has been granted to Shell India Private Limited, or Shell India, to set up 2,000 retail outlets subject to fulfillment of certain conditions. In addition, the companies that are already operating in this sector, such as IOC, BPCL, HPCL and IBP, have an established network and market share, and therefore have a competitive advantage. Delays in the launch of our new business or our inability to acquire strategic infrastructure and alliances relating to resource sharing will give our competitors an advantage. The success of our venture into retail marketing will depend in part on our ability to integrate the operations of the retail marketing business into our existing business. We are substantially dependent on forming alliances with our competitors to transport products in the different geographical zones of India. We have no experience in retail marketing. We will have to establish and recruit a new marketing team to run this business. In addition, MRPL, which has received authorization to establish up to 500 retail outlets to sell motor spirit and high speed diesel, faces many or all of these same risks in connection with its potential entry into downstream marketing. We cannot assure you that either we or MRPL will be successful in this business.

The launch of a new retail marketing business requires significant capital investment, including the cost of acquiring retail outlets. It is uncertain whether and, if so, when we will be able to recoup our investment and expenditure. If market acceptance of our business is less than expected, we may suffer losses or may be unable to gain the intended economic benefits of our investments, and our results of operations may be materially adversely affected.

We encounter competition from other oil and natural gas companies in all areas of our operations, including the acquisition of licenses for exploratory prospects, and competitive pressure on our business is likely to continue.

The oil and gas industry is extremely competitive, especially with regard to exploration for, and exploitation and development of, new sources of oil and natural gas. The Government of India implemented the New Exploration Licensing Policy, or NELP, in 1999 whereby private participation in the allocation of exploration acreages was permitted through competitive bidding. In the four rounds of NELP bidding since 1999, we have been awarded a majority of the exploration blocks offered by the Government, yet we remain subject to competitive pressure. The Government of India now automatically approves 100 percent foreign equity ownership in exploration activities conducted under the NELP. This policy is aimed at encouraging foreign oil companies to invest in India. In addition, new domestic and foreign entrants, including the world oil majors, may seek to enter the exploration and production industry in India, and increased competition could adversely affect our business by limiting the number of new exploration blocks that will be available to us in the future. For example, further licensing rounds under the NELP may involve many of the large international oil companies seeking to acquire licenses for exploration through their subsidiaries and joint ventures. The companies that have been granted exploration licenses in the various rounds of the NELP include Reliance Industries Limited, Hindustan Oil Exploration Corporation, Cairn Energy and Niko Resources. For further information about the NELP, see "Regulatory Environment of Oil & Gas Industry" on page 86 of this Preliminary Sale Document.

Some of our foreign competitors are much larger, more established companies with substantially greater resources, and in many instances they have been engaged in the oil and gas business for much longer than we have. These companies may be able to bid more aggressively for exploration blocks and may be able to acquire a greater number of properties and prospects, including operatorships and licenses, in India and abroad, than we are able to acquire. For more information on the competitive environment, see "Business-Exploration and Development" on page 100 of this Preliminary Sale Document. Our ability to compete is also limited by our mandate for social responsibility as a public sector undertaking, or PSU. For more information, see "—The regulatory framework in India is evolving, and regulatory changes could have a material adverse effect on our business, results of operations and financial condition" on page 26 of this Preliminary Sale Document.

We currently benefit from a competitive advantage in relation to exporters of petroleum products to India, since import tariffs are not payable by our customers for the purchase of our products. Regulatory changes that may be introduced in order to comply with India's obligations as member of the World Trade Organization or for any other reason that would reduce import tariffs on petroleum products would increase competition from oil exporters to India and tend to reduce the selling price of our crude oil and value-added products. In addition, a relative lack of infrastructure for importing and distributing foreign natural gas has kept the import of gas at lower levels. However, both Petronet LNG and Shell India are constructing new import terminals which should increase natural gas imports. See "The Indian Oil & Gas Industry—Domestic Energy Demand" on page 77 of this Preliminary Sale Document for more information. Further, in the long term, commercially viable production of proposed substitutes for oil and gas such as fuel cells or agro-fuels may be available at cheaper prices than oil and gas, and additional expenditure on acquisition of oil and gas exploration licenses may not be commercially viable.

We also face competition in our refining business and will face significant competition in our planned downstream retail marketing business. For further details, see "—We may be unable to realise the economic benefits of our acquisition of MRPL and our efforts to integrate our exploration and production business with MRPL's refining operations" and "—Potential delays in the launch of our new venture into the downstream retail marketing business, lower than anticipated market acceptance of our brand and an inability to acquire attractively situated retail outlets may prevent us from gaining market share and adversely affect our results of operations" on page 21 of this Preliminary Sale Document.

Our development plans have significant capital expenditure requirements and, if we are unable to obtain the necessary funds for such capital expenditure in a timely manner, our business may be adversely affected.

We intend to make substantial additional investments in new projects for our expansion plans, which will require significant capital expenditure. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" on page 157of this Preliminary Sale Document. We currently plan to spend approximately Rs. 100,000 million on capital expenditure relating to the exploration and development of our domestic oil and gas properties during fiscal 2005. In addition, over the same period, we plan to spend approximately Rs. 35,000 million on capital expenditure relating to the current overseas exploration and development activities of OVL. Such projects entail exploration, engineering, technological upgrades, construction and other commercial risks, and the projects currently contemplated by us may involve significant cost overruns, may not be completed in a timely manner or at all, or may not operate as planned. In addition, we have been authorised to engage in the retail marketing of motor spirit, also known as gasoline or petrol, and high-speed diesel, a new business that will also require significant capital expenditure. If we do not have sufficient internal resources to fund our capital expenditure requirements in the future, we may need to raise funds through debt or equity financings or enter into joint ventures. If we are unable to raise these funds or enter into joint ventures in a timely manner or at all, we will be unable to implement our business plan, which may have a material adverse effect on our business, results of operations and financial condition.

In addition, specific projects contemplated by us requiring investment above Rs. 2,500 million are subject to independent technical and financial review and to formal approvals pursuant to established rules and procedures. Further, we need Government approval for all investments in joint ventures in amounts exceeding Rs. 2,000 million. OVL also needs Government approval for any proposed investments overseas in amounts exceeding Rs. 2,000 million. For further information, see "Our Promoter,

Subsidiaries and Group Companies" on page 133 of this Preliminary Sale Document. We cannot assure you that such approvals will be issued or that such projects will be implemented as currently planned. In addition, delays in obtaining any such approvals may put us at a competitive disadvantage. For further information, see "Business Strategy" on page 90 of this Preliminary Sale Document.

We may not be able to upgrade our existing technologies and to assimilate and acquire new, more advanced technologies in a timely and cost-effective manner, resulting in an adverse effect on our business and results of operations.

Many of our producing fields are maturing resource provinces and, though the technology employed has been periodically revamped, the rate at which we have adopted new technology has been lower than the rate at which technology has developed in the industry. In order to optimise production from these provinces, carry out exploration in deepwater areas, exploit non-producing basins and acquire knowledge and expertise about frontier basins, it is necessary that we adopt advanced technology rapidly and cost-effectively, and train our personnel in the operation and maintenance of such technology. If we are unable to acquire such technology in a timely manner or fail to appropriately revamp existing technology, we may not be able to fully exploit our reserves and compete effectively.

As acquisition of technology is highly capital-intensive, if such technology is not utilised in a productive and efficient manner, we may not realise the benefits we expect from such technology and our operations and profitability may be adversely affected. In addition, if we are unable to acquire new technology we may have to incur even greater expense to lease such technology than we would have incurred to acquire it. In certain areas of our operations outsourcing is more efficient and effective than in-house development and we must be able to balance our needs for in-house development vis-à-vis outsourcing and alliances with other exploration and production companies in order to benefit from their expertise.

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

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

We have taken steps to bolster our security, we interact closely with various state administrations, the navy and the army, we have instituted protective measures for the safety of personnel and installations, and we have disaster management plans in place. We have limited insurance coverage for losses arising from war, civil war, revolution, rebellion, civil strife, riot, strike, and malicious and terrorist damage. Our onshore insurance policy does not provide coverage for damage to insured properties arising out of total or partial cessation of work, or retardation, interruption or cessation of any process or operations arising from such risks. Despite these measures, we remain susceptible to security threats that may have an adverse effect on the conduct of our operations.

OVL has participating interests in assets located in Iraq, Iran, Sudan, Vietnam, Myanmar, Syria, Libya and Russia, many of which have experienced instability in the recent past, or may experience instability in the future, which may have a material adverse effect on our operations in these countries. The oil and gas industry has in the past been subjected to regulation and intervention by governments around the world, including in the regions and countries in which OVL has operations, relating to such matters as environmental protection, controls, restrictions on production, and potentially, nationalization, expropriation or cancellation of contract rights, as well as restrictions imposed by other governments on entities conducting business in such countries. In accordance with standard international practice in the industry, OVL has entered into contracts, including political risk insurance contracts, relating to its activities in its countries of operation that contain provisions intended to protect its commercial rights, and the Government of India maintains bilateral investment protection agreements with some of the countries where OVL operates. In April 2003, as a result of hostilities in Iraq, OVL requested and obtained a force majeure declaration under its contract with respect to its exploration activities in Iraq. In the event that such adverse events that are beyond our control occur in the areas of OVL's operations overseas, contractual provisions and bilateral agreements between countries may not be sufficient to safeguard OVL's interests, and its operations in those areas may be materially adversely affected.

The interests of the Government of India as our controlling shareholder may conflict with your interests as a shareholder.

Upon the completion of this offering, the Government of India will hold at least 1,056,746,305 shares, or approximately 74.1 percent, of the issued share capital of our Company. Consequently, the Government of India, acting through the Ministry of Petroleum and Natural Gas, or MoPNG, will continue to control us and will have the power to elect and remove our directors and determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with other Government-

controlled companies such as GAIL, IOC, BPCL or OIL, or the proposed assertion of claims against such companies and other public sector companies. In addition, under our Articles of Association, the President of India may issue directives with respect to the conduct of our business or our affairs for as long as we remain a Government Company under the Companies Act.

The interests of the Government may be different from our interests or the interests of our other shareholders. As a result, the Government may take actions with respect to our business that may not be in our or our other shareholders' best interests. The Government could, by exercising its powers of control, delay or defer a change of control of our Company or a change in our capital structure, delay or defer a merger, consolidation, takeover or other business combinations involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. In particular, given the importance of the petroleum industry to the economy and the mass consumption of certain petroleum products by the Indian public, the Government could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits.

We do not have any registered patents or trademarks, and failure to protect our intellectual property rights may adversely affect our business.

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

We are subject to certain contingent liabilities under Indian Accounting Standards.

As of December 31, 2003, our unconsolidated contingent liabilities not provided for under Indian Accounting Standards were as follows:

- in respect of lawsuits and other claims (other than in respect of income tax and excise disputes) that are being contested by us and the liabilities whereof are not admitted by us, in the aggregate amount of Rs. 15,902.2 million;
- guarantees executed by us in the aggregate principal amount of Rs. 133,208.4 million;
- claims against us in respect of our joint ventures in the aggregate amount of Rs. 14,946.7 million;
- in respect of various income tax appeals, liabilities whereof are not admitted by us, in the aggregate amount of Rs. 3,782.2 million;
- in respect of various excise appeals and various show-cause notices issued by excise authorities, liabilities whereof are not admitted by us, in the aggregate amount of Rs. 1,999.9 million; and
- other liabilities (including customs demands of Rs. 1,437.5 million) in the aggregate amount of Rs. 13,242.0 million.

Among our contingent liabilities are guarantees that we have provided to third parties in respect of payment and other performance obligations of our subsidiaries, OVL and MRPL, as well as Petronet LNG Limited, or PLL, in which we owned 12.5 percent of the outstanding equity shares as of December 31, 2003. We have provided guarantees in favour of various third parties in respect of obligations undertaken by OVL in the course of its overseas exploration and production activities. Under the terms of some of these guarantees, we are guarantors for payment obligations that do not have a specified maximum amount, such as the obligation to indemnify the beneficiary of the guarantee for certain losses or damages arising from the contract. As of December 31, 2003, we were also guarantors for the payment obligations of PLL to third parties in the aggregate principal amount of Rs. 3,500 million. In October and December 2003, we provided guarantees for the payment obligations of MRPL to third parties in the aggregate principal amount of US$ 190 million.

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

We are defendants in a number of legal proceedings that, if determined against us, could have a material adverse impact on our results of operations and financial condition.

We are defendants in a number of legal proceedings incidental to our business and operations. We are also subject to claims against us arising from excise and sales tax disputes and other disputed demands. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. As of December 31, 2003, our total unconsolidated contingent liabilities not provided for in our books of accounts were Rs. 183,081.4 million, out of which our unconsolidated contingent liabilities in respect of these legal proceedings and claims were Rs. 34,926.2 million.

Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have a material adverse affect on our results of operations and cash flows.

For more information regarding litigation involving our directors or us, see "Outstanding Litigation" on page 164 of this Preliminary Sale Document.

We are yet to receive or renew certain approvals or licenses required in the ordinary course of business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating certain Assets, Basins and Plants, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see "Government Approvals" on page 178 of this Preliminary Sale Document. In addition, we conduct our domestic exploration activities under petroleum exploration licenses and our domestic production activities under petroleum mining leases. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

We have several Group Companies, some of which have yielded low returns on investment. Some of these Group Companies are also loss-making, which may adversely affect our results of operations.

The following Group Companies have made losses in one or more of the last three fiscal years and the nine months ended December 31, 2003:

(Rs. in millions)

Name of the Group Company	Profit/(Loss) After Tax (Nine Months Ended December 2003)	Profit/(Loss) After Tax (Fiscal 2003)	Profit/(Loss) After Tax (Fiscal 2002)	Profit/(Loss) After Tax (Fiscal 2001)
MRPL	(917.2)	(4,118.1)	(4,924.8)	(1850.5)
ONGIO	N.A.	(15.5)	(5.0)	-

We acquired 71.6 percent of the outstanding equity shares of MRPL during 2003. Prior to our acquisition, in May 1992, MRPL issued 16% Partly Convertible Debentures and 17.5% Non Convertible Debentures in the aggregate principal amounts of Rs. 5,826.6 million and Rs. 5,600 million, respectively. MRPL failed to meet the projected estimates of profitability made in the prospectus for the issue of the debentures. The actual net profits of MRPL varied from the projected net profits as follows:

(Rs. in millions)

	Fiscal 1997		Fiscal 1998		Fiscal 1999	
	Projections	Actuals	Projections	Actuals	Projections	Actuals
Net Profits	2,097.7	905.2	799.4	283.8	2,082.6	140.6

For further information on risks relating to MRPL, see "—We may be unable to realise the economic benefits of our acquisition of MRPL and our efforts to integrate our exploration and production business with MRPL's refining operations" on page 21 of this Preliminary Sale Document.

We are the promoters of ONGIO International Private Limited, or ONGIO, along with IOC. We propose to make an application with IOC under the simplified exit scheme under Section 560 of the Companies Act to strike the name of ONGIO from the Register of Companies. ONGIO has not been engaged in any business activity since October 2003. For further information on ONGIO, see "Our Promoter, Subsidiaries and Group Companies" on page 133 of this Preliminary Sale Document.

We possess certain properties that have irregular title, as a result of which our operations may be impaired.

Several landed properties, which are either owned by us or taken on lease, suffer from one or more of the following irregularities of title:

- the conveyance deeds for the transfer of property have not yet been executed, although we have been in undisturbed possession of such property;
- the agreements to sell or conveyance deeds have not been registered at the office of the concerned Sub-Registrar of Assurances;
- lease deeds have not been executed, although we have been in undisturbed possession of such property;
- agreements to lease or lease deeds have not been registered at the office of the concerned Sub-Registrar of Assurances;
- our name has not been entered as the owner of certain properties in land records;
- land records tracing our ownership are not found at the offices of collector of certain states; or
- there exist certain disputes with respect to land and there are some encroachments in respect of which we are parties to pending litigation.

For more information regarding our properties, see "Business—Property" on page 120 of this Preliminary Sale Document.

Risks Related to the Regulatory Regime

The regulatory framework in India is evolving, and regulatory changes could have a material adverse effect on our business, results of operations and financial condition.

We are subject to regulation and supervision by the Government of India and its departments. In addition, so long as the Government of India's shareholding in our company equals or exceeds 51 percent, we will continue to be classified as a Government Company and will be subject to regulations generally applicable to public sector undertakings, or PSUs, in India. These regulations concern personnel matters, including the appointment of key management personnel and the hiring, dismissal and compensation of employees, as well as budgeting and capital expenditure. As a PSU, our mandate includes a social responsibility that may not be agreeable with our commercial objectives. For instance, the Government mandates that public sector enterprises like us give preferences to other public sector enterprises over private sector companies when they bid for our contracts.

Under the current policy of the Government of India, disputes between public sector enterprises such as our Company and Government departments, or between different public sector enterprises, must be referred to, and clearance must be obtained from, a committee of secretaries of the Government known as the Committee on Disputes, or COD, before any legal action may be commenced. The policy would apply, for example, to disputes between us and GAIL, or between us and OIL. This limits our ability to take legal action in the event of a dispute between us and another public sector enterprise or between us and the Government.

We are subject to various Indian Governmental policies, laws and regulations. In addition to its direct participation in the oil and gas exploration, development and production industry through the Ministry of Petroleum and Natural Gas and its indirect impact through environmental laws and regulations, the Government of India awards licenses for exploration, production, transportation and sale of hydrocarbons. While many Government policies, such as the administered pricing mechanism for regulating oil prices, have been liberalised, and there has been a move towards market orientation, we continue to be subject to regulated prices for gas, limitations on export of crude oil and natural gas, requirements to contribute to SKO and LPG subsidies, and requirements to contribute to the gas pool account. In addition, the Government mandates that we sell nearly all of the crude oil we produce to public sector refineries in India and that we sell nearly all the natural gas we produce to GAIL. For more information, see "Gas prices are controlled by the Government of India, which limits the profitability of our gas production business" on page 19 of this Preliminary Sale Document. Further, in the exploration licenses and mining leases in which we have an interest, the Government of India retains the ability to direct our actions in certain circumstances. Our ability to pursue our own strategy fully in relation to development, production and marketing of oil and gas and value-added products in accordance with our own commercial interests has been affected by such conditions.

Presently, the Ministry of Petroleum and Natural Gas, or MoPNG, discharges the regulatory functions relating to the petroleum industry in India. In May 2002, the Government introduced the Petroleum Regulatory Board Bill which called for the creation of a Petroleum Regulatory Board to oversee the functioning of the downstream petroleum sector in order to protect the interest of consumers, ensure uninterrupted and adequate supply of petroleum throughout India and promote competitive markets. This Bill has been later amended and renamed as the Petroleum and Natural Gas Regulatory Board Bill. As of December 31, 2003, the Bill was still awaiting enactment. The ultimate policies of the new regulatory body and the means it will use to accomplish its goals are yet to be finalised. In the future, Indian regulators, including the MoPNG and the Petroleum Regulatory Board, may adopt new policies, laws or regulations. Our business could be materially adversely affected by any unfavourable regulatory changes.

In addition, existing Indian regulations require that we apply for and obtain various Indian Government licenses and other approvals, including in some cases extensions of exploration licenses awarded under the NELP, grants of mining leases, and renewals or extensions of mining leases, in order for us to conduct our exploration, development and production activities. If in the future we are unable to obtain any such necessary approvals, our level of reserves and production would be adversely affected. For further information about regulation affecting the oil and gas exploration, development and production industry, see "Regulatory Environment of Oil & Gas Industry" on page 86 of this Preliminary Sale Document.

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

Our operations are subject to extensive laws and regulations pertaining to pollution and protection of the environment and worker health and safety. These laws and regulations govern, among other things, emissions to the air, discharges onto land and into water, maintenance of safe conditions in the workplace, the remediation of contaminated sites|, and the generation, handling, storage, transportation, treatment and disposal of waste materials. We incur, and expect to continue to incur, significant capital and operating costs to comply with these requirements, including costs to reduce air emissions and discharges to the sea and to remedy contamination at various facilities where our products or wastes have been handled or disposed. We also could incur significant costs, including cleanup costs, fines and civil and criminal sanctions, if we fail to comply with these laws and regulations or the terms of our permits. We recently entered into the refining business with our acquisition of MRPL.

Significant expenditure for environmental compliance may be required for MRPL, as refining businesses are subject to a high degree of environmental regulation. Future changes to environmental laws and regulations could cause us to incur significant additional expense or result in restrictions to our operations. For example, in April 2000, the Government imposed the Bharat Stage II emission norms (equivalent to Euro II) for fuel and vehicles. These norms currently apply to fuel sold in 11 major cities and are expected to be applicable to the whole of India by April 1, 2005. Bharat Stage III emission norms (equivalent to Euro III) are expected to be applicable to several major cities by April 1, 2005, and applicable nationwide by April 2010. Bharat Stage IV emission norms (equivalent to Euro IV) are expected to be applicable to several major cities by April 2010. We believe products of MRPL sold in areas where Bharat Stage II norms apply are compliant with these norms, and we plan to invest approximately Rs. 6,000 million by fiscal 2007 to prepare for MRPL's compliance with Bharat Stage III and Bharat Stage IV norms.

Our operations expose us to risks inherent in the use of hazardous materials, including pipeline and storage tank leaks and ruptures, explosions and releases of hazardous or toxic substances. These operating risks can cause personal injury, property damage and contamination to the environment, and may result in the shutdown of affected facilities and the imposition of penalties.

We may incur environmental liabilities in respect of our operations even for environmental damage caused by acts or omissions of our contractors. Under production-sharing contracts entered into by us with various parties, we are required to indemnify the contractors for environmental damage and related losses caused by our exploration and production operations to the extent of our participating interest in such venture, subject to limited exceptions. Also, some of our service contracts limit the contractors' liability for pollution caused by their activities. For instance, in some contracts, we are obligated to indemnify the contractor for surface damage arising out of sub-surface damage caused by the personnel or equipment of the contractor irrespective of the cause for the damage, subject to limited exceptions. In certain works contracts for offshore exploration projects such as Mumbai High, the contractor's liability for offshore pollution is limited to a specified amount, and we are liable to indemnify the contractor for losses in excess of such limit. Our insurance coverage does not cover all potential liabilities that may arise as a result of environmental damage caused by contractors, our joint venture partners or by us and this may result in a material adverse impact on our results of operations. For example, our insurance policy in respect of our domestic onshore exploration and production operations does not cover liabilities arising from pollution or contamination. For further information on environmental regulations in India, see "Regulatory Environment of Oil & Gas Industry" on page 86 of this Preliminary Sale Document.

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

We operate primarily in India and through our subsidiary, OVL, in eight other countries around the world, and any of these countries, including India, could modify its tax or royalty laws in ways that would adversely affect us. Tax and royalty rates affecting the oil exploration and production industry tend to change in correlation to prices of crude oil. Significant changes in the tax or royalty regimes of India and other countries in which we operate could have a material adverse affect on our liquidity and results of operations.

The tax regime applicable to us in respect of fields awarded to us by the Government of India on nomination basis is subject to change. For example, oil industry development cess, or OID cess, is payable under the Oil Industry (Development) Act, 1974, and the rate of such cess could be increased by the Government. The rate of OID cess was increased from Rs. 900 per metric ton to Rs. 1,800 per metric ton effective March 1, 2002. This was concomitant with the increase in international crude oil prices, thus not allowing us to benefit fully from the deregulation of oil prices in India and the increase in international oil prices.

Royalty payable in respect of crude oil and natural gas under the Oilfield (Regulations and Development) Act, 1948, or the ORD Act, can also be increased by the Government by amending the schedule to this Act by issuing a notification. However, the ORD Act prevents the Government from raising the rate of royalty above 20 percent of the wellhead value in the case of crude oil production and natural gas production. As of December 31, 2003, the royalty rate for crude oil production was 20 percent for onshore production and 10 percent for offshore production, while the royalty rate for natural gas production was 10 percent. For deep-water production of oil and natural gas, the royalty rate as of the same date was 50 percent of the offshore rate for the first seven years from the date of commencement of commercial production. The Government has the ability to increase the rate of royalty for offshore production of crude oil and natural gas up to the limits prescribed by the ORD Act by issuing a notification, without amending the ORD Act. It can also increase the prescribed limits by amending the ORD Act by an act of Parliament.

Under most of the pre-NELP production-sharing contracts awarded by the Government of India in respect of exploratory areas for which we hold PELs, we had the option to take an initial participating interest (and contributed investment) of up to 10 percent during the exploration phase. Following any commercial discovery, we have the option, without incurring the cost of past exploration activities, to increase our participating interest (and contributed investment) by up to an additional 30 percent, which would allow us to obtain an aggregate stake of as much as 40 percent. However, under such contracts, and regardless of whether we take such an initial or subsequent participating interest in the contract, we are required to make royalty and cess payments in respect of the entire production from the area. This means we must make royalty and cess payments in respect of not only our own share of production but the participating interest of other participants as well. Large amounts of such statutory levies payable by us in connection with these contracts may have an adverse affect on our results of operations.

In India, we utilise various tax deductions as well as fiscal benefits, including certain tax holidays. For more information, see "Statement of Tax Benefits" in Annexure K to the "Unconsolidated Financial Statements" on page 237 of this Preliminary Sale Document. Future changes in the tax provisions applicable to us could have a material adverse impact on our results of operations and financial condition.

External Risk Factors

Our performance is linked to the performance of the Indian economy and the oil and gas industry in India.

During the ten-year period ended March 31, 2003, the compounded annual growth rate, or CAGR, for consumption of petroleum products in India as well as Indian GDP was approximately six percent. However, growth in energy consumption has tended to lag behind GDP growth over the latter half of this period due to several factors, including increased oil prices and price volatility and, perhaps most significantly, the fact that the expansion in the Indian economy has been disproportionately concentrated in the services sector rather than in more energy-intensive sectors such as heavy industry and agriculture. In addition, if consumer demand softens or interest rates increase, the performance of the financial markets in India may be adversely affected and the market price of our equity shares on the Indian stock exchanges may decline.

After the Offer, the price of our equity shares may be highly volatile and may fluctuate significantly due to many factors, including variations in our operations and changes to the regulatory environment.

The prices of our equity shares on the Indian stock exchanges have fluctuated in the past and may continue to fluctuate after the Offer as a result of several factors, including:

- volatility in the Indian and global securities markets;
- our results of operations and performance in terms of market share;
- changes in factors affecting general market valuations of companies in the oil and gas industry, including changes in the price of oil and gas;
- announcements by us or others of significant new oil and gas discoveries, technological developments, contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- the performance of our competitors, the Indian oil and gas industry, and the perception in the market about investments in the oil and gas sector;
- media reports about the Government of India's process of selling a part of its stake in us and other companies in which the Government of India has an equity participation;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal and environmental regulations; and
- significant developments in India's oil and gas policy, specifically proposals relating to the deregulation of gas prices.

Prior to the Offer, the Government of India held 84.1 percent of our outstanding equity shares, and GAIL and IOC held, in the aggregate, an additional 12.0 percent of our outstanding equity shares. Consequently, only 3.9 percent of our outstanding equity shares have been subject to active trading on the Indian stock exchanges and trading volumes have been limited. Following the Offer, the proportion of our equity shares subject to active trading on the Indian stock exchanges will increase to 13.9 percent. We cannot assure you of the manner and extent to which an active trading market for our equity shares will develop or be sustained after the Offer, or that the Offer Price or the price at which our equity shares are initially traded will correspond to the prices at which our equity shares will trade in the market subsequent to the Offer. After the Offer, our existing large shareholders, including the Government of India, GAIL and IOC, will continue to hold a substantial number of equity shares in our company. After the completion of the Offer, the Government, GAIL and IOC will collectively hold at least 86.1 percent, or an aggregate of at least 1,228,080,531, of the outstanding equity shares in our Company.

Each of the Government of India, GAIL and IOC has undertaken not to sell or otherwise dispose of any of our equity shares or any securities related to our equity shares held by them for a period of six months from the date of transfer of Equity Shares pursuant to the Offer. In the event any of these entities sell their equity shares in our Company on the secondary market after this six-month lock-in period, there is likely to be an increase in the number of equity shares available for trading in the market, which may result in a decline in the market price of our shares. In addition, the price at which these entities may be willing to sell some or all of their equity stake in our company is not known, and it may be lower than the then prevailing market price. The perception that such sales may occur may also adversely affect the market price of our equity shares. Further, following the concurrent public offerings by the Government of equity shares in other companies in the petroleum industry such as GAIL, IBP and IPCL, there will be a significant increase in the number of shares of petroleum-related companies actively traded on the Indian stock exchanges, which may also adversely affect the market price of our equity shares.

You will not receive the Equity Shares you purchase in this Offer until several days after you pay for them, which will subject you to market risk.

The Equity Shares you purchase in this Offer will not be credited to your demat account with depository participants until approximately fifteen working days from the Bid Closing Date. You can start trading your Equity Shares only after they have been credited to your demat account. Since our equity shares are already traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are credited to your demat account. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time period specified above.

Any future equity offerings by us may lead to dilution of your shareholding in us or adversely affect the market price of our equity shares.

If we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through a debt or equity financing. As a purchaser of our Equity Shares in this offering, you may experience dilution to your shareholding to the extent that we conduct future equity offerings. In that regard, we have undertaken not to issue, offer or repurchase any of our equity shares or any securities convertible into, exchangeable or exercisable for our equity shares (including our warrants), or any option on our share capital, for a period of six months from the date of transfer of Equity Shares proposed to be sold pursuant to the Offer.

We are subject to risks arising from exchange rate fluctuations.

The international price of crude oil and value-added products, which account for the substantial majority of our sales revenues, is denominated in U.S. Dollars. Most of our expenditure, as well as our accounts as a whole, are denominated in Indian Rupees. In addition, most of the revenues and expenditure of OVL are denominated in U.S. Dollars, while its accounts are denominated in Indian Rupees. As a result, fluctuations in foreign exchange rates, in particular the exchange rate of U.S. Dollars for Indian Rupees, may materially affect our revenues and results of operations. We do not currently hedge our foreign currency exchange rate exposure. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Our Results of Operations" on page 144 of this Preliminary Sale Document.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of customer confidence, and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Mumbai on August 25, 2003, and Bali on October 12, 2002, and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition.

More generally, any of these events could adversely affect fuel prices, cause consumer spending to decrease, cause increased volatility in the financial markets and have an adverse impact on the economies of India and other countries, including economic recession.

Notes To Risk Factors

1. The average cost of acquisition of equity shares held by the Selling Shareholder: 34,28,53,716 shares were allotted to the Government of India on March 1, 1994 on the transfer of the undertaking from the Oil and Natural Gas Commission pursuant to the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993. Further, on August 21, 1995, 1,03,48,69,915 shares were allotted as Bonus shares to the Government of India by way of capitalization of reserves.
2. The book value per equity share as of December 31, 2003 was Rs. 293.12.
3. ONGC's net worth as of December 31, 2003 was Rs. 417,975.35 million.
4. The present offer is an Offer of Sale of up to 142,593,300 Equity Shares at a price of Rs. [●] each for cash aggregating Rs. [●].
5. Investors may note that, in case of over-subscription in the Offer, allocation to reservations for shareholders of ONGC and MRPL, reservations for Permanent Employees/Whole-Time Directors of the Company, Non-institutional Bidders and Retail Individual Bidders will be on a proportionate basis. For more information, see "Basis of Allocation" on page 41 of this Preliminary Sale Document.
6. The investors may contact the BRLMs for any clarifications or information pertaining to the Offer.
7. Investors are advised to refer to the paragraph entitled "Basis for Offer Price" on page 72 of this Preliminary Sale Document.
8. For related party transaction information as per Accounting Standard (AS-18) on "Related Party Disclosures", see Annexure I to "Unconsolidated Financial Statements" on page 233 of this Preliminary Sale Document.

SUMMARY OF THE BUSINESS OF THE COMPANY

You should read the following summary with "Risk Factors as Perceived by the Company" on page 17 of this Preliminary Sale Document and the more detailed information about us and our financial statements included elsewhere in this Preliminary Sale Document.

We are the largest oil and gas company in India as measured by total proved reserves and production. In terms of revenue and assets, we ranked sixth and tenth, respectively, in the world for oil and gas exploration and production companies for 2002, the most recent period for which comparative data are available *(Source: 3rd Platts - Energy Business Technology (EBT) Survey - 2004).* We engage primarily in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore. As of April 1, 2003, our domestic proved crude oil reserves of approximately 3,306 million barrels and our domestic proved natural gas reserves of approximately 366.0 billion cubic meters represented 83.1 percent and 79.0 percent of the total proved crude oil and natural gas reserves, respectively, in India *(Source: BP Statistical Review of World Energy (52nd Ed.), based on Indian reserves estimates for 2002 by Oil & Gas Journal).* The majority of our reserves are located offshore. For the year ended March 31, 2003, our domestic production amounted to approximately 206.8 million barrels of oil and approximately 26.0 billion cubic meters of natural gas, representing an average production of approximately 566,586 barrels of oil and 71.2 million cubic meters of natural gas per day. Our domestic production amounted to approximately 83.6 percent and 84.1 percent of India's total production of crude oil and natural gas, respectively, for this period *(Source: Directorate General of Hydrocarbons)*. For the nine months ended December 31, 2003, our domestic production amounted to approximately 154.8 million barrels of oil and approximately 19.5 billion cubic meters of natural gas, representing an average production of approximately 563,046 barrels of oil and 70.8 million cubic meters of natural gas per day.

We also engage in the exploration, development and production of crude oil and natural gas in eight foreign countries through our wholly owned subsidiary ONGC Videsh Limited, or OVL. Our estimated international proved reserves as of April 1, 2003 totalled approximately 673.0 million barrels of crude oil and approximately 97.0 billion cubic meters of natural gas, respectively. For the nine months ended December 31, 2003, our international production amounted to approximately 18.17 million barrels of oil and approximately 0.34 billion cubic meters of natural gas, representing an average production of approximately 66,098 barrels of oil and 1.22 million cubic meters of natural gas per day.

We conduct our exploration, development and production activities through our independent operations as well as, to a lesser extent, through joint ventures and production-sharing contracts with other domestic oil companies and foreign partners such as ExxonMobil, British Petroleum, China National Petroleum Company, Petronas, Cairn Energy and British Gas. We process a portion of our crude oil and natural gas output into petroleum products such as liquefied petroleum gas, naphtha, kerosene, ethane-propane and diesel.

Through our majority-owned subsidiary Mangalore Refinery and Petrochemicals Limited, or MRPL, we are a significant domestic refiner of crude oil, using feedstock supplied from our own production as well as from foreign producers. In addition, we have received authorization to establish up to 1,100 retail outlets to market motor spirit (also referred to as gasoline or petrol) and diesel in India and MRPL has likewise received authorization to establish up to 500 retail outlets in India.

Our initial exploration and development activities began in the Himalayan foothills and large-scale exploration, development and production commenced with the discovery of significant oil fields in the Indian states of Gujarat and Assam in the late 1950s and 1960s. We began offshore exploration in 1964 and discovered the large Mumbai High oil field in 1974, which was followed by the discovery of additional significant oil and natural gas fields off the western coast of India from 1977 to 1984. More recently, we have expanded our activities to exploitation of relatively unexplored basins in India, including deep-water regions in India's offshore exclusive economic zone, and exploration, development and production activities in eight foreign countries.

Competitive Strengths

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

Large proved reserves of high-quality crude oil and natural gas, with significant exploitation opportunities. We have the highest proved reserves in India of any oil and gas company, which provide us with a more abundant and stable, long-term production base relative to our major competitors. Based on our production for fiscal 2003 and our proved developed reserves as of April 1, 2003, our ratios of proved developed reserves to production for domestic crude oil and natural gas were approximately 16.0 years and 14.1 years, respectively. In addition to our extensive domestic proved reserves, we also have significant proved reserves of crude oil and natural gas in foreign countries. As of April 1, 2003, proved developed reserves accounted for 67.3 percent and 60.8 percent, respectively, of our total global proved crude oil and natural gas reserves. All of our crude oil reserves are comprised of sweet crude, with a significant majority in the form of light sweet crude, varieties that yield a higher proportion of higher-value light and middle distillates. The majority of our natural gas reserves consist of gas with a high calorific content.

Extensive crude oil and natural gas exploration, development, production, refining, and gas processing and fractionation experience. Over the nearly five decades since our inception, we have amassed substantial exploration, development and production expertise, in particular with respect to the geological conditions in India. We believe that we have accumulated an

extensive collection of raw and proprietary geological data on offshore and onshore regions in India, and that this knowledge and database represent an advantage over other foreign and domestic oil and gas companies seeking to compete with us in India for exploration licenses, in production and in other areas. In addition, this advantage makes us more attractive to prospective joint ventures and production-sharing partners, which further improves our ability to pursue domestic exploration, development and production opportunities, and to obtain access to advanced technologies and techniques. We also benefit from a highly skilled workforce and a senior management team with extensive industry experience. We have historically been a technology leader in our domestic market. For example, we were a pioneer in introducing natural gas processing and fractionation technology to India. We devote significant resources to in-house research and development to improve our knowledge and database, industry expertise and use of advanced technology, and in particular to develop enhanced recovery and other exploration and development techniques and to improve the efficiency of our production operations.

Sizeable exploration area. Our independent domestic exploration licenses cover a total area of approximately 680,800 square kilometers, representing a majority of the total area licensed for exploration in India. In addition, we are members of production-sharing consortia with exploration contracts covering 75,000 square kilometers in foreign countries. Since the establishment of the New Exploration Licensing Policy, or NELP, by the Indian Government in 1999, we have been awarded approximately 50 percent of the total number of blocks granted under that program. We also have an extensive amount of proved undeveloped oil and natural gas reserves and a considerable area of underexplored sedimentary basins. With the significant financial resources afforded by our results from operations and our low debt levels, we believe that we are well positioned financially to exploit these exploration opportunities.

Significant exploration, production, refining, gas processing and fractionation, transportation and storage infrastructure. We have an extensive installed infrastructure of drilling and workover rigs, onshore and offshore production facilities, well stimulation services, subsea and land pipelines, gas processing and fractionation facilities, refineries, exploration and transport vessels, storage facilities and other infrastructure located throughout the main oil- and gas-producing regions of India, which we believe provides us with an advantage over our existing principal competitors in India as well as new entrants into the upstream and refining sectors of India's oil and gas market. In addition, this installed base provides us with competitive advantages in leveraging our existing operations into retail and other downstream sectors of the Indian petroleum markets.

Attractive cost structure. Our average finding costs and all-in production costs benefit from our low manpower costs, lack of net interest expense, relatively high use of in-house services in place of more expensive third-party contractors, utilization of depreciated infrastructure and equipment, adoption of cost-saving technology in our exploration and production operations, and effective use of our large store of geological data and expertise. We believe that our cost structure allows us to compete effectively even in an environment of low crude oil prices.

Strong research and development and training network. Our prospects for success are dependent on our access to advanced technologies and expertise. Overcoming the challenges of operating in a diverse range of environmental and geographical conditions and in highly competitive markets requires ongoing upgrades of existing technology and developing and adopting new and improved technology in exploration, development, production, refining and other areas of our business. Our research and development, or R&D, institutes form an integral part of our business and are instrumental in providing much of the technological and analytical support and scientific, engineering and technical know-how that are critical to our success. Likewise, our affiliated training institutes provide educational services and skills training crucial to effectively developing our human resources and maintaining our competitive edge.

Strategy

In pursuit of our strategic objectives, we intend to:

Increase our domestic exploration and development efforts. We intend to intensify our exploration and development efforts, primarily through a significant expansion of our deep-water exploration activities, with the goal of substantially increasing our hydrocarbon reserves. We have embarked on a major initiative, the Deep-Water Campaign, or "Sagar Sammriddhi", in which we plan to spend approximately Rs. 44,862 million (US$986.0 million) through fiscal 2007 to explore and develop the deep-water acreage granted to us under the NELP. The Deep-Water Campaign involves the deployment of three advanced deep-water drilling ships and the involvement of international consultants for geological and geophysical studies and deep-water drilling, technology, testing and completion services. In addition to our deep-water program, we intend to increase our efforts to explore existing shallow-water offshore basins as well as explored and unexplored onshore basins.

Improve our oil and gas recovery and gas utilization levels. We intend to implement a number of advanced recovery technologies to redevelop our maturing fields and improve recovery of our crude oil reserves, with a goal of substantially increasing our current average recovery rates. These measures include the greater use of extended-reach horizontal drilling, side tracks, in-fill drilling, water injection and other advanced techniques, as well as technologies using chemical and thermal methods to enhance oil recovery. We plan to spend approximately Rs. 95,710 million (US$2,103.5 million) on oil field redevelopment programs and improved and enhanced oil recovery projects through fiscal 2007. Of this amount, we plan to spend approximately Rs. 78.8 billion (US$1.7 billion) during this period on the redevelopment of Mumbai High, our largest producing oilfield. In addition, we intend to improve our utilization of natural gas by reducing gas flaring, with the goal of eliminating gas flaring at our

independent production facilities by the end of fiscal 2005, principally through the implementation of advanced technology and techniques and the upgrading and expansion of our distribution network. For the nine months ended December 31, 2003, approximately 3.3 percent of our offshore production and 4.3 percent of our onshore production of natural gas was lost to gas flaring. During this period, our Heera facility has become our first offshore platform to completely eliminate losses from gas flaring.

Increase our international production. We intend to increase and diversify our production by significantly expanding our international output of crude oil and natural gas. To meet this goal, we plan to exploit our existing overseas exploration and production acreages, pursue attractive opportunities to acquire or obtain participation interests in additional producing assets, and obtain exploration and development concessions in promising overseas locations. In addition to our current international producing assets in Vietnam and Sudan, the Sakhalin-1 project in the Russian Far East is scheduled to begin production in the near future. We intend to conduct intensive exploration of our existing block in Myanmar, where we have recently discovered natural gas deposits, as well as our blocks in Iran, Iraq, Libya and Syria. We continue to identify additional areas in these and other foreign countries to pursue attractive exploration and production opportunities. In those geographic areas where we have limited experience and expertise, we intend to structure our investments as joint ventures, alliances or partnerships with entities possessing relevant experience and expertise.

Diversify our operations through downstream integration. We intend to pursue a strategy of vertical integration in order to diversify our sources of revenue, currently concentrated in oil and gas production, into downstream sectors such as refining, processing, distribution and retailing, and to improve our profitability by extending our operations into higher-margin segments of the product value chain. We have implemented this strategy to date through several important investments. Over the course of 2003, we acquired a 71.6 percent majority shareholding in MRPL, a major domestic refiner, and we invested Rs. 383.4 million towards acquiring a 23.0 percent equity interest in Petronet MHB Limited, the owner and operator of the Mangalore-Hassan-Bangalore pipeline. We also invested Rs. 1,000 million towards acquiring a 12.5 percent equity interest in Petronet LNG Ltd., a joint venture formed by us and three other domestic oil and gas companies to build and operate a major new liquefied natural gas, or LNG, import terminal at the port of Dahej in the Indian state of Gujarat. In addition, we have made and are planning to make additional investments in various natural gas value-extraction projects, including a planned ethane-propane recovery plant at Dahej. We have recently obtained authorization to establish up to 1,100 domestic retail outlets and MRPL has likewise received authorization to establish up to 500 domestic retail outlets. We intend to seek and develop additional vertical integration opportunities as they arise.

SUMMARY FINANCIAL DATA OF THE COMPANY

You should read the following summary financial data together with our restated unconsolidated financial statements for each of the fiscal years ended March 31, 1999, 2000, 2001, 2002 and 2003 and the nine months ended December 31, 2003, including the notes thereto and the reports thereon and "Management's Discussion and Analysis of Financial Condition and Results of Operations", which appear elsewhere in this Preliminary Sale Document. Our unconsolidated financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines and restated as described in the report of our statutory auditors dated February 10, 2004, which is included in this Preliminary Sale Document under "Unconsolidated Financial Statements". Indian GAAP differs in certain significant respects from US GAAP. The results of operations of our activities in MRPL, OVL and ONGBV are not included in our unconsolidated financial statements or in the below summary financial data. For information on our consolidated financial statements for the fiscal years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, see "Consolidated Financial Statements" on page 267 of this Preliminary Sale Document. For more information, see the section entitled "Presentation of Financial and Reserve Information of the Company" on page 13 of this Preliminary Sale Document.

I. Summary of Profit and Loss Account, As Restated

(Rs. in millions)

	Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine Months ended December 31, 2003
Income						
Sales	147,492.04	199,826.23	231,790.97	228,371.82	346,907.37	240,518.41
Pipeline Transportation Income	2,135.90	1,109.44	4,612.18	3,965.88	477.57	13.91
	149,627.94	**200,935.67**	**236,403.15**	**232,337.70**	**347,384.94**	**240,532.32**
Other Income	10,618.35	10,559.53	15,309.55	16,334.66	19,460.03	10,457.79
Increase/(Decrease) in stock	1.86	152.06	447.07	2.25	211.33	(164.55)
Total	**160,248.15**	**211,647.26**	**252,159.77**	**248,674.61**	**367,056.30**	**250,825.56**
Expenditure						
Production, Transportation, Selling and Distribution Expenditure						
i) Statutory Levies	46,676.40	51,652.32	55,515.22	59,743.31	92,333.15	66,019.39
ii) Consumption of Stores and Spares	2,024.73	2,006.93	2,424.45	2,108.04	1,846.47	1,480.13
iii) Staff Expenditure	3,415.52	7,001.52	8,381.66	6,835.99	9,876.19	6,513.89
iv) Other Expenses	25,272.36	37,280.96	38,451.26	37,315.29	38,517.78	31,813.50
Recouped Costs (Depreciation, depletion and amortisation)	31,918.05	42,522.89	44,532.77	38,054.06	41,272.56	39,054.53
Interest and Exchange Fluctuation	14,204.26	9,545.56	5,233.94	2,847.40	1,465.90	215.48
Provisions & Write-offs (Net)	927.69	2,286.09	6,058.38	3,273.72	20,912.34	563.58
Total	**124,439.01**	**152,296.27**	**160,597.68**	**150,177.81**	**206,224.39**	**145,660.50**
Profit before tax and Prior Period Adjustments	**35,809.14**	**59,350.99**	**91,562.09**	**98,496.80**	**160,831.91**	**105,165.06**
Adjustments relating to Prior Period (Net)	(62.67)	(46.59)	6.36	55.41	406.46	357.61
Profit before Tax	**35,746.47**	**59,304.40**	**91,568.45**	**98,552.21**	**161,238.37**	**105,522.67**
Provision for Taxation						
Current tax	8,201.50	23,304.00	39,178.50	31,012.00	58,850.00	37,862.00
Earlier years	-	(294.30)	102.17	-	(1,782.72)	(139.54)
Deferred tax	-	-	-	5,561.50	(1,122.13)	1,093.16
Net Profit after tax as per audited statement of accounts (A)	**27,544.97**	**36,294.70**	**52,287.78**	**61,978.71**	**105,293.22**	**66,707.05**
Adjustment on account of changes in accounting policies [Refer Note IVB(1)(i)]	(13,979.72)	(1,223.88)	6,954.81	(1,998.17)	8,415.21	167.31
Impact of material adjustment [Refer and prior period items Note IVB(1)(ii)]	(1,616.78)	(3,754.50)	(5,420.66)	(4,290.20)	(3,735.17)	(1,234.70)
Total Adjustments (B)	**(15,596.50)**	**(4,978.38)**	**1,534.15**	**(6,288.37)**	**4,680.04**	**(1,067.39)**
Adjusted Profit (A+B)	**11,948.47**	**31,316.32**	**53,821.93**	**55,690.34**	**109,973.26**	**65,639.66**

II. Summary of Assets and Liabilities, As Restated

(Rs. in millions)

		March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	December 31, 2003
A.	Fixed assets	70,892.07	62,217.57	58,892.77	56,007.93	53,928.27	50,363.02
B.	Capital Works in Progress	16,683.53	9,756.70	7,282.95	6,903.15	9,329.45	11,434.89
C.	Producing Properties (Net of Depletion)	216,441.99	226,763.11	228,272.40	230,950.46	230,777.25	228,190.46
D.	Exploratory & Development Wells in progress	11,480.67	11,731.05	8,321.38	8,825.24	10,343.82	10,856.72
E.	Investments	27,114.68	22,857.22	23,607.22	33,231.77	39,825.91	41,306.37
F.	Deferred Tax Assets	6,807.27	13,826.10	14,763.11	13,618.37	10,701.01	31,760.47
G.	Current Assets, Loans and Advances	115,959.20	134,782.60	150,155.49	182,761.27	217,413.00	258,647.69
H.	Liabilities and Provisions	266,039.71	261,916.28	235,633.74	241,375.27	215,752.16	214,584.27
I.	**Net worth (A+B+C+D+E+F+G-H)**	**199,339.70**	**220,018.07**	**255,661.58**	**290,922.92**	**356,566.55**	**417,975.35**
	Net worth Represented By						
J.	Share Capital	14,259.27	14,259.27	14,259.27	14,259.27	14,259.27	14,259.30
K.	Reserves and Surplus	185,856.85	206,492.93	243,037.48	278,767.07	343,614.95	409,258.33
L.	Less Miscellaneous Expenditure (to the extent not written off)	776.42	734.13	1,635.17	2,103.42	1,307.67	5,542.28
M.	**Net Worth (J+K-L)**	**199,339.70**	**220,018.07**	**255,661.58**	**290,922.92**	**356,566.55**	**417,975.35**

U.S. Dollar Translation

The following tables show, for convenience purposes only, the U.S. Dollar translation of certain financial data as of March 31, 2003 and for the fiscal year then ended and as of December 31, 2003 and for the nine months then ended.

The convenience translation of the profit and loss data is based on the average of the daily noon buying rate in the City of New York for each day in the applicable period. The average rate used for the profit and loss data for fiscal 2003 and the nine months ended December 31, 2003 is Rs. 48.43 and Rs. 46.20, respectively, to one U.S. Dollar.

The convenience translation of the assets and liabilities data is based on the noon buying rate in the City of New York on the last business day of the applicable period. The rate used for the assets and liabilities data as of March 31, 2003 and December 31, 2003 was Rs. 47.53 and Rs. 45.55, respectively, to one U.S. Dollar.

Also see "Currency of Presentation" on page 16 of this Preliminary Sale Document.

(U.S. Dollars in millions)

Profit and Loss Data	**Fiscal 2003**	**Nine Months ended December 31, 2003**
Sales	7,163.1	5,206.0
Total Income	7,579.1	5,429.1
Total Expenditure	4,258.2	3,152.8
Profit before Tax	3,320.9	2,284.0
Net Profit after Tax as per audited statement of accounts	2,174.1	1,443.9
Adjusted Profit	2,270.8	1,420.8

Assets and Liabilities Data	**March 31, 2003**	**December 31, 2003**
Fixed Assets	1,134.6	1,105.7
Investments	837.9	906.8
Current Assets, Loans and Advances	4,574.2	5,678.3
Liabilities and Provisions	4,539.3	4,711.0
Share Capital	300.0	313.0
Reserves and Surplus	7,229.4	8,984.8
Net Worth	**7,501.9**	**9,176.2**

SUMMARY RESERVES AND PRODUCTION DATA OF THE COMPANY

In this Preliminary Sale Document, we report gross proved reserves. Our gross proved reserves consist of our percentage interest in total reserves, which in turn consists of our 100 percent interest in our independent oil and gas properties and our percentage interest in joint ventures and production-sharing contracts, and do not include any adjustments for royalties, cess, taxes or other amounts payable by us. Production is calculated in the same manner as gross proved reserves.

In calculating our domestic proved reserves, we use internally-developed definitions that are based in large part on international standards promulgated from March 1995 by the Society of Petroleum Engineers and the World Petroleum Congresses. These standards differ in certain material respects from standards applied by the United States Securities and Exchange Commission.

At our request, DeGolyer and MacNaughton, independent petroleum engineering consultants, carried out an audit of certain of our reserves as of April 1, 2002. None of the reserve information as of April 1, 2002 appearing with respect to our other reserves is covered by the report of DeGolyer and MacNaughton or has been subject to an audit on our behalf. Likewise, none of the reserve information as of April 1, 2003 or April 1, 2001 is covered by the report of DeGolyer and MacNaughton or has been subject to an audit on our behalf. All of our estimates of international proved reserves have been provided to us by our international joint venture partners based on international standards that may be different than those used by us. For more information, see “Business—Crude Oil and Natural Gas Reserves” on page 91 of this Preliminary Sale Document.

The following table provides certain summary information about our reserves as of April 1, 2001, 2002 and 2003. All reserves amounts are given in proportion to our actual shareholding in non-wholly owned subsidiaries, equity basis companies and joint ventures.

	Proved Reserves as at April, 1		
	2001	**2002**	**2003**
Domestic			
- Crude Oil (mmbbls)	3,340	3,436	3,306
- Natural Gas (bcm)	387	379	366
International			
- Crude Oil (mmbbls)	0	346	673
- Natural Gas (bcm)	0	76	97
Total			
- Crude Oil (mmbbls)	**3,340**	**3,782**	**3,979**
- Natural Gas (bcm)	**387**	**455**	**463**

The following tables present summary production information for the periods indicated.

	Year ended March 31,			Nine Months ended December 31,
	2001	**2002**	**2003**	**2003**
Crude Oil Production (mmbls)				
Domestic-Offshore	136.46	132.45	143.47	107.46
Domestic-Onshore	63.21	64.76	63.34	47.37
International (Offshore & Onshore)(1)	—	—	1.34	18.17
Total	**199.67**	**197.21**	**208.15**	**173.00**

(1) OVL crude oil production commenced March 12, 2003.

	Year ended March 31,			Nine Months ended December 31,
	2001	**2002**	**2003**	**2003**
Natural Gas Production (bcm)				
Domestic-Offshore	19.78	19.80	20.13	15.04
Domestic-Onshore	5.56	5.61	5.87	4.42
International (Offshore & Onshore) (1)	—	—	0.07	0.34
Total	**25.34**	**25.42**	**26.07**	**19.80**

(1) OVL natural gas production commenced January 21, 2003.

THE OFFER

The allocation pattern as decided by the Selling Shareholder is as follows:

Equity Shares offered:	
Offer for Sale by the Selling Shareholders	**Up to 142,593,300 Equity Shares**
Of which*:	
Reserved for Permanent Employees/ Whole-time Directors of the Company[1]	Up to 14,259,330 Equity Shares[2]
And	
Reserved for the shareholders of the Company (Other than the President of India, IOC and GAIL) and MRPL (Other than ONGC and HPCL)[1]	Up to 14,259,330 Equity Shares[2]
There after,	
Net Offer to the Public	**Up to 114,074,640 Equity Shares**
Of which:	
Qualified Institutional Buyers portion	Up to 57,037,320 Equity Shares *(Allocation on a discretionary basis)*
Non-Institutional portion.	Not less than 28,518,660 Equity Shares *(Allocation on a proportionate basis)*
Retail portion	Not less than 28,518,660 Equity Shares *(Allocation on a proportionate basis)*
Equity Shares outstanding prior to the Offer	**1,425,933,992 Equity Shares**
Equity Shares outstanding after the Offer[3]	**1,425,933,992 Equity Shares**
Use of Proceeds	The Company will not receive any proceeds from this Offer, being an Offer for Sale

1 *In case of over subscription in these categories, the allocation would be on a proportionate basis. For more information, see "Basis of Allocation" on page [•] of this Preliminary Sale Document.*

2 *Any part of the shares reserved for the Permanent Employees / Whole-time Directors and for shareholders of the Company (excluding the President of India, IOC and GAIL); and shareholders of MRPL (excluding ONGC and HPCL) that remain unsubscribed will be added to the shares offered to Non Institutional and Retail Individual Bidders in equal ratio.*

3 *As this is an Offer for Sale, there will be no change in the number of Equity Shares outstanding subsequent to this Offer as a result of the sale of Equity Shares pursuant to the Offer.*

---

* All references to number of Equity Shares in this table and elsewhere in this Preliminary Sale Document in respect of the Offer are on the basis of the Offer being for 142,593,300 Equity Shares. In the event that the final size of the Offer is diffferent from 142,593,300 Equity Shares, the number of Equity Shares in all other categories will be calculated in the same proportion as they bear to 142,593,300.

SECTION II: OFFER FOR SALE BY SELLING SHAREHOLDER

GENERAL INFORMATION

Authority for the Offer

As per the letter no. G-34015/3/2003 FIN-II, dated December 26, 2003 from the MOPNG to ONGC, the Government of India has approved the disinvestment in ONGC by the Selling Shareholder by way of the Offer of its shareholding in the domestic market. The MoPNG, acting for and on behalf of the President of India, has been authorised to offer up to 142,593,300 Equity Shares of Rs.10 each.

As per the letter no. 4/7/2004/DD-II dated February 6, 2004 and the letter no. 4(45)/2003-MODI dated February 12, 2004, from the Ministry of Disinvestment, the Government of India, the Government has voluntarily decided to substantially adopt the procedure for the 100 percent Book Building Process as specified under the SEBI Guidelines. Further, the process, procedure and practices, which are generally followed in the 100% Book Building Process, save for deviations specified in the above-mentioned letters will be adopted.

The Company has also noted the Offer and appointed a Committee of Directors for this Offer through its Board resolution dated December 29, 2003. The Committee of Directors has approved and certified the contents of the Preliminary Sale Document through a resolution dated February 12, 2004.

The Offer is for up to 142,593,300 Equity Shares of Rs. 10 each at a price of Rs. [●] each for cash aggregating Rs. [●] million (hereinafter referred to as the "offer"). The Offer constitutes up to 10 percent of the total paid-up capital of the Company.

The Selling Shareholder has good and clear title to the Equity Shares forming part of this Offer and the Equity Shares are free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever. There are no legal or regulatory restrictions on the Selling Shareholder undertaking this Offer.

SEBI DISCLAIMER

THE EQUITY SHARES OFFERED UNDER THIS OFFER BEING ALREADY LISTED ON THE STOCK EXCHANGES, THE SEBI GUIDELINES FOR PUBLIC ISSUES/OFFERS ARE NOT APPLICABLE TO THIS SALE OFFER BY THE SELLING SHAREHOLDER. THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION DECIDED TO FOLLOW THE PROCESS THAT IS SUBSTANTIALLY SIMILAR TO THE PROCESS SPECIFIED IN THE SEBI GUIDELINES. HOWEVER THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER DOCUMENT OR PROSPECTUS IN TERMS OF THE SEBI GUIDELINES. THIS IS NOT A DOCUMENT ISSUED BY OR ON BEHALF OF THE COMPANY. THE DOCUMENT HAS BEEN VOLUNTARILY FORWARDED BY THE SELLING SHAREHOLDER TO SEBI FOR SEEKING ITS GUIDANCE/SUGGESTIONS AND THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION ALSO DECIDED ON THE TERMS OF THE OFFER, PRICE BAND, ALLOCATION PATTERN ETC. SEBI'S GUIDANCE TO THE SELLING SHAREHOLDER SHOULD NOT IN ANY WAY BE CONSTRUED OR DEEMED THAT THE SALE DOCUMENT HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECTS OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE SALE DOCUMENT. THE COMPANY HAS CONFIRMED THAT THE REQUIREMENTS UNDER THE LISTING AGREEMENT HAVE BEEN COMPLIED WITH.

THE BOOK RUNNING LEAD MANAGERS, JM MORGAN STANLEY PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED AND KOTAK MAHINDRA CAPITAL COMPAN Y LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 28, 2004 WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMAPNY,

WE CONFIRM THAT:

THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORRITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER;

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERRWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIRR UNDERWRITING COMMITMENTS."

The BRLMs have delivered a due diligence certificate dated February 19, 2004 to the Selling Shareholder, SEBI has suggested that due deligence certificate to the Selling Shareholder be disclosed. Accordingly, the following is a text of the certificate:

"We refer to our appointment letter dated December 31, 2003 in connection with the captioned transaction and the Memorandum of Understanding dated January 27, 2004 amongst the President of India, ONGC and the Book Running Lead Managers. This is to confirm that we have carried out the due diligence in the preparation of the Preliminary Sale Document as per clause 11 (sub clause 11.1 and 11.2) of the aforementioned Memorandum of Understanding."

Caution

The Selling Shareholder, the Company, its Directors and the BRLMs accept no responsibility for statements made otherwise than in this Preliminary Sale Document or in the advertisements or any other material issued by or at their instance and anyone placing reliance on any other source of information, including the Company's website, www.ongcindia.com, would be doing so at his or her own risk.

However, the Company accepts responsibility for information that it has disclosed to the public in the past pursuant to the requirements of the listing agreements with the Stock Exchanges.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs, the Selling Shareholder and the Company and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and the Company.

All information shall be made available by the Selling Shareholder, the Company and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports or at bidding centres.

Disclaimer in Respect of Jurisdiction

This Offer is being made in India to persons resident in India including Indian nationals, resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, scheduled commercial banks, regional rural banks, cooperative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, multilateral and bi-lateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital funds registered with SEBI, State Industrial Development Corporation, Insurance companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares and to non-residents including NRIs and FIIs. This Preliminary Sale Document does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Preliminary Sale Document comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Preliminary Sale Document has been voluntarily forwarded by the Selling Shareholder to the SEBI and the SEBI has provided guidance and suggestions regarding this Preliminary Sale Document . Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Preliminary Sale Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Preliminary Sale Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of ONGC since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

As required, a copy of this Offer Document has been submitted to NSE. NSE has given vide its letter dated January 30, 2004 permission to the Company to use the NSE's name in this Preliminary Sale Document as one of the stock exchanges on which this Company's securities are listed. The NSE has scrutinised this Preliminary Sale Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Preliminary Sale Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the

contents of this Offer Document; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoter, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

The BSE has informed vide its letter dated February 4, 2003 to use the BSE's name in this Preliminary Sale Document. The BSE has scrutinised this Preliminary Sale Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The BSE does not in any manner:

i) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or

ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or

iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Preliminary Sale Document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the DSE

The Delhi Stock Exchange Association Limited, or the DSE has given its no objection to the Company vide letter dated February 10, 2004 to use DSE's name in this Preliminary Sale Document as one of the stock exchanges on which the Company's securities are listed. DSE has scrutinised this document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company and has also relied on the in principle approval given by the Designated Stock Exchange, i.e, NSE. DSE does not in any manner:

(a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer Document; or

(b) warrant that the Company's securities will be listed or will continue to be listed on DSE; or

(c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not be for any reason be deemed or construed that this Preliminary Sale Document has been cleared or approved by the DSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against DSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription acquisition whether by reason of anything stated in the Offer Document or any other reason whatsoever.

Filing

SEBI has vide its letter dated February 16, 2004 stated that "Sale Document is not a document issued by or on behalf of the Company and the document may be filed with Registrar of Companies if required".

In the case of a similar transaction of offer for sale of shares in a listed company by Government, the Department of Company Affairs, Ministry of Finance, Government of India has vide its letter (D.O.No. 1/32/01-D.Cell) dated February 10, 2004, noted that SEBI has informed that the Offer Document is to be called a Preliminary Sale Document and, accordingly, the Ministry of Disinvestment may file the same with the RoC along with the requisite fee so that it can be placed on record for public inspection. In relation to this Offer, the BRLMs have received letter no. 4(45)/2003-MODI dated February 12, 2004 directing the BRLMs to file the Preliminary Sale Document with the RoC in the same manner followed in the above referred transaction. Accordingly, a copy of the Preliminary Sale Document, along with the supporting documents has been filed with the RoC and a copy of the Final Sale Document will be filed with the RoC for public inspection.

A copy of the Preliminary Sale Document has been voluntarily filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021 for the purposes of guidance only.

Minimum Subscription

This being an offer for sale and the Equity Shares being offered pursuant to this Offer being already listed on the Stock Exchanges, the requirement of minimum subscription is not a pre-condition for completion of the Offer.

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Offer; and (b) Book Running Lead Managers to the Offer, Escrow Collection Bankers, Registrar(s) to the Offer and Legal Advisors to the Underwriters, Syndicate Member, etc. to act in their respective capacities, have been obtained and filed along with a copy of the Preliminary Sale Document with the RoC located at New Delhi, and such consents have not been withdrawn up to the time of delivery of the Preliminary Sale Document with RoC.

M/s Thakur, Vaidyanath Aiyar & Co. Chartered Accountants, M/s S. Bhandari & Co. Chartered Accountants, M/s RSM & Co. Chartered Accountants, M/s Brahmayya & Co. Chartered Accountants and M/s Lodha & Co. Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Preliminary Sale Document and such consent and report has not been withdrawn up to the time of delivery of the Preliminary Sale Document for registration to the RoC. M/s Thakur, Vaidyanath Aiyar & Co. Chartered Accountants, M/s S. Bhandari & Co. Chartered Accountants, M/s RSM & Co. Chartered Accountants, M/s Brahmayya & Co. Chartered Accountants and M/s Lodha & Co. Chartered Accountants, our statutory auditors have given their written consent to the inclusion of the Statement of Tax Benefits accruing to the Company and its members in the form and context in which it appears in the Preliminary Sale Document and have not withdrawn the same up to the time of delivery of the Preliminary Sale Document with RoC.

DeGolyer and MacNaughton has given its consent for inclusion of its letter dated January 26, 2004 in this Preliminary Sale Document.

Expert Opinion

Save as stated elsewhere in the Preliminary Sale Document, we have not obtained any expert opinions

Basis of Allocation

The present Offer to the public in terms of this Preliminary Sale Document is for up to 142,593,300 Equity Shares of Rs. 10 each fully paid-up. The Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders for (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors of the Company, shareholders of the Company, and shareholders of MRPL, who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer. The Selling Shareholder has voluntarily decided that the basis of allocation for this Offer will be as follows:

1. For Permanent Employees/Whole-time Directors of the Company (the “Employees” for purposes of this paragraph)
    - Bids received from the Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Offer Price. The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to individual Bidders bidding under this category who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer.
    - If the aggregate demand in this category is less than or equal to 14,259,330 Equity Shares at or above the Offer Price, full allocation shall be made to the Employees to the extent of their demand.
    - If the aggregate demand in this category is greater than 14,259,330 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.
2. For shareholders of MRPL (other than ONGC and HPCL) and ONGC (other than the President of India, IOC and GAIL)
    - Bids received from the shareholders of MRPL and ONGC at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful shareholders of MRPL and ONGC will be made at the Offer Price. The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to individual Bidders bidding under this category who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer
    - If the aggregate demand in this category is less than or equal to 14,259,330 Equity Shares at or above the Offer Price, full allocation shall be made to the shareholders of MRPL and ONGC to the extent of their demand.
    - If the aggregate demand in this category is greater than 14,259,330 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.
3. For Retail Individual Bidders
    - Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Offer Price. The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer

Price, to transfer the Equity Shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which Equity Shares will be transferred to Non Institutional Bidders and QIBs.

- The Net Offer size less allocation to Non - Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 28,518,660 Equity Shares at or above the Offer Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 28,518,660 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.

4. For Non Institutional Bidders

- Bids received from Non-institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-institutional Bidders will be made at the Offer Price.
- The Net Offer size less allocation to QIBs and Retail Portion shall be available for allocation to Non-institutional Bidders who have bid in the Offer at a price, which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 28,518,660 Equity Shares at or above the Offer Price, full allocation shall be made to Non-institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 28,518,660 Equity Shares at or above the Offer Price, allocation shall be made on a proportionate basis up to a minimum of one Equity Share. For the method of proportionate basis of allocation, refer below.

5. For QIBs

- Bids received from the QIBs at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Offer Price.
- The Net Offer size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Offer at a price, which is equal to or greater than the Offer Price.
- The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date.

In case of undersubscription in the category of reservation for Permanent Employees / Whole-time Directors of ONGC and shareholders of ONGC and MRPL, such undersubscription would be added to the category of Non-Institutional Bidders and Retail Individual Bidders in a ratio of 50:50.

Further, undersubscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Selling Shareholder and BRLMs.

Method of Proportionate Basis of Allocation

In the event the Offer is over-subscribed, the basis of allocation to Retail and Non-institutional Bidders shall be finalised by us in consultation with The National Stock Exchange of India Limited. The Executive Director or Managing Director of The National Stock Exchange of India Limited along with the BRLMs and the Registrar(s) to the Offer shall be responsible for ensuring that the basis of allocation is finalised in a fair and proper manner. Allocation to Bidders shall be as per the basis of allocation as set out in this Preliminary Sale Document under “Offer Structure”. The transfer shall be made in marketable lot, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allocated to all successful Retail Individual Bidders and Non Institutional Bidders as a whole in their respective categories shall be made on a purely proportionate basis depending on the oversubscription level within that category rounded off to the nearest integer. For example, if the Retail Portion is over subscribed 10 times all successful bidders would be allocated 1/10th of the Equity Shares for which they have submitted bids.

c) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allocated to the Bidders in that category, the remaining Equity Shares available for allocation shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allocation to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Offer

The expenses of the Offer payable by the Selling Shareholder inclusive of brokerage, fees payable to the BRLMs, Syndicate Members, other advisors to the Offer, fees of Legal Advisors to the Offer and Auditors, stamp duty, printing, publication, advertising

and distribution expenses, bank charges, depository charges, fees payable to the Registrar to the Offer and other miscellaneous expenses will be met out of the proceeds of the Offer.

The listing fees, if any, will be paid for by the Company and are not part of the expenses of the Offer. .

Fees Payable to the BRLMs, Underwriting Commission, Brokerage and Selling Commission

The total fees payable to the BRLMs including Syndicate Members will be as per the Letters of Appointment dated December 31, 2003 issued by the Government of India and as set out in the Syndicate Agreement among us, the Selling Shareholders, the BRLMs and Syndicate Members, copies of which are available for inspection at the registered office of the Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the Letter of Appointment dated January 23, 2004, issued by the Government of India, a copy of which is available for inspection at the registered office of the Company.

Adequate funds will be provided to the Registrar to the Offer by the Selling Shareholder to enable them to send refund orders or allocation advice by registered post/speed post.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who-

a) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or

b) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Withdrawal of the Offer

The Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Offer anytime after the Bid/ Offer Closing Date but before allocation, without assigning any reason therefor.

Transfer of Equity Shares or Dispatch Refund Orders

The Company shall facilitate the Selling Shareholder and shall give credit to the Beneficiary Account with Depository Participants within two working days of finalisation of the basis of allocation of Equity Shares. The Company shall facilitate the Selling Shareholder and shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

The Selling Shareholder and the Company further undertake that:

- Allocation of Equity Shares will be made only in dematerialised form within 15 working days from the Bid/Offer Closing Date;
- Dispatch of refund orders will be done within 15 working days from the Bid/Offer Closing Date; and
- The Selling Shareholder shall pay interest at 15 percent per annum (for any delay beyond the 15 working day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 working days time prescribed above.

Adequate funds will be provided to the Registrar to the Offer by the Selling Shareholder to enable them to send refund orders or allocation advice by registered post/speed post.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Selling Shareholder, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Offer Program

BID/ OFFER OPENS ON	**:**	**FRIDAY, MARCH 5, 2004**
BID/ OFFER CLOSES ON	**:**	**SATURDAY, MARCH 13, 2004**

Bids and any revision in bids shall be accepted only between 10 a.m. and 3 p.m. Indian Standard Time (IST) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (IST) and uploaded till such time as may be permitted by NSE and BSE on the Bid/ Offer Closing Date. The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid Opening Date. In the event that the

Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi).

Book Running Lead Managers

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point
Mumbai - 400 021
Tel no.: +91-22-5630 3030
Fax no.: +91-22-5630 1694
E-mail: ongc.offer@jmmorganstanley.com

DSP Merrill Lynch Limited
10th floor, Mafatlal Centre,
Nariman Point,
Mumbai - 400 021
Tel no.: +91-22-56328000
Fax no.: +91-22-22048518
E-mail: ongc_offer@ml.com

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai - 400 021
Tel no.: +91-22-5634 1100
Fax no.: +91-22-2284 0492
E-mail: ongc.offer@kotak.com

Statement of Inter-se Allocation of Responsibilities as furnished to the Selling Shareholder

The inter-se break-up of responsibility and co-ordination roles among the BRLMs are as follows:

No	Activities	Responsibility	Coordinator
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	JMMS, DSPML, KMCC	JMMS
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Preliminary Sale Document and of statutory advertisement including memorandum containing salient features of the Preliminary Sale Document . The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Final Sale Document and RoC filing	JMMS, DSPML, KMCC	JMMS
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	JMMS, DSPML, KMCC	DSPML
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Offer	JMMS, DSPML, KMCC	KMCC
5.	International Institutional Marketing strategy		
	• Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Selling Shareholder	JMMS, DSPML,KMCC	DSPML
6.	Domestic institutions / banks/ mutual funds marketing strategy		
	• Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Selling Shareholder	JMMS, DSPML, KMCC	JMMS
7.	Retail / HNI marketing strategy		
	• Finalise centres for holding conference for brokers etc. • Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Offer material • Finalise collection orders	JMMS, DSPML, KMCC	KMCC
8.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc.	JMMS, DSPML, KMCC	KMCC
9.	Pricing and QIB allocation	JMMS, DSPML, KMCC	DSPML
10.	The Post Offer activities for the Offer will involve essential follow up steps, which include the finalisation of trading and dealing of instruments and dispatch of certificates and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Offer and Bankers to the Offer and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company	JMMS, DSPML, KMCC	JMMS

Syndicate Member

Kotak Securities Limited
1st Floor, Bakhtawar
229, Nariman Point
Mumbai - 400 021
Tel no.: +91-22-5634 1100
Fax no.: +91-22-5630 3927

Registered Office of the Company

Oil and Natural Gas Corporation Limited
Jeevan Bharati, Tower II, 124, Indira Chowk
New Delhi - 110 001
Tel no.: +91-11-23301000
Fax no.: +91-11-23316413

Company Secretary and Compliance Officer

Mr. H. C. Shah
Oil and Natural Gas Corporation Limited
Jeevan Bharati, Tower II
124, Indira Chowk
New Delhi - 110 001
Tel no.: +91-11-23301277
Fax no.: +91-11-23311326
E-mail: complianceofficer@ongc.net

Registrar to the Offer

MCS Limited
Unit - ONGC-Offer
Sri Padmavathi Bhavan
Plot no. 93, Road no. 16,
MIDC Area, Andheri (East)
Mumbai - 400 093
Tel no: +91-22-2820 1785
Fax no: +91-22-2820 1783
Email: ongcoffer@mcsind.com
Contact Person: Mr. Shashi Kadam

It is the obligation of the Selling Shareholder to redress the complaints, if any, of investors participating in this Offer. The Selling Shareholder has authorised the Company Secretary and Compliance Officer and the Registrar to the Offer to redress the complaints, if any, of investors participating in this Offer. Investors can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allocation, credit of allocated shares in the respective beneficiary accounts, refund orders etc.

Legal Counsel to the Offer

Domestic

Crawford Bayley & Co.
State Bank Buildings, 4th floor
N. G. N. Vaidya Marg
Fort, Mumbai - 400 023
Tel no.: +91-22-2266 3713
Fax no.: +91-22-2266 3978

International
(Advising the Government of India on matters pertaining to the laws of the State of New York and the federal law of the United States of America)

Davis Polk & Wardwell
The Hong Kong Club Building
18th Floor, 3A Chater Road
Hong Kong
Tel. No.: +852-2533 3300
Fax no.: +852-2533 3333

Legal Counsel to the Underwriters

Domestic

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel, Mumbai - 400 013
Tel no.: +91-22-2496 4455
Fax no.: +91-22-2496 3666

Amarchand Towers,
216, Okhla Industrial Estate
Phase - III,
New Delhi - 110 020
Tel no.: +91-11-2692 0500
Fax no.: +91-11-2692 4900

International
(Advising the Underwriters on matters pertaining to the laws of the State of New York and the federal law of the United States of America)

Cravath, Swaine & Moore LLP
CityPoint
One Ropemaker Street
London EC2Y 9HR
United Kingdom
Tel no.: + 44-20-7453-1000
Fax no.: + 44-20-7860-1150

Independent Petroleum Engineeing Consultant

DeGolyer and MacNaughton
4925 Greenville Avenue, Suite 400
One Energy Square
Dallas, TX 75206
United States
Tel no.: +1-214-368-6391
Fax no.: +1-214-369-4061

Auditors to the Company

Thakur, Vaidyanath Aiyar & Co.
3rd Floor, Urdu Ghar
212, Deen Dayal Upadhaya Marg
New Delhi - 110 002
Tel no.: +91-11-2323 6958, 2323 6959
Fax no.: +91-11-2323 0831

S. Bhandari & Co.
P-7, Tilak Marg
C-Scheme, Ashok Nagar
Jaipur,
Rajasthan - 302 005
Tel no.: +91-141-2380 412, 2384 503, 2382 329
Fax no.: +91-141-2381641

RSM & Co.
109-112, Dalamal Towers
Nariman Point
Mumbai - 400 021
Tel no.: +91-22-2281 1819
Fax no.: +91-22-2287 2249

Brahmayya & Co.
26-13-37, Sanyasiraju Road,
Gandhinagar,
Vijaywada - 520 003
Tel no.: +91-866-2574 593, 2574 594
Fax no.: +91-866-2574 630

Lodha & Co.
14, Government Place East
Kolkata - 700 069
Tel no.: +91-33-22481111, 22487102, 22481507
Fax no.: +91-33-22486960, 22484572

Banker to the Offer and Escrow Collection Bankers

Canara Bank
Merchant Banking Division
Ansal Towers, 38 Nehru Place
New Delhi - 110 019

Citibank N.A.
Bombay Mutual Building
Mezzanine Floor
293, D.N. Road
Fort, Mumbai - 400 001

Deutsche Bank,
DB House, Hazarimal Somani Marg,
Fort, Mumbai - 400 001

HDFC Bank Ltd.
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai - 400 013

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Fort, Mumbai - 400 001

IDBI Bank Limited
Cash Management Services
(Corporate Banking Division)
1st Floor, Surya Kiran Building
19, Kasturba Gandhi Marg
New Delhi - 110 001

Kotak Mahindra Bank Limited
Mittal Court,
"C" Wing, Nariman Point,
Mumbai - 400 021

Bankers to the Company

State Bank of India
Tel Bhavan
Dehradun - 248 003
Tel no.: +91- 135-2754442
Fax no.: +91- 135-2758036

Book Building Process

Book Building refers to the collection of Bids from investors, which is based on the Price Band, with the Offer Price being finalised after the Bid/Offer Closing Date. The principal parties involved in the Book Building Process are:

1. The Selling Shareholder;

2. The Book Running Lead Managers; and

3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters.

The Equity Shares being offered pursuant to this Offer are already listed and consequently the SEBI Guidelines for public issues/offers do not apply to this Offer. However, the Selling Shareholder has voluntarily decided to adopt the the SEBI

Guidelines, particularly the guidelines for the 100 percent Book Building Process. Further the processes, procedures and practices, which are generally followed in the 100 percent book building process save for certain deviation, would be adopted. Pursuant to the decision of the Selling Shareholder, up to 50 percent of Net Offer shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date. Further, not less than 25 percent of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25 percent of Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price within the Price Band.

In this regard, the Selling Shareholder has appointed the BRLMs to procure Bids in the Offer.

The process of book building is relatively new and the investors are advised to make their own judgement about investment through this process prior to making a Bid in the Offer. QIBs are not allowed to withdraw their Bid after the Bid/Offer Closing Date. For further details, see "Terms of the Offer" on page [•] of this Preliminary Sale Document.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for bidding (for further details see "Terms of the Offer" on page [•] of this Preliminary Sale Document);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Preliminary Sale Document and in the Bid-cum-Application Form.

Underwriting Agreement

The underwriting arrangement is not mandatory and is based on the contractual arrangement between the Selling Shareholder, the Company and the Underwriters.

After the determination of the Offer Price and prior to filing of the Final Sale Document with the RoC, the Selling Shareholder and the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Final Sale Document with the RoC.)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten *(Rs. in millions)*
JM Morgan Stanley Private Limited 141, Maker Chambers III Nariman Point Mumbai - 400 021	**[•]**	**[•]**
DSP Merrill Lynch Limited 10th floor, Mafatlal Centre Nariman Point Mumbai - 400 021	**[•]**	**[•]**
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai - 400 021	**[•]**	**[•]**
Kotak Securities Limited 1st Floor, Bakhtawar 229, Nariman Point Mumbai - 400 021	**[•]**	**[•]**

The above mentioned table is indicative of the underwriting and this would be finalised after pricing and allocation. The above Underwriting Agreement is dated **[•]**.

In the opinion of the Selling Shareholder and the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Preliminary Sale Document and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

Applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

Any acquisition of Equity Shares in this Offer will not be exempted from the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any acquirer of shares breaching any of the thresholds prescribed in the aforesaid regulations should ensure that they comply with the requirements of these regulations.

OBJECTS OF THE OFFER

The object of the offer is to carry out the disinvestment of up to 142,593,300 Equity Shares of Rs. 10 each by the Selling Shareholder. The Company shall not receive any proceeds of this Offer.

TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Securities Contract (Regulation) Rules, 1957, the Memorandum and Articles of Association of the Company, conditions of the FIPB and RBI approvals, the terms of this Preliminary Sale Document, Final Sale Document, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Letters of Allocation and other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RBI, RoC and/ or other authorities, as in force on the date of the Offer and to the extent applicable. The Equity Shares being offered pursuant to this Offer are already listed. As advised by SEBI in its letters dated January 29, 2004 and February 16, 2004 the SEBI Guidelines for public issues/offers do not apply to this Offer. The Offer is a sale of Equity Shares of the Company by the Selling Shareholder and this Preliminary Sale Document is not issued by or on behalf of the Company. However, the Selling Shareholder has informed the BRLMs and the Company by its letter dated February 6, 2004 and February 12, 2004 that it has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for the 100 percent Book Building Process. Further the processes, procedures and practices, which are generally followed in the 100 percent Book Building process save the deviations indicated in the letter dated February 6, 2004 and February 12, 2004 would be adopted for the Offer.

Authority for the Offer

As per the letter no. G-34015/3/2003 FIN-II, dated December 26, 2003 from the MoPNG to us, the Government of India has approved the disinvestment in ONGC by the Selling Shareholder by way of the Offer of its shareholding in the domestic market. The MoPNG, acting for and on behalf of the President of India, has been authorised to offer up to 142,593,300 Equity Shares of Rs.10 each.

The Company has also noted the Offer and appointed a Committee of Directors for this Offer through its Board resolution dated December 29, 2003. The Committee of Directors has approved and certified the contents of the Preliminary Sale Document through a resolution dated February 12, 2004.

The Company has received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) pursuant to its letter no. FC.II.16(2004)/ 16(2004) dated January 28, 2004, for the transfer of Equity Shares in this Offer to eligible NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions. As per the extant policy OCBs are not permitted to participate in the Offer. The Company has received approval from the RBI stating that the RBI has no objection for non-resident investors to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.DEL.FID - II/06.04.3664/2003-04 dated February 10, 2004.

As per the letter no. 4/7/2004/DD-II dated February 6, 2004 and the letter no. 4(45)/2003-MODI dated February 12, 2004, from the Ministry of Disinvestment, the Government of India, the Government has voluntarily decided to substantially adopt the procedure for the 100 percent Book Building Process as specified under the SEBI Guidelines. Further, the process, procedure and practices which are generally followed in the 100% Book Building Process, save for deviations specified in the above-mentioned letters, will be adopted.

In the case of a similar transaction of offer for sale of shares in a listed company by the Government, the Department of Company Affairs, Ministry of Finance, Government of India has vide its letter (D.O.No. 1/32/01-D.Cell) dated February 10, 2004, noted that SEBI has informed that the Offer Document is to be called a Preliminary Sale Document and accordingly, the Ministry of Disinvestment may file the same with the RoC along with the requisite fee so that it can be placed on record for public inspection. In relation to this Offer, the BRLMs have received letter no. 4(45)/2003-MODI dated February 12, 2004 directing the BRLMs to file the Preliminary Sale Document with the RoC in the same manner followed in the above referred transaction. Accordingly, a copy of the Preliminary Sale Document, along with the supporting documents, has been filed with the RoC and a copy of the Final Sale Document will be filed with the RoC for public inspection.

Ranking of Equity Shares

The Equity Shares being offered are subject to the provisions of the Memorandum and Articles of Association of the Company and, as the Equity Shares are already listed, they rank *pari-passu* with the existing Equity Shares of the Company, including rights in respect of dividends. The successful Bidders will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of transfer.

Face Value and Offer Price

The Equity Shares with a face value of Rs. 10 each are being offered in the Offer at a price of Rs. [●] per Equity Share. After the determination of the Offer Price, the Selling Shareholder shall transfer the Equity Shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors

of the Company, shareholders of the Company and shareholders of MRPL who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer. The Selling Shareholder is solely responsible for this decision and the consequences thereof.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the holders of Equity Shares shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- The right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of the Company dealing with voting rights, dividend, forfeiture and lien, restrictions on transfer and transmission and/or consolidation/ splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page 192 in this Preliminary Sale Document.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares in this Offer shall be transferred only in dematerialised form. The trading of the Equity Shares shall only be in dematerialised form to all investors.

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one equity share. Allocation of Equity Shares through this Offer will be done only in electronic form in multiples of one Equity Share to the successful bidders.

Jurisdiction

Exclusive jurisdiction for the purpose of this Offer is with competent courts/ authorities in New Delhi, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the transfer of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Application by NRIs/ FIIs/ Foreign Venture Capital Fund/ Multilateral and Bilateral Development Financial Institutions

The Company has received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) pursuant to its letter no. FC.II.16(2004)/ 16(2004) dated January 28, 2004, for the transfer of Equity Shares in this Offer to eligible NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions. As per the extant policy OCBs are not permitted to participate in the Offer. The Company has received approval from the RBI stating that the RBI has no objection for non-resident investors to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. FE.DEL.FID - II/06.04.3664/2003-04 dated February 10, 2004. The final permission of the RBI for acquisition of shares is to be received on completion of certain filing requirements. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However it is to be distinctly understood that there is no reservation for NRIs and FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all NRIs and FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions applicants will be treated on the same basis with other categories for the purpose of allocation. The Transfer of Equity Shares to NRIs and FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

OFFER STRUCTURE

The present Offer is for sale of up to 142,593,300 Equity Shares, for cash at a premium of Rs. [●] per Equity Share aggregating total consideration of Rs. [●] million. Out of which, up to 14,259,330 Equity Shares are reserved for the Permanent Employees/ Whole-time Directors of the Company and up to 14,259,330 Equity Shares are reserved for the shareholders of the Company (other than President of India, IOC and GAIL) and the shareholders of MRPL (other than ONGC and HPCL). The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100 percent Book Building Process save for specified deviations. Further the processes, procedures and practices, which are generally followed in the 100 percent Book Building Process, save for certain deviations, will be adopted.

	QIBs	**Non-institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares[(1)] *	Up to 57,037,320 Equity Shares or Net Offer size less allocation to Non-institutional Bidders and Retail Individual Bidders	Minimum of 28,518,660[2] Equity Shares or Net Offer size less allocation to QIBs and Retail Individual Bidders	Minimum of 28,518,660[2] Equity Shares or Net Offer Size less allocation to QIBs and Non-institutional Bidders
Percentage of Offer Size available for allocation	Up to 50 percent or Net Offer size less allocation to Non - Institutional Bidders and Retail Individual Bidders	Minimum 25 percent or Net Offer size less allocation to QIBs and Retail Individual Bidders	Minimum 25 percent or Net Offer Size less allocation to QIBs and Non-institutional Biders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs.50,000 and in multiples of 10 Equity Shares	Such number of Equity Shares so that the Bid Amount exceeds Rs.50,000 and in multiples of 10 Equity Shares	10 Equity Shares and thereafter in multiple of 10 Equityy Shares
Maximum Bid	Not exceeding the size of the Offer subject to applicable regulations	Not exceeding the size of the Offer	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000
Allocation Mode	Compulsory in dematerialised form	Compulsory in dematerialised form	Compulsory in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Lot size for allocation	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as defined in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multi-lateral and bi-lateral development financial institutions, venture capital	Resident Indian individuals, HUF (in the name of *Karta*), companies, corporate bodies, NRIs, societies and trusts	Individuals including NRIs and HUFs (in the name of *Karta*) applying for such number of Equity Shares such that the Bid Amount does not exceed Rs. 50,000

* All references to number of Equity Shares in this table and elsewhere in this Preliminary Sale Document in respect of the Offer are on the basis of the Offer being for 142,593,300 Equity Shares. In the event that the final size of the Offer is different from 142,593,300 Equity Shares, the number of Equity Shares in all other categories will be calculated in the same proportion as they bear to 142,593,300 .

	funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, Insurance Companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million		
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non-institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Money	**NIL**	**Full Bid Amount on Bidding**	**Full Bid Amount on Bidding**

1. *Subject to valid bids being received at or above the Offer Price. Undersubscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Selling Shareholder and the BRLMs.*

2. *Any under subscription in Equity Shares reserved for allocation to the Permanent Employees/Whole-time Directors, the shareholders of the Company (other than the President of India, IOC and GAIL) and the shareholders of MRPL (other than ONGC and HPCL) would be added to these categories(Non-Institutional Bidders and Retail Individual Bidders) in the ratio of 50:50.*

OFFER PROCEDURE

Book Building Procedure

This Offer is being voluntarily made by the Selling Shareholder through the 100 percent Book Building Process, on the terms and conditions specified in this Preliminary Sale Document save for specified deviations. Pursuant to the decision of the Selling Shareholder, up to 50 percent of Net Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers. The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of QIBs in the Company during the period prior to the Bid Opening Date and until the date of pricing. Further, not less than 25 percent of Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25 percent of Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price within the Price Band.

Bidders are required to submit their Bids through the Syndicate Members. The Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, the Selling Shareholder and the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in dematerialised form.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Preliminary Sale Document. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Final Sale Document with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Preliminary Sale Document and the Bid cum Application Form as would be required for filing the Final Sale Document with the RoC, if so filed, and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs or FIIs applying on a repatriation basis	Blue
Permanent Employees/ Whole-time Directors of the Company	Green
Shareholders of ONGC (excluding the President of India, IOC and GAIL) and MRPL (excluding ONGC and HPCL)	Pre-printed form being mailed to these shareholders

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu undivided families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;

10. Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and

11. Scientific and/ or industrial research organisations authorised to invest in equity shares.

12. Insurance Companies registered with Insurance Regulatory and Development Authority.

13. Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.

14. Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.

15. Multilateral and bilateral development financial institutions.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Offer where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of equity shares that can be held by them under the relevant regulations or statutory guidelines and as specified in this Preliminary Sale Document.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

1. No mutual fund scheme shall invest more than 10 percent of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10 percent shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10 percent of any company's paid-up capital carrying voting rights.

2. The offer of equity shares to a single FII should not exceed 10 percent of the post-offer paid-up capital of the company i.e. 10 percent of 1,425,933,992 Equity Shares. In respect of an FII investing in our equity shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10 percent of the total issued capital of the Company. As of the aggregate FII holding in the Company cannot exceed 24 percent of the total issued capital of the Company.

3. The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 percent of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 percent of the Company's paid-up equity capital.

Further, Bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the Bidders. The Company, the BRLMs and the Selling Shareholder are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Preliminary Sale Document. Bidders are advised to make their independent investigations and ensure that their number of equity shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders Category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final Offer Price as determined at the end of the book building process.

(b) **For other (Non-Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of equity shares so as to ensure that the minimum Bid Amount is above Rs. 50,000. Above this minimum Bid Amount, the Bid can be in multiples of 10 Equity Shares. A Bid cannot be submitted for more than the size of the Offer. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. A QIB Bidder cannot withdraw its bid after the Bid/Offer Closing Date. In case of revision in Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs.50,000 for being considered for allocation in the Non-Institutional Category. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in

Bids, Bids by Non -Institutional Bidders who are eligible for allocation in the Retail Individual Bidder category would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to bid at "Cut off".

A QIB Bidder cannot withdraw its Bids after the Bid/Offer Closing Date.

Bidding Process

- The Preliminary Sale Document has been voluntarily filed with SEBI and has been filed with the RoC.
- The members of the Syndicate will circulate copies of the Preliminary Sale Document along with the Bid cum Application Form to potential investors.
- Any investor who would like to obtain the Preliminary Sale Document along with the Bid cum Application Form can obtain the same from the registered office of the Company or from any of the BRLMs or Syndicate Members
- The Selling Shareholder and the BRLMs shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date at the time of filing the Preliminary Sale Document with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the salient features of the Preliminary Sale Document as specified under Form 2A of the Companies Act and the method and process of bidding and the names and addresses of the BRLMs and Syndicate Members.
- The Selling Shareholder and the BRLMs shall advertise the Price Band anytime up to one day prior to the Bid Opening Date in two national newspapers (one each in English and Hindi). The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid Opening Date. In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not to extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi)
- Investors who are interested in purchasing Equity Shares of ONGC should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
- The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the BRLMs or Syndicate Members. Bid cum Application Forms which do not bear the stamp of the BRLMs or Syndicate Members will be rejected.
- Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for). The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares bid for by a Bidder at or above the Offer Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- The Bidder cannot bid on another Bid cum Application Form after his Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the transfer of Equity Shares in this Offer.
- The BRLMs and Syndicate Members will enter each option into the electronic bidding system as a separate Bid and the Bid Amount paid by the Bidder and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 59 of the Preliminary Sale Document.

Bids at Different Price Levels

- The Price Band will be advertised anytime up to one day prior to the Bid Opening Date. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1. The Bidding Period shall be open for at least 5 (five) days and not more than 10 (ten) days. The Selling Shareholder in consultation with the BRLMs shall finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **The following categories of Bidders may bid at "Cut-off": (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees / Whole-time Directors of the Company, shareholders of the Company and shareholders of MRPL who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer. However, bidding at "Cut-off" is prohibited for QIBs or Non-Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

- Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Bidders (i.e. the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), Bidders shall receive the refund of the excess amounts from the Escrow Account.

- The Price Band can be revised during the Bidding Period by the Selling Shareholder, without any restrictions.. The Selling Shareholder in consultation with the BRLMs, can revise the Price Band by informing the stock exchanges, releasing a press release and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the revised Price Band and extension of the Bidding Period, if any, will be published in two national newspapers (one each in English and Hindi). In the event that the Selling Shareholder decides to extend the Bidding Period such decision shall be published in two national newspapers (one each in English and Hindi).

- In case of an upward revision in the Price Band announced as above, Bidders who had bid at Cut-Off could either (i) revise their bid or (ii) make additional payment based on the cap of the revised Price Band, with the member of the Syndicate to whom the original bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the bid will be considered for allocation under the Non-Institutional Bidders category in terms of this Preliminary Sale Document. If, however, the bidder does not either revise the bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.

- In case of a downward revision in the Price Band, announced as above, Bidders who have bid at Cut-off could either revise their bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

The Selling Shareholder, the Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of the Bid and/or revision. Cheques or demand drafts received from Bidders in a certain category would be deposited in the Escrow Account for the Offer. The Escrow Collection Banks will act in terms of this Preliminary Sale Document and the Escrow Agreement. The monies in the Escrow Account for the Offer shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Offer Account with the Bankers to the Offer. Payments of refund to the Bidders shall also be made from the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Preliminary Sale Document.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Selling Shareholder, the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Offer to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque, demand draft for the maximum amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph “Payment Instructions”) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque, demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account for the Offer, as per the terms of the Escrow Agreement, into the Public Offer Account with the Bankers to the Offer. The balance amounts after the transfer to the Public Offer Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The details of the Margin Amount payable by each category of Bidders is mentioned under the heading “Offer Structure” on page 54 of this Preliminary Sale Document. Where the Margin Amount applicable to the Bidder is less than 100 percent of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than Pay-in Date, which shall be a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the

members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than they had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 working days from the Bid/Offer Closing Date.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity with each city where a Stock Exchange Centre is located in India, where the Bids are accepted.

2. NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an hourly basis. On the Bid Closing Date, the Company will upload the bids till such time as permitted by the Stock Exchanges.

3. The aggregate demand and price for bids registered on each of the electronic facilities of NSE and BSE will be downloaded on an hourly basis, consolidated and displayed at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the bidding period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
   - Name of the investor
   - Investor Category - Individual, Corporate, NRI, FII, or Mutual Funds etc.
   - Numbers of Equity Shares bid for
   - Bid price
   - Bid cum Application Form number
   - Whether payment is made upon submission of Bid cum Application Form
   - Depository Participant Identification No. and Client Identification No. of the demat account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the Selling Shareholder or the members of the Syndicate or the Company.

   Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

6. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in the Preliminary Sale Document.

7. It is to be distinctly understood that the permission given by NSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by the Selling Shareholder, the Company, BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoter, its management or any scheme or project of the Company.

8. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Preliminary Sale Document has been cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Sale Document; nor does it warrant that the Equity Shares will continue to be listed on the NSE and the BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on an hourly basis.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

3. Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate. Revision of the Price Band may or may not be accompanied by an extension of the Bid Closing Date.

4. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

5. Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still fill the details of the other two options that are not being revised, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form.

7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Preliminary Sale Document. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the Bidders.

8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.

9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs based on the physical records of the Bid cum Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Offer Closing Date, the BRLMs shall analyse the demand generated at various price levels in all categories including the reservation categories and discuss pricing strategy with the Selling Shareholder.

2. The Selling Shareholder will, in consultation with the BRLMs, finalise the "Offer Price". The Selling Shareholder will in consultation with the BRLMs finalise the number of Equity Shares to be allocated to successful QIB Bidders. After the determination of the Offer Price the Selling Shareholder shall transfer the Equity Shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors of the Company, shareholders of the Company and shareholders of MRPL who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer. The Selling Shareholder is solely responsible for this decision and the consequences thereof.

3. The allocation for QIBs of up to 50 percent of Net Offer Size would be discretionary. The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria including the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date. The allocation to Non Institutional Bidders and Retail Individual Bidders of not less than 25 percent and not less than 25 percent of Net Offer Size, respectively, would be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Offer Price within the Price Band.

4. Undersubscription, if any, in any category, would be allowed to be met with spill over from any of the other categories, at the sole discretion of the Selling Shareholder and BRLMs.

5. Allocation to NRIs, FIIs, Foreign Venture Capital Funds and Multilateral and Bilateral development financial institutions applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for transfer of Equity Shares to them.

6. The BRLMs, in consultation with the Selling Shareholder, shall notify the Syndicate Members of the Offer Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.

7. The Selling Shareholder reserves the right to cancel the Offer any time after the Bid/Offer Opening Date but before allocation.

8. QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Offer Closing Date.

9. The allocation details shall be put on the website of the Registrar to the Offer, M/s. MCS Limited.

Signing of Underwriting Agreement and RoC Filing

The Selling Shareholder, the Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on Selling Shareholder and BRLMs reaching agreement upon the Offer Price and allocation(s) to the Bidders.

After the Underwriting Agreement is signed between the Selling Shareholder, the Company, the BRLMs and the Syndicate Members, the Final Sale Document would be filed with RoC. The Final Sale Document would have details of the Offer Price, size of the Offer, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Offer Price and Final Sale Document

A statutory advertisement will be issued by us after the filing of the Final Sale Document with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Offer Price. Any material updates between the date of Preliminary Sale Document and the date of Final Sale Document will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- The BRLMs or Registrars to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Offer.
- The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account for the Offer at the time of bidding shall pay in full the amount payable into the Escrow Account for the Offer by the Pay-in Date specified in the CAN.
- Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account for the Offer at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of their cheque or demand draft paid into the Escrow Account for the Offer. The despatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares transferred to such Bidder.

Designated Date and Transfer in the Offer

After the funds are transferred from the Escrow Account for the Offer to the Public Offer Account on the Designated Date, the Selling Shareholder would ensure the transfer of Equity Shares to the successful Bidders within two working days of the finalisation of the basis of allocation.

All successful bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be transferred only in the dematerialised form to the successful Bidders**. Successful Bidders will have the option to re-materialise the Equity Shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Offer.

The Selling Shareholder will ensure the allocation of Equity Shares within 15 working days from the date of closure of Bidding.

General Instructions

Do's:

1. Check if you are eligible to apply;
2. Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), or Bid cum Application Form for Permanent Employees/Whole-time Directors (green in colour), and pre-printed Bid cum Application Form for shareholders of ONGC and MRPL as the case may be;
3. Ensure that the details about Depository Participant and Beneficiary Account are correct as there will be no transfer of Equity Shares in physical form;
4. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
5. Ensure that you bid only in the Price Band;
6. Ensure that you have collected a TRS for all your Bid options;

7. Submit revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS; and

8. Ensure that your Bid Amount corresponds to the category under which you have bid.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
3. Do not Bid/ revise the Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band
4. Do not pay the Bid amount in cash;
5. Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
6. Do not Bid at cut off price (for reserved categories - individual shareholders of ONGC and MRPL, Permanent Employees/ Whole-time Directors of ONGC, whose Bid amount is in excess of Rs 50,000, Non Institutional Bidders and QIBs);
7. Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by the Bidder under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
8. Do not submit Bid accompanied with Stockinvest.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

Bids and Revision of Bids

Bids and revision of Bids must be;

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and NRI applying on non-repatriation basis, blue colour for NRI, FIIs and foreign Venture Capital Funds, Multilateral and Bilateral development financial institutions registered with SEBI, applying on repatriation basis), green colour for employees and specified pre-printed form for shareholders of ONGC and MRPL.
2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Bidders, the Bids must be for a minimum of 10 Equity Shares and in multiples of 10 thereafter subject to a maximum Bid Amount of Rs. 50,000.
4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares so as to ensure that the Bid Amount exceeds Rs. 50,000 and in multiples of 10 Equity Shares thereafter. Bids cannot be made for more than the size of the Offer.
5. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
6. In single name or in joint names (not more than three).
7. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Permanent Employees/ Whole-time Directors of ONGC

Bids by Permanent Employees/ Whole-time Directors of ONGC shall be;

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Green colour Form).
- Permanent Employees/ Whole-time Directors of ONGC should mention the following at the relevant place in the Bid cum Application Form:
  - CPF No.
  - Name of the employee as it appears on the 'pay slip' of the employee
- The sole/ first bidder should be Permanent Employees/ Whole-time Directors of ONGC.
- Only Permanent Employees/ Whole-time Directors of ONGC as on the cut-off date i.e. February 1, 2004 would be eligible to apply in this Offer under reservation for Bids by Permanent Employees/ Whole-time Directors of ONGC on a competitive basis.

- Bids by Permanent Employees/ Whole-time Directors of ONGC will have to bid like any other Bidder. Only those bids, which are received at or above the Offer Price, would be considered for allocation under this category.
- Permanent Employees/ Whole-time Directors who apply or bid for securities of or for a value of not more than Rs. 50,000 in any of the bidding options can apply at Cut-Off. **This facility is not available to other Permanent Employees/ Whole-time Directors whose minimum Bid amount exceeds Rs. 50,000.**
- The maximum bid in this category can be for 14,259,330 Equity Shares.
- If the aggregate demand in this category is less than or equal to 14,259,330 Equity Shares at or above the Offer Price, full allocation shall be made to the Permanent Employees (including Whole-time Directors) to the extent of their demand.
- Undersubscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50.
- If the aggregate demand in this category is greater than 14,259,330 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allocation" on page 41 of this Preliminary Sale Document.
- The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to individual Bidders bidding under this category who apply or bid for Equity Shares of not more than Rs. 50,000, in any of the Bidding options under the Offer.

Bids by shareholders of ONGC (other then the President of India, IOC and GAIL) and the shareholders of MRPL (other then ONGC and HPCL)

Bids by shareholders of ONGC (other then the President of India, IOC and GAIL) and the shareholders of MRPL (other then ONGC and HPCL) shall be:

- Made only in the specified pre-printed Bid cum Application Form or Revision Form mailed to the Shareholder
- Name of the Shareholder of ONGC and the shareholders of MRPL would be pre-printed in the Bid cum application Form alongwith "folio number" in case of Equity Shares are held in physical form or "DP ID" and "Client ID" in case of Equity Shares held in dematerialised form.
- Bidder should note that Bids for Equity Shares are to be received in dematerialised form only, even if the shareholders of ONGC and shareholders of MRPL are holding shares in physical form.
- Only shareholders of ONGC and the shareholders of MRPL as on the cut-off date i.e. February 20, 2004 would be eligible to apply under this catagory on a competitive basis.
- Bids by shareholders of ONGC and the shareholders of MRPL will have to bid like any other Bidder
- Shareholders of ONGC and MRPL who are Individuals (including HUFs and NRIs) who apply or bid for securities of or for a value of not more than Rs. 50,000 in any of the bidding options can apply at Cut-Off. **This facility is not available to other shareholders of ONGC and MRPL and individual shareholders of MRPL and ONGC whose minimum Bid amount exceeds Rs. 50,000/-.**
- Only those bids, which are received at or above the Offer Price, would be considered for allocation under this category.
- The maximum bid in this category can be for 14,259,330 Equity Shares.
- If the aggregate demand in this category is less than or equal to 14,259,330 Equity Shares at or above the Offer Price, full allocation shall be made to the shareholders of ONGC and MRPL.
- Undersubscription in this category would be added back to the Non-Institutional Bidders and the Retail Individual Bidders category in the ratio of 50:50.
- If the aggregate demand in this category is greater than 14,259,330 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allocation" on page 41 of this Preliminary Sale Document.
- The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders to Individual shreholders of ONGC and MRPL who apply or bid for Equity Shares of not more than Rs. 50,000/- in any of the Bidding options under the Offer.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders.

These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected.

Bidders Depository Account Details

Equity Shares shall be transferred only in dematerialised form. All Bidders should mention their depository participant's name, depository participant-identification number and beneficiary account number in the Bid cum Application Form. Please ensure that in case of joint names, the names stated in the Bid cum Application Form should be in the same order as the names stated in the Bidders' depository account.

Bidders should note that, on the basis of name of the Bidders, DP ID and Client ID provided by them in the Bid-cum-Application Form, Registrar to the Offer will obtain demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details) from the depositories. **Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/ CANs would be mailed at the address of the Bidder as per the Demographic Details received from the depositories. Bidders may note that delivery of refund orders/allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Investors should also note that the refund cheques will be overprinted with details of bank account as per the details received from the depository.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder and the Company in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder and the Company in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be logged along with the Bid cum Application Form. Failing this the Selling Shareholder and the Company in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the Provident Fund/ Pension Fund must be lodged along with the Bid cum Application Form. Failing this the Selling Shareholder and the Company in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Selling Shareholder and the Company in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above conditions of simultaneous lodging of supporting information and documents along with the Bid cum Application Form, subject to such terms and conditions as they may deem fit.

Bids by eligible non-residents, NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral development financial institutions on a repatriation basis

1. NRIs / FIIs / Foreign Venture Capital Funds registered with SEBI/ Multilateral and Bilateral development financial institutions Bidders can obtain the Bid-cum-Application Forms from the BRLMs or the members of the Syndicate.

2. NRIs / FIIs / Foreign Venture Capital Funds registered with SEBI/ Multilateral and Bilateral development financial institutions may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation on repatriation basis.

3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for Resident Indians (White in colour) and allocation, if any, would be on non-repatriation basis.

4. Bids and revision to Bids must be made:

   - On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
   - In a single name or joint names (not more than three).
   - On a Revision Form with the same application number as the Bid Form.

5. NRIs - For a minimum of 10 Equity shares and in multiples of 10 thereafter subject to a maximum Bid amount of Rs. 50,000 for the Bid to be considered as part of the Retail Portion. Bids for minimum Bid amount of Rs. 50,001 and above would be considered under Non Institutional Category for the purposes of allocation; FIIs - for a minimum of Bid Amount of Rs. 50,001 and in multiples of 10 Equity Shares thereafter subject to a maximum of 10 percent of Equity Share Capital of the Company; for further details see "Offer Procedure - Maximum and Minimum Bid Size" on page 57.

Transfer of the Equity Shares to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions shall be subject to FIPB and RBI approvals or any other requisite approval as may be necessary. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to Indian tax laws and regulations and any other applicable laws provided the investments are made by inward remittances from outside India through approved banking channels or out of funds held in NRE (Non Resident External) or FCNR (Foreign Currency Non Resident) accounts.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Selling Shareholder and the Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

No Bids shall be accepted from OCBs, as investment by OCBs has not been permitted in this Offer.

Payment Instructions

The Selling Shareholder, the Company, the BRLMs and the Syndicate Members shall open an Escrow Account for the Offer with the Escrow Collection Banks for the collection of the Bid Amounts and margin amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Offer.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account for the Offer:

- The Bidders who have paid the Bid Amount/ Margin on application shall draw a payment instrument for the Bid Amount/ Margin in favour of the Escrow Account for the Offer and submit the same to the members of the Syndicate alongwith the Bid cum Application Form.

- In case the Margin Amount is less than 100 percent of the Bid Amount, on receipt of the CAN, an amount equal to any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be paid by the Bidders into the Escrow Account for the Offer within the period specified in the CAN which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

- The payment instruments for payment into the Escrow Account for the Offer should be drawn in favour of:
  - In case of Resident Bidders: **"Escrow Account- GoI Offer - ONGC"**
  - In case of Non Resident Bidders applying on repatriation basis: **"Escrow Account- GoI Offer- ONGC - NR".**
  - In case of Permanent Employees / Whole-time Director of ONGC: **"Escrow Account- GoI Offer-ONGC - Employees"**
  - In case of resident shareholders of ONGC and MRPL: **"Escrow Account- GoI Offer- ONGC - Shareholders"**
  - In case of non-resident shareholders of ONGC and MRPL applying on repatriation basis: **"Escrow Account- GoI Offer-ONGC - Shareholders-NR"**
- In case of Bids by Non Residents/NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account for the Offer.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer.
- On the Delivery Date, the Registrar shall deliver to the Depositories, the list of successful Bidders for effecting delivery of Equity Shares into respective Bidders' account following which funds in respect of Equity Shares sold will be transferred to Government of India account from Public Offer Account
- After the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Offer.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Form unless waived by a member of the Syndicate at its sole discretion.

The collection centre of the BRLMs or Syndicate Members will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Procedure for revision of Bid Form for permanent Employees/Whole-time Directors of ONGC and shareholders of MRPL and ONGC is described in the Bid-cum Application Form for the respective categories.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the Sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Permanent Employees/ Whole-time Directors, both under the reservation for Permanent Employees/ Whole-time Directors as well as in the Net Offer to the Indian Public shall not be treated as multiple applications.

Bids made by shareholders of ONGC and MRPL both under the reservation for shareholders of ONGC and MRPL as well as in the Net Offer to the Indian Public shall not be treated as multiple applications.

The Selling Shareholder, in consultation with the BRLMs, reserves the right to reject, in its absolute discretion, all or any multiple Bids in all or any categories.

'PAN' or 'GIR' Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

Right to Reject Bids

The Selling Shareholder in consultation with BRLMs reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Selling Shareholder and the Company would have the right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the Floor Price;
8. Bids at a price higher than the Cap Price;
9. Bids at cut-off price by a QIB or a Non-Institutional Bidder or by employees/ shareholders of ONGC, where the minimum Bid Amount exceeds Rs 50,000, Individual shareholders of ONGC (other then the President of India, IOC and GAIL) and MRPL (other then ONGC and HPCL) where the minimum Bid Amount exceeds Rs. 50,000, and all Bidders who are not individuals in case of shareholders of ONGC and MRPL;
10. Bids for number of Equity Shares which are not multiples of 10;
11. Category not ticked;
12. Multiple bids as defined elsewhere;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied with Stockinvest;
15. Bid cum Application Form does not have the stamp of the BRLMs or Syndicate Members;

16. Bid cum Application Form does not have Bidders depository account details;

17. Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Offer Opening Date advertisement and this Preliminary Sale Document and as per the instructions in this Preliminary Sale Document and the Bid cum Application Form; or

18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page [.] of this Preliminary Sale Document.

19. Bids from OCBs

20. Bids not validly executed, without signatures or supporting documentation

21. In case no corresponding record is available with the Depositories matching with three parametes viz. names of the Bidders (including the order of names of joint holders), the depository participants identity (DP ID) and the beneficiary's identity.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

Equity Shares in Dematerialised Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Offer shall be transferred only in dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreements have been signed among ONGC, the Registrar and the Depositories:

1. An agreement with National Securities Depository Ltd. dated June 8, 1998; and
2. An agreement with Central Depository Services Ltd. dated May 17, 1999.

The International Securities Identification Number (ISIN) is INE213A01011.

Bids from any investor without complying with the following are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s) .
4. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
5. The Bidder shall provide his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant and shall be responsible for the correctness of the same.
6. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed are connected to NSDL and CDSL.

Equity Shares transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder. The trading of our Equity Shares would be in dematerialised form only for all investors. Bidders are advised to instruct their depository participant to accept Equity Shares transferred to them pursuant to this Offer.

Communications

All future communications in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque, draft number and issuing bank thereof.

Undertaking by the Selling Shareholder and the Company

The Selling Shareholder and the Company undertake:

- that the complaints received in respect of this Offer shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Company Secretary and Compliance Officer and the Registrar to the Offer to redress all complaints, if any, of the investors participating in this Offer;
- that the Company shall take all steps for the completion of the necessary formalities for ensuring the trading of the offered Equity Shares at all the Stock Exchanges where the Equity Shares are listed within seven working days of finalisation of the basis ofallocation;
- that the funds required for despatch of refund orders or allocation advice by registered post or speed post shall be made available to the Registrar to the Offer by the Selling Shareholder; and
- that the refund orders or allocation advice to the NRIs or FIIs shall be dispatched within specified time.

Dispatch of Refund Orders

The Selling Shareholder and the Company shall ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Offer by the Company/ Selling Shareholder.

Procedure and Time Schedule for Transfer of Equity Shares

The Selling Shareholder and the Company in consultation with the BRLMs reserve at their absolute and uncontrolled discretion and without assigning any reasons thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 working days of the Bid/Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within within 15 working days of the Bid/Offer Closing Date. The Selling Shareholder will ensure the transfer of the Equity Shares within 15 working days from the Bid/Offer Closing Date. The Selling Shareholder shall pay interest at the rate of 15 percent per annum (for any delay beyond the periods as mentioned above), if transfer is not made, refund orders, are not dispatched and/ or demat credits are not made to investors within two working days from the date of allocation.

Disposal of Applications and Application Money

The Company shall facilitate the Selling Shareholder to ensure dispatch of allocation advice, refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the transfer details and required trading notice with the Stock Exchanges within two working days of **finalisation of the basis of allocation of Equity Shares.** The Company shall facilitate the Selling Shareholder to ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

Interest on Refund of excess Bid Amount

The Selling Shareholder shall pay interest at the rate of 15 percent per annum on the excess Bid Amount received, if refund orders are not dispatched within 15 working days from the Bid/Offer Closing Date.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and the FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The Government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under present regulations, the maximum permissible FII investment (including the FII-sub accounts) in the Company is restricted to 24 percent of its paid-up capital. This can be raised to 100 percent by adoption of a board resolution followed by a special resolution of ONGC's shareholders; however, as of the date hereof, no such resolution has been recommended to ONGC's shareholders for adoption.

Deviations from SEBI Guidelines

The Equity Shares being offered pursuant to this Offer are already listed. As advised by SEBI in its letters dated January 29, 2004 and February 16, 2004, the SEBI Guidelines for public issues/offers do not apply to this Offer. However, the Selling Shareholder has informed the BRLMs and the Company by letter dated February 6, 2004, that it has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100 percent Book Building Process. Further, the processes, procedures and practices, which are generally followed in the 100 percent book building process save the deviations (as enumerated hereunder) indicated in the letters dated February 6, 2004 and February 12, 2004, would be adopted for this Offer.

a) The Price Band to be advertised for the purposes of inviting bids and carrying out book building will not be disclosed in the Preliminary Sale Document and would be advertised by the Government up to one day prior to the Bid Opening Date.

b) The Price Band would be revised, if necessary, without the need to extend the Bidding Period.

c) The terms of the offer would provide for an automatic reduction of the demand (i.e. the number of shares bid for) of Retail Individual Bidders who have bid at Cut-off price, to keep it to within the payment already made by them, in case of any upward revision in the Price Band.

d) The Selling Shareholder reserves the right at its sole discretion to transfer the Equity Shares at a differential lower price as compared to the price for QIBs and Non Institutional Bidders for (a) Retail Individual Bidders and (b) individual Bidders bidding under the reservation for Permanent Employees/Whole-time Directors of the Company and shareholders of the Company and MRPL who apply or bid for securities of not more than Rs. 50,000, in any of the Bidding options under the Offer. The post offer period for completion of various activities would be defined as 15 working days instead of 15 calendar days.

f) The bids received at the bidding centers would be permitted to be uploaded at intervals of one hour on all bidding days and up to the time allowed by NSE and BSE on the last day of bidding.

g) Reservation for the existing shareholders of ONGC (excluding the President of India, IOC and GAIL).

BASIS OF OFFER PRICE

The Offer Price will be determined by the Selling Shareholders in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by way of Book Building.

Quantitative Factors

1. Earnings Per Share (EPS) (as adjusted for changes in capital)

Year	EPS (Rs.)	Weight
2000-2001	37.75	1
2001-2002	39.06	2
2002-2003	77.12	3
Weighted Average	57.87	

Notes:

a. The Earnings per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/prior period items pertaining to the earlier years.

b. The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

2. Price/Earning Ratio (P/E) *

- based on 2002-03 adjusted EPS of Rs. 77.12 [●]

- based on weighted average adjusted EPS of Rs. 57.87 [●]

* *would be calculated after discovery of Offer Price through Book Building Process*

3. Average Return on Net Worth

Year	RONW (%)	Weight
2000-2001	21.05	1
2001-2002	19.14	2
2002-2003	30.84	3
Weighted Average	25.41	

Note: The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth to maintain pre-Issue EPS [●]

5. Net Asset Value (NAV) per share as per Balance Sheet dated December 31, 2003: Rs. 293.12

Note: Net Asset Value per share represents shareholder's equity as per restated financial statements less miscellaneous expenditure as divided by number of shares outstanding at the end of the period. An interim dividend of Rs. 14 per share has been declared on January 30, 2004 and the same has been paid to the Selling Shareholder.

6. Net Asset Value (NAV) per share post-Issue and comparison with the Offer Price * [●]

* would be compared after discovery of the Offer Price through Book Building Process.

Note: There is no change in Net Worth post issue due to offloading of the stake by the Government.

7. Comparison with Industry Peers:

There is no other comparable listed company in India, in terms of size and / or other characteristics, that is primarily engaged in exploration and production of oil and gas in India. Hence, no industry comparison including accounting ratios can be made.

SECTION III: THE COMPANY

Unless the context otherwise requires, for the purposes of the following section of this Preliminary Sale Document, reference to "ONGC", "the Company", "Oil and Natural Gas Corporation Limited", "we", "us" and "our" refers to Oil and Natural Gas Corporation Limited.

CAPITAL STRUCTURE

(Rs. in millions)

Share Capital as on December 31, 2003. As of the date of this Preliminary Sale Document, the share capital has remained unchanged since December 31, 2003.	**Aggregate nominal value**
A. Authorised Capital	
15,000,000,000 Equity shares of Rs. 10 each	150,000.00
B.1 Issued and Subscribed Capital	
1,425,933,992 Equity shares of Rs. 10 each	14,259.34
B.2 Paid-up Capital (less calls in arrears)	
1,425,933,992 Equity shares of Rs. 10 each	14,259.30

Notes to the Capital Structure

1. Share Capital History of the Company:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative No. of Shares
30.6.93	10	10	10	Cash	Subscription to shares on signing of the Memorandum of Association	10
01.03.94	342,853,716	10	10	Other than cash	On transfer of undertaking from Oil and Natural Gas Commission	342,853,726
23.12.94	6,639,300	10	270	Cash	Issue of shares to employees of the Company and its subsidiary	349,493,026
29.05.95	600	10	270	Cash	Issue of shares to employees of the Company and its subsidiary	349,493,626
21.08.95	1,076,440,366	10	-	Bonus	Bonus Issue	1,425,933,992
Total	1,425,933,992					

2. Non-Disposal Undertaking:

After the completion of the Offer, the Selling Shareholder shall hold at least 74.11 percent of our total paid up equity share capital. The Selling Shareholder has contractually undertaken not to sell or otherwise dispose of any of our equity shares any securities convertible into, exchangeable or exercisable for our equity shares (including any warrants), or any option on our equity shares, or pledge, mortagage or in any manner dilute or encumber is rights in our equity shares held by it, for a period of six months from the date of transfer proposed to be sold through the Offer.

Indian Oil Corporation Limited ("IOC") holds 9.61 percent of our total paid up equity share capital. IOC has also contractually undertaken not to sell or otherwise dispose off any of our equity shares or any option on our equity shares, or pledge, mortagage or in any manner dilute or encumber its rights in our equity shares held by itfor a period of six months from the date of transfer of Equity Shares pursuant to the Offer.

GAIL (India) Limited ("GAIL") holds 2.40 percent of our total paid up equity share capital. GAIL has also contractually undertaken not to sell or otherwise dispose off any of our equity shares, any securities convertible into, exchangeable or

exercisable for our equity shares (including any warrants), or any option on our equity shares, or pledge, mortagage or in any manner dilute or encumber its rights in our equity shares held by it for a period of six months from the date of transfer of Equity Shares pursuant to the Offer.

We have undertaken not to issue, offer or repurchase any of our equity shares or any securities convertible into, exchangeable or exercisable for our equity shares (including our warrants), or any option on our share capital, for a period of six months from the date of transfer of Equity Shares proposed to be sold through the Offer.

3. Shareholding Pattern of the Company before and after the Offer:

	Pre-Offer		Post-Offer(1)	
Shareholder	**Number of equity shares**	**Percentage**	**Number of equity shares**	**Percentage**
President of India				
(Acting through MOPNG)	1,199,339,605	84.11	1,056,746,305(1)	74.11
Indian Oil Corporation Ltd.	137,067,381	9.61	137,067,381	9.61
GAIL (India) Ltd.	34,266,845	2.40	34,266,845	2.40
Public	55,260,161	3.88	197,853,461(1)	13.88
TOTAL	**1,425,933,992**	**100.00**	**1,425,933,992(2)**	**100.00**

(1) Assuming the Selling Shareholder sells the intended 10 percent.

(2) As this is an Offer for Sale, the Company's total equity capital pre and post Offer will not change as a result of the sale of Equity Shares pursuant to the Offer.

Besides the Promoter, none of the promoter group companies have any shareholding in the Company.

4. The list of top 10 shareholders of the Company and the number of Equity Shares held by them is as under:

The top ten shareholders as of February 4, 2004 are as follows:

Serial Number	**Name Of Shareholders**	**Number of equity shares of Rs. 10 each**
1	President of India	119,9,339,605
2	Indian Oil Corporation Ltd.	137,067,381
3	GAIL (India) Ltd.	34,266,845
4	Unit Trust of India - SUS 1999	9,670,000
5	Life Insurance Corporation of India	5,674,696
6	Copthall Mauritius Investment Ltd.	1,753,600
7	Citigroup Global Mkts. Mauritius Pvt. Ltd.	1,483,825
8	United India Insurance Co. Ltd.	1,160,146
9	Canara Bank	892,776
10	Morgan Stanley Investment Management Inc.	858,231

The top ten shareholders as on January 18, 2004 are as follows:

Serial Number	**Name Of Shareholders**	**Number of equity shares of Rs. 10 each**
1	President of India	1,199,339,605
2	Indian Oil Corporation Ltd.	137,067,381
3	GAIL (India) Ltd.	34,266,845
4	Unit Trust of India - SUS 1999	10,450,000
5	Life Insurance Corporation of India	5,674,696
6	Copthal Mauritius Investment Ltd.	1,732,100
7	United India Insurance Co. Ltd.	1,098,589
8	Canara Bank	894,776
9	Morgan Stanley Investment Management Inc.	858,231
10	Morgan Stanley Mutual Fund	708,279

The top ten shareholders as of January 31, 2002 are as follows:

Serial Number	Name Of Shareholders	Number of equity shares of Rs. 10 each
1	President of India	1,199,339,605
2	Indian Oil Corporation Ltd.	137,067,381
3	GAIL (India) Ltd.	34,266,845
4	Unit Trust of India — SUS 1999	15,541,587
5	Life Insurance Corporation of India	9,397,228
6	Genests Indian Investment Co. Ltd.	2,236,052
7	Unit Trust of India	1,966,009
8	Canara Bank	1,506,557
9	United India Insurance Co. Ltd.	797,168
10	General Insurance Corporation of India	604,328

5. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, as on date.

6. The Equity Shares of the Company held by the Selling Shareholder are not pledged.

7. We have not taken any loan against the proceeds of the Issue.

8. Neither our Promoter nor directors of the Company have purchased or sold any equity shares during a period of six months preceding the date on which this Preliminary Sale Document was filed with SEBI.

9. Only Permanent Employees/ Whole-time Directors of the Company as on the cut-off date i.e. February 1, 2004 would be eligible to apply in this Offer under reservation for Permanent Employees/ Whole-time Directors on competitive basis. Bid/ Application by Permanent Employees/ Whole-time Directors can be made also in "Net Offer to the Public" and such bids shall not be treated as multiple bids.

10. Only shareholders of ONGC (excluding the President of India, IOC and GAIL) and MRPL (excluding ONGC and HPCL) as on the cut-off date i.e. February 20, 2004 would be eligible to apply in this Offer under reservation for shareholders of ONGC and MRPL on competitive basis. Bid Application by shareholders of ONGC and MRPL can be made also in "Net Offer to the Public" and such bids shall not be treated as multiple bids.

11. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Permanent Employees/ Whole-time Directors and the shareholders of the Company and MRPL will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50: 50.

12. Our Promoter, the Company, our Directors and the BRLMs have not entered into any buy-back and/or standby and similar arrangements for purchase of Equity Shares of the Company from any person.

13. There are no outstanding employee stock option plans or employee share purchase schemes.

14. We have received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) pursuant to its letter no. FC II. 16 (2004)/ 16 (2004) dated January 28, 2004 for the transfer of Equity Shares in this Offer to eligible non-resident investors, NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial Institutions. As per the extant policy, OCBs are not permitted to participate in the Offer. The Company has received approval from the RBI vide its letter no. FE.DEL.FID-II/06.04.3664/ 2003-04 dated February 10, 2004 stating that the RBI has no objection for non-resident investors to acquire Equity Shares in the Offer for Sale. The final permission of the RBI for acquisition of shares is to be received on completion of certain filing requirements.

15. In this Offer, in case of over-subscription in all categories, up to 50 percent of the Net Offer to the public shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, not less than 25 percent of the Net Offer to the public shall be available for allocation on a proportionate basis to Non-institutional Bidders and not less than 25 percent of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of the Selling Shareholder and the BRLMs.

16. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Offer i.e. 142,593,300, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

17. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Preliminary Sale Document with SEBI until the completion of necessary formalities at all the stock exchanges.

18. We presently do not intend or propose to alter our capital structure for a period of six months from the date of Opening of the Offer, by way of split or consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into exchangeable, directly or indirectly for equity shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to an employee stock option plan or, if we or our subsidiaries enter into acquisitions or joint ventures or make investments, we may consider raising additional capital to fund such activity or use equity shares as currency for acquisition or participation in such joint ventures or investments.

19. We have not issued any equity shares out of revaluation reserves or for consideration other than cash, except for 342,853,716 equity shares issued to the President of India under the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993 and issue of 1,076,440,366 Equity Shares as a Bonus Issue.

20. At any given point of time, there shall be only one denomination for the equity shares of the Company and we shall comply with such disclosure and accounting norms specified by SEBI from time to time.

21. We had 76,703 shareholders as of February 4, 2004.

THE INDIAN OIL AND GAS INDUSTRY

The information set forth in this section is based on publicly available information, which we have not independently verified.

General

The Indian oil and gas industry traces its beginnings to the initial discoveries of crude oil in the first half of the nineteenth century in Assam in the far northeast of the country. The industry saw modest growth in exploration, development and production activity for the next century, and on the eve of independence in 1947 two domestic oil producers were operating, the Assam Oil Company in the northeast and the Attock Oil Company in the northwest (in India and areas of present-day Pakistan).

Following independence, the Government of India made accelerated development of the oil and gas sector a major priority, given the industry's strategic significance for industrial development and defense. In the 1950s, the Government entered the oil and gas sector by establishing an exploration and development entity, the Oil and Natural Gas Directorate (the predecessor to ONGC) in 1955, creating state-owned refinery companies (Indian Refineries Limited in 1958 and Indian Oil Company Limited in 1959, both merged to form the Indian Oil Corporation in 1964), and forming exploration and development joint ventures with existing domestic and foreign oil and gas companies (establishing Oil India Limited, or OIL, with the Burma Oil Company and the Assam Oil Company and Indo-Stanvac Petroleum Company Limited, a joint venture between Government of India and Standard Vacuum Oil Company).

During the 1960s, exploration, development, production and refining continued to grow and the sector became increasingly dominated by state-owned companies and joint ventures between the Government and private oil and gas companies. With the discovery by ONGC of the large Mumbai High offshore oil field in 1974, the domestic oil and gas industry began a large-scale expansion. In the 1970s the Indian oil and gas industry was largely nationalised, as the Government took over the operations of IBP, Esso, Caltex and Burmah-Shell. Following nationalization, only state-owned enterprises were allowed to participate in the oil and gas industry (other than Castrol, which was permitted to remain in the niche lubricant segment). Virtually all aspects of the oil and gas industry were highly regulated, including investment, exploration, production, distribution and pricing of all petroleum products sold in the market.

Beginning in the early 1990s, as India's reliance on oil imports rose, the Government embarked on a series of reforms aimed at partially deregulating the oil and gas sector, with a goal of rationalizing the industry, improving efficiency, reducing the cost of government subsidies and encouraging private sector investment. Important measures included opening the refining segment to private investment, permitting the sale of limited amounts of LPG and kerosene by private entities outside of the state-owned distribution channels, and allowing foreign oil companies to enter the domestic lubricant market. Perhaps most significantly, in the late 1990s the Government adopted a phased lifting of price controls on the entire range of petroleum products, which was fully implemented by April 2002, except in case of natural gas, LPG and kerosene.

Domestic Energy Demand

The significant growth of India's economy over the past decade has led to strong increases in domestic energy consumption. The increase in demand for petroleum products in India has shown a strong correlation to growth in gross domestic product, or GDP. During the ten-year period ended March 31, 2003, the compounded annual growth rate, or CAGR, of consumption of petroleum products was approximately 6.0 percent *(Source: PPAC December 2003),* compared to a CAGR for GDP of 6.0 percent *(Source: RBI)* for the same period. However, the consumption of petroleum products grew at a CAGR of 2.4 percent for the period fiscal 2000 to fiscal 2003 *(Source: PPAC December 2003)*.

Growth in energy consumption has tended to lag behind GDP growth over the latter half of this period due to several factors, including increased oil prices and price volatility and, perhaps most significantly, due to the fact that the expansion in the Indian economy has been disproportionately concentrated in the services sector rather than in more energy-intensive sectors such as heavy industry and agriculture.

Similarly, over the past decade domestic natural gas consumption has grown significantly in absolute terms, from approximately 16,407 million cubic meters for the year ended March 31, 1994 *(Source: Oil Coordination Committee, November 2001)* to approximately 29,972 million cubic meters for the year ended March 31, 2003 *(Source: MOPNG - Basic Statistics on Indian Petroleum and Natural Gas, 2002-03)*, representing a CAGR of over 6.9 percent. Despite this high rate of growth, natural gas consumption as a percentage of total domestic energy consumption has remained relatively flat over this period, increasing from 6.4 percent for the year ended December 31, 1993 to 7.8 percent for the year ended December 31, 2002, and remains well below the world average of 24.3 percent for the year ended December 31, 2002 *(Source: BP Statistical Review of World Energy, June 2003).* Domestic natural gas consumption has been limited by supply constraints caused by low growth in domestic production. The production is expected to start declining in the absence of significant improvement in the recovery of reserves in existing fields or significant discoveries of new, commercially viable reserves. Supply constraints have also been caused in part by a relative lack of infrastructure for importing and distributing foreign natural gas. However, the construction of two liquefied natural gas, or LNG, import terminals on the west coast of India by Petronet LNG and Shell India by February 2004 and July 2004, respectively, with projected annual handling capacity of 5 million metric tons each, is anticipated to result in average daily natural gas imports of up to 40 million cubic meters by 2006.

The following table sets forth total domestic energy consumption, and the relative contributions of major primary energy sources to total domestic consumption, for the ten years ended December 31, 2002.

Year Ended December 31,	Total Domestic Energy Consumption Primary (mmtoe)	Energy Sources (% of Total Domestic Consumption)				
		Coal	Crude Oil	Natural Gas	Hydro-electric	Nuclear
1993	222.4	57.6	28.2	6.4	7.20	0.60
1994	235.5	56.9	28.6	6.3	7.70	0.50
1995	252.3	56.6	28.9	7.0	6.80	0.70
1996	270.0	57.2	29.4	6.9	5.80	0.70
1997	282.4	56.7	29.5	7.3	5.60	0.80
1998	290.3	55.0	29.9	7.6	6.50	0.90
1999	298.1	53.0	31.9	7.8	6.20	1.00
2000	312.0	54.3	31.3	7.8	5.60	1.20
2001	314.2	54.9	30.8	7.8	5.20	1.40
2002	325.1	55.6	30.1	7.8	5.20	1.40

Source: BP Statistical Review of World Energy, June 2003

In addition to demand for energy, the oil and gas industry is significantly affected by demand for a variety of refined and processed products derived from crude oil and natural gas, which are used in a variety of industrial, consumer and agricultural applications. Examples of non-fuel end products include lubricants, fertilizer, plastics and other petrochemicals. See "-Refining" and "-Marketing" on page 83 and page 84 of this Preliminary Sale Document, respectively.

Domestic Oil and Natural Gas Production

While domestic production of crude oil and natural gas has increased over the past decade, it has not kept pace with growth in domestic consumption over the same period. Crude oil production in India increased at a CAGR of approximately 2.3 percent over the period fiscal 1994 to fiscal 2003, as domestic crude oil consumption increased at a CAGR of approximately 8.3 percent during the same period *(Source: PPAC, December 2003)*. Domestic demand for natural gas was limited by supply and distribution factors, but nevertheless grew at a CAGR of approximately 6.9 percent during this period *(Source: Oil Coordination Committee, November 2001, MoPNG - Basic Statistics on Indian Petroleum and Natural Gas, 2002-03)*. Current domestic reserves of both crude oil and natural gas are declining, illustrated by the decrease in the domestic reserve to production ratio for crude oil from approximately 25.3 in CY 1993 to 19.5 in CY 2002 and the decrease in the domestic reserve to production ratio for natural gas from approximately 47.1 in CY 1993 to 27.8 in CY 2002 *(Source: BP Statistical Review of World Energy, June 2003)*.

The following table sets forth the total volume of crude oil processed by domestic refineries, or throughput, compared with the total domestic production of crude oil during the ten-year period ended March 31, 2003, and the resulting deficit required to be met through imports of crude oil.

Year Ended March 31,	Total Refinery Crude Oil Throughput *(mmbbls)*	Total Domestic Production of Crude Oil (with condensate) *(mmbbls)*	*(%)*	Crude Oil Deficit *(mmbbls)*	*(%)*
1994	405.5	202.7	50.0	202.8	50.0
1995	423.4	241.7	57.1	181.7	42.9
1996	440.7	263.6	59.8	177.2	40.2
1997	471.5	246.5	52.3	225.0	47.7
1998	488.9	253.7	51.9	235.1	48.1
1999	514.1	252.8	49.2	261.3	50.8
2000	643.3	240.0	37.3	403.3	62.7
2001	773.3	243.4	31.5	530.0	68.5
2002	799.1	240.2	30.1	558.9	69.9
2003	829.4	248.0	29.9	581.3	70.1

(Source: PPAC)(Note: PPAC provides its data in metric tons; for convenience we have converted the PPAC data from metric tons to barrels, using a conversion factor of 1 MMT = 7.5 mmbbls)

As the gap between demand and production of crude oil continues to widen, India has increasingly become a significant net importer of crude oil.

The following table sets forth the total domestic production of natural gas during the ten-year period ended March 31, 2003, all of which was consumed domestically. At present, no natural gas is imported to meet the domestic demand shortfall but this is expected to change following the commencement of LNG imports scheduled for fiscal 2005.

Year Ended March 31,	Total Domestic Production of Natural Gas (bcm)
1994	18.34
1995	19.38
1996	22.64
1997	23.31
1998	26.40
1999	27.43
2000	28.45
2001	29.48
2002	29.72
2003	31.40

(Source: MOPNG-Basic Statistics of Indian Petroleum and Natural Gas, 2002-03)

While deregulation and other government initiatives have increased the level of private sector participation in the domestic production sector, the industry is still dominated by two government-owned entities, ONGC and OIL. The following table provides a breakdown by major producer of India's crude oil and natural gas production for fiscal 2003.

Total Domestic Crude Oil and Natural Gas Production by Major Producers

Year Ended March 31, 2003

	Crude Oil (mmbbls)	(%)	Natural Gas (bcm)	(%)
ONGC(1)	207.3	83.6	26.4	84.1
OIL	22.3	9.0	1.7	5.6
Others	18.4	7.4	3.2	10.3
Total	**248.0**	**100.0**	**31.4**	**100.0**

Source: Directorate General of Hydrocarbons Statistics

(1) Includes ONGC's share of production from production-sharing contracts.

The remainder of the domestic crude oil production comes from joint ventures (JVs), mostly producing in offshore areas. ONGC is a 40 percent partner in most of these joint ventures. Significant private-sector participants in these joint ventures include Reliance Industries, British Gas, Cairn Energy and Petrocon (formerly Videocon).

The remainder of the domestic natural gas production sector consists of smaller state-owned enterprises such as the Gujarat State Petroleum Corporation Limited and private-sector oil and gas companies such as Cairn Energy and Hindustan Oil Exploration Company that engage in exploration, development and production and, in some cases, direct sales of natural gas to wholesale and retail customers and end-users.

ONGC and OIL also hold the largest portion of leased acreage for oil and natural gas production, accounting collectively for approximately 76.7 percent of the total territory licensed by the Government of India for commercial production of crude oil and natural gas as of March 31, 2003. The following table sets forth the amount of domestic production area granted to lessees under petroleum mining leases, or PMLs, in effect as of March 31, 2003.

Leased Domestic Production Area

Lessee	Leased for Oil and Gas Production| (as of March 31, 2003)	
	(Sq. Km.)	*(%)*
ONGC	8,739	53.12
Oil India Ltd.	3,880	23.58
B G Exploration & Production India Ltd.	2,678	16.28
Cairn Energy India Pty Ltd.	454	2.76
Niko Resources Ltd.	229	1.39
Selan Oil Exploration Ltd.	171	1.04
Mosbacher India Llc.	75	0.40
Larsen & Toubro Ltd. / Joshi Technologies International Ltd.	57	0.35
Assam Company Ltd.	53	0.32
Hindustan Oil Exploration Company Ltd.	48	0.29
Heramec Ltd.	34	0.21
Interlink Petroleum Ltd.	17	0.10
Geoenpro Petroleum Ltd.	11	0.07
Hydrocarbon Resources Development Co. Pvt. Ltd	4	0.03
Total	**16,450**	**100.00**

Source: Directorate General of Hydrocarbons - Petroleum Exploration and Production Activities, India 2002-03

Exploration

Oil and gas exploration is also dominated by ONGC, which holds approximately 57.2 percent of the total area licensed by the Indian government for hydrocarbon exploration. Reliance Industries and OIL have also been significant recipients of petroleum exploration licenses, or PELs, with licenses covering approximately 26.6 percent and 5.5 percent, respectively, of the total domestic territory licensed for exploration. The following table below sets forth the amount of acreage granted to licensees under PELs as of March 31, 2003.

Licensed Domestic Exploration Area

Licensee	Licensed for Oil and Gas Exploration (as of March 31, 2003)	
	(Sq. Km.)	**(%)**
ONGC	588,748	57.17
Reliance Industries Ltd.	273,869	26.59
Oil India Ltd.	56,319	5.47
Hindustan Oil Exploration Company Ltd.	31,268	3.04
Cairn Energy India Pty Limited	22,705	2.20
Okland International LDC	10,795	1.05
OAO Gazprom	10,425	1.01
Essar Oil Ltd.	7,083	0.69
Phoenix Overseas Ltd.	6,928	0.67
Petrom SA (India)	6,821	0.66
Mosbacher India Llc.	4,940	0.48
Gujarat State Petroleum Corporation Ltd.	3,274	0.32
Hardy Exploration and Production (India) Inc.	2,498	0.24
Assam Company Limited	1,934	0.19
B G Exploration & Production India Ltd.	1,000	0.10
Premier Oil (North-East India) BV	870	0.08
Niko Resources Limited	419	0.04
Total	**1,029,896**	**100.00**

Source: Directorate General of Hydrocarbons - Petroleum Exploration and Production Activities, India 2002-03

Beginning in 1997, the Indian government revised its procedures for awarding exploration licenses, through the introduction of the New Exploration Licensing Program, or NELP. This program has led to significantly higher private-sector involvement in domestic hydrocarbon exploration in recent years. See "Regulatory Environment of Oil & Gas Industry" on page [(] and "Business-Exploration and Development-Domestic Exploration and Development-NELP" on page [(] of this Preliminary Sale Document for a further discussion of NELP.

Sedimentary Basins

India has a sedimentary area of about 3,134,700 square kilometers, consisting of 26 basins and deep-water areas.

The basins have been classified by the Government of India into following four categories:

Basin Category	Nature	No. of Basins	Onland and Offshore Ares [(1)] (sq.km.)	Basins
Category I	Proven commercial production	7	518,500	Cambay, Assam Shelf, Bombay offshore, Krishna-Godavari, Cauvery, Assam-Arakan Fold Belt, Rajasthan
Category II	Identified prospectivity - Known accumulation of hydrocarbons, but no commercial production	2	95,000	Kutch, Andaman-Nicobar
Category III	Geologically prospective basins Vindhyan, Saurahstra, Kerala-Konkan-Lakshadweep, Mahanadi, Bengal	7	710,000	Himalayan Foreland, Ganga,
Category IV	Potentially prospective basins	10	461,200	Karewa, Spiti-Zanskar, Satpura-South Rewa-Damodar, Narmada, Deccan Syneclise, Bhima-Kaladgi, Cuddapah, Pranhita-Godavari, Bastar, Chhatisgarh
Sub-total		26	1,784,700	
Deep - waters [(2)]			1,350,000	
Total			**3,134,700**	

Source: Directorate General of Hydrocarbons - Petroleum Exploration and Production Activities, India 2002-03

(1) Includes Offshore areas of up to 200 meters water depth.

(2) Offshore areas of water depth greater than 200 meters.

Domestic exploration and development activity was historically highly regulated, with work being exclusively carried out by two national oil companies, ONGC and OIL. Given that exploration and development are very capital intensive and only two national oil companies were engaged in the business for a long period of time, the sector suffered from a low level of investment.

Though exploration activities have increased with the entry of new participants, to a significant degree a number of large basin areas remain unexplored as is evident from the following table:

Sedimentary Basinal Areas

(sq.km. in millions)

Total Sedimentary Area	3.135		
	AREA		
LEVEL OF EXPLORATION	**1995-96**	**1998-99**	**2002-2003**
Unexplored	1.557	1.276	1.019
Exploration Initiated	0.556	0.837	0.996
Poorly Explored	0.529	0.529	0.590
Moderate To Well Explored	0.498	0.498	0.535

Source: Directorate General of Hydrocarbons - Petroleum Exploration and Production Activities, India 2002-03

Recent Exploration and Development Activities

After a decade of private sector participation, ONGC and OIL still account for 83.9 percent and 7.3 percent of the domestic oil and gas production, respectively, with private sector participants producing only 8.8 percent of the total production in fiscal 2003 *(Source: Directorate General of Hydrocarbons Statistics).*

Domestic production continues to be stagnant. However, recent discoveries have been made in various exploration blocks. Significant portions of the Indian sedimentary basins are described by Directorate General of Hydrocarbons as unexplored to poorly explored *(Source: Directorate General of Hydrocarbons - Petroleum Exploration and Production Activities, India 2002-03).*

In November 2002, Reliance Industries Limited announced a discovery of gas reserves in deep-water in the Krishna-Godavari basin in the block it acquired during NELP-I. In fiscal 2003, ONGC reported six discoveries made in its various exploration blocks in Western Offshore and in the states of Rajasthan, Andhra Pradesh and Assam. The CB/OS-2 consortium comprising of Cairn Energy, Tata Petrodyne and ONGC discovered oil and gas in four separate fields in the Gulf of Cambay in 2001. Cairn Energy has also made three discoveries in the KG-DWN-98/2 block in the Krishna-Godavari basin. Cairn Energy has also made oil discoveries in the Rajasthan block in January 2004. The commercial viability of these discoveries will be assessed as further development work proceeds.

Crude Oil and Natural Gas Transportation

Crude oil produced onshore is primarily transported to refineries through trunk pipelines, with a small percentage transported by tanker. IOC owns approximately 42 percent of the approximately 5,642 kilometers of crude oil trunk pipeline in India, with the balance owned by ONGC and OIL. ONGC shares OIL's trunk lines in Assam for transportation of Assam crude to refineries *(Source: TERI Energy Data Directory and Yearbook, 2002/03).*

Natural gas is transported through pipelines to the end users (through producer-owned pipeline or through a transporter). The existing domestic natural gas transmission infrastructure can support daily production and transportation of more than 100 million cubic meters of natural gas. The majority of the domestic transmission infrastructure is installed in the north-west of India and transports natural gas from the Western Offshore production fields to end users throughout the country *(Source: GAIL-Infraline Reference Book, 2003).*

GAIL controls the distribution for more than 85 percent of the natural gas produced in India, and owns approximately 4,500 kilometers, or 71.7 percent, of the domestic natural gas pipeline network. ONGC and OIL control an additional 810 kilometers (12.9 percent) and 100 kilometers (1.6 percent), respectively, of the domestic natural gas pipeline network *(Source: GAIL-Infraline Reference Book, 2003).*

Alternate Fuels

Given the substantial gap between supply and demand in the energy sector in India and the limited amount of crude oil and natural gas reserves globally, the Government has focused its attention on alternate hydrocarbon extraction technologies such as coal-bed methane, underground coal gasification and gas hydrates.

Coal Bed Methane

Coal-bed methane, or CBM, is natural gas derived from coal that can be extracted by depressurization. The Government has awarded 16 CBM blocks as of January 15, 2004 and will likely continue to encourage domestic and foreign companies to pursue CBM opportunities in India in the future.

Underground Coal Gasification

Underground coal gasification is the process by which one extracts a coal gas from otherwise unminable coal reserves. Still in its early stages of development, underground coal gasification could provide India with a significant source of energy in the future given the country's sizable coal deposits.

Gas Hydrates

Gas hydrates constitute molecules of methane gas surrounded by water molecules. The tremendous volumes of gas present in marine sediments, together with the richness of the deposits, make gas hydrates an unconventional yet possibly valuable energy resource. In recent years, the Government has focused its attention on initiating gas hydrate exploration and development in India.

Refining

The domestic crude oil refining sector consists of ten companies operating a total of 18 refineries, with a combined annual installed capacity as of March 31, 2003 of 877.3 million barrels *(Source: PPAC, December 2003)(Note: PPAC provides its data in metric tons; for convenience we have converted the PPAC data from metric tons to barrels, using a conversion factor of 1 MMT = 7.5 mmbbls)*. With one exception, all of the domestic refiners are public sector enterprises. The domestic refining sector has undergone significant consolidation beginning in 2001, as several refining companies lacking marketing and distribution operations have been acquired by other domestic oil and gas companies pursuing a vertical integration strategy. In March 2001, IOC obtained controlling stakes in BRPL and CPCL, and BPCL obtained controlling stakes in KRL and NRL. ONGC commissioned a mini-refinery in East Godavari District of Andhra Pradesh in September 2001 and acquired a controlling stake in MRPL in March 2003.

Prior to 2000, domestic demand for most refined petroleum products exceeded domestic supply, with the resulting net deficit met through imports. However, following large increases in refining capacity resulting from the construction of new refineries and upgrades at existing refineries, domestic refining capacity now exceeds domestic demand for refined petroleum products, and India has become a net exporter of refined petroleum products. Construction of additional refineries and capacity upgrades at existing refineries continue, and are expected to further contribute to overcapacity and declining margins in the domestic refining sector.

The following table sets out information on the production, import, export and domestic consumption of major categories of refined petroleum products for the periods indicated:

PRODUCTION, IMPORT, EXPORT, AND DOMESTIC CONSUMPTION OF REFINED PETROLEUM PRODUCTS BY MAJOR CATEGORY

		Year Ended March 31,		
		2001	2002	2003
Product			*(mmt)*	
High-Speed Diesel	Production	39.0	39.9	40.3
	Imports	0.0	0.0	0.1
	Exports	1.6	2.9	3.2
	Consumption	38.0	36.5	36.6
Kerosene	Production	8.9	9.9	10.2
	Imports	1.9	0.4	0.7
	Exports	0.0	0.0	0.0
	Consumption	11.3	10.4	10.4
Motor Spirits (Gasoline/Petrol)	Production	8.1	9.7	10.4
	Imports	0.0	0.0	0.0
	Exports	1.2	2.4	2.3
	Consumption	6.6	7.0	7.6
Liquified Petroleum Gas	Production	6.1	7.0	7.3
	Imports	0.9	0.7	1.1
	Exports	0.0	0.0	0.0
	Consumption	7.0	7.7	8.4
Naphtha/ Natural Gas Liquids	Production	11.5	11.8	11.3
	Imports	3.2	3.3	2.8
	Exports	2.9	2.5	2.1
	Consumption	11.7	11.8	12.0
Furnace Oil/Low-Sulphur Heavy Stock	Production	11.5	12.2	12.3
	Imports	1.7	1.4	1.3
	Exports	0.5	0.5	1.1
	Consumption	12.7	13.0	12.7

Source: PPAC

The following table sets forth the market share of domestic refining companies for the year ended March 31, 2003:

Company	Market Share (%)[1]	Controlling Shareholder[2]
Indian Oil Corporation Ltd.	31.9	Government of India (82.0%)
Reliance Industries Ltd.	25.8	Reliance Group
Hindustan Petroleum Corporation Ltd.	11.7	Government of India (51.0%)
Bharat Petroleum Corporation Ltd.	7.9	Government of India (66.2%)
Kochi Refineries Ltd.	6.9	BPCL (54.8%)
Mangalore Refinery & Petrochemicals Ltd.	6.6	ONGC (71.6%)
Chennai Petroleum Corporation Ltd.	6.2	IOC (51.9%)
Numaligarh Refinery Ltd.	1.7	BPCL (62.9%)
Bongaigaon Refineries and Petrochemicals Ltd.	1.3	IOC (74.5%)
Oil and Natural Gas Corporation Ltd.	0.1	Government of India (84.1%)
Total	**100.0**	

Source: PPAC
(1)Percentage of total crude oil throughput for all domestic refineries for the year ended March 31, 2003.
(2)Shareholding percentages as of September 30, 2003.

ONGC, GAIL and OIL engage in the fractionation of natural gas and condensate to produce petroleum products such as LPG, naphtha, kerosene, ethane-propane and pentane.

Marketing

Four Government-owned downstream oil companies, IOC, HPCL, BPCL and IBP, dominate the marketing of refined petroleum products in India, accounting for more than 85 percent of aggregate domestic sales of refined petroleum products for the year ended March 31, 2003 *(Source: PPAC).* The remainder was largely comprised of sales/consumption of certain niche petroleum products, such as naphtha, reformate, petroleum coke and lubricants, by foreign and domestic private-sector companies.

The following table sets forth information on the sales volume and market share of the major domestic downstream oil companies for the year ended March 31, 2003:

Company	Sales Volume *(mmt)*	Market Share *(%)*
Indian Oil Corporation Limited (including AOD)	46.3	44.5
Bharat Petroleum Corporation Limited	19.8	19.1
Hindustan Petroleum Corporation Limited	18.2	17.5
IBP Co. Limited	3.8	3.6
Other PSUs	2.0	1.9
Other private sector companies	14.0	13.4
Total	**104.1**	**100.0**

Source: PPAC

The following table sets forth domestic consumption data for the major categories of refined petroleum products, as a percentage of total domestic consumption of refined petroleum products, for the periods indicated:

Refined Petroleum Products by Major Category

Product Category	Year Ended March 31, 2001	2002	2003
	(% of total refined product consumption)		
High-Speed Diesel	37.9	36.4	35.2
Kerosene	11.3	10.4	10.0
Motor Spirit (Gasoline/Petrol)	6.6	7.0	7.3
Liquid Petroleum Gas	7.0	7.7	8.0
Naphtha / Natural Gas Liquids	11.7	11.7	11.5
Furnace Oil / Low-Sulphur Heavy Stock	12.6	12.9	12.2

Source: PPAC

Automotive fuels such as diesel (in particular high-speed diesel, or diesel) and motor spirit, or MS (also referred to as gasoline or petrol), account for a significant portion of refined petroleum products sold domestically, comprising approximately 42.5 percent of total sales of refined petroleum in India for the year ended March 31, 2003. The four major Government-owned downstream oil companies have historically dominated domestic sales of automotive fuels, and prior to March 2002 the Government of India only permitted state-owned oil companies to market automotive fuels to the public. In March 2002, the Government announced a new policy allowing private sector companies, including multinationals and other foreign oil and gas companies, to obtain rights to market automotive fuels and aviation fuels in India if minimum investment criteria (requiring actual or proposed investment of at least Rs. 20 billion in domestic oil industry infrastructure) are met. As of February 13, 2004, five companies, ONGC, MRPL, Reliance Industries Limited, Essar Oil Limited, and Numaligarh Refineries Limited, have obtained authorizations to market motor spirit and high-speed diesel domestically, including approvals to establish, in the aggregate, over 9,500 new domestic retail outlets. In addition, an in-principle approval has been granted to Shell India Private Limited to set up 2,000 retail outlets, subject to fulfilment of certain conditions.

The following table sets out the market shares of the four major Government-owned oil companies for domestic sales of automotive fuels (motor spirit and high-speed diesel) for the year ended March 31, 2003:

Company	Motor Spirit (Gasoline/Petrol) (%)	High Speed Diesel (%)
Indian Oil Corporation Limited (including AOD)	36.3%	47.7%
Bharat Petroleum Corporation Limited	31.6%	24.1%
Hindustan Petroleum Corporation Limited	24.7%	20.6%
IBP Co. Limited	7.3%	7.2%
Total	**100.0%**	**100.0%**

Source: PPAC

The marketing sector, as well as upstream sectors of the oil and gas industry, has been significantly affected by price controls, subsidies, mandated distribution arrangements, and other Government regulation. Prices for crude oil, natural gas and various refined and processed products have historically been subject to complex price and subsidy arrangements, although domestic crude oil prices have been largely deregulated as of March 2002. Please see “Regulatory Environment of Oil & Gas Industry” on page 86 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 142 of this Preliminary Sale Document for a detailed discussion of these regulations and arrangements.

REGULATORY ENVIRONMENT OF OIL & GAS INDUSTRY

Regulation of Exploration and Production

MoPNG is the principal regulator of exploration and production in the petroleum industry. MoPNG has set up the Directorate General of Hydrocarbons ("DGH") in 1993 with an objective of ensuring correct reservoir management practices, reviewing and monitoring exploratory programs, development plans for national oil companies as well as private companies, monitoring production and optimum utilisation of gas fields.

The main functions of DGH include, in respect of the discovered fields, ensuring optimum exploitation, reviewing and approving development plans, work programs, budgets, reservoir evaluations and advising on mid-course corrections and, in respect of the exploration blocks, appraising work programs and monitoring exploration activities. Our exploration activities are subject to the monitoring by DGH on behalf of MoPNG.

Other bodies under the control of the MoPNG include the Oil Industry Safety Directorate, which develops standards and codes such as for safety and fire fighting, training programs, information dissemination and the Oil Industry Development Board which provides financial and other assistance for conducive development of the oil industry. We have to comply with the safety standards prescribed by the Oil Industry Safety Directorate.

We also have to comply with the safety regulations prescribed by the Director General of Mines and Safety in respect of onshore petroleum mining installations.

Oilfields (Regulation and Development) Act, 1948

Our exploration activities are governed by the ORD Act which provides for regulation of oilfields and for the development of mineral fuel oil resources. Under this act, the Central Government is empowered to frame rules with respect to the conservation and development of mineral oils, production of oil and regulation of oilfields.

Petroleum Exploration License (PEL) and Petroleum Mining Lease (PML) under the Petroleum and Natual Gas Rules, 1959

The P&NG Rules provide that no person shall prospect and/or mine petroleum unless it has been granted petroleum exploration licence and petroleum mining lease. Accordingly, we have obtained petroleum exploration licences and petroleum mining leases under the P&NG Rules for the purpose of prospecting and mining of petroleum. PELs and PMLs are granted by the Government of India for offshore areas and with the prior approval of the Government of India, by the relevant state Governments for onshore areas.

Petroleum and Natural Gas Regulatory Board Bill

In the deregulated scenario, chances of exploitation of consumers by different entities cannot be ruled out. Against this backdrop, Government has proposed to set up a Petroleum and Natural Gas Regulatory Board to oversee the downstream petroleum sector in the country. To facilitate the setting up of the Board, Government has introduced the Petroleum Regulatory Board Bill, 2002 in the Lok Sabha on May 6, 2002. This Bill has been later amended and renamed as Petroleum and Natural Gas Regulatory Board Bill. One of the basic objectives of this Bill is to provide for a regulatory mechanism that would facilitate uninterrupted and adequate supply of petroleum, natural gas and petroleum products in all parts of the country, including remote areas at, fair price, promote competitive markets and access to monopolistic infrastructure in the nature of common carrier on non-discriminatory basis by all entities. With respect to such petroleum, natural gas and petroleum products, as may be notified by the Government from time to time, the Bill entails provision of retail service obligations for retail outlets and marketing service obligations for entities. To prevent exploitation of consumers in the deregulated scenario, the Regulatory Board shall ensure that among other things each marketing entity displays for the information of customers the maximum retail prices for the notified petroleum, natural gas and petroleum products, and takes steps in accordance with regulations, to prevent profiteering by the entities. Provisions have been made in this Bill to among other things ensure redressal of grievances and protection of consumer interest as also resolution of disputes among entities or between an entity and any other person.

These objectives are intended to be achieved by *inter alia*, the following:

- Setting up of a Petroleum and Natural Gas Regulatory Board to oversee and regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, natural gas and petroleum products. The Board would operate at an arm's length from the Government;
- Giving power to the Government to broadly lay down policy framework;
- Making provision for the Government to intervene in matters adversely affecting public interest in certain exigencies;
- Maintaining a data bank of information on activities relating to petroleum, petroleum products and natural gas to enable planning & development thereof.

Once this Bill is enacted as a statute, our downstream operations shall be regulated by this statute.

Environmental Regulations

The Environmental Protection Act, 1986, Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 provide for the prevention, control and abatement of pollution. Pollution Control Boards have been set up to exercise the powers under these statutes and perform the functions for preventing and controlling pollution. Companies have to obtain clearance of the Pollution Control Boards for emissions and discharge of effluents into the environment and have to comply with the provisions of these acts and rules thereunder.

The Hazardous Waste (Management and Handling) Rules, 1989 provide that waste oil and oil emulsions are hazardous wastes and impose an obligation on every occupier and operator of a facility which generates hazardous waste and dispose the same properly and ensure proper collection, treatment, storage and disposal. Every occupier and operator of the facility generating hazardous waste is required to obtain an approval from the Pollution Control Board for collecting, storing and treating the hazardous waste.

We regularly obtain clearance of the Pollution Control Boards for operating our facilities.

In addition, the Merchant Shipping Act, 1983 provides for liability which arises due to loss or damage caused outside the ship by contamination resulting from escape or discharge of oil from the ship, wherever such escape or discharge occurs.

The GoI has notified norms for supply and sale of fuel. As per the Auto Fuel Policy approved by the Government of India in October 2003, Bharat Stage II compliant fuel/vehicles and Euro III compliant fuel/vehicles will be introduced in the entire country by April 1, 2005 and April 1, 2010 respectively. In respect of 11 major cities including New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad and Pune the applicable dates in relation to compliance with Bharat Stage II and Euro III have been moved up to April 1, 2003 and April 1, 2005 respectively. In addition, it is proposed that Euro IV compliant fuel will be introduced in these 11 identified cities from April 1, 2010 on an experimental basis.

We will have to upgrade our refining technologies to meet the norms specified by the Government.

Petroleum Act, 1934 read with Petroleum Rules, 2002

We have to comply with the provisions of the Petroleum Act, 1934 which *inter alia* provides that no person shall produce, refine, blend, store or transport petroleum unless in accordance with the provisions of this Act.

We also have to comply with the provisions of the Petroleum Rules, 2002 which, *inter alia* provides for permission from the Chief Controller of Explosives for the purpose to refine, crack, store, reform or blend petroleum.

Draft Natural Gas Pipeline Policy

The Government of India has circulated a Draft Policy for Development of Gas Pipeline Network ("Draft Pipeline Policy") and invited comments and suggestions regarding the Draft Pipeline Policy from various stakeholders (such as Government Departments, consumers and State Governments) and the public. The objective of this policy is to promote investment in gas pipeline and to provide inter-connectivity between regions, consumers and producers and to provide a framework for future growth of the gas sector. The Government of India proposes to adopt the Draft Pipeline Policy for laying natural gas pipelines in the interim period until a statutory provision is introduced. As per this policy a Regulator will be appointed for regulating, transmission, distribution, supply and storage system for natural gasLNG and to promote development of the sector.

As per the draft policy, transportation of all gas will be done through a network of pipelines laid in accordance with the authorization granted by the Regulator. Tariff for the pipelines would be approved by the Regulator so as to provide a reasonable rate of return as may be fixed by the Regulator. This tariff should be applied as a cap to enable lower negotiated rates based on market prices.

Regulation of Refining and Marketing of Refined Petroleum Products

MoPNG is the regulator in respect to refining and marketing of petroleum products, and operates directly and through organisations under its administrative control, including the Petroleum Planning and Analysis Cell ("PPAC"). The PPAC took over certain functions of the Oil Coordination Committee ("OCC") as of April 2002 and is responsible for analysing market and price trends, maintaining an information database and administering Government subsidies in the petroleum industry.

Refined Product Pricing

After nationalisation of the refining industry and prior to 1998, prices of all major petroleum products were fixed pursuant to the APM and overseen by the OCC. The APM was based on a "cost plus" pricing system under which companies engaging in exploration and production, refining and marketing were all guaranteed fixed returns on net worth plus reimbursement of eligible operating costs. Under the system, selling prices of any given petroleum product was uniform for each marketing company within a specific area except for variances resulting from differing tax rates from one state to another. The APM operated through a system of "oil pool" accounts through which cash flows relating to various charges, subsidies and other adjustments were managed, allowing for certain products, including PDS kerosene and domestic LPG, to be cross-subsidised by income from other products such as MS.

Pursuant to a resolution of the MoPNG dated November 21, 1997, the consumer prices of all petroleum products other than MS, HSD, ATF, PDS kerosene and domestic LPG were decontrolled with effect from April 1, 1998. Subsequently, the price of

ATF was decontrolled effective April 1, 2001. Finally, with effect from April 1, 2002, pricing of MS and HSD was also decontrolled. Currently, therefore, pricing of all petroleum products except for PDS kerosene and domestic LPG is influenced by market factors. In practice, however, BPCL, HPCL, IOC and IBP, all of whom are directly or indirectly controlled by the Government, meet periodically (usually once every two weeks) and determine whether or not to revise the uniform prices charged by them. As such retail price competition has yet to emerge.

As part of its decision to dismantle the APM, the Government introduced the subsidy on PDS kerosene and domestic LPG on a flat rate basis. It was decided that the oil marketing companies will not increase the selling prices of these products during fiscal 2004. The subsidy on PDS kerosene and domestic LPG will be phased out in 3-5 years from April 1, 2002. The resultant under-recoveries of oil marketing companies will be absorbed and shared among the oil companies.

As per the broad mechanism finalised for sharing of these under-recoveries among the oil companies for fiscal 2004, a part of the projected under-recoveries would be made up through settlement among oil marketing companies by way of cross subsidisation through other retail products and the balance would be shared between the public sector oil marketing companies and the public sector upstream companies (our Company and GAIL).

Retail Marketing

Prior to April 1, 2002, the opening of new retail outlets was strictly controlled by the Government. Each year the Government approved a marketing plan submitted by the oil marketing companies setting out the number and locations of new dealerships to be built throughout the country. Allocation of such dealerships was made to oil marketing companies pursuant to the Sales Plan Entitlement. The Sales Plan Entitlement apportioned marketing rights to the various PSU oil marketing companies according to historical and projected market shares of the total petroleum products market. Dealers were selected by the Dealer Selection Boards.

As part of the Government's measures to liberalise the petroleum industry, as of April 1, 2002 the SPE was dismantled and the system of Dealer Selection Boards was discontinued. Oil marketing companies can now freely commission new retail outlets at locations of their choice based on Government of India guidelines. Dealers are selected by the oil marketing companies themselves pursuant to their own internal guidelines. Certain affirmative action programs such as requiring the PSUs to select as dealers a minimum percentages of women, persons with disabilities and persons from disadvantaged classes still continue to exist. Oil marketing companies are also required to set up a minimum share (approximately 11 percent) of retail outlets in remote and low service areas.

The Government of India vide Gazette Notification dated March 8, 2002 authorised companies investing or proposing to invest at least Rs. 20 billion in exploration, production, refining, pipelines or terminals, to market transportation fuels (MS, HSD and Aviation Turbine Fuel). As of February 13, 2004, five companies, including ONGC, MRPL, RIL, Essar, and NRL fulfilling the criteria have applied for and have been authorised to market transportation fuels and to the establishment of over 9,500 retail outlets. Each of ONGC and MRPL has been authorised to market MS and HSD only. In addition, an in principle approval has been granted to Shell India to set up 2,000 retail outlets subject to fullfillment of conditions.

Petroleum Pipeline Guidelines

The Petroleum Product Pipeline Policy, announced by the Government in December 2002, provides a mechanism for common carriage of petroleum products transportation. Pursuant to the policy, any company planning to lay a pipeline originating from a port or a pipeline exceeding 300 km in length originating from a refinery must publish its intention and allow other interested companies to take a capacity in the pipeline on a "take or pay" or other mutually agreed basis. Companies laying new pipelines would be required to provide at least 25 percent extra capacity beyond that needed by itself and interested companies for other users.

Government Policy for FDI in Petroleum Sector

Petroleum (Other than Refining)	• FDI up to 100 percent under the automatic route is allowed in oil exploration for both small and medium sized fields, subject to and under the policy of the Government on private participation in (a) exploration for oil; and (b) the discovered fields of) national oil companies. • For petroleum products pipeline sector, FDI is permitted up to 100 percent under the automatic route, subject to Governemnt policy and regulations thereof. • FDI is permitted up to 100 percent under the automatic route on petroleum products marketing, subject to the existing sectoral policy and regulatory framework in oil marketing sector.
Petroleum (Refining)	• FDI is permitted up to 26 percent in case of public sector units (PSUs), wherein PSUs can hold up to 26 percent and the balance 48 percent can be held by the public. The automatic route is not available. • In case of private Indian Companies, FDI is permitted up to 100 percent under the automatic route.

BUSINESS

Overview

We are the largest oil and gas company in India as measured by total proved reserves and production. In terms of revenue and assets, we ranked sixth and tenth, respectively, in the world for oil and gas exploration and production companies for 2002, the most recent period for which comparative data are available *(Source: 3rd Platts - Energy Business Technology (EBT) Survey -2004)*. We engage primarily in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore. As of April 1, 2003, our domestic proved crude oil reserves of approximately 3,306 million barrels and our domestic proved natural gas reserves of approximately 366.0 billion cubic meters represented 83.1 percent and 79.0 percent of the total proved crude oil and natural gas reserves, respectively, in India (*Source: BP Statistical Review of World Energy (52nd Ed.), based on Indian reserves estimates for 2002 by Oil & Gas Journal)*. The majority of our reserves are located offshore. For the year ended March 31, 2003, our domestic production amounted to approximately 206.8 million barrels of oil and approximately 26.0 billion cubic meters of natural gas, representing an average production of approximately 566,586 barrels of oil and 71.2 million cubic meters of natural gas per day. Our domestic production amounted to approximately 83.6 percent and 84.1 percent of India's total production of crude oil and natural gas, respectively, for this period *(Source: Directorate General of Hydrocarbons)*. For the nine months ended December 31, 2003, our domestic production amounted to approximately 154.8 million barrels of oil and approximately 19.5 billion cubic meters of natural gas, representing an average production of approximately 563,046 barrels of oil and 70.8 million cubic meters of natural gas per day.

We also engage in the exploration, development and production of crude oil and natural gas in eight foreign countries through our wholly owned subsidiary, ONGC Videsh Limited, or OVL. Our estimated international proved reserves as of April 1, 2003 totalled approximately 673.0 million barrels of crude oil and approximately 97.0 billion cubic meters of natural gas, respectively. For the nine months ended December 31, 2003, our international production amounted to approximately 18.17 million barrels of oil and approximately 0.34 billion cubic meters of natural gas, representing an average production of approximately 66,098 barrels of oil and 1.22 million cubic meters of natural gas per day.

We conduct our exploration, development and production activities through our independent operations as well as, to a lesser extent, through joint ventures and production-sharing contracts with other domestic oil companies and foreign partners such as ExxonMobil, British Petroleum, China National Petroleum Company, Petronas, Cairn Energy and British Gas. We process a portion of our crude oil and natural gas output into petroleum products such as liquefied petroleum gas, naphtha, kerosene, ethane-propane and diesel.

Through our majority-owned subsidiary Mangalore Refinery and Petrochemicals Limited, or MRPL, we are a significant domestic refiner of crude oil, using feedstock supplied from our own production as well as from foreign producers. In addition, we have received authorization to establish up to 1,100 retail outlets to market motor spirit (also referred to as gasoline or petrol) and diesel in India and MRPL has likewise received authorization to establish up to 500 retail outlets in India.

Our initial exploration and development activities began in the Himalayan foothills and large-scale exploration, development and production commenced with the discovery of significant oil fields in the Indian states of Gujarat and Assam in the late 1950s and 1960s. We began offshore exploration in 1964 and discovered the large Mumbai High oil field in 1974, which was followed by the discovery of additional significant oil and natural gas fields off the western coast of India from 1977 to 1984. More recently, we have expanded our activities to exploitation of relatively unexplored basins in India, including deep-water regions in India's offshore exclusive economic zone, and exploration, development and production activities in eight foreign countries.

Competitive Strengths

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

- Large proved reserves of high-quality crude oil and natural gas, with significant exploitation opportunities
- Extensive crude oil and natural gas exploration, development, production, refining and gas processing and fractionation experience
- Sizable exploration area
- Significant exploration, production, refining, gas processing and fractionation, transportation and storage infrastructure
- Attractive cost structure
- Strong research and development and training network

Large proved reserves of high-quality crude oil and natural gas, with significant exploitation opportunities. We have the highest proved reserves in India of any oil and gas company, which provide us with a more abundant and stable, long-term production base relative to our major competitors. Based on our production for fiscal 2003 and our proved developed reserves as of April 1, 2003, our ratios of proved developed reserves to production for domestic crude oil and natural gas were approximately 16.0 years and 14.1 years, respectively. In addition to our extensive domestic proved reserves, we also have significant proved reserves of crude oil and natural gas in foreign countries. As of April 1, 2003, proved developed reserves accounted for 67.3 percent and 60.8 percent, respectively, of our total global proved crude oil and natural gas reserves. All of our crude oil

reserves are comprised of sweet crude, with a significant majority in the form of light sweet crude, varieties that yield a higher proportion of higher-value light and middle distillates. The majority of our natural gas reserves consist of gas with a high calorific content.

Extensive crude oil and natural gas exploration, development, production, refining, and gas processing and fractionation experience. Over the nearly five decades since our inception, we have amassed substantial exploration, development and production expertise, in particular with respect to the geological conditions in India. We believe that we have accumulated an extensive collection of raw and proprietary geological data on offshore and onshore regions in India, and that this knowledge and database represent an advantage over other foreign and domestic oil and gas companies seeking to compete with us in India for exploration licenses, in production and in other areas. In addition, this advantage makes us more attractive to prospective joint ventures and production-sharing partners, which further improves our ability to pursue domestic exploration, development and production opportunities, and to obtain access to advanced technologies and techniques. We also benefit from a highly skilled workforce and a senior management team with extensive industry experience. We have historically been a technology leader in our domestic market. For example, we were a pioneer in introducing natural gas processing and fractionation technology to India. We devote significant resources to in-house research and development to improve our knowledge and database, industry expertise and use of advanced technology, and in particular to develop enhanced recovery and other exploration and development techniques and to improve the efficiency of our production operations.

Sizeable exploration area. Our independent domestic exploration licenses cover a total area of approximately 680,800 square kilometers, representing a majority of the total area licensed for exploration in India. In addition, we are members of production-sharing consortia with exploration contracts covering 75,000 square kilometers in foreign countries. Since the establishment of the New Exploration Licensing Policy, or NELP, by the Indian Government in 1999, we have been awarded approximately 50 percent of the total number of blocks granted under that program. We also have an extensive amount of proved undeveloped oil and natural gas reserves and a considerable area of underexplored sedimentary basins. With the significant financial resources afforded by our results from operations and our low debt levels, we believe that we are well positioned financially to exploit these exploration opportunities.

Significant exploration, production, refining, gas processing and fractionation, transportation and storage infrastructure. We have an extensive installed infrastructure of drilling and workover rigs, onshore and offshore production facilities, well stimulation services, subsea and land pipelines, gas processing and fractionation facilities, refineries, exploration and transport vessels, storage facilities and other infrastructure located throughout the main oil- and gas-producing regions of India, which we believe provides us with an advantage over our existing principal competitors in India as well as new entrants into the upstream and refining sectors of India's oil and gas market. In addition, this installed base provides us with competitive advantages in leveraging our existing operations into retail and other downstream sectors of the Indian petroleum markets.

Attractive cost structure. Our average finding costs and all-in production costs benefit from our low manpower costs, lack of net interest expense, relatively high use of in-house services in place of more expensive third-party contractors, utilization of depreciated infrastructure and equipment, adoption of cost-saving technology in our exploration and production operations, and effective use of our large store of geological data and expertise. We believe that our cost structure allows us to compete effectively even in an environment of low crude oil prices.

Strong research and development and training network. Our prospects for success are dependent on our access to advanced technologies and expertise. Overcoming the challenges of operating in a diverse range of environmental and geographical conditions and in highly competitive markets requires ongoing upgrades of existing technology and developing and adopting new and improved technology in exploration, development, production, refining and other areas of our business. Our research and development, or R&D, institutes form an integral part of our business and are instrumental in providing much of the technological and analytical support and scientific, engineering and technical know-how that are critical to our success. Likewise, our affiliated training institutes provide educational services and skills training crucial to effectively developing our human resources and maintaining our competitive edge.

Strategy

In pursuit of our strategic objectives, we intend to:

- Increase our domestic exploration and development efforts
- Improve our oil and gas recovery rates and gas utilization levels
- Increase our international production
- Diversify our operations through downstream integration

Increase our domestic exploration and development efforts. We intend to intensify our exploration and development efforts, primarily through a significant expansion of our deep-water exploration activities, with the goal of substantially increasing our hydrocarbon reserves. We have embarked on a major initiative, the Deep-Water Campaign, or "Sagar Sammriddhi", in which we plan to spend approximately Rs. 44,862 million (US$986.0 million) through fiscal 2007 to explore and develop the deep-water acreage granted to us under the NELP. The Deep-Water Campaign involves the deployment of three advanced deep-water drilling ships and the involvement of international consultants for geological and geophysical studies and deep-water

drilling, technology, testing and completion services. In addition to our deep-water program, we intend to increase our efforts to explore existing shallow-water offshore basins as well as explored and unexplored onshore basins.

Improve our oil and gas recovery and gas utilization levels. We intend to implement a number of advanced recovery technologies to redevelop our maturing fields and improve recovery of our crude oil reserves, with a goal of substantially increasing our current average recovery rates. These measures include the greater use of extended-reach horizontal drilling, side tracks, in-fill drilling, water injection and other advanced techniques, as well as technologies using chemical and thermal methods to enhance oil recovery. We plan to spend approximately Rs. 95,710 million (US$2,103.5 million) on oil field redevelopment programs and improved and enhanced oil recovery projects through fiscal 2007. Of this amount, we plan to spend approximately Rs. 78.8 billion (US$1.7 billion) during this period on the redevelopment of Mumbai High, our largest producing oilfield. In addition, we intend to improve our utilization of natural gas by reducing gas flaring, with the goal of eliminating gas flaring at our independent production facilities by the end of fiscal 2005, principally through the implementation of advanced technology and techniques and the upgrading and expansion of our distribution network. For the nine months ended December 31, 2003, approximately 3.3 percent of our offshore production and 4.3 percent of our onshore production of natural gas was lost to gas flaring. During this period, our Heera facility has become our first offshore platform to completely eliminate losses from gas flaring.

Increase our international production. We intend to increase and diversify our production by significantly expanding our international output of crude oil and natural gas. To meet this goal, we plan to exploit our existing overseas exploration and production acreages, pursue attractive opportunities to acquire or obtain participation interests in additional producing assets, and obtain exploration and development concessions in promising overseas locations. In addition to our current international producing assets in Vietnam and Sudan, the Sakhalin-1 project in the Russian Far East is scheduled to begin production in the near future. We intend to conduct intensive exploration of our existing block in Myanmar, where we have recently discovered natural gas deposits, as well as our blocks in Iran, Iraq, Libya and Syria. We continue to identify additional areas in these and other foreign countries to pursue attractive exploration and production opportunities. In those geographic areas where we have limited experience and expertise, we intend to structure our investments as joint ventures, alliances or partnerships with entities possessing relevant experience and expertise.

Diversify our operations through downstream integration. We intend to pursue a strategy of vertical integration in order to diversify our sources of revenue, currently concentrated in oil and gas production, into downstream sectors such as refining, processing, distribution and retailing, and to improve our profitability by extending our operations into higher-margin segments of the product value chain. We have implemented this strategy to date through several important investments. Over the course of 2003, we acquired a 71.6 percent majority shareholding in MRPL, a major domestic refiner, and we invested Rs. 383.4 million towards acquiring a 23.0 percent equity interest in Petronet MHB Limited, the owner and operator of the Mangalore-Hassan-Bangalore pipeline. We also invested Rs. 1,000 million towards acquiring a 12.5 percent equity interest in Petronet LNG Ltd., a joint venture formed by us and three other domestic oil and gas companies to build and operate a major new liquefied natural gas, or LNG, import terminal at the port of Dahej in the Indian state of Gujarat. In addition, we have made and are planning to make additional investments in various natural gas value-extraction projects, including a planned ethane-propane recovery plant at Dahej. We have recently obtained authorization to establish up to 1,100 domestic retail outlets and MRPL has likewise received authorization to establish up to 500 domestic retail outlets. We intend to seek and develop additional vertical integration opportunities as they arise.

Crude Oil and Natural Gas Reserves

Our estimated global proved reserves as of April 1, 2003 totaled approximately 3,979 million barrels of crude oil and approximately 463 billion cubic meters of natural gas, respectively. As of April 1, 2003, proved developed reserves accounted for 67.3 percent and 60.8 percent, respectively, of our total global proved crude oil and natural gas reserves. Our estimated domestic proved reserves of crude oil and natural gas as of April 1, 2003 totalled approximately 3,306 million barrels of oil and approximately 366.0 billion cubic meters of natural gas, respectively. As of April 1, 2003, proved developed reserves accounted for 74.5 percent and 76.9 percent, respectively, of our total domestic proved crude oil and natural gas reserves. As of April 1, 2003, our total domestic proved crude oil and natural gas reserves represented approximately 83.1 percent and 79.1 percent of the total proved crude oil and natural gas reserves, respectively, in India *(Source: BP Statistical Review of World Energy (52nd Ed.), based on Indian reserves estimates for 2002 by Oil & Gas Journal)*. The majority of our domestic reserves are located offshore, primarily in the Mumbai Offshore fields along the western continental shelf of India and in the Krishna-Godavari basin off the Eastern coast of the Indian state of Andhra Pradesh. Other significant offshore reserves are located in the Cauvery Basin extending from the south eastern coast of India and in the Kutch Basin in the Arabian Sea along the far north western coast of India. Our onshore reserves are primarily concentrated in the Cambay Basin in the state of Gujarat in western India, in the Upper Assam and Assam-Arakan Basins in the far north east of India, and in the Krishna-Godavari Basin in Andhra Pradesh. We have other significant onshore reserves in the Cauvery Basin and in a basin in the western Indian state of Rajasthan. These areas are described in greater detail under "-Production of Oil and Natural Gas-Domestic Production-Principal Domestic Producing Areas" and "Exploration and Development - Principal Domestic Exploration and Development Areas" on pages 96 and 105 of this Preliminary Sale Document, respectively.

Our Reserve Estimate Committee, or REC, periodically reviews and approves estimates of our domestic reserves of crude oil

and natural gas prepared by our technical personnel based on evaluations of geological data, new discoveries, the results of exploratory and development drilling and other factors. Reserve estimates are finalised as of April 1 of each year, presented to the REC for review and approval, and, following approval, are submitted to the Board of Directors of ONGC and the Directorate General of Hydrocarbons of the Ministry of Petroleum and Natural Gas.

All of our estimates of international reserves have been provided to us by our international joint venture partners based on international standards that may be different than those used by us.

In this Preliminary Sale Document, we report gross proved reserves. Our gross proved reserves consist of our percentage interest in total reserves, which in turn consists of our 100 percent interest in our independent oil and gas properties and our percentage interest in joint venture and production-sharing contracts, without reflecting (i) Our share of cash royalties payable to the Indian central government and Indian state Governments or cess payable to the Indian Central Government, (ii) royalties or taxes payable to other Governments (iii) other contractual payments such as profit petroleum, production-linked payments and bonuses, and (iv) reimbursement for exploration expenses attributable to our participating interest. Royalties and cess payable to Indian Government entities are payable in cash and are not payable in kind. Gross proved reserves also do not include an adjustment for taxes or other amounts payable by us. Production is calculated in the same manner as gross proved reserves.

Although we report our reserves of crude oil and natural gas in metric tons and cubic meters, respectively, for purposes of presentation in this Preliminary Sale Document, we have converted quantities of domestic crude oil from metric tons to barrels at a rate of one metric ton to 7.50 barrels. The conversion ratio of one metric ton to 7.50 barrels is based on the weighted average specific gravity of all crude oil produced from our individual domestic independent fields. We have used crude oil conversion ratios of one metric ton to 7.30 barrels in presenting reserves and production for our Sudan joint venture and reserves for our Sakhalin joint venture, which are based on the respective specific gravities of crude oil produced from those projects.

SPE International Standards

In calculating our proved domestic reserves, we use internally-developed definitions that are based in large part on international standards promulgated from March 1995 by the Society of Petroleum Engineers, or SPE, and the World Petroleum Congresses, or WPC. These international standards, referred to as SPE International Standards, take into account not only the probability that hydrocarbons are physically present in a given geological formation but also the economic viability of recovering the reserves (including such factors as exploration and drilling costs, ongoing production costs, transportation costs, taxes, prevailing prices for the products and other factors that influence the economic viability of a given deposit).

Under our internally-developed definitions, as in the case of SPE International Standards, reserves are classified as “proved” based on both geological and commercial factors. Under SPE International Standards, proved reserves are “the estimated quantities of crude oil and natural gas that geological and engineering data demonstrate can be produced with reasonable certainty under existing economic and operating conditions.” Our internally-developed definitions similarly define proved reserves as “quantities of crude oil and natural gas that are estimated to be commercially recoverable with a high degree of certainty from known accumulations, from a given day forward, under existing economic conditions, by established operating practices and under current Government regulations.”

An evaluation of proved oil and natural gas reserves naturally involves multiple uncertainties. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the review date, reserves may be significantly restated upwards or downwards. Changes in the price of crude oil, natural gas or gas-condensate may also affect our proved reserves estimates because the reserves are evaluated based on prices and costs as of a specified date.

Differences between SPE International Standards and SEC Standards

SPE International Standards differ in certain material respects from standards applied by the United States Securities and Exchange Commission, referred to as the SEC Standards. The principal differences include the following:

Economic Conditions. Under SPE International Standards, proved reserves must be based on “current economic conditions, operating methods, and Government regulations”. The SEC Standards require that proved reserves be based on the “existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made”. The SEC Standards are somewhat more restrictive, in that they require the reserve estimator to use only the prices and costs in effect on the actual “as of” date.

Certainty of Production. Under SPE International Standards, reserves in undeveloped drilling sites that are located at more than one well location from a commercial producing well may be classified as proved reserves if there is “reasonable certainty” that they are within the known productive limits of the formation. Under SEC Standards, it must be “demonstrated with certainty that there is continuity of production from the existing reservoir” before undeveloped locations more than one standard well spacing away from a current commercial producing well may be classified as proved reserves.

Downdip Reservoir Limits. Under SPE International Standards, “in the absence of data on fluid contacts, the lowest known

occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data". Under SEC Standards, "in the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir" and is generally interpreted to be the lowest known structural occurrence actually seen in a well through either testing or well logs.

Project Commitment. Under SPE International Standards, proved reserves may be estimated as long as there is a reasonable expectation of project development. The SEC Standards require a more firm commitment on the part of the Company to develop the project.

Accordingly, information relating to our estimated natural gas and crude oil reserves included in this Preliminary Sale Document is not indicative of information that would be reported under SEC Standards. It should also be noted that the magnitude of any proved reserve difference between the SPE International Standards and the SEC Standards could vary greatly. Each reservoir must be analyzed based on its individual situation. In some cases the difference could be significant, whereas in other cases there could be very little difference.

If at some point in the future we were to adopt SEC Standards, such adoption could potentially cause the amount of estimated proved crude oil and natural gas reserves reported by us in future periods to be lower than would otherwise be reported under SPE International Standards. A decrease in the amount of estimated proved developed crude oil and natural gas reserves reported by us could, if material, affect the amount of depreciation and depletion expense, impairment charges or certain other financial information derived from or relating to such reserve amounts reported by us in our consolidated and unconsolidated financial statements in future periods.

At our request, DeGolyer and MacNaughton, independent petroleum engineering consultants, carried out an audit of our reserves in 38 fields as of April 1, 2002. Based on our own estimate of our total reserves as of April 1, 2002, the reserves covered by the audit constituted approximately 50 percent of our estimated total domestic independent proved reserves, and approximately 40 percent of our estimated total proved reserves, each as of that date. A summary letter from DeGolyer and MacNaughton describing its conclusions as of April 1, 2002 appears as Appendix A to this Preliminary Sale Document. None of the reserve information as of April 1, 2002 appearing with respect to our other reserves is covered by the report of DeGolyer and MacNaughton. Likewise, none of the reserve information as of April 1, 2003 or April 1, 2001 set forth below or elsewhere in this Preliminary Sale Document is covered by the report of DeGolyer and MacNaughton. For further information regarding our reserves, see "Risk Factors as Perceived by the Company. The crude oil and gas reserve data in this Preliminary Sale Document are estimates, and our actual production, revenues and expenditure with respect to our reserves may differ materially from these estimates" on page 20 of this Preliminary Sale Document.

The following tables set forth proved crude oil reserves and proved natural gas reserves as of April 1, 2001, 2002 and 2003, by independent and production-sharing contract operations in each of our principal domestic operating areas and in respect of our international operations.

TOTAL PROVED CRUDE OIL RESERVES

(mmbbls)

	As of April 1,		
	2001	**2002**	**2003**
Independent			
Domestic - Onshore	1,410.5	1,412.6	1,419.1
Domestic - Offshore	1,799.5	1,906.2	1,778.0
International (Onshore & Offshore)	—	—	—
Total	**3,210.0**	**3,318.8**	**3,197.1**
Production-Sharing Contracts			
Domestic - Onshore	—	—	—
Domestic - Offshore	129.6	117.6	109.3
International (Onshore & Offshore)	—	345.8	673.0
Total	**129.6**	**463.4**	**782.3**
Total			
Domestic - Onshore	1,410.5	1,412.6	1,419.1
Domestic - Offshore	1,929.1	2,023.8	1,887.3
International (Onshore & Offshore)	—	345.8	673.0
Total	**3,339.6**	**3,782.2**	**3,979.4**

TOTAL PROVED NATURAL GAS RESERVES

(bcm)

	As of April 1,		
	2001	**2002**	**2003**
Independent			
Domestic - Onshore	140.4	142.5	147.7
Domestic - Offshore	215.4	205.1	187.2
International (Onshore & Offshore)	—	—	—
Total	**355.8**	**347.6**	**335.0**
Production-Sharing Contracts			
Domestic - Onshore	—	—	—
Domestic - Offshore	31.3	31.3	31.0
International (Onshore & Offshore)	—	75.9	97.0
Total	**31.3**	**107.2**	**128.0**
Total			
Domestic - Onshore	140.4	142.5	147.7
Domestic - Offshore	246.7	236.4	218.2
International (Onshore & Offshore)	—	75.9	97.0
Total	**387.1**	**454.8**	**463.0**

Crude Oil and Natural Gas Production

The following tables set forth our annual domestic and international crude oil production and natural gas production for the three years ended March 31, 2001, 2002 and 2003 and the nine months ended December 31, 2003, by independent and production-sharing contract operations.

	Year ended March 31,			Nine Months ended December 31,
	2001	**2002**	**2003**	**2003**
Crude Oil Production *(mmbls)*				
Domestic-Offshore	136.46	132.45	143.47	107.46
Domestic-Onshore	63.21	64.76	63.34	47.37
International (Offshore & Onshore) [(1)]	—	—	1.34	18.17
Total	**199.67**	**197.21**	**208.15**	**173.00**

[(1)] OVL crude oil production commenced March 12, 2003.

	Year ended March 31,			Nine Months ended December 31,
	2001	**2002**	**2003**	**2003**
Natural Gas Production *(bcm)*				
Domestic-Offshore	19.78	19.80	20.13	15.04
Domestic-Onshore	5.56	5.61	5.87	4.42
International (Offshore & Onshore)[(1)]	—	—	0.07	0.34
Total	**25.34**	**25.42**	**26.07**	**19.80**

[(1)] OVL natural gas production commenced on January 21, 2003.

The following tables set forth our average daily domestic and international crude oil production and natural gas production for the three years ended March 31, 2001, 2002 and 2003 and the nine months ended December 31, 2003, by independent and production-sharing contract operations.

AVERAGE DAILY CRUDE OIL PRODUCTION

(bbls per day)

	Year ended March 31,			Nine Months ended December 31,
Independent	**2001**	**2002**	**2003**	**2003**
Domestic-Offshore	341,698	330,267	360,822	356,479
Domestic-Onshore	173,172	177,432	173,527	172,269
International (Offshore & Onshore)	—	—	—	—
Total	**514,870**	**507,699**	**534,349**	**528,748**
Production-Sharing Contracts				
Domestic-Offshore	32,153	32,610	32,236	34, 298
Domestic-Onshore	—	—	—	—
International (Offshore & Onshore)	—	—	67,160	66,098
Total	**32,153**	**32,610**	**99,396**	**100,396**
Total				
Domestic-Offshore	373,851	362,877	393,058	390,777
Domestic-Onshore	173,172	177,432	173,527	172,269
International (Offshore & Onshore)[(1)]	—	—	67,160	66,098
Total	**547,023**	**540,308**	**570,265**	**629,144**

[(1)] OVL crude oil production commenced on March 12, 2003.

AVERAGE DAILY NATURAL GAS PRODUCTION

(mmcm per day)

	Year ended March 31,			Nine Months ended December 31,
Independent	**2001**	**2002**	**2003**	**2003**
Domestic-Offshore	50.59	50.49	50.53	49.04
Domestic-Onshore	15.22	15.38	16.09	16.06
International (Offshore & Onshore)	-	-	-	-
Total	**65.81**	**65.87**	**66.62**	**65.10**
Production-Sharing Contracts				
Domestic-Offshore	3.60	3.77	4.61	5.67
Domestic-Onshore	-	-	-	-
International (Offshore & Onshore)	-	-	1.00	1.22
Total	**3.60**	**3.77**	**5.61**	**6.89**
Total	-	-	-	-
Domestic-Offshore	54.19	54.26	55.15	54.71
Domestic-Onshore	15.22	15.38	16.09	16.06
International (Offshore & Onshore)[(1)]	-	-	1.00	1.22
Total	**69.41**	**69.64**	**71.42**	**71.99**

[(1)] OVL natural gas production commenced on January 21, 2003.

Domestic Production

We currently produce crude oil and natural gas on an independent basis in 136 domestic onshore fields and seven domestic offshore fields. With our joint venture and production-sharing partners, we are engaged in production in an additional seven domestic offshore fields. Our domestic independent operations accounted for approximately 94.3 percent of our total domestic oil production and 93.5 percent of our total domestic natural gas production for the fiscal year ended March 31, 2003. For the nine months ended December 31, 2003, our domestic independent operations accounted for approximately 93.9 percent of our total domestic oil production and 92.0 percent of our total domestic natural gas production.

Our domestic onshore production facilities include a total of 225 installations and over 7,900 kilometers of pipeline (including internal well flowlines). We own and operate 73 land drilling rigs, and operate 74 land workover rigs (19 of which are leased). In addition, we operate large crude oil and gas processing facilities in Hazira in the Indian state of Gujarat and in Uran in the Indian state of Maharashtra, as well as smaller facilities in Tatipaka in the Indian state of Andhra Pradesh and Ankleshwar and Gandhar in Gujarat. Offshore, we operate 131 well platforms, 28 process platforms and five integrated well/process platforms. We own and operate 10 offshore drilling rigs (including two drill ships) and lease an additional 20 offshore drilling rigs. Our offshore platforms are connected to each other and our land-based facilities by a network of over 3,300 kilometers of pipeline. In addition, we operate a fleet of ships, including 57 offshore supply vessels (of which 26 are leased from third parties) and five multi-purpose support vessels (including two leased from third parties), a stimulation vessel and a seismic survey vessel.

The following table sets forth information regarding our independent domestic producing wells as of December 31, 2003:

	As of December 31, 2003		
	Total	Onshore	Offshore
Producing Wells	4,928	4,077	851
Crude Oil	4,362	3,602	760
Natural Gas	566	475	91

We engage in commercial exploitation of our reserves under production licenses, referred to as “Petroleum Mining Leases” or “PMLs”, each granted by the Ministry of Petroleum and Natural Gas of the Government of India for offshore areas and, with the approval of the Government of India, by the relevant state Government in the case of onshore areas. PMLs are generally granted on a block-by-block basis for an initial period of 20 years. See “Regulatory Environment of the Oil & Gas Industry” beginning on page of this Preliminary Sale Document for additional details regarding the terms and conditions of these licenses and related information. We currently operate under 236 PMLs, consisting of 215 onshore PMLs and 21 offshore shallow-water PMLs (including participating interests in eight PMLs under production-sharing contracts), which collectively cover all of our proved domestic reserves.

Principal Domestic Producing Areas

Our principal domestic crude oil and natural gas producing basins are as follows:

Mumbai Offshore Basin

The Mumbai Offshore Basin is our largest crude oil and natural gas producing basin. The basin extends along the western coast of India in the Arabian Sea adjacent to the Indian states of Gujarat and Maharashtra, covering approximately 116,000 square kilometers. We currently operate 851 production wells in seven fields in the Mumbai Offshore Basin under 11 PMLs covering a total of approximately 3,671 square kilometers. In addition to our independent operations, we have produced oil and natural gas in the Panna and Mukta offshore fields since 1994 and Mid-Tapti and South Tapti offshore fields since 1997 under various production-sharing contracts in which we hold 40 percent stakes. We discovered the large Mumbai High field in this basin in 1974 and commenced commercial production of crude oil in 1976 and natural gas production in 1978. Following the discovery of significant additional crude oil and natural gas reserves elsewhere in the Mumbai Offshore Basin during the late 1970s and 1980s, including the Neelam field and the large South Heera field in 1989, production peaked in the Mumbai Offshore Basin in fiscal 1990, fell to a low in 1993, then recovered in the mid-1990s with discoveries of additional reserves. However, the Mumbai Offshore Basin is a mature producing area and production is declining. To offset this decline, we plan to invest approximately Rs. 83,567.5 million (US$1,836.7 million) through fiscal 2007 in various significant redevelopment programs.

Cambay Basin

The Cambay Basin is our most significant onshore crude oil and natural gas producing area. The basin is located in the Indian state of Gujarat and extends for approximately 51,000 square kilometers. We currently operate 3,013 production wells in 68 fields in the Cambay Basin under 135 PMLs covering approximately 4,118 square kilometers in the aggregate. In addition to our independent operations, since 2003 we have produced natural gas in the Lakshmi offshore field under a production-sharing contract in which we hold a 40 percent stake. We discovered oil in the Cambay Basin in 1958, commenced commercial production in 1961 and increased our production steadily up to 1995-1996, due to additional discoveries. The Cambay Basin is a maturing producing area and production has plateaued. To offset the anticipated decline in production, we plan to invest approximately Rs. 6,605.9 million (US$145.2 million) on redevelopment projects through fiscal 2007.

Upper Assam and Assam-Arakan Basin

The Upper Assam Basin is located in the Indian states of Assam and Nagaland and covers approximately 56,000 square kilometers. The adjacent Assam-Arakan Basin is located in the Indian states of Assam, Tripura and Nagaland and covers an additional 60,000 square kilometers. We currently operate 720 production wells in 27 fields in these basins under 32 PMLs covering approximately 855 square kilometers in the aggregate. The Upper Assam Basin was the site of the first discoveries of crude oil on the Indian subcontinent in the 19th century. We struck oil in Assam in 1960, commenced commercial production in 1965 and increased our production following significant discoveries at Rudrasagar in 1965-1966, in Geleki in 1969 and Lakwa-

Lakhamani in 1968-1969. The Upper Assam Basin is a maturing producing area and production plateaued in 1991. To offset future decline, we plan to invest approximately Rs. 5,536.5 million (US$121.7 million) on redevelopment projects through fiscal 2007.

Krishna-Godavari Basin

The Krishna-Godavari Basin is located in the Indian state of Andhra Pradesh and covers approximately 52,000 square kilometers, of which 28,000 square kilometers are onshore and the remaining 24,000 square kilometers extend beyond the Andhra Pradesh coastline into the adjoining shallow waters of the Bay of Bengal. We discovered oil in the Krishna-Godavari Basin in 1984, commenced commercial production in 1986 and made significant new discoveries in the basin in 1994-1995. We currently operate 151 onshore production wells in 25 fields in the Krishna-Godavari Basin under 23 PMLs covering approximately 691 square kilometers in the aggregate, and are currently developing offshore fields in the Krishna-Godavari Basin under two PMLs covering approximately 185 square kilometers. Two offshore fields, G-1 and GS-15, are under development. In addition to our independent operations, since 1994 we have produced oil and natural gas in the Ravva offshore field (which we discovered in 1987) under a production-sharing joint venture in which we hold a 40 percent stake.

Cauvery Basin

The Cauvery Basin extends along the coast of the south eastern Indian state of Tamil Nadu roughly from Chennai (Madras) to the east of Cape Comorin at the southern tip of the subcontinent. Covering approximately 55,000 square kilometers in total, 25,000 square kilometers of the basin are located onshore while the remaining 30,000 square kilometers reach into the shallow southern waters of the Bay of Bengal between India and Sri Lanka. We discovered oil in the Cauvery Basin at Narimanam in 1985, commenced commercial production in 1989 and discovered significant additional reserves near Thanjavar in 1988 and at other locations in the basin in 1994-1995. We currently operate 168 onshore production wells in 17 fields in the Cauvery Basin under 21 PMLs covering approximately 356.6 square kilometers in the aggregate. In addition, we hold a 40 percent participating interest in the PY-3 field, an offshore exploration block covering 81 square kilometers situated in the Cauvery Basin approximately 70 kilometers from the city of Pondicherry off the coast of the south eastern Indian state of Tamil Nadu. We discovered this field in 1988, and in 1994 a production-sharing contract was signed by the Indian Government and a consortium consisting of ourselves and three other oil and gas companies. We began production in this field in 1997.

Jaisalmer (Rajasthan Basin)

We operate oil and natural gas production facilities in the Indian state of Rajasthan, near the city of Jaisalmer. The Rajasthan Basin is located in the Great Thar Desert adjacent to the India-Pakistan border and encompasses approximately 126,000 square kilometers. We currently operate 25 production wells in one field in the Rajasthan Basin. We hold a total of four PMLs in the Rajasthan Basin covering approximately 704 square kilometers in the aggregate. Natural gas was discovered in the Rajasthan Basin in 1983, with significant new discoveries in 2003. We commenced commercial production in the mid-1990s.

Domestic Production-Sharing Contracts - Producing Assets

The following table sets forth information regarding the domestic producing assets in which we hold a participating interest under a production-sharing contract, as of December 31, 2003:

Block/Field	Operator	ONGC % Interest	Partner(s)	Production Commencement Year
Ravva	Cairn Energy	40%	Cairn Energy, Petrocon India Ltd., Ravva Oil Singapore	October 1994
CY-OS-90/1 (PY-3)	Hardy E&P India Inc.	40% (Development) 10% (Exploratory)	Hardy E&P Inc., HOEC, Tata Petrodyne Ltd.	July 1997
Panna-Mukta-Tapti	On rotation every 2 years[1]	40%	BGPIL, RIL	December 1994
CB-OS/2 (Lakshmi)	Cairn Energy	40%	Cairn Energy, Tata Petrodyne Ltd.	November 2002

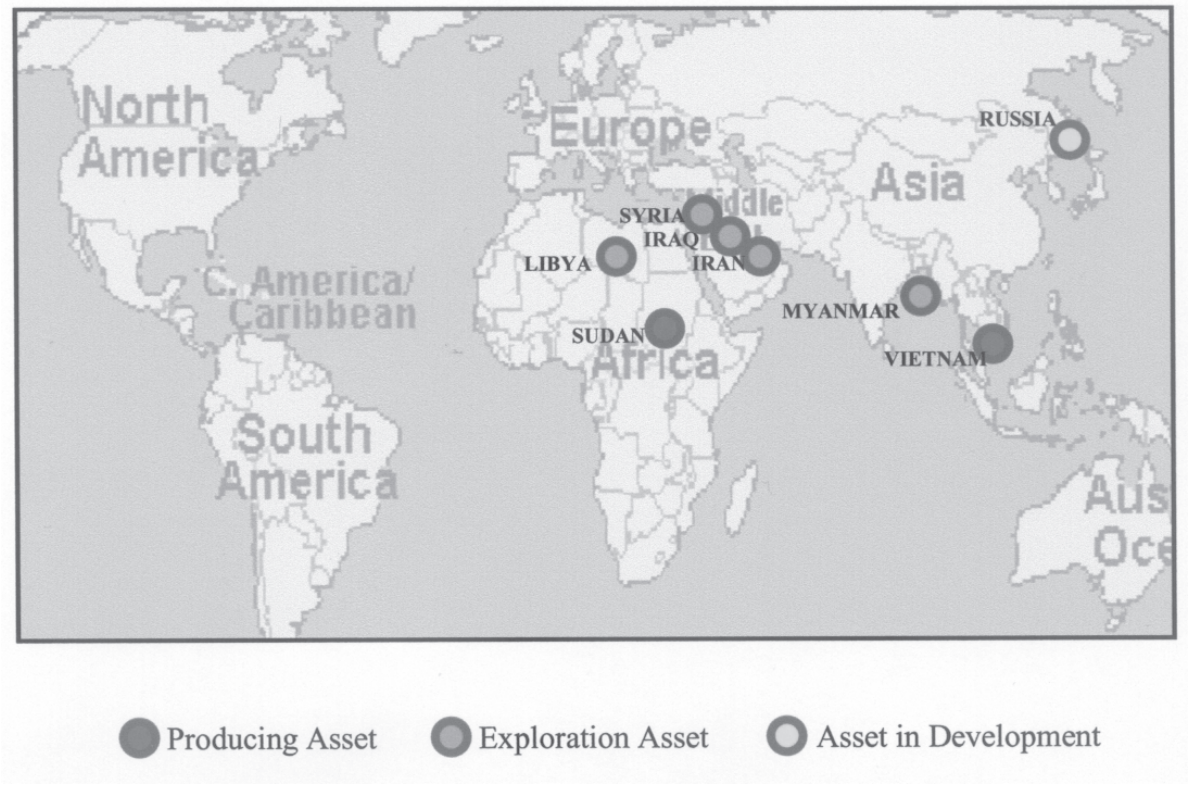
1) Government of India approval awaited.

For a further discussion of the terms and conditions of our domestic production-sharing contracts, see "-Exploration and Development-Production-Sharing Contracts" on page 103 of this Preliminary Sale Document.

International — ONGC Videsh Limited

Our international operations are conducted through our wholly owned subsidiary ONGC Videsh Limited, or OVL. We have increased and diversified our production recently by expanding our international output. In those geographic areas in which we have limited experience, we structure our investments as joint ventures, alliances or partnerships with entities possessing relevant experience. We continue to identify additional areas of opportunity in the countries in which we currently have operations and in other foreign countries. We are in advanced stages of negotiations with respect to several potential investments, which may be significant, although the completion and timing of such investments is uncertain and depends on a number of factors, some of which are beyond our control, such as the actions of any joint venture partners and receipt of necessary government approvals.

The following map illustrates the countries in which we engage in overseas production, exploration and development activities.



International Production

The following table sets forth information regarding our international production-sharing contracts as of December 31, 2003:

Block/Field	Operator	OVL % Interest	Partner(s)	Production Commencement Year
Vietnam`	British Petroleum	45%	British Petroleum, PetroVietnam	January 2003
Sudan	GNPOC[1]	25%[2]	CNPC, Petronas, Sudapet	March 2003[3]

(1) Special-purpose entity jointly owned by consortium partners.

(2) Held by ONGC Nile Ganga B.V., a wholly-owned subsidiary of OVL and an indirect wholly-owned subsidiary of ONGC.

(3) Date of OVL acquisition of a production-sharing interest in existing producing blocks.

International Producing Areas

Our international crude oil and natural gas producing areas are as follows:

Greater Nile Oil Project - Sudan

OVL invested Rs. 33,574.7 million to acquire a 25 percent interest in the Greater Nile Oil Project in March 2003. OVL's interest consists of a 25 percent participation in the production-sharing contract for the project, as well as a 25 percent shareholding in the Greater Nile Petroleum Operating Company, or GNPOC (the operator of the Greater Nile Oil Project). The Greater Nile Oil Project is an onshore crude oil production area, consisting of three blocks covering 50,000 square kilometers in the southern Sudan in the Muglad Basin, approximately 435 miles south west of the capital of Khartoum and 930 miles from the nearest oil export facility in Port Sudan on the Red Sea. OVL's partners in this project are China National Petroleum Company, with a 40 percent interest in the production-sharing contract and GNPOC, Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian national oil company, with a 30 percent interest in the production-sharing contract and GNPOC, and the Sudan National Oil Company (Sudapet), with a five percent interest in the production-sharing contract and GNPOC. As of December 31, 2003, GNPOC operated 155 production wells and, during the year ended December 31, 2003, GNPOC drilled 18 exploratory and 14 development wells. Fifty-eight ONGC and OVL employees are seconded to the Sudan project. For the nine months ended December 31, 2003, OVL's share of production from the Greater Nile Oil Project amounted to approximately 18.17 million barrels of crude oil, representing an average daily output of approximately 66,098 barrels of crude oil, and 100 percent of our total international production and 0.67 percent of our total global production of crude oil for that period. Our estimated proved reserves in the Greater Nile Oil Project as of April 1, 2003 amounted to approximately 157.5 million barrels of crude oil, representing 31.6 percent of our total international proved reserves and 3.9 percent of our global proved reserves of crude oil. Approximately 73 percent of our proved crude oil reserves in the Greater Nile Oil Project are proved developed reserves. OVL's total capital expenditures for development of the Greater Nile Oil Project amounted to Rs. 1,019.0 million for fiscal 2003 and an additional Rs. 16,294.5 million for the nine months ended December 31, 2003.

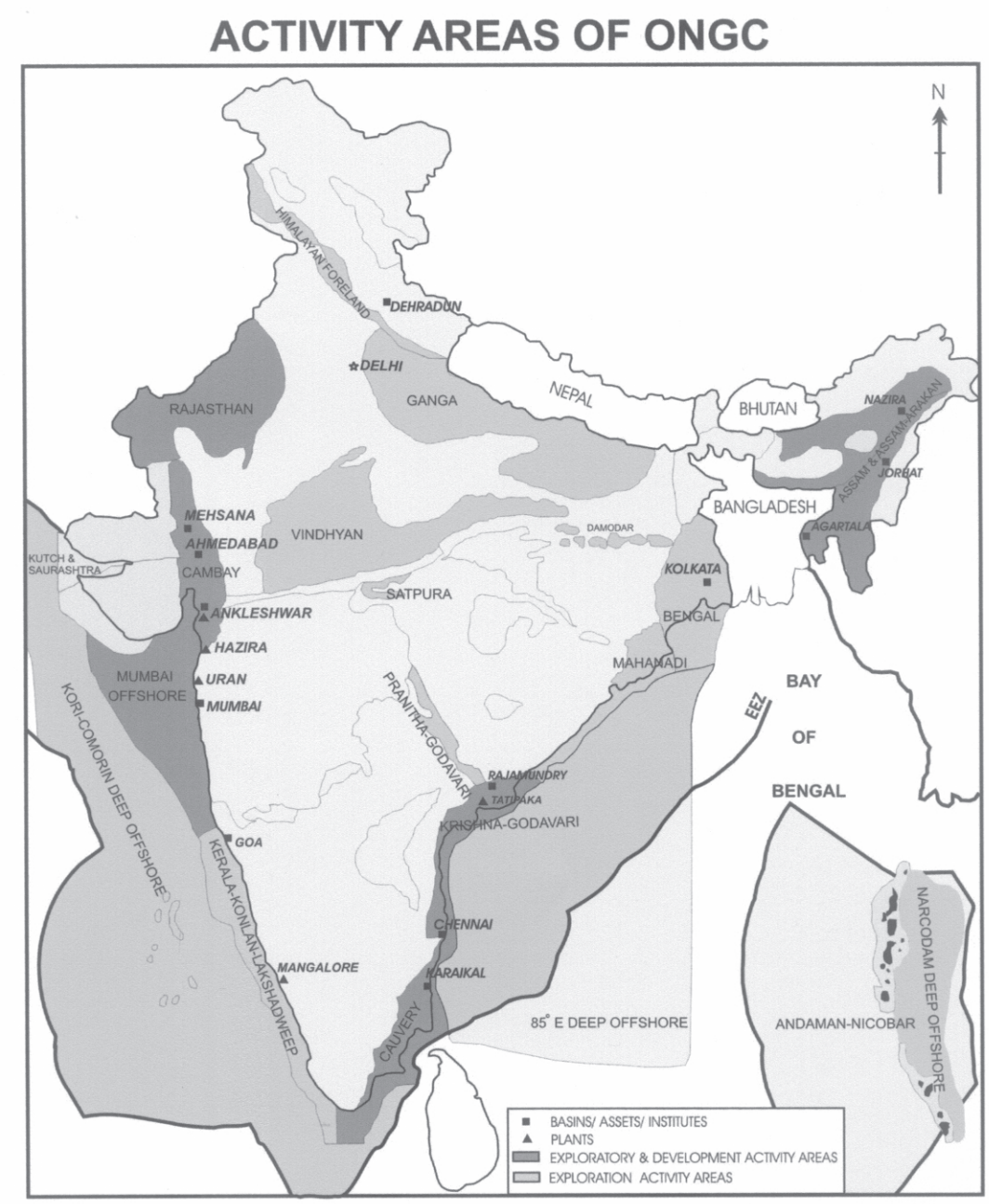
Lan Tay and Lan Do Gas Fields - Vietnam

In Vietnam, OVL holds a 45 percent stake in Block 06.1, which is comprised of two offshore natural gas fields, Lan Tay and Lan Do. The fields are located off the coast of Vietnam and cover an area of approximately 955 square kilometers. The project is operated by British Petroleum, which holds a 35 percent stake. The other partner is PetroVietnam, which holds a 20 percent stake in the venture. The fields began the commercial production of natural gas in January 2003. Following the conclusion of its initial 25-year term in 2013, the production-sharing contract may be renewed, at the option of the contracting parties, for up to two additional five-year periods. For the nine months ended December 31, 2003, OVL's share of production amounted to 336.8 million cubic meters of natural gas, representing an average daily output of approximately 1.22 million cubic meters of natural gas, and 100 percent of our total international production and 0.26 percent of our total global production of natural gas for that period. Our estimated proved reserves in the Lan Tay and Lan Do Gas Fields as of April 1, 2003 amounted to approximately 25.6 billion cubic meters of natural gas, representing 21.0 percent of our total international proved reserves and 5.8 percent of our global proved reserves of natural gas. Approximately 80.8 percent of our proved natural gas reserves in the Lan Tay and Lan Do Gas Fields are proved developed reserves. OVL's total capital expenditure commitment for development of the Lan Tay and Lan Do project amounts to US$228 million, of which US$162.1 million has been invested to date.

Exploration and Development

Domestic Exploration and Development

The following map illustrates our primary domestic exploration and development activity areas and the locations of our major plants in India.



We believe that we have more extensive experience than any of our principal competitors in the exploration and development of onshore and offshore crude oil and natural gas reserves in India. The majority of our domestic exploration and development activities are offshore, including a significant amount in deep-water blocks.

As of December 31, 2003, we have drilled a cumulative total of 4,693 exploratory wells in connection with our independent domestic exploration activities. Of this total, 3,785 were onshore wells and 908 were offshore wells. The following table sets forth our domestic independent exploratory and development wells, including a breakdown of successful wells and dry wells, drilled during the years ended March 31, 2001, 2002 and 2003 and the nine months ended December 31, 2003.

For the Nine Months Ended December 31, 2003	Domestic Total	Domestic Onshore	Offshore
Independent			
2-D Seismic Surveys Conducted *(line km.)*	2,539	1,581	958
3-D Seismic Surveys Conducted (sq. km.)	6,610	911	5,699
Exploratory Wells Drilled	80	65	15
Successful[1]	31	24	7
Dry[2]	42	34	8
Finding Cost (Rs. / mt of Oil+ OEG)[3]	N.A.	N.A.	N.A.
Development Wells Drilled	153	105	48
Successful[1]	152	104	48
Dry[2]	1	1	—
For the Twelve Months Ended March 31, 2003			
Independent			
2-D Seismic Surveys Conducted (line km.)	21,059	3,715	17,344
3-D Seismic Surveys Conducted (line km.)	236,958	29,351	207,607
Exploratory Wells Drilled	150	130	20
Successful[1]	62	53	9
Dry[2]	71	60	11
Finding Cost (Rs. / mt of Oil+ OEG)	421	415	428
Development Wells Drilled	190	145	45
Successful[1]	190	145	45
Dry[2])	—	—	—
For the Twelve Months Ended March 31, 2002			
Independent			
2-D Seismic Surveys Conducted (line km.)	32,973	3,163	29,810
3-D Seismic Surveys Conducted (line km.)	212,525	15,156	197,370
Exploratory Wells Drilled	149	134	15
Successful[1]	70	61	9
Dry[2]	79	73	6
Finding Cost (Rs. / mt of Oil+ OEG)	217	505	116
Development Wells Drilled	156	128	28
Successful[1]	147	119	28
Dry[2]	9	9	—
For the Twelve Months Ended March 31, 2001			
Independent			
2-D Seismic Surveys Conducted (line km.)	16,895	3,164	13,731
3-D Seismic Surveys Conducted (line km.)	193,243	15,956	177,287
Exploratory Wells Drilled	145	115	30
Successful[1]	77	62	15
Dry[2]	68	53	15
Finding Cost (Rs. / mt of Oil+ OEG)	219	322	159
Development Wells Drilled	143	121	22
Successful[1]	143	121	22
Dry[2]	—	—	—

(1) A successful well is a well in which oil or gas has been discovered and the commercial flow of hydrocarbons has been established.

(2) A dry well is either a well devoid of hydrocarbons, or a well where hydrocarbon indications are present but which is not economically feasible to develop.

(3) Since we only estimate our reserves annually, on April 1 of each year, finding costs calculations for interim periods are not available.

The finding cost data in the preceding table is based on management assumptions and internal methodologies and is not derived from our audited financial statements.

Exploration licenses, referred to in India as Petroleum Exploration Licenses, or PELs, are required to explore for hydrocarbons onshore in India or in its offshore exclusive economic zone. We engage in the domestic exploration for crude oil and natural gas under PELs granted by the Ministry of Petroleum & Natural Gas of the Government of India for offshore areas, and for onshore areas by the relevant state government with the prior approval of the Government of India. PELs are generally granted on a block-by-block basis for an initial period of four years, extendible for a one-year period or two successive one-year periods depending on the type of license. See "Regulatory Environment of the Oil & Gas Industry" beginning on page of this Preliminary Sale Document for additional details regarding the terms and conditions of these licenses and related information. Our independent domestic exploration licenses cover a total area of approximately 680,800 square kilometers. We are currently conducting domestic exploration and development activities in 414 blocks located in 17 Indian states and in offshore coastal and deep-water regions in India's exclusive economic zone.

New Exploration Licensing Policy (NELP)

Prior to 1997, our exploration and development licenses were awarded at the Government's discretion on a "nomination" basis to national oil and gas companies based on operating territory. The Indian Government began taking steps to encourage private sector investment in the oil and gas sector in the 1970s, and continued these efforts intermittently through the 1980s. Beginning in 1991, the Indian Government intensified its promotion of private sector involvement, which resulted in, among other things, the initiation in 1994 of production-sharing arrangements among the Government of India, ourselves and various domestic and foreign partners in the Ravva offshore field in the Krishna-Godavari Basin and the Mukta, Panna, Mid-Tapti and South Tapti offshore fields in the Western Offshore region. Between 1991 and 1995, the Indian Government offered five rounds of exploration licenses and offers to operate several small to medium size producing fields. In order to further induce domestic and foreign investment in India's oil and gas sector, the Ministry of Petroleum and Natural Gas significantly overhauled the procedures for allocating exploration licenses as well as the terms and conditions offered to prospective licensees. This new program, referred to as the New Exploration Licensing Policy, or NELP, was announced in 1997. It provided for competitive bidding, more attractive tax benefits, abolition of certain tariffs and duties, and other improvements on previous licensing terms. The announcement of NELP coincided with the announcement of a phased deregulation of crude oil and natural gas prices. Under NELP, the Indian Government has held four rounds of competitive bidding for oil and gas exploration licenses. See "Regulatory Environment of the Oil & Gas Industry" on page 86 of this Preliminary Sale Document for a further description of the NELP.

We have obtained a total of 51 exploration blocks during the four rounds of NELP oil and gas bidding held to date, the largest number of blocks awarded to any bidder and roughly half of the number of total blocks awarded.

The following table sets forth the results to date of NELP oil and gas rounds of competitive bidding:

Results of NELP Oil & Gas Rounds of Competitive Bidding

	Total Blocks Offered	Total Area Offered (sq. km.)	Total Blocks Awarded	Total Area Awarded (sq. km.)	Total Awarded to ONGC	Total Awarded to ONGC (sq. km.)
First Round						
Onshore	10	118,450	2	37,050	1	36,750
Offshore-Shallow-water	26	228,765	16	128,035	4	41,630
Offshore-Deep-water	12	115,075	7	66,785	3	28,925
Total	**48**	**462,290**	**25**	**231,870**	**8**	**107,305**
Second Round						
Onshore(1)	9	80,498	7	54,498	3	43,905
Offshore-Shallow-water	8	74,590	8	74,590	7	65,749
Offshore-Deep-water	8	139,256	8	139,256	6	106,254
Total	**25**	**294,344**	**23**	**268,344**	**16**	**215,908**
Third Round						
Onshore(2)	11	61,550	8	22,840	8	22,840
Offshore-Shallow-water	7	55,621	6	35,343	3	32,183
Offshore-Deep-water	9	146,405	9	146,405	2	34,200
Total	**27**	**263,576**	**23**	**204,588**	**13**	**89,223**
Fourth Round						
Onshore(3)	11	35,005	9	15,605	5	12,835
Offshore-Shallow-water	1	10,370	—	—	—	—
Offshore-Deep-water	12	193,485	11	178,705	9	136,090
Total	**24**	**238,860**	**20**	**194,3100**	**14**	**148,925**

Cumulative						
Onshore	41	295,503	26	129,993	17	116,330
Offshore-Shallow-water	42	369,346	30	237,968	14	139,562
Offshore-Deep-water	41	549,221	35	531,151	20	305,469
Total	**124**	**1,259,070**	**91**	**899,112**	**51**	**561,361**

(1) *In one onshore block awarded in the second round we have a participating interest only; we are the operator in all other blocks awarded to us in the second round.*

(2) *In one onshore block awarded in the third round we have a participating interest only; we are the operator in all other blocks awarded to us in the third round.*

(3) *In two onshore blocks awarded in the fourth round we have a participating interest only; we are the operator in all other blocks awarded to us in the fourth round.*

Production-Sharing Contracts

NELP

We enter into production-sharing contracts with the Government and our joint venture partners, if any, in connection with each block awarded under the NELP bidding process. Our typical production-sharing contract has two distinct phases: (1) exploration and (2) development and production.

Exploration. The exploration period consists of three exploration phases, with each phase not exceeding three years and the total period not exceeding seven consecutive years. For deep-water areas, the exploration period consists of two phases of four years each. During this period, exploratory and appraisal work on the exploration block is conducted in order to discover petroleum and to enable the parties to determine the commercial viability of any hydrocarbon discovery. Under exploration contracts, the parties to the production-sharing contract, otherwise referred to as the "contractors", working together, have an obligation to complete a minimum work program during the exploration period. At the end of each exploration phase, if the contractors have completed the minimum work program for that phase, they can either proceed to the next exploration phase or relinquish the entire contract area, other than any discovery or development areas. The contractors are required to bear all exploration costs during the exploration period, but these costs can be recovered out of cost petroleum after commercial discoveries are made and production begins.

Development and Production. The development period begins on the date that the overall development plan, which outlines the recoverable reserves and schedule for the development and production of the discovered petroleum reserves, is approved by the management committee formed under the production-sharing contract and the Government. On submission of a development plan pertaining to a commercial discovery and after receipt of regulatory approval, the contractors apply to the Government for a lease in respect of the proposed development area. The lease period begins on the date the lease is granted or made effective, and usually lasts for 20 years, though it can be extended upon Government approval. Once the design, construction, installation, drilling and related research work for the realization of petroleum production have been completed, the development period comes to an end.

Management and Operator. Under each production-sharing contract, one of the contractors is designated the operator and is tasked to execute the production-sharing contract, including preparing work programs and budgets, procuring equipment and material relating to operations, establishing insurance programs, issuing cash-call notices to parties to the production-sharing contracts to raise funds, and additional activities relevant to the development and production of crude oil and natural gas. A management committee is set up under each production-sharing contract to perform supervisory functions, typically with two members nominated by the Government and one member nominated by each of the contractors. Daily operations of a property subject to a production-sharing contract are carried out by the designated operator, who is typically responsible for determining and executing operational and budgetary plans and all routine operational matters. Upon discovery of petroleum reserves, the operator is required to submit a detailed overall development plan to the management committee.

Sale of Crude Oil and Natural Gas. Until India's overall domestic production of crude oil, condensate and natural gas satisfies its national demand for such products, contractors under the production-sharing contracts will be required to sell all of their crude oil, condensate and natural gas in the domestic market. However, if India attains self-sufficiency in a given year, then the contractors will be free to export production overseas.

Sharing of Petroleum. Contractors can recover contract costs based upon a percentage of the total value of the petroleum produced in one year (the "cost petroleum"). Contractors recover their costs in the following order: first, recovery of royalty payments; second, recovery of production costs; third, recovery of exploration costs; and finally, recovery of development costs. Any unrecovered portions of contract costs can potentially be recovered in subsequent years. "Profit petroleum" is petroleum generated after all of the contractors' contract costs have been recovered in a given year. Profit petroleum is shared between the Government and the contractors based on a contract-specific investment multiple achieved by the contractors on an annual basis. The investment multiple is the ratio of accumulated net cash income to the contractors' accumulated investment. The profit petroleum is shared among the various contracting parties in proportion to their respective participating interests in the particular venture.

Royalties. The lessee under a production lease that accompanies the NELP production-sharing contract is required to pay royalties to the Government at the rate of 10 percent of the well-head value of crude oil and natural gas for offshore areas, and at the rate of 12.5 percent of well-head value of crude oil and the rate of 10 percent of well-head value of natural gas for onshore areas. For deepwater areas, the royalties are reduced to 5 percent of the well-head value of crude oil and natural gas for seven years.

Ownership of Data and Assets. All data, records, samples, vouchers and other original information obtained by production-sharing partners in the process of exploring, developing and producing offshore petroleum become the property of the Government. Through the Government, production-sharing partners have unlimited and unrestricted access to this data. Such partners have joint ownership in all of the assets purchased, installed or constructed under the production-sharing contract, provided that the Government has the option upon expiry or earlier termination of the contract to require vesting of full title and ownership in the relevant assets.

Abandonment Costs. Any party to a production-sharing contract must give prior written notice to the other parties if it plans to abandon production of the field within the contracted area. If the other parties agree to abandon production from the field, all parties pay abandonment costs in proportion to their respective percentage of participating interests in the field. If the other parties decide not to abandon production upon notice from a production-sharing partner, all of such production-sharing partner's rights and obligations under the production-sharing contract in respect of the field, including the responsibilities for payment of abandonment costs, terminate automatically. A contracting party will bear the abandonment costs if it decides to abandon production after an initial decision to proceed with production.

Pre-NELP

We also have entered into various production-sharing contracts prior to the Government's establishment of the NELP. Although the terms of such contracts have tended to vary from time to time, the principle of Government partnership and profit-sharing has remained constant. Broadly, such contracts can be categorised under contracts for exploratory areas or those for fields discovered by ONGC.

Under the production-sharing contracts awarded by the Government of India in respect of exploratory areas for which we held PELs, we had the option to take an initial participating interest (and contributed investment) of up to 10 percent during the exploration phase. Following any commercial discovery, we have the option, without incurring the cost of past exploration activities, to increase our participating interest (and future investment) by up to an additional 30 percent, which would allow us to obtain an aggregate stake of as much as 40 percent. However, under such contracts, and regardless of whether we take such an initial or subsequent participating interest in the contract, we are required to make royalty and cess payments in respect of the entire production from the area. This means we must make royalty and cess payments in respect of not only our own share of production but the participating interest of other participants as well.

Under the production-sharing contracts for discovered fields, each partner is required to pay royalty and cess payment in respect of its own share of production. The Government has fixed royalty rates for production-sharing contracts for discovered fields at Rs. 481 per metric ton and fixed cess rates at Rs. 900 per metric ton of production.

Beyond those critical differences, the pre-NELP production-sharing contracts are generally comparable to the NELP production-sharing contracts, with profit-sharing based on a formula driven by cost petroleum and profit petroleum. Like new production-sharing contracts, pre-NELP production-sharing contracts must be accompanied by licenses. Together with the license, the typical production-sharing contract can extend for 25 years or more in certain situations.

Domestic Production-Sharing Contracts - Exploratory and Development-Stage Assets

The following table sets forth information, as of December 31, 2003, regarding the domestic exploratory and development-stage assets where we hold a participating interest under a production-sharing contract:

Block/Field	Operator	ONGC % Interest	Partner(s)	Actual or Expected Production Commencement Year
Development				
CB-OS/2 (Gauri)	Cairn Energy	40%	Cairn Energy, Tata Petrodyne Ltd.	2004
Exploration				
CB-OS/1`	ONGC[1]	10%(2) (ONGC has option to increase share to 40%)	HOEC, Tata Petrodyne Ltd.	N/A
CB-OS/2	Cairn Energy	10% (ONGC has option to increase share to 40%)	Claim Emerg Tata Petrodyne Ltd.	N/A
GK-OSJ-3	Reliance	25% (ONGC has option to increase share to 40%)	Reliance Oil	N/A
AA-ONJ-2	Tullow India Operations Ltd	40%	Reliance Oil Tullow India Operations Ltd	N/A

(1) *Government of India approval awaited.*

(2) *Another partner, BGPIL, has opted out of the contract, relinquishing its share of participating interest to ONGC and HOEC. Government of India approval awaited. If approved, the relinquishment would result in a pro rata increase in ONGC's participating interest to 32.9 percent.*

Principal Domestic Exploration and Development Areas

Western Offshore

We conduct significant offshore exploration and development activities in the western Indian continental shelf, chiefly in the Mumbai Offshore Basin, the Kutch Basin, the Saurashtra Basin and the Kerala-Konkan Basin (an area collectively known as "Western Offshore"), in 19 blocks under 19 exploration licenses covering approximately 95,934 square kilometers. In addition, we hold exploration licenses in 17 NELP blocks covering approximately 294,701 square kilometers under various joint ventures and production-sharing contracts, and one pre-NELP production-sharing contract block covering an area of 5,725 square kilometers in the Western Offshore region.

As of December 31, 2003, we have acquired approximately 445,299 line kilometers and 1,028,780 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a total of 728 exploration wells in this region. Oil and gas accumulations in the Western Offshore area mainly occur in sandstone reservoirs dating to the Oligocene and Lower Miocene ages and in limestone reservoirs dating to the Miocene, Oligocene and Middle Eocene ages, at depths of approximately 2,000 meters.

Western Onshore

The "Western Onshore" area is comprised of the the Cambay Basin and the Rajasthan Basin, as well as the onshore areas of the Kutch Basin. Western Onshore is an area of continuing exploration and development, where we have exclusive exploration rights in the Cambay basin in 58 blocks under 58 exploration licenses covering approximately 8,125 square kilometers. Of this total, we hold exploration licenses awarded under NELP in respect of two blocks covering approximately 350 square kilometers, and we participate in 11 pre-NELP production-sharing contract blocks covering an area of 17,951 square kilometers.

As of December 31, 2003, we have acquired approximately 103,601 line kilometers and 66,023 line kilometers of 2-D and 3-D seismic data, respectively, for the onshore portion of this region and acquired 6,026 line kilometers of 2-D seismic data in the adjoining offshore area of Gulf of Cambay. As of December 31, 2003, we have drilled 2,205 onshore exploration wells in this region, and five offshore exploratory wells in the Gulf of Cambay. Major crude oil accumulations in the Western Onshore area occur in sandstone reservoirs of the Middle and Lower Eocene age. Crude oil is also found in Miocene, Oligocene and Paleocene age formations. Crude oil accumulations in the Western Onshore area generally occur at depths ranging from 600 meters to 3,300 meters.

Upper Assam and Assam-Arakan Basins

We conduct significant onshore exploration and development activities in the Upper Assam and Assam-Arakan Basins in the Indian states of Assam, Tripura, Manipur, Meghalaya and Nagaland in 21 blocks under 21 exploration licenses covering approximately 24,112 square kilometers. In addition, we also hold exploration licenses in respect of five blocks granted under NELP on either an independent or production-sharing basis, covering an aggregate area of 10,165 square kilometers. We also are participants in pre-NELP production-sharing contracts in respect of three blocks in these basins, covering an aggregate area of 6,068 square kilometers. We are the operator in all but one of our production-sharing joint ventures in these basins.

As of December 31, 2003, we have acquired approximately 35,619 line kilometers and 23,051 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled 720 exploration wells in this region. The major crude oil accumulations in the Upper Assam and Assam-Arakan Basins are found in reservoirs dating to the Oligocene and Miocene periods. However, crude oil also occurs in Eocene-age and older reservoirs and in basement formations. Principal crude-oil bearing reservoirs are composed of sandstone. Commercially valuable pools are generally found at depths ranging from 2,000 meters to 5,500 meters.

Eastern Offshore & Eastern Onshore

We conduct significant exploration and development activities in the “Eastern Offshore” and “Eastern Onshore” areas, which encompass the onshore and offshore portions of the Krishna-Godavari Basin, Mahanadi Basin, Cauvery Basin, Bengal Basin, Pranhita-Godavari Onshore Basin, and Andaman Offshore Basin. We conduct independent exploration and development activities in nine pre-NELP onshore blocks covering 12,691 square kilometers and 11 pre-NELP offshore blocks covering approximately 5,915 square kilometers awarded on a nomination basis. In addition, we also hold exploration licenses awarded under NELP for and we are independently exploring or are the operator in respect of 17 offshore and two onshore blocks, covering an area of 137,761 square kilometers and 7,200 square kilometers, respectively. Pursuant to an NELP production-sharing contract, we hold a participating interest in a consortium exploring one block with an area of 7,900 square kilometers in this region where another partner is the operator.

As of December 31, 2003, we have acquired approximately 33,071 line kilometers and 25,356 line kilometers of 2-D and 3-D seismic data, respectively, for the onshore portion of the Krishna-Godavari Basin, and have drilled a cumulative total of 346 exploration wells. For the offshore portion of the Krishna-Godavari Basin, as of December 31, 2003 we have acquired approximately 46,650 line kilometers and 107,883 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a cumulative total of 111 exploration wells. Oil and gas accumulations in the Krishna-Godavari Basin occur in reservoirs ranging in age from the Permian to Pleocene ages, with most occurring in Cretaceous and Miocene layers at depths ranging from 1,000 meters to 4,500 meters.

With respect to the onshore portion of the Cauvery Basin, as of December 31, 2003, we have acquired approximately 39,934 line kilometers and 31,156 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a cumulative total of 399 exploration wells. For the offshore portion of this basin, as of December 31, 2003 we have acquired approximately 42,970 line kilometers and 51,464 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a cumulative total of 53 exploration wells. Oil accumulations in the Cauvery Basin are known to occur from pre-Cambrian fractured basement formations to Oligocene multi-stacked sandstone reservoirs. Most of the oil pools are in sandstone reservoirs at depths ranging from 1,080 meters to 3,600 meters.

As of December 31, 2003, for the onshore portion of the Bengal Basin we have acquired 29,243 line kilometers and 4,217 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a total of 30 exploratory wells. For offshore portion of this basin, as of December 31, 2003, we have acquired 5,141 line kilometers and 30,523 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled five exploratory wells. In addition, as of December 31, 2003 we have acquired 4,243 line kilometers and 19,767 line kilometers of 2-D and 3-D seismic data, respectively, in the Mahanadi Basin offshore areas, and have acquired 27,356 line kilometers of 2-D seismic data and drilled 12 exploratory wells in the Andaman Offshore area.

Rajasthan Basin

We conduct independent exploration and development activities in the Rajasthan Basin under two exploration licenses covering approximately 1,772 square kilometers. In addition, we have a participating interest in two exploration blocks covering an aggregate area of 13,325 square kilometers where our joint venture partner Cairn Energy is the operator, and in two exploration blocks covering an aggregate area of 10,360 square kilometers awarded to us through competitive bidding under pre-NELP production-sharing contract rounds.

As of December 31, 2003, we have independently acquired approximately 20,489 line kilometers and 800 line kilometers of 2-D and 3-D seismic data, respectively, and have drilled a total of 67 exploration well in this basin. We recently discovered natural gas at Chinnewala Tibba in Rajasthan. Tests revealed favorable characteristics, including a high calorific content and a relatively low presence of inert gases. We are investigating the commercial potential of this discovery.

Exploration of Deep-Water and Other Frontier Basins

We are significantly expanding our exploration of technically challenging geological formations, referred to as "frontier basins", in particular in the case of deep-water exploration activities. We have embarked on a major initiative, the Deep-Water Campaign, or "Sagar Sammriddhi", to explore and develop the deep-water acreage granted to us under the NELP. The Deep-Water Campaign involves the deployment of three advanced deep-water drilling ships and the involvement of international consultants for geophysical and geological studies and deep-water drilling services. Our deep-water exploration activities take place in water depths of 900 to 3,000 meters and are concentrated in the Kori-Comorin area off the west coast of India, in the 85_ E area in the Bay of Bengal off the east coast of the India, and in the Narcodam Deep area in the waters surrounding the Andaman Nicobar islands in the Andaman Sea. We have deep-water exploration licenses in 21 blocks, 10 awarded by the Indian Government by nomination and 11 awarded under the NELP. As part of our Deep-Water Campaign, we have initiated drilling and are currently planning to drill 47 deep-water exploration wells. Our budgeted capital expenditure for this program for the three-year period ending March 31, 2007 is approximately Rs. 44,862 million (US$986 million).

In other frontier basin areas located in the Himalayan foothills, the Ganga Valley and the Vindyan and Satpura Basins, we have been awarded four exploration licenses covering an area of 10,565 square kilometers and exploration licenses in respect of two NELP blocks covering an aggregate area of 30,737 square kilometers. As of December 31, 2003, we have acquired approximately 53,136 line kilometers of 2-D seismic data and drilled 34 exploratory wells in these other frontier basins.

Third Party Development and Production of Small Fields

It is not economically viable for us to conduct development and production activities on certain of our smaller onshore fields that contain crude oil and natural gas reserves and for which we have PELs or PMLs. Therefore, we have solicited bids for development of these fields, which in many cases tend to be no more than five square kilometers each, from third parties. Under the proposed service contracts to govern development of these fields, the third parties will be responsible for conducting all development and production activities in the particular fields and we will receive a percentage of all petroleum produced as a result thereof. These contracts will extend through the duration of each field's PEL or PML.

Non-Conventional Energy

In addition to our traditional oil and gas business, we are engaged in the development of alternative hydrocarbon extraction technologies such as coal-bed methane, or CBM, gas hydrate production and underground coal gasification. Using CBM technology, methane, a type of natural gas that is considered to be a relatively "clean" fuel, can be derived from coal seams. Consequently, coal bed methane technology has attracted significant attention from the Government and a variety of public and private sector companies, given India's extensive coal deposits. We have been involved in efforts to commercialise coal bed methane technology in India, carrying out extensive exploration of prospective coal bed regions in areas of Raniganj in West Bengal and Jharia in Jharkhand, and establishing the sustained flow of methane gas from one of our four test wells in the Jharia exploration block. Following the announcement of a special CBM policy by the Government of India in 1997, we successfully bid with IOC for two of the seven blocks offered for competitive bidding in the first CBM round in 2002. In 2003 the Government jointly awarded the Raniganj and Jharia blocks to us and Coal India Ltd. on a nomination (non-competitive-bid) basis. We were awarded five of the nine CBM exploration blocks offered in a second CBM round also in 2003, consisting of the North Karanpura-South block and the North Karanpura-West block in Jharkhand and one block each in the Indian states of Maharashtra, Madhya Pradesh and Gujarat. We hold CBM exploration licenses in nine blocks covering an area of 3,220 square kilometers. We have budgeted a total of Rs. 2,200 million for investment in CBM exploration and development through fiscal 2007.

We have also been involved closely with the Directorate General of Hydrocarbons of the Ministry of Petroleum and Natural Gas and GAIL in developing a national program for gas hydrate exploration in India's coastal and deep waters and in conducting scientific and engineering research at our affiliated R&D institutes in association with the Colorado School of Mines. As part of our participation in the national gas hydrate exploration program, we have joined a consortium consisting of companies from Japan, the United States, Canada and Germany to develop gas hydrate well technology.

We recently executed a memorandum of understanding with Gujarat State Petroleum Corporation Limited to undertake a joint underground coal gasification project. This project is currently in its beginning stages, and we have not yet determined the amount of the investment we will contribute.

International Exploration and Development Areas

We have obtained participating interests in significant exploration and development acreages overseas in Africa, the Far East, the Middle East and South East Asia, including an interest in the Sakhalin-I project in the Russian Far East, which is scheduled to begin production in the near future, and in Myanmar, where we recently discovered natural gas deposits.

The following table sets forth information on international development-stage and exploration-stage production-sharing and joint venture agreements to which OVL was a party as of December 31, 2003.

Development and Exploration Contracts

Block	Approximate contract area (km^2)	OVL Interest %	Partner(s)	Commencement Date(1)
Development				
Sakhalin-1	—	20%	Exxon-N, Sodeco, SMNG, RN Astra	2005-2006 (oil) 2007-2008 (gas)
Exploration				
Myanmar	3,885	20%	Daewoo, GAIL, KOGAS	March 8, 2002
Libya	8,646	49%	Turkish Petroleum	June 5, 2003
Iran	3,500	40%	IOC, OIL	December 12, 2002
Iraq	10,500	100%	—	May 15, 2001
Syria	3,853	60%	IPR	Pending approval

(1) Date of OVL acquisition of interest in the specified property.

Sakhalin-1 Project, Russian Federation

Sakhalin-1 is a project to develop offshore crude oil and natural gas reserves in three fields off the coast of Sakhalin island, in the far eastern territorial waters of the Russian Federation. The project was commenced in 1995 under a 25-year production-sharing agreement among a consortium of oil and gas companies, consisting of ExxonMobil, the Japanese company Sodeco, Rosneft-S (a subsidiary of Rosneft) and Sakhalin Mor Nefta Gas, or SMNG-S. OVL entered the project in 2001 when it acquired Rosneft's 20 percent interest. The project, which is operated by ExxonMobil, has entered the development stage. Crude oil production may begin in the fourth quarter of fiscal 2005, with natural gas production scheduled to commence as early as fiscal 2008.

Exploration Block 8, Iraq

OVL entered into a contract with the Government of Iraq on November 28, 2000 to carry out exploration activities for a five-year period from May 2001 over a geographical area of 10,500 square kilometers. The first phase of exploration in this area has commenced, in which reprocessing and interpretation of historical seismic data has been completed. In April 2003, as a result of the hostilities in Iraq, OVL requested and obtained a force majeure declaration under its contract with respect to its exploration activities in Iraq.

Exploration Block A-1, Myanmar

In Myanmar, OVL has a 20 percent participating interest in exploration Block A-1. OVL acquired this interest from Daewoo International in January 2002, effective from April 2002, and covers a geographical area of 3,885 square kilometers. The term of the exploration phase of the contract is five and one-half years from the contract's inception (October 2000) and the contract provides for a 20year production term if hydrocarbons are discovered and certain conditions are met. The other partners on this project are Daewoo International (60 percent), GAIL (10 percent) and KOGAS (10 percent). Daewoo International is the operator and the first one-year extension of the exploration period is in progress. Following the drilling of one exploratory well, in January 2004 Daewoo International announced a discovery of natural gas reserves in this block.

Exploration Blocks NC 188 and NC 189, Libya

OVL entered into a contract with the Turkish Petroleum Overseas Company in August 2002, with effect from June 2003, to acquire a 49 percent participating interest in exploration blocks NC 188 and NC 189 in Libya. Turkish Petroleum is the operator for this project with a 51 percent participating interest. The exploration and production-sharing agreement with the Government

of Libya was entered into in February 2000 and has been granted for a period of 25 years. The two exploratory blocks governed by the agreement cover 8,646 square kilometers in the aggregate. One exploratory well in Block NC 188 is presently being drilled.

Exploration Block Farsi Offshore, Iran

OVL won the bid for this block in early 2002 and finalised the exploration contract with the National Iranian Oil Company for a four-year period over a geographical area of 3,500 square kilometers. OVL is the operator of this exploration block and owns a 40 percent participating interest. The exploration consortium consists entirely of Indian oil and gas companies; IOC owns a 40 percent participating interest and OIL owns the remaining 20 percent participating interest. The reprocessing and interpretation of historical seismic data has been completed and the first year of the exploration period has been completed.

Exploration Block 24, Syria

The Syrian Ministry of Petroleum and Mineral Resources selected a consortium comprised of OVL and IPR International Limited as the winning bidder in January 2003 in connection with a competitive bidding process for rights to Exploration Block 24. The contract, providing for a 60 percent participating interest to OVL, was signed by OVL, IPR International Limited and the Syrian Petroleum Company in January 2004 and is awaiting Syrian Government approval. The contract provides for an exploration period of five years.

OVL is pursuing several exploration and production opportunities, some of which are in an advanced stage of negotiations and may involve significant commitments by OVL, and intends to acquire oil and gas producing assets in areas of interest in Africa, the Middle East, Central Asia and South East Asia. Further, OVL is also likely to take up petroleum projects linked to returns in the form of crude oil to augment the hydrocarbon security of the country. The completion and timing of any such acquisitions or projects is uncertain and depends on a number of factors, some of which are beyond our control.

Oil Field Services

Unlike many other oil and gas companies which rely on third party contractors for oil field services in some or all of their areas of operation, we provide a range of in-house oil field services to support our exploration, development and production activities. Our in-house oil field services include geophysical data acquisition and analysis, drilling, mud engineering, cementing, electro-logging, well stimulation, workover services, well testing, a variety of general engineering services, and inspection, maintenance and repair, or IMR, services.

Geophysical Services

We have deployed 32 seismic field crews for onshore seismic data acquisition. These field seismic crews are equipped and capable of acquiring 2-D and 3-D seismic data. We also own and operate one offshore seismic data acquisition vessel that is equipped with a modern onboard processing unit for continuous quality control of the seismic data, and is capable of recording 3-D seismic data. We process our seismic data in-house at our GEOPIC processing center at Dehradun. GEOPIC has the capability to process 170,000 line kilometers of data per annum. In addition, we have regional computer centres at Kolkata, Jorhat, Chennai and Vadodara, a seismic data processing and interpretation centre (SPIC) at Mumbai, and two virtual reality centres at Mumbai for the viewing and interpretation of 3-D seismic data.

Drilling Services

We provide a complete range of drilling, mud engineering, well design and well cementing support. We own and operate 73 onshore drilling rigs of different capacities, including rigs capable of drilling to depths of 6,000 meters, as well as 10 offshore drilling rigs capable of drilling to depths of up to 6,000 meters in water depths of up to 1,000 meters. In addition, we operate 20 leased offshore rigs including two ultra deep-water drill ships. We have experience in various areas of advanced drilling technology, such as extended reach drilling, multi-lateral drilling and side-track drilling. On average, we drill approximately 300 wells per year. We are in the process of upgrading and modernizing our onshore rigs. Our total mud engineering and well cementing support requirements are met through our in-house drilling services. Our Institute of Drilling Technology at Dehradun supports our in-house drilling services, by seeking to identify and acquire access to drilling technologies under development or in use in other parts of the world that are potentially applicable to our operations, and by studying and developing solutions to various technical problems encountered in our drilling operations. We maintain teams of crisis management personnel trained to respond to a variety of emergencies, such as uncontrolled flow from wells.

Well Services

We provide in-house workover, stimulation and well testing support for our production operations. We own and operate 55 onshore workover rigs for well servicing and repairs. Most of our internal requirements for well stimulation services, which include hydrofracturing, acidisation and coil tubing nitrogen application services, are provided in-house. We operate an offshore well stimulation vessel. In addition, we also make extensive use of coil tubing units for rig-less workover operations. We have purchased 25 modern workover rigs. Similarly, substantially all of our internal requirements for the design, installation, operation and maintenance of artifices lift systems, well completion, well testing and wireline operations are met by in-house service teams.

Electro-Logging Services

We provide electro-logging services on an in-house basis to evaluate geological formations in support of our exploration and development operations. A total of 26 logging units are deployed in support of our onshore operations. In addition, we have leased a total of 28 contractual logging units for deployment in offshore areas. We also utilise advanced tools in the provision of our in-house electro-logging services. We are planning to purchase four additional electro-logging units for use in our offshore exploration operations.

Engineering Services

Our in-house engineering services personnel are responsible for all work relating to the design and construction of onshore and offshore production facilities, the laying and maintenance of onshore and offshore pipelines, the maintenance of equipment, and the dry dock of supply and support vessels and offshore rigs.

Technical Services

Our in-house technical services personnel provide policy guidelines on equipment management, standardization, technical audits, identification, acquisition, assimilation and dissemination of new techniques and technology relating to oil field equipment and services. We operate work shops at Vadodara and Sivasagar that provide support for major repairs and maintenance of various equipment, including drilling rigs, workover rigs, diesel engines, cementing units, mud pumps, blow-out preventors, motors and alternators.

Inspection, Maintenance and Repair; Offshore Logistics

Our requirements for underwater inspection, maintenance and repair of our offshore platforms, jackets, risers, subsea pipelines and other marine equipment are met through the use of in-house services. We operate three multi-purpose support vessels to perform these services, as well as to provide fire fighting, pollution control, rescue support and diving assistance for offshore operations. We also own and operate 31 supply vessels that provide logistical support to our offshore production operations.

As a complement to our in-house oil field services, we engage third party contractors to provide additional services on an as-needed basis to support our exploration, development and production activities.

Sales and Marketing of Crude Oil and Natural Gas

The following table sets forth information with respect to our sales of crude oil for the periods indicated.

	Year ended March 31,			Nine Months ended December 31,
	2001	2002	2003	2003
Domestic				
Volume Sold (mmbbl)	175.38	171.45	179.25	132.44
Average Realised Price *(US$/bbl)*[1]	17.88	17.83	30.36	27.50
Average Benchmark Price *(US$/bbl)* [2]	28.05	23.41	27.60	27.97
International				
Volume Sold (mmbbl)	-	-	0.6	5.80
Average Realised Price *(US$/bbl)* [3]	-	-	27.10	27.46
Average Benchmark Price *(US$bbl)* [4]	-	-	30.16	28.33

[1] *Weighted average, by volume, of monthly average realized prices. The exchange rate used to calculate average prices for each period: Rs. 45.5 = US$1.00. The crude oil conversion factor: 1 metric ton = 7.5 barrels. Since April 1, 2002, crude oil prices have included a charge for transportation costs.*

[2] *Benchmark price (FOB) of Nigerian Bonny Light, a light sweet crude oil produced in Nigeria.*

[3] *FOB price. The exchange rate used to calculate average prices for each period: Rs. 45.5 = US$1.00.*

[4] *Benchmark price (FOB) of ICP Minas, a light sweet crude oil produced in Indonesia.*

The following table sets forth information with respect to our domestic sales of natural gas for the periods indicated.

	Year ended March 31,			Nine Months ended December 31,
	2001	2002	2003	2003
Total Volume Sold (mmcm)				
Domestic Independent	19,352	19,226	19,436	14,461
Domestic Production-Sharing	1,141	1,209	1,674	1,513
Total	**20,493**	**20,435**	**21,110**	**15,974**
Average Realized Price (US$/mcm)[(1)]				
Domestic Independent	49.68	48.88	47.04	49.24
Domestic Production-Sharing	116.01	121.70	120.27	113.91
Total	**53.38**	**53.18**	**52.85**	**55.37**

[(1)] Weighted average, by volume, of monthly average realized prices.

Certain average realised price information set forth in the two preceding tables may be higher than and not directly comparable to actual prices due to currency translations and the appreciation of the Rupee against the U.S. Dollar. For a more detailed discussion, see "Currency of Presentation" on page of this Preliminary Sale Document.

Domestic Sales and Marketing of Crude Oil and Natural Gas

We market our domestic crude oil production to three major domestic public sector refining companies - IOC, BPCL and HPCL and their subsidiaries. We also supply our domestic crude oil to MRPL. We have entered into several Memoranda of Understandings, or MoUs, governing the sale of crude oil for a two year period, each of which expires on March 31, 2004. Our domestic crude oil is benchmarked against Nigerian Bonny Light crude, and the MoUs establish that our prices of crude oil are determined by the FOB price of Nigerian Bonny Light crude, adjusted for quality variation on respective yields.

We market approximately 99 percent of our natural gas through GAIL in accordance with an MoU that provides for gas prices to be set by the Government. The MoU was renegotiated and extended in 1999 for 15 additional years. The scope of the revised MoU is limited to natural gas from existing producing fields, and the revised MoU provides that upon deregulation of the gas sector, the terms of the MoU would be re-evaluated.

International Sales and Marketing of Crude Oil and Natural Gas

Greater Nile Oil Project - Sudan

In Sudan, where OVL holds a 25 percent participation in a Nile Blend crude oil production-sharing contract with China National Petroleum Company, Petronas Carigali Overseas Sdn Berhad and the Sudan National Oil Company (Sudapet), OVL's share of production from the Greater Nile Oil Project is sold in the international market through a marketing agent. In 2003, approximately 80 percent of OVL's share of production was purchased by MRPL.

Lan Tay and Lan Do Gas Fields - Vietnam

In Vietnam, where OVL holds a 45 percent participating interest in two offshore natural gas fields operated by British Petroleum, the entire output of the fields is delivered by pipeline to an onshore gas-fired power plant at Phu Mai, Vietnam under a take-or-pay contract for local electricity generation. The consortium receives payment from PetroVietnam for the consortium's share of natural gas sold to the power plant, and the consortium in turn distributes OVL's share of the sales proceeds to OVL after deducting transportation charges. See "-Crude Oil and Natural Gas Production-International Producing Areas" for a description of the Vietnam natural gas project.

Production, Sales and Marketing of Value-Added Products

In addition to the production of crude oil and natural gas, we also produce several value-added products, including liquefied petroleum gas (LPG), natural gas liquid, naphtha (including aromatic rich naphtha), kerosene, ethane-propane, diesel, and low sulphur heavy stock. We process these products at four facilities: at Hazira, we produce LPG, kerosene, natural gas liquid and naphtha and other products; at Uran, we produce LPG, naphtha, natural gas liquid and ethane-propane; at Tatipaka, we produce naphtha, diesel, kerosene and low sulphur heavy stock; and at Ankleshwar and Gandhar, we produce LPG and naphtha. We are producing approximately 1.2 million metric tons of LPG annually and approximately 1.7 million metric tons of naphtha annually, as well as kerosene and other products from these facilities.

In particular, we have substantial experience using gas fractionation technology for the extraction of value-added products. We opened the first gas-based LPG plant at Uran in March 1981, and thereafter added a number of fractionating plants based on

gas and condensate at various locations. These plants are based on the concept of chilling gas to a level of -40°C using a turbo-expander/refrigeration system based on propane as refrigerant. In 1990, we commissioned the first gas fractionating unit in India to produce ethane-propane liquid from gas by chilling down the gas to a level of -115°C. We have a production capacity of 570,000 metric tons of ethane-propane annually and supply it to IPCL's Nagothane petrochemical plant, pursuant to a term contract that expires on March 31, 2006. The price of the ethane component of ethane-propane is based on the prevailing natural gas price, which is in turn subject to Government price controls. The price of the propane component is determined based on international market prices for propane. For the years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, our production of ethane-propane amounted to 527 thousand metric tons, 619 thousand metric tons and 444 thousand metric tons, respectively.

In addition, we produce LPG and kerosene. Under Government regulations, consumer prices of these products are subsidised and the products may only be sold to domestic public sector oil marketing companies for domestic use. The products are sold at controlled prices based on import-parity prices. The Government guidelines presently in place expire March 31, 2004. For the years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, our production of LPG amounted to 1,160,000 metric tons, 1,200,000 metric tons and 890,000 metric tons, respectively, and our production of kerosene amounted to 230,000 metric tons, 233,000 metric tons and 166,000 metric tons, respectively.

We sell most of our naphtha production and all of our production of low sulfur heavy stock to domestic public sector oil marketing companies at market prices. We export the remainder of our naphtha production. For the years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, our production of naphtha (including aromatic rich naphtha) amounted to 1,690,000 metric tons, 1,660,000 metric tons and 1,260,000 metric tons, respectively, and our production of low sulfur heavy stock amounted to 6,000 metric tons, 28,000 metric tons and 22,000 metric tons, respectively.

The diesel we produce in Tatipaka is mainly utilised for our captive requirements. The remaining diesel that we produce is sold to the domestic public sector oil marketing companies at import-parity prices. For the years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, our production of diesel amounted to 3,000 metric tons, 17,000 metric tons and 12,000 metric tons, respectively.

We are planning to invest Rs. 9,000 million through 2006 to construct a plant at the port of Dahej in the Indian state of Gujarat that will extract ethane-propane from imported LNG.

Transportation

Our domestic onshore production facilities include over 7,900 kilometers of pipeline (including internal well flowlines). Our offshore platforms are connected to each other and our land-based facilities by a network of over 3,300 kilometers of pipeline.

Crude Oil

Crude oil produced offshore is primarily transported through pipelines to onshore terminals, from where it is transported to Mumbai-based refineries through additional pipelines and to other refineries by marine vessels at the port of Jawahar Dweep. Small quantities of crude oil are transported directly to coastal refineries by ship.

Crude oil produced from onshore fields in the Western Region and the Eastern Region is transported through pipelines. In the Eastern Region, we are sharing a pipeline owned by OIL. The oil from some of our assets such as the Krishna-Godavari basin is currently transported by road to the holding site at Sursani Yanam where it is loaded, along with Ravva crude oil, into ocean tankers and shipped to the refinery at Vishakhapatnam.

Natural Gas

We transport natural gas by pipelines to processing plants and end users.

Value-Added Products

- Ethane and Propane at Uran are transported through pipelines owned by IPCL.
- LPG at Hazira is transported through pipelines, rail rakes and road tankers; LPG at Uran is transported through pipelines; and LPG at Ankleshwar and Gandhar is transported by road tankers.
- Naphtha at Hazira is transported through pipelines, rail rakes and road tankers; naphtha at Uran is transported through pipelines to the port and thereafter coastal movement or export; naphtha at Ankleshwar, Gandhar and Tatipaka is transported through road tankers.
- Kerosene at Hazira is transported through pipelines.

Refining-Mangalore Refinery and Petrochemicals Limited (MRPL)

As an integral part of our vertical integration strategy, in 2003 we acquired a controlling interest in Mangalore Refinery and Petrochemicals Limited, or MRPL. MRPL is a major domestic refiner, with a total crude oil throughput capacity of approximately 200,000 barrels per day, making it the third largest refinery in India in terms of throughput. MRPL produces a variety of refined

petroleum products, including motor spirit (also referred to as gasoline or petrol), diesel, LPG cooking gas, kerosene and aviation turbine fuel (ATF). It markets these products primarily to Hindustan Petroleum Corporation Limited, or HPCL. MRPL's other major customers are two national oil companies, Indian Oil Corporation Limited, or IOC, Bharat Petroleum Corporation Limited, or BPCL. In cases where production exceeds domestic demand, MRPL markets its excess production to various exporters. The Government of India, HPCL and the A.V. Birla Group formed MRPL in 1987 as the first refinery in India with joint-sector (mixed Government, private sector and public) ownership. MRPL owns and operates a large refinery located at the western port of Mangalore in the Indian state of Karnataka on the Arabian Sea. It sources its feedstock primarily through foreign supply contracts with the National Iranian Oil Company and Saudi Aramco. For the nine months ended December 31, 2003, these two suppliers accounted for approximately 70 percent of MRPL's consumption of crude oil feedstock. We supply substantially all of the balance of MRPL's crude oil requirements, mainly from our Mumbai High offshore production facilities and OVL's production-sharing operations in the Greater Nile Oil Project in the Sudan.

Acquisition by ONGC

We obtained our controlling interest in MRPL through a series of transactions in 2003, in conjunction with a debt restructuring process undertaken by MRPL and its lenders. We acquired our initial stake, equal to approximately 37.4 percent of the then-outstanding equity shares of MRPL, from the A.V. Birla Group on March 3, 2003 for an aggregate purchase price of approximately Rs. 594.3 million (US$13.1 million). Following this initial acquisition, on March 30, 2003 we invested an additional Rs. 6 billion (US$131.9 million) in a preferential allotment of newly-issued MRPL equity shares, which increased our percentage equity ownership interest to approximately 51.2 percent. In June and July 2003, we increased our stake in MRPL to approximately 71.6 percent of MRPL's outstanding equity shares through additional purchases of MRPL equity shares from banks and other MRPL lenders totalling Rs.3.8 billion (US$ 83.6 million) in the aggregate.

The other major shareholder of MRPL is HPCL, which as of December 31, 2003 owns approximately 17 percent of MRPL's outstanding equity share capital. Our Board of Directors has approved our purchase of HPCL's equity stake in MRPL. This purchase, if agreed to by HPCL and eventually consummated, would increase our percentage ownership in MRPL to approximately 88.6 percent. MRPL's shares are listed on three domestic stock exchanges in India, including the BSE.

Strategy

Following our acquisition of a controlling interest in MRPL, we have worked with MRPL to formulate a strategy to improve its financial condition and profitability and to realise synergistic benefits from our new relationship. Key points of this strategy include:

- Improve working capital availability as well as supply and product distribution logistics to realise higher levels of throughput and greater capacity utilization.
- Technology upgrades to MRPL's refinery to improve gross refining margins and enable the production of new, higher-margin products such as mixed xylene.
- Improve distribution capabilities and initiate new marketing arrangements with national oil companies such as IOC, BPCL and HPCL.
- Implement programs to increase the reliability of operations and maintain low levels of injury rates and lost time.
- Pursue entry into downstream marketing following its recent receipt of authorization to establish up to 500 retail outlets to sell motor spirit and high speed diesel.

Refining Operations

MRPL's refinery is designed to process a variety of crude oils. In general, the different process units inside its refinery perform one of three functions:

- separating the many types of hydrocarbons present in crude oil;
- converting the separated hydrocarbons into more desirable products; and
- treating the products by removing undesirable components.

Each step in the refining process is designed to maximise the value of the feedstocks, particularly the raw crude oil.

The first refinery units to process raw crude oil are typically the atmospheric and vacuum distillation units. Crude oil is separated by boiling point in the distillation unit under high heat and low pressure. The lowest boiling point liquids, including naphtha and liquefied petroleum gas, vaporise and exit the top of the atmospheric distillation unit. Medium boiling point liquids, including jet fuel, kerosene and diesel fuel, are drawn from the middle of the unit. Higher boiling point liquids, called vacuum gas oils and the highest boiling liquids, called vacuum residue, are separated in the vacuum distillation unit.

The next step in the refining process is to convert the hydrocarbon fractions into high value products. One of the ways of accomplishing this is through "cracking," a process that breaks or cracks higher boiling fractions into more valuable products such as kerosene and gas oil. The most important conversion units are the continuous catalyst regeneration reformer, or CCR, the visbreaker, and the hydrocracker. MRPL is the only domestic refinery with two hydrocrackers and two CCR units. Thermal

cracking is accomplished in the visbreaker, which facilitates the production of fuel oil. The hydrocracker receives feedstocks from the vacuum distillation units and visbreaker. This unit converts lower value intermediate products into LPG, naphtha, kerosene, and diesel under very high pressure in the presence of hydrogen and a catalyst.

Finally, the intermediate products from the distillation and conversion processes are treated to remove impurities such as sulfur, and are processed to meet other product specifications. In the case of diesel, this treatment is accomplished in the hydrotreating unit by heating the intermediate products under high pressure in the presence of hydrogen and catalysts. Octane enhancement is accomplished primarily in a reformer. The CCR unit converts naphtha, or low-octane fractions, into higher-octane motor spirit.

MRPL's refinery is located at the western port of Mangalore in the Indian state of Karnataka on the Arabian Sea. MRPL receives waterborne shipments of crude oil feedstock at two oil jetties for transport to its refinery facilities. The refinery is a relatively new facility; the first phase of construction was completed in 1996 and a second phase, completed in 1999, nearly tripled the capacity of the refinery. The total project cost was approximately Rs. 65 billion (US$1.4 billion). Only three Indian refineries have been commissioned subsequent to MRPL — the Panipat refinery, which was set up by IOC in 1998, the Jamnagar refinery, which was built by Reliance Industries and commenced operations in 1999, and the Numaligarh refinery, which commenced operations in 2000.

Crude Oil Supply

The quality of crude oil dictates the level of processing and conversion necessary to achieve the optimal mix of finished products. Crude oils are classified by their density (light to heavy) and sulphur content (sweet to sour). Light sweet crude oils are more expensive than heavy sour crude oils because they require less treatment and produce a slate of products with a greater percentage of high-priced, light, refined products such as diesel, kerosene and jet fuel. The heavy sour crude oils typically sell at a discount to the lighter, sweet crude oils because they produce a greater percentage of lower-value products with simple distillation and require additional processing to produce the higher-value light products. Consequently, refiners strive to process the optimal mix, or slate, of crude oils through their refineries, depending on each refinery's configuration, the desired product output, and the relative price of available crude oils.

MRPL's refinery is designed to process a variety of crudes. It has historically obtained the majority of its feedstock in the form of Arabian and Persian Gulf light crudes under one-year automatically renewing supply contracts with national oil companies in Saudi Arabia and Iran. Following our acquisition of a controlling shareholding interest in 2003, MRPL has begun to obtain a significant portion of its remaining feedstock requirements from Mumbai High light sweet crude oil produced in our Mumbai High field and Nile sweet crude from OVL's production-sharing interest in the Greater Nile Oil Project in Sudan. Crude oil is supplied to MRPL by the Saudi Arabian and Iranian national oil companies, ONGC and OVL at international market prices. MRPL's facilities include two dedicated oil jetties equipped to handle ocean tanker deliveries of crude oil and offtake of refined products. The Mangalore port authority is planning to undertake dredging operations designed to increase the draft to approximately 16 meters, which will facilitate receipt of large crude cargoes and reduce transportation costs.

Sales and Marketing of Refined Products

MRPL sells the majority of its refined petroleum products to Hindustan Petroleum Corporation Limited, or HPCL, which in turn distributes them in a variety of industrial, commercial and retail channels. The remainder of MRPL's production for the domestic market is sold to two other national oil companies, Indian Oil Corporation Limited, or IOC, and Bharat Petroleum Corporation Limited, or BPCL. Although price controls and other aspects of domestic sales and marketing have been deregulated, supply and distribution arrangements continue to be characterised by a substantial degree of coordination among industry participants. When MRPL's output exceeds domestic demand, MRPL exports its excess production of certain products such as motor spirit, naphtha, diesel, reformate, aviation turbine and fuel oil. MRPL is pursuing a number of initiatives to improve its sales and marketing efforts, including obtaining access to leased storage and handling facilities at selected locations, registering with sales tax authorities in various states in India to permit direct sales in those locations, and obtaining an exemption under naphtha and solvent control regulations. In addition, MRPL has received authorization to establish up to 500 retail outlets to sell motor spirit and high speed diesel.

In January 2004, ONGC entered into bilateral non-binding MoUs with each of BPCL, IOC and HPCL relating to the proposed sale by us of refined petroleum products, including motor spirit, diesel and aviation turbine fuel. Each MoU provides that the terms and conditions of these sales will be governed by definitive supply contracts, and contemplates that the contracts could be entered into as early as the end of February 2004. In connection with these supply arrangements, we expect to enter into a related agreement with MRPL.

Certain Factors Affecting MRPL's Business

Supply and demand for refined products and feedstocks. MRPL's results from operations are primarily affected by the relationship between the prices it is able to obtain for refined products and costs for it to obtain crude oil feedstocks. The cost to acquire feedstocks and the price of refined products ultimately sold depends on numerous factors beyond MRPL's control, including the supply of, and demand for, crude oil and refined products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and the extent of Government regulation. While its net sales and operating revenues fluctuate

significantly with movements in industry crude oil prices, such prices do not generally have a direct long-term relationship to net earnings. The effect of changes in crude oil prices on MRPL's operating results is influenced by how the prices of refined products adjust to reflect such changes in crude oil prices.

Other factors affecting prices. Feedstock and refined product prices are also affected by other factors, such as local market conditions, the operating levels of competing refineries, and product pipeline capacities. World crude oil costs and the price of refined products have historically been subject to wide fluctuation. Expansion or upgrading of existing facilities and installation of additional refinery facilities, price volatility, international political and economic developments and other factors beyond MRPL's control are likely to continue to play an important role in determining its results of operations. These factors can impact, among other things, the level of inventories in the market resulting in price volatility and variations in product margins. Moreover, the refining industry typically experiences seasonal fluctuations in demand for refined products. The Indian refining industry currently suffers from overcapacity, which has prompted MRPL and other refiners to turn to lower-margin export markets in order to sell excess production. MRPL's coastal location in many cases enables it to benefit from low transportation costs when exporting its products.

Competition. Like other refiners, MRPL competes for supplies of feedstocks and in the sales and marketing of its refined products. It is believed that competition in the domestic refining sector is likely to increase. Construction of additional refineries and capacity upgrades at existing refineries continue, and are expected to further contribute to overcapacity and declining margins in the refining sector.

Environmental matters. MRPL is subject to various Indian laws and regulations relating to the protection of the environment. These laws impact its business and operations by imposing:

- restrictions or permit requirements on its ongoing operations;
- liability in certain cases for the remediation of contaminated soil and groundwater at our current or former facilities and at facilities where MRPL has disposed of hazardous materials; and
- specifications, including as to sulfur content, on the refined petroleum products MRPL markets.

The domestic refining industry is subject to environmental regulations, including new standards governing sulphur content and aromatics. These regulations will require substantial capital outlays by MRPL in order to upgrade their respective facilities to comply with the new standards. MRPL plans to invest approximately Rs. 6 billion (US$ 131.9 million) in order to upgrade its refinery to produce higher-quality motor spirit and diesel fuel meeting stricter emissions standards. In particular, MRPL plans to upgrade its refinery to produce fuels meeting the Euro III specifications in a phased manner by fiscal 2005 and Euro IV specifications by fiscal 2007.

Mangalore-Hassan-Bangalore Pipeline Joint Venture

We have invested an aggregate amount of Rs. 383.4 million towards the acquisition of 23 percent of the equity shares of Petronet MHB Limited, which owns the Mangalore-Hassan-Bangalore cross-country pipeline. The pipeline, which runs for 364 kilometers from the port of Mangalore to the city of Bangalore in the interior of the southern Indian state of Karnataka, allows the transportation of a variety of processed petroleum products such as kerosene, diesel, motor spirit, aviation turbine fuel and naphtha from MRPL's refinery, which will expand the geographic reach of MRPL products.

Liquified Natural Gas Terminal Joint Venture

We are one of the founding shareholders of Petronet LNG Limited, the operator of a major new liquefied natural gas ("LNG") import terminal and regasification facility at the port of Dahej in the Indian state of Gujarat. We have invested Rs. 725.0 million towards the acquisition of 12.5 percent of the equity shares of Petronet LNG Limited. The other shareholders in this venture are IOC, BPCL and GAIL. We believe this joint venture further helps us diversify and integrate our operations and expand into more value-added production. Petronet LNG intends to conduct an initial public offering by the end of fiscal 2004.

Indian Oil Corporation Limited

Indian Oil Corporation Limited, or IOC, is the country's largest commercial enterprise, with sales of Rs. 1,198.5 billion and profits of Rs. 61.1 billion for fiscal 2003. IOC is 82.0 percent owned by the Government of India and 9.1 percent owned by ONGC.

IOC and its subsidiaries Chennai Petroleum Corporation Limited and Bongaigaon Refineries and Petrochemicals Limited account for 43 percent of the refining capacity in India. IOC controls 10 of India's 18 refineries with a current combined rated capacity of 49.3 million metric tons per annum.

IOC also engages in the marketing and distribution of petroleum products. It owns and operates the country's largest network of cross-country crude oil and product pipelines, covering 7,170 kilometers and having a combined capacity of 52.8 million metric tons per annum. IOC has a countrywide network of more than 21,000 sales points throughout India and infrastructure comprising 169 bulk storage terminals, installations and depots, 93 aviation fuel stations and 79 LPG bottling plants. Its subsidiary, IBP Co. Limited, is a stand-alone marketing company with a nationwide retail network of more than 2,000 sales points.

GAIL (India) Limited

GAIL is primarily engaged in the transmission and distribution of natural gas. In fiscal 2003, GAIL had sales of Rs. 117.8 billion and profits after tax of Rs. 17.6 billion.

GAIL is 67.3 percent owned by the Government of India and 4.8 percent owned by each of ONGC and IOC.The Government will be conducting an Offer for sale of percent of GAIL's total paid up share capital before the end of fiscal 2004. In connection with that offer, we have undertaken not to sell or otherwise dispose of any of our Equity Shares, or options on such equity shares, in GAIL for a period of six months from the date of the Goverment's transfer of Equity Shares in GAIL pursuant to its offer.

Additionally, GAIL operates seven plants at six locations, processing natural gas to produce liquefied petroleum gas, and owns and operates a petrochemical plant that produces high-density polyethylene and linear low-density polyethylene. GAIL has also entered the field of exploration for and production of hydrocarbons in India and abroad.

Research and Development

We have an extensive research and development, or R&D, network. We focus on developing more efficient and effective approaches to improve our exploration, development and production activities. Recent examples of our efforts include:

- High resolution litho-biostratigraphy for palaeo-environment modeling
- Absolute age dating by Rb-Sr/K-Ar/Ar-Ar and Fission - Track technology
- Geological mapping by remote sensing techniques
- Geochemical surface prospecting
- Petroleum system modeling
- Gravity-magnetic survey
- Techniques for processing and interpretation of seismic data and creation of virtual reality center
- Technology schemes for drilling and completing high temperature-high pressure / horizontal / multi-lateral /depleted reservoir and CBM wells
- Technology schemes for enhanced oil recovery
- Well stimulation and water shut off techniques
- Development plans for improved oil recovery
- Risk analysis and Hazop studies of offshore and onshore structures
- Sub-sea architectural design for deep water and evaluation of FPSO
- Coal-bed methane exploration and exploitation
- Gas hydrate exploration and exploitation
- Underground coal gasification

During the three years ended March 31, 2001, 2002 and 2003, we spent approximately Rs. 821.81 million, Rs. 802.76 million, and Rs. 929.29 million, respectively, on R&D activities. We have allocated approximately Rs. 4,754.1 million through fiscal 2007 for expenditure on R&D.

Our R&D institutes are equipped with laboratories, computer processing systems and computer workstations, and utilize specialized multi-disciplinary expert teams. These institutes also leverage research through international and national consortia, alliances and joint industry programs. A list of our principal R&D institutes is set forth below:

Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE), DehraDun, established in 1962, focuses on exploration related activities. The institute undertakes projects on integrated basin analysis and evaluation, and generates improved concepts and models that help in creating new E&P opportunities in petroliferous basins and breakthroughs in less explored and frontier basins. The institute has well-equipped laboratories in the areas of remote sensing and geomatics, sedimentology, palaeontology, palynology, geochronology, coal-bed methane, geochemistry, petrophysics and reservoir studies. It also works on gravity - magnetic data interpretation, gas hydrate exploration and knowledge management, evaluates the foreign and domestic acreages and properties, and maintains organization-wide E&P data networking.

Geodata Processing & Interpretation Centre (GEOPIC), Dehradun, set up in 1987, caters to the need of processing and interpretation of voluminous land and marine seismic data acquired by the Company. It possesses advanced capabilities in data processing and interpretation. The activity areas of the institute are seismic data processing, seismic and log data interpretation, software development and application of new technologies for improved processing and interpretation.

Institute of Drilling Technology (IDT), DehraDun, established in 1978, is a centre for drilling related technologies. Major functional areas of IDT are drilling technology, drilling fluid engineering, cementation and cementing materials. IDT provides technological

schemes for deep exploratory, high temperature-high pressure, directional, horizontal and ERD wells. It undertakes drilling complication diagnostics and provides technical solutions. It also works on development of drilling fluid and cement additives. The institute conducts specialized training courses in drilling technology for domestic and overseas companies. It also runs a well control school that is accredited by the International Association of Drilling Contractors.

Institute of Reservoir Studies (IRS), Ahmedabad, established in 1978, is the centre for reservoir management studies. The main functions of IRS are reservoir characterization, simulation and management, oil and gas field development, enhanced oil recovery and well productivity enhancement. The laboratories pertaining to core analysis, petrography, phase behaviour, tracer test, water flooding, chemical flooding and microbiology are some of the laboratories that generate basic data for use in different studies.

Institute of Oil & Gas Production Technology (IOGPT), Mumbai, set up in 1984, focuses on oil and gas production and processing-related work. It provides technological solutions to boost production and improve the economics of operations. Production engineering, process engineering, artificial lift engineering and corrosion engineering are the major functional groups in the institute. Its main areas of work include well completion, sand control, water shut off, well stimulation, process facility design, field production system optimization, artificial lift design, deep water production and subsea technology and coal-bed methane and gas hydrate exploitation.

Institute of Engineering & Ocean Technology (IEOT), Mumbai, established in 1983, is the centre for offshore engineering. Its main areas of work are risk analysis and conceptual engineering, structural engineering, geotechnical engineering and materials and corrosion engineering. The institute has state-of-the-art laboratories and software for risk analysis, soil investigation, foundation design, analysis and design of offshore structures and corrosion monitoring and control. A new group on gas hydrates has been recently created in IEOT.

Institute of Biotechnology & Geotectonic Studies (INBIGS), Jorhat set up in 1989, works in the areas of geomicrobial petroleum prospecting, microbial enhanced oil recovery and soil bioremediation.

Training

We provide all of our employees, executives and staff alike, with regular and periodic training and development to help them acquire new knowledge and skills necessary for them to perform better in their present and future roles.

ONGC Academy, Dehradun, established in 1982, is the premier nodal agency for training and development of human resources of ONGC. It also imparts training to other domestic and overseas companies. The executive development programs include induction training, specialized functional training, management training, computer training, corporate strategic program, integrated professional program and emerging technology program. International faculties impart the specialised and emerging technology programs. Management trainings are conducted in collaboration with best national management institutes. Unnati Prayas (Endeavour for Advancement) and Super Unnati Prayas schemes are ongoing for qualification upgradation of executives. The institute is equipped with modern training infrastructure. Regional Training Institutes cater to the training needs of employees involved in field operations.

Institute of Petroleum Safety, Health and Environment Management (IPSHEM), Goa, set up in 1989, promotes standards of safety, health and environment management in the Company through training. Its main functions are basic and advanced training, safety / loss control service and environment management service. Offshore survival and H2S safety trainings, safety and environment auditing and environment management planning are some of the important ways in which IPSHEM brings us closer to this goal.

School of Maintenance Practices (SMP), Vadodara, set up in 2003, conducts certified training courses in maintenance of all oil field equipment. The industry / OEM experts impart hands-on-training on the best practices of each equipment. Simulators and e-learning are some of the special training tools available in the SMP.

Employees

As of March 31, 2001, 2002 and 2003, the number of people employed by our Company was 40,226, 40,280 and 39,352, respectively. The following table sets forth the number of employees as of January 1, 2004:

Executives	Non-Executives	Total
23,045	14,957	38,002

In addition to our Board of Directors, as of January 1, 2004 our management team includes 22 executive directors, one assistant executive director and 31 group general managers.

There are 24 registered trade unions out of which nine are recognised by us. Only the non-executive employees are eligible to be members of trade unions. All trade unions (including unrecognised trade unions) are affiliated with central trade unions. We have a long-term settlement agreement with all the recognised unions, effective from January 1, 1997 to December 31, 2006, that is binding on all unionised categories of employees.

There have been no significant instances of labour unrest in the Company that have had a material adverse effect on the operations and business of the Company. We have experienced certain minor incidents, including the following:

- In response to the call given by a central trade union, a one-day strike was observed on April 16, 2002, at Kolkata, Agartala and Silchar, against the policy of the Government of India in relation to disinvestment in public sector companies. Although the drilling activities were partially adversely affected at two sites at Agartala, the gas supply was maintained.
- In response to the call given by a central trade union, a one-day strike was observed on May 21, 2003, at Agartala, Nazira, Sivasagar, Jorhat and Silchar, against the policy of the Government of India in relation to disinvestment in public sector companies. Production, gas supply and drilling operations were maintained in all workcentres.
- In response to the call given by a central trade union, a one-day strike was observed on December 16, 2003, at Kolkata, Agartala, Sibsagar, Nazira, Jorhat and Silchar, against the policy of the Government of India of disinvestment in public sector companies. However, production and drilling operations were reported to be normal.

We believe we enjoy good relations with our employees. There has not been any claim of unfair labour practices with respect to the workers at any of our facilities.

We introduced a voluntary retirement scheme in fiscal 2003, which was effective from October 1, 2003 to December 31, 2003. A total of 712 employees opted for voluntary retirement under this scheme.

We have the following three incentive schemes for our employees:

- Performance Incentive Scheme: The performance incentive scheme, which was reviewed in 1998-99 has a three tier incentive payment system:
  - Job incentive to concerned field crew (e.g. Seismic survey, drilling, electro-logging, production, testing, etc.) based on completion of targets within the specified time line.
  - Quarterly incentive to all employees posted in regions/work centres based on weighted achievement of the targets specified in the memorandum of understanding we signed with the Government.
  - Annual incentive to all regular employees based on weighted achievement of the targets specified in the memorandum of understanding we signed with the Government.
  - In addition, payment of Additional Annual Incentive has also been made in the previous three years.
- Productivity Honorarium Scheme: The productivity honorarium scheme for the executives is based on the improvement of productivity vis-à-vis operating cost. The current scheme is under revision.
- Reserve Establishment Honorarium: We accrete reserves of hydrocarbon and on its basis we give ex-gratia payment as per the provisions of the Payment of Bonus Act.

Some of the existing schemes for the welfare of our employees are set forth below:

- ONGC Composite Social Security Scheme, 1998
- ONGC Death, Retirement & Terminal Gratuity Rules, 1995
- Self Contributory Post Retirement & Death in Service Benefit Scheme, 1991 (for officers of ONGC). There is a similar scheme for unionized employees in regular service of ONGC.

We are currently engaging approximately 13,000 labourers on contractual basis and they are not on our payrolls.

Insurance

We maintain a comprehensive energy insurance package policy, or the Offshore Policy, for our offshore business and activities. The Offshore Policy covers our oil and gas exploration, production and contractual/ joint venture operations and related facilities in India including transits worldwide. The Offshore Policy also covers liabilities arising out of our worldwide operations in respect of mobile offshore business (Indian) and worldwide operations.

Specifically, the Offshore Policy covers:

- all risks of physical loss or damage, removal of wreck coverage, including litigation and labour and salvage charges;
- cost of well control, redrilling expenses and extended cost of redrilling, underground blow out, making well safe endorsement, deliberate well firing, clean-up cost and seepage and pollution liability;
- war risks for facilities whilst waterborne/ in transit;
- strikes, riots and civil commotions;
- sabotage and terrorism; and
- contractual and third party liability arising out of operations.

We have a standard fire and special perils policy, or the Onshore Policy, for *inter alia* risks associated with physical damage to our onshore properties including land rigs in connection with exploration and production related facilities at Uran, Hazira, Tatipaka and elsewhere. The Onshore Policy covers, inter alia, fire, lightning, explosion, implosion, aircraft damage, riot, strike and terrorism damage, damage caused by natural factors such as storm, typhoon and flood, impact damage, subsidence and land slide including rock slide, bursting of water tanks, missile testing operations, leakage from automatic sprinkler installations, earthquake and terrorism. Our Onshore Policy does not cover liability arising from or other pollution or contamination. Our fixed onshore properties are not covered for war risks as per the insurance industry practice worldwide.

Our Onshore Policy covers our joint venture operations other than Panna, Mukta and Tapti, which are covered by the Offshore Policy. We are also covered under a hull and machinery policy for our offshore supply vessels and by a protection and indemnity insurance for liabilities arising out of our vessel operations.

In fiscal 2003, we paid an aggregate of Rs. 2,246 million for premiums under the above. We believe that our insurance coverage is sufficient to cover all normal risks associated with our operations and is in accordance with the international industry standards.

MRPL. MRPL has a 'comprehensive mega risks policy' valid until May 2004, which covers, inter alia, the following:

- All risks of physical loss or damage to non-marine property;
- All risks of physical loss or damage to machinery;
- All risks relating to operational business, including business interruption; and
- Riots, strikes and malicious damage.

However, this policy does not cover risks relating to political risks, like war, acts of terrorism and radioactive contamination.

OVL. In respect of projects where the exploration activities have commenced, insurance coverage is maintained as specified under the terms and conditions of the relevant production-sharing contract. The following properties of OVL are covered by insurance:

- Greater Nile Oil Project, Sudan
- Block 06.1, Vietnam
- Sakhalin - I, Russia
- Exploration Block - A-1, Myanmar
- Exploration Blocks NC 188 and NC 189, Libya

Insurance is not maintained in respect of the following properties, as exploration operations have not yet commenced:

- Exploration Block 24, Syria
- Farsi Exploration Block - Iran
- Exploration Block - 8, Iraq

Health, Safety and Environment

We are subject to a wide range of Government laws and regulations regarding pollution control including:

- The Environment Protection Act, 1986.
- The Water (Prevention and Control of Pollution) Act, 1974.
- The Air (Prevention and Control of Pollution) Act, 1981.
- The Hazardous Waste (Management and Handling) Rules, 1989.

State Pollution Control Boards have been set up under these statutes for the purpose of exercising the powers and performing the functions for preventing and controlling pollution. We regularly obtain clearances from the Pollution Control Boards for operating our facilities.

We are committed to maintaining high standards of occupational health, safety and environmental protection. Due to the nature of our operations, we conduct several internal and external audits to ensure our compliance with health, safety and environmental protection norms, and to maintain effective waste prevention and reduction capabilities. Third party audits are conducted for all offshore and onshore installations by established national and international HSE agencies.

The Oil Industry Safety Directorate, or OISD, an organisation under the control of the MoPNG, issues safety guidelines with which we have to comply. We also have to comply with the safety regulations prescribed by the Directorate General of Mines and Safety or DGMS. Each work center has teams dedicated to HSE, which execute the safety guidelines prescribed by OISD as well as DGMS. Our health, safety and environment, or HSE, teams are also responsible for obtaining necessary licences and clearances from the State Pollution Control Boards.

We have crisis management teams that are responsible for managing any crisis situations resulting from our operations. Regular mock drills are carried out at our facilities to prepare our employees for managing critical situations.

While we take necessary precautions to avoid any accidents, oil spills, etc., such incidents cannot be avoided, especially in the E&P business. In the past, there have been accidents such as a crash of a hired helicopter carrying our personnel from an offshore location on August 11, 2003. We lost twenty of our employees, three contract workers and four members of the helicopter crew in this accident. In addition to Rs. 1.35 million paid by MoPNG to the families of all victims, we paid a total amount of Rs. 16.11 million as compensation to the families of the deceased employees. We also provided employment to the next of kin of the deceased employees.

Trademarks and Intellectual Property

We have applied for the registration of the following inventions/processes developed by us:

- Patent Application No. 892/DEL/2003 dated July 14, 2003 has been filed jointly by (a) The Energy and Resources Institute and (b) the Institute of Reservoir Studies, one of our research institutes, with Intellectual Property India Patents / Designs / Trade Marks, Geographical Indications, New Delhi. The patent is for the invention titled "A process for enhanced recovery of crude oil from oil wells using novel multi-microbial strain". The said application is pending registration.
- Patent Application No. 848/DEL/2001 dated August 14, 2001 has been filed by us with Intellectual Property India Patents / Designs / Trade Marks, Geographical Indications, New Delhi. The patent is for the invention titled "A process for treatment of the Oily effluent". The said application is pending registration.
- Patent Application No. 1330/DEL/1999 dated October 5, 1999 has been filed by us with Intellectual Property India Patents / Designs / Trade Marks, Geographical Indications, New Delhi. The patent is for the invention titled "A method of exploration". The said application is pending registration.

We have obtained the copyright in the following software developed by us:

- Copyright in a software program entitled "CPSEA++", jointly developed by (a) the Institute of Engineering & Ocean Technology, one of our research institutes, and (b) the Center for Electrochemicals Research Institute, has been registered with the Registrar of Copyrights, under Registration No. SW-1153/2003.
- Copyright in a software program entitled "DIP and Azimuth Transformation Software" developed by us has been registered with the Registrar of Copyrights, under Registration No. S-00326/2000.
- Copyright in a software program entitled "JET-DES", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-19476/2001.
- Copyright in a software program entitled " ESP-GL", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-19477/2001.
- Copyright in a software program entitled "INTFLO", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-19478-2000.
- Copyright in a software program entitled "GLIDE", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-19479/2001.
- Copyright in a software program entitled "DYNA", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. SW-L-19909/2002.
- Copyright in a software program entitled " Software for determination of bottom hole", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-15260/95.
- Copyright in a software program entitled "PROTEST", developed by the Institute of Oil & Gas Production Technology, one of our research institutes has been registered with the Registrar of Copyrights, under Registration No. L-19475/2001.

We have not registered the ONGC trademark or logo.

Property

Our registered office is located at Jeevan Bharati Building in New Delhi and our headquarters are located in Tel Bhavan, Dehradun.

The following sets forth our principal operational and commercial land (which is either on freehold or leasehold basis and buildings owned by us for the purposes of our offices, utility buildings, residential buildings and institutes. The total areas mentioned hereunder are on an approximate basis.

- At Uran, we have, *inter alia*, a Plant for producing value-added products such as LPG, Ethane/ Propane, and aromatic rich naphtha. Our total freehold land admeasures 619 square meters and our total leasehold land admeasures 1,753,280

square meters. We also have buildings of a total area of 14,478 square meters. In the case of the lands of administration building, CISF Quarters Phase II, police outpost and satellite station, the agreements to lease are not available and lease deeds have also not been executed.

- At Hazira, we have, *inter alia*, a Plant for producing value added products such as LPG, aromatic rich Naphtha, SKO, Heavy Cut and NGL. Our total freehold land admeasures 4,107,539 square meters and our total leasehold land admeasures 2,642,349 square meters. We also have buildings of a total area of 67,585 square meters. For the land admeasuring 264 hectares leased to us vide the Gujarat Industrial Development Corporation, or INGIDC allotment letter dated January 22, 1997/ January 24, 1997 for expansion of our gas terminal, we have paid INGIDC an amount of Rs. 280 million. However, a lease deed has not yet been executed due to a dispute in payment as against the initial payment. An eviction notice served on us by INGIDC under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. We filed a petition in the Gujarat High Court and have been granted an interim injunction not to vacate and a petition has been admitted for final hearing. The land records tracing our ownership to the land at Phase II Colony are not available.
- At Ankleshwar, we have, *inter alia*, an Asset and a Plant producing value added products such as LPG, NGL and Naphtha. Our total freehold land admeasures 16,210,116 square meters. We also have buildings of a total area of 133,301 square meters. The land records tracing our ownership to majority of the land at Ankleshwar are not available.
- At Ahmedabad, we have, *inter alia*, an Asset and an institute, namely, the Institute of Reservoir Studies. Our total freehold land admeasures 10,465,359 square meters. We also have buildings of a total area of 125,837 square meters. The land records tracing our ownership to majority of the land at Ahmedabad are not available.
- At Mehsana, we have, *inter alia*, an Asset. Our total freehold land admeasures 3,529,200 square meters. We also have buildings of a total area of 131,379 square meters. The land records tracing our ownership to majority of the land at Mehsana are not available.
- At Vadodara, we have, *inter alia*, a Basin and an institute, namely, the School of Maintenance Practices. Our total freehold land admeasures 1,091,030 square meters. We also have buildings of a total area of 159,644 square meters.
- At Cambay, we have, *inter alia*, a forward base of Western Onshore. Our total freehold land admeasures 4,524,671 square meters. We also have buildings of a total area of 34,221 square meters. The land records tracing our ownership to majority of the land at Cambay are not available.
- At Jodhpur, we have, *inter alia*, a forward base of Western Onshore. Our total freehold land admeasures 319,721 square meters and our total leasehold land admeasures 21,000 square meters. We also have buildings of a total area of 5,645 square meters. At Jodhpur the land records tracing our ownership to land at Jaisalmer are not available.
- At Rajahmundry (including Vishakhapatam), we have, inter alia, an Asset, a forward base and a mini-refinery producing value added products such as naphtha, SKO, HSD and fuel oil. Our total freehold land admeasures 2,322,622 square meters and our total leasehold land admeasures 43,323 square meters. We also have buildings of a total area of 50,769 square meters. The land records tracing our ownership to land acquired from private land owners are not available, however, the registered sale deeds are available.
- At Karaikal, we have, *inter alia*, an Asset and a forward base. Our total freehold land admeasures 407,347 square meters. We also have buildings of a total area of 17,794 square meters. The land on which our office is situated was acquired under the Land Acquisition Act, 1894 which was awarded to us by the State Government of Tamil Nadu. However the land records tracing our ownership to this land are not available. The land records tracing our ownership to operational land acquired from private land owners are not available, however, conveyance deeds have been executed.
- At Nazira and Sivasagar (Assam), we have, *inter alia*, an Asset. Our total freehold land admeasures 12,240,964 square meters and our total leasehold land admeasures 1,794,922 square meters. We also have buildings of a total area of 261,365 square meters. We own 74.20 hectares of land at our Nazira office and colony which was acquired from the Assam Tea Company Limited. The erstwhile owner, Assam Tea Company Limited, had leased this land to 203 persons. Out of the 74.20 hectares of land the leaseholders have 9.91 hectares in their possession. The State Government of Assam is in possession of 8.85 hectares of the total land area where there are schools, a hospital and playground etc. We have not entered into new lease deeds or agreements with the 203 leaseholders. The formalities of entering our name in the land records for certain properties including land at Ligripukhri have not been completed.
- At Silchar (Assam), we have, inter alia, a Forward Base of the Assam and Assam-Arakan Basin. Our total freehold land admeasures 2,354,174 square meters. We also have buildings of a total area of 8,588 square meters. The formalities of entering our name in the land records for certain properties at Silchar have not been completed.
- At Jorhat, we have, *inter alia*, Assam and Assam-Arakan Basin and an institute, namely, the Institute of Bio-Technology and Geotectonic Studies. Our total freehold land admeasures 1,005,096 square meters. We also have buildings of a total area of 48,443 square meters. The formalities of entering our name in the land records for certain properties have not been completed. Out of the 67.66 hectares of land at Cinamara Complex, 1.33 hectares of land are under dispute and legal proceedings are pending in relation to this land.

- At Agartala, we have, *inter alia*, an Asset. Our total freehold land admeasures 690,029 square meters. We also have buildings of a total area of 138,294 square meters. Land records tracing our ownership to majority of the land at Agartala are not available.
- At Kolkata, we have, *inter alia*, a CBM-Bengal Purnea Mahanadi basin. Our total freehold land admeasures 490,800 square meters and our total leasehold land admeasures 33,816 square meters. We also have buildings of a total area of 11,971 square meters. The mutation papers for some of the land is not available. The records of land at Sonarpur are not available.
- At Dehradun, we have, *inter alia*, a frontier basin, our headquarters and institutes, namely, Keshava Deva Malaviya Institute of Petroleum Exploration, the Geodata Processing and Interpretation Centre, the Institute of Drilling Technology and the ONGC Academy. Our total freehold land admeasures 832,566 square meters. We also have buildings of a total area of 226,870 square meters. The land at Garhi, Mafi and Kaulagarh and the Ballupur/Kaulagarh road land, were acquired under the Land Acquisition Act, 1894. The land records tracing our ownership in this land are not available. However a possession certificate is available. The land of Tel Bhavan and Patiala House were directly purchased for and on behalf of the President of India. The conveyance deeds in respect of both these properties do not substantiate this fact.
- At New Delhi, we have, *inter alia*, our registered office. Our total leasehold land admeasures 21,437 square meters. We have also taken on lease basis a total area of 28,612 square meters in various buildings. At New Delhi, for the units in the Scope Minar buildings and Scope Complex buildings, the conveyance deeds have not been executed and the allotment letters are not available.
- At Mumbai and Panvel, we have, *inter alia*, three offshore Assets and one offshore Basin, regional offices, institutes, namely, the Institute of Oil & Gas Production Technology and the Institute of Engineering & Ocean Technology and a computer center. Our total leasehold land admeasures 1,224,786 square meters. We also own a total area of 304,629 square meters in various buildings. The agreement for lease and the lease deed for Vasudhara Bhavan at Bandra East is not available. For the land at Bandra Kurla Complex, there is an executed agreement to lease but a lease deed has not been executed. For the land at Dharavi there is an executed agreement to lease for which a lease deed will be executed after completion of construction of building on the said land. For the land acquired at Panvel Phases I, II and III a lease deed has not been *executed*, however, the agreement to lease is available.
- At Chennai, we have, *inter alia*, a Basin. Our total freehold land admeasures 49,109 square meters. We also have buildings of a total area of 22,835 square meters. For the land of the residential quarters at Anna Nagar the conveyance deed of the land is not available. However, the allotment letter is available. The sale deed for CDMA Tower I and II has not yet been executed.
- At Jammu, the total freehold land admeasures 63,453 square meters. We also own buildings of a total area of 2,602 square meters. At Jammu, the land records pertaining to freehold and leasehold land at Railhead Madhopur are not available.
- At Goa, we have an Institute of Petroleum, Safety, Health & Environment Management. Our total freehold land admeasures 1,015,000 square meters. We also have buildings of a total area of 8,470 square meters. For the land acquired under the Land Acquisition Act, 1894, the formalities of entering our name in the land records have not been completed, due to a pending litigation.

In addition we also own or lease certain other properties, such as land temporarily acquired for drill site or operational purposes, leased buildings for residential purpose, rented land and buildings (where lease agreements have not been executed), buildings that are part of plants and installations and temporary structures, like vehicle sheds. The conveyance deeds or lease deeds for certain of the residential properties have not been executed or have not been registered with the office of the Sub- Registrar of Assurances. Our name has also not been entered as the owner in the land records at the Collector's office in connection with some of these residential properties.

We have finalised the purchase of 18,340 square meters of land in New Delhi for Rs. 1401.01 million at an auction conducted by the Delhi Development Authority. We have deposited the initial bid amount of Rs. 350.25 million and the balance is required to be paid by us by March 20, 2004.

We have also been allotted a plot of land at Bandra-Kurla Complex from the Mumbai Mahanagar Region Development Authority. We are purchasing the same for Rs. 356.6 million.

See "Risk Factors as Perceived by the Company—We possess certain properties that have irregular title, as a result of which our operations may be impaired" on page 25 of this Preliminary Sale Document for information on the risks associated with our property and "Outstanding Litigations" on page 164 of this Preliminary Sale Document for information on the litigation pending against us under the Land Acquisition Act, 1894.

OUR HISTORY AND CERTAIN CORPORATE MATTERS

Incorporation

Oil & Natural Gas Commission ("Commission") was set up in pursuance of the Resolution bearing No. 22/29/55-ONG dated August 14, 1956 issued by the Ministry of Natural Resources and Scientific Research, the Government of India. In October 1959, the Commission was converted into a statutory body pursuant to the Oil & Natural Gas Commission Act, 1959. Pursuant to the Oil and Natural Gas Commission Act (Transfer of Undertaking and Repeal) Act, 1993 (notified on September 4, 1993), the undertaking of the Commission together with all its assets, movable and immovable properties, contracts, licenses and privileges stood vested in a company registered under the Companies Act, 1956 being our Company. Our Company was incorporated on June 23, 1993 in order to facilitate the vesting of the undertaking of the statutory body in our Company pursuant to the enactment of the said Oil and Natural Gas Commission Act (Transfer of Undertaking and Repeal) Act, 1993. We were granted the Certificate of Commencement of Business on August 10, 1993. Our registered office is located at Jeevan Bharati Building, Tower- II, 124, Indira Chowk, New Delhi-110 001. The undertaking of the statutory body was transferred to our Company on February 1, 1994.

ONGC is one of the "Navratna" PSUs. The Board of Directors of a Navratna PSU exercises all powers of capital expenditure, proposal for acquisition of technology, strategic alliances, organisational restructuring, formation of joint ventures, investment of funds, etc.

As on December 31, 2003, the Government of India holds 84.11 percent of our equity share capital and is the promoter of our Company.

Main Objects

The main objects of our Company include the following:

- To acquire the whole or any part of the undertaking, business, the assets/liabilities, rights, obligations, powers, goodwill, privileges, functions and associated establishment and personnel of whatever nature of the Oil and Natural Gas Commission (established under the Oil and Natural Gas Commission Act {No. 43 of 1959}) and for that purpose to enter into and carry into effect such agreements/ contracts/ arrangements as may become necessary.
- To plan, promote, organise and implement programmes for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and for all matters connected therewith.
- To plan, promote, organise, exploit and implement programmes for the efficient development of petroleum and petroleum products and alternate resources of energy and the production, distribution, conservation and sale of petroleum and other products/ services produced by it and for all the matters connected therewith.
- To carry out exploration and to develop and optimise production of hydrocarbons and to maximise the contribution to the economy of the country. To carry out geological, geophysical or any other kind of surveys for exploration of petroleum resources; to carry out drillings and other prospecting operations; to probe and estimate the reserves of petroleum resources; to undertake, encourage and promote such other activities as may lead to the establishment of such reserves including geological, chemical, scientific and other investigations.
- To search for, purchase, take on lease or licence, obtain concessions over or otherwise acquire, any estate or interest in, develop the resources of, work, dispose of, or otherwise turn to account, land or sea or any other place in the whole of India or in any other part of' the world containing, or thought likely to contain, petroleum, petroleum resource or alternate source of energy or other oils in any form, asphalt, bitumen or similar substances or natural gas, chemicals or any substances used, or which is thought likely to be useful for any purpose for which petroleum or other oils in any form, asphalt, bitumen or similar substances, or natural gas is, or could be used and to that end to organise, equip and employ expeditions, commissions, experts and other agents and to sink wells, to make borings and otherwise to search for, obtain, exploit, develop, render suitable for trade, petroleum, other mineral oils, natural gas, asphalt, or other similar substances or products thereof.
- To undertake, assist, encourage or swap or promote the production of petroleum resources and to carry on in all their respective branches all or any of the business of producing, treating (including redefining of crude oil), storing, transportation, importing, exporting, swapping and generally dealing in, or with, petroleum and other crude oils, asphalt, bitumen, natural gas, refinery gases, liquefied petroleum gas, and all other kinds of petroleum products, chemicals and any such substances aforesaid.
- To carry on in all their respective branches the marketing and distribution of all kinds of petroleum products and to purchase or otherwise acquire, manufacture, refine, treat, reduce, distill, blend, purify and pump, store, hold, transport, use, experiment with, market, distribute, exchange, supply, sell and otherwise dispose of import and trade and generally deal in any and all kinds of petroleum and petroleum products, oil, gas, and other volatile substances, asphalt, bitumen, bituminous substances, carbon, carbon black, hydro-carbon and mineral substances and the products or the by products

which may be derived, produced, prepared, developed, compounded, made or manufactured therefrom and substances obtained by mixing or treating any of the foregoing with other substances.

- To carry on all or any of the businesses of the sale and purchase of, petroleum and other crude oils, asphalt, bitumen, natural gas, liquefied petroleum gas, chemicals and all kinds of petroleum products and to treat and turn to account in any manner whatsoever any petroleum and other crude oils, asphalt, bitumen, natural gas, liquefied petroleum gas, and all kinds of petroleum products, chemicals, and any such substances as aforesaid.
- To establish, provide, maintain and perform scientific, technical, engineering, project management consulting/contracting services including but without limiting to technical studies, design, construction, maintenance and repair of all kinds of works and buildings, procurement, inspection, expediting, management of construction and related services for petroleum reservoir, storage and transportation of oil, gas and other minerals by pipeline in or otherwise, seismic data acquisition, interpretation logging, drilling, cementing, other oil field related equipment.
- To promote, organise or carry on the business of consultancy services in any field of activity in which the Company is engaged in or connected therewith.

The Memorandum of Association has not undergone any change since incorporation of our Company.

Our activities have been carried out in the past, and are being currently carried on, in accordance with the objects of the Memorandum of Association.

The Government of India granted enhanced autonomy and delegation of powers to the Board of Directors of certain PSUs, including ONGC, commonly called as Navratna PSUs, in 1997. These powers include power to incur capital expenditure without any monetary ceiling, to enter into technology joint ventures or strategic alliances, to effect organisational restructuring, to establish financial joint ventures and wholly owned subsidiaries subject to certain financial limits including limit of Rs. 2 billion in any one project.

As per Article 109 of our Articles, the President, so long as he holds 51 percent or more of our paid-up equity capital may issue such directives or instructions as may be considered necessary in regard to the conduct of our business and affairs. However no such directives have been issued by the President to us since our incorporation.

The major events in the history of our Company and details of our business have been set out in details in the section entitled “Business”. For more details of our business and of the major events in our Company’s history, please see “Business” on page 89 of this Preliminary Sale Document.

Subsidiaries and Joint Ventures

We have three subsidiaries namely, ONGC Videsh Limited, ONGC Nile Ganga B.V. (wholly owned subsidiary of OVL) and Mangalore Refinery and Petrochemicals Limited, and four joint ventures namely, Petronet MHB Limited, Petronet LNG Limited, ONGIO International Private Limited and Pawan Hans Helicopters Limited. For more details on the subsidiaries and joint ventures, refer to page 133.

An application is proposed to be made by us and IOC (other shareholder of ONGIO International Private Limited) under the simplified exit scheme pursuant to Section 560 of the Companies Act, to strike off the name of ONGIO International Private Limited from the Register maintained by the ROC.

MANAGEMENT

Board of Directors

Mr. Subir Raha is the Chairman and Managing Director and is the Chief Executive of the Company. He is a non-retiring Director. He conducts our day to day operations under the overall supervision, direction and control of our Board of Directors. Pursuant to Article 104 (c) of our Articles, so long as the President of India holds 51 percent or more of the paid up equity share capital of the Company, the C&MD shall be appointed by the President on such terms and conditions, remuneration and tenure as the President may determine from time to time.

Pursuant to Article 104 (d), subject to Section 255 of the Companies Act and Article 104 (a), the President in consultation with the C&MD may appoint such number of functional Directors on whole time basis as it may deem fit on such terms and conditions, remuneration and tenure, as the President may determine from time to time. Currently, we have five whole time Directors, namely, Mr. Y. B. Sinha, Director (Exploration), Mr. V. K. Sharma, Director (Offshore), Mr. Nathu Lal, Director (Technology & Field Services), Mr. R. S. Sharma, Director (Finance) and Dr. Ashok Kumar Balyan, Director (Human Resources).

Pursuant to Article 104 (a) two-thirds of our Directors shall be liable to retire by rotation and the remaining Directors shall not be liable to retire by rotation, subject to the provisions of our Articles and shall be appointed by the President as long as the President holds 51 percent or more of our paid up equity share capital.

Under our Articles we cannot have less than four directors and more than 21 directors. We currently have 14 directors.

Our Articles provide that as long as the President holds 51 percent or more of the paid up equity share capital of our Company, decisions on the fiveyear plan, any programme of capital expenditure exceeding the fiduciary power of the Board of Directors, revenue budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from the Government, winding up of the Company and any other matter, which in the absolute opinion of the C&MD be of such importance as to be reserved for the approval of the President shall be reserved for the decision of the President. Further pursuant to our Articles, the President has the power to issue directions to the Company *inter alia* as to exercise and the performance of its functions in matters involving national security or substantial public interest, to call for such returns, accounts and other information with respect to the property and activities of the Company as may be required from time to time and to determine in consultation with the Board of Directors, annual, short and long term financial and economic objectives of the Company.

The following table sets forth certain details regarding the members of our Board as on the date:

Name, Designation **Father's Name, Address** **Occupation and Term**	**Age (Years)**	**Other Directorships**
Mr. Subir Raha **Chairman and Managing Director** (S/o Late Dr. Jagdish Chandra Raha) B-44, Chotta Singh Block, Asian Games Village, New Delhi - 110 049 Company Executive Whole time Non retiring Director Tenure expires: May 24, 2006	55	• Mangalore Refinery and Petrochemicals Limited • ONGC Videsh Limited
Mr. Y.B. Sinha **Director (Exploration)** (S/o Late Mr. Bipin Bihari Sinha) House No. 633 Street No.4, Rajinder Nagar, Dehradun (Uttaranchal) - 248 003 Company Executive Whole time retiring Director Tenure expires: May 4, 2005	57	• ONGC Videsh Limited • Petronet LNG Limited

Mr. V.K. Sharma **Director (Offshore)** (S/o Late Mr. P.N.Sharma) D-3/32, ONGC's Officers Flats, Bandra Reclamation, Bandra (West), Mumbai - 400 050 Company Executive Whole time retiring Director Tenure expires: May 31, 2004	59	• Mangalore Refinery and Petrochemicals Limited • Mazagaon Dock Limited • ONGC Videsh Limited • Pawan Hans Helicopters Limited
Mr. Nathu Lal **Director (Technology & Field Services)** (S/o Late Mr. Tulsi Ramji) Tel Bhavan, Dehradun (Uttaranchal) - 248 003 Company Executive Whole time retiring Director Tenure expires: April 30, 2005	58	• ONGC Videsh Limited
Mr. R.S. Sharma **Director (Finance)** (S/o Late Mr. Rattan Lal Sharma) B-46, Chotta Singh Block, Asian Games Village, New Delhi - 110 049 Company Executive Whole time retiring Director Tenure expires : February 28, 2007	53	• Indian Oil Corporation Limited • Mangalore Refinery and Petrochemicals Limited • ONGC Videsh Limited
Dr. Ashok Kumar Balyan **Director (Human Resources)** (S/o Late Mr. Bhopal Singh) B-45, Chhota Singh Block, Asian Games Village, New Delhi - 110 049 Company Executive Whole time retiring Director Tenure expires : August 22, 2008	52	• ONGC Videsh Limited
Mr. Atul Chandra **(S/o Mr. Nripendra Lal)** **Director** B-48, Chotta Singh Block, Asian Games Village, New Delhi - 110 049 Managing Director ONGC Videsh Limited Part-time retiring Director Term : To retire by rotation	59	• ONGC Videsh Limited

Mr. Badal K. Das **(S/o Mr. Banchhanidhi Das)** **Director** C-II / 126, Moti Bagh, New Delhi - 110 021 Additional Secretary and Financial Adviser, MOPNG Part-time official retiring Director Term : To retire by rotation	56	• GAIL (India) Limited • Indian Oil Corporation Limited • ONGC Videsh Limited
Mr. J.M. Mauskar **(S/o Late Mr. M.V.Mauskar)** **Director** C-4, M.S. Apartments, Tilak Lane, Tilak Marg, New Delhi - 110 001. Joint Secretary, MOPNG Part-time official retiring Director Term : To retire by rotation	52	• Oil India Limited • ONGC Videsh Limited
Mr. Pradeep Kumar Deb **(S/o Late Mr. Suresh Deb)** **Director** 33A/2 Shyam Nath Marg, Civil Lines, Delhi - 110 054 Joint Secretary, Ministry of Finance (FT & Infrastructure) Part-time official retiring Director Term : To retire by rotation	50	• Export Credit and Guarantee Corporation Limited • Indian Overseas Bank • Indian Railway Finance Corporation Limited • Oil India Limited
Mr. U. Sundararajan **(S/o Late Mr. Uppiliappan)** **Director** Flat No. 1904,'C' Wing, Riviera Tower-3, Kandivili East Akurli Road, Mumbai - 400 101. Management Consultant Part-time non-official retiring Director Term expires : September 10, 2006	61	• Thirumalai Chemicals Limited • Cochin Shipyard Limited
Mr. Rajesh V. Shah **(S/o Mr. Virendra Kumar J. Shah)** **Director** 12, Jeewan Estate Co-op Housing Society Ltd. 7 Janki Kutir, Juhu Tara Road, Juhu, Mumbai - 400 049 Part-time non-official retiring Industrialist Term expires : September 10, 2006	52	• Anant Jeevan Agro Company Private Limited • Akhil Investment and Trades Private Limited • Amivir Agro Company Private Limited • Amar Jyoti Agro Company Private Limited • Antfactory India Private Limited • Bengal Port Limited • Catalyst Finance Limited • Conquest Investment and Finance Limited • Fusion Investments and Financial Services Limited • Hindustan Petroleum Corporation Limited • India Thermal Power Limited • Jeevan Limited • Jyoti Shah Premises and Investment Private Limited • Kalyani Mukund Limited

		• Kshitij Holdings and Engineering Private Limited • MCW Market Services Private Limited • MIEL e-Security Private Limited • Mukund Engineers Limited • Mukund International Limited U.K. • Mukund Limited • Rajvi Engineering and Investment Private, Limited • Sunnydays Agro Company Private Limited • Vallant Investment and Trade Private Limited
Mr. Mukund M. Chitale (S/o Mr. Manohar Govind Chitale) **Director** 4/46, Vishnuprasad Society, Vile-Parle (East), Mumbai-400 057. Practising Chartered Accountant Part-time non-official retiring Director Term expires: September 10, 2006	54	• Deposit Insurance and Credit Guarantee Corporation • E-serve International Limited • IDBI Bank Limited • Investor Services of India Limited • Jeevan Bima Sahayog Asset Management Company Limited • LIC Housing Finance Limited • SBI Mutual Fund Trustee Company Private Limited • Sun Vacuum Formers Private Limited
Mr. Naresh Kumar Nayyar (S/o Late Mr. Yogender Pal Nayyar) **Director** S-320, Ist Floor, Greater Kailash- II New Delhi 110 048 Whole-time Director (Planning and Business Development), IOC Part-time retiring Director Term -To retire by rotation	51	• IBP Co. Limited • Indian Oil Corporation Limited • Indian Oil Panipat Power Consortium Limited • Lanka IOC Private Limited • Petronet LNG Limited

Details of Directors

Mr. Subir Raha, became our Chairman and Managing Director in May 2001. Mr. Raha is also the Chairman of ONGC Videsh Limited and Managalore Refinery and Petrochemicals Limited. Mr. Raha graduated in Electronics and Tele-communication Engineering from Jadavpur University in 1969, and he passed MBA with distinction from the University of Leeds in 1985. He is an alumnus of the Administrative Staff College at Henley, U.K.

Mr. Raha joined Indian Oil Corporation Limited as a management trainee in 1970 and after a series of field and staff assignment in various disciplines, he joined the Board of Indian Oil Corporation Limited as Director (Human Resources) in 1998. Before joining the Board of Indian Oil Corporation Limited, Mr. Raha served on deputation with the Government of India as the head of the Oil Co-ordination Committee, MOPNG.

During fiscal 2003, Mr. Raha received a gross remuneration of Rs. 0.70 million.

Mr. Y.B. Sinha, joined the Board of ONGC as Director (Exploration) on May 5, 2000. Mr. Sinha holds a Master's degree in Geology from Lucknow University. He has experience of thirty seven years in ONGC. He has been involved in installation of reservoir simulation facilities and in development of the Company's exploration and exploitation strategy. He played a major role in evolving the exploration strategy for the Company and was instrumental in the transformation of the operational entities through planning of acreage specific and areas requisite exploration programme, when the NELP regime was introduced by the Government of India. He also has evaluated oil and gas fields in Russia, Sudan and Kazakhistan. Mr. Sinha joined our Company as a field geologist and has been with us since 1966.

During fiscal 2003, Mr. Sinha received a gross remuneration of Rs. 0.74 million.

Mr. V.K. Sharma, joined the Board of ONGC as Director (Operations), (subsequently, redesignated as Director (Offshore) on September 26, 2001) on February 19, 2001. Mr. Sharma is B.Sc. (Engineering) from the Thapar Institute of Engineering and Technology, Patiala. Prior to joining the Board of ONGC, he had been managing contracts for oil field equipment, stores and spares and services. Earlier, he was the Head, Drilling Business Group and Head of Mumbai Region. Mr. Sharma has thirty years of oil industry experience. Mr. Sharma joined ONGC in 1972. Prior to that he was with the Government of India in the Directorate General of Supplies and Disposals.

During fiscal 2003, Mr. Sharma received a gross remuneration of Rs. 0.76 million.

Mr. Nathu Lal, an Electrical Engineer from Banaras Hindu University, joined the Board of ONGC as Director (Drilling) (subsequently, redesignated as Director (Technology & Field Services) on September 26, 2001) on March 12, 2001 and has been involved in acquisition and assimilation of new technologies in production, drilling, offshore structure, geo-tech studies and services to assets. Prior to joining the Board of ONGC, Mr. Lal has handled operations of Eastern, Southern and Western regions oil field, engineering, construction and maritime survey divisions in Mumbai region. Mr. Lal has been with ONGC since 1980. Prior to that he was with National Fertilisers Limited and prior to that he was with Fertiliser Corporation of India Limited.

During fiscal 2003, Mr. Nathu Lal received a gross remuneration of Rs. 0.78 million.

Mr. R.S. Sharma, a Fellow member of the Institute of the Cost and Works Accountants of India and Indian Institute of Bankers. Mr. Sharma has attended Advance Financial Management programme in Oil and Gas from University of Texas, Dallas, USA. Mr. Sharma has experience of thirty years in Finance, Accounts, Management, Insurance and Banking. Mr. R.S. Sharma has been on the Board of ONGC since March 1, 2002. Mr. Sharma was earlier Director (Finance), OVL and before that he was with ONGC for a period of twenty years. Prior to this he was with Union Bank of India.

During fiscal 2003, Mr. Sharma received a gross remuneration of Rs. 0.69 million.

Dr. Ashok Kumar Balyan, joined the Board of ONGC as Director (Human Resources) on August 23, 2003. He holds a Doctorate degree in Chemistry from Technische Hochshule fur Chemie, Merseburg, Germany; an alumnus of IIT, Delhi. He has thirty years of experience and has held several field and staff assignments in various disciplines including Analytical Geo-Chemistry Lab, Mud Engineering, Planning, Monitoring of Exploration activities, Project Management and Basin Manager and Head of Exploration. He has been with ONGC since 1976 and prior to that he was with Shriram Institute for Industrial Research.

Mr. Atul Chandra, joined the Board of ONGC on February 27, 1996. Mr. Chandra is a Petroleum Engineer from Indian School of Mines, Dhanbad and has experience of thirty years 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 AGPI, 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 which funded Cambay Basin petroleum project and Gandhar Phase II.

Mr. Badal K. Das, IAS, Additional Secretary and Financial Advisor, MOPNG, was nominated on the Board of ONGC on September 2, 2003. Mr. Das holds a Master's degree in Political Science from Allahabad University. He has held positions in the State Government of Madhya Pradesh and the Government of India. He has experience in the areas of industry, finance, rural development, transport and municipal administration.

Mr. J.M. Mauskar, IAS, Joint Secretary, MOPNG, was nominated on the Board of ONGC on May 14, 1999. He holds a Master's degree in Physics. He has held positions both in the Central and the State Government(s), last being Finance Secretary in Government of Meghalaya.

Mr. Pradeep K. Deb, IAS, Joint Secretary (Foreign Trade & Infrastructure), Ministry of Finance, was nominated on the Board of ONGC on July 16, 2003. Mr. Deb holds a Master's degree in Physics from the University of Delhi. Prior to this he was with the Department of Personnel and Training, Ministry of Home Affairs and before that he was Managing Director of Rajasthan Minerals Development Corporation Limited.

Mr. Mukund M. Chitale, a Fellow member of the Institute of Chartered Accountants of India. Mr. Mukund M. Chitale joined ONGC Board on September 11, 2003. Mr. Chitale is a practising Chartered Accountant since 1973 and has varied experience of thirty years in Finance, Accounting, Banking, Insurance and General Management. Mr. Chitale held the position of President of the Institute of Chartered Accountants of India during 1997-98 and had been a member of the Committee for Collective Investment Scheme, Working Group on Restructuring of Weak Public Sector Banks and Company Law Advisory Committee of Central Government.

Mr. Rajesh V. Shah, Master in Business Administration from University of California, Berkeley and has attended programme for Management Development from Harvard Business School in 1983. Mr. Shah joined ONGC Board on September 11, 2003. Mr. Shah is the Managing Director of Mukund Limited. Mr. Shah has served on various business councils and is a past president and has been a member of the National Council of the apex Indian business body, the Confederation of Indian Industry (CII) since 1986.

Mr. U. Sundararajan, former Chairman and Managing Director of Bharat Petroleum Corporation Limited, joined the Board of ONGC on September 11, 2003. Mr. Sundararajan is a Fellow member of the Institute of Cost and Works Accountants of India and has experience of thirty years in petroleum industry.

Mr. N. K. Nayyar, 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 and joined ONGC's Board on March 12, 2003. Mr. Nayyar is the Director (Planning and Business Development) IOC. Mr. Nayyar has been involved in international trade and treasury, planning and monitoring crude oil imports for Indian public sector refineries, besides overseeing foreign exchange management plan for oil imports. Mr. Nayyar has been associated for formulating the country's oil supply and security plans along with Governmental authorities.

Compensation of Our Directors

For details of compensation of our Whole-time Directors, please refer to the section entitled "Statutory and Other Information". Our part-time non-official retiring Directors are paid Rs. 10,000 as sitting fees for attending each meeting of the Board and committees thereof, except Mr. Atul Chandra and Mr. N.K. Nayyar. The sitting fees of our part-time non-official retiring Directors was increased from Rs. 5,000 to Rs.10,000 on October 28, 2003.

Shareholding of Our Directors

Our Articles do not require our Directors to hold any Equity Shares in our Company. The following table details the shareholding of our Directors:

Names of Directors	No. of Equity Shares of Rs. 10 each held
Mr. Y.B. Sinha	412
Mr. Nathu Lal	12
Mr. R.S. Sharma	612
Mr. Atul Chandra	612
Dr.A.K. Balyan	400

Term of Office

In accordance with the Act, all our Directors except Mr. Subir Raha, our Chairman and Managing Director, are required to retire by rotation. For the terms of office for the above directors, please refer to the section "Statutory and Other Information" on page 185 of this Preliminary Sale Document.

Changes in Our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason for change
Mr. Jauhari Lal	June 23, 1993	April 30, 2003	Superannuation
Mr. Indernath Chatterjee	October 11, 1994	July 16, 2001	Resigned
Mr. B.C. Bora	August 23, 1995	April 30, 2001	Superannuation
Mr. R.C. Gourh	November 16, 1995	December 31, 2003	Superannuation
Mr. J. Jayaraman	April 29, 1999	September 11, 2003	Completion of tenure
Dr.K.R.S. Murthy	April 29, 1999	September 11, 2003	Completion of tenure
Mrs.R.D. Barkataki	April 29, 1999	September 11, 2003	Completion of tenure
Mr. Jawahar Vadivelu	April 29, 1999	September 11, 2003	Completion of tenure
Mr. G.S. Dutt	May 28, 1999	June 10, 2003	Ceased upon transfer from Ministry of Finance, Government of India
Mr. Ravi Saxena	July 29, 1999	February 21, 2002	Demised
Mr. V.K. Sharma	February 19, 2001	Not applicable	Appointment as Director (Operations). He was initially appointed as Director (Operations) and subsequently the designation of Director (Operations) was changed to Director (Offshore) on September 26, 2001.
Mr. Nathu Lal	March 12, 2001	Not applicable	Appointment as Director (Drilling). He was initially appointed as Director (Drilling) and subsequently the designation of Director (Drilling) was changed to Director (Technology & Field Services) on September 26, 2001.

Mr. Naresh Narad	May 1, 2001	May 24, 2001	Acting Chairman and Managing Director until regular appointment of Chairman and Managing Director
Mr. Subir Raha	May 25, 2001	Not applicable	Appointed as Chairman and Managing Director. Prior to that he was Part time non-official Director
M.S. Ramachandran	June 25, 2001	April 1, 2002	Resigned
Mr. R.S. Sharma	March 1, 2002	Not applicable	Appointment as Director (Finance)
Mr. P. Sugavanam	April 16, 2002	March 12, 2003	Completion of tenure
Dr. Surajit Mitra	May 9, 2002	July 16, 2003	Resigned on transfer from MOPNG
Mr. N.K. Nayyar	March 12, 2003	Not applicable	Appointment in place of Mr. P. Sugavanam
Mr. Pradeep Kumar Deb	July 16, 2003	Not applicable	Appointment as part-time official Director in place of Mr. G.S. Dutt
Dr. Ashok Kumar Balyan	August 23, 2003	Not applicable	Appointment as Director (Human Resources)
Mr. Badal Kumar Das	September 2, 2003	Not applicable	Appointment as part-time official Director in place of Dr. Surajit Mitra
Mr. U. Sundararajan	September 11, 2003	Not applicable	Appointment as part-time non-official Director
Mr. Rajesh V. Shah	September 11, 2003	Not applicable	Appointment as part-time non-official Director
Mr. Mukund M. Chitale	September 11, 2003	Not applicable	Appointment as part-time non-official Director

Corporate Governance

ONGC believes in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

- 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; and
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

The Board has *inter alia* formed Committees for Audit and Ethics, Remuneration and Shareholders'/ Investors' Grievance.

(i) Audit and Ethics Committee

The Audit and Ethics Committee consists of three Non-executive Independent Directors namely, Mr. M.M. Chitale, Mr. U. Sundararajan and Mr. Rajesh V. Shah. Mr. Chitale, a Fellow Member of the Institute of Chartered Accountants of India, is the Chairman of the Committee.

The Audit and Ethics Committee's general objective is to establish a transparent and effective system of internal monitoring and control, to review our annual plan and any special examination by internal audit and implementation of internal audit recommendations, to review technical audit reports, to review annual and semi-annual financial statements including limited review reports, before submission to the Board, together with coverage of the scope of activities prescribed by SEBI from time to time, Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act. The Audit and Ethics Committee also considers and reviews ethical adherence and corporate governance principles.

(ii) Remuneration Committee

The Remuneration Committee consists of Mr. J.M. Mauskar, Director, Mr. U. Sundararajan, Director, Mr. R.S. Sharma, Director (Finance) and Dr. A.K. Balyan, Director (Human Resources). Mr. Mauskar is the Chairman of the Committee.

Because we are a PSU, the terms and conditions of appointment, including remuneration, of our Directors and our Chairman & Managing Director are determined by the Government. Non-executive part-time official Directors do not receive any remuneration, while part-time non-official Directors receive sitting fees, except Mr. Atul Chandra and Mr. N.K. Nayyar.

(iii) Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee consists of Mr. Rajesh V. Shah, an Independent Director, Mr. Nathu Lal, Director (Technology & Field Services) and Mr. R.S. Sharma, Director (Finance). Mr. Shah is Chairman of the Committee.

The Shareholders'/Investors' Grievance Committee's scope and functions are to consider and review shareholders'/investors' grievances and complaints, and to ensure that all shareholders'/investors' grievances and correspondence are expeditiously reviewed and responded to within two weeks of receipt, unless constrained by incomplete documentation and/or legal impediments.

Other Committees

We also have committees for Project Appraisal, Human Resources Management, Share Transfer, Health, Safety and Environment, Policy and Planning, Delegation of Powers below Board level, Gas Price arrears with Gujarat Consumers and Mumbai High Re-development Project.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Our Company is in compliance with and will continue to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992. In compliance with Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 we have framed a code of internal procedures and conduct for the prevention of insider trading.

Incentive Schemes

For details on the incentive schemes of the Company, see "Business—Employees" on page 177 of this Preliminary Sale Document.

Key Managerial Personnel

Our Chairman and Managing Director and our whole time Directors are our key managerial personnel. None of the key managerial personnel are related to each other.

Changes in our Key Managerial Personnel during the last three years

For changes to our Board of Directors, see "—Changes in Our Board of Directors during the last three years" on page 130 of this Preliminary Sale Document.

OUR PROMOTER, SUBSIDIARIES AND GROUP COMPANIES

Promoter

Our promoter is the President of India acting through MOPNG, who holds 84.11 percent in the equity share capital of our Company.

Subsidiaries and Joint Ventures

We have the three subsidiaries, namely ONGC Videsh Limited, ONGC Nile Ganga B.V. (wholly owned subsidiary of OVL), and Mangalore Refinery and Petrochemicals Ltd. We also have four joint venture companies, namely Petronet MHB Limited (PMHBL), ONGIO International Private Limited (ONGIO), Petronet LNG Limited and Pawan Hans Helicopters Limited (PHHL).

A1. ONGC Videsh Limited (OVL)

OVL is a wholly owned subsidiary of our Company engaged in exploration and production of oil and gas outside India. Its registered office is situated at Kailash Building, 6th floor, 26, Kasturba Gandhi Marg, New Delhi - 110 001. OVL was incorporated as Hydrocarbons India Private Limited on March 5, 1965. Thereafter, OVL became a deemed public company under Section 43A of the Companies Act with effect from April 1, 1975. OVL is no longer a deemed public company pursuant to amendments to the Companies Act. It changed its name from Hydrocarbons India Limited to ONGC Videsh Limited. Accordingly, a fresh certificate of incorporation consequent upon change of name was issued on June 15, 1989. The Board of Directors of OVL has approved an increase in the authorised capital of OVL from Rs. 5,000 million to Rs. 50,000 million subject to the approvals of the shareholders of OVL and that of Government of India.

The primary business of OVL is to prospect for oil and gas acreages abroad. The other activities include acquisition of oil and gas fields in foreign countries, exploring, producing, transporting, exporting and carrying out other related functions of an international petroleum company.

The Government of India, vide office order No. DPE ii (32)/96-Fin dated January 17, 2000, has framed guidelines to empower OVL for entering into technology joint ventures and strategic alliances. The proposal/s to undertake overseas exploration, development and production involving investments up to Rs. 2000 million can be approved by OVL's Board of Directors and those beyond this value require consideration of an Empowered Committee consisting of Secretaries from the MOPNG, Ministry of External Affairs, Planning Commission, Department of Legal Affairs, Ministry of Finance and Department of Public Enterprises. The investment proposal with the recommendations of the Empowered Committee is sent to the Cabinet Committee on Economic Affairs for approval. The policy and procedure of authorities like the Reserve Bank of India, as laid down from time to time, are being observed by OVL.

Currently, OVL has participation in oil and gas projects in Vietnam, Sudan, Russia, Iraq, Iran, Myanmar, Libya and Syria. The Vietnam project is producing natural gas and the Sudan project is producing oil. The project in Russia is in advance stages of development and this project is expected to commence oil production in the fourth fiscal quarter of 2005. The projects in Iraq, Iran and Syria are in various stages of exploration. In the Myanmar project, where an exploratory well was drilled, natural gas reserves have been discovered in January 2004.

OVL is pursuing exploration and production opportunities, some of which are in an advanced stage of negotiations, and intends to acquire oil and gas producing assets in Africa, the Middle East, Central Asia and South East Asia. The details of OVL's properties as of December 31, 2003 are summarised below:

Properties	Participating Interest (%)	Project Status
Greater Nile Oil Project-Sudan*	25	Producing oil
Block 06.1, Vietnam	45	Producing natural gas
Sakhalin -I, Russia	20	Development phase
Exploration Block -8, Iraq	100	Exploration phase
Exploration Block A-1, Myanmar	20	Exploration phase
Farsi Exploration Block-Iran	40	Exploration phase
Exploration Block NC 188 and NC 189 in Libya	49 (in NC 188)	Exploration phase
	49 (in NC 189)	Exploration phase
Exploration Block 24, Syria	60	Contracts signed and approvals awaited

* *In March 2003, OVL concluded the acquisition of 25 percent participation interest in the Greater Nile project in Sudan. ONGBV, a wholly owned subsidiary, was acquired in The Netherlands to manage the Sudan property on March 12, 2003.*

Shareholding Pattern

Name of the shareholder	(%)
ONGC	100
Total	**100**

Board of Directors

The Board of Directors of OVL as on January 1, 2004 consists of Mr. Subir Raha - Chairman, Mr. Atul Chandra - Managing Director, Mr. R.S. Butola - Director - Finance, Mr. B.K.Das, Mr. J.M.Mauskar, Mr. Y.B.Sinha, Mr. V.K. Sharma, Mr. Nathu Lal, Mr. R.S. Sharma and Dr. A.K. Balyan.

Financial Performance

(Rs.in million except per share data)

	For the Year Ended March 31,			Nine Months ended December 31,
	2001	2002	2003	2003
Total Income	365.88	391.74	630.46	1,735.94
Profit After Tax	240.88	236.81	25.98	12.52
Equity Share Capital	3,000.00	3,000.00	3,000.00	3,000.00
Reserves and Surplus	1,359.23	1,496.32	1,562.62	1,543.15
Earning Per Share (Rs)	8.03	7.89	0.87	0.42
Book Value Per Share (Rs.) (face value Rs. 100)	144.75	148.49	149.61	147.84

Source: Restated Annual Account of OVL for the relevant period

The Board of Directors of OVL recommended to increase the authorised capital of OVL to Rs. 50,000 million. The same has not yet been approved by the shareholders of OVL.

The following company has become subsidiary of OVL with effect from March 12, 2003:

A2. ONGC Nile Ganga B.V. (ONGBV)

ONGBV is a wholly owned subsidiary of OVL. Its principal office is located at Regus Teleport Towers 13.03/13.04, Kingsfordweg 151, 1043 GR Amsterdam (The Netherlands). ONGBV originally was incorporated as Supertest Holding B.V., a Besloten Vennootschap (private company with limited liability) in The Netherlands on September 29, 1995, and was first registered in the Commercial Register on October 10, 1995, with statutory seat at Rotterdam. The name of Supertest Holding B.V. was changed to State Petroleum Corporation and then to Talisman (Greater Nile) B.V., which was a part of Talisman Energy Inc. of Canada and owned 25 percent participating interest in the Greater Nile Oil Project in Sudan. OVL acquired the entire share capital of ONGBV effective March 12, 2003 and the company was renamed as ONGC Nile Ganga B.V. effective from March 14, 2003.

Shareholding Pattern

Name of the shareholder	(%)
OVL	100
Total	**100**

Board of Directors

The Board of Directors of ONGBV as on January 1, 2004 consists of Mr. V. Ravindranath and Mr. K.K.V. Ramani (legal representative A.R. Baron Mackay Holding B.V.).

Financial Performance

(Rs. in million except per share data)

	From March 12, 2003 to March 31, 2003	Nine Months ended December 31, 2003
Total Income	1690.48	22,798.70
Profit After Tax	647.86	4,640.51
Equity Share Capital	3.17	3.70
Reserves and Surplus	18,828.12	23806.66
Earning Per Share	4.62	33.15
Book Value Per Share (face value 1,000 NGL)	134.51	170.07

Source: Restated Annual Account of ONGBV for the relevant period

A3. Mangalore Refinery and Petrochemicals Ltd. (MRPL)

MRPL was incorporated on March 7, 1988 and commenced its business on August 2, 1988. MRPL's registered office is located at Mudapadav, Kuthethoor P.O. Via Katipalla, Mangalore, Karnataka.

MRPL was incorporated pursuant to a Memorandum of Understanding dated June 26, 1987 entered into between (i) the President of India representing the Government of India, (ii) Hindustan Petroleum Corporation Ltd. (HPCL) and (iii) Indian Rayon and Industries Ltd. and its affiliates (IRIL), for the purpose of setting up Crude Petroleum Refinery at Mangalore in the State of Karnataka. MRPL has a refining capacity of 9.69 million metric tons per annum and is involved in refining crude oil into petroleum products.

In view of the losses incurred by MRPL in the last few years, the peak net worth of MRPL was eroded by more than 50 percent as on March 31, 2002 and accordingly as required under Section 23(1)(a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985, a report was submitted to the Board for Industrial and Financial Reconstruction (BIFR).

HPCL and IRIL each were holding 37.39 percent shares in MRPL. The entire 37.39 percent of equity capital held by IRIL was acquired by us on March 3, 2003. Further, we infused a sum of Rs. 6000 million through preferential allotment of equity shares to us on March 30, 2003 thereby increasing our stake in MRPL to 51.27 percent of equity share capital of MRPL, making MRPL our subsidiary and also a Government Company under Section 617 of the Companies Act. We exercised our option incorporated in the option agreement as part of the Debt Restructuring Package for purchase of 358.2 million equity shares allotted to the lenders under the Debt Restructuring Package at a cost of Rs. 3811 million. As a result, our shareholding in MRPL increased to 71.62 percent of equity share capital of MRPL.

Some of the salient features of the Debt Restructuring Package are (i) Reduction of average cost of borrowings from 13.61 percent to 9.15 percent, with saving interest costs of Rs. 2,350 million; (ii) repayment period of loans extended to 12 years, with a four years moratorium; (iii) prepayment of debt permitted without prepayment premiuim; (iv) interest payments linked to cash flows and payable in a staggered manner; (v) conversion of part loan into equity shares / preference shares / zero coupon debentures; and (vi) penal, compound, additional interest and liquidated damages were waived and interest including overdue interest as on June 30, 2002 along with principal term loan restructured into facility A & B, equity shares, zero coupon debentures and 0.01% noncumulative redeemable preference shares. MRPL has on January 7, 2004 prepaid all its Facility A and Facility B loans to the lenders along with stipulated secured yield. MRPL has also prepaid to the lenders the existing outstanding under Facility C on January 19, 2004 along with stipulated secured yield.

Shareholding Pattern of MRPL as on December 31, 2003

Category	(%)
ONGC	71.62
HPCL	16.95
Mutual Funds , UTI, Banks, FIs etc.	0.26
NRI, OCB	0.76
Private Companies	0.91
Indian Public	9.50
	100.00

As of March 31, 2003, the shares of MRPL were listed on seven stock exchanges at Mangalore, Bangalore, Ahmedabad, Kolkata, Delhi, Chennai and The Stock Exchange, Mumbai. The shareholders of MRPL, at the Extraordinary General Meeting held on March 28, 2003 authorised the Board of Directors of MRPL to delist the equity shares of MRPL from one or more stock exchanges. Accordingly, MRPL delisted its shares from Ahmedabad (with effect from January 15, 2004), Bangalore (with effect from May 31, 2003), Delhi (with effect from October 23, 2003) and Chennai (with effect from June 16, 2003). The approval for delisting from Kolkata Stock Exchange is in process. In addition, an application has been filed with NSE for listing.

Board of Directors

The Board of Directors of MRPL as on January 1, 2004 consists of Mr. Subir Raha Chairman, Mr N.K. Puri, Mr. V.K. Sharma, Mr. R.S. Sharma, Mr. C. Ramulu, Mr M.P. Modi, Mr. G.M. Ramamurthy and Mr. Girish Dave.

Financial Performance

(Rs. in millions, except per share data)

	For the Year ended March 31,			Nine Months ended December
	2001	2002	2003	31, 2003
Total Income (Restated)	27,861.9	51,156.1	81,135.4	79,012.6
Profit (loss) After Tax	(1,149.0)	(4,924.8)	(4,118.1)	(917.2)
Share Capital	7,921.5	7,921.6	17,504.1*	17,526.1(1)
Reserves and Surplus(2)	273.8	(4,489.6)	(8,296.6)	(8,980.5)
Earning (loss) Per Share (Rs.)	(1.45)	(6.20)	(2.35)	(0.52)
Book Value Per Share (Rs.) (face value Rs. 10)	10.31	4.32	5.26	4.88

(*1) Excludes 9.19 mn 0.01% non-cumulative, non-convertible, redeemable preference shares of Rs.10 each fully paid up.*

(2) After deducting "miscellaneous expenditure to the extent not written off or adjusted" and accumulated losses.

Details of Last Issue of MRPL & Stock Price Data

MRPL came out with a public issue in May 1992 of 16% Partly Convertible Debentures (PCD) and 17.5% Non - Convertible Debentures (NCD), with detachable equity warrants aggregating to Rs. 5826.6 million and Rs. 5600 million respectively. The issue was made to raise a part of finance required for meeting the project cost of Rs. 20900 million for the purpose of setting a refinery having a capacity of refining three million metric tons of crude oil per annum at Mangalore. The promise versus performance is as follows:

	Promise in Prospectus	Performance/Actual
Cost of project	Rs. 20,900 million	Rs. 26,900 million
Estimated Commissioning date	July 1, 1996	March 26, 1996

Details of Financial Parameters for three years

(*Rs. in millions)*

	1997		1998		1999	
For the year ended March 31,	**Projections**	**Actuals**	**Projections**	**Actuals**	**Projections**	**Actuals**
Profit before Interest, lease rental and depreciation	5,696.4	6,010.9	4,112.7	6,427.6	5,114.9	5,815.9
Interest	2,169.3	3,082.2	1,863.3	3926.9	1,561.7	3,428.3
Lease Rental	589.6	713.0	589.6	886.0	589.6	885.8
Depreciation	839.8	1,177.4	860.4	1,296.7	881.0	1,344.5
Profit before tax	2,097.7	1,038.2	799.40	318.1	2,082.6	157.4
Tax	-	133.1	-	34.2	-	16.7
Net profits	**2,097.7**	**905.2**	**799.40**	**283.8**	**2,082.6**	**140.6**

Share quotation

1. Highest and lowest price in the last six months:

Month	High	Low
August 03	42.00	23.55
September 03	42.60	33.35
October 03	39.00	33.30
November 03	48.55	36.40
December 03	51.20	45.95
January 04	65.00	51.20

Source: www.nseindia.com - historic stock data (monthly)

2. Price as on the date of filing the Final Sale Document with RoC: Rs. 58.20
3. Market Capitalization as on the date of filing the Final Sale Document with RoC: Rs. 102001.90 million
Source: www.nseindia.com

Group Companies

Details of our joint ventures

B1. Petronet MHB Limited (PMHBL)

PMHBL was incorporated on July 31, 1998 and it received its certificate of commencement of business on August 1, 2003. The registered office of PMHBL is situated at, Darus Salam Building, #332, Queens Road, Bangalore-560 052.

We acquired 23 percent equity in PMHBL on April 2, 2003. The 364 Km long cross-country pipeline from Mangalore to Bangalore via Hassan was commissioned on August 1, 2003. PMHBL carries MRPL white-oil products, offering advantages in freight, reliability and quality in the hinterland of the State of Karnataka. The pipeline transports motor spirit, superior kerosene, high-speed diesel, aviation turbine fuel and naphtha. It caters to the consumption zones of Karnataka and Andhra Pradesh. This is the first participation of the Company in a “Common Carrier” pipeline.

Shareholding Pattern

After the equity component is fully tied-up HPCL, Petronet (India) Limited and ONGC will hold 26 percent, 26 percent and 23 percent of equity shares, respectively.

Board Of Directors

The Board of Directors of PMHBL as on January 1, 2004 consists of Mr. N.K. Puri Chairman, Mr. S.B. Pandey Managing Director, Mr. C. Ramulu, Mr. Siddharth Kapoor and Mr. B. Guha.

Financial Performance

As the project was under construction stage, statement of expenditure for the period ended March 31, 2003 has been prepared instead of Profit and Loss account. The total commitment towards project cost was Rs. 6250 million. The total expenditure incurred on the project is Rs. 5,970.1 million. The total project cost as appraised by ICICI was Rs. 6,670 million.

B2. ONGIO International Private Limited (ONGIO)

ONGIO was incorporated on June 8, 2001 and was jointly promoted by IOC and our Company each holding 50 percent in the equity shareholding of ONGIO. The objective of ONGIO is to provide training, consultancy and services both in upstream and downstream segments of the hydrocarbon industry. However, ONGIO did not perform up to expectation and both the promoters decided to wind up the operations. ONGIO had incurred cumulative losses of Rs. 30.1 million as on October 15, 2003. An application is proposed to be made under simplified exit scheme under Section 560 of the Companies Act for striking off the name of ONGIO from the Register of the Companies maintained by the RoC. No business activity has been carried on by ONGIO since October 2003, and a zero balance sheet is already prepared as on October 15, 2003.

Shareholding Pattern

Name of the shareholder	(%)
IOCL	50
ONGC	50
Total	**100**

Board of Directors

The Board of Directors of ONGIO as on January 1, 2004 consists of Mr. S.N. Jha Chairman, Ms. Jatinder Peters Managing Director, Mr. K.M.Bansal, Mr. B. Guha and Mr. Gautam Sen.

Financial Performance

(Rs. in millions, except per share data)

For the Year ended	June 8, 2001 to March 31, 2002	March 31, 2003
Total Revenues	1.3	5.6
Profit (loss) After Tax	(5.1)	(15.5)
Equity Share Capital	30.1	30.1
Reserves and Surplus	(5.6)	(24.1)
Earning (loss) Per Share (Rs.)	(1.69)	(5.15)
Book Value Per Share (Rs.) (face value Rs. 10)	8.14	1.99

B3. Petronet LNG Limited (PLL)

PLL was incorporated on April 2, 1998 under the Companies Act and received the certificate of commencement of business on June 1, 1998. 50 percent of the initial contribution to PLL's paid up capital was made by BPCL, GAIL, IOC, ONGC and the balance paid up capital was subscribed by individuals. PLL has recently commissioned on February 9, 2004 an LNG import and regasification terminal at Dahej, Gujarat with a capacity of 5 million metric tons per annum of LNG at an estimated cost of Rs. 25,166.8 million.

MOPNG, the Government of India, vide letter no L-12018/1/96-GP dated July 4, 1997 approved formation of a joint venture company with equity participation from BPCL, GAIL, IOC and us to set up LNG import and regasification facilities. As per the directions issued under this letter, it was stated that the participation of public sector undertakings would be to the extent of 50 percent and out of the balance 50 percent, up to 26 percent to suppliers of LNG/other strategic partners and the balance to the public.

A Promoters, Agreement dated May 24, 2001 has been entered into between all the promoters, namely IOC, BPCL, GAIL and us ('promoters'), whereby each of them agreed to subscribe to 12.5 percent in the share capital of PLL. This Agreement, among other things, provides that so long as the promoters hold at least 10 percent of the equity share capital of PLL, they shall be entitled to nominate one person for appointment as a director. This Agreement further provided for an affirmative vote for passing of resolutions on certain reserved item specified therein. A Shareholders' Agreement dated October 28, 1998 was also entered into between the said promoters, which, among other things, provided for similar right of nomination of director on the Board of Directors and affirmative vote on reserved matters. Subsequent to investment by GDF International in the share capital of PLL, a fresh Shareholders' Agreement dated June 2, 2001 was executed between the promoters and GDF International. This fresh Shareholders' Agreement also provided the right to the promoters and GDF International to appoint a nominee director on the Board of Directors, but the affirmative vote right on the reserved matters was restricted to the promoters only. The Shareholders' Agreement was further amended on January 24, 2004 to include Asian Development Bank as an equity shareholder in PLL with a right to nominate one director on the Board of PLL. The promoters' rights remain unchanged.

PLL is planning to come out with a public issue of 260,979,900 equity shares of Rs. 10 each for cash at a price to be determined through Book Building.

After the proposed public issue, BPCL, GAIL, IOC, ONGC, GDF International, Asian Development Bank and public will hold 12.5 percent, 12.5 percent, 12.5 percent, 12.5 percent, 10 percent, 5.20 percent and 35.80 percent respectively of the equity share capital of PLL.

Board of Directors

The Board of Directors of PLL as on January 1, 2004 consists of Mr. B. K. Chaturvedi Chairman, Mr. S. C. Mathur Managing Director, Mr. Sham Sunder, Mr. P. Dasgupta Director (Finance), Mr. B.S.Negi, Mr. N. K. Nayyar, Mr. Ashok Sinha, Mr. Y. B. Sinha, Mr. Jacques Gautier and Mr. Francis Cazalet (Alternate Director to Mr.Jacques Gautier).

Financial Performance

(Rs. in millions, except per share data)

For the Year ended March 31,	2001	2002	2003
Total Revenues	N.A.	N.A.	N.A.
Profit (loss) After Tax	N.A.	N.A.	N.A.
Equity Share Capital	0.002	0.004	0.50
Reserves and Surplus	N.A.	N.A.	N.A.
Earning (loss) Per Share (Rs.)	N.A.	N.A.	N.A.
Book Value Per Share (Rs.) (face value Rs. 10)	9.17	9.30	9.21

B4. Pawan Hans Helicopters Limited (PHHL)

PHHL was incorporated on October 15, 1985 with the name of Helicopter Corporation of India Limited as a Government Company under the Companies Act. The name of Helicopter Corporation of India Limited was changed to Pawan Hans Helicopters Limited on June 26, 1996. PHHL commenced its operations within one year of its formation to provide helicopter support services to the oil sector in offshore exploration, operate in hilly and inaccessible areas and make available charter flights for promotion of travel and tourism.

Pursuant to an Agreement dated July 8, 2003, we have agreed to take on hire eight Dauphin helicopters from PHHL on the terms and conditions recorded therein. The term of this Agreement is up to March 31, 2004. The aggregate monthly charges payable by us for hire of the said helicopters, including charge for crew change and north field and south field sorties, is an aggregate of Rs. 6.54 million per helicopter. The aggregate monthly charges for another class of helicopter namely N-3 Dauphin helicopter, including charge for crew , and north field and south field sorties, is an aggregate of Rs. 8.0 million per helicopter.

Shareholding Pattern

Category	(%)
President of India	78.5
ONGC	21.5
Total	**100.0**

Board of Directors

The Board of Directors of PHHL as on January 1, 2004 consists of Mr. Nagar V. Shridhar Chairman and Managing Director, Mr. V. Subramanian, Mr. Raghu Menon, Mr. Satendra Singh, Mr. V.K. Sharma and Air Cmde. P.P.Gopinath.

Financial Performance

(Rs. in million except per share data)

For the Year ended March 31,	2001	2002	2003
Total Revenues	1,919.6	1,958.6	2,050.2
Profit (loss) After Tax	380.1	593.1	153.9
Equity Share Capital	1,137.7	1,137.7	1,137.7
Reserves and Surplus	552.0	1,005.6	892.6
Earning (loss) Per Share (Rs.)	3,341	5,213	1,353
Book Value Per Share (Rs.) (face value Rs. 10,000)	14,851.83	18,839.39	17,846.18

Companies from which we have disassociated in last 3 years

During fiscal 2002-2003, OVL sold its equity shareholding in Sakhalin India Inc., USA to Oil India Limited on March 10, 2003 at par value.

SELECTED FINANCIAL DATA

You should read the following summary financial data together with our restated unconsolidated financial statements for each of the fiscal years ended March 31, 1999, 2000, 2001, 2002 and 2003 and the nine months ended December 31, 2003, including the notes thereto and the reports thereon and iManagementís Discussion and Analysis of Financial Condition and Results of Operationsî, which appear elsewhere in this Preliminary Sale Document. Our financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI guidelines and restated as described in the report of our statutory auditors dated February 10, 2004, which is included in this Preliminary Sale Document under iRestated Unconsolidated Financial Statementsî. Indian GAAP differs in certain significant respects from US GAAP. The results of operations of our activities in MRPL, OVL and our other subsidiaries are not included in our unconsolidated financial statements or in the below selected financial data. For information on our consolidated financial statements for the fiscal years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, see "Consolidated Financial Statements" on page 267 of this Preliminary Sale Document. For more information, see the section entitled "Presentation of Financial and Reserve Data" on page 13 of this Preliminary Sale Document.

I. Summary Of Profit And Loss Account, As Restated

(Rs. in Millions)

	Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine Monthhs ended December 31, 2003
Income						
Sales	147,492.04	199,826.23	231,790.97	228,371.82	346,907.37	240,518.41
Pipeline Transportation Income	2,135.90	1,109.44	4,612.18	3,965.88	477.57	13.91
	149,627.94	**200,935.67**	**236,403.15**	**232,337.70**	**347,384.94**	**240,532.32**
Other Income	10,618.35	10,559.53	15,309.55	16,334.66	19,460.03	10,457.79
Increase/(Decrease) in stock	1.86	152.06	447.07	2.25	211.33	(164.55)
Total	**160,248.15**	**211,647.26**	**252,159.77**	**248,674.61**	**367,056.30**	**250,825.56**
Expenditure						
Production, Transportation, Selling and Distribution Expenditure						
i) Statutory Levies	46,676.40	51,652.32	55,515.22	59,743.31	92,333.15	66,019.39
ii) Consumption of Stores and Spares	2,024.73	2,006.93	2,424.45	2,108.04	1,846.47	1,480.13
iii) Staff Expenditure	3,415.52	7,001.52	8,381.66	6,835.99	9,876.19	6,513.89
iv) Other Expenses	25,272.36	37,280.96	38,451.26	37,315.29	38,517.78	31,813.50
Recouped Costs (Depreciation, depletion and amortisation)	31,918.05	42,522.89	44,532.77	38,054.06	41,272.56	39,054.53
Interest and Exchange Fluctuation	14,204.26	9,545.56	5,233.94	2,847.40	1,465.90	215.48
Provisions & Write-offs (Net)	927.69	2,286.09	6,058.38	3,273.72	20,912.34	563.58
Total	**124,439.01**	**152,296.27**	**160,597.68**	**150,177.81**	**206,224.39**	**145,660.50**
Profit before tax and Prior Period Adjustments	**35,809.14**	**59,350.99**	**91,562.09**	**98,496.80**	**160,831.91**	**105,165.06**
Adjustments relating to Prior Period (Net)	(62.67)	(46.59)	6.36	55.41 4	06.46	357.61
Profit before Tax	**35,746.47**	**59,304.40**	**91,568.45**	**98,552.21**	**161,238.37**	**105,522.67**
Provision for Taxation						
Current tax	8,201.50	23,304.00 39,	178.50	31,012.00	58,850.00	37,862.00
Earlier years	-	(294.30)	102.17	-	(1,782.72)	(139.54)
Deferred tax	-	-	-	5,561.50	(1,122.13)	1,093.16
Net Profit after tax as per audited statement of accounts (A)	**27,544.97**	**36,294.70**	**52,287.78**	**61,978.71**	**105,293.22**	**66,707.05**
Adjustment on account of changes in accounting policies [Refer Note IVB(1)(i)]	(13,979.72)	(1,223.88)	6,954.81	(1,998.17)	8,415.21	167.31

Impact of material adjustment and prior period items [Refer Note IVB(1)(ii)]	(1,616.78)	(3,754.50)	(5,420.66)	(4,290.20)	(3,735.17)	(1,234.70)
Total Adjustments (B)	**(15,596.50)**	**(4,978.38)**	**1,534.15**	**(6,288.37)**	**4,680.04**	**(1,067.39)**
Adjusted Profit (A+B)	**11,948.47**	**31,316.32**	**53,821.93**	**55,690.34**	**109,973.26**	**65,639.66**

II. Summary of Assets And Liabilities, as Restated

(Rs. in Million)

		March 31, 1999	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	December 31, 2003
A.	**Fixed assets**	70,892.07	62,217.57	58,892.77	56,007.93	53,928.27	50,363.02
B.	**Capital Works in Progress**	16,683.53	9,756.70	7,282.95	6,903.15	9,329.45	11,434.89
C.	**Producing Properties(Net of Depletion)**	216,441.99	226,763.11	228,272.40	230,950.46	230,777.25	228,190.46
D.	**Exploratory & Development Wells in progress**	11,480.67	11,731.05	8,321.	38 8,825.24	10,343.82	10,856.72
E.	**Investments**	27,114.68	22,857.22	23,607.22	33,231.77	39,825.91	41,306.37
F.	**Deferred Tax Assets**	6,807.27	13,826.10	14,763.11	13,618.37	10,701.01	31,760.47
G.	**Current Assets, Loans and Advances:**	115,959.20	134,782.60	150,155.49	182,761.27	217,413.00	258,647.69
H.	**Liabilities and Provisions:**	266,039.71	261,916.28	235,633.74	241,375.27	215,752.16	214,584.27
I.	**Net worth (A+B+C+D+E+F+G-H)**	**199,339.70**	**220,018.07**	**255,661.58**	**290,922.92**	**356,566.55**	**417,975.35**
	Net worth Represented By						
J.	**Share Capital**	14,259.27	14,259.27	14,259.27	14,259.27	14,259.27	14,259.30
K.	**Reserves and Surplus**	185,856.85	206,492.93	243,037.48	278,767.07	343,614.95	409,258.33
L.	**Less Miscellaneous Expenditure (to the extent not written off)**	776.42	734.13	1,635.17	2,103.42	1,307.67	5,542.28
M.	**Net Worth (J+K-L)**	**199,339.70**	**220,018.07**	**255,661.58**	**290,922.92**	**356,566.55**	**417,975.35**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated unconsolidated financial statements for the nine months ended December 31, 2003 and each of the fiscal years ended March 31, 1999, 2000, 2001, 2002 and 2003, including the notes thereto and the reports thereon, which appear elsewhere in this Preliminary Sale Document. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the report of our statutory auditors dated February 10, 2004, which is included in this Preliminary Sale Document under "Unconsolidated Financial Statements". Indian GAAP differs in certain significant respects from US GAAP. For more information on differences between Indian GAAP and US GAAP, see "Summary of Significant Differences Between Indian GAAP and US GAAP" on page 283 of this Preliminary Sale Document.

The following discussion is based on the above-mentioned restated unconsolidated financial statements for fiscal 2001, 2002 and 2003 and the nine months ended December 31, 2003 and on information available from other sources. The results of operations of our activities in MRPL, OVL and ONGBV are not included in our restated unconsolidated financial statements. For information on our consolidated financial statements for the fiscal years ended March 31, 2002 and 2003 and the nine months ended December 31, 2003, see "Consolidated Financial Statements" on page 267of this Preliminary Sale Document.

Increases and decreases in the line items in the nine months ended December 31, 2003 have been analysed against 75 percent of the value of the line items in full year fiscal 2003. We think that this analysis reflects the upward or downward trends in our business, as we do not believe our business is seasonal in nature.

Our fiscal year ends on March 31 of each year; all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. As used in this discussion, the term "revenues" refers to the term "income" in our restated unconsolidated financial statements.

Overview

We are an integrated oil and gas company engaged primarily in the exploration, development and production of crude oil and natural gas and the production of value-added products such as LPG, naphtha (including aromatic rich naphtha), SKO and ethane/propane. We are also engaged in the refining of petroleum products through our majority owned subsidiary MRPL and propose to enter into retail marketing of refined products as well. In the nine months ended December 31, 2003, our total revenues were Rs. 250,825.6 million and our sales revenues were Rs. 240,518.4 million, of which sales of crude oil, natural gas and value-added products accounted for 67.6 percent, 16.7 percent and 15.7 percent, respectively. In fiscal 2003, our total revenues were Rs. 367,056.3 million and our sales revenues were Rs. 346,907.4 million, of which sales of crude oil, natural gas and value added products accounted for 70.7 percent, 14.5 percent and 14.8 percent, respectively. Our net profit after tax in the nine months ended December 31, 2003 and fiscal 2003 was Rs. 66,707.0 million and Rs. 105,293.3 million, respectively.

Our estimated global proved reserves as of April 1, 2003 totaled approximately 3,979 mmbbl of crude oil and approximately 463.0 billion cubic meters of natural gas. As of April 1, 2003, proved developed reserves accounted for 67.3 percent and 60.8 percent, respectively, of our total global proved crude oil and natural gas reserves. Our estimated domestic proved reserves of crude oil and natural gas as of April 1, 2003 totaled approximately 3,306 mmbbl of oil and approximately 366.0 billion cubic meters of natural gas, respectively. As of April 1, 2003, proved developed reserves accounted for 74.5 percent and 76.9 percent, respectively, of our total domestic proved crude oil and natural gas reserves.

In the nine months ended December 31, 2003 and in fiscal 2003, we produced approximately 154.8 mmbbl, or 563,046 barrels per day, and 206.8 mmbbl, or 566,586 barrels per day, of crude oil, and approximately 19.46 billion cubic meters, or 70.8 thousand cubic meters per day, and 26.0 billion cubic meters, or 71.23 thousand cubic meters per day, of natural gas, respectively. In the nine months ended December 31, 2003 and in fiscal 2003, 69.4 percent and 69.4 percent of our crude oil production and 77.9 percent and 77.2 percent of our natural gas production, respectively, were from our offshore fields, and the remainder was from our onshore fields. We also produced 2.83 million metric tons, or 10,288.17 metric tons per day, and 3.80 million metric tons, or 10,402.59 metric tons per day, of value-added products in the nine months ended December 31, 2003 and fiscal 2003, respectively. In fiscal 2003, all the crude oil and natural gas, and 97.6 percent of the value-added products, we produced was sold in the Indian market.

Critical Accounting Policies

Our financial statements are prepared under the historical cost conventions (without adjustments for inflation) in accordance with generally accepted accounting principles in India, or Indian GAAP, and the relevant provisions of the Companies Act. We use the "successful efforts method" of accounting for our oil and gas exploration and production activities. We adopted the Guidance Note issued on March 12, 2003 by the Institute of Chartered Accountants of India on "Accounting for Oil and Gas Producing Activities" (the "Guidance Note") in accounting for transactions occurring after March 31, 2003. We have restated our unconsolidated financial statements for each of fiscal 1999, 2000, 2001, 2002 and 2003 and the nine months ended December 31, 2003 included elsewhere in this Preliminary Sale Document in accordance with the guidance set forth in the Guidance Note and to reflect certain other changes and adjustments, as well as the requirements of the SEBI Guidelines.

Preparation of financial statements in accordance with Indian GAAP and the provisions of the Companies Act, as well as their restatement to reflect guidance set forth in the Guidance Note, require our management to make judgements, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgements, assumptions and estimates are reflected in our accounting policies, which are more fully described in the auditors' report appearing elsewhere in this Preliminary Sale Document.

Certain of our accounting policies are particularly important to the presentation of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our "critical accounting policies". Our management uses its historical experience and analyzes the terms of existing contracts, historical cost conventions, global industry practices and information provided by outside sources, as appropriate, when forming its assumptions and estimates. However, this task is inexact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant particular attention:

Revenue Recognition

We generally recognise revenues on an accrual basis with provision made for known losses and expenses. Revenue from sale of products is recognised on transfer of custody to customers. Revenues are recorded before deduction of statutory levies.

Survey Costs

Survey costs are the costs incurred for surveys and prospecting activities conducted in search of oil and gas. These costs are expensed in the year in which they are incurred.

Exploratory Drilling Costs

All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, and costs of drilling exploratory type stratagraphic test wells, are initially capitalised as exploratory wells in progress until the time they are either transferred to producing properties on completion, or expensed in the year when they are determined to be dry, or on completion of two years, as explained in the following paragraph.

All wells appearing as "exploratory wells in progress" where more than two years have elapsed since the date of completion of drilling are charged to our profit and loss account, except those wells that have proved reserves and are located in fields that we plan to develop.

Producing Properties

Producing properties are created in respect of an area or field having proved developed oil and gas reserves when the wells in the area or field are ready to commence commercial production.

All costs relating to development wells are initially capitalised as "development wells in progress" and transferred to producing properties on completion.

The cost of the temporary occupation of land, successful exploratory wells, all development wells and related development costs including depreciation on support equipment and facilities and future abandonment costs are capitalised and reflected as "producing property".

The cost of producing properties, including abandonment costs, are depleted using the "unit of production method". The rate of depletion is computed with reference to the area covered by the individual lease, license or amortization base and the related proved developed reserves. Our domestic proved developed reserves are estimated annually by our Reserves Estimate Committee, which follows international reservoir engineering procedures. For more information, see "Business -Crude Oil and Natural Gas Reserves" on page 91 and "Risk Factors as Perceived by the Company. The crude oil and natural gas reserve data in this Preliminary Sale Document are estimates, and our actual production, revenues and expenditure with respect to our reserves may differ materially from these estimates" on page 20 of this Preliminary Sale Document.

Abandonment Costs

The estimated full costs of dismantling, abandoning and restoring offshore well-sites and allied facilities is recognised using the unit of production method at the time of installation thereof as an asset as well as a liability.

Impairment Costs

Provisions for impairment to producing properties are made with reference to decreases either in (1) the value of proved developed reserves at the end of the fiscal year or (2) average prices of the oil and natural gas from our producing properties

received by us during the applicable year and the future estimated costs of such production during such year at current levels over the book values of such producing properties. Provisions for impairment being carried forward are reviewed for write-back, if any, after three years from the year of provision in respect of individual lease, license or amortization base.

Depreciation Costs

Depreciation on fixed assets is provided under the written-down value method in accordance with Schedule XIV to the Companies Act except on some fixed assets which are fully depreciated in the year of addition.

In accordance with the successful efforts method of accounting, depreciation on fixed assets (including support equipment and facilities) used for exploration and drilling activities and on related facilities is initially capitalised as part of exploration or development cost and expensed or depleted in accordance with the exploration and development cost policies stated above.

Factors Affecting Our Results of Operations

Various factors have affected our results of operations in the past and may continue to do so in the future, including:

International Prices of Crude Oil and Value-added Products

Our profitability is primarily determined by the difference between prices received for crude oil, natural gas and value-added products produced by us and the costs of finding, developing and producing these hydrocarbons. The sales prices of our crude oil and value-added products are primarily determined by the prevailing international prices of crude oil and value-added products. International prices of crude oil, fuel oil and value-added products therefore significantly affect our revenues and profitability. For example, international prices of crude oil increased significantly in fiscal 2003, which had a positive impact on our revenues, The average price per barrel of the international benchmark crude oil, Nigerian Bonny Light, was US$ 27.97, US$ 27.60, US$ 23.41 and US$ 28.05 in the nine months ended December 31, 2003 and in fiscal 2003, 2002 and 2001, respectively. While higher international trading prices of crude oil and value-added products increase our revenues, lower prices of crude oil and value-added products may reduce the amount of crude oil and value-added products that we can produce economically or reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets, which may result in decreased earnings or losses. While declines in oil prices adversely affect the profitability of the upstream business of oil production, they may have a positive impact on profitability in the downstream businesses of refining and retail marketing. The fact that our upstream operations continue to contribute the substantial majority of our revenues limits our ability to offset the adverse impact of declines in oil prices on our upstream business with a benefit to our downstream business.

Price Regulation

Oil

Regulation of the domestic oil and gas industry by the Government has a substantial effect on our results of operations and profitability. Until March 2002, crude oil pricing was regulated by the Government of India, with the result that our sales price for crude oil was much lower than international crude prices. During the period from September 1992 to March 1998, the Government fixed crude prices using the administered pricing mechanism, or APM, with prices based on the weighted average cost of production of ONGC and OIL after allowing for a 15 percent after-tax return on capital employed. In November 1997, the Government decided to dismantle the APM and discontinue the cost-plus system of crude pricing. Under the new regime, ONGC and OIL would have been paid an increasing percentage of the weighted average FOB price of actual imports of crude oil, the intended schedule for which was as follows:

Fiscal Year	Applicable Percentage of Weighted Average FOB Price of Actual Imports of Crude Oil
1999	75.0%
2000	77.5%
2001	80.0%
2002	82.5%
From April 2002 onwards	Full deregulation

However, partly in response to the level of international crude prices, the Government set floors and ceilings for the selling prices of crude produced by ONGC and OIL, at varying levels during the period from April 1998 to March 2002. For example, the ceiling on ONGC's and OIL's crude prices during January 2000 to February 2002 was at Rs. 5,570 per metric ton, inclusive of cess and royalty, which was significantly less than the applicable percentage of the weighted average FOB price of actual imports of crude oil during that period (refer to table above). Similarly, the Government permitted us a floor of Rs.1991 per metric ton (exclusive of royalty, sales tax and cess) on prices of crude during the period from April 1998 to May 1999. Since April 2002, Government controls on selling prices for crude oil have been removed and we have been negotiating market-determined prices with customer refineries. This resulted in a significantly higher average selling price for our crude oil in fiscal 2003 as compared to fiscal 2002. On March 1, 2002, we sold crude oil at a weighted average price of US$ 18.96 per barrel as compared

to the price obtained for crude oil during April 2002 (the first month of market determined pricing) at a weighted average price of US$ 28.52 per barrel. In fiscal 2003, the weighted average price obtained for crude oil was US$ 30.4 per barrel. Primarily as a result of this increase, our sales revenues increased by 51.9 percent to Rs. 346,907.4 million in fiscal 2003 from Rs. 228,371.8 million in fiscal 2002, and our profit before tax increased by 63.6 percent to Rs. 161,238.4 million in fiscal 2003 from Rs. 98,552.2 million in fiscal 2002. In the nine months ended December 31, 2003, the weighted average price obtained for crude oil was US$ 27.50 per barrel. This decrease in crude oil prices obtained by us is primarily attributable to our contribution to the sharing of the under-recoveries of the oil marketing companies in connection with the LPG and SKO subsidy discussed below. As a result, our sales revenues in the nine months ended December 31, 2003 were Rs. 240,518.4 million, or 69.3 percent of the sales revenues for fiscal 2003, and our profit before tax was Rs. 105,522.7 million, or 65.4 percent of our profit before tax in fiscal 2003. We expect that variations in the international prices of crude oil will be a primary determinant of changes in our results of operations from period to period. Our future results of operations can be expected to be significantly more volatile than they had been prior to April 2002 when crude oil pricing was controlled under the APM.

The Government continues to allocate most of the crude oil produced in the industry, including most of the crude oil we produce, and this reduces our negotiating power. We are required to sell most of the crude oil we produce, in quantities determined by the Government, to the refineries of three Government controlled entities, HPCL, BPCL and IOC. We may sell any quantities to other domestic refineries in excess of the quantities we sold to these entities in fiscal 2002. We supply such incremental crude to MRPL. We believe that in the event that the Government permits us to select our customers and determine the quantities we sell to them, our negotiating power will increase. Our memorandam of understanding with HPCL, BPCL and IOC expire on March 31, 2004, and we expect that we will enter into new memorandam of understanding for supply of crude oil to these three customers.

Gas

The Gas Linkage Committee of the Government of India allocates the gas produced by us. Practically all the gas sold by us is sold to GAIL at prices regulated by the Government, which are considerably lower than international market prices. The prices of gas produced by joint ventures in which we participate are linked to the international prices of a basket of fuel oils, subject, among other things, to a floor and a ceiling. The gas prices received by us are net of an annual contribution of Rs. 2,500 million to the gas pool account of the Government plus the difference between the price at which GAIL purchases gas sold by our joint ventures and the price at which it sells such gas to its customers, or the joint venture price differential. In the six months ended September 30, 2003 and in fiscal 2003, the joint venture price differential was Rs. 4,098.2 million million and Rs. 9,785.8 million, respectively. Increases in the price of gas payable by GAIL to our joint ventures, which occur when international prices of fuel oil increase, and increases in the quantity of gas produced by the joint ventures would tend to further reduce the net price we receive for our gas. Our average selling price for natural gas other than that produced by the joint ventures in which we participate (net of contributions to the gas pool account and the joint venture price differential) was Rs. 2,240.5 per mcm, Rs. 2,140.4 per mcm, Rs. 2,223.8 per mcm and Rs. 2,260.6 per mcm in the nine months ended December 31, 2003 and fiscal 2003, 2002 and 2001, respectively. In the nine months ended December 31, 2003 and in fiscal 2003, we sold gas at Rs. 2,240.5 per mcm and Rs. 2,140.4 per mcm, respectively, whereas the market price for natural gas based on 100 percent parity with fuel oil was approximately Rs. 7,511.5 per mcm and Rs. 7,536 per mcm during the nine months ended December 31, 2003 and fiscal 2003, respectively. The regulated pricing of gas, coupled with our contributions to the gas pool account, has a significant impact on our revenues and profitability.

The revision of the current sales prices of natural gas as well as removal of controls on gas prices is under consideration by the Government. If the administered pricing mechanism for gas sales is abolished by the Government of India, we expect that our gas sales prices will rise, but the factors that affect market-determined pricing of oil and value-added products will then be applicable to our gas sales prices as well.

Subsidy on LPG and SKO

As part of its decision to dismantle the administered pricing mechanism, the Government of India has introduced a subsidy on superior kerosene oil, or SKO, for public distribution, and domestic liquefied petroleum gas, or LPG, on a flat rate basis, payable from April 1, 2003. It was also decided that the public sector oil marketing companies (BPCL, HPCL and IOC) would not increase the selling prices of these products during fiscal 2004. The resultant under-recoveries of the public sector oil marketing companies on sales of SKO and LPG are being absorbed and shared amongst the public sector oil companies. A part of the under-recoveries is being made up by allowing the public sector oil marketing companies to charge higher prices for other retail products, and the balance is being shared between the public sector oil marketing companies and the public sector upstream companies, namely ONGC and GAIL. Our required contribution to the sharing of these under-recoveries depends on various factors, including changes in LPG and SKO prices. For the nine months ended December 31, 2003, we contributed Rs. 15,356.8 million to the sharing of these under-recoveries, by providing a discount of US$ 2.35 per barrel of crude oil, and Rs. 4,968.1 per ton and Rs. 1,939.6 per ton of LPG and SKO, respectively, to the public sector oil marketing companies. For the nine months ended December 31, 2003, the average prices obtained for crude oil were Rs. 1,245.6 per barrel as compared to Rs. 1,384.4 per barrel in fiscal 2003, the average prices obtained for LPG were Rs. 14,152 per ton as compared to Rs. 15,934.3 per ton in fiscal 2003, and the average prices obtained for SKO were Rs. 12,152.6 per ton as compared to Rs. 13,642.9 per ton in fiscal 2003.

This sharing of the SKO and LPG under-recovery has materially and adversely affected our results of operations for the nine months ended December 31, 2003 and will continue to materially and adversely affect our results of operations for the remainder of fiscal 2004. In its interim budget for fiscal 2005, the Government has announced its intention to reduce the Government's

contribution to the LPG and SKO subsidy in fiscal 2005. To the extent this occurs and is not matched by an increase in consumer prices for these products, our required contributions to the sharing of these under-recoveries may increase. It is not clear whether this sharing of the SKO and LPG under-recovery will continue in fiscal 2005 at current levels or at all. Further, if it does, the amount of our required contribution to the sharing of the under-recovery is not yet decided. If we are required to contribute to the sharing of any under-recovery in fiscal 2005 or beyond, it will have a material negative impact on our earnings. The Government announced by a notification dated January 28, 2003, that this subsidy on SKO and LPG will be phased out in three to five years from April 1, 2002, in accordance with a decision made after consultations with the Ministry of Petroleum and Natural Gas and the Ministry of Finance.

Production Volumes

Our oil and gas production volumes, which depend on the yield from our producing fields and our expertise in recovering oil and gas from such fields, have a significant impact on our results of operations. Our actual crude oil production volumes have fluctuated between fiscal 1999 and fiscal 2002, with volumes of 27.55 million metric tons (206.63 million barrels), 26.18 million metric tons (196.35 million barrels), 26.61 million metric tons (199.58 million barrels) and 26.29 million metric tons (197.17 million barrels) in fiscal 1999, 2000, 2001 and 2002, respectively. Our crude oil production increased to 27.57 million metric tons (206.78 million barrels) in fiscal 2003, an increase of 4.86 percent as compared to fiscal 2002. Our natural gas production volumes were 23.97 billion cubic meters, 24.60 billion cubic meters, 25.36 billion cubic meters and 25.42 in fiscal 1999, 2000, 2001 and 2002, respectively. Our natural gas production volumes increased by 2.3 percent to 26.00 billion cubic meters in fiscal 2003 from 25.42 billion cubic meters in fiscal 2002. These increases were primarily attributable to our success in re-developing our producing fields and our use of improved and enhanced recovery techniques to increase production. Our crude oil production was 20.65 million metric tons (154.87 million barrels) in the nine months ended December 31, 2003, or 74.9 percent of the crude oil production in fiscal 2003. Our natural gas production volumes were 19.46 billion cubic meters in the nine months ended December 31, 2003, or 74.9 percent of the natural gas production volumes in fiscal 2003. The volume of production from oil and natural gas properties generally declines as reserves are depleted. For example, Mumbai High has been a major producing field since 1976 and accounted for 48 percent of our crude oil production in fiscal 2003. After initial development and recording its peak annual production in fiscal 1990, Mumbai High has experienced declining production levels. We have introduced a plan for redevelopment of the Mumbai High field for improved and enhanced oil recovery and augmentation of production facilities to maintain production. Our future production will be highly dependent upon our success in acquiring or finding and developing additional reserves in a timely and cost-effective manner. As of April 1, 2003, proved undeveloped reserves accounted for 25.5 percent and 23.1 percent, respectively, of our total domestic proved crude oil and natural gas reserves. In addition, we propose to acquire additional hydrocarbon reserves outside India, through OVL, in order to increase our proved reserves. For more information, see “Business(Exploration and Development-International Exploration and Development Areas.”

Foreign Exchange Rate Fluctuations

The internationally traded prices of crude oil and value-added products, which account for the substantial majority of our sales revenues, are denominated in U.S. Dollars. The substantial majority of our expenditure, as well as our accounts as a whole, are denominated in Indian Rupees. The substantial majority of the revenues and expenditure of OVL are denominated in U.S. Dollars, while its accounts are denominated in Indian Rupees. As a result, fluctuations in foreign exchange rates, in particular the exchange rate of U.S. Dollars for Indian Rupees, may materially affect our revenues and results of operations. We do not currently hedge our foreign currency exchange rate exposure. From fiscal 1998 through fiscal 2002, the Indian Rupee has depreciated against the U.S. Dollar at an annual compounded rate of 5.4 percent. In the nine months ended December 31, 2003 and in fiscal 2003, the Indian Rupee registered an appreciation of 4.2 percent and 2.4 percent, respectively, against the U.S. Dollar. In general, an increase in the value of the U.S. Dollar as compared to the Indian Rupee can be expected to increase our reported earnings and vice versa.

Fiscal Regulation

Indirect taxes or statutory levies such as cess, royalty on crude oil, sales tax and natural calamity contingent duty that are levied on our products are an important component of our total expenditure. Changes in royalty, sales tax, cess, octroi and other fiscal levies affect the cost of producing hydrocarbons and therefore affect our operating results. Statutory levies in the nine months ended December 31, 2003 were Rs. 66,019.4 million, or 71.5 percent of the statutory levies in fiscal 2003. Statutory levies decreased in the nine months ended December 31, 2003 primarily due to a decrease in our sales revenues during this period. Statutory levies increased by 54.5 percent to Rs. 92,333.2 million in fiscal 2003 from Rs. 59,743.3 million in fiscal 2002. This increase was primarily due to increases in sales revenue from our sales of crude oil, natural gas and value-added products and increases in the rate of cess on crude oil to Rs. 1,800 per metric ton in fiscal 2003 from Rs. 900 per metric ton in fiscal 2002, with effect from March 1, 2002. The increase in the rate of cess was concomitant with the increase in international crude oil prices, thus not allowing us to benefit fully from the deregulation of oil prices in India and the increase in international oil prices.

Royalty expenditure on crude oil is determined *ad valorem* at well-head value, which is determined by deducting a fixed percentage of production costs from sales price, at separate rates for onshore and offshore production. Royalty is payable in respect of crude oil and natural gas under the Oilfield (Regulations and Development) Act, 1948, or the ORD Act. The rates of royalty payable under the ORD Act can be increased by the Government by amending the schedule to the Act by issuing a notification. However, the ORD Act prevents the Government from raising the rate of royalty above 20 percent of the wellhead

value in the case of crude oil production and natural gas production. It can also increase the prescribed limits by amending the ORD Act by an act of Parliament. As of December 31, 2003, the royalty rate for crude oil production was 20 percent for onshore production and 10 percent for offshore production, while the royalty rate for natural gas production was 10 percent. For deep-water production of oil and natural gas, the royalty rate as of the same date was 50 percent of the offshore rate for the first seven years from the date of commencement of commercial production. Cess is determined based on the quantities of crude oil received by our customer refineries and natural calamity contingent duty is determined based on the quantities of crude oil produced by us.

We utilise various tax deductions as well as fiscal benefits, including certain tax holidays. For further information, see "Statement of Tax Benefits", which appears in Annexure K to "Unconsolidated Financial Statements" on page 237 of this Preliminary Sale Document.

Under most of the pre-NELP production-sharing contracts awarded by the Government of India in respect of exploratory areas for which we hold PELs, we had the option to take an initial participating interest (and contributed investment) of up to 10 percent during the exploration phase. Following any commercial discovery, we have the option, without incurring the cost of the exploration activities, to increase our participating interest (and contributed investment) by up to an additional 30 percent, which would allow us to obtain an aggregate stake of as much as 40 percent. However, under such contracts, and regardless of whether we take such an initial or subsequent participating interest in the contract, we are required to make royalty and cess payments in respect of the entire production from the area. This means that we must make royalty and cess payments in respect of not only our own share of production but the participating interest of other participants as well. Large amounts of such statutory levies payable by us in connection with these contracts may have an adverse affect on our results of operations.

The level of import tariffs on petroleum products is also an important factor affecting our revenues. We currently benefit from a competitive advantage in relation to exporters of petroleum products to India, since import tariffs are not payable by our customers for the purchase of our products. Regulatory changes that may be introduced in order to comply with India's obligations as member of the World Trade Organization or for any other reason that would reduce import tariffs on petroleum products would increase competition from oil exporters to India and tend to reduce the selling price of our crude oil and value-added products.

Our Results of Operations

Revenues

Our revenues consist of the following:

- Revenue from sales of crude oil, natural gas and value-added products. Sales are presented before deduction of statutory levies which are shown as an item of expenditure.
- Revenues from pipeline transportation, which consist of reimbursements from the Government for transportation of crude oil during the fixed price regime under the APM.
- Other revenues, which primarily include interest income and dividends on investments, reimbursement from the Government and miscellaneous receipts such as production bonus, sale of scrap, insurance claims and liquidated damages.

Expenditure

Our expenditure consists of the following:

- Production, transportation, selling and distribution expenditure, which includes:
  - Operating expenses such as consumption of stores and spares, staff expenditure, power and fuel, repairs and maintenance, transportation and freight, water injection, desalting and demulsification expenses, pollution control expenses and insurance, and
  - Statutory levies such as cess, royalty, natural calamity contingent duty, excise duty, sales tax and octroi. For more information, see "-Factors Affecting Our Results of Operations-Fiscal Regulation" above.
- Recouped costs, which includes depreciation, depletion and amortization expenses such as depreciation of production installations and transport systems, amortization of survey expenditure, write-offs of dry wells and depletion of producing fields.
- Expenses on account of interest and exchange rate fluctuations
- Provisions and write-offs, which include provisions for abandonment, doubtful claims and advances, non-moving stores and spares and impairment (net of write-backs).

The table below sets forth certain information with respect to our revenues, expenditure and profits for the nine months ended December 31, 2003 and fiscal 2003, 2002 and 2001, and also presents certain line items as a percentage of total revenues for the respective periods.

(Rs. in millions)

	Nine Months ended December 31, 2003		Fiscal 2003		Fiscal 2002		Fiscal 2001	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Revenue								
Revenue from Sales	240,518.4		346,907.4		228,371.8		231,791.0	
Revenue from Pipeline Transportation	13.9		477.6		3,965.9		4,612.2	
	240,532.3		347,385.0		232,337.7		236,403.2	
Other Revenue	10,457.8		19,460.0		6,334.7		15,309.5	
Increase/(Decrease) in Stock	(164.6)		211.3		2.3		447.1	
Total Revenue	**250,825.6**		**367,056.3**		**248,674.7**		**252,159.8**	
Expenditure								
Production, Transportation, Selling and Distribution Expenditure								
i) Operating Expenses	39,807.5	15.9%	50,240.4	13.7%	46,259.3	18.6%	49,257.4	19.5%
ii) Statutory Levies	66,019.4	26.3%	92,333.2	25.2%	59,743.3	24.0%	55,515.2	22.0%
Recouped Costs	39,054.5	15.6%	41,272.6	11.2%	38,054.1	15.3%	44,532.8	17.7%
Interest and Exchange Fluctuation	215.5	0.1%	1,465.9	0.4%	2,847.4	1.1%	5,233.9	2.1%
Provisions & Write-offs (Net)	563.6	0.2%	20,912.3	5.7%	3273.7	1.3%	6,058.4	2.4%
Total Expenditure	**145,660.5**	**58.1%**	**206,224.4**	**56.2%**	**150,177.8**	**60.4%**	**160,597.7**	**63.7%**
Profit before Tax and Prior Period Adjustments	**105,165.1**	**41.9%**	**160,831.9**	**43.8%**	**98,496.8**	**39.6%**	**91,562.1**	**36.3%**
Adjustments relating to Prior Period (Net)	357.6		406.5		55.4		6.4	
Profit before Tax	**105,522.6**	**42.1%**	**161,238.4**	**43.9%**	**98,552.2**	**39.6%**	**91,568.5**	**36.3%**
Provision for Taxation	38,815.6		55,945.2		36,573.5		39,280.7	
Net Profit after Tax	**66,707.0**	**26.6%**	**105,293.3**	**28.7%**	**61,978.8**	**24.9%**	**52,287.8**	**20.7%**
Adjustments on restatement	(1,067.4)		4,680.0		(6,288.4)		1,534.2	
Adjusted Net Profit after Tax	**65,639.7**	**26.2%**	**109,973.3**	**29.9%**	**55,690.3**	**22.4%**	**53,821.9**	**21.3%**

Nine months ended December 31, 2003 compared to Fiscal 2003

Revenues

For the nine months ended December 31, 2003, our total revenues were Rs. 250,825.6 million, or 68.3 percent of the total revenues for fiscal 2003. This decrease was primarily due to our contribution of Rs. 15,356.8 million to the sharing of the under-recoveries of the public sector oil marketing companies in connection with the subsidy for LPG and SKO. During fiscal 2003, we were not required to make any such contribution.

Sales Revenues

For the nine months ended December 31, 2003 our sales revenues were Rs. 240,518.4 million, or 69.3 percent of the sales revenues for fiscal 2003. This decrease was primarily due to:

- A contribution of Rs. 15,356.8 million towards sharing of the under-recoveries of the public sector oil marketing companies in connection with the subsidy for LPG and SKO. This contribution was made by providing discounts in prices of crude oil

of US$ 2.35 per barrel and Rs. 4,968.1 per ton and Rs. 1,939.6 per ton on LPG and SKO, respectively. For the nine months ended December 31, 2003, the average price obtained for crude oil was Rs. 1,245.6 per barrel as compared to Rs. 1,384.4 per barrel in fiscal 2003 primarily due to the discounts related to the sharing of the under-recoveries. For the nine months ended December 31, 2003, the average price obtained for LPG was Rs. 14,152.0 per ton as compared to Rs. 15,934.3 per ton in fiscal 2003. For the nine months ended December 31, 2003, the average price obtained for SKO was Rs. 12,152.6 per ton as compared to Rs. 13,642.9 per ton in fiscal 2003. In the nine months ended December 31, 2003, revenues from sales of crude oil were Rs. 162,493.6 million, or 66.6 percent of the revenues from sales of crude oil in fiscal 2003. In the nine months ended December 31, 2003, revenues from sales of LPG and SKO were Rs. 12,618.7 million and Rs. 2,062.4 million, respectively, or 66.1 percent and 64.7 percent of the revenues from sales of LPG and SKO, respectively, in fiscal 2003.

- An appreciation of 4.2 percent of the Indian Rupee against the U.S. Dollar, which resulted in lower revenues of crude oil and value-added products since the international benchmark price of these products is denominated in U.S. Dollars and our sales revenues are denominated in Indian Rupees.

This decrease was partially offset by :

- An increase in the average price of naphtha to Rs. 15,074.6 per ton in the nine months ended December 31, 2003 compared to Rs. 13,445.4 per ton in fiscal 2003. In the nine months ended December 31, 2003, sales revenues from naphtha were Rs. 4,202.6 million as compared to Rs. 4,905.8 for fiscal 2003, or 85.7 percent of the sales revenues from naphtha in fiscal 2003.

Revenues from Pipeline Transportation

The revenues from pipeline transportation in the nine months ended December 31, 2003 were Rs. 13.9 million, or 2.9 percent of the revenues from pipeline transportation in fiscal 2003. This decrease is as a result of the elimination of the APM in April 2002, which had provided for reimbursements by the Government for transportation of our crude oil by pipeline.

Other Revenues

For the nine months ended December 31, 2003, our other revenues were Rs. 10,457.8 million compared to Rs. 19,460.0 million in fiscal 2003, or 53.7 percent of the other revenues for fiscal 2003. This decrease was primarily due to:

- A decrease in interest income and dividend from investments to Rs. 8,367.0 million as compared to Rs. 13,199.1 million in fiscal 2003, or 63.4 percent of interest income and income from dividends in fiscal 2003. This decrease was primarily due to lower interest received on deposits of income tax refunds in the nine months ended December 31, 2003. This decrease was partially offset by dividend income of Rs. 1,871.5 million received in the nine months ended December 31, 2003, compared to Rs. 1,537.9 million in fiscal 2003.
- A decrease in the earnings on short-term deposits to Rs. 3,307.7 million in the nine months ended December 31, 2003, or 56.0 percent of earnings on short-term deposits in fiscal 2003, primarily due to lower interest rates.
- No payment of arrears for pour point depressant, a chemical used for oil flow improvement, was made by the Government in the nine months ended December 31, 2003. Following the elimination of the APM, the Government has ceased making reimbursements for such expenditure as crude oil prices can now be adjusted to reflect such expenditure.

Expenditure

Production, Transportation, Selling and Distribution Expenditure

For the nine months ended December 31, 2003, our total production, transportation, selling and distribution expenditure was Rs. 105,826.9 million, or 74.2 percent of the production, transportation, selling and distribution expenditure in fiscal 2003. In the nine months ended December 31, 2003, the total production, transportation, selling and distribution expenditure was 42.2 percent of total revenues, compared to 38.9 percent in fiscal 2003.

Operating Expenses: In the nine months ended December 31, 2003, our operating expenses were Rs. 39,807.5 million, or 79.2 percent of operating expenses for fiscal 2003. Our operating expenses increased primarily due to:

- An increase in the work-over expenditure to Rs. 5,141.5 million, or 85.1 percent of the work-over expenditure for fiscal 2003. This was primarily due to the continued implementation of improved recovery programs in our producing properties.
- An increase in the water injection, desalting and de-emulsification expenditure to Rs. 1967.5 million, or 96.6 percent of the water injection, desalting and de-emulsification expenditure for fiscal 2003. This was primarily due to redevelopment and improved recovery programs related to Western Offshore.
- An increase in the transportation and freight expenditure to Rs. 4,295.6 million, or 79 percent of the transportation and freight expenditure for fiscal 2003. This was primarily due to repairs required for ruptured pipelines in the Mumbai Offshore and Heera fields.

Such increases were partially offset by:

- A decrease in staff expenditure to Rs. 6,513.9 million, or 66.0 percent of the staff expenditure for fiscal 2003. This was primarily due to a reduction in the provisions for additional annual incentives in the nine-month period. In addition, in fiscal 2003, arrears of the annual incentive for fiscal 2002 and 2001 were paid, resulting in an increase in staff expenditure.

In the nine months ended December 31, 2003, operating expenses were 15.9 percent of total revenues, compared to 13.7 percent in fiscal 2003.

Statutory Levies: In the nine months ended December 31, 2003, statutory levies were Rs. 66,019.4 million, or 71.5 percent of statutory levies for fiscal 2003. Our statutory levies decreased primarily due to:

- A decrease in royalty expenditure to Rs. 20,941.6 million in the nine months ended December 31, 2003, compared to Rs. 30,001.5 million in fiscal 2003, or 69.8 percent of royalty expenditure during fiscal 2003. The decrease in royalty expenditure is attributable to reduction in revenues from sales of crude oil as royalty is calculated on an ad valorem basis.
- A decrease in cess expenditure to Rs. 30,943.1 million in the nine months ended December 31, 2003, compared to Rs. 42,090.3 million in fiscal 2003, or 73.5 percent of cess expenditure during fiscal 2003. The decrease in cess is attributable to reduction in quantity of crude oil sold during the nine months ended December 2003. The quantity of crude oil sold in the nine months ended December 31, 2003 was 132.4 million barrels, as compared to 179.3 million barrels in fiscal 2003, or 73.9 percent of the barrels sold in fiscal 2003. Our crude oil production was 20.65 million metric tons (154.8 million barrels) in the nine months ended 2003, or 74.9 percent of the crude oil production in fiscal 2003.
- A decrease in excise expenditure to Rs. 3,202.6 million in the nine months ended December 31, 2003 compared to Rs. 4,903.9 million in fiscal 2003, or 65.3 percent of excise expenditure during fiscal 2003. This decrease is primarily attributable to higher quantities of exports of naphtha on which excise duty is not levied.
- A decrease in sales tax to Rs. 8,464.6 million for the nine months ended December 31, 2003, compared to Rs. 12,560.7 million in fiscal 2003, or 67.4 percent of the sales tax paid in fiscal 2003, primarily due to the reduction in sales revenues.
- A decrease in octroi duties to Rs. 1,646.0 million in the nine months ended December 31, 2003, compared to Rs. 2,678.6 million in fiscal 2003, or 61.5 percent of the octroi expenditure in fiscal 2003. Octroi is payable on crude oil sold in Maharashtra. Such decrease is as a result of crude oil supplied to MRPL which is situated in Mangalore, Karnataka. In the nine months ended December 31, 2003, we began providing MRPL with feedstock and diverted to MRPL some of the crude oil we sold in Maharashtra to HPCL and BPCL in fiscal 2003.

This was partly offset by:

- An increase in the natural calamity contingent duty during the nine months ended December 31, 2003 to Rs. 821.4 million compared to Rs. 98.2 million in fiscal 2003. This increase is because natural calamity contingent duty was payable only for one month in fiscal 2003 as such duty became payable beginning on March 1, 2003.

In the nine months ended December 31, 2003, statutory levies were 26.3 percent of total revenues, compared to 25.2 percent of total revenues in fiscal 2003. This increase is primarily due to lower sales revenues in the nine months ended December 31, 2003, which is attributable to our contribution of Rs. 15,356.8 million towards sharing the under-recoveries of the public sector oil marketing companies in connection with the subsidy for LPG and SKO.

Recouped Costs

In the nine months ended December 31, 2003, our total recouped costs were Rs. 39,054.5 million, or 94.6 percent of the total recouped costs in fiscal 2003. Recouped costs increased primarily due to:

- An increase in depletion expenses to Rs. 19,014.4 million, or 108.7 percent of fiscal 2003. In the nine months ended December 31, 2003, our accounting policies changed to include abandonment costs of Rs. 4,546.7 million as a part of depletion expenses. Abandonment provisions were accounted for as a part of provisions and write-offs in fiscal 2003.
- An increase in write-off expenses on account of dry wells to 10,627.0 million, or 102.4 percent of write-off expenses on account of dry wells in fiscal 2003, partly due to an increase in the number of dry wells in the nine months ended December 31, 2003 and partly due to a change in our accounting policies which requires us to write-off exploratory wells in progress within two years from the date of completion of drilling as opposed to three years in fiscal 2003. The increase in the write off expenses attributable to changes in accounting policy in the nine months ended December 31, 2003 was Rs. 775.4 million.

Such increases were partially offset by:

- A decrease in expenditure on surveys to Rs. 4,901.9 million, or 73.1 percent of expenditure on surveys in fiscal 2003.
- A decrease in depreciation expenses to Rs. 4,511.2 million, or 59.4 percent of depreciation expenses in fiscal 2003. This decrease was primarily because there were no major additions of new assets during the nine month period ended December 31, 2003 and we follow the written down value method for calculation of depreciation on fixed assets.

In the nine months ended December 31, 2003, recouped costs were 15.6 percent of total revenues, compared to 11.2 percent in fiscal 2003.

Interest and Exchange Rate Fluctuations

In the nine months ended December 31, 2003, our interest payments were Rs. 175.3 million, or 15.5 percent of interest payments in fiscal 2003, primarily due to Rs. 26,552.2 million in repayment of foreign loans in fiscal 2003. This repayment resulted in interest payments for larger amounts outstanding for a part of fiscal 2003 as compared to lower interest payments in the nine months ended December 31, 2003. In addition, in the nine months ended December 31, 2003, we repaid foreign loans in the amount of Rs. 1,077.6 million to Rs. 1,538.4 million outstanding on December 31, 2003, compared to Rs. 2,616.0 million outstanding on March 31, 2003.

In the nine months ended December 31, 2003, the effect of exchange rate fluctuations was Rs. 40.2 million, or 12.0 percent of the effect of exchange rate fluctuations in fiscal 2003. This decrease was primarily due to the appreciation of the Indian Rupee against the U.S. Dollar. In the nine months ended December 31, 2003, the Indian Rupee appreciated against the U.S. Dollar by 4.2 percent.

In the nine months ended December 31, 2003, the effect of interest rate and exchange rate fluctuations was Rs. 215.5 million, or 0.1 percent of total revenues, compared to Rs. 1,465.9 million, or 0.4 percent of total revenues in fiscal 2003.

Provisions and Write-Offs

In the nine months ended December 31, 2003, provisions and write-offs amounted to Rs. 563.6 million, or 2.7 percent of provisions and write-offs in fiscal 2003, primarily due to:

- The treatment of abandonment as a depletion expenditure due to the change in our accounting policies in the nine months ended December 31, 2003. In addition, in fiscal 2003, provisions for abandonment were made with retrospective effect from fiscal 2000 due to changes in accounting policies.
- A decrease in the provisions for doubtful debts and claims to Rs. 553.0 million, or 29.1 percent of the provisions for doubtful debts and claims for fiscal 2003. This was primarily because a new provision for doubtful debts, claims and advances of Rs. 1,901.5 million was included in fiscal 2003, primarily due to insurance claims of Rs. 840.0 million, and loans to public sector companies and interest accruing on such loans in the amount of Rs. 668.0 million.

In the nine months ended December 31, 2003, provisions and write-offs were 0.2 percent of total revenues, compared to 5.7 percent in fiscal 2003.

Profit Before Tax

In the nine months ended December 31, 2003, our profit before tax was Rs. 105,522.6 million, or 65.4 percent of the profit before tax in fiscal 2003. This decrease is partially attributable to a decrease in sales revenues due to our share of the contributions to the under-recoveries of the oil marketing companies related to the subsidy on LPG and SKO, and partially attributable to lower revenues from interest on deposits and income tax refunds obtained in the nine months ended December 31, 2003.

Profit before tax as a percentage of total revenues was 42.1 percent for the nine months ended December 31, 2003, as compared to 43.9 percent in fiscal 2003.

Provision for Taxation

In the nine months ended December 31, 2003, our provision for taxation was Rs. 38,815.6 million, or 69.4 percent of our provision for taxation in fiscal 2003, primarily due to a decrease in profit before tax in the nine months ended December 31, 2003.

Net Profit After Tax

In the nine months ended December 31, 2003, our net profit after tax was Rs. 66,707.0 million, or 63.4 percent of net profit after tax in fiscal 2003. This was primarily due to a decrease in sales revenues related to our share of the contributions to the under-recoveries of the oil marketing companies in connection with the subsidy on LPG and SKO.

In the nine months ended December 31, 2003, our net profit after tax was 26.6 percent of our total revenues, compared to 28.7 percent in fiscal 2003.

Adjusted Net Profit After Tax

Our net profit after tax has been adjusted for changes in accounting policies as well as for the impact of certain prior period items. As a result of these adjustments, the adjusted profit for the nine months ended December 31, 2003 was Rs. 65,639.7 million, which was lower by Rs. 1,067.4 million as compared to the net profit after tax for the same period. The adjustment to net profit after tax was primarily due to sales revenue arrears of Rs. 1,404.1 million received for and reallocated to earlier years and adjustments relating to prior period items of Rs. 357.6 million. This adjustment was partially offset by the tax impact of adjustments

of Rs. 379.6 million and an impact of Rs. 260.9 million as a result of the Guidance Note related to changes in accounting policy. See the note on "Adjustments/Regroupings" under "Unconsolidated Financial Statements" on page 219 of this Preliminary Sale Document.

Fiscal 2003 Compared to Fiscal 2002

Revenues

Our total revenues increased by 47.6 percent to Rs. 367,056.3 million in fiscal 2003 from Rs. 248,674.7 million in fiscal 2002.

Sales Revenues

Our sales revenues increased by 51.9 percent to Rs. 346,907.4 million in fiscal 2003 from Rs. 228,371.8 million in fiscal 2002 primarily due to:

- An increase of 70.3 percent in the average annual prices obtained for crude oil to Rs. 1,381.4 per barrel in fiscal 2003 from Rs. 811.2 per barrel in fiscal 2002 primarily because prices of crude oil were decontrolled by the elimination of the APM for crude oil with effect from April 1, 2002. In addition, there was an increase of 4.6 percent in the quantity of crude sold to 23.90 million metric tons (179.25 mbbl) in fiscal 2003 from 22.86 million metric tons (171.45 mbbl) in fiscal 2002 and an increase of 5 percent in the average daily production of crude oil to approximately 566,586 barrels in fiscal 2003 from approximately 540,313 barrels in fiscal 2002. As a result of these factors, our total sales revenues of crude oil increased by 78.1 percent to Rs. 244,130.9 million in fiscal 2003 from Rs. 137,115.1 million in fiscal 2002.
- An increase of 24.1 percent in sales revenues from naphtha exported to Rs. 1,208.9 million in fiscal 2003 from Rs. 974.3 million in fiscal 2002 due to higher prices in the international market compared to the domestic market.
- An increase in the prices of value-added products such as LPG, ARN, SKO, naphtha and ethane/propane, the prices of which were also linked to international prices with effect from April 1, 2002, resulting in an increase in sales revenues of 39.2 percent to Rs. 51,222.1 million in fiscal 2003 from Rs. 36,793.2 million in fiscal 2002. In addition to the increases in prices obtained, the sales volumes of these products also increased by 3.3 percent to 3.76 million metric tons in fiscal 2003 from 3.64 million metric tons in fiscal 2002. There was an increase of 4 percent in the average daily production of value-added products to 10,402.59 metric tons in fiscal 2003 from 10,006.65 metric tons in fiscal 2002.
- An increase in the quantity of natural gas sold to 21.11 billion cubic meters in fiscal 2003 as compared to 20.43 billion cubic meters in fiscal 2002, offset by the decrease of 0.6 percent in the average annual selling price of natural gas, to Rs. 2,404.6 per thousand cubic meters in fiscal 2003 from Rs. 2,419.7 per thousand cubic meters in fiscal 2002, primarily due to the increase in prices paid for gas from our joint venture fields resulting in higher contributions by ONGC to the gas pool account. See "Factors Affecting Our Results of Operations-Price Regulation" on page 144 of this Preliminary Sale Document.

Revenues from Pipeline Transportation

Revenues from pipeline transportation declined by 88 percent to Rs. 477.6 million in fiscal 2003 from Rs. 3,965.9 million in fiscal 2002 as a result of the elimination of the APM, which had provided for reimbursements by the Government for transportation of our crude oil by pipeline.

Other Revenues

Our other revenues increased by 19.1 percent to Rs. 19,460.0 million in fiscal 2003 as compared to Rs. 16,334.7 million in fiscal 2002, primarily due to :

- An increase of 30 percent in interest income and dividends on investments to Rs. 13,199.1 million in fiscal 2003 from Rs. 10,140.9 million in fiscal 2002, primarily due to interest received on income tax refunds in the amount of Rs. 3,604.9 million, offset partly by a decrease in interest income on short-term deposits of 25 percent to Rs. 5,902.5 million in fiscal 2003 from Rs. 7,870.4 million in fiscal 2002 as a result of lower interest rates.
- An increase of 1.7 percent in miscellaneous receipts such as production bonus, sale of scrap, insurance claims and liquidated damages to Rs. 3,051.3 in fiscal 2003 from Rs. 2,999.2 in fiscal 2002.
- Receipt of arrears for cost of pour point depressant, which is a chemical used for oil flow improvement, payable by the Government for previous years in the amount of Rs. 1,822.8 million. No such reimbursement was received in fiscal 2002.

Expenditure

Production, Transportation, Selling and Distribution Expenditure

Our total production, transportation, selling and distribution expenditure increased by 34.5 percent to Rs. 142,573.6 million in fiscal 2003 from Rs. 106,002.6 million in fiscal 2002, primarily due to an increase in operating expenses and statutory levies as a result of increased production and sales. In fiscal 2003, total production, transportation, selling and distribution expenditure was 38.9 percent of total revenues, compared to 42.6 percent in fiscal 2002.

Operating Expenses: Our operating expenses increased by 8.6 percent to Rs. 50,240.4 million in fiscal 2003 from Rs. 46,259.3 million in fiscal 2002. Our operating expenses increased primarily due to:

- An increase of 10.1 percent in transportation costs of crude oil and gas to Rs. 5,451.5 million in fiscal 2003 from Rs. 4,950.7 million in fiscal 2002, primarily due to demurrage provisions in fiscal 2003.
- An increase of 44.5 percent in expenditure on staff, or employee compensation costs, to Rs. 9,876.2 million in fiscal 2003 from Rs. 6,836.0 million in fiscal 2002, primarily due to the payment in fiscal 2003 of an additional "annual incentive" to employees in an aggregate amount of Rs. 1,560.0 million for fiscal 2000 and fiscal 2001 and Rs. 800.0 million for fiscal 2002 applied towards provisions for annual incentives. Such increases were also affected by increased salary levels in fiscal 2003.
- An increase of 138.2 percent in expenditure for insurance to Rs. 1,209.1 million in fiscal 2003 from Rs. 507.5 million in fiscal 2002, primarily due to an increase in our insurance premiums.
- An increase of 13.5 percent in pollution control costs to Rs. 2,750.7 million in fiscal 2003 from Rs. 2,423.8 million in fiscal 2002.

Such increases were partially offset by:

- A decrease of 22.1 percent in costs of water injection, desalting, and de-emulsification to Rs. 2,035.7 million in fiscal 2003 from Rs. 2,614.6 million in fiscal 2002.
- A decrease of 12.4 percent in consumption of stores and spares to Rs. 1,846.5 million in fiscal 2003 from Rs. 2,108.0 million in fiscal 2002. The decrease in consumption was primarily due to lower requirements of stores and spares at our installations in fiscal 2003.
- A decrease of 10.9 percent in work-over costs to Rs. 6,041.9 million in fiscal 2003 from Rs. 6,784.1 million in fiscal 2002, primarily as a result of fewer work-over activities required in fiscal 2003.

In fiscal 2003, operating expenses were 13.7 percent of total revenues, compared to 18.6 percent in fiscal 2002.

Statutory Levies: Statutory levies increased by 54.5 percent to Rs. 92,333.2 million in fiscal 2003 from Rs. 59,743.3 million in fiscal 2002. This increase was primarily due to increases in sales revenue from our sales of crude oil, natural gas and value-added products and increases in the rate of cess on crude oil from Rs. 900 per metric ton in fiscal 2002 to Rs. 1,800 per metric ton with effect from March 1, 2002. The statutory levies that affected us in fiscal 2003 were the following:

- Royalty expenditure increased by 19.3 percent to Rs. 30,001.5 million in fiscal 2003 from Rs. 25,141.7 million in fiscal 2002. The increase in royalty expenditure is attributable to an increase in the royalty rates and the increase in the quantity of crude oil produced in fiscal 2003 as compared to fiscal 2002.
- The rate at which cess is levied on crude oil increased from Rs. 900 per metric ton to Rs. 1,800 per metric ton from March 1, 2002. As a result of the higher rate and our increased revenues, the total amount of cess expenditure increased by 87.6 percent to Rs. 42,090.3 million in fiscal 2003 from Rs. 22,436.77 million in fiscal 2002.
- The rate at which excise duty is levied on our value-added products increased from 8 percent to 16 percent with effect from March 1, 2002. This, together with other factors, resulted in an increase of 52.1 percent in excise duty expenditure to Rs. 4,903.9 million in fiscal 2003 from Rs. 3,223.8 million in fiscal 2002.
- Natural calamity contingent duty was imposed on crude oil at the rate of Rs. 50 per ton with effect from March 1, 2003. In fiscal 2003, natural calamity contingent duty expenditure was Rs. 98.2 million.
- An increase of 62.8 percent in sales tax expenditure to Rs. 12,560.7 million in fiscal 2003 from Rs. 7,714.4 million in fiscal 2002, primarily due to increases in sales revenues.
- An increase of 118.4 percent in octroi duties to Rs. 2,678.6 million in fiscal 2003 from Rs. 1,226.7 million in fiscal 2002, partly due to an increase in sales revenues and partly due to an increase in the rate at which octroi is levied, from 2.25 percent of sales revenues to 3 percent with effect from August 2002.

In fiscal 2003, statutory levies were 25.2 percent of total revenues, compared to 24.0 percent in fiscal 2002.

Recouped Costs

Our total recouped costs increased by 8.5 percent to Rs. 41,272.6 million in fiscal 2003 from Rs. 38,054.1 million in fiscal 2002. Recouped costs were affected by:

- An increase of 9.6 percent in depletion expenses to Rs. 17,497.3 million in fiscal 2003 from Rs. 15,960.7 million in fiscal 2002, primarily due to the increase in production volumes.

- An increase of 52.2 percent in expenditure on surveys to Rs. 6,705.3 million in fiscal 2003 from Rs. 4,405.8 million in fiscal 2002, primarily due to larger numbers of surveys conducted in the NELP blocks.
- A decrease of 3.5 percent in write-off expenses on account of dry wells to Rs. 9,475.4 million in fiscal 2003 from Rs. 9,822.2 million in fiscal 2002, primarily due to write back of dry wells as such wells became producing properties in fiscal 2003.
- A decrease of 3.4 percent in depreciation to Rs. 7,594.5 million in fiscal 2003 from Rs. 7,865.3 million in fiscal 2002, primarily due to fewer additions of fixed assets in fiscal 2003 as compared to fiscal 2002.

In fiscal 2003, recouped costs were 11.2 percent of total revenues, compared to 15.3 percent in fiscal 2002.

Interest and Exchange Rate Fluctuations

Our interest payments declined by 52.4 percent to Rs. 1,132 million in fiscal 2003 from Rs. 2,378.1 million in fiscal 2002. This decrease was primarily due to a Rs. 26,552.2 million repayment of foreign loans which reduced the aggregate principal amount outstanding to Rs. 2,616.0 million as of March 31, 2003 from Rs. 29,168.2 million as of March 31, 2002. The effect of exchange rate fluctuations decreased by 28.9 percent to Rs. 333.9 million in fiscal 2003 from Rs. 469.3 million in fiscal 2002, primarily due to a lower aggregate amount of foreign exchange loans outstanding in fiscal 2003.

In fiscal 2003, the effect of interest and exchange rate fluctuations was Rs. 1,465.9 million, or 0.4 percent of total revenues, compared to Rs. 2,847.4 million, or 1.1 percent, in fiscal 2002.

Provisions and Write-Offs

Provisions and write-offs increased by 538.8 percent to Rs. 20,912.3 in 2003 from Rs. 3,273.7 million in 2002 primarily due to:

- An increase of 719.9 percent in provisions for abandonment to Rs. 19,125.8 million in fiscal 2003 from Rs. 2,332.8 million in fiscal 2002. This was due to a change in our accounting policies relating to provisions for dismantling, abandoning and restoring offshore well sites to the "unit of production method" from the earlier method of straight line depreciation over the life of the asset. Previously we only depreciated assets with a 15 year estimated useful life or less but now we depreciate all assets regardless of estimated useful life in accordance with unit of production method, with retroactive effect from fiscal 2000.
- A new provision for doubtful debts, claims and advances of Rs. 1,901.5 million in fiscal 2003, primarily due to insurance claims of Rs. 840.0 million and loans to public sector companies and interest accruing on such loans, in the amount of Rs. 668.0 million.

In fiscal 2003, provisions and write-offs were 5.7 percent of total revenues, compared to 1.3 percent in fiscal 2002.

Profit Before Tax

Our profit before tax increased by 63.6 percent to Rs. 161,238.4 million in fiscal 2003 from Rs. 98,552.2 million in fiscal 2002. Profit before tax as a percentage of total revenues increased by 4.3 percent to 43.9 percent in fiscal 2003 from 39.6 percent in fiscal 2002, primarily due to the increase in sales revenues resulting from higher prices of crude oil and value-added products.

Provision for Taxation

Our provision for taxation increased by 53.0 percent to Rs. 55,945.2 million in fiscal 2003 from Rs. 36,573.5 million in fiscal 2002, primarily due to the increase in income before taxes. In addition, there was an increase in the rate of surcharge levied on income tax to 5 percent in fiscal 2003 from 2 percent in fiscal 2002. The amount of surcharge payable was Rs. 2,748.9 million in fiscal 2003 as compared to Rs. 717.1 million payable in fiscal 2002.

Net Profit After Tax

Our net profit after tax increased by 69.9 percent to Rs. 105,293.3 million in fiscal 2003 from Rs. 61,978.8 million in fiscal 2002, primarily due to the increase in sales revenues which was partly offset by higher statutory levies, larger amounts of provisions and write-offs, higher recouped costs and higher income tax payable.

Our net profit after tax was 28.7 percent of our total revenues in fiscal 2003, compared to 24.9 percent in fiscal 2002.

Adjusted Net Profit After Tax

Our net profit after tax has been adjusted for changes in accounting policies as well as for the impact of certain prior period items. As a result of these adjustments, the adjusted profit for fiscal 2003 was Rs. 109,973.3 million, which was higher by Rs. 4,680.0 million compared to the net profit after tax for the same fiscal year. The adjustment to profit was primarily on account of adjustments resulting from our adoption of the Guidance Note's abandonment policy, which requires the use of the unit of production method. See "- Significant Accounting Policies" on page 216 of this Preliminary Sale Document. This adjustment was partially offset by the tax impact of adjustments of Rs. 3,778.1 million, provision for tax for earlier years of

Rs. 1,782.7 million and sales revenue arrears of Rs. 3,011.7 million (net of statutory levies). See the note on "Adjustments/ Regroupings" under "Unconsolidated Financial Statements" on page 219 of this Preliminary Sale Document.

Fiscal 2002 Compared to Fiscal 2001

Revenues

Our total revenues decreased by 1.4 percent to Rs. 248,674.7 million in fiscal 2002 from Rs. 252,159.8 million in fiscal 2001.

Sales Revenues

Our sales revenues decreased by 1.5 percent to Rs. 228,371.8 million in fiscal 2002 from Rs. 231,791.0 million in fiscal 2001, primarily as a result of a 2.2 percent decrease in the quantity of crude oil sold to 22.86 million metric tons (171.45 mbbl) from 23.38 million metric tons (175.38 mbbl) and a 0.3 percent decrease in natural gas sold to 20.43 billion cubic meters in fiscal 2002 from 20.50 billion cubic meters in fiscal 2001, which were partly offset by a 2.5 percent increase in value-added products sold to 3.64 million metric tons in fiscal 2002 from 3.55 million metric tons in fiscal 2001. In addition, some of the other factors that influenced the decrease in sales revenues include:

- A decrease of 5.8 percent in the annual sales revenues for sales of aromatic rich naphtha to Rs. 15,236.2 million in fiscal 2002 from Rs. 16,177.3 million in fiscal 2001, primarily due to lower prices for aromatic rich naphtha obtained by us in the domestic market.
- An increase of 79.4 percent to Rs. 1,971.6 million in fiscal 2002 from Rs. 1,099.2 million in fiscal 2001 of profit petroleum in respect of the Ravva joint venture to the Government in accordance with the production-sharing contract. For further information, see "Business "Exploration and Development-Production-Sharing Contracts."
- A decrease of 33.6 percent in sales revenues from export of naphtha to Rs. 974.3 million in fiscal 2002 from Rs. 1,467.4 million in fiscal 2001, primarily due to lower volumes of naphtha exported due to lower prices available in the international market.

Revenues from Pipeline Transportation

Revenues from pipeline transportation declined by 14.0 percent to Rs. 3,965.9 million in fiscal 2002 from Rs. 4,612.2 million in fiscal 2001 due to a 32.7 percent decrease in past arrears for transportation expenses reimbursed to us by the Government to Rs. 2,178.1 million in fiscal 2002 from Rs. 3,236.9 million in fiscal 2001.

Other Revenues

Our other revenues increased by 6.7 percent to Rs. 16,334.7 million in fiscal 2002 from Rs. 15,309.6 million in fiscal 2001, primarily due to:

- Higher interest income on deposits with banks and financial institutions, which increased by 12.1 percent to Rs. 7,870.4 million in fiscal 2002 from Rs. 7,019.7 million in fiscal 2001.
- An increase of 122.5 percent in miscellaneous receipts to Rs. 2,999.2 million from Rs. 1,348.2 million.

  This was partly offset by lower reimbursements from the Government for cost of pour point depressant, which is a chemical used for oil flow improvement and other reimbursements, which declined to Rs. 1,977.2 million in fiscal 2002 from Rs. 4,481.8 million in fiscal 2001.

Expenditure

Production, Transportation, Selling and Distribution Expenditure

Our total production, transportation, selling and distribution expenditure increased by 1.2 percent to Rs. 106,002.6 million in fiscal 2002 from Rs. 104,772.6 million in fiscal 2001. In fiscal 2002, our total production, transportation, selling and distribution expenditure was 42.6 percent of total revenues, compared to 41.5 percent for fiscal 2001.

Operating Expenses: Our operating expenses decreased by 6.1 percent to Rs. 46,259.3 million in fiscal 2002 from Rs. 49,257.4 million in fiscal 2001. Our operating expenses decreased primarily due to:

- A decrease of 18.4 percent in staff costs to Rs. 6,836.0 million in 2002 from Rs. 8,381.7 million in fiscal 2001, primarily due to the impact of retrospective payment of pay revision arrears in fiscal 2001.
- A decrease of 40.6 percent in repairs and maintenance expenditure to Rs. 1,726.7 million in fiscal 2002 from Rs. 2,907.2 million in fiscal 2001. This is primarily due to higher repairs and maintenance expenditure in the Western Offshore region in fiscal 2001, including the replacement of a water injection pipeline.
- A decrease of 13.2 percent in work-over costs to Rs. 6,784.1 million in fiscal 2002 from Rs. 7,819.2 million in fiscal 2001, primarily due to fewer work-over activities required in fiscal 2002, especially in the Western Offshore region.

- A decrease of 22.0 percent in costs of water injection, desalting and de-emulsification to Rs. 2,614.6 million in fiscal 2002 from Rs. 3,353.1 million in fiscal 2001.
- A decrease of 13.1 percent in consumption of stores and spares to Rs. 2,108.0 million in fiscal 2002 from Rs. 2,424.5 million in fiscal 2001.

In fiscal 2002, operating expenses were 18.6 percent of total revenues, compared to 19.5 percent in fiscal 2001.

Statutory Levies: Statutory levies increased by 7.6 percent to Rs. 59,743.3 million in fiscal 2002 from Rs. 55,515.2 million in fiscal 2001. This increase was primarily due to increases in the rate of royalty on crude oil from Rs. 750 per metric ton to Rs. 800 per metric ton with effect from January 1, 2000. In fiscal 2002, this rate was provisionally increased to Rs. 850 per metric ton with retroactive effect from December 1, 1999 and increases in the rate of cess on crude oil from Rs. 900 per metric ton in fiscal 2002 to Rs. 1,800 per metric ton with effect from March 1, 2002. The statutory levies that affected us in fiscal 2002 are the following:

- An increase of 9.2 percent in the royalty expenditure to Rs. 25,141.7 million in fiscal 2002 from Rs. 23,023.7 million in fiscal 2001. This increase is partly offset by reduced royalty expenditure due to reduced production of crude oil and natural gas in fiscal 2002.
- The rate at which cess is levied on crude oil increased from Rs. 900 per metric ton to Rs. 1,800 per metric ton from March 1, 2002. An increase of 6.3 percent in the total amount of cess expenditure to Rs. 22,436.7 million in fiscal 2002 from Rs. 21,114.4 million in fiscal 2001. The higher cess was paid for one month in fiscal 2002, in the amount of Rs. 1,718 million, which was partly offset by a reduction in the volumes of crude oil produced in the year.
- The rate at which excise duty is levied on our value-added products increased from 8.0 percent to 16.0 percent with effect from March 1, 2002. This led to an increase of 18.6 percent in excise duty expenditure to Rs. 3,223.8 million in fiscal 2002 from Rs. 2,718.6 million in fiscal 2001. The higher duty was paid for one month in fiscal 2002.
- An increase of 3.7 percent in sales tax payable to Rs. 7,714.4 million in fiscal 2002 from Rs. 7,439.4 million in fiscal 2001.

In fiscal 2002, statutory levies were 24.0 percent of total revenues, compared to 22.0 percent in fiscal 2001.

Recouped Costs

Recouped costs decreased by 14.5 percent to Rs. 38,054.1 million in fiscal 2002 from Rs. 44,532.8 million in fiscal 2001. Recouped costs were primarily affected by:

- A decrease of 25.8 percent in depreciation to Rs. 7,865.3 million in fiscal 2002 from Rs. 10,601.5 million in fiscal 2001, primarily due to higher depreciation charges in the amount of Rs. 2,586.9 million relating to Western Offshore process platforms in fiscal 2001 because of a revision in the ratio for allocation of depreciation between transportation activities (which is charged to the profit and loss account) and depreciation related to development activities (which is capitalised to producing fields and charged to depletion).
- A decrease of 32.4 percent in write-off expenses on dry wells to Rs. 9,822.2 million in fiscal 2002 from Rs. 14,522.9 million in fiscal 2001 primarily due to changes in the company's accounting policy regarding write-offs of undecided exploratory wells in progress in fiscal 2001.

This decrease was partially offset by:

- An increase of 20.7 percent in expenditure on surveys to Rs. 4,405.8 million in fiscal 2002 from Rs. 3,649.3 million in fiscal 2001 primarily due to larger numbers of surveys conducted in fiscal 2002 in the NELP blocks.
- An increase of 1.3 percent in depletion to Rs. 15,960.7 million in fiscal 2002 from Rs. 15,759.2 million in fiscal 2001.

In fiscal 2002, recouped costs were 15.3 percent of total revenues, compared to 17.7 percent in fiscal 2001.

Interest and Exchange Rate Fluctuation

Interest payments decreased by 40 percent to Rs. 2,378.1 in fiscal 2002 from Rs. 3,965.3 million in fiscal 2001, primarily due to a net Rs. 11,328.1 million repayment of foreign loans to Rs. 29,168.2 million outstanding on March 31, 2002 compared to Rs. 40,496.3 million outstanding on March 31, 2001. The effect of exchange rate fluctuations decreased by 63 percent to Rs. 469.3 million in fiscal 2002 from Rs. 1,268.6 million in fiscal 2001, primarily due to lower aggregate amount of foreign exchange loans outstanding and the appreciation of the value of the Rupee against the Japanese Yen by 2 percent in fiscal 2002, which decreased our interest cost in respect of our Yen denominated loans.

In fiscal 2002, the effect of interest and exchange rate fluctuations was Rs. 2,847.4 million, or 1.1 percent of total revenues, compared to Rs. 5,233.9 million, or 2.1 percent, in fiscal 2001.

Provisions and Write-Offs

Provisions and write-offs, including impairment and abandonment provisions, decreased by 46 percent to Rs. 3,273.7 million in fiscal 2002 from Rs. 6,058.4 million in fiscal 2001, primarily due to lower provisions for impairment on producing fields.

In fiscal 2002, provisions and write-offs were 1.3 percent of total revenues, compared to 2.4 percent in fiscal 2001.

Profit Before Tax

Our profit before tax increased by 7.6 percent to Rs. 98,552.2 million in fiscal 2002 from Rs. 91,568.5 million in fiscal 2001. Profit before tax as a percentage of total revenues increased by approximately 3.3 percent to 39.6 percent in fiscal 2002 from 36.3 percent in fiscal 2001, primarily due to the decreased expenditure.

Provision for Taxation

Our provisions for taxation decreased by 6.9 percent to Rs. 36,573.5 million in fiscal 2002 from Rs. 39,280.7 in fiscal 2001, primarily due to a reduction of surcharge on income tax and tax benefits for deposits to the site restoration fund and gratuity fund.

Net Profit After Tax

Our profit after tax increased by 18.5 percent to Rs. 61,978.8 million in fiscal 2002 from Rs. 52,287.8 million in fiscal 2001, primarily due to reductions in expenditure and income tax liability.

Our net profit after tax was 24.9 percent of total revenues in fiscal 2002 compared to 20.7 percent of total revenues in fiscal 2001.

Adjusted Net Profit After Tax

The adjusted profit for fiscal 2002 was Rs. 55,690.3 million, which was lower by Rs. 6,288.4 million compared to the net profit after tax as per audited statement of accounts for the same fiscal year. The adjustment to profit was primarily on account of adjustment resulting from our adoption of the Guidance Note's abandonment policy, which uses the unit of production method, price revision arrears and statutory levies thereon. See "- Significant Accounting Policies" on page 216 of this Preliminary Sale Document. This adjustment was partially offset by the tax impact of adjustments of Rs. 3,680.3 million and levies on price revision arrears amounting to Rs. 1,586.3 million.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditure. To fund these costs, we have relied on cash flows from operations and short-term and long-term borrowings.

Dividends

Our dividend payout and tax on dividend payout for fiscal 2003, 2002 and 2001 were as follows:

	Year ended March 31,		
	2003	**2002**	**2001**
Dividend per Equity Share (Rs.)	30	14	11
Dividend Payout (Rs. in millions)	42,778	19,963.1	15,685.3
Dividend Tax (Rs. in millions)	2,375.1	–	1,599.9

On January 30, 2004, we declared an interim dividend of Rs. 14 per share, in a total aggregate amount of Rs.19,963.1 million.

Dividends are declared at the annual general meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, at its discretion, to be paid to our shareholders. The Board may also declare interim dividends. The Board considers a number of factors in making a recommendation to pay dividend, including but not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow situation and applicable taxes such as tax on dividend. Pursuant to the guideline dated February 11, 1998 from the Government, all profit-making PSUs which are essentially commercial enterprises are required to declare the higher of a minimum dividend of 20 percent on equity or a minimum dividend of 20 percent of post-tax profits. According to the February 11, 1998 guideline, the minimum pay-out in respect of enterprises in the oil, petroleum, chemicals and other infrastructure sectors (such as ONGC) is 30 percent of post-tax profits. The dividend pay-out ratios in fiscal 2003, 2002 and 2001 were 40.6 percent, 32.2 percent and 30.0 percent, respectively. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy in the future. For more information on our dividend policy, see "Dividend Policy" on page 182 of this Preliminary Sale Document.

Cash Flows

The table below summarises our cash flows for the nine months ended December 31, 2003 and fiscal 2003, 2002 and 2001. Figures in brackets represent cash outflow.

(Rs. in millions)

Cash Flow	Nine Months ended December 31, 2003	Year ended March 31, 2003	2002	2001
Net Cash from Operating Activities	100,742.1	129,510.5	81,467.3	74,774.0
Net Cash Used in Investing Activities	(34,210.2)	(77,259.7)	(18,313.8)	(42,454.6)
Net Cash Used in Financing Activities	(26,187.2)	(72,116.0)	(30,303.6)	(42,387.8)
Net Increase/(Decrease) in Cash and Cash Equivalents	40,344.7	(19,865.2)	32,849.9	(10,068.5)

Net Cash from Operating Activities

Our main source of cash flows is funds from operations. Changes in our funds from operations are mainly determined by changes in the prices we get for our products and our production volumes. In the nine months ended December 31, 2003, our net cash flows from operating activities were Rs. 100,742.1 million, or 77.8 percent of the cash flows from operating activities in fiscal 2003. This increase was primarily due to the recovery of Rs. 14,157.5 million from various debtors during the nine months ended December 31, 2003.

The prices of crude oil and value-added products in fiscal 2003 were higher than the prices obtained for these products in fiscal 2002. As a result, net cash flows from operating activities increased to Rs. 129,510.5 in fiscal 2003 from Rs. 81,467.3 million in fiscal 2002. Our net cash from operating activities was Rs. 81,467.3 million in fiscal 2002, primarily due to an increase in trade payables and other liabilities, as compared to Rs. 74,774.0 million in fiscal 2001.

Net Cash Used in Investing Activities

In the nine months ended December 31, 2003, we utilised net cash of Rs. 34,210.2 million in investing activities, or 44.3 percent of the net cash utilised for investing activities in fiscal 2003. This decrease is primarily because, during the nine months ended December 31, 2003, our loans and advances to subsidiaries were Rs. 9,140.3 million, compared to Rs. 50,864.1 million in fiscal 2003. We acquired additional outstanding equity shares of MRPL during this period for an amount of Rs. 3,811.4 million. In addition, we invested an aggregate amount of Rs. 383.4 million towards the acquisition of 23 percent of the equity shares of Petronet MHB Limited and Rs. 725.0 million towards the acquisition of 12.5 percent of the equity shares of Petronet LNG Limited. Our expenditure for purchase of fixed assets was Rs. 11,161.3 million and for exploratory and development drilling was Rs. 21,861.0 million in this period. We generated cash from interest/dividend received and maturity of investments in an amount of Rs. 8,204.0 million, or 52.2 percent of cash from interest/dividend received and maturity of investments in fiscal 2003. This decrease was primarily due to lower interest rates during the nine months ended December 31, 2003 and interest of Rs. 3,604.9 million received on income tax refunds in fiscal 2003.

We utilised net cash of Rs. 77,259.7 million in investing activities in fiscal 2003. This includes activities such as loans and advances in the amount of Rs. 50,864.1 million, purchase of fixed assets of Rs. 19,869.4 million, the acquisition of MRPL for Rs. 6,594.3 million and expenditure towards exploratory and development drilling of Rs. 17,979.8 million. We spent additional amounts in fiscal 2003, which are accounted for under recouped costs, for exploratory drilling on wells that were subsequently determined to be dry. We also generated cash from investing activities from interest/dividend received and maturity of investments. The utilization in investing activities was higher in fiscal 2003 as compared to Rs. 18,313.8 million utilised in fiscal 2002, primarily due to higher amounts of loans and advances to subsidiaries and maturity of deposits. The net cash utilization in investing activities was lower in fiscal 2002 as compared to Rs. 42,454.6 million utilised in fiscal 2001, primarily due to deposits of surplus funds amounting to Rs. 24,700 million in fiscal 2001.

Net Cash Used in Financing Activities

In the nine months ended December 31, 2003, our net cash used in financing activities was Rs. 26,187.2 million, or 36.3 percent of the net cash used in financing activities in fiscal 2003. This decrease was primarily because in the nine months ended December 31, 2003, the repayment of long-term borrowings was Rs. 1,279.8 million as compared to Rs. 26,841.3 million in fiscal 2003. In addition, the dividend outflow in the nine months ended December 31, 2003 was Rs. 18,548.2 million, compared to Rs. 44,173.5 million in fiscal 2003.

Our net cash used in financing activities was Rs. 72,116.0 million in fiscal 2003, primarily due to repayment of long-term borrowings and payment of dividends. There were no proceeds from long-term borrowings in fiscal 2003. Our net cash used in financing activities was Rs. 30,303.6 million in fiscal 2002, primarily due to repayment of long-term borrowings, payment of dividends, dividend tax and payment of interest. Our net proceeds from long-term borrowings in fiscal 2002 were in the amount of Rs. 1,736.7 million. Our net cash used in financing activities was Rs. 42,387.8 million in fiscal 2001 primarily due to repayment of long-term borrowings, payment of dividends, dividend tax and payment of interest. Our proceeds from long-term borrowings in fiscal 2001 were in the amount of Rs. 8,783.8 million.

Indebtedness

Key terms of our outstanding indebtedness as of December 31, 2003 are as follows:

Indian Rupee Loans

We had an aggregate principal amount of Rs. 1,360.3 million in Indian Rupee borrowings outstanding as of December 31, 2003. This included an aggregate principal amount of Rs. 808.7 million outstanding under an Indian Rupee loan from Oil Industry Development Board as of December 31, 2003. The interest rate applicable to the Indian Rupee loan is 5 percent per annum and, in the event of certain commercial discoveries, an interest rate of 14 percent per annum will be charged for the entire term of the loan. The loan is repayable in annual installments by October 8, 2007. We also had an aggregate principal amount of Rs. 551.6 million outstanding under a working capital facility of Rs. 5,000 million from State Bank of India as of December 31, 2003. The interest rate applicable to the loan is at the State Bank of India Lending Rate, which is linked to the Prime Lending Rate compounded on a monthly basis.

In addition, as of February 12, 2004, we have borrowed an aggregate principal amount of Rs. 28,850.0 million under an Indian Rupee short-term loan from the State Bank of India, of which Rs. 22,850 million is provided at an interest rate of 4.58 percent and Rs. 6,000 million is provided at an interest rate of 4.59 percent, repayable by May 2004. Further, as of February 12, 2004, we have borrowed an aggregate principal amount of Rs. 3,000 million under an Indian Rupee short-term loan from the Bank of Maharashtra at an interest rate of 4.5 percent, repayable by May 2004. We used Rs. 24,000 million of these borrowings to make loans to MRPL. We borrowed these funds to avoid incurring uneconomical breakage costs with respect to our higher interest bank time deposits.

Foreign Currency Loans

We had an aggregate principal amount of Rs. 1,538.4 million in foreign currency loans outstanding as of December 31, 2003. The details of our foreign currency loans are as follows:

- An aggregate principal amount of approximately US$ 0.8 million (Rs. 35.1 million) outstanding from Industrial Bank of Japan, Asia and Sociète Generalè Asia Limited repayable in semi-annual installments by March 8, 2004. The interest rate applicable to this loan is 0.375 percent per annum above the London Interbank Offered Rate, or LIBOR.
- An aggregate principal amount of approximately JY 2,778.1 million (Rs. 1,183.7 million) outstanding from State Bank of India, New York repayable in semi-annual installments by September 15, 2010. The interest rate applicable to this loan is 2.60 percent per annum.
- An aggregate principal amount of approximately GBP 1.1 million (Rs. 85.8 million) outstanding from State Bank of India, Singapore repayable in semi-annual installments by January 15, 2004. The interest rate applicable to this loan is 7.07 percent per annum.
- An aggregate principal amount of approximately US$5.1 million (Rs. 233.8 million) outstanding from State Bank of India, Hong Kong repayable in semi-annual installments by June 16, 2004. The interest rate applicable to this loan is 5.69 percent per annum.

In addition, as of December 31, 2003, we have issued several guarantees in an aggregate principal amount of Rs. 133,208.4 million. See the note on “Contingent Liabilities” under “Unconsolidated Financial Statements” on page 223 of this Preliminary Sale Document and “Risk Factors as Perceived by the Company -We are subject to certain contingent liabilities under Indian Accounting Standards” on page 24 of this Preliminary Sale Document. To the extent any of these contingent liabilities become actual liabilities, they may adversely affect our results of operations and financial condition in the future.

Historical and Planned Capital Expenditure and Other Investments

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalised), advance payments on account of capital expenditures and surveys, exploratory drilling and development drilling.

In the nine months ended December 31, 2003, our total capital expenditure was Rs. 37,441.9 million which was primarily utilised to purchase fixed assets for Mumbai High North (Rs. 446.2 million) and South (Rs. 13.9 million), Mumbai High-Bassein pipeline (Rs. 315.9 million), BE-BA flowline (Rs. 13.7 million) and improved oil recovery programs (Rs. 883.0 million) at Lakwa,

Kalol, North Kadi and Neelam, amounting in the aggregate to Rs. 11,161.3 million, and expenditure on exploratory and developmental drilling of Rs. 21,861.0 million incurred primarily for exploratory activity in Western Offshore, Cambay, Krishna-Godavari, Upper Assam and Assam-Arakan Basins. We acquired an additional 20.4 percent of outstanding equity shares of MRPL during this period for Rs. 3,811.4 million. In addition, we invested an aggregate amount of Rs. 383.4 million towards the acquisition of 23 percent of the equity shares of Petronet MHB Limited and Rs. 725.0 million towards the acquisition of 12.5 percent of the equity shares of Petronet LNG Limited.

In fiscal 2003, our total capital expenditure was Rs. 50,082.9 million which was primarily utilised to purchase fixed assets, including for Mumbai High North (Rs. 6,375.4 million) and South (Rs. 404.1 million) redevelopment schemes, development of Heera fields (Rs. 893.6 million) and improved oil recovery programs at Gandhar (Rs. 794.0 million), amounting in the aggregate to Rs. 19,869.4 million, and expenditure on exploratory and development drilling of Rs. 24,220.2 million incurred primarily for exploratory activities in Western Offshore, Cambay, Krishna-Godavari, Upper Assam and Assam-Arakan Basins and development drilling for Mumbai High redevelopment schemes. In addition, we also spent Rs. 6,594.3 million for our acquisition of 51.2 percent of the outstanding equity shares of MRPL in fiscal 2003. Our Board of Directors has approved plans to acquire an additional 16.95 percent interest in MRPL from one of its other shareholders.

In fiscal 2002, total capital expenditure was Rs. 38,850.7 million which was primarily utilised for new platforms and modifications to existing platforms in Mumbai High, new pipeline and platform modifications, new well platforms (amounting in the aggregate to Rs. 5,168.6 million) and enhanced recovery programs at Santhal and Balol (Rs. 2,176.1 million), amounting in the aggregate to Rs. 15,982.1 million and expenditure on exploratory and development drilling of Rs. 18,832.8 million related principally to exploratory activity in Western Offshore, Cambay, Krishna-Godavari and Assam basins and drilling of development wells in some of our producing fields.

In fiscal 2001, total capital expenditure was Rs. 33,614.6 million which was primarily utilised to purchase fixed assets for well platforms in Mumbai High South (Rs. 1,314.2), compressor facilities for Heera process platforms (Rs. 1,966.5), capitalization of casings pipes and tubings for drilling activity (Rs. 3,255.6 million), amounting in the aggregate to Rs. 13,516.1 million and expenditure on exploratory and development drilling of Rs. 16,911.8 million primarily due to exploration activity in Western Offshore, Cambay and Assam basins and drilling of development wells in some of our producing fields.

For fiscal 2003, 2002 and 2001, our total capital expenditure was 71.2 percent, 69.0 percent and 74.9 percent of our budgeted capital expenditure for each of those years, respectively. We have received the necessary authorizations for budgeted capital expenditure of an aggregate amount of Rs. 83,250 million in fiscal 2004 for exploration, development and purchase of fixed assets as well as Rs. 23,000 million for diversification projects, and up to Rs. 300,000 million in total by fiscal 2007, including on the following projects:

- Continued investment in deep-water exploration and drilling. As part of our "Sagar Sammriddhi" Deep-Water Campaign, we intend to drill 47 exploratory wells, including three wells that we have drilled to date, up to 13 wells by the end of fiscal 2005, and up to 35 wells by the end of fiscal 2007. We have budgeted expenditures totalling Rs. 44,862.3 million through fiscal 2007 for this project.
- Continued expenditure on improving our recovery factor through improved recovery methods, primarily in the Mumbai High North and South redevelopment schemes as well as improved oil recovery schemes in Neelam, Gandhar, Sanand, North Kadi, Jotana, Sobhasan, Lakwa, Gelki and Rudrasagar fields. The capital expenditure budget for fiscal 2004 allocated for improvement of recovery methods is Rs. 32,827.7 million and up to Rs. 95,709.9 million by fiscal 2007. See "Business-Strategy" on page 90 of this Preliminary Sale Document.
- Construction of an ethane-propane and auto LPG extraction plant at Dahej at a total cost of Rs. 9,010 million, proposed to be completed by May 2006.
- Construction of a pipeline to replace the existing Mumbai-Uran pipeline at a total cost of Rs. 27,925 million, proposed to be completed by the end of fiscal 2005.

As of December 31, 2003, OVL had spent approximately Rs. 70,593 million (US$1,864 million) in investments in its ongoing international projects and had existing commitments of Rs. 67,732 million (US$1,495 million) for such projects. A majority of OVL's existing commitments are for Sakhalin-1, with most of the remainder for the Sudan and Vietnam projects. OVL is currently pursuing several other exploration and production opportunities, some of which are in advanced stages of negotiation and may involve significant commitments by OVL. We fund most of OVL's capital expenditure requirements.

MRPL has received the necessary authorizations for capital expenditure of, and expects to spend an aggregate amount of, Rs. 7,000 million up to fiscal 2007, of which MRPL plans to invest approximately Rs. 6,000 million to prepare for its compliance with Bharat Stage III and Bharat Stage IV emission norms and the remainder is to establish facilities for mixed xylene production and energy conservation measures.

Our ability to maintain and grow our revenues, profit and cash flows depends upon continued capital spending. We adjust our capital expenditure and investment plan on an annual basis and we may also adjust the amount of our capital expenditure upward or downward based on our cash flow from operations and market conditions, including prevailing oil and gas prices. Our capital expenditure plans entail exploration, engineering, technological upgrades, construction and other commercial risks, and the projects currently contemplated by us may involve significant cost overruns, may not be completed in a timely manner

or at all, or may not operate as planned. These capital expenditure plans are subject to a number of other risks, contingencies and other factors, some which are beyond our control. See "Risk Factors as Perceived by the Company - Our development plans have significant capital expenditure requirements and, if we are unable to obtain the necessary funds for such capital expenditure in a timely manner, our business may be adversely affected" on page 22 of this Preliminary Sale Document.

Research and Development

For the nine months ended December 31, 2003 and fiscal years 2003, 2002 and 2001, we spent Rs. 742.4 million, Rs. 929.3 million, Rs. 802.7 million and Rs. 821.8 million, respectively, on research and development activities. We have allocated Rs. 4,754.1 million for capital expenditure on research and development activities to be spent in a phased manner until fiscal 2007.

(Rs. in millions)

	Nine Months ended December 31,	Year ended March 31,		
	2003	**2003**	**2002**	**2001**
Capital	137.5	74.6	93.8	110
Recurring	604.9	854.7	708.9	711.8
Total	**742.4**	**929.3**	**802.7**	**821.8**
Total R&D expenditure as a percentage of total revenues	0.30%	0.26%	0.34%	0.34%

For more information, see "Business -Research and Development" on page 116 of this Preliminary Sale Document.

Principal Sources of Liquidity

At December 31, 2003, our cash and cash equivalents amounted to Rs. 101,434.8 million. We believe that our anticipated cash flow from operations, together with our existing cash, will be sufficient to meet our operating and capital expenditure requirements for fiscal 2004. Our anticipated cash flows depend on several factors beyond our control, such as international prices of crude oil and value-added products, Government regulation of prices, and the rates of subsidies and other levies by the Government. We may therefore be required to incur additional indebtedness or issue equity in the future. See "Risk Factors as Perceived by the Company" on page 17 of this Preliminary Sale Document.

We also have contingent liabilities which may affect our financial condition and results of operations. See "Risk Factors as Perceived by the Company. We are subject to certain contingent liabilities under Indian Accounting Standards" on page [•] of this Preliminary Sale Document.

Quantitative and Qualitative Disclosures about Market Risk

Commodity Price Risk

The prices of our products, in particular, crude oil and value-added products, are linked to the international prices of such products. Our revenues are exposed to the risk of fluctuation in prices in the international markets. We do not currently have in place any hedging mechanisms.

Operating Risk

We are exposed to operating risks, including reservoir risk, risk of loss of oil and gas and natural calamities risk in respect of all our installations and facilities. We have, however, insured our installations and facilities, which means that most replacement costs will be borne by the insurance company. We are however, not covered for lost profits. The premium for insurance coverage at replacement cost for fiscal 2004 was Rs. 1,952.5 million, exclusive of service tax. See "Business-Insurance" on page [•] of this Preliminary Sale Document.

Exchange Rate Risk

We make substantial purchases of services and equipment in foreign currencies and the prices of crude oil and value-added products are linked to the international prices of crude oil and value-added products, which are traditionally denominated in U.S. Dollars. We are exposed to risks relating to exchange rate fluctuations. We have no hedging or derivative program to cover these risks. However, the risk involved in our required payments in foreign currencies is offset to some degree by our revenues from sales of crude oil and value-added products, which are linked to the U.S. Dollar currency exchange rates and increase if the U.S. Dollar strengthens against the Indian Rupee.

Interest Rate Risk

Our interest rate risk results from changes in interest rates on foreign currency loans, which may affect our financial expenses. As of December 31, 2003, we had foreign currency loans of Rs. 1,538.4 million and Rupee denominated loans of Rs. 1,360.3 million outstanding.

We are exposed to interest rate risk on our earnings. We make short-term investments with banks and other financial institutions and a decrease in the interest rates in the domestic market will result in lower interest earnings on short-term deposits.

Effect of Inflation

During fiscal 2003, 2002 and 2001, the All India Consumer Price Index increased by 4.0 percent, 4.3 percent and 3.8 percent, respectively. We set the price for our products sold in India based on various factors, including inflation. Inflation has not had a significant impact on the results of our operations.

Related Party Transactions

As of December 31, 2003, we had provided an aggregate principal amount of Rs. 81,215.4 million in loans to our subsidiaries, which comprised an interest-free loan to OVL in the aggregate principal amount of Rs. 81,215.4 million for overseas investments and acquisitions. In addition, we invested an aggregate amount of Rs. 383.4 million towards the acquisition of 23 percent of the equity shares of Petronet MHB Limited and Rs. 1,000.0 million towards the acquisition of 12.5 percent of the equity shares of Petronet LNG Limited.

We have made available to MRPL a loan of Rs. 26,000 million, of which an aggregate principal amount of Rs. 24,000 million was outstanding as of February 12, 2004. The interest rate applicable to the loan is the Reserve Bank of India Lending Rate, which is currently at six percent. This loan is repayable in installments by fiscal 2014.

As of December 31, 2003, we had an aggregate principal amount of Rs. 0.11 million outstanding in loans to directors. All employees, including directors and key management personnel, are entitled to various categories of loans in accordance with our policy.

In addition, we have provided several significant guarantees to third parties in respect of payment and other obligations of our subsidiaries. See the note on "Contingent Liabilities" under "Unconsolidated Financial Statements" on page 223 of this Preliminary Sale Document and "Risk Factors as Perceived by the Company. We are subject to certain contingent liabilities under Indian Accounting Standards" on page 24 of this Preliminary Sale Document. To the extent any of these contingent liabilities become actual liabilities, they may adversely affect our results of operations and financial condition in the future.

For more information, see "Related Party Transactions" annexed to the Auditors' Report included in this Preliminary Sale Document.

Unusual and Infrequent Events or Transactions

There have been no other events, to our knowledge, other than as described in this Preliminary Sale Document, which may be called "unusual" or "infrequent."

Our Subsidiaries

This discussion should be read along with the financial statements of MRPL, OVL and ONGC Nile Ganga, which appear as attachments to the restated unconsolidated financial statements that are included elsewhere in this Preliminary Sale Document.

Substantially all of OVL's consolidated assets and revenues are based on unaudited financial data of the various joint ventures in which it has interests. These include the Sudan joint venture (OVL's interest in which is held through OVL's subsidiary ONGC Nile Ganga), and the Vietnam, Iraq, Iran, Libya, Myanmar, Sakhalin and Syria projects. OVL is a wholly owned subsidiary of ONGC, and accounted for 13.7 percent and 7.2 percent of ONGC's consolidated assets and revenues, respectively, as of and for the nine months ended December 31, 2003.

For information on our consolidated financial statements for fiscal 2002 and 2003 and the nine months ended December 31, 2003, see "Consolidated Financial Statements" on page 267 of this Preliminary Sale Document.

Mangalore Refinery and Petrochemicals Limited

MRPL was established in 1987 as the first joint sector refinery in India pursuant to a memorandum of understanding between the Government of India, Hindustan Petroleum Corporation Limited and Indian Rayon and Industries Limited (A.V. Birla Group). The refinery was set up primarily to produce middle distillates that were in scarce supply, in particular, HSD and kerosene. There is a significant amount of overcapacity in the Indian refining market and prices are accordingly depressed.

MRPL's financial performance deteriorated in fiscal 1999 when the APM for refineries was removed. With its high interest cost, high depreciation and low margins, MRPL was declared a "potentially sick company" in March 2002 and in March 2003 was on the verge of being declared a "sick company". In March 2003, we purchased the A.V. Birla Group's 37.4 percent equity interest in MRPL. We completed implementing a debt restructuring plan with MRPL's lenders in late March 2003. On March 30, 2003, we increased our equity holding in MRPL to 51.25 percent and subsequently increased our shareholding to 71.6 percent. We have made available to MRPL a loan of Rs. 26,000 million, of which an aggregate principal amount of Rs. 24,000 million was outstanding as of February 12, 2004. The interest rate applicable to the loan is the Reserve Bank of India Lending Rate, which is currently at six percent per annum.

In the nine months ended December 31, 2003, MRPL's revenues from operations were Rs. 77,319.3 million, or 95.9 percent of its revenues from operations in fiscal 2003. This was primarily due to an increase in the amount of crude oil MRPL processed, to 7.18 million metric tons in the nine months ended December 31, 2003, or 99 percent of the crude oil processed in fiscal 2003. MRPL produced 6.7 million metric tons of refined petroleum products in the nine months ended December 31, 2003, or 100 percent of the refined petroleum products processed in fiscal 2003. This increase in capacity utilization and quantity of products

processed is primarily as a result of MRPL's improved access to funds for the purchase of raw materials in the nine months ended December 31, 2003. In the nine months ended December 31, 2003, MRPL's total expenditure was Rs. 80,442.0 million, or 91.8 percent of its total expenditure in fiscal 2003, primarily because of a substantial increase in MRPL's consumption of raw materials, mainly crude oil. In the nine months ended December 31, 2003, MRPL reduced its net loss after tax to Rs. 917.2 million, or by 77.7 percent from its net loss after tax in fiscal 2003.

MRPL's revenues from operations increased by 59.0 percent to Rs. 80,587.7 million in fiscal 2003 from Rs. 50,716.2 million in fiscal 2002. This was primarily because of a 36 percent increase in the amount of crude oil MRPL processed, to 7.26 million metric tons in fiscal 2003 from 5.33 million metric tons in fiscal 2002. MRPL produced 6.70 million metric tons of refined petroleum products in fiscal 2003, which was a 37 percent increase from the 4.90 million metric tons produced in fiscal 2002.

MRPL's total expenditure increased by 49 percent to Rs. 87,663.1 million in fiscal 2003 from Rs. 58,945.2 million in fiscal 2002. This was primarily because of a substantial increase in MRPL's consumption of raw materials, mainly crude oil that it imports from outside India. MRPL's net loss after tax was Rs. 4,118.1 million in fiscal 2003, which was 16 percent lower than MRPL's net loss after tax of Rs. 4,924.8 million in fiscal 2002.

MRPL is currently unprofitable and has substantial debt. See "Risk Factors as Perceived by the Company. We may be unable to realise the economic benefits of our acquisition of MRPL and our efforts to integrate our exploration and production business with MRPL's refining operations" on page 21 of this Preliminary Sale Document. MRPL might also be required to incur substantial capital expenditures for environmental compliance because the refining industry is subject to a high degree of environmental regulation. See "Risk Factors as Perceived by the Company. We may incur material costs to comply with, or suffer material liabilities as a result of, health, safety and environmental laws and regulations" on page 26 of this Preliminary Sale Document.

ONGC Videsh Limited

Our international operations are conducted through our wholly owned subsidiary ONGC Videsh Limited and its wholly owned subsidiary ONGC Nile Ganga B.V.

In the nine months ended December 31, 2003, OVL's consolidated revenues were Rs. 24,599.7 million, compared to Rs. 2,328.4 million for fiscal 2003. This was primarily as a result of receipt of nine months of revenues from ONGC Nile Ganga's Sudan project. On March 12, 2003, OVL acquired all the outstanding equity shares of ONGC Nile Ganga and received revenues for only 20 days from the Sudan project in fiscal 2003. In the nine months ended December 31, 2003 OVL earned Rs. 22,798.7 million from sales of crude oil by OVL's subsidiary ONGC Nile Ganga and sales revenues of Rs. 800.2 million from sales of natural gas from the Vietnam Project.

OVL's consolidated revenues increased by 494.4 percent to Rs. 2,328.4 million in fiscal 2003 from Rs. 391.7 million in fiscal 2002. This was primarily because OVL did not have any sales revenues in fiscal 2002 but had sales revenues of Rs. 1,789 million in fiscal 2003, including Rs. 1,690.5 million from sales of crude oil by OVL's subsidiary ONGC Nile Ganga. In addition, in fiscal 2003 OVL earned its first revenues, which amounted to Rs. 98.5 million, from the sale of hydrocarbons when it sold natural gas from its Vietnam project.

In the nine months ended December 31, 2003, OVL's consolidated expenditure increased to Rs. 17,868.5 million, compared to Rs. 1,599.5 million of OVL's consolidated expenditure for fiscal 2003. This increase was because of Rs. 790.2 million of expenditure relating to the Vietnam project, Rs. 16,294.5 million of expenditure by ONGC Nile Ganga relating to the Sudan project and net foreign exchange losses of Rs. 415.6 million relating primarily to the Sakhalin project. Both the Vietnam project and ONGC Nile Ganga's Sudan project were fully operational through the nine months ended December 31, 2003, as compared to less than three months and one month, respectively, in fiscal 2003. OVL's consolidated net profit after tax was Rs. 4,632.2 million for the nine months ended December 31, 2003, compared to Rs. 589.9 million in fiscal 2003.

OVL's consolidated expenditure increased to Rs. 1,599.5 million in fiscal 2003 from Rs. 130.7 million in fiscal 2002. This was because of expenditure of Rs. 214.0 million relating to the Vietnam project, Rs. 1,019.0 million of expenditure by ONGC Nile Ganga relating to the Sudan project and foreign exchange losses relating to the Sakhalin project. OVL's consolidated net profit after tax increased by 149.1 percent to Rs. 589.9 million in fiscal 2003 from Rs. 236.8 million in fiscal 2002.

OVL's expenditure on projects in progress as of December 31, 2003 was Rs. 31,144.3 million, or 130.2 percent of its expenditure on projects in progress as of March 31, 2003. The main element of the increase was the increase of Rs. 6,685.5 million of expenditure on the Sakhalin project in the nine months ended December 31, 2003. In the nine months ended December 31, 2003, OVL's loans and advances were Rs. 17,047.0 million, or 158.5 percent of its loans and advances as of March 31, 2003. This increase was primarily due to carry finance of Rs. 6,042.24 million for the Sakhalin project. This carry finance consists of interest bearing loans to some of the consortium partners through the development phase of the Sakhalin project, which are repayable upon commencement of production. The interest rate applicable to these loans is 3.0 percent per annum above the London Interbank Offered Rate, or LIBOR.

OVL's expenditure on projects in progress as of March 31, 2003 was Rs. 23,909.7 million (after the transfer of Rs. 4,525.7 million to producing properties in respect of the Vietnam project) compared to Rs. 23,774.7 million as of March 31, 2002. The main element of the increase in expenditure was the Sakhalin project, which accounted for Rs. 5,950.1 million. During fiscal 2003, OVL invested Rs. 33,574.7 million to acquire a 25 percent participating interest in the Greater Nile Oil Project in Sudan. OVL's loans and advances increased to Rs. 10,757.6 million as of March 31, 2003 from Rs. 2,288.6 million as on March 31, 2002. This increase was mainly due to carry finance of Rs. 8,567.6 million for the Sakhalin project.

OUTSTANDING LITIGATIONS

Except as described below, there are no outstanding litigations, suits or criminal prosecutions or civil, proceedings or tax liabilities or proceedings initiated for economic offences against our Company, directors, subsidiaries or companies promoted by us that would have a material adverse effect on our business and there are no defaults, non-payment or overdues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on our business other than unclaimed liabilities by our Company, directors, subsidiaries or companies promoted by us. Further, our Company, directors, subsidiaries or companies promoted by us, have not been declared as willful defaulters by the Reserve Bank of India, have not been debarred from dealing in securities and/or accessing capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

Outstanding litigation against our Company

Outstanding litigation as on December 31, 2003 (of value of Rs. 250 million and more, where value is quantifiable):

1. Income Tax

Appeals filed by us in ITAT:

1.1 We have filed Appeal No. 2749/D/1999 in ITAT, New Delhi, against the Additional CIT, Dehradun challenging the Order dated March 30, 1999 passed by CIT (A), Dehradun disallowing Foreign Exchange Loss on both capital and revenue account on accrual basis. By the impugned Order, the CIT (A) has also included the amount of Signature Bonus received on Production Sharing Contracts in the total taxable income as revenue receipt. This appeal pertains to fiscal 1994-95 and the amount involved is Rs. 3292.16 million.

1.2 We have filed Appeal No. 4918/D/1999 in ITAT, New Delhi against the Joint CIT, Dehradun challenging the Order dated September 27, 1999 passed by CIT (A), Dehradun, disallowing Foreign Exchange Loss on revenue account and part disallowance of interest on tax-free PSU Bonds. This appeal pertains to fiscal 1995-96 and the amount involved is Rs. (336.57) million.

1.3 We have filed Appeal No. 4934/D/2000 in ITAT, New Delhi against the Joint CIT, Dehradun challenging the Order dated September 28, 2000 passed by CIT (A), Dehradun, with regard to assessment on returned income instead of computed income, disallowance of Foreign Exchange Loss on revenue account, part disallowance of interest on tax-free PSU Bonds and payments to clubs. This appeal pertains to fiscal 1996-97 and the amount involved is Rs. 2703.47 million.

1.4 We have filed Appeal No. 958/D/99 in ITAT, New Delhi against the CIT, Dehradun challenging his Order dated December 4, with regard to interest amounting to Rs. 1367 million on Oil Bonds. This Appeal pertains to fiscal 1998-99 and the amount involved is Rs. 478.44 million.

Appeals filed by us before CIT (A):

1.5 We have filed Appeal No. 5/DDN/2003-04 before CIT (A), New Delhi against the Deputy CIT, Dehradun challenging, *inter alia*, the disallowance of Foreign Exchange Loss on both capital account and revenue account on accrual basis, disallowance of interest on tax-free PSU Bonds, disallowance of 60 percent of Royalty and Cess in respect of Joint Venture CYOS 90/ 1 Pre-Exploration Block, disallowance of prior period expenses and interest amounting to Rs. 1367 million on Oil Bonds. This pertains to fiscal 1998-99 and the amount involved is Rs. 923.43 million.

1.6 We have filed Appeal No. 35/DDN/2003-04 before CIT (A), New Delhi against the Additional CIT, Dehradun challenging the disallowance of Foreign Exchange Loss on both capital account and revenue account on accrual basis, disallowance of part interest on tax-free PSU Bonds, disallowance of 60 percent of Royalty and Cess in respect of Joint Venture CYOS 90/1 Pre-Exploration Block, disallowance of part of project overheads and disallowance under section 80G of the Income Tax Act, 1961 in respect of donations. This pertains to fiscal 1999-2000 and the amount involved is Rs. 1457.97 million.

Appeals filed against us in ITAT:

1.7 Deputy CIT has filed Appeal No. 2844/D/92 in ITAT, New Delhi against us challenging the allowance of Foreign Exchange Loss on both capital account and revenue account on accrual basis. This Appeal pertains to fiscal 1987-88 and the amount involved is Rs. 459.13 million.

1.8 Additional CIT has filed Appeal No. 3500/D/97 in ITAT, New Delhi against us challenging the allowance of Foreign Exchange Loss on capital account on cash basis, allowance of loss on account of devaluation on both capital and revenue account and expenditure incurred in earning tax-free interest income. This Appeal pertains to fiscal 1991-92 and the amount involved is Rs. 8,672.84 million.

1.9 Additional CIT has filed Appeal No. 3502/D/97 in ITAT, New Delhi against us challenging the allowance of Foreign Exchange Loss on capital account on accrual basis and expenditure incurred in earning tax-free interest income. This Appeal pertains to fiscal 1992-93 and the amount involved is Rs. 537.51 million.

1.10 Joint CIT has filed Appeal No. 4987/Del/99 in ITAT, New Delhi against us challenging the allowance of Foreign Exchange Loss on capital account on cash basis, part disallowance of interest on tax-free PSU Bonds, and expenditure incurred in earning tax-free interest income. This Appeal pertains to fiscal 1995-96 and the amount involved is Rs. 665.60 million.

Appeals filed against us in Uttaranchal High Court:

1.11 CIT has filed I. T. Appeal No. 25 of 2001 against us in Uttaranchal High Court with regard to taxability of Oil Bonds and interest thereon in the intimation issued under section 143(1)(a) of Income Tax Act, 1961. This Appeal pertains to fiscal 1997-98 and the amount involved is Rs. 6,727.83 million (which includes interest amounting to Rs. 1,214.46 million levied under Section 234B, and additional tax amounting to Rs. 918.89 million charged under Section 143(1)A, of Income Tax Act, 1961).

1.12 CIT has filed I. T. Appeal No. 91 of 2003 against us in Uttaranchal High Court with regard to Foreign Exchange loss on revenue account on cash basis. This Appeal pertains to fiscal 1991-92 and the amount involved is Rs. 3,406.26 million.

1.13 CIT has filed I. T. Appeal No. 89 of 2003 against us in Uttaranchal High Court with regard to Foreign Exchange loss on revenue account on cash basis. This Appeal pertains to fiscal 1992-93 and the amount involved is Rs. (374.01) million.

1.14 CIT has filed I. T. Appeal No. 92 of 2003 against us in Uttaranchal High Court with regard to Foreign Exchange loss on both capital account and revenue account on cash basis. This Appeal pertains to fiscal 1993-94 and the amount involved is Rs. 424.82 million. There are seven matters pending for conciliation before an Outside Expert Committee (OEC). In case conciliation efforts fail, such matters may also be reffered to arbitration.

2. Sales Tax

SCN received by us

A SCN dated December 19, 2003 has been received by us from Assistant Commissioner of Sales Tax, Surat, alleging non-payment of sales tax for supply of gas from Panna Mukta gas fields to GAIL, Hazira, for the period 1997-98 to 2001-02 and the amount of claim involved is Rs. 1980 million.

3. Excise duty on lean gas sold from our plants

SCN received by us

3.1 A SCN F. No. DGCEI/WZU/204/12(4)98/2001/2290 dated July 2, 2002 (Corrigendums) bearing No. DGCEI/WZU/204/12(4)98/2001/2666 dated July 17, 2002 and DGCEI/WZU/204/12(4)98/2001/4714 dated September 20, 2002) has been received by us from DGCEI, West Zone, and is pending with the Commissioner of Central Excise, Uran Range, Maharashtra with regard to excise duty on lean gas processed at our Uran plant, for the period from June 1997 to May 2002. The amount involved is Rs. 3385.3 million, with additional interest and penalty. (Subsequently, by an Order dated January 29, 2004, the Commissioner of Central Excise, Raigad has dropped the proceedings initiated by this SCN)

3.2 A SCN F. No. CEX/PNL-URN-1/ONGC/SCN/CR-16/03/1183 dated June 24, 2003 has been received by us from Assistant Commissioner of Central Excise, Panvel and is pending with Commissioner of Central Excise, Uran Range, Maharashtra with regard to excise duty on lean gas for the period from June 2002 to October 2002. The amount involved is Rs. 449.9 million, with additional interest and penalty. (Subsequently, by an Order dated January 29, 2004, the Commissioner of Central Excise, Raigad has dropped the proceedings initiated by this SCN)

3.3 A SCN F. No. CEX/PNL-URN-1/ONGC/SCN/CR-20/03/1728 dated August 28, 2003 has been received by us from Assistant Commissioner of Central Excise, Panvel and is pending with Commissioner of Central Excise, Uran Range, Maharashtra with regard to excise duty on lean gas processed at our Uran plant for the period from November 2002 to April 2003. The amount involved is Rs. 556.4 million, with additional interest and penalty. (Subsequently, by an Order dated January 29, 2004, the Commissioner of Central Excise, Raigad has dropped the proceedings initiated by this SCN)

3.4 A SCN No. V. (CH-27) 3-3/2003/MPII dated August 6, 2003 has been received by us from Assistant Commissioner of Central Excise, Surat and is pending with Commissioner of Central Excise, Surat, Gujarat with regard to excise duty on lean gas processed at our Hazira Processing complex for the period from July 2002 to December 2002. The amount involved is Rs. 304.1 million, with additional interest and penalty.

3.5 A SCN F. No. DGCEI/AZU/36-11/2003 dated April 23, 2003 has been received by us from DGCEI, Ahmedabad and is pending with Commissioner Central Excise, Ahmedabad, with regard to excise duty on lean gas for the period from April 1998 to November 2002. The amount involved is Rs. 1,498.7 million, with additional interest and penalty.

4. Royalty

Demand raised on us

In the year 1995-96, the Government of Gujarat raised a demand on us for royalty of an aggregate amount of Rs. 2,591.2

million (including principal amount and penalty) for the gas flared at Gujarat for the period 1972-73 to 1992-93. However, this demand is not being pursued by the Government of Gujarat, after a letter dated August 8, 1996 was addressed by the then Secretary, Ministry of Petroleum and Natural Gas, the Government of India to the Chief Secretary of Gujarat, inter alia, recording that the demand for additional royalty with penalty retrospectively is not justified, with a request to the Chief Secretary to review and drop the demand for royalty.

5. Cess

SCN received by us

A demand for a sum of Rs. 622.5 million towards Cess under the Oil Industries (Development) Act, 1974 on difference of net dispatch quantity and acknowledged quantity for the period April 1994 to January 1999 was made on us by Directorate General of Anti Evasion vide a SCN dated March 25, 1999. This SCN was challenged by us before the Collector (Appeals). Our Appeal before the Collector (Appeals) was dismissed, and thus, Appeal No. 1082 of 2000 was filed in CEGAT. CEGAT, by its Order dated June 27, 2003 has remanded the matter to the Commissioner of Central Excise (Adj) Mumbai for a de novo hearing.

6. Custom duty

Demand raised on us

6.1 Levy of Customs duty of an aggregate amount of Rs. 1,437.5 million (onnNatural gas Rs. 1,129.7 million and on condensate Rs. 307.8 million) for the period July 1995 to September 1996 was challenged by us before the Commissioner of Customs, Ahmedabad. The Under Secretary, Ministry of Finance to the Government of Gujarat vide his letter dated September 19, 2000 directed all Chief Commissioners of Customs and Excise not to precipitate action till a final view of the issue under challenge is taken by the Central Board of Excise and Customs. In this connection, the Government of India has issued a Notification dated February 7, 2002 extending the application of Customs Act to the Continental Shelf and Exclusive Economic Zone of India prospectively. By this Notification, the double duty problem was resolved prospectively for non-designated areas, thereby resolving the demand of customs duty prospectively. We have been informed that the matter of double duty retrospectively i.e. before February 7, 2002 is under consideration by the Department of Revenue, the Government of India.

Appeal filed by us

6.2 Customs duty of an aggregate amount of Rs. 526.87 million (custom duty of Rs. 496.87 million and penalty of Rs. 30 million) was levied vide Order-in-Original dated September 27, 2001 by the Commissioner of Customs on Seismic Data tapes / Cartridges used for Seismic Survey in Heera-South Heera and Neelam areas of Western offshore in the year 1999. Appeal No. C/51/2002 filed by us before CEGAT (now renamed CESTAT) against this levy of custom duty was disposed vide its Order dated December 9, 2003 confirming the demand of custom duty in the sum of Rs. 496.87 million, while waiving the penalty of Rs. 30 million. We are in the process of filing an appeal against the said Order dated December 9, 2003 passed by CESTAT. Thus, our liability towards this demand shall be limited to Rs. 496.87 million only.

7. Civil Matters

There are in all 509 pending civil suits involving various amounts, including those specified below, which are pending at various stages in various courts / forums spread across the country.

Matters filed by us

7.1 We exploit the Heera Oil Field in Bombay High for which the Heera-Uran Trunk Pipeline was commissioned. The immediate vicinity of this pipeline is a no anchoring zone. One of the vessels of Hitech Drilling Services was anchored idle in the vicinity of the pipeline. In June 1996, the port of Bombay was struck by a cyclone, the impending storm was intimated to all mariners. As a consequence of the cyclone the vessel owned by Hitech Drilling Services struck the pipeline and caused extensive damage to the same. We claimed that the act of anchoring the vessel so close to the pipeline during the monsoon was an act of gross negligence on the part of Hitech Drilling Services. We have therefore filed Admiralty Suit No. 54/1999 against Hitech Drilling Services India Ltd. in the Bombay High Court claiming a sum of Rs. 83,914,843, USD 4,526,707.88 and GBP 12,340 (which if converted as on December 31, 2003 and aggregated, the amount would work out to Rs. 286.6 million approximately) along with interest at the rate of 18 percent per annum and also seeking arrest of the vessel. However, we have recovered USD 4,647,351.93 millon from insurance companies pursuant to our insurance policy.

7.2 We have filed Special Civil Application No. 7918 of 2000 in the Gujarat High Court against the State of Gujarat challenging two Orders bearing Nos. STO/FSU-6/Penalty Order/2000/2001/B.964 and STO/FSU-6/Penalty Order/2000/2001/B.965 respectively both dated June 6, 2000, imposing penalty under the Gujarat Sales Tax Act, despite stating in these orders itself that we were not liable to pay, and were exempt from paying, sales tax. At the time of assessment, we had claimed that we were not liable to pay sales tax for sale from Bombay High pipeline as per the order of the Gujarat Sales Tax Tribunal passed in a separate appeal filed by us wherein the Sales Tax Tribunal has held that we are not liable to pay

sales tax on sales from Bombay High pipeline. The Sales Tax Department, therefore, did not tax the amount deposited by us, and adjusted the same against other dues. However, the Sales Tax Department has alleged that we have collected sales tax at the rate of 4 percent from one Krishak Bharati Co-operative Ltd ("Kribhco") for the sale of gas from the Bombay High pipeline through a sub sea pipeline, despite knowing that we were not liable to Gujarat Sales Tax. Thus, we were liable to pay penalty to the Sales Tax Department of an amount which is double the tax so collected wrongfully, i.e. Rs. 259.6 million. The Gujarat High Court, by an interim order dated July 19, 2000, restrained the Sales Tax Department from recovering the penalty imposed on us. The matter is pending for hearing .

7.3 Brihanmumbai Municipal Corporation (BMC) raised demands vide Demand Notes OCT/471/HCCI dated March 27, 1985 in the sum of Rs. 64.08 million and OCT/1290/HCCI dated February 23, 1988 in the sum of Rs. 94.41 million, aggregating to Rs. 158.50 million towards octroi duty on natural gas, on the ground that natural gas is similar to liquid petroleum gas and therefore octroi duty is payable on the same. We filed Writ Petition No. 1970 of 1989 in the Bombay High Court against the BMC challenging the said demand notices, in which the Bombay High Court has, by its Order dated August 1, 1989, granted interim injunction restraining the BMC from recovering the octroi amount so levied. Subsequently, BMC, on January 4, 1993, issued a notification including natural gas under "petroleum products" with retrospective effect from April 1, 1978. As a result of this notification, the Bombay High Court, by its Order dated February 2, 1994, ordered us to pay octroi duty from January 1, 1993 till March 31, 1994, and continue to pay from April 1994 onwards without prejudice to the right of the parties. We are making the payments. The Bombay High Court disposed of our said Writ Petition by its Order dated February 22, 2002, holding that we are liable to pay octroi for the period April 1, 1978 to December 31, 1992. We preferred Special Leave Petition No. 9695 of 2002 (SLP) in the Supreme Court, in which SLP the Supreme Court, by its Order dated May 7, 2002, directed us to deposit 50 percent of the total octroi duty in the Supreme Court, and stayed the recovery of the balance 50 percent until further orders. We have complied with this Order of the Supreme Court. The SLP is pending.

8. Criminal Cases

There are in all 18 pending criminal cases, 15 filed against us and 3 filed by us. The details of material criminal cases filed against us are given below:

8.1 Schlumberger Asia Services Pvt Ltd ("SASL") was our contractor appointed for carrying out the activities of well logging, perforation and other wire line services. The Inspector of the Labour Department has alleged that the services of logging perforating and related services in offshore are prohibited under the Contract Labour (Regulation and Abolition) Act, 1970, and thus, have filed a case in the Metropolitan Magistrate Court, Andheri against our Chairman and Managing Director under sections 23 and 24 of the Contract Labour (Regulation and Abolition) Act, 1970. We have filed a Criminal Writ Petition No. 1360 of 2003 in the Bombay High Court against the Regional Labour Commissioner challenging the summons dated December 4, 2002 in the criminal complaint dated October 8, 2002 filed by the officers under Contract Labour (Regulation & Abolition) Act, 1970, contending that the workers were employees of SASL and were not contract labour. We also questioned the applicability of the Contract Labour (Regulation and Abolition) Act, 1970, as the activities were occurring on high seas and were outside the territorial waters of India. The Bombay High Court, in our said Writ Petition, has stayed the proceedings against our Chairman and Managing Director in the Metropolitan Magistrate Court, Andheri, by its Order dated October 10, 2003. Both the criminal complaint and the writ petition are pending for hearing.

8.2 The ONGC Electrical and Allied Staff Association, Ahmedabad served notice on us threatening to resort to direct action from January 17, 2002 if the charter of demands are not met. Pursuant to conciliation proceedings, the said Association has alleged to have reached a settlement. It is alleged by Regional Labour Commissioner, Ahmedabad, vide his notice dated April 7, 2003, that the terms of this alleged settlement stated that some persons were to be given promotions by February 2003, but the same had not been notified by us within the time agreed by the parties. The ONGC Electrical and Allied Staff Association, Ahmedabad has alleged that the non-fulfillment of commitments made before the Labour Commissioner, which is an offence under the Industrial Disputes Act, 1947. Pursuant to this complaint, the matter commenced before the Metropolitan Magistrate Court, Ahmedabad as Inquiry Case No 22 of 2003. The Metropolitan Magistrate Court, Ahmedabad issued orders on April 19, 2003 directing our Chairman and Managing Director and others to be present in the Meghani Nagar Police Station for enquiry in this matter. Thereafter, the Inspector of Police, Meghani Nagar Police Station, Ahmedabad issued summons to our Chairman and Managing Director and our other officers to appear before the Sub Inspector of Police in this connection. We filed a Special Criminal Application No. 1086 of 2003 in the Gujarat High Court against the said summons and the said Order dated April 19, 2003 passed by the Metropolitan Magistrate Court, Ahmedabad. The Gujarat High Court has stayed the operation of the said Order dated April 19, 2003, further proceedings under Inquiry Case No 22 of 2003 and also investigation by the Meghani Nagar Police Station.

8.3 Mr. J.P. Sharma, one of our ex-employees, had produced certain medical bills worth Rs. 56,403 which was not approved by the Company. Mr. J.P. Sharma filed Criminal Case No. 306 of 2000 alleging breach of trust under the Indian Penal Code against the ex-director and ex-Chairman and Managing Director and others. We have filed Criminal Writ Petition No. 1083 of 2003 in the Allahabad High Court for quashing of the criminal proceedings. The said Criminal Case has been stayed by the Allahabad High Court by its order dated March 13, 2003.

8.4 Out of the above mentioned 18 criminal cases, there are 12 criminal cases involving our officers / employees pertaining to offenses such as disturbance of peace or land dispute or attempting trespass of a boundary wall or prosecution by the Factory Inspector under the Factories Act.

8.5 There are three criminal cases filed by us, two against a catering contractor for furnishing fabricated bank guarantees, and one for quashing a FIR filed against our officials.

9. Arbitration Cases

9.1 There are in all 14 different pending arbitration cases (where the value is determined and quantified) above the value of Rs. 250 million, the details of which are as follows:

9.1.1 We awarded a contract dated March 15, 2001 to Halliburton Offshore Services Inc. (Halliburton) for performing well logging, perforation and other wireline services in offshore areas of India. Disputes arose between Halliburton and us on account of the alleged breach of contract by us, and Halliburton invoked arbitration clause. Halliburton has claimed US$ 26,064,388 and Rs. 113,824,629 aggregating to Rs. 1,301.31 million (including the U.S. Dollar component of the claim as on December 31, 2003) towards recovery of amounts due to them and damages on account of the alleged breach of contract. We have filed a counterclaim of US$ 6,910,246 and Rs. 2,253,347,831 aggregating to Rs. 2,568.17 million (including the US$ component of the claim as on December 31, 2003) on account of customs duty paid by us, data loss, waiting charges, liquidated damages, transportation and export duty.

9.1.2 We awarded a contract in August 31, 1998 to Schlumberger Asia Services Limited for providing well logging, well perforating and wire line services. The work period in the contract commenced on January 1998 and expired on May 29, 2001. Schlumberger Asia Services Limited claimed that they have performed obligations as per the contract, but this position is contested by us and we withheld/deducted the payments to Schlumberger Asia Services Limited. Disputes, thus, arose and Schlumberger Asia Services Limited invoked the arbitration clause and filed its statement of claim on June 25, 2002. The revised amount claimed by Schlumberger Asia Services Limited against us is US$ 4,971,184 and Rs. 31,236,990. The parties have arrived at a settlement on some of the issues. As per the settlement agreement, it is agreed that (a) a sum of US$ 1,729,404 will be paid in full and final settlement towards customs duty; (b) a sum of US$ 572,839.68 and Rs. 6,677,540.06 will be paid in full and final satisfaction of claims under notice dated December 23, 2002, by February 10, 2004 any delay in payment thereof will attract 12 percent per annum from February 11, 2004 till payment; (c) Schlumberger Asia Services Limited gives up its claim for US$ 91,461.61. The remaining claim of Schlumberger Asia Services Limited is US$ 4,163,968 (equivalent to Rs. 189.71 million as on December 31, 2003).

9.1.3 We floated a tender inviting offers for charter hire of one slot/cantilever type jack up rig with suitable operating capabilities to be deployed anywhere in offshore Indian waters. Dispute arose in respect of this tender and Jagson International Limited invoked the arbitration clause and made a claim on us for US$ 16,628,207.00 (Rs. 757.58 million as on December 31, 2003). We filed a counter claim of US$ 22,257,187.25 (Rs. 1,014.03 million as on December 31, 2003). Jagson International Limited sought amendment to statement of claim by adding a prayer added for reimbursement of cost in renewal of bank guarantee and passing an award in favour of Jagson International Limited against us directing us to return the original bank guarantee for US$ 601,982.00 along with cost for renewal. Although we opposed the amendment, the amendment was allowed. A petition was filed by Jagson International Limited in Delhi High Court for stay against encashment of bank guarantee in our favour for US$ 601,982 (Rs. 27.37 million as on December 31, 2003) issued by IDBI Bank. Stay on encashment of bank guarantee was granted by the Delhi High Court.

9.1.4 During November 1984, we awarded work of design, engineering, procurement, fabrication, load out and commissioning of BPA Complex (Complex) to Hyundai Heavy Industries Limited (HHI) at the cost of US$ 73,831,500. The Complex was commissioned and put to use by March 1987. During the execution of the project, HHI had submitted 42 change orders amounting to US$ 18,258,608 and Japanese Yen 6,187,000. We assessed cost benefits for an amount of US$ 1,034,806 due to deletion from the scope of work and Japanese Yen 1,841,089 was recoverable from the claimant for fabrication mistakes. In May 1990, HHI served notice of arbitration and have initiated arbitration for a claim of US$ 26,852,177 (Rs. 1,223.38 million as on December 31, 2003). We have filed a counter claim for US$ 1,226,741 (Rs. 55.89 million as on December 31, 2003). HHI has proposed that the matter be referred to an outside expert committee for an early resolution.

9.1.5 We awarded a contract to HHI pursuant to the Agreement dated March 14, 1987 to provide design, fabrication and construct platform jackets for the ICP project. HHI furnished two bank guarantees for 10 percent of the contract value of US$ 11,419,254 and French Francs 24,880,750. Since the project could not be completed in time by HHI, HHI sought extension of 228 days for completion of the project. We granted extension of 21 days without extra cost. HHI invoked arbitration clause by a notice dated June 25, 1990. By an ad-interim order dated July 11, 1990 passed by the Bombay High Court in Arbitration Petition No. 118 of 1990 filed by HHI for restraining invocation of the bank guarantee, HHI were directed to extend the bank guarantee. It was also held that we were at liberty to invoke the bank guarantee but shall not recover money or receive any payment under the same till August 16, 1990. The Bombay High Court, vide order dated January 23, 1995, held that the ad-interim order shall continue till final disposal of arbitration proceedings. HHI was directed to keep the bank guarantee alive till disposal of the arbitration proceedings and one-month thereafter. Directions were also given for the arbitration to complete before December 31, 1995. HHI has claimed US$ 16,782,008 (Rs. 764.6

million as on December 31, 2003) against us. We have filed a counter claim for US$ 7,308,323 and French Francs 1,592,366 (aggregated to Rs. 344.43 million as on December 31, 2003). HHI has proposed that the dispute be referred for conciliation to an outside expert committee for an early resolution.

9.1.6 We awarded a contract to M/s Saipem SPA and Saipem Proquethi SPA Italy (Saipem) for gas lift pipeline on March 14, 1990. The project got delayed by about eight months. Disputes arose between parties after completion of work and Saipem invoked the arbitration clause. We levied liquidated damages on Saipem, and also invoked the bank guarantee furnished by the State Bank of India on behalf of Saipem for that purpose. The State Bank of India refused to pay the amount on the ground that they were given a counter bank guarantee by an Italian Bank "Credito Italiano" and there was an injunction against invocation of bank guarantee from the Commercial Court of Italy. We referred the matter to a high power committee of the Government of India, which committee advised us to file a summary suit. We filed a summary suit being Summary Suit No. 1128 of 1996 seeking decree for the bank guarantee amount i.e. US$ 4,320,432 and Rs. 5,515,955. A decree was passed in our favour, and against State Bank of India, for the principal amount of the bank guarantee and interest at the rate of 12 percent per annum. State Bank of India challenged the above judgment and filed an appeal on the ground that the interest on the dollar component was very high. The appeal was decided and the interest on dollar component was reduced from 12 percent to 6 percent.

In the arbitration the claim against us was an amount of US$ 4,758,229.60 and Rs. 7,4 87,182.03 (aggregating to Rs. 224.27 million as on December 31, 2003). We have made a counter claim for US$ 12,006,941.38, Rs. 2,7,412,053.59, and Italian Lira 37,536,000 (aggregating to Rs. 574.42 million as on December 31, 2003). An award was passed by the Arbitrators on January 30, 1998. Since the award passed was a dissenting award, Justice Kania was appointed as an umpire. The matter is pending before the umpire.

9.1.7 We awarded six contracts to Hindustan Shipyard Limited (HSL) pertaining to certain well platforms and their associated pipelines. Independent to this contract, we also gave HSL interest bearing and interest-free loans amounting to approximately Rs. 640 million in order to execute these contracts. Certain invoices of HSL were withheld by us on account of recovery of outstanding dues from HSL. HSL has raised a claim on us amounting to approximately Rs. 353.8 million against invoices raised by HSL on us for performance of work and referred this claim to the Permanent Machinery of Arbitration. We made a counter-claim in the sum Rs. 840.0 million approximately against HSL for liquidated damages due to non-completion of the projects on the scheduled dates and recovery of the loan amounts from HSL. The Arbitrator has passed an interim award directing us to pay HSL an amount of US$ 4,000,000 (Rs. 184 million). We have filed Arbitration Petition No. 5774 of 2002 in the Delhi High Court, and the said Court has stayed the said Interim Award. HSL, being a PSU, referred the matter to Committee on Disputes, which has rejected permission to us to contest the matter. Thus, the said Arbitration Petition was dismissed and we have complied with said Interim Award.

9.1.8 Arbitration has been initiated by Amtek Geophysical Private Limited against us for adjudication of dispute relating to claim of stand by charge of 88 days arising out of Contract no. MAP/ IMP/ SEIS/ E-1/ 574/ Amtek/ Upper Assam/ 89 dated October 19, 1989 and Deed of Settlement dated June 8, 1995. The claim is made in the sum of Rs. 420 million. We have made a counter claim in the sum of Rs. 1,040 million.

9.1.9 The arbitration pertains to a Contract awarded by us to Western Geco Industrial Limited (Western Geco), for the upgradation of a vessel by supplying certain streamers equipped with hydrophones, to be procured from the United States of America (US). However, while the US authorities were considering the grant of an export license, due to the terrorist attacks in the US, Western Geco served a force majeure clause on us stating that on account of the attacks, there were uncertainties associated with obtaining an export license for the said hydrophones. Western Geco then requested us to consider using hydrophones made in Canada as an alternative. Five months after being served with the alternative of using Canadian hydrophones, we accepted the solution and the contract was amended to reflect the substitution of the US hydrophones with Canadian ones. Thereafter, the upgradation was completed and Western Geco raised certain invoices for performance of the said work. Western Geco, in their claim, has alleged that we have made unjustified deductions in their payments to Western Geco to the extent of US$ 8,533,174.81 (approximately Rs. 388.77 million as on December 31, 2003). Western Geco has claimed an amount of US$ 8,533,174.81 along with interest at the rate of 12 percent per annum.

9.1.10 We awarded a contract dated April 18, 1995 with Baker Hughes (Singapore) Pte. (Baker) for amending work of drilling of wells, originally 19(+/-2) wells, which was subsequently reduced to 15 wells by mutual consent. The work was carried out by Baker. Disputes arose between the parties and the Baker invoked the arbitration clause in the contract claiming a sum of approximately US$ 9.53 million (Rs. 434.18 million as on December 31, 2003) along with interest.

9.1.11 We awarded a contract on March 14, 1987 to Hyundai Heavy Industries Limited (HHI) to provide design, fabrication and construct platform jackets for the ICW Project. HHI furnished bank guarantee 10 percent of the contract value of US$ 51,891,790. A dispute arose between the parties as the project could not be completed in time by HHI. HHI sought extension of 228 days for completion of the project. We granted extension of 21 days without extra cost and HHI invoked arbitration clause by a notice dated June 25, 1990. Arbitration Petition No. 119 of 1990 was filed in the Bombay High Court for restraining us from invoking the bank guarantee, in which an ad-interim Order dated July 11, 1990 was passed by the Bombay High Court whereby HHI was directed to extend the bank guarantee. The said Order further directs that

we are at liberty to invoke the bank guarantee but shall not recover money or receive any payment under the same till August 16, 1990. The Bombay High Court, in the same petition, by its Order dated January 23, 1995, held that the earlier ad-interim Order dated July 11, 1990, shall continue till final disposal of arbitration proceedings and directed HHI to keep the bank guarantee alive till disposal of the arbitration proceedings and one-month thereafter. Directions were also given for the arbitration to complete before December 31, 1995. HHI has claimed US$ 9,637,190 (Rs. 439.07 million as on December 31, 2003) against us. We have filed a counter claim for US$ 4,314,946 (Rs. 196.58 million as on December 31, 2003). HHI has proposed that the dispute be referred for conciliation to an outside expert committee for an early resolution.

9.1.12 We awarded a contract on June 6, 1989 with a consortium consisting of (a) Entrepose GTM Pour Les Travaux Petroliers Maritimes (ETPM) and (b) Volker Sterins Baggermaat Schappy N. V. (VSB) (jointly called 'Consortium') for design and construction of pipeline between Hazira and Uran, with the scheduled date for completion as May 15, 1990. The Consortium issued unconditional, irrevocable bank guarantee of 10 percent of the value of the contract. While we issued a part completion certificate, disputes arose between the parties in respect of final completion of the contract. In 1991, we paid for all the work save and except US$ 85,000 for the damaged parts. The Consortium invoked arbitration clause in the agreement and filed a statement of claim on January 31, 1996. EPTM separately also filed a petition before the President of Commercial Court in Paris and sought a stay order against encashment of the bank guarantee. The stay order was initially granted but was vacated on May 27, 1995. VSB filed a similar petition in India and obtained a stay order against us and for encashment of bank guarantee. This stay order was also vacated by an order of the Bombay High Court. The Consortium has claimed against us US$ 7,110,947.72, Dutch Gilder 2,346,963, French Francs 5,419,815.17, and Rs. 5,477,333.63 (aggregating to Rs. 288.5 million as on December 31, 2003 and additionally Dutch Gilder 2,346,963), as well as a direction that we are not entitled to encash the bank guarantee. We have filed a counter claim for US$ 7,80,245.50, Dutch Gilder 580,796.46, French Francs 3,314,211.14 and Rs. 169,143.01 (aggregating to Rs. 378.0 million as on December 31, 2003 and additionally Dutch Gilder 580,796.46) towards liquidated damages.

9.1.13 The Bombay High Platform Modification Project was awarded to Essar Oil Limited (Essar) on November 16, 1992, with its scheduled completion date being May 15, 1994. Essar delayed the completion of the project, which was completed only on February 8, 1995, 259 days after the scheduled date. We levied liquidated damages as per the contractual provisions for the loss suffered by us. Disputes arose between the parties regarding the execution of the contract, and Essar initiated arbitration for adjudication of disputed claims amounting to Rs. 393.4 million (inclusive of interest). We, in turn, raised a counter claim for a total sum of Rs. 278.52 million (inclusive of interest) as liquidated damages for delay in terms of the contract. The application for interim reliefs by Essar was rejected in the arbitration proceedings.

9.1.14 We awarded a contract dated July 14, 1981 to Offshore Enterprises Inc., Liberia to carry out certain modifications in "Sagar Prabhat" to enable effective drilling operations to be performed. However, certain deficiencies were found in the drillship, and thus, we referred our claim for Rs. 432.95 million towards the loss suffered by us to arbitration. An Award was granted in our favour in the sum of Rs. 363.85 million with 12 percent interest from the date of the Award till payment. The Award was challenged by Offshore Enterprises Inc. in Arbitration Petition No. 12 of 1009 filed in the Bombay High Court. The Bombay High Court, by its Order dated September 9, 1996, set aside the said Award. This Order was challenged by us Appeal No. 1220 of 1996 filed before the Appeal Bench of the Bombay High Court, which was admitted on February 5, 1997. The Appeal is pending.

9.1.15 There are in all 203 pending arbitration cases, including those specified above, where the aggregate claim against us is Rs. 14,492.3 million and the aggregate claim by us is Rs. 8,466.8 million. There are some arbitration proceedings initiated, where the parties are yet to file their claims and counter claims. There are seven matters pending before Outside Expert Committee (OEC) for conciliation. In case conciliation fails, it may initiate arbitration between the parties.

10. Service Matters

There are in all 520 service matters involving various issues including reinstatement / regularization of workmen, challenge to termination of services and denial of promotion. All these matters are pending at various stages in various courts.

11. Land Acquisition Cases

There are in all 108 Land Acquisition cases pending as specified below. The maximum number of these cases are pending in Mehsana being 3,113 treated as one batch matter for the purpose of computing the total number of 108 cases referred to above. These 3,113 cases involve two issues, namely enhancement of compensation received by the owners of the land, which were acquired under the Land Acquisition Act, 1894, and secondly, challenging the acquisition of the land and its right of user. In these Mehsana cases, we have deposited an amount of Rs. 52.4 million in the relevant courts, while the amount claimed by the owners is a further sum of Rs. 239.1 million.

The division of the total number of 108 cases region-wise, including Mehsana cases, are as follows:

Ahmedabad Asset	=	11
Dehradun Headquarters	=	11
Cambay Forward Base	=	1*
Rajasthan Project, Jodhpur	=	5
Mehsana Asset	=	1**
Ankleshwar Asset	=	1***
Eastern Region	=	40
Kolkatta Central Region	=	1
Tripura Asset	=	31
Rajahmundry Asset	=	6
		108

** 50 cases of Cambay Forward Base are treated as one batch matter*
*** 3,113 cases of Mehsana Asset are treated as one batch matter*
****199 cases of Ankleshwar Asset are treated as one batch matter*

12. Labour Disputes

There are in all 491 labour cases pending in the Industrial Tribunal at 12 different regions / work centres including Mumbai, Ahmedabad, Kolkata and New Delhi. Out of these cases, 432 cases involving a total number of 4,684 contract labourers, who are seeking regularisation. The balance 59 cases are filed by employees/ ex-employees of our Company for reliefs including disputes such as challenge of termination of services and challenge to denial of promotion.

13. Motor Accident Claims

There are 50 cases pending in the Motor Accident Claims Tribunal for compensation on account of accident of our vehicles.

14. Others

In addition to the above specific categories of cases, there are approximately 40 miscellaneous cases involving disputes such as challenge to levy of water tax in respect of a building in Dehradun where a community center is operating, and challenge to the levy of house tax of a building being used as Kendriya Vidyalaya (as these buildings are exempt from house tax), and in respect of issuance of duplicate shares of our Company, which are lost in transit.

15. Environment Case

Mr. Parama Bhina and others, the employees of Lukwa Tea Estate, have filed Case No. 3792 of 2002 before the Assam Human Rights Commission at Guwahati, inter alia, alleging that the oil leakage from the Oil Drill sites is causing soil and water pollution at various places within the said Tea Estate. The oil, which is allegedly getting mixed with the soil of the estate, is contaminating it further causing the soil to be infertile and unsuitable for tea cultivation. We have denied the allegations of the complainants and have filed our Written Statement setting out in detail, *inter alia,* stating that our oil drilling activities are undertaken on scientific technology of international standards and we are committed to conservation of environment.

Outstanding litigation involving our subsidiaries

A. OVL

Outstanding litigation as on December 31, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

Income Tax

1. There are disputes relating to income tax assessments for fiscal 1981-1982, 1982-1983, 19983-1984, 1985-1986 and 1987-1988. The total amount of Rs. 78.2 million involved in these disputes claimed have already provided for in the books of accounts of OVL. The material cases in this regard are as follows:

1.1 OVL (earlier known as M/s Hydrocarbons India Limited) had filed its income tax return for assessment years 1981-1982,1982-1983, 1983-1984, 1985-1986, 1987-1988. The Income Tax Department disallowed deductions of approximately Rs. 94.04 million. The Income Tax Department disallowed deductions amounting to Rs. 94.04 million approximately on the ground that OVL did not carry out any oil exploration business in Iran, as had been claimed in the assessment years 1981-1982,1982-1983, 1983-1984, 1985-1986, 1987-1988. OVL appealed against the same before the CIT. The CIT

rejected the appeal vide order dated March 30, 1987. OVL filed an appeal against the CIT's rejection Order before ITAT. ITAT dismissed OVL's appeal by its Order dated September 9, 1990. OVL has filed IT Reference No. 293 of 1992 challenging ITAT's Order dated September 9, 1990 in the Delhi High Court. The matter is pending.

1.2 The Income Tax Department has issued orders under section 154 of the Income Tax Act, 1961 dated October 15, 2003, which seeks to reopen the assessment of the year 2000-2001 and impose additional liability of approximately Rs. 197 million. OVL has filed a reply to the same. The matter is pending.

Civil Suit

OVL has a production-sharing contractual joint venture with British Petroleum and Petro Vietnam for a project for exploration and exploitation of hydrocarbons in Block 06.1 in Vietnam ("the Project"). National Union Fire Insurance Company of Pittsburgh ("NUFIC") and Associated Electric & Gas Insurance Services Limited ("AEGIS") are insurance companies ("Insurers"). The Insurers entered into a Global Construction Insurance Policy ("the Policy") and agreed to act as the insurers of British Petroleum Amoco Corporation ("BPAC"). The Policy is a global policy and covers around 30 projects in which British Petroleum is involved worldwide. The Project is one of the projects covered by the Policy. The Insurers have filed cases against BPAC and partners of BPAC in various projects disputing the recoverability of certain claims of BP Projects under the terms of the policy. The case is pending in the United States District Court, Southern District of New York, Case No. 03 Civ.0200 (GEL)(GWG). OVL has filed an application for exclusion as defendants from the case. BPAC has also filed a case in London contesting the case against the Insurers.

B. ONGBV

Outstanding litigation as on December 31, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

C. MRPL

Outstanding litigation as on December 31, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

Income Tax

1. The Deputy Director of Income Tax (International Taxation), Mumbai has demanded payment from MRPL of the amount of tax, which should have been deducted at source on certain foreign remittances made by MRPL, together with interest on the tax amount till the date of payment. This order of Deputy Director of Income Tax has been challenged by MRPL vide their two appeals before CIT (A), Mumbai, being Appeal No. 15-M/0203 and Appeal No. 16-M/0203 for the disputed amount of tax and for interest respectively. Both the said Appeals are pending. The amount of tax levied is Rs. 725.7 million and the interest levied is Rs. 708.7 million.

2. Deputy Commissioner of Income Tax -Range 3 Ward 2, Mumbai has, inter alia, treated the interest received by MRPL from Oil Bonds, receivables from Oil Coordinator Committee, etc. as "Income from other sources", as opposed to MRPL's treatment of the said amount as "Income from Business" for the Assessment Year 1999-2000. Against the assessment order of the Deputy Commissioner of Income Tax - 3 (2), an appeal was filed by MRPL before the CIT (A) III, Mumbai. CIT (A) III, Mumbai has granted certain reliefs. Against the order of CIT (A) III, Mumbai an appeal was filed by MRPL in ITAT, Mumbai.The ITAT, Mumbai vide order dated December 31, 2003 has upheld the contentions of MRPL. The Assessing Officer has been requested to give effect to the appeal and pass an order withdrawing the tax demand. This order is still awaited. The amount of tax involved is Rs. 765.6 million.

3. The Assistant Commissioner of Income Tax - Range 3 Ward 2, Mumbai has treated the amount transferred to the Debenture Redemption Reserve account for the Assessment Year 1997 -1998 as part of the book profits under section 115JA of the Income Tax Act, 1961, and thus, subject to tax. Appeal No. CIT(A)-III/ACIT RNG 3(2)IT 22/03-04 has been filed by MRPL before the Commissioner of Income Tax (Appeals), Mumbai. The amount of tax involved is Rs. 91.5 million.

Custom Duty

1. Appeal No. C/ 196/ 2003 and Appeal No. C/ 197/ 2003 have been filed by MRPL before CESTAT, Bangalore against the order of the Commissioner of Customs (Appeals), Bangalore, challenging the denial of concessional customs duty on Phase-II imports claimed by MRPL. The amount of duty involved is Rs. 924.8 million.

2. Appeal No. 199/ 2003 has been filed by MRPL before the Commissioner of Customs (Appeals), Cochin against the order of Assistant Commissioner of Customs (Appg), Cochin challenging the denial of concessional customs duty on Phase-II imports claimed by MRPL. The amount of duty involved is Rs. 14.6 million.

3. Appeal No. S/ 49-02/ 2002 TE (Air) has been filed by MRPL before the Commissioner of Customs (Appeals), Mumbai against the order of the Deputy Commissioner of Customs, Mumbai challenging the denial of concessional customs duty on Phase-II imports claimed by MRPL in the provisional assessment. The Commissioner of Customs (Appeals), Mumbai has referred back the issue to the Deputy Commissioner of Customs, Mumbai, for finalising the assessment. The amount of duty involved in this appeal is Rs. 41 million.

4. Appeal No. C/ 293/ 02 has been filed by MRPL before CESTAT against the order of the Commissioner of Customs, challenging the computation of assessable value of imported crude oil on transaction value basis for customs duty payment. The amount involved in this appeal is Rs. 49.15 million.

5. Appeal No. 68/ 2003 has been filed by MRPL before the Commissioner of Customs (Appeals), Bangalore against the order of the Deputy Commissioner of Customs challenging computation of assessable value of imported crude oil based on shore tank quantity after addition of free water therein. The amount involved in this appeal is Rs. 61 million.

Show Cause Notices

SCN No. S/ 26-Misc-212/ 99 CC dated February 2, 2000 has been issued by the Assistant Commissioner of Customs, Group IV, Mumbai, denying the concessional customs duty on Phase-II imports claimed by MRPL. The amount of duty involved is Rs. 525.3 million. Reply dated February 10, 2002 has been filed. The matter is pending hearing before the Assistant Commissioner of Customs, Group IV, Mumbai.

Commercial Tax

1. MRPL treated the coastal sales effected to HPCL for despatches outside Karnataka during the Assessment Years 2000-2001 and 2001-2002 as Inter State sales and thus, subject to Central Sales Tax. However, the Deputy Commissioner of Commercial Taxes (Vigilance) (DCCT) treated these sales as intra state sales and thus, subject to local sales tax. This view of DCCT was disputed by MRPL in Writ Petition No. 18557/2003 for the Assessment Year 2000 - 2001 and Writ Petition No. 18558/2003 for the Assessment Year 2001 - 2002. The amount of tax involved is Rs. 892.9 million. The writ petitions are pending for hearing.

2. MRPL has filed five different appeals before the Karnataka Appellate Tribunal (KAT) pertaining to five different Assessment Years being (i) Appeal No.1230 of 2003 for Assessment Year 1993 - 1994, (ii) Appeal No. 1231 of 2003 for Assessment Year 1994 - 1995, (iii) Appeal No.1232 of 2003 for Assessment Year 1995 - 1996, (iv) Appeal No.1233 of 2003 for Assessment Year 1996 - 1997, and (v) Appeal No. 1234 of 2003 for Assessment Year 1997 - 1998. MRPL has challenged the levy of entry tax (Rs. 453.23 million) and penalty (Rs. 1,120.1 million) aggregating to Rs. 1,573.33 million on project imports and Crude oil and the applicable rate of entry tax thereon. All the appeals are pending before KAT and a stay has been granted in favour of MRPL by KAT. The commercial tax department has filed Writ Petition Nos. 46,800/ 2003 and 47,257 to 47,260 / 2003, which are pending in the Karnataka High Court, challenging the stay granted to MRPL by KAT. MRPL has also filed Writ Petition Nos. 49,159 to 49,163/ 2003 in the Karnataka High Court against the garnishee notices issued to HPCL (one of the customers of the company) by the department for the above years for recovery of Rs. 1,537.3 million.

3. MRPL has filed an appeal before the KAT in relation to a dispute on classification of the products for ascertaining the rate of applicable entry tax for the year 1998-99. The appeal is pending before the KAT. The aggregate amount involved is Rs. 53.22 million which includes tax of Rs. 21.2 million and penalty of Rs. 32.02 million.

4. In respect of assessment year 2000-01, the Additional Deputy Commissioner of Commercial Taxes, Mangalore has disputed the claim of MRPL for exemption of entry tax on entry of crude oil for Phase-II refinery by misinterpreting the date of applicability of the notification. We are in the process of filing an appeal with the Joint Commissioner of Commercial Taxes (Appeals), Mangalore. The aggregate amount involved is Rs. 130.91 million which includes tax of Rs. 50.57 million, interest of Rs. 30.34 million and penalty of Rs. 50 million.

5. Penalty of Rs. 40 million and Rs. 100 million under the Karnataka Sales Tax act and Central Sales tax act respectively for the assessment year 1998-99 has been levied by the Commercial Tax authorities, Mangalore on the ground of non consideration of excise duty for ascertaining the taxable turnover for payment of duty. The appeal Nos. 134/ 2003-04 and 10/ 2003-04 have been dismissed by the Joint Commissioner of Commercial Taxes (Appeals), Mangalore. We are in the process of filing appeals against the above order before the KAT, Bangalore.

6. For the assessment year 2000-01, the Additional Deputy Commissioner of Commercial Taxes, Mangalore has denied the Central Sales Tax deferment allowable for production from Phase-II of the refinery by shifting the production from Phase-II to Phase-I of the refinery. The stand has been confirmed by the Joint Commissioner of Commercial Taxes (Appeals), Mangalore. An appeal has been filed with the KAT, Bangalore. The amount involved is Rs. 81.7 million.

7. The Additional Deputy Commissioner of Commercial Taxes, Mangalore has levied resale tax for the months of August, 2002 to December 2002. The levy had been challenged by MRPL and appeals were filed before the Joint Commissioner of Commercial Taxes (Appeals), Mangalore, who upheld the levy. Appeal Nos. 1275 to 1279 have been filed before the KAT against the order of the Joint Commissioner of Commercial Taxes (Appeals), Mangalore. The amount involved aggregates to Rs. 191.9 million, which includes tax of Rs. 180.8 million and interest of Rs. 11.1 million.

Excise Duty

1. The Commissioner of Central Excise, Mangalore levied excise duty of Rs. 20 million on internal fuel captively consumed, which is challenged in different appeals being Appeal Nos. E181-183 of 1999 and E161/ 2001 filed by MRPL before CESTAT, Bangalore. These appeals are pending.

2. The Commissioner of Central Excise, Mangalore levied differential duty of Rs. 84.9 million on Natural Gasoline spiked with crude. MRPL succeeded in its challenge to this levy before the CEGAT, and thereafter, the Commissioner of Central Excise, Mangalore has filed Appeal No. 8626 of 2002 in the Supreme Court, which is pending.

3. The Additional Commissioner of Central Excise, Mangalore has levied duty on transit loss vide order No. 18/ 2002 ADC dated September 30, 2002, in the case of bonded transfers during the period from May 1996 to May 1998. Appeal No. 526/ 2002 has been filed on December 20, 2002 before the Commissioner of Central excise (Appeals). The amount involved is Rs. 29.4 million.

Show Cause Notices

1. SCN No. V/ 27/ 3/ 8/ 2003 Hqrs. Adjn/ 2853 dated October 8, 2003 has been issued by the Commissioner of Central Excise, Mangalore demanding duty of Rs. 528.7 million by adopting the sale price of HPCL (as against the price of MRPL) as the basis for payment of duty. A reply dated December 23, 2003 has been submitted. The matter is pending hearing before the Commissioner of Central Excise, Mangalore.

2. SCN No. V/ 27/ 3/ 04/ 2001 B1 (b) dated March 30, 2001 has been issued by the Assistant Commissioner of Central excise on CENVAT/ MODVAT credit claimed by MRPL on capital goods used in Phase-II of the refinery. Reply to the SCN has been filed on July 23, 2001. The amount involved is Rs. 40.6 million.

3. SCN No. OC 258/ 2000 dated March 27, 2000 has been issued by the Superintendent of central Excise on CENVAT/ MODVAT credit claimed by MRPL on inputs. Reply to the SCN has been filed on May 29, 2000. The amount involved in the SCN is Rs. 21.1 million.

4. SCN No. V/ 27/ 3/ 41/ 2003 dated July 9, 2003 has been issued by the Assistant Commissioner of Central Excise in respect of additional excise duty on HSD exported during July 2002 to May 2003, contending that the exemption is available only for basic excise duty. Reply to the SCN has been filed on August 11, 2003. The amount involved is Rs. 678.2 million.

5. SCN No. V/ 27/ 3/ 47/ 2003 dated July 9, 2003 has been issued by the Assistant Commissioner of Central Excise in respect of additional excise duty on MS exported during the period December 30, 2000 to June 6, 2003, contending that the exemption is available only for basic excise duty. Reply to the SCN has been filed on August 11, 2003. The amount involved is Rs. 917.9 million.

6. SCN No. V/ 27/ 3/ 19/ 2003 HQRS. ADJN dated October 17, 2003 has been issued by the Additional Commissioner of Central Excise in respect of excise duty on account of non-rewarehousing of AR3A. Reply to the SCN has been filed on November 17, 2003. The amount involved is Rs. 12.1 million.

Criminal Cases

1. Mr. R. K. Dhaka, on behalf of his wife, who is a holder of 16% Partly Convertible Debenture (PCDs), has filed Case No. 1012 of 1999 for non-receipt of interest on PCDs purchased by Mrs. Dhaka. This case is filed against the Managing Director of MRPL and the Managing Director of MCS Limited. As per the records of MRPL, Mrs. Dhaka is holding 450 debentures duly transferred in her name. All interest / redemption instalments in respect of 450 debentures were sent to Mr. Dhaka on the respective due dates, and duplicate were issued against the unpaid warrants. The balance 50 PCDs are still in the name of the seller / original owner.

2. Mr. Ganga Sahai Modi has filed Case No. 1795 of 1997 on account of non-transfer of 500 shares purchased by Mr. Modi. As per the records of MRPL, 300 out of the 500 has been transferred in favour of third parties, while no application for transfer has been received by MRPL for the balance 200 shares.

Civil Cases

MRPL has filed a Writ Petition in Karnataka High Court, challenging an order of Tariff Authority for Major Ports (TAMP) with regard to methodology prescribed for arriving at wharfage rates payable for use of the oil jetty constructed by the New Mangalore Port Trust (NMPT) for handling MRPL's cargo. The petitions have been partly heard and wharfage rates paid by MRPL to the port are subject to outcome of decisions in pending Writ Petitions. The aggregate amount of liability as of March 31, 2003 was Rs. 175.09 million.

Contingent liability and outstanding litigation involving our joint ventures

D. Petronet MHB Limited (PMHBL)

Contingent liability not provided for as on March 31, 2003

Penal interest debited by Allahabad Bank and Canara Bank amounting to Rs. 6.05 million and Rs. 0.43 million approximately respectively.

Outstanding litigation as on December 31, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

E. ONGIO International Limited (ONGIO)

Contingent liability not provided for as on October 15, 2003

NIL

Outstanding litigation as on December 31, 2003

NIL

F. Pawan Hans Helicopters Limited (PHHL)

Contingent liability not provided for as on March 31, 2003

1. Counter guarantees given to Bank Rs. 22.1 million.
2. Outstanding letters of credit Rs. 141.6 million.
3. Claims against Pawan Hans not acknowledged as debt as per following details
   (i) Income tax demand for earlier years contested by Pawan Hans and under appeal Rs. 769.7 million up to Assessment Year 2002-03 against which Pawan Hans has deposited under protest / adjusted against refunds due from Tax Department, in aggregate Rs. 814.5 million relating to that period. Amounts deposited with Tax Department, (net of tax provision) have been shown as Advances recoverable;
   (ii) Court cases/ cases under Arbitration Rs. 127.7 million;
   (iii) Others Rs. 21.1 million.
4. Other moneys for which Pawan Hans may be contingently liable in the sum Rs.53.1 million.

Outstanding litigation as on December 31, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

Labour disputes and Service matters

1. There are in all 13 following labour disputes and service matters pending in various courts / forums pending at different stages. Out of these, the details of the following four cases are set out below:

1.1 On the breakdown of the negotiations on wage settlement for the period 1997-2006 between Pawan Hans Pilot Guild (Guild) and PHHL, Guild commenced arbitration (under section 10A of the Industrial Disputes Act, 1949) and the umpire gave the Award directing increase of 140 percent approximately in the compensation. PHHL has challenged the said Award in Writ Petition No. 2217 of 2000 filed in the Bombay High Court on various grounds, after the said Award was notified for implementation by the Ministry of Labour, the Government of India on October 4, 2000. The single Judge of the Bombay High Court, in the Guild's said Writ Petition, by its Order dated January 16, 2001, directed PHHL to implement the Award prospectively, while staying the retrospective operation of the Award. PHHL challenged the said Order dated January 16, 2001 in Appeal No. 133 of 2001 before the Appeal Court of the Bombay High Court. The Appeal Court stayed the operation of the entire Award. The writ petition is pending in the Bombay High Court.

1.2 Three writ petitions have been filed in the Bombay High Court under Contract Labour (Abolition and Regularisation) Act, 1970. Two of these are (a) Writ Petition No. 1855 of 1992 filed by Sarva Mazdoor Sangh (on behalf of 24 contract labour) against PHHL and others for regularisation of service and related reliefs, (b) Writ Petition No. 1453 of 1998 filed by Indian Airports Employees' Union and 16 other contract labour against PHHL and others for regularisation of service and related reliefs, and (c) Writ Petition No. 1673 of 1998 filed by PHHL against Union of India and others challenging the Notification dated July 4, 1997 prohibiting contract labour in various disciplines including sweeping, gardening and canteen. All these three petitions are clubbed together and will be disposed of at the same time.

1.3 Out of the aggregate of 40 contract labour referred to in 1.2 (a) and (b) above, 31 contract labour, through Indian Airports Employees' Union, have also approached the Assistant Labour Commissioner (Central), Mumbai in Case No. BALC-1/ 8(91)/2003 for regularisation of their services and related reliefs. The case is pending.

1.4 Capt. A. K. Saxena, a commercial pilot working on contract with PHHL, has filed a writ petition being Writ Petition No. 5321 of 1999 in the Delhi High Court for regularisation of his service and related reliefs. Subsequent to the filing of this writ petition, Capt. A. K. Saxena's contract with PHHL expired, and PHHL did not renew the same further. Thus, Capt. A. K. Saxena amended his said Writ Petition No. 5321 of 1999, to include the challenge that his contract was unjustly not renewed by PHHL on the grounds set out therein. This writ petition is pending.

Criminal Cases

Two different cases were filed in the Additional Chief Metropolitan Magistrate's Court by PHHL against the two directors of M/s. Nidheesh Tours and Travels Private Limited, Jammu, under section 138 of the Negotiable Instruments Act, 1881 in respect of dishonour of three different cheques aggregating to Rs. 3 million. All these cases are pending.

Arbitration and Civil matter

Pursuant to an Agreement dated June 16, 1999, PHHL agreed to sell to AES Aerospace Limited (AES), United Kingdom, nineteen 17-seater helicopters for GBP 900,000 and on the terms set out in the said Agreement. AES paid GBP 450,000 and took delivery of part of the helicopters. On September 24, 1999, an Addendum was executed recording that the balance payment will be accepted by PHHL by a confirmed Letter of Credit, with the transportation costs being borne by AES. A third Addendum dated May 31, 2000 was executed pursuant to which AES agreed to take delivery and make payment together with interest, transportation charges and forwarding and warehousing charges, within 60 days. However, AES failed to take delivery and make payment. PHHHL, thus, appointed an Arbitrator and caused AES to appoint their arbitrator (through a Supreme Court petition). However, arbitration could not commence as AES, in the meantime, was ordered to be compulsorily wound up in Petition No. 1454 of 2002 filed in the London Company Court, by its Order dated November 11, 2002.

The warehouse owner, Sagar Warehousing Corporation Limited (Sagar), issued a notice to AES to lift the balance consignment of the helicopters stored at the warehouse, failing which Sagar would auction the consignment. PHHL filed a petition being OMP No. 444 of 2002 in the Delhi High Court, in which an interim application was made for restraining Sagar from alienating, disposing, etc. the consignment of the helicopters. By an Order dated December 20, 2002, interim injunction restraining AES from alienating, disposing, etc. the consignment of the helicopters was granted. Sagar and the forwarding agent, M/s. Flyjac Forwarding & Transporters, have applied to the Court to be added as parties to the said OMP No. 444 of 2002. The petition is pending hearing.

Claims pending against entities under BIFR

1. There are three claims made before BIFR, the details of which are as follows:-

1.1 PHHL had given an inter-corporate deposit of Rs. 50 million on January 14, 1992 to Instrumentation Limited, a PSU, which is declared sick by BIFR. Our claim will be considered under the revised rehabilitation package currently under finalisation.

1.2 PHHL had given an inter-corporate deposit of Rs. 72.5 million in or about 1991 to Hindustan Photofilm and Manufacturing Company Limited, which is declared sick by BIFR. Our claim will be considered under the rehabilitation package currently under finalisation.

1.3 PHHL had given an inter-corporate deposit of Rs. 25 million on in or about 1992 to Hindustan Antibiotics Limited, which is declared sick by BIFR. Our claim will be considered under the rehabilitation package currently under finalisation.

G. Petronet LNG Limited (PLL)

Contingent liabilities not provided for as on September 30, 2003:

1. Claims against PLL not acknowledged as debts: Rs. 3.87 million.

2. Guarantees given by banks are as under:
   - Custom authorities - Rs. 73.87 million
   - Others - 1,162.7 million

   The above Guarantees have been Counter Guaranteed by PLL in favour of banks.

3. PLL has given Counter Guarantees in favour of four promoter companies against Commitment Letter provided by them to the Consortium Lenders / LNG supplier / LNG shipper.

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

Labour case

Mr. Kanhiya Lal, who was a casual worker, and whose services was terminated in November 2000, has filed a case against PLL before the Additional District and Sessions Judge and the Presiding Officer, Labour Court, New Delhi being ID No. 42/2002, challenging his termination as being allegedly illegal, and is claiming reinstatement with back wages. PLL has decided to contest the case, and has accordingly filed a reply stating that Mr. Lal's performance was found to be unsatisfactory, and thus, his termination was justified. Mr. Lal has not, till date, filed a counter to PLL's reply. The case is pending hearing.

Income Tax cases

Three appeals are pending before the ITAT, Delhi Bench, New Delhi against the order of the CIT (Appeals) in respect of tax demand for three assessment years being 1999-2000, 2000 - 2001, and 2001 - 2002.

PLL had filed a return of income declaring nil income for the said three assessment years of 1999-2000, 2000 - 2001, and 2001 - 2002, and the case was accordingly assessed. Later, the assessments were opened under section 148 of the Income Tax Act, 1961, and the income for 1999-2000, 2000 - 2001, and 2001 - 2002, was assessed as Rs. 589,935, Rs. 4,161,991 and Rs. 49,454,064 respectively. Income tax and penalty were directed to be paid by the ITO. PLL's contention before the ITO was that PLL did not carry out any business activity during the said three assessment years. PLL had invested its funds in Fixed Deposits with banks, which had earned interest. PLL treated this interest income as business income, and set off the same against its pre-operative business expenses. However, the ITO assessed this interest income as income from other sources, and made it liable to income tax.

PLL appealed against the ITO's order before the Commissioner of Income Tax (Appeals), but the Commissioner of Income Tax (Appeals) upheld the ITO's order. An appeal is filed in the ITAT, which appeal is pending.

In the meantime, PLL has already deposited under protest, a sum of Rs. 357,210 for the assessment year 1999 - 2000, Rs. 2,245,860 for the assessment year 2000 - 2001, and Rs. 22,953,010 for the assessment year 2001 - 2002 as tax. PLL has also deposited under protest, a sum of Rs. 1,121,553 towards interest on delayed payment for the said years 1999-2000, 2000 - 2001, and 2001 - 2002. Thus, in the event the appeals before the ITAT are decided against PLL, the aforesaid under protest deposits will not become available to PLL. However, PLL will not incur any additional liability.

Outstanding litigation against our director

Except for two criminal cases under labour laws pending against our Chairman and Managing Director (as detailed under paragraphs 8.1 and 8.2 above), there are no pending litigation against our directors.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further major approvals from any Government authority are required to continue those activities.

The following major Government approvals, certificates and licenses, set out below, are required for our business:

- Pursuant to the ORD Act and the P&NG Rules made thereunder, we have obtained petroleum exploration licenses or PELs which gives us the right inter alia to prospect for petroleum and natural gas.

  During the Pre-NELP regime, PELs were granted on a 'nomination basis' and were valid for a period of four years, extendable for two further periods of one year each. Post NELP, the issuance of PELs is governed under the NELP regime and the blocks will now be granted on the basis of 'competitive bidding'. The corresponding PELs will be issued and renewed under the NELP regulations. In terms of order dated March 13,2002 from MOPNG, with effect from January 01, 2000 and based on the work program accepted by the DGH, re-grant will be given to ONGC for a period of four years in respect of PELs held by ONGC for a period of more than six years under the Pre-NELP regime. Extension for one further year would also be allowed based on definite work program approved by DGH. The re-grant is subject to the condition that ONGC would relinquish 25 percent of original PEL area at the time of application for re-grant. In case any lead is obtained by ONGC during the above re-grant period, further extension of up to two years may be granted for appraisal of the lead obtained only for that part of the area which is relevant for appraisal of lead subject to stipulation that maximum area retained will not exceed 50 percent of the original PEL. After the expiry of above re-grant period, the national oil companieswill relinquish whole of PEL area in case neither leads have been obtained nor discovery made and no further extension would be granted.

  Out of the total number of PELs obtained by us during the pre-NELP regime, 33 of them have not expired their original term as of January 1, 2004. As of January 1, 2004, while we have been regranted 16 PELs by the Government of India / State Governments under the MoPNG order stated above. Applications for 77 PELs are at various stages for approval of regrant.

  Apart from the aforesaid, we have as per the Government of India's directions, obtained PELs for an additional 15 blocks covering an area of 39,905 square kilometers on behalf of certain private parties. These blocks are operated by private parties, and we have the option to acquire up to 40 percent any participating interest in the same.

  Under the NELP I, II, III and IV rounds, 47 PELs have been awarded to us as the operator and 4 PELs along with joint venture partners as the operator have been awarded to us, together, the 51 blocks, covering a total area of 561,361 square kilometers. In the recently concluded NELP IV round 12 blocks have been awarded to us as the operator and in 2 blocks along with joint venture partner as the operator, for which we shall apply for PELs, for which the production-sharing contract have been signed on February 6, 2004, the total area of such blocks being 148,925 square kilometers.

  We have also obtained PMLs under the ORD Act and the P&NG Rulestherein, which give us the right inter alia to mine for petroleum. PMLs are ordinarily valid for a period of 20 years and we can apply for renewal of the same on the expiry of the same. As of January 1, 2004, while we have been granted 135 PMLs by the Government of India / State Governments, applications for 93 PMLs are at various stages for approval of grant.

  We have also obtained authorisations from MOPNG to market MS and HSD at 1100 retail outlets, subject to certain terms and conditions, including that we set up at least 5.6 percent of the retail outlets in remote areas and at least 5.3 percent of the retail outlets in low service areas.

  Apart from the licenses and authorisations mentioned above, we also require the following material licenses, approvals and permissions and we have made or are in the process of making an application for renewal of the same:

- For our onshore Assets which are located at Ankleshwar, Ahmedabad, Mehsana, Karaikal, Rajahmundry, Agartala, Nazira and three offshore Assets located at Mumbai, the following is a material list of licenses, approvals, permissions, typically required for operations and carrying out the business:

  1. License for usage, carriage and storage of explosives under the Explosives Act, 1884 issued by the Controller of Explosives;
  2. Consent for water/ air by the concerned State Pollution Control Board;
  3. License/ Approval for construction/ addition/ alteration/ storage of hydrocarbon products for various plants such as gas compressor plants, group gathering stations, liquefied petroleum gas, effluent treatment plant, well heads, etc. issued by Director General of Mines and Safety ("DGMS") under the Mines Act , 1952 and under the Oil Mines Regulations, 1984;
  4. Approval for installation of captive power plant by concerned State Electricity Board under the Indian Electricity Act;
  5. Approval for running of captive power plant by the Chief Factories Inspector under the Factories Act, 1948;

6. Certificate for use of boilers under Indian Boiler Act, 1923; and
7. Certificate of registration for employment of contract labour under Contract Labour (Regulation and Abolition) Act, 1970.

- For our onshore Basins which are located at Vadodra including Forward Bases at Cambay and Jodhpur, Chennai including Forward Bases at Rajahmundry and Karaikal, Jorhat including forward base at Silchar, Dehradun and Kolkata and our offshore Basin at Mumbai, the following is a material list of licenses, approvals, permissions, typically required for operating business:

  1. License for usage, carriage and storage of explosives under the Explosives Act, 1884 issued by the Controller of Exlosives;
  2. Approval for installation of diesel generating sets by concerned Central Electricity Authority under the Indian Electricity Act;
  3. Chennai Basin has licenses for radio frequency issued by Ministry of Communication;
  4. Consent for water/ air by the concerned State Pollution Control Board;
  5. Certain Basins having oil and gas producing wells have License/ Approval for construction/ addition/ alteration/ storage of hydrocarbon products for various plants such as gas compressor plants, group gathering stations, liquefied petroleum gas, effluent treatment plant, well heads, etc. issued by DGMS under the Mines Act, 1952 and under the Oil Mines Regulations, 1984;
  6. Certificate of registration for employment of contract labour under Contract Labour (Regulation and Abolition) Act, 1970.

- For our Plants which are located at Uran, Hazira, Ankleshwar and Rajahmundry. The following is a material list of licenses, approvals, permissions, typically required for operations:

  1. Registration and license under Factories Act, 1948
  2. License for usage, carriage and storage of explosives under the Explosives Act, 1884 issued by the Controller of Explosives;
  3. Consent for water/ air by the concerned State Pollution Control Board;
  4. License/ Approval for construction/ addition/ alteration/ storage of hydrocarbon products for various plants such as gas compressor plants, group gathering stations, liquefied petroleum gas, effluent treatment plant, well heads, etc. issued by DGMS under the Mines Act, 1952 and under the Oil Mines Regulations, 1984;
  5. Approval for installation of captive power plant by concerned State Electricity Board under the Indian Electricity Act;
  6. Approval for running of captive power plant by the Chief Factories Inspector under the Factories Act, 1948;
  8. Authorisation for hazardous waste management and handling from the concerned state Pollution Control Board;
  9. Certificate for use of boilers under Indian Boiler Act, 1923; and
  10. Certificate of registration for employment of contract labour under Contract Labour (Regulation and Abolition) Act, 1970.

The following are some of the material licenses, registrations and permissions for operating our Assets, Basins and Plants have expired and the Company has made or is in the process of making an application for renewal of the same:

Ankleshwar

1. Licence and Registration under to run a captive power plant, Gandhar under the Factories Act, 1948 bearing registration number Bharuch-40(401-40105) 1102-A and licence no. 087061 has expired on December 31, 2001 for which a renewal was made in November 2002.
2. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 28863 for industrial plants located at CPF Gandhar village and P.O.Chanchwel.Tal. Vagra, District Bharuch, which expired on August 31, 2003 for which an application for renewal was made for a period until August 31, 2004.
3. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 20187 for industrial plants located at CPF Gandhar which expired on August 31, 2003 for which an application for renewal was made for a period until August 31, 2004.
4. Authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 bearing number 2656 for industrial plant located at CPF Gandhar for which an application for renewal was made on January 31, 2003 for a period of five years.
5. Consents under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order numbers 19931 (GGS IV Gandhar), 19932 (GGS Dahej), 19934 (GGS III Gandhar) 19936 (GGS V Gandhar)all of which expired on July 31, 2003 for which applications for renewal was made on September 30, 2003 for a period of five years.

6. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 15111 for GGS II Gandhar, which expired on July 31, 2002 for which application for renewal was made on September 30, 2003 for a period of five years.

Vadodara

7. License under the Factories Act, 1948 bearing license number 096088 which expired on December 31, 2003 for which renewal has been made for extension on October 16, 2003 until December 31, 2004.

Karaikal

8. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 4461 for Narimanam GGS dated July 25, 1991, which had expired on March 31, 1992 for which an application for renewal was made on May 11, 2001.

9. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 4456 for Adiyakamangalam EPS dated July 25, 1991 which had expired on March 31, 1992 for which an application for renewal was made on July 9, 2003.

10. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 5588 for Nannilam EPS dated December 4, 1991 which had expired on March 31, 1992 for which an application for renewal was made on January 5, 2004.

11. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 6890 for Narimanam GGS dated July 25, 1991 which had expired on March 31, 1992 for which an application for renewal was made on May 11, 2001.

12. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 6885 for Adiyakamangalam EPS dated July 25, 1991 which had expired on March 31, 1992 for which an application for renewal was made on July 9, 2003 .

13. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 8155 for Nannilam EPS dated December 4, 1991 which had expired on March 31, 1992 for which an application for renewal was made on January 5, 2004.

Hazira

14. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 15834 which expired on October 31, 2002 for which an application for renewal was made for extension on September 26, 2002 until 2007.

15. Consolidated application for renewal under Air (Prevention and Control of Pollution) Act, 1981, Water (Prevention and Control of Pollution) Act, 1974 and Hazardous Wates (Management and Handling) Rules, 1989 was made on September 29, 2003 to the Gujarat Pollution Control Baord for licenses until 2007.

Ahmedabad

16. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 21782 (for GGS-III (K) at Kalol, Mehsana) which expired on October 11, 2003 for which we are in the process of making a renewal application.

17. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 16421 which expired on February 28, 2003 for which we are in the process of making a renewal application.

18. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 14467 GGS-XI (K) at Kalol, Mehsana which expired on May 31, 2002 for which we are in the process of making a renewal application.

19. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 19746 CTF GCP (K) at Kalol, Mehsana which expired on July 5, 2003, for which an application for renewal was made on December 13, 2003.

20. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 16778 (Wadu at Kadi, Mehsana) which expired on March 1, 2003, for which we are in the process of making a renewal application.

21. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 18894 which expired on February 28, 2003, for which we are in the process of making a renewal application.

22. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 20717 which expired on October 30, 2003, for which we are in the process of making a renewal application.

23. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 18668 (RAMOL at Hathijan Ahmedabad) which expired on Janaury 3, 2003, for which an application for renewal was made on March 28, 2003.

24. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 9212 (NANDEJ-14 at Devdi, Dascoi, Ahmedabad) which expired on April 30, 1999, for which an application for renewal was made on March 22, 2000.

25. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 20707 (DESALTER PLANT (NGM)) at Matar, Kheda) which expired on November 13, 2003, for which an application for renewal was made on March 12, 2003.

26. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 18896 (Limbodra GGS-I at Kalol, Mehsana) which expired on Febrary 28, 2003, for which we are in the process of making a renewal application.

27. Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing Consent order number 17134 (GGS-I (JHL) at Meda Adrej, Mehsana) which expired on March 31, 2002, for which an application has been made on May 10, 2002.

28. Consent under Air (Prevention and Control of Pollution) Act, 1981, bearing Consent order number 15125 (Limbodra GGS-II (Lim-10) at Pindara, Gandhinagar) August 31, 2002 and for which we are in the process of making a renewal application.

29. Consent under Air (Prevention and Control of Pollution) Act, 1981, bearing Consent order number 17341 (Limbodra GGS-6 at Mansa, Vijapur, Mehsana) expired on January 31, 2002 for which application has been made on March 15, 2002.

30. Consent under Air (Prevention and Control of Pollution) Act, 1981, bearing Consent order number 21208 (Gamij GGS at Gamij, Dehgam, Ahmedabad) expired on August 23, 2003 for which application has been made on May 22, 2003 for an extension for one year.

31. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 21954 (ETP GGS III (K) at District Mehsana) expired on July 31, 2001 for which a renewal of application was made February 13, 2002.

32. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 23972 (ETP GGS VII (K) at District Gandhinagar) which expired on March 31, 2002 for which a renewal of application was made February 13, 2002.

33. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 24479 (ETP GGS III (Nawagam) at District Kheda expired on May 30, 2002 for which a renewal of application was made February 13, 2002.

34. Consent under Water (Prevention and Control of Pollution) Act, 1974 bearing Consent order number 22277 (ETP Jhalora - I at District Mehsana) expired on August 31, 2002 for which a renewal of application was made October 11, 2002.

Nazira

35. All our Licenses and authorisation under the Air and Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 have expired and applications have been made with the Assam Pollution Control Board.

In addition to the above, we require certain other approvals/ licenses/ registerations/ permissions/ certificates in our normal course of business in line with applicable laws.

DIVIDEND POLICY

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, at its discretion, to be paid to our members. The Board may also declare interim dividends. Generally, the factors that may be considered by the Board before making any recommendations for the dividend include, but are not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the Government guidelines described below:

As per the guideline dated February 11, 1998 from the Government of India, all profit-making PSUs which are essentially commercial enterprises should declare the higher of a minimum dividend of 20 percent on equity or a minimum dividend pay-out of 20 percent of post-tax profit. The minimum dividend pay-out in respect of enterprises in the oil, petroleum, chemical and other infrastructure sectors such as us should be 30 percent of post-tax profits.

The dividends paid by our Company during the last five fiscal years are presented below:

	FY2003	FY2002	FY2001	FY2000	FY1999
Face Value of equity shares *(Rs. per share)*	10	10	10	10	10
Dividend *(Rs. in millions)*	42,778.02	19,963.08	15,685.27	9,268.57	7,842.63
Dividend rate	300%	140%	110%	65%	55%
Dividend Payout Ratio [(1)]	40.6%	32.2%	30.0%	25.5%	28.5%
Dividend tax (*Rs. in millions)*	2,375.07	0.00	1,599.90	1,411.68	862.69

[(1)] Dividend Payout Ratio is the ratio of the dividend amount (computed without considering dividend tax) to the net profit in any given fiscal year.

On January 30, 2004, we declared an interim dividend of Rs. 14 per share, at a 140 percent dividend rate and in a total aggregate amount of Rs. 19,963.1 million, excluding a dividend tax of Rs. 2,557.8 million.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy in the future.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Offering

The high and low closing prices in the last three years and period to date, recorded at the National Stock Exchange (NSE) as well as the monthly high or low closing prices during the last six months recorded at the National Stock Exchange, are shown below:

Year ending March 31	High (Rs)	Date of High	Volume on date of High (no. of shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of shares)	Average price for the year
2001	165.40	Feb 12, 2001	97,153	98.90	Oct 17, 2000	17,439	124.25
2002	274.65	Mar 28, 2002	356,091	123.00	Sep 17, 2001	6,046	158.37
2003	392.10	May 16, 2002	2,204,719	307.40	May 28, 2002	1,855,975	354.00

Month	High (Rs.)	Date of High	Volume on date of High (no. of shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of shares)	Total volume for the month Low (no. of shares)
August 2003	616.05	Aug 29, 2003	650,108	456.00	Aug 1, 2003	380,147	19,527,383
September 2003	688.8	Sep 10, 2003	806,667	524.00	Sep 22, 2003	1,197,591	29,260,087
October 2003	638.40	Oct 13, 2003	946,752	572.85	Oct 30, 2003	1,043,481	18,441,781
November 2003	664.45	Nov 11, 2003	758,684	600.65	Nov 21, 2003	393,867	12,182,267
December 2003	798.25	Dec 31, 2003	1,013,019	614.90	Dec 2, 2003	417,003	16,571,148
January 2004	949.10	Jan 8, 2004	2,005,389	729.75	Jan 22, 2004	1,667,587	34,903,250

The closing market price immediately on the date on which the Government of India announced disinvestments of shares (December 26, 2003) was Rs. 738.15 (with an intra-day high of Rs. 748.8 and a low of Rs. 725.1) on NSE. The equity shares of the company are traded regularly on The Stock Exchange, Mumbai and National Stock Exchange of India Limited. Our Equity Shares are also listed on the Delhi Stock Exchange Association Limited.

Particulars regarding Public Issues during the last five years

We have not made any public issue since inception.

Companies under the same management

The following companies shall be treated under the same management as contemplated under Section 370 (1B) of the Companies Act:

- ONGC Videsh Limited
- ONGC Nile Ganga B.V.
- Mangalore Refinery and Petrochemicals Limited
- ONGIO International Private Limited

Mechanism for Redressal of Investor Grievance

The agreement to be executed between the Registrar to the Offer, MCS Limited and us, will provide for retention of records with the Registrar to the Offer for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders, to enable the investor to approach the Registrar to the Offer for redressal of their grievance.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, the number of shares applied for, amount paid on the application and bank branch or collection center where the application was submitted.

Disposal of Investor Grievance

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievance shall be fifteen days from the date of receipt of the complaint. In cases of non-routine complaints and complaints where external agencies are involved, we will seek to redress the complaints as expeditiously as possible.

We have appointed Mr. H. C. Shah as the Compliance Officer and he may be contacted in case of any pre-offer and post-offer related problems. He can be contacted at Oil and Natural Gas Corporation Limited, Jeevan Bharati, Tower II, 124, Indira Chowk, New Delhi - 110 001; Tel no.: +91-11-23301277; Fax no.: +91-11-23311326; E-mail: complianceofficer@ongc.net.

Status of pending investor grievance

As on December 31, 2003, there were nine complaints pending.

Shareholders'/ Investors' Grievance Committee

We have constituted a Shareholders'/Investors' Grievance Committee, which is currently headed by Mr. Rajesh V. Shah, an Independent Director, and the other members are Mr. Nathu Lal, Director (T&FS) and Mr. R.S. Sharma, Director (Finance). The Deputy Company Secretary acts as the Secretary to the Committee. The scope and functions of the Committee is to consider and review the shareholders' and investors' grievances and complaints, and to expeditiously attend to and reply to them generally within a period of 15 days of receipt, except in the cases that were constrained by incomplete documentation and/or by legal impediments.

Investor Grievance Committee of MRPL

MRPL has constituted a Shareholders'/Investors' Grievance Committee, which is currently headed by Mr. G.M. Ramamurthy, an Independent Director, and the other members are Mr. R.S. Sharma and Mr. C. Ramulu. The Company Secretary acts as the Secretary to the Committee. The scope and functions of the Committee is to consider and review the shareholders' and investors' grievances and complaints, and to expeditiously attend to and reply to them generally within a period of 15 days of receipt, except in the cases that were constrained by incomplete documentation and/or by legal impediments.

Prohibition of Accessing the Capital Markets

Our Company, Directors, subsidiaries, associates, group companies, other companies or entities promoted by us, and companies or entities with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Listing

The equity shares of our Company are listed on the Stock Exchanges.

Compliance with SEBI Guidelines and Listing Agreement

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. Our Company has made disclosures from time to time in compliance with the terms of the listing agreements with the Stock Exchanges.

STATUTORY AND OTHER INFORMATION

Statutory Auditors during the last Three Fiscal Years and for the Fiscal Year 2004

The statutory auditors of our Company are being appointed or reappointed by the Comptroller and Auditor General of India and his / their remuneration, rights and duties shall be regulated by sections 224 to 233 of the Companies Act.

Fiscal Year	Statutory Auditors
2001	Lovelock and Lewes; Price Waterhouse; Chandabhoy and Jassobhoy; M.R. Narain & Co; and Chaturvedi and Shah
2002	Lovelock and Lewes; Chandabhoy and Jassobhoy; M.R. Narain & Co.; Chaturvedi and Shah; and Thakur, Vaidyanath Aiyar & Co.
2003	Lodha & Co.; Brahmayya & Co;, S. Bhandari & Co.; Chaturvedi and Shah; and Thakur, Vaidyanath Aiyar & Co.
2004	Lodha & Co.; Brahmayya & Co.; S. Bhandari & Co.; Thakur, Vaidyanath Aiyar & Co.; and RSM & Co.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Preliminary Sale Document, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Previous Rights and Public Issues

We have not made any public or rights issue of Equity Shares since inception.

Outstanding Debentures or Bond Issues

As of date, there are no outstanding debentures or bond issues.

Outstanding Preference Shares

As of date, there are no outstanding preference shares.

Capitalisation of Reserves or Profits

1,076,440,366 equity shares were issued as fully paid up by way of bonus shares by capitalisation of General Reserves on August 21, 1995.

Issues otherwise than for Cash

Pursuant to the Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993 inter alia the entire undertaking and capital of Oil & Natural Gas Commission stood transferred and vested in us. We then issued 342,853,716 Equity Shares of Rs. 10 each to the President of India who was then the sole shareholder of the Oil and Natural Gas Commission and subsequently 1,076,440,366 Equity Shares were issued as bonus shares.

Except as stated above and the capitalisation of reserves as mentioned above, we have not issued any Equity Shares for consideration otherwise than for cash.

Option to Subscribe

Equity shares being offered through this Preliminary Sale Document can be applied for in the dematerialised form only.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Offer or the purchase or acquisition of which has not been completed on the date of this Preliminary Sale Document, other than property in respect of which the contract for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Offer nor is the Offer contemplated in consequence of the contracts; or the amount of the purchase money is not material.

Except as elsewhere stated in this Preliminary Sale Document, we have not purchased any property in which our promoter and/ or Directors, have any direct or indirect interest in any payment made thereof.

Appointment, Remuneration of Managing Director, Whole-Time Directors and Directors of the Company

Chairman and Managing Director

Article 104 (c) of the Articles of the Company provides that so long as the President holds 51 percent or more of the paid up equity share capital of the Company, Chairman and Managing Director of the Company shall be appointed by the President on such terms and conditions, remuneration and tenure as the President may determine from time to time. The Chairman and Managing Director of the Company shall be Chief Executive of the Company and a non-retiring Director.

Mr. Subir Raha was appointed as Chairman and Managing Director of the Company with effect from May 25, 2001 pursuant to MOPNG letter number 0-20014/2/2000-ONG III dated May 24, 2001 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on June 7, 2001 noted the appointment..

The details of remuneration paid to the C&MD during the period from April 1, 2003 to December 31, 2003 is as below:

	(Rs.)
Basic and Personal Pay	305,419
Variable Dearness Allowance	128,536
Professional Pursuit	6,500
` Compensatory Hill Allowance	3,000
Incentives	107,397
Reserve Establishment Honorarium	6,000
Leave Fare Assistance	59,140
Holiday Home	5,000
Cost of Uniform	15,665
Entertainment Expenses	21,750
Medical Reimbursement	139,770
Gross total	**798,177**

In addition to the above, he is also availing / entitled to the following as per the Company rules:

Housing

Mr. Subir Raha has been provided company accommodation by ONGC as per the Company rules.

Company car

The necessary provision for a staff car has been made by the Company.

Other perquisites and benefits

Mr. Subir Raha is entitled to other benefits and perquisites such as travelling allowance, disability leave, leave salary, children education allowance and two club memberships, etc.

Contribution towards Provident Fund, equivalent to 12 percent of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

Whole-Time / Functional Directors

Article 104 (d) of the Articles of the Company states that the President shall subject to the provisions of Section 255 of the Companies Act and 104 (a) of the Articles of the Company appoint in consultation with the Chairman and Managing Director of the Company, such number of Whole-time / functional directors as deemed fit on such terms and conditions, remuneration and tenure, as the President may from time to time determine.

(i) Mr. Y.B. Sinha was appointed as Director (Exploration) on the Board of the Company with effect from May 5, 2000 pursuant to MOPNG letter number 0-20014/10/95-ONG III dated May 5, 2000 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on May 16, 2000 noted the appointment. Mr. Y.B. Sinha originally filled in a casual vacancy on the Board and has been re-appointed at the ninth AGM of ONGC held on September 20, 2002.

The details of remuneration paid to Mr. Sinha during the period from April 1, 2003 to December 31, 2003 is as below:

	(Rs.)
Basic and Personal Pay	304,111
Variable Dearness Allowance	125,721
Professional Pursuit	5,000
House Rent Allowance	45,616
Compensatory Hill Allowance	3000
Incentives	102,417
Reserve Establishment Honorarium	6000
Leave Fare Assistance	30,144
Holiday Home	5000
Cost of Uniform	15,665
Entertainment Expenses	19,500
Medical Reimbursement	1,931
Gross total	**659,105**

In addition to the above, he is also availing / entitled to the following as per the Company rules:

Pension and other superannuation benefits

Governed by the rules and regulations of ONGC with respect of superannuating benefit fund.

Company car

The necessary provision for a staff car has been made by the Company.

Other perquisites and benefits

Mr. Y.B. Sinha is entitled to other benefits and perquisites such as travelling allowance, disability leave, leave salary, children education allowance and two club memberships, etc.

Contribution towards Provident Fund, equivalent to 12 percent of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

(ii) Mr. V. K. Sharma was appointed as Director (Operations), (subsequently, re-designated as Director (Offshore)) on the Board of the Company with effect from February 19, 2001 pursuant to MOPNG letter number 0-20014/2/2000-ONG III dated February 15, 2001 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on March 9, 2001 noted the appointment. Mr. V.K. Sharma originally filled in a casual vacancy on the Board and has been re-appointed at the ninth AGM of ONGC held on September 20, 2002.

The details of remuneration paid to Mr. V. K. Sharma during the period from April 1, 2003 to December 31, 2003 is as below:

	(Rs.)
Basic and Personal Pay	382,363
Variable Dearness Allowance	154,232
Professional Pursuit	5,000
Compensatory Hill Allowance	3000
Incentives 105,047	
Reserve Establishment Honorarium	6000
Cost of Uniform	15,665
Entertainment Expenses	20,500
Medical Reimbursement	107,446
Gross total	**799,253**

In addition to the above, he is also availing / entitled to the following as per the Company rules:

Housing

Mr. V.K. Sharma has been provided company accommodation by ONGC as per the Company rules.

Pension and other superannuation benefits

Governed by the rules and regulations of ONGC with respect of superannuating benefit fund.

Company car

The necessary provision for a staff car has been made by the Company.

Other perquisites and benefits

Mr. V.K. Sharma is entitled to other benefits and perquisites such as travelling allowance, disability leave, leave salary, children education allowance, leave travel concession, holiday home facility and two club memberships, etc.

Contribution towards Provident Fund, equivalent to 12 percent of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

(iii) Mr. Nathu Lal was been appointed as Director (Drilling), (subsequently, re-designated as Director (Technology & Field Services)) on the Board of the Company with effect from March 12, 2001 pursuant to MOPNG letter number 0- 20014/3/ 2000-ONG III/ CA dated March 12, 2001 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on March 21, 2001 noted the appointment. Mr. Nathu Lal originally filled in a casual vacancy on the Board and has been re-appointed at the tenth AGM of ONGC held on September 29, 2003.

The details of remuneration paid to Mr. Nathu Lal during the period from April 1, 2003 to December 31, 2003 is as below:

	(Rs)
Basic and Personal Pay	310,969
Variable Dearness Allowance	127,382
Professional Pursuit	5,000
Compensatory Hill Allowance	3000
Incentives	104,995
Reserve Establishment Honorarium	6000
Leave Fare Assistance	2,352
Cost of Uniform	15,665
Entertainment Expenses	15,500
Medical Reimbursement	9,597
Gross total	**600,460**

In addition to the above, he is also availing / entitled to the following as per the Company rules:

Housing

Mr. Nathu Lal has been provided company accommodation by ONGC as per the Company rules.

Pension and other superannuation benefits

Governed by the rules and regulations of ONGC with respect of superannuating benefit fund.

Company car

The necessary provision for a staff car has been made by the Company.

Other Perquisities and benefits

Mr. Nathu Lal is entitled to other benefits and perquisites such as travelling allowance, disability leave, leave salary, children education allowance, holiday home facility, and two club memberships, etc.

Contribution towards Provident Fund, equivalent to 12 percent of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

(iv) Mr. R.S. Sharma was appointed as Director (Finance) on the Board of the Company with effect from March 1, 2002 pursuant to MOPNG letter number 31011/2/2001-CA dated March 1, 2002 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on April 3, 2002 noted the appointment. Mr. R.S. Sharma originally filled in a casual vacancy on the Board and has been re-appointed at the tenth AGM of ONGC held on September 29, 2003.

The details of remuneration paid to Mr. R. S. Sharma during the period from April 1, 2003 to December 31, 2003 is as below:

	(Rs.)
Basic and Personal Pay	284,779
Variable Dearness Allowance	116,528
Leave Salary	116,007
Compensatory Hill Allowance	3000
Reserve Establishment Honorarium	6000
Leave Fare Assistance	26,605
Children Education Allowance	500
Cost of Uniform	15,665
Entertainment Expenses	18,000
Medical Reimbursement	13,088
Gross total	**706,914**

In addition to the above, he is also availing / entitled to the following as per the Company rules:

Housing

Mr. R.S. Sharma has been provided company accommodation by ONGC as per the Company rules.

Pension and other superannuation benefits

Governed by the rules and regulations of ONGC with respect of superannuating benefit fund.

Company car

The necessary provision for a staff car has been made by the Company.

Other perquisites and benefits

Mr. R.S. Sharma is entitled to other benefits and perquisites such as travelling allowance, disability leave, holiday home facility, incentives, professional pursuit, and two club memberships, etc.

Contribution towards Provident Fund, equivalent to 12 percent of Basic Pay, Special Pay, Special Personal Pay and Dearness Allowance, is also made by the Company.

(v) Dr. Ashok Kumar Balyan was appointed as Director (Human Resources) on the Board of the Company with effect from August 23, 2003 pursuant to MOPNG letter number 31011/5/2002-CA dated August 22, 2003 for a period of five years or till the date of his superannuation, whichever event occurs earlier. The Board of ONGC at its meeting held on September 11, 2003 noted the appointment. Dr. Balyan is filling in a casual vacancy of the Board of ONGC.

The details of remuneration paid to Dr. Balyan during the period from August 23, 2003 to December 31, 2003 is as below:

	(Rs.)
Basic and Personal Pay	117,502
Variable Dearness Allowance	37,115
Professional Pursuit	2,145
Compensatory Hill Allowance	1,287
Incentives	59,390
Reserve Establishment Honorarium	6000
Leave Fare Assistance	89,100
Cost of Uniform	7,832
Entertainment Expenses	9,000
Gross total	**329,371**

Dr. Balyan has not received his detailed terms of appointment from MOPNG. However, he is being extended the same facilities as provided to other Directors.

Part-time Non - official Retiring Directors

(i) Mr. Atul Chandra was appointed on the Board of ONGC as part-time retiring Director pursuant to MOPNG letter number 0-20014/2/98/ONG D III dated January 15, 1996. The Board of ONGC at its meeting held on February 27, 1996 noted the appointment. Mr. Chandra has been re-appointed at the tenth AGM of ONGC held on September 29, 2003.

(ii) Mr. Mukund M. Chitale was appointed on the Board of ONGC as part-time non-official retiring Director on September 11, 2003 pursuant to MOPNG letter number 35011/4/2003-CA dated August 13, 2003. Mr. Chitale is filling in a casual vacancy on the Board of ONGC.

(iii) Mr. Rajesh V. Shah was appointed on the Board of ONGC as part-time non-official retiring Director on September 11, 2003 pursuant to MOPNG letter number 35011/4/2003-CA dated August 13, 2003. Mr. Shah is filling in a casual vacancy on the Board of ONGC.

(iv) Mr. U. Sundararajan was appointed on the Board of ONGC as part-time non-official retiring Director on September 11, 2003 pursuant to MOPNG letter number 35011/4/2003-CA dated August 13, 2003. Mr. Sundararajan is filling in a casual vacancy on the Board of ONGC.

(v) Mr. N. K. Nayyar was appointed on the Board of ONGC as part-time non-official retiring Director on March 12, 2003 pursuant to MOPNG letter number 0-20014/2/88-ONG-III-CA dated February 26, 2003. Mr. Nayyar filled in a casual vacancy on the Board of ONGC. Mr. Nayyar has been re-appointed at the tenth AGM of ONGC held on September 29, 2003.

Part-time Official Director

(i) Mr. Badal K. Das, IAS, Additional Secretary & Financial Advisor, MOPNG, was nominated on the Board of ONGC as a part-time official Director pursuant to MOPNG letter number 36011/4/2003-CA dated September 2, 2003. The Board at its meeting held on September 11, 2003 noted the appoitment.

(ii) Mr. J.M. Mauskar, IAS, Joint Secretary, MOPNG, was appointed on the Board of ONGC as a part-time official Director pursuant to MOPNG letter 0-20014/ 2/90- ONG- III (PT.) dated May 14, 1999. He was initially appointed as an additional Director by the Board at its meeting held on May 28, 1999. Mr. Mauskar has been re-appointed at the tenth AGM of ONGC held on September 29, 2003.

(iii) Mr. Pradeep K. Deb IAS, Joint Secretary (FT&I), Ministry of Finance, was nominated on the Board of ONGC as a part-time official Director pursuant to MOPNG letter number 31011/4/2001-CA(Pt.) dated July 16, 2003. The Board at its meeting held on July 26, 2003 noted the appointment. Mr. Deb is filling in a casual vacancy on the Board of ONGC.

Interest of Promoters and Directors

Except as stated in "Related Party Transactions" on page 233 of the Preliminary Sale Document, the Promoter, and other related parties do not have any interest in our business except to the extent of investments made by them in our Company and earning returns thereon.

We do not pay any remuneration to our part-time official Directors and we pay sitting fees of Rs. 10,000 (Sitting fees have been revised since October 28, 2003 from Rs. 5,000 to Rs. 10,000) to part-time non-official retiring Directors for attending each meeting of the Board and committees thereof except to Mr. Atul Chandra and Mr. N.K. Nayyar. The Chairman and Managing Director and the Whole-time Directors are interested to the extent of remuneration paid to them for services rendered as our officers or employees.

The Directors may also be regarded as interested in the shares, if any, held by them or that may be subscribed by and allotted/ transferred to the companies, firms and trust, in which they are interested as Directors, Members, partners and/ or trustees.

All Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by us with any company in which they hold Directorships or any partnerships in which they are partner(s).

Except as stated otherwise in this Preliminary Sale Document, we have not entered into any contract, agreements or arrangement during the preceding two years from the date of the Preliminary Sale Document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Borrowing Powers of Directors

The Company in its Second AGM held on September 28, 1995 authorised the Board of Directors of ONGC for borrowings (both domestic and international/ foreign) from time to time of any sum or sums of monies which together with the monies already

borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) to exceed the aggregate of the paid up capital and free reserves of the Company, i.e., reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 200,000 million.

Revaluation of Assets

We have not revalued any of our assets since incorporation.

Classes of Shares

Our authorised capital is Rs. 150,000 million, which is divided into 15,000 million equity shares of Rs. 10 each.

Payment or Benefit to Promoters or Officers of our Company

Except as stated otherwise in this Preliminary Sale Document, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to our Promoter or officers except the normal remuneration for services rendered as directors, officers or employees.

Qualification Shares

Pursuant to our Articles, our Directors are not required to hold any qualification shares

Any restriction on consolidation and splitting of the equity shares

Please refer to section on "Main Provisions of Articles of Association of ONGC" on page number 192 of this Preliminary Sale Document.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF ONGC

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI guidelines, the important provisions of the Articles of Association of ONGC relating to inter alia members voting rights, lien on shares and process for modification of such rights, forfeiture of shares, restrictions on transfer and transmission of shares and debentures and on their consolidation and splitting are detailed below. (The numbers in this section refers to the relevant Article number in the Articles of Association)

Allotment of shares

7. Subject to the provisions of the Act and these Articles, the shares shall be under the control of the Board of Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, as the Board may consider fit. Provided that option or right to call for or be allotted shares shall not be given to any person except with the sanction of the Company in General meeting.

Further issue of capital

8. (a) The Company may increase its subscribed capital by allotment of further shares subject to the provisions of Section 81 of the Act.

   (b) Subject to the provisions of sub-clause (a) above but without derogating from the powers for that purpose conferred on the Directors under Article 7, the Company in General meeting may determine that any shares, (whether forming part of the original capital or any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportions and on such terms and conditions and either at a premium or at par or subject to compliance with provisions of the Act, at a discount; as such General meeting shall determine and with full power to give to any such persons (whether a member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or (subject to compliance with the provisions of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General meeting or the Company in General meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

Allotment of shares for consideration in kind

9. Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the capital of the Company as payment or part payment for any property (including goodwill of any business) sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as aforesaid.

Company not bound to recognise any interest in shares other than that of the registered holders

14. Save as herein otherwise provided the Company shall be entitled to treat the person whose name appears on the Register of Members/ Debenture-holders as the holder of any Share/Debenture as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by Law required) be bound to recognise any benami trust for equity or equitable contingent or other claim to or interest in such Share/Debenture on the part of any other person whether or not it shall have express or implied notice thereof.

Company's funds not to be applied in purchase of or lent on shares of the company

15. No part of the funds of the Company shall be employed in the purchase of or in loan upon the security of the shares of the Company except in accordance with the provisions of Section 77 of the Act.

Shares to Employees

17. The Company may at any time after incorporation offer shares to its employees. The allotment of such shares shall abide by these Articles and the Act.

Board to observe certain restrictions as to allotment

22. The Board shall observe the restrictions contained in Sections 69 and 70 of the Act as to allotment of shares to the public and shall cause to be made the returns as to all allotments provided for in Section 75 of the Act.

CALLS

Directors may make Calls

23. The Board may, make calls from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allottment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively, and each

Member shall pay the amount of call so made on him to the person or persons and at the times and places appointed by the Board. A Call may be made payable by instalments. A call may be revoked at the discretion of the Board before issue of notice of call.

Notice of Calls

24. Thirty days notice of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

Calls deemed from date of resolutions

25. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board

Liability of Joint-Holders

26. The Joint-Holders of a share shall be jointly and severally liable to pay all call in respect thereof.

Directors may extend time

27. The Board may from time to time at its discretion, extend the time fixed for the payment of any call but no member shall be entitled to such extension save as a matter of grace and favour.

Calls to carry interest

28. If any member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this article shall render it obligatory for the Board to demand or recover any interest from any such member.

Sums deemed to be calls

29. Any sum which by terms of issue of the shares become payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these articles be deemed to be a call duly made and payable on the date on which by the terms of the issue the same became payable, and in case of non-payment all the relevant provisions of theses articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Payment in anticipation of calls may carry interest

30. (a) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of amounts of his shares beyond the sums actually called up and upon the monies so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest , at such rate (not exceeding, unless the company otherwise directs in General Meeting, six percent per annum) as a member paying the sum in advance and the Board agreee upon. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the member three months notice in writing

(b) No member paying such sum in advance shall be entitled to profits or dividend or to voting rights in respect of the monies so paid by him until the same would but for such payment had become presently payable.

Members not entitled to privileges of membership until all calls are paid

31. Subject to the provisions of the Act, no Member shall be entitled to receive any dividednd or to participate in the profits of the Company or to exercise any privilege as a member until he shall have paid all calls for time being due and payable on every share held by him, whether alone or jointly with any person, altogether with interest and expenses, if any.

LIEN

Company to have lien

32. The Company shall have a first and paramount lien upon all the shares, debentures (other than fully paid-up) registered in the name of each member/Debenture-holder (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ Debentures and no equitable interest in any shares/Debentures shall be created. And such lien shall extend to all dividends/interests and bonuses from time to time declared in respect of such shares/Debentures. The Directors may at any time declare any shares/ Debentures wholly or in part to be exempt from the provisions of this clause.

As to enforcing lien by sale

33. For the purpose of enforcing such lien, the Board may sell the shares/debentures subject thereto in such manner as they shall think fit; and for that purpose may cause to be issued a duplicate certificate in respect of such shares/debentures and may authorise some persons to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until after the expiry of the fixed time in which moneys called or payable have become due and until notice in writing of the intention to sell shall have been made by him or them for payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of proceeds of sale

34. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares/debentures before the sale) be paid to the person entitled to the shares/ debentures at the date of the sale.

Forfeiture

35. **Notice for non-payment of call**

(a) If any Member of Debenture-holder fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment

Form of Notice

(b) The notice shall name a day (not being less than fourteen days from the date of the service of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid, are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or installment is payable, will be liable to be forfeited.

Partial payment not to preclude forfeiture

36. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

In default of payment shares to be forfeited

37. If the requirements of any such notice as aforesaid are not complied with, every or any share or debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or interest or any other moneys payable in respect of the forfeited shares or debentures and not actually paid before the forfeiture

Entry of forfeiture in register of members

38. When any share or debenture have been so forfeited notice of the forfeiture shall be given to the Member or Debenture-holder in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members or Register of Debenture-holders but no forfeiture shall, in any manner, be invalidated by any omission or neglect or to make any such entry as aforesaid.

Forfeited shares to be property of the company and may be sold, etc

39. Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re- allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board may think fit.

Shareholders still liable to pay money owing at time of forfeiture and interest

40. Any Member whose shares or Debenture-holder whose debentures have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, installments, interest and expenses owing upon or in respect of such shares or debentures at the time of forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding 20 percent per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

Extinction of right

41. The forfeiture of a share or debenture shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share/ debenture, except only such of the rights as by these Articles are expressly saved.

Declaration of forfeiture

42. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share or debenture in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares or debentures.

Sale of forfeited shares

43. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member or Debenture-holder) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares or debentures to the person or persons entitled thereto.

Validity of sale of forfeited shares

44. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register in respect of the shares or debentures sold and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares or debentures, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Power to annul forfeiture

45. The Board may at any time before any share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Transfer and Transmission

Directors may refuse to register transfer

46. (a) Notwithstanding anything contained in Article 48 and subject to the provisions of Section 111 of the Act and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules and Regulations made thereunder and other applicable laws, the Directors may at their absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares and shall not be bound to give any reason for such refusal, in particular, may so decline in respect of the shares upon which the Company has a lien or whilst any monies in respect of the shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed transferee is already a member. Provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

(b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice the power to refuse to register transfer or transmission by operation of law of the rights to, or interest of a member in any shares, debentures or other securities of the Company.

(c) Without prejudice to the foregoing provisions and without limiting in any manner the generality of the above provisions, the Board of Directors of the Company may, at their absolute and uncontrolled discretion, refuse to register the transfer of any shares or other securities issued by the Company being shares or securities issued by the Company, in favour of any transferee whether individual, firm, group, constituent of a group, body corporate or bodies corporate under the same management or otherwise and whether in his or its own name or in the name of any person, if the total nominal value of the shares or other securities intended to be so transferred, exceeds, or together with the total nominal value of any shares or other securities already held in the Company by such individual, firm, group, constituent of a group, body corporate or bodies corporate under the same management or otherwise will exceed one percent of the paid up equity share capital of the Company or if the Board of Directors is satisfied that as a result of the proposed transfer of any share or securities or block of shares or securities of the Company, a change in the composition to the Board of Directors or change in the controlling interest of the Company is likely to take place and that such change would be prejudicial to the interest of the Company or to the public interest. For the purpose of this Article, the Board of Directors of the Company shall be entitled, *inter alia*, to rely upon this Article to form its own opinion as to whether such registration of transfer of any of its shares or other securities exceeding 1 percent of the paid up Equity Share Capital of the Company should be refused or not.

(d) Notwithstanding anything to the contrary, the restrictive provisions contained in the preceding subclause (c) shall not apply to the transfer of any shares or other securities made to and representing the own investment of any of the following:

i) Public Financial Institutions within the meaning of Section 4A of the Act;

ii) State Bank of India, its associates and Nationalised Banks referred in Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;

iii) Public Sector Mutual Funds being mutual fund sponsered, promoted or managed by a Public Financial Institution or a Bank referred to in sub-clause (ii) of this clause (d);

iv) The Government of India.

Execution of Transfer

48. The instrument of transfer of any shares or debentures shall be in writing executed both by the transferor and transferee and in such form as may be prescribed. All the provisions of Section 108 of the Act and of any statutory modifications thereof for the time being shall be duly complied with in respect of all transfers and the registration thereof. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the certificate of shares or debenture (and if no such certificate is in existence, along with the letter of Allotment of shares or debentures) to be transferred and such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares or debentures and every instrument transferor shall remain in the custody of the Company until destroyed by the order of the Board. The transferor shall be deemed to remain the holder of the share or debenture until the name of the transferee is entered in the Register of Members or Debenture-holders in respect thereof.

48. A. Dematerialisation of securities:

Definitions

(01) For the purpose of this Article: -

"Beneficial Owner" means person whose name is recorded as such with a Depository.

"Depository" means the Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under the Securities and Exchange Board of India (SEBI) Act, 1992.

"Depository Act" means Depository Act, 1996 or any statutory modification or re-enactment thereof.

"Registered owner" means depository whose name is entered as such in the records of the Company.

"Securities" means such Securities as may be specified by SEBI from time to time.

Dematerialisation of securities

(02) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act.

Options for investors

(03) Every person subscribing to securities offered by the Company shall have the option to receive the security certificate (s) or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opts out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate (s) of securities. If a person opts to hold his securities with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in depositories to be in fungible form

(04) All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B and 187C of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of depositories and beneficial owners

(05) (a) Notwithstanding anything to the contrary contained in the companies Act 1956 or in these articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of the security on behalf of the beneficial owners.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting right or any other rights in respect of securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of Documents

(06) Notwithstanding anything in the Companies Act, 1956 or in these Articles to the contrary, where securities are held in a depository, the notice of beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of securities

(07) Nothing contained in Section 108 of the Companies Act, 1956 or in these Articles shall apply to transfer of securities effected by a transferor and a transferee, both of whom are entered as beneficial owner in the records of the depository.

Allotment of securities

(08) Notwithstanding anything contained in the Company Act, 1956 or in these Articles after any issue where the securities are dealt within a depository, the Company shall intimate the details there of to the Depository immediately on allotment of securities.

Distinctive numbers of securities

(09) Nothing contained in the Companies Act, 1956 or in these Articles regarding necessity of having distinctive numbers for securities issued by the Company shall apply to the securities held by a Depository.

Register and index of beneficial owner

(10) The Register and Index of beneficial owners maintained by a depository under the Depositories Act 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles.

Transmission of Shares

49. On the death of a member/debenture-holder his legal representatives shall be the only persons recognised by the company as having any title of his interest in the shares or debentures.

Notice of Refusal

55. In cases where the Board refuses to transfer and register share or debenture, notice on such refusal alongwith reason for refusal shall be sent to the intending transferee and the transferer within one month from the date on which the instrument of transfer is delivered to the Company.

Increase, Reduction and Alteration of Capital

Increase of capital

56. Subject to the provisions of the Act, the Company in General meeting may increase the authorised share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

On what condition new shares may be allotted

57. Subject to the provisions of the Act, new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct and, if no direction be given, as the Directors shall determine, and in particular, whether such share may be preference share or not. Provided that no shares (not being preference shares) shall be issued carrying voting rights or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).

Reduction of Capital

60. Subject to the provisions of Sections 100-104 of the Act, the Company may from time to time, by special resolution, reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may seem expedient, and capital may be paid off upon the footing that it may be called upon, again or otherwise and the Board may, subject to the provisions of the Act, accept surrender of shares.

Sub-division and consolidation of shares

61. Subject to the provisions of the Act, the Company in General meeting may, from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by clause (d) of Sub-Section 1 of Section 94 of the Act, and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

Redeemable Preference Shares

62. Subject to the provision of Section 80 of the Act, the Company shall have the power to issue and redeem Preference Shares which shall be redeemed not later than ten years from the date of each issue and the resolution authorizing such issue shall prescribe the manner, terms and conditions of the redemption.

Modification of Class Rights

Power to modify rights of different classes of share holders and the rights

63. (a) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to the shares of any class may be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

(b) This Article is not to derogate from any power the Company would have had, if this Article were omitted and the right of the dissenting shareholders being holders of not less in the aggregate than 10 percent of the issued shares of that class to apply to the Court to have the variations or modifications cancelled as provided in Section 107 of the Act.

General Meetings

64. The first annual general meeting of the Company shall be held within 18 months of its incorporation. The next annual general meeting shall be held within 6 months after the expiry of the financial year in which the first annual general meeting was held and therafter an annual general meeting shall be held within 6 months after the expiry of each financial year. Except in the case when for any special reason time for holding any annual general meeting (not being the first annual general meeting) is extended under Section 166 of the Act, no greater interval than 15 months shall be allowed to elapse between the date of one annual general meeting and that of the next. All other meetings of the Company shall be called “Extra ordinary General meetings”.

Directors may call extraordinary general meetings

66. The Directors may call an Extra ordinary General meetings whenever they think fit.

Calling of extra-ordinary general meetings on requisition

67. The Board of Directors, shall, subject to the provision of Section 169 of the Act, call an Extra-ordinary General meeting on requisition from the shareholders.

Notice of meeting to be given

68. At least twenty-one days’ notice of every general meeting, annual, or Extra ordinary and by whomsoever called, specifying the date, hour and place of the meeting and with a statement of the business to be transacted at the meeting (and in case it is proposed to pass a Special Resolution, the intention to propose such resolution as a Special Resolution) shall be given to the persons entitled under and in the manner provided by the Act and these Articles.

Shorter notice by consent

69. Subject to the provisions of Section 171(2) of the Act, a general meeting may be convened by shorter notice than 21 days.

Omission to give notice not to invalidate resolution passed

70. The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.

Quorum

71. Five or more members present in person shall be a quorum for any general meeting.

Business of ordinary meeting

72. The business of an annual general meeting shall be to receive and consider the profit and loss account, the balance sheet, and the report of the Directors and of the Auditors, appointment of Directors and to declare dividends. All other business transacted at such meeting and all business transacted at an extra ordinary meeting, shall be deemed special.

Chairman of general meeting

75. The Chairman of the Board of Directors shall be entitled to take the chair at every General meeting but if the Chairman is not present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as Chairman, the Directors present, who are also members of the Company, shall choose one among themselves as Chairman and if no such Director shall be present or if all such Directors present decline to take the chair, then the members present shall choose one of their members to be Chairman.

When quorum not present

76. If within 30 minutes after the time appointed for the holding of a General meeting, a quorum be not present, the meeting if convened on the requisition of shareholders shall stand dissolved and in every other case shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Directors may by notice to the shareholders appoint. If at such adjourned meeting, a quorum be not present, then the members present shall be a quorum and may transact the business for which the meeting was called.

Chairman may adjourn Meeting

77. The Chairman may adjourn any meeting from time to time and from place to place. If the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

Business at Adjourned Meeting

78. No business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place.

What is to be evidence of the passing of a Resolution where poll not demanded

79. At any General Meeting, a resolution put to vote at the Meeting shall be decided on a show of hands unless a poll is demanded. The resolution shall be deemed to have been passed on show of hands on declaration by Chairman of the meeting in accordance with Section 178 of the Act.

Poll to be taken if demanded

80. If a poll is demanded as aforesaid or ordered to be taken by the Chairman of the meeting of his own motion, the same shall be taken subject to the provisions of Sections 179 to 186 of the Act.

Motion how decided in case of equality of votes

81. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote to which he may be entitled as a member.

In what cases poll taken without adjournment

82. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

Demand for poll not to prevent transaction of other business

83. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Minutes of General Meeting

84. Minutes shall be made in books provided for the purpose of all resolutions and proceedings at General Meetings and any such minutes if signed by the Chairman of the meeting to which it relates or by the Chairman at the next succeeding meeting, shall be receivable as evidence of the facts therein stated without further proof.

Inspection of Minutes Book

85. The books containing minutes of proceedings of General Meetings of the Company shall be kept at the Registered Office of the Company and shall be during business hours (subject to such reasonable restrictions as the Company may from time to time impose so that not less than two hours in each day be allowed for inspection) be open to the inspection of any member without charge.

Copies of Minutes

86. Any member shall at any time after seven days from the meeting be entitled to be furnished within seven days after he has made a request in that behalf to the Company with a copy of any minutes referred to above at a charge of such sum as may be prescribed by the Central Government.

Vote if Members

Voting Rights

87 (1) Subject to the provisions of Section 87 of the Act, every member entitled to vote and present in person:

(a) Shall, upon a show of hands, have one vote; and

(b) Shall, (subject to the provisions of Section 92 of the Act and Article 30) upon a poll have voting rights in proportion to his share of the paid-up equity capital of the Company.

(2) Subject to the provisions of Section 92 of the Act and Article 30 every member of the Company holding any preference share capital shall in respect of such capital have a right to vote on resolutions to the extent and in the manner laid down in sub-section (2) of Section 87 of the Act.

Voting by a representative of a member company

88. Any member who is a company, present by a representative, duly authorised by a resolution of the Directors of such company in accordance with the provisions of Section 187 of the Act, may vote and exercise the same rights and powers as if he was a member of the Company. The production at the meeting of a copy of such resolution, duly signed by a Director or the Secretary of such company and certified by him as being a true copy of the resolution shall at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.

No members to vote unless calls or paid up

89. Subject to the provisions of the Act, no member shall be entitled to vote at any General meeting either personally or by proxy or attorney for any other member or be reckoned in a quorum whilst any call or other sum shall be overdue and payable to the Company in respect of any of the shares of such members for more than one month.

Qualification of proxy

90. Subject to the provisions of the Act, any member of the Company entitled, to attend and vote at a meeting of the Company, shall be entitled to appoint another person (whether a member or not) as his proxy.

Votes may be given by proxy or attorney

91. Votes may be given either personally or (subject to the provisions of Article 95) by attorney or by proxy or in the case of a company, by a representative duly authorised as aforesaid.

Appointment and qualifications of proxy

92. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney or if such appointer is a company or corporation under its common seal or under the hand of a person duly authorized by such company or corporation in that behalf, or under the hand of its attorney who may be the appointer. The Company shall send proxy forms to the members alongwith notice. Such proxy forms may provide voting either for or against each resolution.

Deposit of Instrument of Appointment

93. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the office of the company not less then 48 hours before the time for holding the meeting at which the person named in the instrument proposed to vote and in default, the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution except in the case of the adjournment of any meeting first held previously to the expiration of such time. An attorney shall not be entitled to vote unless the power of Attorney or other instrument appointing him or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than 48 hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of Attorney or other authority has been registered in the records of the Company, the Vompany may, by notice in writing, addressed to the member or the attorney require him to produce the original power of Attorney or authority and unless the same is thereupon deposited with the Company, the attorney shall not be entitled to vote at such meeting unless the Directors in their absolute discretion excuse such non-production and deposit.

Form of proxy

95. Every instrument of proxy for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in the following form or in any other form which the Directors may approve:

I/We* of in the district of being a member/members* of the above-named Company hereby appoint of in the district of or failing him of in the district of as my/our* proxy to vote for me/us* on my/our* behalf at the annual general meeting/general meeting (not being an annual general meeting)* of the Company to be held on the day of and at any adjournment thereof.

Signed this day of 19

* *Delete whichever is not applicable*

Time for objections to votes

96. No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

Chairman of any meeting to be the judge of validity of any votes

97. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting.

Equal rights of members

98. Any member whose name is entered in the Register of Members of the Company shall enjoy the same rights and be subject to the same liabilities as all other members of the same class.

Borrowing Powers

Conditions on which money may be borrowed

99. Subject to the provisions of Sections 292 and 293 of the Act, the Board of Directors may from time to time, by a resolution, passed at a Meeting of the Board accept deposits, or borrow moneys from members, either in advance of calls or otherwise or accept deposits from public and may generally raise and secure payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds perpetual or redeemable debentures or debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Bonds, debentures etc. to be subject to control of Directors

100. (a) Any bonds, debentures, debenture stock or other securities, issued or to be issued by the Company, shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Issue at discount etc. or with special privileges

(b) Subject to the provisions of Section 79 and 177 of the Act, any bonds, debentures, debenture stock may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, and allotment of shares.

Securities may be assignable free from equities

(c) Debentures, debenture stock, bonds or other securities may be made assignable free from any equities/lien between the Company and the person to whom the same may be issued.

Mortgage of uncalled capital

(d) If any uncalled capital of the company is included in or charged by any mortgage or other security, the Directors may authorise the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard of such uncalled capital and the provisions hereinbefore contained in regard to calls shall *mutatis mutandis* apply to calls made under such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Director's power or otherwise and shall be assignable if expressed to be.

Indemnity may be given

101. If the Directors or any of them or any other person become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any indemnity bond, mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity, to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Board of Directors

Management

102. The business of the Company shall be managed by a Board of Directors. The Directors shall not be required to hold any qualification shares.

Number of Directors

103. Unless otherwise determined by the Company in General meeting, the number of Directors shall be not less than 4 (four) and not more than 21 (twenty one). These Directors may be functional Directors on whole-time basis or part time Directors.

Appointment of Board of Directors

104. (a) Two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General meeting. The remaining Directors shall not be liable to retire by rotation and shall, subject to the provisions of these Articles, be appointed by the President of India so long as the President holds 51 percent or more of the paid up equity share capital of the Company. At every annual general meeting of the Company held next after the date of General meeting in which the first Directors are appointed, in accordance with Section 255 of the Act, one-third of such Directors for the time being as are liable to retire by rotation and if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

Which Directors to retire

(b) Directors to retire by rotation at every annual general meeting shall be those (other than the Chairman-cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.

Appointment of Chairman-cum Managing Director

(c) So long as the President holds 51 percent or more of the paid up equity share capital of the Company, the Chairmancum Managing Director of the Company shall be appointed by the President on such terms and conditions, remuneration and tenure as the President may determine from time to time. The Chairman cum Managing Director shall be the Chief Executive of the Company and a non-retiring Director.

Appointment of Functional Directors

(d) The President shall, subject to the provisions of Section 255 of the Act and Article 104(a) appoint in consultation with the Chairman of the Company, such number of functional Directors on whole time basis as deemed fit on such terms and conditions, remuneration and tenure, as the President may from time to time determine.

Nominee Directors

(e) A nominee Director representing a Ministry of the Govt. of India shall cease to be the Director of the Company on his ceasing to be an official of that Ministry.

Retiring Director eligible for re-election

(f) A retiring Director shall be eligible for re-election. The Company at the annual general meeting in which the Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.

Retiring Directors to remain in office till successors appointed

(g) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place, and if at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not

expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless :-

(i) at that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost;

(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;

(iii) he is not qualified or is disqualified for appointment;

(iv) a resolution, whether Special or Ordinary, is required for his appointment by virtue of any provisions of the Act;

Appointment of Directors to be voted on individually

(h) At every annual general meeting of the Company, a motion for appointment of Directors shall be made subject to the provisions of Section 263 of the Act.

President[1] to have power to remove certain Directors

(i) The President may from time to time or at any time remove any part time Director appointed by him, from the office at his absolute discretion. The Chairmancum Managing Director or wholetime Director may be removed from the office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of remuneration in lieu of the notice period.

President's power to fill vacancy

(j) The President shall so long as he holds 51 percent of the paid up equity capital have the right to fill any vacancy in the office of the Directors including Chairman-cum-Managing Director, appointed by him, caused by removal, resignation, death or otherwise.

Temporary absence

(k) If a Whole-time Director of the Board is by infirmity or otherwise rendered temporarily incapable of carrying out his duties or is absent on leave, tour abroad or otherwise, the Chairman-cum Managing Director may authorise any other Whole-time Director or an executive of the Company to discharge the current duties of the absentee Whole-time Director during his absence and he may exercise all or such powers of the absentee Director, as may be authorised by the Chairman-cum-Managing Director.

Additional Director

(l) Subject to the provisions of Sections 260 and 262 of the Act, the Board of Directors shall, at a meeting of the Board, have the power, at any time, and from time to time to appoint any person to be a Director, either as an addition to the Board or to fill casual vacancy, so that the total number of Directors shall not at any time exceed the maximum fixed. Any person so appointed to the Board shall remain in office only up to the date of the next annual general meeting, but shall be eligible for appointment as a Director by the Company at that meeting.

Debenture Director

(m) Subject to the provisions of these articles, if it is provided by any Trust Deed securing or otherwise in connection with any issue of debentures of the Company that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debentures the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed at his place. A Debenture Director shall not be bound to hold any qualification shares. A Debenture Director shall *ipso facto* vacate such office immediately the money owing by the Company to the Debenture holders is paid off or on satisfaction of the liability of the Company on this account.

[1] "The President" means The President of India.

Nominee Directors of financial institutions

(n) Subject to the provisions of these articles, in case the Company obtains any loans and/or other facilities from financial institutions and it is a terms thereof that the said financial institution shall have a right to nominate one Director, then subject to such terms and conditions, the said financial institution shall be entitled to nominate one Director, on the Board of Directors of the Company, and to remove from office any such Director so appointed and to nominate another in his place or in place of the Director so appointed who resigns or otherwise vacates his office. Any Director or Directors so nominated shall not be required to hold any qualification shares.

Alternate Director

106. Subject to Section 313 of the Act, the Board of Directors may appoint an Alternate Director to act for a Director at his suggestion or otherwise, during his absence for a period not exceeding 3 months from the State in which meetings of the Board are ordinarily held;

Delegation of powers of Directors

107. Subject to the provisions of Section 292 and 293 of the Act, the Board may, from time to time, entrust and confer upon the Chairman-cum-Managing Director, or a Director for the time being such of the powers as they may think fit or may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any such powers.

Matter reserved for President

108. So long as the President holds 51 percent or more of the paid up equity share capital of the Company, the Chairman-cum Managing Director shall reserve for the decision of the President any proposals or decisions of the Directors in respect of the following:

(i) Five Year Plan.

(ii) Any programme of capital expenditure exceeding the fiduciary power of the Board

(iii) Revenue budget of the Company in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.

(iv) Winding up of the Company.

(v) Any other matter which in the absolute opinion of the Chairman be of such importance as to be reserved for the approval of the President.

Power of President to Issue Directives

109. Notwithstanding anything contained in these Articles the President may, so long as he holds 51 percent of more of the paid up equity share capital of the Company, from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the Company and in like manner may vary and annuel any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:

(i) To give directives to the Company as to exercise and performance of its functions in matters involving national security or substantial public interest.

(ii) To call for such returns, accounts and other information with respect to the property and activities of the Company as may be required from time to time.

(iii) To determine in consultation with the Board annuel, short and long term financial and economic objectives of the Company.

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of the national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

Vacation of Office by Director

110. The office of Director shall be vacated in the circumstances mentioned in Section 283 of the Act. The continuing Directors may act, notwithstanding any vacancy in their body, but so that if the number falls below the minimum above fixed, the Board shall not except for the purpose of filling vacancies act, so long as the number is below the minimum.

Director may contract with the Company

111. A Director or his relative, a firm in which such Director or relative is a partner, any other partner in such firm, or a private company of which the Director is a member or a Director may enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services or for underwriting the subscription of any shares in, or debentures of the Company, subject to the provisions of Section 297 of the Act.

Disclosure of interest

112. The Directors shall disclose their interest in accordance with the provisions of Section 299 of the Act.

Interested Director not to participate or vote in Board's proceedings

113. No Director shall as a Director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly, or indirectly, concerned or interested in such contract or arrangement save as otherwise provided in Section 300 of the Act.

Director may be Director in promoted companies

115. A Director of this Company may be, or become a Director of any company promoted by this Company or in which it may be interested as a vendor, member or otherwise.

Meeting of the Board

Meeting of Director

116. The Directors may meet together as Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate the meetings as they think fit.

Who is to preside at a Meeting of the Board

120. All meetings of the Directors shall be presided over by the Chairman-cum-Managing Director if present. If at any meeting the Chairman-cum-Managing Director is not present at the time appointed for holding the same, the Directors shall choose one of the Directors then present to preside at the meeting.

Quorum

121. Subject to the provisions of Section 287 of the Act, the quorum for a meeting of the Board shall be onethird of the total strength of the Board or two Directors whichever is higher.

Questions at Board Meeting how decided

122. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote.

Expenses incurred by Director on Company's business

123. The Board may allow and pay to any Director who is not a resident of the place where the meeting of the Board is held and who shall come to such place for the purpose of attending a meeting such sum as the Board may consider fair compensation for his travel, and living and hotel expenses for attending such meeting; and if any Director be called upon to go and reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be reimbursed for his travel, living and hotel expenses, reasonably incurred in connection with the business of the Company. The Board may also allow and pay to the Directors a fee to be determined from time to time for attending the meetings of the Board and of any Committee appointed by the Board of Directors; such fee shall not exceed an amount as prescribed in the Act or rules made thereunder.

Adjourment of Meeting for want of quorum

124. If a meeting of the Board could not be held for want of a quorum, then the meeting shall automatically stand adjourned to such other time, date and place as may be fixed by the Chairman.

Board may set up Committees

125. (a) The Board may, subject to the provisions of Section 292 of Act, delegate any of their powers to Committees consisting of such member or members of their body as they think fit, and they may, from time to time, revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may, from time to time, be imposed on it by the Directors.

(b) The meetings and proceedings of any such committees consisting of two or more members shall be governed by the provisions of the Act for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.

Chairman of the Meeting of Committees

126. Unless the Chairman of the Committee has been nominated by the Board, a Committee shall elect a Chairman at its meeting. If at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding the same, the members present may choose one of their members to be Chairman of that meeting.

Resolution by circulation

127. Subject to the provisions of Sections 289 and 292 of the Act, a resolution in writing approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote on the resolution shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

Power of the Board

General powers of Company vested in Directors

131. The business of the Company shall be managed by the Directors who may pay all expenses of getting the Company registered and may exercise all such powers and do all such acts and things as the Company is by its Memorandum of Association or otherwise authorised to exercise and do, and are not hereby or by stature directed or required to be exercised or done by the Company in General meeting, but subject nevertheless to the provisions of the Act and of the Memorandum of Association and these Articles and to any regulations not being inconsistent with the Memorandum of Association and these Articles from time to time made by the Company in General meeting provided that no such regulations shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

Specific powers given to Directors

132. Subject to the provisions of the Act and without prejudice to the general power conferred by these Articles, the Directors shall have the following powers, that is to say powers: -

To make bye-laws

(1) To make, vary and repeal from time to time bye-laws for the regulation of the business of The Company and for governing its officers and servants including wage and welfare policy, terms and conditions of services, discipline, etc.

To pay and charge interest etc.

(2) To pay and charge to the capital account of the Company any interest lawfully payable there at under the provisions of the Act.

To acquire property

(3) To purchase take on lease or otherwise acquire or deal with the Company property, rights or privileges which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit;

Capital works undertaking of

(4) To authorise from time to time undertaking of works of capital nature, irrespective of any monetary ceilings, subject to the guidelines and conditions laid down by Department of Public Enterprises, the Government of India for exercising such enhanced authority by the Board of Directors and provided that:-

(I) Within any financial year the funds required will be found from the internal resources and within the budget allocation for the project.

(II) The expenditure on such works in subsequent years would be first call on the respect budget allocation."

To pay for property in debentures

(5) To pay for any property or rights acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, debentures stock or in shares, that may be issued as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debenture, debenture stock or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.

To secure contracts

(6) To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being or in such other manner as they think fit.

To refer to arbitration

(7) To refer any claim or demand by or against the Company to arbitration and to challenge, observe and perform the awards;

To invest money

(8) To invest and deal with any of the moneys of the Company in any currency not immediately required for the purposes thereof, upon such securities and in such manner as they may think fit and from time to time to vary or realise such investment.

To give bonus and to provide for welfare of employees and to create provident fund

(9) To provide for the welfare of employees or ex-employees of the Company or of its predecessors in business and the wives, widows and families or the dependents or connections of such employees or ex-employees by building or contributing to the building of houses, dwellings or chawls or by grants of money, allowances, bonuses, profit sharing bonuses or benefit of any other kind or by creating and from time to time subscribing or contributing to provident and other association, institution, funds, profit sharing or other scheme or trusts or by providing or subscribing or contributing towards places of instructions and recreation; hospitals and dispensaries, medical and other attendances and any other form of assistance, welfare or relief as the Directors shall think fit;

To subscribe to other funds

(10) To subscribe or otherwise to assist or to guarantee money to scientific institutions or objects;

To create depreciation and other funds or reserves

(11) To set aside before recommending any dividend out of the profit of the Company such sums as they may think proper for depreciation or to depreciation fund, Reserve or to Reserve Fund to meet contingencies or Insurance Fund or any special or other fund to meet contingencies or to repay redeemable Preference Shares, and for special dividends and for equalizing dividends and for repairing, replacing, improving, extending and maintaining any part of the properties of the Company and for such other purposes {including the purposes referred to in the sub-clause (10)} as the Directors may, in their absolute discretion think conducive to the interest of the Company and to invest the several sums so set aside or so much thereof as required to be invested upon such investments (subject to the restrictions imposed by the Act) as the Directors may think fit; and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Directors (subject to such restrictions as aforesaid) in their absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Directors apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the Reserve Fund into such special funds as the Directors may think fit and to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of Redeemable Preference Shares and that without being bound to keep the same separate from the other assets, and without being bound to pay or allow interest on the same, with power, however, to the Directors at their discretion to pay or allow to credit such fund interest at such rate as the Director may think proper;

To create posts and appoint officers

(12) To create posts and to appoint and at their discretion remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and servants from permanent, temporary or special service, as they may from time to time, think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit and also without prejudice as aforesaid from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India or any other part of the world in such manner as they think fit;

To delegate

(13) Subject to Sections 292 and 293 of the Act, to delegate all or any of the powers, authorities and discretions for the time being vested in the Directors, subject however to the ultimate control and authority being retained by them;

Authority to further sub-delegate

(14) Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or, any of the powers authorities and discretions for the time being vested in them;

To lend money

(15) To lend moneys to subsidiaries and associated organizations, on such terms and conditions as they may consider desirable subject to the provisions of the Act;

To insure property etc.

(16) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of

the Company either separately or conjointly; also to insure all or any portion of the goods, produce, machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power;

To open bank accounts

(17) To open accounts with any bank or bankers in any currency, and pay money into and draw money from any such account from time to time as the Directors may think fit;

To accept surrender of shares

(18) To accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof;

To authorise acceptance etc.

(21) To determine from time to time who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsement, cheques, dividend warrants, releases, contracts and documents;

To give security by way of indemnity

(22) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed to;

To give share in profits

(23) To give to any Director, officer or other person employed by the Company an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the Company, and such interest, commission or share of profits shall be treated as a part of the working expenses of the Company;

To subscribe to charitable and other funds

(24) To subscribe or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public or any other institutions or objects, or for any exhibition;

To establish Local Boards

(25) From time to time and at any time to establish any Local Board in any specified locality in India or elsewhere and to appoint any persons to be members of any Local Board, and to fix their remuneration, and from time to time, and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Directors, other than their powers to make call and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit, and the Directors may at any time remove any person so appointed, and may annuel or vary any such delegation. Any such delegates may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

To appoint attorneys

(26) At any time and from time to time by Power of Attorney to appoint any person or persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment (if the Directors think fit) may be made in favour of the members or any of the members of any Local Board established as aforesaid or in favour of any company or the members, Directors, nominees or managers of any company or firm or otherwise in favour of any fluctuating body or persons whether nominated directly or indirectly by the Directors, and any such Power of Attorney may contain such powers for the protecting or convenience of persons dealing with such attorneys as the Directors may think fit.

To enter into contracts

(27) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name of and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company;

To institute or defend action

(28) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company;

To pay preliminary expenses

(29) To pay the costs, charges, and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company;

To maintain foreign register

(30) To keep foreign register of Members/Debenture-holders in accordance with the provisions of the Act.

Dividend and Reserves

Division of profits

135. The profits of the Company subject to Section 206 of the Act and any restrictions and limitations or special rights relating thereto created or authorised to be created by the Memorandum or by these Articles shall be divisible among the members in proportion to the amount of capital paid up in the shares held by them respectively. Provided always that (subject as aforesaid) any capital paid up on share during the period in respect of which a dividend is declared shall, unless the Directors otherwise determine, only entitle the holder of such share to an apportioned amount of such dividends as from the date of payment.

The Company in General meeting may declare a dividend

136. The Company in General meeting may declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for payment but no dividend shall exceed the amount recommended by the Board.

Power of Directors to limit dividends

137. No larger dividends shall be declared than is recommended by the Directors but the Company in General meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits.

Debts may be deducted

138. The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Interim dividend

139. The Directors may from time to time pay to the member such interim dividend as in their judgment the position of the Company justifies.

Dividend how remitted

140. The Directors may retain the dividends payable upon shares in respect of which any person is under these Articles entitled to become a member or which any person under these Articles is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

No member to receive dividend whilst indebted to the Company and Company's right of reimbursement thereof

141. Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise either alone or jointly with any other person or persons; and the Directors may debit from the interest or dividend payable to any member all sums of money so due from him to the Company.

Transfer of shares must be registered

142. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of transfer.

Retention of dividends until completion of transfer under transmission clause

143. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled or in case of jointholders to that one of them first named in the Register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque of warrant or the fraudulent or improper recovery thereof by any other means.

Unclaimed dividend

144. No unclaimed dividend shall be forfeited and all unclaimed dividends shall be dealt with in accordance with the relevant provisions under the Act for the time being in force or such other instructions as may be given in this regard by the Government from time to time.

Dividend and call together set off allowed

145. Any General meeting declaring a dividend may make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend may, if so arranged between the Company and the members, be set off against the calls.

Special provisions in reference to dividend

146. Subject to the provisions of the Act, any General meeting sanctioning or declaring a dividend in terms of these Articles may direct payment of such dividend wholly or in part in any manner otherwise than in cash and in particular without prejudice to the generality of the foregoing by the distribution of specific assets or property of the Company, shares, debentures or debenture stocks, bonds or other obligations of the Company, or in any one or more of such ways and the Directors shall give effect to such direction and where any difficulty arises in regard to the distribution they may settle the same as they think expedient and in particular may issue fractional certificates and may determine that cash payment shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets, shares, debentures, debenture stock, bonds or other obligations of the Company in trustees upon such terms for the persons entitled to the dividend as may seem expedient to the Directors. Where requisite, the Directors shall comply with Section 75 of the Act and the Directors may, appoint any person to sign any contract thereby required on behalf of the person entitled to the dividend and such appointment shall be effective.

Capitalization

147. (1) Subject to the provisions of the Act and regulations made thereunder or any other applicable law/guidelines, any General meeting may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and, where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve or Reserve or Reserve Fund or any other Reserve of Fund of the Company or in the hands of the Company and available for dividend, be capitalized;

(a) by issue and distribution as fully paid up shares, of the Company; or

(b) by crediting shares of the Company which may have been issued to and are not fully paid up with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as therein provided) as fully paid bonus shares.

(2) Such issue and distribution under sub-clause (1) (a) above and such payment to credit of unpaid capital under sub-clause (1)(b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (1) (a) or payment under sub-clause (1) (b) above shall be made on the footing that such members become entitled thereto as capital.

(3) The Director shall give effect to any such resolution and apply such portion of the profits, General Reserve or Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or their obligations of the Company so distributed under sub-clause (1) (a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under sub-clause (1) (b) above; provided that no such distribution or payment shall be made unless recommended by the Directors and, if so recommended, such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.

(4) For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or otherwise as they may think fit.

(5) Subject to the provisions of the Act and these Articles, in cases where some of the shares of the Company are fully paid and others are partly paid only such capitalization may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but, so that, as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares with the whole or part of the unpaid liability thereon but, so that, as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment of diminution of the liability on the partly paid shares shall be so applied *prorata* in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

(6) When deemed requisite, a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

NOTICES

Notice

157. (a) A notice (which expression shall be deemed to include and shall include any summons, notice, process, order, judgement or any other document in relation to or in the winding up of the Company) may be given by the Company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in the Union of India) to the address if any within the Union of India supplied by him to the Company for the giving of notices to him.

(b) Where a notice is sent by post by properly addressing, pre-paying and posting letter containing the notice, the service of such notices shall be deemed to be effected;

i) in the case of notice of meeting, at the expiry of 48 hours after the letter was posted and

ii) in any other case at the time at which the letter would be delivered in the ordinary course of post.

Persons entitled to notices of general meetings

159. Notice of every general meeting shall be given in same manner hereinabove authorised to (a) every member of the Company and also to (b) every person entitled to a share in consequence of the death or insolvency of a member who but for his death or insolvency would be entitled to receive notice of the meeting, (c) auditors of the company.

UNCONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
Oil and Natural Gas Corporation Ltd.
New Delhi

A. a) We have examined the annexed financial information of Oil and Natural Gas Corporation Ltd. (the 'company') for the nine months period ended 31st December, 2003 and for the five financial years ended 31st March 2003 being the last date to which the accounts of the Company have been made up. The financial information is based on the accounts audited by us and other auditors viz; M/s Chandabhoy & Jassoobhoy, Chartered Accountants for the years 1998-99 to 2001-02 for Mumbai Region including operations business group, Uran, BRBC Mumbai and Hazira including R&D Institutes and Consolidation; M/s Chaturvedi & Shah for the years 1998-99 to 2002-03 for Western Region, Baroda including Ahmedabad project, Ankleswar project and R&D Institutes and Consolidation; M/s Lovelock & Lewes for the years 1998-99 to 2001-02 for Northern and Central region including R&D Institutes, all units at Dehradun, registered office at New Delhi and Consolidation; M/s M R Narain & Co for the years 1998-99 to 2001-02 for Southern Region including R&D Institutes, Cauvery projects, Rajamundry and Chennai and consolidation; M/s Price Waterhouse for the year 2000-01 for Eastern Region including R&D Institutes, Agartala, Assam projects and Central Workshop Sibsagar including Consolidation.

b) In accordance with the requirements of:

(i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956,

(Iii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of SEBI Act, 1992, "the SEBI Guidelines" and

(iii) Request dated January 7th, 2004 received from the Company, to carry out work relating to the Offer Document being issued by the Company in connection with the offer for sale by the Government of India of certain equity shares held by it in the Company (referred to as 'offer for sale'),

we report that the restated profits of the Company for the above periods are as set out below. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon given below.

We report that restated assets and liabilities of the company for the above periods are as set out below after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon given below.

c) In accordance with Para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of subsidiaries of the Company Mangalore Refinery and Petrochemicals Limited, ONGC Videsh Limited, and ONGC Nile Ganga BV for nine months period ended 31st December, 2003 and for the five years ended March 31, 2003 except for the financial statements for ONGC Nile Ganga BV, which are given from 12th March, 2003 being the date from which it became the subsidiary of the Company as the information for earlier years is not made available to us.

d) We further report that the dividends (subject to deduction of tax at source, where applicable) declared by the Company in respect of five financial years ended March 31, 2003 are as set out below.

e) The financial statements of the Company's subsidiaries have not been consolidated into the attached summary statements of the Company and are enclosed as Annexures I to III to this report. The 100% beneficial ownership of ONGC Videsh Limited and ONGC Nile Ganga BV and 71.62%, beneficial ownership of Mangalore Refinery and Petrochemicals Limited vest with the Company as on 31st December, 2003. Accordingly the assets and liabilities and profit or loss as applicable, of such subsidiaries in the aforementioned financial statements to the extent of beneficial interest concern the members of the Company.

I. SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. in millions)

	Nine Month ended December 31,2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002	Financial Year ended March 31, 2001	Financial Year ended March 31, 2000	Financial Year ended March 31, 1999
Income						
Sales	240,518.41	346,907.37	228,371.82	231,790.97	199,826.23	147,492.04
Pipeline Transportation Income	13.91	477.57	3,965.88	4,612.18	1,109.44	2,135.90
	240,532.32	**347,384.94**	**232,337.70**	**236,403.15**	**200,935.67**	**149,627.94**
Other Income	10,457.79	19,460.03	16,334.66	15,309.55	10,559.53	10,618.35
Increase/(Decrease) in stock	(164.55)	211.33	2.25	447.07	152.06	1.86
Total	**250,825.56**	**367,056.30**	**248,674.61**	**252,159.77**	**211,647.26**	**160,248.15**
Expenditure						
Production, Transportation, Selling and Distribution Expenditure						
i) Statutory Levies	66,019.39	92,333.15	59,743.31	55,515.22	51,652.32	46,676.40
ii) Consumption of Stores and Spares	1,480.13	1,846.47	2,108.04	2,424.45	2,006.93	2,024.73
iii) Staff Expenditure	6,513.89	9,876.19	6,835.99	8,381.66	7,001.52	3,415.52
iv) Other Expenses	31,813.50	38,517.78	37,315.29	38,451.26	37,280.96	25,272.36
Recouped Costs	39,054.53	41,272.56	38,054.06	44,532.77	42,522.89	31,918.05
(Depreciation, depletion and amortisation) Interest and Exchange Fluctuation	215.48	1,465.90	2,847.40	5,233.94	9,545.56	14,204.26
Provisions & Write-offs (Net)	563.58	20,912.34	3,273.72	6,058.38	2,286.09	927.69
Total	**145,660.50**	**206,224.39**	**150,177.81**	**160,597.68**	**152,296.27**	**124,439.01**
Profit before tax and Prior Period Adjustments	**105,165.06**	**160,831.91**	**98,496.80**	**91,562.09**	**59,350.99**	**35,809.14**
Adjustments relating to Prior Period (Net)	357.61	406.46	55.41	6.36	(46.59)	(62.67)
Profit before Tax	**105,522.67**	**161,238.37**	**98,552.21**	**91,568.45**	**59,304.40**	**35,746.47**
Provision for Taxation						
Current tax	37,862.00	58,850.00	31,012.00	39,178.50	23,304.00	8,201.50
Earlier years	(139.54)	(1,782.72)	-	102.17	(294.30)	-
Deferred tax	1,093.16	(1,122.13)	5,561.50	-	-	-
Net Profit after tax as per audited statement of accounts (A)	**66,707.05**	**105,293.22**	**61,978.71**	**52,287.78**	**36,294.70**	**27,544.97**
Adjustment on account of changes in accounting policies [Refer Note IVB(1)(i)]	167.31	8,415.21	(1,998.17)	6,954.81	(1,223.88)	(13,979.72)
Impact of material adjustment and prior period items [Refer Note IVB(1)(ii)]	(1,234.70)	(3,735.17)	(4,290.20)	(5,420.66)	(3,754.50)	(1,616.78)
Total Adjustments (B)	**(1,067.39)**	**4,680.04**	**(6,288.37)**	**1,534.15**	**(4,978.38)**	**(15,596.50)**
Adjusted Profit (A+B)	**65,639.66**	**109,973.26**	**55,690.34**	**53,821.93**	**31,316.32**	**11,948.47**
Surplus at the beginning	0.19	0.06	0.06	0.05	0.10	0.05
Profit available for appropriation	**65,639.85**	**109,973.32**	**55,690.40**	**53,821.98**	**31,316.42**	**11,948.52**
Less :						
Insurance Reserve	-	-	-	2,500.00	-	-
General Reserve#	-	64,820.04	35,727.26	34,036.75	20,636.12	3,243.10
Interim Dividend	-	24,240.88	-	-	5,703.74	-
Proposed Final Dividend	-	18,537.14	19,963.08	15,685.27	3,564.83	7,842.63
Tax on Interim Dividend	-	-	-	-	627.41	-
Tax on Proposed Final Dividend	-	2,375.07	-	1,599.90	784.27	862.69
Balance Carried to Balance Sheet	**65,639.85**	**0.19**	**0.06**	**0.06**	**0.05**	**0.10**

 # the impact of adjustments on profit for the year have been adjusted in General Reserve
The accompanying significant accounting policies and notes are an integral part of this statement.

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in millions)

	December 31, 2003	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000	March 31, 1999
A. Fixed assets						
Gross Block	399,059.07	390,336.63	373,647.47	357,697.84	342,069.73	318,651.71
Less Accumulated Depreciation	348,696.05	336,408.36	317,639.54	298,805.07	279,852.16	247,759.64
Net Block	**50,363.02**	**53,928.27**	**56,007.93**	**58,892.77**	**62,217.57**	**70,892.07**
B. Capital Works in Progress	**11,434.89**	**9,329.45**	**6,903.15**	**7,282.95**	**9,756.70**	**16,683.53**
C. Producing Properties(Net of Depletion)	**228,190.46**	**230,777.25**	**230,950.46**	**228,272.40**	**226,763.11**	**216,441.99**
D. Exploratory & Development Wells in progress	**10,856.72**	**10,343.82**	**8,825.24**	**8,321.38**	**11,731.05**	**11,480.67**
E. Investments	**41,306.37**	**39,825.91**	**33,231.77**	**23,607.22**	**22,857.22**	**27,114.68**
F. Deferred Tax Assets	**31,760.47**	**10,701.01**	**13,618.37**	**14,763.11**	**13,826.10**	**6,807.27**
G. Current Assets, Loans and Advances:						
Inventories	20,388.42	15,710.16	14,526.09	15,369.23	15,648.87	15,717.53
Sundry Debtors	24,661.50	39,359.34	22,513.84	17,337.87	17,245.45	11,085.54
Cash and Bank Balances	100,934.85	61,090.17	55,455.32	20,545.46	33,553.84	18,959.78
Loans and Advances	106,258.63	97,348.48	83,586.33	90,873.17	63,731.18	66,271.86
Interest Accrued	6,215.26	3,721.23	6,499.04	5,831.01	4,458.93	3,830.83
Other Current Assets	189.03	183.62	180.65	198.75	144.33	93.66
Total	**258,647.69**	**217,413.00**	**182,761.27**	**150,155.49**	**134,782.60**	**115,959.20**
H. Liabilities and Provisions:						
Secured Loans	-	-	-	-	-	1,941.65
Unsecured Loans	2,898.69	8,002.29	35,108.42	44,797.35	70,952.70	79,559.76
Liability for Abandonment	82,377.77	84,518.50	85,799.06	81,412.39	76,227.96	73,064.45
Deferred tax Liability (Net)	84,766.98	62,520.77	61,647.71	58,529.24	64,848.72	58,478.32
Current Liabilities and Provisions	44,540.83	60,710.60	58,820.08	50,894.76	49,886.90	52,995.53
Total	**214,584.27**	**215,752.16**	**241,375.27**	**235,633.74**	**261,916.28**	**266,039.71**
I. Net worth (A+B+C+D+E+F+G-H)	**417,975.35**	**356,566.55**	**290,922.92**	**255,661.58**	**220,018.07**	**199,339.70**
Net worth Represented By						
J. Share Capital	**14,259.30**	**14,259.27**	**14,259.27**	**14,259.27**	**14,259.27**	**14,259.27**
K. Reserves and Surplus						
Capital Reserve	159.44	159.44	159.44	159.44	159.44	159.44
Deferred Government Grant	41.54	37.82	10.11	7.79	-	-
Share Premium	1,724.50	1,724.50	1,724.50	1,724.49	1,724.49	1,724.48
Premium on Foreign Currency Bonds	168.12	168.12	168.12	168.12	168.12	168.12
Insurance Reserve	2,500.00	2,500.00	2,500.00	2,500.00	-	-
General Reserve	339,024.88	339,024.88	274,204.84	238,477.58	204,440.83	183,804.71
Profit and Loss Account	65,639.85	0.19	0.06	0.06	0.05	0.10
Total	**409,258.33**	**343,614.95**	**278,767.07**	**243,037.48**	**206,492.93**	**185,856.85**
L. Less Miscellaneous Expenditure (to the extent not written off)	**5,542.28**	**1,307.67**	**2,103.42**	**1,635.17**	**734.13**	**776.42**
M. Net Worth (J+K-L)	**417,975.35**	**356,566.55**	**290,922.92**	**255,661.58**	**220,018.07**	**199,339.70**

The accompanying significant accounting policies and notes are an integral part of this statement..

III. DIVIDENDS

(Rs. in millions)

	Nine Months ended December 31,2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002	Financial Year ended March 31, 2001	Financial Year ended March 31, 2000	Financial Year ended March 31, 1999
Equity Share Capital (1425,933,992 equity shares of Rupees 10 each)	14,259.30	14,259.27	14,259.27	14,259.27	14,259.27	14,259.27
Rate of Dividend (%):						
- Interim	-	170	-	-	40	-
- Final	-	130	140	110	25	55
Amount of Dividend:						
- Interim	-	24,240.88	-	5,703.74	-	-
- Final	-	18,537.14	19,963.08	15,685.27	3,564.83	7,842.63
Corporate Dividend Tax:						
-Interim	-	-	-	-	627.41	-
- Final	-	2375.07	-	1599.90	784.27	862.69

IV. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.

A. Significant Accounting Policies

1. Accounting Conventions:

The financial statements are prepared under the historical cost conventions in accordance with generally accepted accounting principles (GAAP) including the Guidance Note on Accounting for Oil and Gas Producing Activities under the Successful Efforts Method issued by the Institute of Chartered Accountants of India, and provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

2. Exploration, Development and Production Costs:

2.1 Survey Costs

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

2.2 Exploratory/Development Wells in Progress :

2.2.1 All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially capitalised as exploratory wells in progress till the time these are either transferred to producing properties on completion or expensed in the year when determined to be dry or of no further use, as the case may be.

2.2.2 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion.

2.2.3 All wells appearing as “exploratory wells in progress” which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

2.3 Producing Properties :

2.3.1 Producing properties are created in respect of an area/field having proved developed oil and gas reserves when the well in the area/field is ready to commence commercial production. Development wells are transferred to producing properties on completion.

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

2.3.3 **Depletion of Producing Properties :**

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 proved developed reserves and related capital costs incurred including estimated future abandonment costs. These reserves are estimated annually by the Reserve Estimates Committee of the Corporation, which follows the International Reservoir Engineering Procedures.

2.4 General Administrative Overheads

General Administrative Overheads at Assets/Basins/services, regions and Headquarters are charged to Profit and Loss Account.

2.5 Production Costs :

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

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 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) The full eventual liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as an asset and liability, based on the latest technical assessment available at current costs 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 as the salvage value is expected to take care of the abandonment costs.

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 (including support equipment and facilities) 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 rates to the Companies Act, 1956 except on fixed assets with 100 percent 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 for prospectively over the remaining useful life of such asset.

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

8. Inventories:

i) Crude oil in saleable condition, Liquified Petroleum Gas, Natural Gasoline, Ethane - Propane, Aromatic Rich Naptha, 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 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, these are 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), rig mobilization expenses / 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.

B. Notes to Accounts

1. Adjustment/Regroupings
Impact of changes in Accounting policies, Extraordinary and prior period items

(Rs.in Million)

Particulars		Nine months ended December 31, 2003	Financial Year ended March 31. 2003	Financial Year ended March, 31 2002	Financial Year ended March, 31 2001	Financial Year ended March 31, 2000	Financial Year ended March 31, 1999
Profit after tax as per Audited			**66,707.05**	**105,293.22**	**61,978.71**	**52,287.78**	**36,294.70**	**27,544.97**
statement of accounts	**A**						
Adjustments on account of :							
i) Changes in Accounting Policies							
Abandonment policy on Unit of production Method [Note- 1.1(a)]			-	13,026.42	(3,527.79)	(3,210.73)	(4,032.93)	(5,767.79)
Time limit for carry over of Wells-in-Progress [Note-1.1(b)]			451.64	(229.67)	46.11	911.68	343.07	(1,079.30)
Change in method of calculation of depletion [Note-1.1(c)]			(190.74)	531.01	185.22	214.13	378.62	1,181.77
Administrative Overheads [Note-1.2(a)]			-	-	-	-	-	(1,007.80)
Idle Rig costs [Note-1.2(b)]			-	-	-	-	-	(362.40)
Revision in Depreciation Rate on Process								
Platform [Note-1.2(c)]			-	-	-	-	5,438.60	(128.10)
Impact of Depreciation due to change in								
Technical Ratio [Note- 1.2(d)]			-	-	-	1,783.24	(3,999.67)	391.14
Deffered Tax Adjustments [Note 1.2(e)]			-	-	-	7,571.90	(207.08)	(9,740.75)
Tax Impact of Adjustments [Note 1.2(f)]			(93.59)	(4,912.55)	1,298.29	(315.41)	855.51	2,533.51
Total Adjustments	**B**		**167.31**	**8,415.21**	**(1,998.17)**	**6,954.81**	**(1,223.88)**	**(13,979.72)**
ii) Extra Ordinary & Prior Period items								
Arrears- Sales Revenue, pipeline revenue & other income [Note 1.2(g)]			(1,404.14)	(4,027.01)	(8,306.39)	(8,043.01)	(6,725.84)	(2,432.41)
Statutory levies on arrears- [Note 1.2(g)]			53.90	1,015.26	1,586.29	(1,095.57)	942.69	(70.65)
Prior Period items [Note-1.2(h)]			(357.61)	(75.13)	47.93	2.39	156.00	15.28
Tax Impact of Prior Period Adjustment			612.69	1,134.43	2,381.97	3,613.36	2,166.45	870.72
Provision for Tax for earlier years [Note 1.2(i)]			(139.54)	(1,782.72)	-	102.17	(293.80)	0.28
Adjustment for Prior Period items	**C**		**(1,234.70)**	**(3,735.17)**	**(4,290.20)**	**(5,420.66)**	**(3,754.50)**	**(1,616.78)**
Net adjusted Profit after tax (A+B+C)			**65,639.66**	**109,973.26**	**55,690.34**	**53,821.93**	**31,316.32**	**11,948.47**
iii) Regroupings								
Provisions & Write-offs (Net)			-	(19,125.81)	(2,332.80)	(2,310.41)	(1,895.70)	-
Recouped Costs (Depreciation, depletion and amortisation)			-	19,125.81	2,332.80	2,310.41	1,895.70	-

Notes:-

1.1 Change in Policies due to implementation of Guidance Note on Accounting for Oil and Gas Producing Activities.

Till the financial year ended 31st March, 2003, the Corporation was generally following the Successful Efforts Method of accounting for its Oil & Gas Exploration and Production Activities. The Institute of Chartered Accountants of India has issued a Guidance Note on 'Accounting for Oil and Gas Producing Activities' in March 2003. The Corporation has adopted this Guidance Note for accounting for its transactions with effect from 01.04.2003.

The major differences between the accounting requirements as per the Guidance Note and the accounting followed earlier were :

a) Provision of estimated abandonment costs on Unit of Production Method and recognition of full eventual liability for abandonment costs as an asset (producing property) as well as a liability in the Balance Sheet as against recognition of liability for abandonment on gradual basis.

b) Change in the time limit for carry over of exploratory wells in progress from three years to two years from the date of completion of drilling for charging to Profit & Loss Account unless the well has proved reserves and development of the field in which the well is located has been planned in which case the cost of exploratory well can be carried forward without any time limit.

c) Change in the method of depletion of producing properties by excluding capital advances & work in progress related to facilities and development wells in progress.

1.2 Other Changes/adjustments :

a) The Company had changed the policy regarding charging of administrative overheads to profit and loss account in the year 1999-2000 from the earlier method of allocating the same between capital and revenue activities. Accordingly, adjustment has been carried out in the year 1998-99.

b) The abnormal idle rig days cost has been charged to Profit and Loss Account from the year 1999-2000. Accordingly, the same treatment has been accorded to the year 1998-99.

c) During the year ended 31st March, 2000, the Corporation had changed the rate of providing depreciation on offshore process platforms from 15.33% to 30%. The depreciation at such revised rates was recomputed from 1.2.1994 being the date on which the Oil & Natural Gas Commission was vested in the Company. The rate of depreciation was revised based on clarifications given by Department of Company Affairs, Government of India during that year, consequent to the matter being referred to them due to difference of opinion on the said matter. The impact of change in rate of depreciation has been taken to respective earlier years.

d) During the year ended 31st March, 2001, the Corporation, based on latest technical evaluation, revised technical ratios in respect of all process platforms for allocating depreciation between transportation charges and facilities included in the producing properties and had also re-classified certain platforms from production/water injection to process platforms for depreciation/depletion purposes with effect from 1994-1995. This had resulted in additional charge of depreciation by Rs. 2586.86 million with consequential reduction in depletion by Rs. 803.62 million and reduction in profit by Rs. 1,783.24 million. Now, the impact of same has been taken to respective earlier years in the restated accounts.

e) The Company has accounted for deferred tax asset/liability for earlier years in terms of Accounting Standard-22 "Taxes on Income" issued by the Institute of Chartered Accountants of India.

f) The Current and Deferred tax impact of adjustments has been computed on the profit arrived after making the adjustments and on the basis of the rates applicable to the respective years.

g) The sales revenues have been accounted for at the prices fixed by the Central Government from time to time and are inclusive of statutory levies. The Corporation has received arrears on account of retrospective revision in the prices, pipeline revenue and other income towards reimbursement of cost. The same along with statutory levies have now been taken to respective years.

h) The prior period items in the Profit and Loss Account have been re-allocated to respective years.

i) Provision for tax for earlier years has been bifurcated and taken to the respective years.

The accounts for the years 1998-99 to 2002-03 have been restated considering the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred to above. The effect of these changes have been shown as separate line items. The effect of changes for the financial years prior to 1998-99 has been adjusted in the General Reserve balance as at 01.04.1998.

2. Non Adjustments/ Regroupings

a) To comply with the requirement of mandatory accounting standard (AS-2) (revised) on valuation of inventories issued by the Institute of Chartered Accountants of India, the Company had valued the inventories of stores and spares at weighted average cost method in 1999-2000 as against the LIFO method followed in the earlier years. The adjustment on this account has not been carried out in the year 1998-99 as the information relating to cost in respect of inventories as per weighted average cost method is not available. However, the impact will not be material.

b) To be in line with the revised Guidance Note on " Accounting Treatment for Excise Duty for valuation of finished goods" issued by the Institute of Chartered Accountants of India, the Corporation from the year 1999-2000 had included excise duty in valuation of finished goods lying in the factory or in the bonded warehouse as against accounting for excise duty on clearance of such goods. The impact of the same has not been considered in the valuation of inventories for the year 1998-99. However, it had no impact on profit for that year.

c) The Company had decided to provide for Impairment of producing properties from the financial year ended 31st March, 2001 onwards. Accordingly, all the producing properties up to 31st March, 2001 have been tested for impairment and provision for impairment of Rs. 2861.20 million was made in the year 2000-01. This provision has not been bifurcated to earlier years as the same would have been written back in the subsequent years.

3. ONGC being an E&P Company is following the Successful Effort 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 the purpose of declaring dividend for all the last five financial years under reference was preferred to the Department of Company Affairs, Government of India. Such exemption was granted during these years.

The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Oil & Gas Producing Activities. Since as per the Guidance Note all the items in the Gross Block of Fixed Asset have either been depreciated as per Accounting Standard (AS-6) or depleted as per the "Successful Effort Method" and the Guidance Note is silent on this issue, an application to the Department of Company Affairs is being preferred for suitable clarifications in this regard for the financial year 2003-04.

4. In terms of the decision of the Government of India conveyed by Ministry of Petroleum and Natural Gas vide letter dated 30th October 2003, the upstream oil and gas companies (including ONGC) will share the under-recoveries of Oil Marketing Companies (OMCs) on PDS kerosene and domestic LPG for the year 2003-04 by means of discount in the prices of crude oil, domestic LPG and PDS kerosene. Accordingly, Sales Revenue in respect of crude oil, LPG and SKO is net of Rs. 15356.80 million on this account.

5. Miscellaneous expenditure (to the extent not written off or adjusted) consist of expenditure on dry docking charges of MSVs (Multipurpose supply vessels) and other deferred revenue expenditure which is amortised over a period of three to five years as per the policy of the Company.

6. Producing properties as at 31st December, 2003 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 finalisation of PSC, no adjustment has been made in the books of Accounts.

7. 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.

8. (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) The figures incorporated are on the basis of unaudited accounts.

9. The Company 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.

The management does not envisage any significant impact on the accounts.

10. CONTINGENT LIABILITIES AS AT :

(Rs. in millions)

	Particulars	As at December 31, 2003	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001	As at March 31, 2000	As at March 31, 1999
A	**Contingent liabilities on account of Claims against the Corporation not acknowledged as debts:**						
	i) In respect of Joint Ventures	14,946.71	10,591.96	7,706.76	4,876.63	2,057.27	2,441.64
	ii) In respect of others:						
	Income-tax demands	3,782.16	3,808.15	6,732.39	13,885.87	13,752.96	8,075.70
	Wealth tax demands	-	-	-	-	-	10.50
	Excise demands	1,999.88	2,346.03	464.46	635.93	896.18	3,239.93
	Penalty demanded by Gujrat Govt. on late payment of increase in rate of royalty on crude oil	-	-	-	958.63	958.63	958.63
	Claims of Contractors in arbitration/courts	15,565.51	14,510.98	14,346.98	13,460.50	14,829.07	15,120.46
	Claim by Mumbai Port Trust	-	-	-	-	1,085.72	1,085.72
	Octroi on Natural gas and LPG pending before Mumbai High Court	336.68	336.68	336.68	336.68	336.68	336.68
	Demand raised by Tamil Nadu State Authorities towards local cess, local cess surcharge & interest thereon	-	1,471.60	1,471.60	1,471.60	1,471.60	1,471.60
	Custom demand	1,437.47	1,437.47	1,437.47	1,437.47	-	-
	Others	11,804.54	9,696.33	4,821.09	3,088.80	4,164.40	2,140.24
	Total	**49,872.95**	**44,199.20**	**37,317.43**	**40,152.11**	**39,552.51**	**34,881.10**
B	**Guarantees executed by the Company in favour of:**						
	i) Oil Industry Development Board on behalf of ONGC Videsh Ltd., a wholly owned subsidiary	877.00	877.00	877.00	636.50	636.50	767.00
	(balance outstanding at the year end)	(280.50)	(348.88)	(444.75)	-	-	-
	ii) National Iranian Oil Company on behalf of its wholly owned subsdiary ONGC Videsh Ltd. USD 10.80 milion.	492.05	-	-	-	-	-
	iii) National Oil Company of Tripoli, Libya on behalf of its wholly owned subsdiary ONGC Videsh Ltd. USD 15.974 milion.	727.78	-	-	-	-	-
	iv) Certain banks towards loan facility granted to its wholly owned subsidiary ONGC Videsh Ltd., aggregating USD 114.46 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 Ltd.	5,214.80	5,442.57	5,571.91	-	-	-
	(out of this ONGC Videsh Ltd has drawn USD 60.40 million)	(2,751.82)	(2,872.02)	-	-	-	-
	v) M/S Roseneft -S, R N Astra, SMNG-S and Exxon-N onbehalf of its wholly owned subsidiary ONGC Videsh Ltd. tothe extent of USD 1741 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 Ltd.	79,319.96	82,784.55	84,751.88	-	-	-
	(out of this ONGC Videsh Ltd. has already made						

remmitances aggregating USD 951.73 million previous year USD 415.01 million)	(43,360.73)	(32,103.68)	(19,634.04)	-	-	-
vi) Talisman Inc. on behalf of its wholly owned subsidiary ONGC Videsh Ltd. to the extent of USD 720 million in terms of the purchase and sale Agreement in respect of acquisition of 25 percent participating interest in Greater Nile Petroleum Project, Sudan. OVL has already acquired the said participating interest from 12.3.2003 by acquisition of 100 percent equity of Talisman (Greater Nile) B.V., Netherlands by making closing payment, subject to final adjustment of USD 668.70 Million equivalent to Rs. 31963.45 million, (ONGC Videsh Ltd has received final closing .payment demand of USD 19.256 million in April 2003), OVL has paid USD 10.711 million during the period	32,803.20	34,236.00	-			
	(877.30)	(915.62)	-	-	-	-
vii) Certain banks towards short term loan granted to Petronet LNG Ltd. (a company which is promoted by the Corporation together with other three co-promoters)	14,000.00	14,000.00	11,450.00	6,850.00	-	-
(Out of which corporation's share)	(3,500.00)	(3,500.00)	(2,862.50)	(1,712.50)	-	-
viii)Guarantee executed by the Company in favour of Bank of America for giving buyers credit to MRPL - subsidiary of ONGC up to USD 90 Million. Balance outstanding as on 31.12.2003 was USD 70 million.	4,100.40					
	(3,189.20)	-	-	-	-	-
ix) Guarantees executed by the Company in favour of Saudi Aramco for supply of crude oil to MRPL – subsidiary of ONGC of USD 100 million. Balance outstanding as on 31.12.2003 was USD 55 million.	4,556.00	-	-	-	-	-
	(2,505.80)	-	-	-	-	-
x) ONGC has extended additional 60 days credit against supply of Mumbai High crude oil to MRPL – subsidiary of ONGC for availing bill discounting facility, where bill discounting banks have recourse to ONGC. Outstanding against bill discounting facility as on 31.12.03.	1,617.20	-	-	-	-	-
11 Capital commitments (net of advances) not provided for	20,125.82	12,373.26	15,882.23	5,103.87	6,592.70	10,085.86
12 Provision for current tax includes provision for wealth tax	**12.00**	**15.00**	**12.00**	**8.00**	**4.00**	**1.50**

B. a) We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

(i) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure "A".

(ii) Capitalisation Statement as at 31st December, 2003 of the Company enclosed as Annexure "B".

(iii) Statement of tax shelters enclosed as Annexure "C".

(iv) Statement of other income enclosed as Annexure "D".

(v) Statement of Sundry Debtors as on 31st December, 2003 enclosed as Annexure"E".

(vi) Statement of Value of Quoted Investments as on 31st December, 2003 enclosed as Annexure-"F".

(vii) Statement of Loans and Advances as at 31st December, 2003 enclosed as Annexure "G".

(viii) Cash Flow Statements for the nine months period ended on 31st December, 2003 and for the year ended 31st March, 2003, 31st March, 2002 and 31st March, 2001 enclosed as Annexure-"H".

(ix) Statement of Related Party Transactions for the nine months period ended on 31st December, 2003 and for the year ended 31st March, 2003 and 31st March, 2002 as per Accounting Standard 18 issued by Institute of Chartered Accountants of India enclosed as Annexure "I".

(x) Statement of Secured and Unsecured Loans as at 31st December, 2003 enclosed as Annexure "J".

(xi) Statement of Tax Benefits enclosed as Annexure- "K".

C. a) In our opinion the financial information of the Company as stated in Part A and B above read with respective significant accounting policies, after making groupings and adjustments as were considered appropriate by us and subject to non adjustment of certain matters as stated in notes to accounts, have been prepared in accordance with Part II of Schedule II of the Companies Act and the SEBI Guidelines.

b) In our view, the Financial information as given in Part B above is true and correct and is in accordance with the relevant requirement of guidelines issued by SEBI.

c) The statement of Tax Benefits states the tax benefits available to the company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force. The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

d) This report is intended solely for your information and for inclusion in the Offer Document in connection with the Offer for Sale of the shares in the Company by the Government of India and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

Sd/-

Anil. K. Thakur
Partner (M . No.F-88722)

For S. Bhandari & Co.
Chartered Accountants

Sd/-

P. D. Baid
Partner (M. No.F-72625)

For RSM. & Co.
Chartered Accountants

Sd/-

Vijay N. Bhatt
Partner (M.No.F-36647)

For Brahmayya & Co.
Chartered Accountants

Sd/-

V. Seetaramiah
Partner (M.No.F-003848)

For Lodha & Co.
Chartered Accountants

Sd/-

H.K. Verma
Partner (M. No. F-55104)

New Delhi
February 10, 2004

ANNEXURE "A"

SUMMARY OF ACCOUNTING RATIOS

Key Ratios	Nine Months ended December 31, 2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002	Financial Year ended March 31, 2001	Financial Year ended March 31, 2000	Financial Year ended March 31, 1999
Earning Per Share (Rs.)	46.03	77.12	39.06	37.75	21.96	8.38
Net Asset Value per Share (Rs.)	293.12	250.06	204.02	179.29	154.30	139.80
Return on Net worth (%)	15.70	30.84	19.14	21.05	14.23	5.99
Number of Equity Shares Outstanding at the end of the year	1,425,933,992	1,425,933,992	1,425,933,992	1,425,933,992	1,425,933,992	1,425,933,992

Formula :

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit after tax}}{\text{Number of Equity Shares outstanding at the end of the year}}$$

$$\text{Net Asset Value per Share (Rs.)} = \frac{\text{Net worth excluding revaluation reserve}}{\text{Number of Equity Shares outstanding at the end of the year}}$$

$$\text{Return on Net worth (\%)} = \frac{\text{Net Profit after tax}}{\text{Net worth excluding revaluation reserve}}$$

Notes:

1. *Above ratios are computed on the basis of stand-alone (unconsolidated) restated financial statement of ONGC.*
2. *Ratios have been computed on the basis of the adjusted profits/losses for the respective years.*

ANNEXURE "B"

CAPITALISATION STATEMENT

(Rs. in millions)

Particulars	Pre-issue as at 31st December, 2003
Debt	
Short Term Debts	551.62
Long terms Debts **(A)**	2,347.07
Total Debts	**2,898.69**
Shareholders Fund	
Share Capital	14,259.30
Reserves after adjustments of Miscellaneous expenditure, to the extent not written off #	403,716.05
Total Shareholders Fund (B)	**417,975.35**
Long Term Debt/Total Shareholders Fund (A/B)	0.01

The above have been calculated as per the restated accounts

Notes :

1. *The above have been computed on the basis of the restated financial statements of ONGC for the respective years.*
2. *The Government of India is selling part of its stake in the company and accordingly no money is received by the company from this offer. Therefore, there is no change in share capital, pre and post issue.*

ANNEXURE "C"

STATEMENT OF TAX SHELTERS

(Rs. in millions)

Particulars	Nine Months ended 31.12.2003	FY 2002-03	FY 2001-02	FY 2000-01	FY 1999-2000	FY 1998-99
Profit before Tax (A)	**105,522.67**	**161,238.37**	**98,552.21**	**91,568.45**	**59,304.39**	**35,746.47**
Applicable Tax Rates	35.875%	36.75%	35.70%	39.55%	38.50%	35.00%
Tax on actual rate on book profits	**37,856.26**	**59,255.10**	**35,183.14**	**36,215.32**	**22,832.19**	**12,511.26**
Adjustments						
Permanent Differences (B)						
Interest on tax free securities	(23.11)	(30.56)	(30.56)	(30.98)	(295.79)	(868.46)
Income from Partnership Firm	-	-	2.25	(10.72)	(14.00)	(8.45)
Dividend exempt u/s 10(33)	(1,871.51)	-	(854.10)	(448.65)	(852.62)	(10.61)
Donations	78.23	53.42	127.88	201.56	332.84	174.89
Deduction u/s 35AC & 35(1)	-	(2.74)	(2.95)	(0.50)	(2.92)	(78.83)
Deduction u/s 80G	-	12.86)	(2.09)	(92.35)	(232.61)	(3.49)
Deduction u/s 80IA	-	(588.27)	-	-	-	-
Deduction u/s 80IB	-	(338.80)	-	-	-	-
Deduction u/s 80M	-	(1,537.96)	-	-	-	-
Profit on Sale of Investments (Tax on Capital Gain considered separately)	(168.23)	-	-	-	(9.68)	(72.75)
Prior Period Expenses	-	-	90.99	101.88	77.62	-
Fines & Penalties	-	-	-	-	1.25	-
Disallowances u/s 40(a) & 40A	75.96	101.69	102.48	99.48	96.70	82.10
Statutory dues not allowable u/s 43B	-	2.74	0.79	41.88	-	-
Total Permanent Differences (B)	**(1,908.66)**	**(2,353.34)**	**(565.31)**	**(138.40)**	**(899.21)**	**(785.60)**
Timing Differences (C)						
Difference between tax depreciation and book depreciation	(8,670.94)	(12,267.31)	(13,061.94)	(12,171.25)	(8,054.98)	(17,379.20)
Deduction u/s 35 for Capital Expenditure on Scientific Research	(109.05)	(162.79)	(106.53)	(181.20)	(139.83)	(98.17)
Difference of amortisation of Survey, Exploratory & Development Expenses as claimed in Income Tax & Accounts	14,548.32	5,489.94	8,284.11	17,082.74	6,566.21	3,250.83
Deferred Revenue Expenditure	4,237.74)	760.94	(523.41)	(996.87)	(67.84)	(579.95)
Statutory dues for earlier years claimed on payment basis	-	(55.14)	(269.98)	(28.68)	(10.34)	-
Difference between amount claimed in Income Tax and amount as per Books for exchange loss	(8.53)	(35.20)	(144.18)	(270.17)	(40.28)	436.08
Difference of leave encashment paid over provision made in Books	250.77	1,245.73	1,088.46	(39.99)	(789.19)	126.41
Difference of gratuity paid over provision made in Books	-	-	(2,975.47)	687.76	120.81	301.62
Deferred installments of Voluntary Retirement Scheme u/s 35DDA	429.75	0.45	-	-	-	-

Particulars	Nine Months ended 31.12.2003	FY 2002-03	FY 2001-02	FY 2000-01	FY 1999-2000	FY 1998-99
Disallowance u/s 43B on account of Taxes & Duties allowable on payment basis	-	5.17	0.82	58.57	35.48	8.51
Provisions for doubtful debts, claims, advances & items (net of write back)	553.04	1,534.18	(200.85)	(35.20)	471.02	26.89
Provision for Non-moving Inventory	0.51	56.43	577.14	624.22	739.02	552.90
Difference between amounts deposited u/s 33ABA & Provision made in the Books for Abandonment	(977.53)	608.24	(4,022.11)	2,310.40	1,895.70	-
Amortisation of Preliminary Expenses u/s 35D	-	(0.81)	(0.81)	(0.81)	(0.81)	(0.81)
Other adjustments as per Tax Audit Report	-	(34.44)	(10.22)	143.29	96.70	81.72
Total Timing Differences (C)	**1,778.60**	**(2,854.61)**	**(11,364.97)**	**7,182.81**	**821.67**	**(13,273.17)**
Net Adjustments (B+C)	**(130.06)**	**(5,207.95)**	**(11,930.28)**	**7,044.41**	**(77.54)**	**(14,058.77)**
Tax Saving / (Outgo) thereon	46.66	1,913.92	4,259.11	(2,786.06)	29.85	4,920.57
Taxable Income from Business	105,392.62	156,030.42	86,621.93	98,612.86	59,226.85	21,687.70
Capital Gain	168.23	-	-	-	0.54	61.49
Total Taxable Income as per Return of Income	105,560.85 *	156,030.42	86,621.93	98,612.86	59,227.39	21,749.19
Tax on Business Income	37,809.60	57,341.18	30,924.03	39,001.38	22,802.33	7,590.69
Tax on Capital Gain	17.24	-	-	-	0.06	12.30
Total Tax as per Return of Income	37,826.84 *	57,341.18	30,924.03	39,001.38	22,802.39	7,602.99
Carry Forward Capital Loss	0.25	0.25	0.25	0.25	-	-

** As per the computation of income for the purpose of calculation of provision for income tax for the nine month period ended on 31.12.2003.*

OIL AND NATURAL GAS CORPORATION LTD.

ANNEXURE "D"

DETAILS OF OTHER INCOME

(Rs. in million)

Particulars	For the Nine Months December 31, 2003	For the Year ended March 31, 2003	For the Year ended March 31, 2002	For the Year ended March 31, 2001	For the Year ended March 31, 2000	For the Year ended March 31, 1999	Nature of Income
Contractual Short Lifted Gas Receipts	29.39	54.70	135.01	40.61	112.32	205.86	Recurring
Reimbursement from Govt. of India	0.00	2,005.52	1,977.22	4,481.80	32.00	214.85	Non-Recurring
Other Contractual Receipts	898.03	1,149.41	1,082.37	856.89	1,194.86	919.09	Recurring
Income from Trade Investments	2,039.73	1,537.96	851.85	459.38	866.63	19.06	Recurring
Income from Non Trade Investments	760.84	1,103.72	436.72	435.29	1,393.30	4,007.74	Recurring
Interest Income on :							
(a) Deposits with Banks\Financial Institutions\PSUs	3,307.69	5,902.45	7,870.39	7,019.67	5,061.48	3,806.69	Recurring
(b) Loans and Advances to Subsidiaries	149.00	0.93	7.62	-	-	-	Recurring
(c) Loans and Advances to Employees	349.96	438.90	411.03	319.85	213.47	206.56	Recurring
(d) Income Tax Refund	768.90	3,604.89	6.04	82.29	102.87	300.36	Recurring
(e) Site Restoration Fund	977.53	431.07	4.90	-	-	-	Recurring
(f) Others	13.35	179.21	552.34	265.57	116.20	164.65	Recurring/ Non-Recurring
Miscellaneous Receipts	1,163.37	3,051.27	2,999.17	1,348.20	1,466.40	773.49	Recurring
TOTAL	**10,457.79**	**19,460.03**	**16,334.66**	**15,309.55**	**10,559.53**	**10,618.35**	

ANNEXURE "E"

SUNDRY DEBTORS AS ON DECEMBER 31, 2003

(Rs. in millions)

A	Debts outstanding for a period exceeding six months:			
	Unsecured	- Considered Good	1454.27	
		- Considered Doubtful	1203.67	
	Less: Provision for Doubtful Debts		1203.67	1454.27
B	Other Debts:			
	Unsecured	- Considered Good		23207.23
	Total			**24661.50**

1. *Out of the total debtors outstanding as at December 31, 2003, Rs. 2867.42 Million is recoverable from Mangalore Refinery and Petro Chemicals Limited (MRPL), the subsidiary of the company.*

OIL AND NATURAL GAS CORPORATION LTD.

ANNEXURE "F"

VALUE OF QUOTED INVESTMENTS

The Market Value of quoted investments of the Corporation as on December 31, 2003 is as under :

	Particulars	No. of Shares	Face Value per Share (in Rupees)	Cost of Value of Investment (Rs. in million)	Market Rate per Share (in Rupees)	Market Investment (Rs. In million)
LONG TERM TRADE INVESTMENTS Equity Shares (Fully Paid Up)						
i)	Indian Oil Corporation Limited	106,453,095	10	13,720.49	456.75	48,622.45
ii)	Gas Authority of India Limited	40,839,549	10	2,451.06	260.05	10,620.32
iii)	Mangalore Refinery Petrochemicals Ltd. (Subsidiary)	1,255,354,097	10	10,405.72	51.20	64,274.13
TOTAL				**26,577.27**		**123,516.91**

Market rate source: The Financial Express (NSE)

ANNEXURE "G"

LOANS AND ADVANCES AS AT DECEMBER 31, 2003, AS RESTATED

(Rs. in millions)

A	**Loans**			
	Secured	- Considered Good	6,981.00	
		- Considered Doubtful	0	
			6,981.00	
	Less: Provision for Doubtful Debt Loans		0	6,981.00
	Unsecured	- Considered Good	83,255.23	
		- Considered Doubtful	409.50	
			83,664.73	
	Less: Provision for Doubtful Debts		409.50	83,255.23
B	**Advances Recoverable in Cash or in Kind or for Value to be received**			
	Unsecured	- Considered Good	13,207.57	
		- Considered Doubtful	2,142.27	
			15,349.84	
	Less: Provision for Doubtful Debts		2,142.27	13,207.57
C	**Deposits Considered Good**			
	With Customs/Port Trusts etc.			247.42
	With Financial Institutions/PSUs			500.00
	Others			1,695.88
	Advance tax deposit (net)			371.53
	TOTAL			**106,258.63**

Note

1 Out of the total loans and advances outstanding as at December 31, 2003 Rs. 0.11 million is outstanding from whole time Directors

2 Out of the total loans and advances outstanding as at December 31, 2003, Rs. 81215.36 million is outstanding from ONGC Videsh Limited (OVL), the subsidiary of the company.

ANNEXURE "H"

CASH FLOW STATEMENT FROM THE RESTATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2001, MARCH 31, 2002 AND MARCH 31, 2003 AND 9 MONTHS PERIOD ENDED 31.12.2003

The 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.

(Rupees in million)

		For the Nine Months ended 31.12.03	For the year ended 31.03.03	For the year ended 31.03.02	For the year ended 31.03.01
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net profit before tax and extraordinary items	**104,075.72**	**171,147.92**	**88,480.24**	**82,121.83**
	Adjustments For:				
	-Recouped Costs (Represented by Depreciation, Depletion and Amortisation)	29,705.76	28,737.57	27,582.03	32,205.19
	-Interest on Borrowings	175.10	541.83	2,378.09	3,965.30
	-Foreign Exchange Loss	40.23	101.54	161.87	405.43
	-Provision for Gratuity	(713.95)	811.97	651.77	687.77
	-Provision for Leave Encashment	103.51	676.62	342.57	397.96
	-Provision for Abandonment	0.00	6,099.39	5,860.59	3,625.44
	-Provision for Impairment	29.43	161.99	247.21	2,861.20
	-Other Provision and Write offs	891.76	1,699.68	645.78	2,780.08
	-Interest Income	(6,327.27)	(11,661.17)	(9,289.04)	(8,122.67)
	-Share of Profit on Investment in Partnership Firm	0.00	0.00	2.25	(10.72)
	-Deffered Government Grant	(7.34)	(14.50)	(4.36)	0.00
	-Dividend Received	(1,871.51)	(1,537.96)	(854.10)	(448.66)
	-Profit on sale of investments	(168.22)	0.00	0.00	0.00
	Operating Profit before Working Capital Changes	**125,933.22**	**196,764.88**	**116,204.90**	**120,468.15**
	Adjustments for:-				
	-Debtors	14,157.48	(16,974.62)	(5,192.92)	(87.65)
	-Loans and Advances	(2,318.39)	(1,368.40)	745.12	4,029.28
	-Other Assets	74.59	(207.05)	(35.63)	(492.59)
	-Defferred Revenue Expenditure	(4,239.67)	789.96	(468.25)	(901.04)
	-Inventories	(4,701.08)	(1,258.17)	587.51	213.29
	-Trade Payable and Other Liabilities	4,875.59	(245.40)	3,956.60	(9,100.59)
	Cash generated from Operations	**133,781.74**	**177,501.20**	**115,797.33**	**114,128.85**
	Direct Taxes Paid (Net of tax refund)	(33,039.62)	(48,321.99)	(34,531.04)	(39,363.61)
	Cash Flow before prior period	**100,742.12**	**129,179.21**	**81,266.29**	**74,765.24**
	Extra-ordinary items	0.00	331.33	201.05	8.75
	Net Cash Flow from Operating Activities 'A'	**100,742.12**	**129,510.54**	**81,467.34**	**74,773.99**
B.	**CASH FLOW FROM INVESTING ACTIVITIES:**				
	Purchase of Fixed Assets (Net)	(11,161.33)	(19,869.40)	(15,982.06)	(13,516.12)
	Exploratory and Development Drilling	(17,192.74)	(17,979.79)	(12,627.93)	(10,687.77)
	Purchase of Investment	(0.06)	0.00	(15.05)	0.00
	Acquisition of Subsidiary	(3,811.43)	(6,594.30)	0.00	(1,000.00)
	Loans and advances to Subsidiary	(9,140.30)	(50,864.07)	(21,134.04)	0.00
	(Deposit)/Maturity with PSU's	0.00	2,330.00	22,370.00	(24,700.00)
	Advance for Share Capital	(1,108.35)	0.00	0.00	0.00

	Sale/Maturity/Redemption of Investments	2,499.25	0.01	0.01	250.00
	Dividend Received from Trade Investments	1,871.51	1,441.80	837.56	444.44
	Dividend Received from Associates	0.00	96.16	16.54	4.22
	Interest Received	3,833.24	14,179.86	8,221.15	6,750.59
	Net Cash Flow from Investing Activities 'B'	**(34,210.21)**	**(77,259.73)**	**(18,313.82)**	**(42,454.64)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:**				
	Proceeds from issue of Share Capital	0.03	0.00	0.01	0.00
	Proceeds from Government Grants	11.06	42.21	6.68	7.79
	Proceeds from Long Term Borrowings	0.00	0.00	1,736.67	8,783.76
	Repayment of Long Term Borrowings	(1,279.84)	(26,841.31)	(13,956.37)	(36,428.26)
	Cash Credit Advance	(3,823.76)	(351.76)	1,841.30	433.92
	Dividend Paid	(18,548.17)	(44,173.52)	(15,680.51)	(9,265.65)
	Tax on Dividend	(2,375.07)	0.00	(1,599.90)	(1,411.68)
	Interest Paid	(171.48)	(791.58)	(2,651.46)	(4,507.69)
	Net Cash Flow from Financing Activities 'C'	**(26,187.23)**	**(72,115.96)**	**(30,303.58)**	**(42,387.81)**
D.	**Net increase/(decrease) in Cash and**				
	Cash Equivalents (A+B+C)	**40,344.68**	**(19,865.15)**	**32,849.94**	**(10,068.46)**
E.	**Opening Balance of Cash and Cash Equivalents.**	**61,090.17**	**80,955.32**	**48,105.38**	**58,173.84**
F.	**Closing Balance of Cash and Cash Equivalents.**	**101,434.85**	**61,090.17**	**80,955.32**	**48,105.38**

Notes:

1. *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.*
2. *Cash and Cash equivalents represent:-*

(Rupees in million)

		As on 31.12.2003	**2002-2003**	**2001-2002**	**2000-2001**
a)	Cash and Bank Balances	100,934.85	61,090.17	55,455.32	20,545.46
b)	Deposits with Financial Institutions	500	0	25,500.00	27,559.92

3. *Bracket indicates cash outflow/deduction*
4. *Previous years figures have been regrouped wherever necessary to conform to current year's classification.*

OIL AND NATURAL GAS CORPORATION LTD.

ANNEXURE "I"

STATEMENT OF RELATED PARTY TRANSACTIONS

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

a) Name of Joint ventures with whom the company has entered into the transactions during the year: (excluding State controlled entities)

1 Nine Months ended 31st December, 2003

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

2 2002-03

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

3 2001-02

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) ONGC-Schlumberger Wireline Research Centre (JRC)

b) Key Management Personnel :-

1 Nine months ended 31st December, 2003

Functional Directors	Part Time Official Directors	Part Time Non-Official Directors
i) Mr. Subir Raha, C&MD	ix) Mr. G. S. Dutt (up to 10.06.03)	xiv) Mr. Atul Chandra
ii) Mr. Jauhari Lal (up to 30.04.03)	x) Dr. Surajit Mitra (up to 16.07.03)	xv) Ms. R. D. Barkataki (up to 11.9.03)
iii) Mr. R. C. Gourh (up to 31.12.03)	xi) Mr. J. M. Mauskar	xvi) Mr. J. Jayaraman (up to 11.9.03)
iv) Mr. Y. B. Sinha	xii) Mr. P. K. Deb (from16.07.03)	xvii) Dr. K. R. S. Murthy (up to 11.9.03)
v) Mr. V. K. Sharma	xiii) Mr. B. K. Das (from 02.9.03)	xviii) Mr. Jawahar Vadivelu (up to 11.9.03)
vi) Mr. Nathu Lal		xix) Mr. M. M. Chitale (from 11.9.03)
vii) Mr. R. S. Sharma		xx) Mr. Rajesh V. Shah (from 11.9.03)
viii) Dr. A. K. Balyan (from 23.08.03)		xxi) Mr. U. Sundararajan (from 11.9.03)
xxii) Mr. N. K. Nayyar		

2 2002-03

Functional Directors:	Part Time Official Directors:	Part Time Non-official Directors:
i) Mr. Subir Raha, C&MD	viii) Mr. G. S. Dutt	xi) Mr. Atul Chandra
ii) Mr. Jauhari Lal	ix) Mr. J. M. Mauskar	xii) Ms..R. D. Barkataki
iii) Mr. R. C. Gourh	x) Dr.Surajit Mitra (from 09.05.02)	xiii) Mr. J. Jayaraman
iv) Mr. Y. B. Sinha		xiv) Dr. K. R. S. Murthy
v) Mr. V. K. Sharma		xv) Mr. Jawahar Vadivelu
vi) Mr. Nathu Lal		xvi) Mr. P. Sugavanam (from 16.04.02)
vii) Mr. R. S. Sharma		xvii) Mr. N. K. Nayyar (from 12.03.03)

3 2001-02

Functional Directors:	Part Time Official Directors:	Part Time Non-official Directors:
i) Mr. Subir Raha, C&MD (from 25.05.01)	xi) Mr. G. S. Dutt	xiv) Mr. Atul Chandra
ii) Mr. Naresh Narad, C&MD (from 01.05.01 to 24.05.01)	xii) Mr. J. M. Mauskar	xv) Ms. R. D. Barkataki
iii) Mr. B.C.Bora, C&MD (up to 30.04.01)	xiii) Late Ravi Saxena (up to 20.2.02)	xvi) Mr. J. Jayaraman
iv) Mr. Jauhari Lal		xvii) Dr.K.R.S. Murthy
v) Mr. I.N.Chatterjee (up to 16.07.01)		xviii) Mr. Jawahar Vadivelu
vi) Mr. R.C. Gourh		xix) Mr. M.S. Ramachandran (from 25.06.01)
vii) Mr. Y.B. Sinha		
viii) Mr. V.K. Sharma		
ix) Mr. Nathu Lal		
x) Mr. R.S. Sharma (from 01.03.02)		

c) Details of Transactions :-

(Rs.in Million)

Particulars	Joint Ventures			Key Management Personnel			Total		
	Nine Months 2003-04	2002-03	2001-02	Nine Months 2003-04	2002-03	2001-02	Nine Months 2003-04	2002-03	2001-02
Payment Towards Helicopter Charges	-	-	1.28				-	-	1.28
Receipt on Account of Lab Testing	-	0.15	0.07				-	0.15	0.07
Amount paid/Payable for Oil Transfer Services	-	16.01	17.69				-	16.01	17.69
Amount received for use of Drill Site Accommodation	-	12.18	12.06				-	12.18	12.06
Receipt towards Transportation and Processing Charges	511.27	708.41	672.20				511.27	708.41	672.20
Remuneration				6.30	5.18	5.36	6.30	5.18	5.36
Sitting Fees				0.41	0.59	0.48	0.41	0.59	0.48
Contribution towards share of expenditure	923.52	5484.89	-				923.52	5,484.89	-
Amount Outstanding at the year end	-	59.58	57.80	0.26	0.27	0.27	0.26	59.85	58.07

ANNEXURE "J"

STATEMENT OF SECURED AND UNSECURED LOANS

(Rs. in millions)

Particulars	Nine Months ended 31st, Dec. 2003	As at 31st March, 2003	As at 31st March, 2002	As at 31st March, 2001	As at 31st March, 2000	As at 31st March, 1999
A. SECURED LOANS						
Cash Credit From State Bank of India	-	-	-	-	-	1941.65
Total (A)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1941.65**
UNSECURED LOANS						
(a) Long Term						
From Government of India	-	-	-	-	645.29	1,191.46
From Oil Industry Development Board	808.70	1,010.88	1,213.05	1,415.23	1,617.40	1,617.40
Foreign Currency Loans:						
- From Foreign Banks/Financial Institutions (Guaranteed by Government of India)	-	-	24,535.00	25,379.95	33,497.48	36,661.08
-From Foreign Banks/Financial Institutions	35.06	1,171.49	2,759.59	10,721.13	14,745.18	20,093.24
-From others	1,503.31	1,444.54	1,873.64	2,310.24	1,912.16	228.00
Foreign Currency Bonds:						
- From Foreign Banks/Financial Institutions (Guaranteed by Government of India)	-	-	-	-	12,402.00	10,581.00
(b) Cash Credit						
- State Bank of India	551.62	4,375.38	4,727.14	2,885.84	2,451.92	-
(c) Short Term						
Foreign Currency Loans						
- From Indian Banks	-	-	-	-	-	4,245.00
(d) Deferred Credits						
Guaranteed by Banks						
- From Foreign Banks/Financial Institutions	-	-	-	2,084.96	3,234.04	4,367.13
- From Others	-	-	-	-	-	8.59
Guaranteed by Government of India						
- From Banks/Financial Institututions	-	-	-	-	447.23	566.86
TOTAL (B)	**2,898.69**	**8,002.29**	**35,108.42**	**44,797.35**	**70,952.70**	**79,559.76**

ANNEXURE- "K"

STATEMENT OF TAX BENEFITS

A. To the Company - Under the Income Tax Act, 1961

- The company is entitled to claim deduction under section 33ABA in respect of amounts deposited in special account with State Bank of India and interest accruing thereon under the Site Restoration Fund Scheme, 1999. The amount of deduction cannot exceed 20% of the taxable income for the year before allowing deduction under section 33ABA. The funds deposited in the special account can be withdrawn only for the purpose of carrying site restoration and no deduction would be admissible for the expenditure incurred on site restoration out of the amount withdrawn from the special account.
- The company is entitled to claim deduction under section 35AC in respect of amounts paid to a public sector company, local authority, or to an approved association or institution, for carrying out any eligible project or scheme.
- In accordance with and subject to the provisions of Section 35DDA, the company is entitled to deduction of expenditure incurred by way of payment to an employee at the time of his voluntary retirement in five equal annual installments beginning from the year in which the expenditure is incurred.
- In respect of areas awarded to the company on nomination basis, in terms of section 42 of the Income Tax Act, 1961, and the agreement there under between the Central Government and the company, the company is entitled to deduct the following costs in computing its taxable income:-

  (a) Survey expenses are deductible in the year of incurrence.

  (b) All expenses on exploration, prospecting or drilling incurred up to the date of commercial production in areas where commercial production commences are deductible in three equal annual installments beginning from the year in which commercial production commences.

  (c) All expenses on exploration, prospecting or drilling incurred in areas which are ultimately surrendered as abortive are allowable in the year in which the area is surrendered.

  (d) All expenses on exploration or drilling incurred on or after the date of commercial production in areas where commercial production starts are deductible in the year of incurrence.
- In respect of areas where the company has entered into Production Sharing Contracts with the Government of India and some bodies corporate, the company is entitled to deduct exploration, drilling and development costs under section 42, in terms of Production Sharing Contracts in the manner laid down in each of the Contracts.
- In accordance with and subject to the conditions specified in Section 80-IA of the Income Tax Act, 1961, the company is entitled to deduction of the entire profits derived from its undertaking generating power for a period of 10 consecutive years, falling within the first 15 years, beginning with the initial assessment year it started generating power. The undertaking(s) eligible for deduction under section 80-IA are those which started or may start generating power between 01-04-1993 and 31-03-2006.
- In accordance with and subject to the conditions specified in Section 80-IB of the Income Tax Act, 1961, the company would be entitled to deduction of the entire profits derived from its Undertaking(s), which have commenced or may commence commercial production of mineral oils on or after 01-04-1997 and Undertaking(s) which have commenced or may commence refining of mineral oils on or after 01-10-1998, for a period of 7 consecutive years beginning with the initial assessment year in which such Undertaking(s) starts production or refining of mineral oils.
- In accordance with and subject to the provisions of Section 35, the company would be entitled to deduction in respect of expenditure laid out or expended on Scientific Research related to the business.
- By virtue of section 10 (34) of the Income Tax Act, 1961, dividend income referred to in section 115-O of the IT Act, are exempt from tax in the hands of the Company.
- By virtue of insertion of new section 10(35) of the Income Tax Act, 1961, the following income shall be exempt in the hands of the company:-

  (a) income received in respect of the units of a Mutual Fund specified under clause (23D); or

  (b) income received in respect of units from the Administrator of the specified undertaking; or

  (c) income received in respect of units from the specified company:

  Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose -

  (a) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

(b) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

- By virtue of insertion of new section 10(36) of the Income Tax Act, 1961, any long term capital gain arising to the company from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the Company.

  For this purpose "eligible equity share means-

  (a) an equity share in a company being a constituent of BSE - 500 Index of the Stock Exchange, Mumbai as on 1.3.2003 listed in a recognized stock exchange in India and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

  (b) an equity share in a company allotted through a public issue on or after 1.3.2003 and listed in a recognized stock exchange in India before 1.3.2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India.

- Under section 48 of the Income Tax Act, 1961, if any shares are sold by the Company after being held for not less than twelve months, the gains (in cases not covered under section 10(36) of the Act) if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares by the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
- National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
  - National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
  - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) on the transfer of shares of a Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

  (a) the issue is made by a public company formed and registered in India;

  (b) the shares forming part of the issue are offered for subscription to the public.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under section 10(36) of the Act) arising on transfer of shares in the Company, i.e. if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) [after indexation as provided in the second proviso to section 48; indexation not available if investments made in foreign currency as per the first proviso of Section 48] or at 10% (plus applicable surcharge) [without indexation], at the option of the company.

B. To the Members of the Company - Under the Income Tax Act, 1961

B. 1 Resident Members

- In terms of section 10(23D) of the Income Tax Act, 1961 all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
- By virtue of section 10 (34) of the Income Tax Act, 1961, dividend income referred to in section 115-O of the IT Act, is exempt from tax in the hands of the shareholders.
- Under section 48 of the Income Tax Act, 1961, if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(36) of the Act) if any will be treated as long term

capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
  - National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
  - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of a Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
  (a) the issue is made by a public company formed and registered in India;
  (b) the shares forming part of the issue are offered for subscription to the public.
- Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains arising (in cases not covered under section 10(36) of the Act), i.e., if shares are held for a period exceeding 12 months, on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge) without indexation, at the option of the shareholder.

B.2 Non-Resident Indians/Non Residents Members [Other than FIIs and Foreign venture capital investors]

- By virtue of section 10 (34) of the Income Tax Act, 1961, dividend income referred to in section 115-O of the IT Act, is exempt from tax in the hands of the shareholders.
- Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gain/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
  - National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) on the transfer of shares of a Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

  (a) the issue is made by a public company formed and registered in India;

  (b) the shares forming part of the issue are offered for subscription to the public.

- Under section 54F of the Income Tax Act, 1961 long term capital gains (not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under section 10(36) of the Act) arising on transfer of shares in the Company, i.e. if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) [after indexation as provided in the second proviso to section 48; indexation not available if investments made in foreign currency as per the first proviso of Section 48 stated above] or at 10% (plus applicable surcharge) [without indexation], at the option of the shareholder.

- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents".

  - Under section 115E of the Income Tax Act, 1961, where shares in the company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) of the Act) be concessionally taxed at the flat rate of 10%. (without indexation benefit but with protection against foreign exchange fluctuation) plus applicable Surcharge.

  - Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains (not covered under section 10(36) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is invested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

  - Under provisions of section 115G of the Income Tax Act, 1961 it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

  - Under section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

B.3 Foreign Institutional Investors [FIIs]

- By virtue of section 10(34) of the Income Tax Act, 1961, dividend income referred to in section 115-O of the IT Act, is exempt from tax in the hands of the shareholders of the Company.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -

  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

- National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

- Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) on the transfer of shares of a Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -

  (a) the issue is made by a public company formed and registered in India;

  (b) the shares forming part of the issue are offered for subscription to the public.

- The income by way of short term capital gains or long term capital gains (not covered under section 10(36) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Income Tax Act, 1961 -
  - Short term capital gains - 30% (Plus applicable surcharge)
  - Long term capital gains - 10% (Plus applicable surcharge) (without cost indexation and protection against foreign exchange fluctuation)

    (Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months.)

B.4 Venture Capital Companies/ Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies/ funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

C. Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

Notes

- All the above benefits are as per the current tax law as amended by the Finance Act, 2003 and will be available only to the sole/first named holder in case the shares are held by joint holders.
- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in shares.

Annexure I

MANGALORE REFINERY AND PETROCHEMICALS LIMITED

FINANCIAL STATEMENTS FOR PERIOD ENDED DECEMBER 31, 2003 & FOR FIVE YEARS ENDED MARCH 31, 2003

I. Summary Of Profit And Loss Account, As Restated

(Rs. in millions)

	Period ended December 31, 2003	Financial year ended March 31, 2003	Financial year ended March 31, 2002	Financial year ended March 31, 2001	Financial year ended March 31, 2000	Financial year ended March 31, 1999
Income / Revenue						
Income from Operations	77,319.34	80,587.66	50,716.23	27,466.91	30,191.95	24,008.66
Other Income	1,693.30	547.79	439.91	394.95	467.98	1,845.39
Total	**79,012.64**	**81,135.45**	**51,156.14**	**27,861.86**	**30,659.93**	**25,854.05**
Expenditure						
Consumption of Raw Materials	72,783.32	75,840.82	48,056.32	23,828.42	29,950.88	19,934.36
Operating & Other Expenses	1,636.46	2,178.83	1,576.89	443.53	939.37	972.30
Interest & Finance Charges	3,117.03	5,670.73	6,722.86	2,378.29	3,219.82	4,314.03
Depreciation/Amortisation	2,838.78	3,737.41	3,633.52	1,728.61	1,427.63	1,344.52
Preliminary, Issue and Deferred Revenue Expenses written off	233.29	311.05	311.05	5.79	29.44	23.66
Provision for claims relating to earlier years	-	834.64	-	-	-	-
	80,608.88	**88,573.48**	**60,300.64**	**28,384.64**	**35,567.14**	**26,588.87**
(Accretion)/Decretion in Stocks	(166.84)	(910.31)	(1,355.39)	2,145.22	(1,677.22)	(686.06)
Total	**80,442.04**	**87,663.17**	**58,945.25**	**30,529.86**	**33,889.92**	**25,902.81**
Net Profit / (Loss) before extrodinary items & prior period adjustments	(1,429.40)	(6,527.72)	(7,789.12)	(2,668.00)	(3,229.99)	(48.76)
Add:						
Provision for taxation of earlier year written back				59.30	108.78	206.12
Extraordinary items				758.50	-	-
Prior period adjustments (Net)	-	-	-	-	124.61	-
Profit/(Loss) before tax	**(1,429.40)**	**(6,527.72)**	**(7,789.12)**	**(1,850.20)**	**(2,996.60)**	**157.36**
Less: Wealth Tax	-	0.11	0.29	0.34	0.24	0.25
Less: taxation - Current	-	-	-	-	-	16.49
Less: taxation - Deferred	(512.18)	(2,409.77)	(2,864.62)	-	-	-
Profit / (Loss) after tax as per audited statement of accounts (A)	**(917.22)**	**(4,118.06)**	**(4,924.79)**	**(1,850.54)**	**(2,996.84)**	**140.62**
Adjustment on account of changes in accounting policies				701.57	1,141.02	13.89
Impact of material adjustments and prior period items					(124.61)	
Total adjustments (B)	**-**	**-**	**-**	**701.57**	**1,016.41**	**13.89**
Adjusted Profit / (Loss) (A+B)	**(917.22)**	**(4,118.06)**	**(4,924.79)**	**(1,148.97)**	**(1,980.43)**	**154.51**
Carry forward profit /(Loss) from previous year	(11,845.05)	(7,991.39)	(3,066.60)	(1,917.63)	62.80	48.91
Accounting Policy changes and prior period adjustments pertaining to previous year						
Profit /(Loss) available for appropriation	**(12,762.27)**	**(12,109.45)**	**(7,991.39)**	**(3,066.60)**	**(1,917.63)**	**203.42**
Less:						
Debenture Redemption reserve	(979.55)	(264.40)				140.62
Deferred tax adjusted			-			
Balance carried forward to Balance Sheet	**(11,782.72)**	**(11,845.05)**	**(7,991.39)**	**(3,066.60)**	**(1,917.63)**	**62.80**

II. Summary Of Assets And Liabilities, As Restated

(Rs. in millions)

		December 31, 2003	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000	March 31, 1999
A.	**Fixed Assets :**						
	Gross Block	67,430.64	67,513.89	67,201.44	66,244.59	26,009.90	24,765.07
	Less Accumulated Depreciation	18,667.51	15,833.67	12,101.10	8,419.53	5,346.64	3,908.53
	Net Block	48,763.13	51,680.22	55,100.34	57,825.06	20,663.26	20,856.54
	Add: Capital work-in-progress	33.19	8.61	78.64	615.93	32,543.47	22,647.63
	Total	48,796.32	51,688.83	55,178.98	58,440.99	53,206.73	43,504.17
B.	**Investments :**	-	-	-	-	-	-
C.	**Deferred Tax Asset/(Liability)**	7,567.36	7,055.18	4,645.41	1,780.79	1,079.21	(61.81)
	Current Assets, Loans &						
D.	**Advances :**	-	-	-	-	-	-
	Inventories	10,487.62	9,971.10	8,354.08	7,217.14	6,392.68	2,400.61
	Sundry Debtors	6,790.75	3,325.22	4,275.52	1,588.89	983.19	491.26
	Cash and Bank Balances	79.93	98.81	149.11	126.46	112.76	196.24
	Loans and Advances	4,809.94	2,864.98	3,037.38	3,434.53	8,570.79	16,465.57
	Total	22,168.24	16,260.11	15,816.09	12,367.02	16,059.42	19,553.68
E.	**Liabilities & Provisions :**	-	-	-	-	-	-
	Current Liabilities & Provisions	14,618.18	11,752.83	14,767.24	11,922.31	5,547.21	2,976.39
		-	-	-	-	-	-
	Secured Loans	47,159.10	44,310.42	49,906.72	48,320.00	49,575.83	43,559.77
	Finance Lease	-	397.17	1,117.07	1,954.61	-	-
	Unsecured Loans	8,117.17	9,244.26	6,417.44	2,196.52	4,507.13	3,764.94
	Total	69,894.45	65,704.68	72,208.47	64,393.44	59,630.17	50,301.10
F.	**Net Worth (A+B+C+D-E)**	**8,637.47**	**9,299.44**	**3,432.01**	**8,195.36**	**10,715.19**	**12,694.94**
	Net Worth Represented By	-	-	-	-	-	-
G.	Share Capital	17,617.96	17,596.00	7,921.57	7,921.53	7,921.48	7,921.32
H	**Reserves and Surplus**	-	-	-	-	-	-
	Securities Premium Reserve	3,490.53	3,490.53	3,490.53	3,490.53	3,490.53	3,490.53
	Debenture Redemption Reserve	-	979.55	1,243.95	1,243.95	1,243.95	1,243.95
	Balance as per Profit & Loss Account	(11,782.72)	(11,845.05)	(7,991.39)	(3,066.60)	(1,917.63)	62.80
	Total	**(8,292.19)**	**(7,374.97)**	**(3,256.91)**	**1,667.88**	**2,816.85**	**4,797.28**
		-	-	-			
I	**Miscellaneous Expenditure to**						
	the extent not written off	688.30	921.59	1,232.65	1,394.05	23.14	23.66
		-					
J	**Net Worth (G+H-I)**	**8,637.47**	**9,299.44**	**3,432.01**	**8,195.36**	**10,715.19**	**12,694.94**

SIGNIFICANT ACCOUNTING POLICIES FOLLOWED ON 31ST DECEMBER 2003

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

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

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

a) Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after Pool audit, as stipulated. All other claims and provisions are booked on the merits of each case.

b) Export benefits entitlements to the Company viz., under Duty free entitlement scheme /Advance Licence scheme under the EXIM policy, is recognised in the year of exports.

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 and carried out at the year end.

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 virtual/ reasonable certainty about its realisability, as applicable

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.

Changes in Significant Accounting Policies

During The Years Ended From 31.3.1999 To 31.3.2003 and for the period ended 31.12.2003

1 During the year ended 31st March 2000 in compliance of Accounting Standard 2 on Valuation of Inventories, issued by the Institute of Chartered Accountants of India, the Company had capitalised machinery spares usable with specific machinery and having irregular use resulting in reduction in stores, spares and chemicals, inventories and increase in gross block of plant and machinery by Rs. 124.23 millions. On such capitalised machinery spares the company had provided depreciation of Rs 7.99 millions on the basis of residual life of the respective machineries resulting in loss for the year being higher by the said amount.

2 During the year ended 31st March 2000,unlike in previous years, the Company had provided excise / customs duty on products and crude stored in bond of Rs 594.73 millions and Rs 251.90 millions respectively on the balance sheet date and included the same in inventory value, which however has no impact on the loss for the said year.

3 During the year ended 31.3.2001, the company had in terms of Accounting Standard 19 on Leases issued by the Institute of Chartered Accountants of India considered leases entered into by it in the years 1995-96 and 1996-97 with various lessors as finance leases as defined in the said Standard. The fair value of the assets was capitalised, the lease rentals were written back and the finance cost calculated on the basis of the implicit rate of return were spread over the period of lease. Consequently the loss for the year and accumulated losses were lower by Rs 1130.70 millions including Rs 758.50 millions relating to earlier years shown as extra-ordinary items and gross block of fixed assets, accumulated depreciation, net block of fixed assets and current liabilities were higher by Rs 4239.09 millions, Rs 1148.27 millions, Rs 3090.82 millions and Rs 1960.13 millions respectively.

4 During the year ended 31st March 2002, pursuant to implementation of the Accounting Standard on Accounting for Taxes on Income (AS 22) issued by Institute of Chartered Accountants of India the company had recognised Net Deferred Tax Asset to the extent of Rs 2864.62 millions for the year and Rs 1780.79 millions for the earlier years

5 During the year ended 31st March 2003, to fall in line with the generally accepted accounting principles, the company had adopted the accounting policy to exclude Captive Fuel Oil Consumption from sale of products.

MATERIAL NOTES TO ACCOUNTS

1. Contingent Liabilities not provided for in respect of:

(Rs in Million)

		Period Ended	Year Ended				
		31.12.03	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99
a.	Corporate Guarantee given by the Company towards loan 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	1440.6	1694.2	1612.5	1694.7	1180.6	1286.0
b.	Claims against the Company not acknowledged as debt	526.8	753.8	93.6	624.2	619.7	825.1
c.	Disputed tax matters	3826.1	3442.8	1637.0	788.6	434.8	455.5
d.	Disputed Excise Duty matters	112.9	137.4	18.5	421.0	376.2	245.7
e.	Disputed Customs Duty matters towards duty on project imports for which the Company has given the Bank Guarantees / Deposits.	2640.4	2640.4	2640.4	1895.7	2878.3	2003.0
f.	Customers bills discounted	NIL	NIL	70.4	NIL	NIL	NIL

2. Exchange fluctuation

   a. Amount of exchange difference, being net increase in the value of foreign currency liability adjusted to the carrying cost of fixed assets / capital work in progress due to realignment of exchange rate are as under:

(Rs in Million)

Period ended	Year ended	Year ended	Year ended	Year ended	Year ended
31.12.03	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99
126.1	131.2	294.3	308.8	1246.1	1389.2

   b. Amount of exchange difference (net) charged to Profit & Loss Account:

Rs in Million

Period ended	Year ended	Year ended	Year ended	Year ended	Year ended
31.12.03	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99
(268.1)	(300.6)	281.4	217.3	109.4	8.7

3. a. Aggregate future lease rent obligation

Rs in Million

Period ended	Year ended	Year ended	Year ended	Year ended	Year ended
31.12.03	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99
NIL	586.7	1857.9	2306.8	3289.5	4171.1

   b. Amount of lease rentals due within one year

Rs in Million

Period ended	Year ended	Year ended	Year ended	Year ended	Year ended
31.12.03	31.3.03	31.3.02	31.3.01	31.3.00	31.3.99
NIL	586.7	1271.2	882.9	882.9	882.6

4. Relating to Phase II Refinery project

   a. Year ended 31st March 2002

   The Phase II refinery project could, achieve production in commercially feasible quantities and in a commercially

practicable manner on 10th April 2001. During the year the company has treated the expenditure (net of income) incurred during the period from 1.4.2001 to 10.4.2001 aggregating to Rs 149.65 millions (Previous year Rs 1376.70 millions for the period of two months February 2001 and March 2001) as Deferred Revenue Expenditure based on the experts opinions, to be written off over a period of five years as per the accounting policy of the company.

b. Year ended 31st March 2001

Trial run/stabilisation of the Phase II refinery project continued during the year until January 2001 when it achieved high capacity utilisation. Thereafter based on management assessment Phase II refinery was capitalised on 1.2.2001. However as the project could not achieve production in commercially feasible quantities and in a commercially practicable manner the company has treated the expenditure (net of income) incurred during the period 1.2.2001 to 31.3.2001 as deferred revenue expenditure based on the experts opinion to be written off over a period of 5 years after the commencement of commercial production

c. Year ended 31st March 2000

The company has during the year, installed from time to time various units of Phase II refinery project at a cost of Rs 32539.82 millions and conducted trial runs. However due to certain technical problems it could not achieve production in commercially feasible quantities and commercially practicable manner and accordingly, capitalisation of the said Phase II has been deferred, based on technical reports from experts on which the auditors have relied upon.

5. Relating to the year ended 31st March 1999

a. The Company was covered under Administered Pricing Mechanism (APM) up to 31st, March 1998 vide letter 1st April, 1999, the Government of India has revised the 'Standard thruput' for the years 1995-96 (7 days), 1996-97 and 1997-98 which is being contested by the company. However, during the year the provisional retention margins have been reworked as per the said letter and accounted for at 100% of such margins for the aforesaid years (as against earlier approval at 95% for 1995-97 and at 70% for 1997-98). As a result, Income from operations and profit for the year includes Rs. 468.24 millions relating to the aforesaid years.

b. The company has, during the year, recognised a revenue of Rs.247.48 millions representing difference between actual landing charges incurred by it and what is considered by OCC, pending final approval from Government of India. The Company is hopeful of receiving the same, as it is being reimbursed to certain other refineries having higher landing charges.

c. Other Income

(i) 'Other Miscellaneous Income' includes Rs.30.21 millions being expenses relating to expansion project charged to revenue in earlier years, now capitalised.

(ii) 'Liquidated Damages' amounting to Rs.49.41 millions represents amounts charged to various contractors / suppliers towards the work/supplies not completed/made by them in the stipulated period as per the terms of the contract during the implementation of the 3 MMPTA project commissioned in March 1996.

(iii) Pursuant to acceptance of Company's application under Kar Vivad Samadan Scheme 1998, the Company has deposited an amount of Rs.85.07 millions towards full and final settlement of Income Tax liability including interest for the years 1992-93, 1993-94 and 1994-95. Consequently, during the year, the excess provision for interest of Rs.206.12 millions has been written back.

d. Loans and Advances include Rs.134.26 millions (Previous Year Rs. 149.08 millions) being disputed Capital Modvat claim. Necessary adjustments will be made on final disposal of the matter.

6. Relating to the year ended 31st March 2000

a. The Company was covered under Administered Pricing Mechanism (APM) for the years 1995-96 (7 days), 1996-97 and 1997-98. During the year, OCC has carried out the cost updation exercise thereby revising the provisional retention margins and also fixing the standard product pattern after revising upwards the standard fuel and loss. Due to this updation and revision, credit for Rs.278.66 millions relating to the aforesaid years has been considered in the Profit and Loss Account.

b. Amount recoverable from pool accounts includes Rs. 277.23 millions (including for the current year up to 15/7/99 of Rs.29.76 millions) representing difference between actual landing charges incurred and what is considered by OCC, pending final approval from the Government of India. The Company is being reimbursed the same since 15/7/99 and is therefore also confident of receiving the earlier periods claim.

c. The standard thruput fixed for APM period is contested by the Company and necessary adjustments, if any, will be made on finalisation/approval of the retention margins by the OCC/Government of India.

d. Loans and Advances include Rs.135.20 millions (previous year Rs.134.26 millions) being disputed Capital Modvat claim. Necessary adjustments will be made on final disposal of the matter.

7. Relating to the year ended 31st March 2001

   a. Ministry of Petroleum and Natural Gas has during the year agreed to pay all refineries including the Company for terminating charges for the post APM period. Accordingly, the Company's claim for the years 1998-99 and 1999-2000 aggregating to Rs.399.38 millions has been accounted for, pending formal approval. The claim for the year 2000-01 would be accounted for in the year when it is made.

   b. Amount recoverable from pool accounts includes Rs.230.03 millions(relating to period prior to 15/7/99) representing difference between actual landing charges incurred and what is considered by OCC for controlled products, pending final approval from the Government of India. The Company is being reimbursed the same since 15/7/99 and is therefore confident of receiving the earlier periods claim

   c. During the year, the company has taken credit Rs.121.25 millions on account of customs duty difference on ship's ullage and shore tank quantities for the years 1995-96 to 2000-2001, in view of a favourable decision by the Appellate Tribunal in another case and has been netted out from Raw material consumption.

8. Relating to the year ended 31st March 2002

   Net surrender/recovery from Pool Accounts under Schedule N includes Rs 172.35 millions (previous year Rs 399.38 millions) relating to earlier years.

9. Relating to the year ended 31st March 2003

   a. Balance with Customs, Port Trust, etc include an amount of Rs 348.57 millions 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.

   b. Certain amounts recoverable from Petroleum Planning and Analysis Cell (PPAC) aggregating to Rs 834.64 millions 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 it's efforts for realising the same.

      Besides the above, there are certain other claims/ reimbursements relating to earlier years aggregating to Rs 284.53 millions in respect of which the management is confident of recovering the same in due course of time.

   c. 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.

10. Relating to the period ended 31st December 2003

   a. Loans and advances include

      (i) Customs duty paid under protest on project imports Rs 877.39 millions (Previous year Rs 877.39 millions), Commercial taxes paid under protest Rs 1182.67 millions(Previous year Rs 328.79millions)and Rs 348.57 millions(Previous year Rs 348.57 millions) being refund of Central sales tax receivable from department on account of revision of sales tax returns for the year 2000-01 and 2001-02 and refund claim for the year 2002-03 pursuant to the order of the Department confirming the levy of CST on Excise Duty value of sales which are pending disposal.

      (ii) Export benefits of Rs 1315.80 millions included in Other Income represents company's entitlement towards the value of Duty Free Entitlement Certificate (DFEC) for incremental export turnover achieved during this period in respect of which the claims will be made in accordance with the relative scheme.

      (iii) There are certain claims/reimbursements recoverable from Petroleum Planning & Analysis Cell (PPAC) relating to earlier years aggregating to Rs 846.75 millions (Previous Year Rs 834.64 millions). Amounts aggregating to sum of Rs 846.75 millions (Previous year Rs 834.64 millions) included therein have become overdue and has been provided for as a matter of prudence. Steps are being taken by the management for recovering the same.

   b. After the company became subsidiary of Oil and Natural Gas Corporation Ltd (ONGC) there has been substantial improvement in the working results of the company on account of several operational and financial advantages and other beneficial factors achieved and being achieved by the company under the new management. Accordingly, based on the past performance and the facts on record, the management is virtually certain that there will be sufficient profits for the company in future years to absorb the unabsorbed depreciation and brought forward loss of past years within the statutory time frame of allowability under the Income Tax Act,1961. Based on the above facts, credit for deferred tax assets of Rs 7055.18 millions(net) taken in prior years is carried, together with a sum of Rs 512.18 millions added thereto during the current period, in terms of Accounting Standard on Accounting for taxes on income (AS-22) issued by the Institute of Chartered Accountants of India.

ADJUSTMENTS INCORPORATED IN THE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31.3.1999 TO 31.3.2003 AND FOR THE PERIOD ENDED 31.12.2003

A. ARISING FROM CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

1. During the year ended 31st March 2002, pursuant to implementation of the Accounting Standard on Accounting for Taxes on Income (AS 22) issued by Institute of Chartered Accountants of India the company had recognised Net Deferred Tax Asset to the extent of Rs 2864.62 millions for the year and Rs 1780.79 millions for the earlier years

   In order to give effect to the above change in the policy in the restated financial statements such adjustments have been made for deferred tax assets made in the prior reporting periods, as applicable for each of the years.

2. During the year ended 31st March 2000 the Company had provided excise / customs duty on products and crude stored in bond of Rs 594.73 millions and Rs 251.90 millions respectively on the balance sheet date and included the same in inventory value, which however has no impact on the loss for the year.

   In order to give effect to the above change in the policy in the restated financial statements, such adjustments have been made in the prior reporting periods, as applicable

3. During the year ended 31st March 2003, to fall in line with the generally accepted accounting principles, the company had adopted the accounting policy to exclude Captive Fuel Oil Consumption from sale of products.

   In order to give effect to the above change in the policy in the restated financial statements such adjustments have been made in the prior reporting periods, as applicable.

B. ARISING DUE TO ADJUSTMENT OF PRIOR PERIOD ITEMS

Prior period adjustments arising during the years ended 31st March 2000 and 31st March 2001 has been appropriately adjusted.

C. ARISING FROM QUALIFICATION IN AUDITORS REPORT

FOR THE YEAR ENDED 31.03.1999

In the Auditors Report on the accounts for the year ended 31.03.1999 the auditors have qualified that the treatment of write back of excess provisions for interest of Rs.206.12 millions, relating to earlier years has resulted in inclusion thereof in the profit of the year. Adjustment has been made for the above in the restated financial statements of the previous years.

ADJUSTMENTS NOT CARRIED OUT IN THE RESTATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31.3.1999 TO 31.3.2003 AND FOR THE PERIOD ENDED 31.12.2003

A. ARISING OUT OF CHANGES IN ACCOUNTING POLICIES

1. During the year ended 31st March 2000 in compliance of Accounting Standard 2 Valuation of Inventories issued by the Institute of Chartered Accountants of India, the Company had capitalised machinery spares usable with specific machinery and having irregular use resulting in reduction in stores, spares and chemicals, inventories and increase in gross block of plant and machinery by Rs. 124.23 millions. On such capitalised machinery spares the company had provided depreciation of Rs 7.99 millions on the basis of residual life of the respective machineries resulting in loss for the year being higher by the said amount.

2. During the year ended 31.3.2001, the company had considered leases entered into by it in the years 1995-96 and 1996-97 with various lessors as finance leases as defined in Accounting Standard-19 on Leases issued by the Institute of Chartered Accountants of India. The fair value of the assets had been capitalised, the lease rentals had been written back and the finance cost calculated on the basis of the implicit rate of return had been spread over the period of lease. Consequently loss for the year and accumulated losses were lower by Rs 1130.70 millions including Rs 758.50 millions relating to earlier years shown as extra-ordinary items and gross block of fixed assets, accumulated depreciation, net block of fixed assets and current liabilities are higher by Rs 4239.09 millions, Rs 1148.27 millions, Rs 3090.82 millions and Rs 1960.13 millions respectively.

B. ARISING OUT OF QUALIFICATION IN AUDITORS REPORT

FOR THE PERIOD ENDED 31.12.2003

In the Auditors Report on the accounts for the period ended 31.12.2003 the auditors have qualified that the company has taken credit for deferred tax assets (net) of Rs 7567.36 millions, which include Rs 512.18 millions relating to the period ended 31.12.2003. In the light of Accounting Standards Interpretation (ASI-9) issued by the Institute of Chartered Accountants of India, on virtual certainty as regards future profits of the Company, the extent of realisability of the amount taken credit for as deferred tax assets, as stated above is not ascertainable at this stage.

The adjustments for the above have not been carried out in the restated financial statements of the relative previous years in the absence of the required particulars.

ONGC VIDESH LIMITED **ANNEXURE - II**

SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. in millions)

	Nine Months ended 31st Dec.'03	Financial Year 2002- 2003	Financial Year 2001- 2002	Financial Year 2000- 2001	Financial Year 1999-2000	Financial Year 1998-1999
Income / Revenue						
Sales	800.20	98.50	-	-	-	-
Other Income/Revenue	931.21	524.23	391.74	365.88	175.12	77.53
Increase in Stock	4.53	7.73	-	-	-	-
Total Income/Revenue	**1735.94**	**630.46**	**391.74**	**365.88**	**175.12**	**77.53**
Expenditure						
Operating Expenditure	652.50	180.79	-	-		
Establishment Costs	315.77	121.94	79.78	62.49	35.87	25.98
Recouped Costs	140.82	83.14	20.85	11.30	9.16	6.71
Interest & Exchange Fluctuation	624.36	210.25	31.68	28.81	33.44	38.11
Provisions & Write-offs (Net)	-	(0.05)	(1.64)	0.07		
Total Expenditure	**1733.45**	**596.07**	**130.67**	**102.67**	**78.47**	**70.80**
Net Profit before Tax and Prior Period Adjustments	**2.49**	**34.39**	**261.07**	**263.21**	**96.65**	**6.73**
Prior Period Adjustments (Net)	2.87	(2.05)	(4.64)	(0.03)	(4.11)	75.77
Profit/(Loss) before tax	**5.36**	**32.34**	**256.43**	**263.18**	**92.54**	**82.50**
Current Year Tax	0.41	2.55	19.62	22.30	10.69	8.66
Deferred Tax	(7.57)	12.10	-	-	-	-
Excess Provision of Income Tax Written back	-	(8.29)	-	-	-	-
Net Profit/(Loss) after tax as per audited statement of accounts(A)	**12.52**	**25.98**	**236.81**	**240.88**	**81.85**	**73.84**
Adjustment on account of changes in accounting policies	(9.50)	25.62	(102.72)	(103.80)	(35.11)	(32.98)
Impact of material adjustments and prior period items	(22.49)	14.70	3.00	(4.22)	3.71	(71.69)
Total Adjustments (B)	**(31.99)**	**40.32**	**(99.72)**	**(108.02)**	**(31.40)**	**(104.67)**
Adjusted Profit/(Loss) (A+B)	**(19.47)**	**66.30**	**137.09**	**132.86**	**50.45**	**(30.83)**
Carry forward Profit/(Loss) from Previous year	83.67	21.56	(203.36)	(421.97)	(504.31)	(575.54)
Accounting policy changes and prior period adjustments pertaining to previous years*	-	-	-	-	-	75.05
Profit available for appropriation	**64.20**	**87.86**	**(66.27)**	**(289.11)**	**(453.86)**	**(531.32)**
Less:						
General Reserve	0.63	4.19	-	-	-	-
Deferred Tax adjustment **	-	-	(87.83)	(85.75)	(31.89)	(27.01)
Balance Carried to Balance Sheet	**63.57**	**83.67**	**21.56**	**(203.36)**	**(421.97)**	**(504.31)**

The accompanying significant accounting policies and notes are an integral part of this statement.

* *Denotes the Impact of accounting policy changes (excluding deferred tax adjustments) and prior period adjustments pertaining to earlier years.*

** *As per Accounting Standard (AS 22) "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has adjusted net deferred tax liability till 31st March, 2002 as a charge to General Reserve*

SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rupees in millions)

	As on 31.12.03	As on 31.03.2003	As on 31.03.2002	As on 31.03.2001	As on 31.03.2000	As on 31.03.1999
A. Fixed Assets:						
Gross Block	5,348.24	5,369.99	8.07	6.51	5.89	5.06
Less: Depreciation	2,615.70	840.05	4.07	3.96	3.24	2.70
Net Block	2,732.54	4,529.94	4.00	2.55	2.65	2.36
B. Goodwill						
C. Producing Properties	6,001.95	4,492.49	-	-	-	-
D. Expenditure on Projects in Progress	31,144.25	23,909.68	23,774.69	2,392.67	1,596.67	1,497.55
E. Investments	29,887.94	29,927.95	-	-	-	-
F. Deferred Tax Asset	118.13	120.06	148.90	236.73	322.48	354.37
G. Current Assets, Loans & Advances:						
Inventories	162.17	181.92	-	-	-	-
Sundry Debtors	227.83	87.07	-	-	-	-
Cash & Bank Balances	4062.10	2,685.75	1,740.02	1,905.50	1,310.15	618.62
Loans & Advances	17,273.08	14,028.20	2,288.60	392.37	780.05	22.51
Other Current Assets	354.31	116.18	73.87	-	-	-
Total	22,079.49	17,099.12	4,102.49	2,297.87	2,090.20	641.13
H. Liabilities & Provisions						
Current Liabilities & Provisons	4,904.78	5,056.95	1,679.34	46.82	196.48	58.87
Secured Loan	-	-	-	-	-	-
Unsecured Loan	82,624.27	70,534.08	21,896.09	540.62	636.50	732.38
Total	87,529.05	75,591.03	23,575.43	587.44	832.98	791.25
I. Net Worth (A+B+C+D+E+F+G-H)	**4,435.25**	**4488.21**	**4,454.65**	**4,342.38**	**3,179.02**	**1,704.16**
Net Worth Represented By						
J. Share Capital	3,000.00	3,000.00	3,000.00	3,000.00	2,000.00	1,000.00
K. Reserves & Surplus						
Capital Reserve	1,325.86	1,325.86	1,325.86	1,325.86	1,325.86	882.28
General Reserve	153.72	153.09	148.90	236.73	322.48	354.37
Profit and Loss Account	63.57	83.67	21.56	(203.36)	(421.97)	(504.31)
Total	**1,543.15**	**1,562.62**	**1,496.32**	**1,359.23**	**1,226.37**	**732.34**
L. Miscellaneous Expenditure to the extent not written off	107.90	74.41	41.67	16.85	47.35	28.18
M. Net Worth (J+K-L)	**4,435.25**	**4,488.21**	**4,454.65**	**4,342.38**	**3,179.02**	**1,704.16**

The accompanying significant accounting policies and notes are an integral part of this statement.

Dividends

(Rupees in millions)

Particulars	Nine Months ended 31st December'03	Financial Year 2002- 2003	Financial Year 2001- 2002	Financial Year 2000- 2001	Financial Year 1999- 2000	Financial Year 1998-1999
Equity Share Capital	3000	3000	3000	3000	2000	1000
Rate of Dividend	Nil	Nil	Nil	Nil	Nil	Nil

(**i**) **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.

(ii) Notes To Accounts

a) Adjustments/Regroupings
Impact of Change in Accounting Policies And Prior Period Items

(Rupees in Millions)

Particulars	Nine Months ended Dec.'03	Financial Year 2002- 2003	Financial Year 2001- 2002	Financial Year 2000- 2001	Financial Year 1999-2000	Financial Year 1998-1999
Profit / (Loss) after tax as per audited statements of accounts(A)	**12.52**	**25.98**	**236.81**	**240.88**	**81.85**	**73.84**
Adjustment on account of:						
(i) Change in Accounting Policies						
(a) Depreciation	-	-	0.79	(0.37)	(0.23)	(0.13)
(b) Recouped Cost	-	45.98	(16.91)	(19.35)	(3.41)	(6.31)
(c) Deferred Tax adjustments	(9.50)	(16.74)	(87.83)	(85.75)	(31.89)	(27.01)
Total Adjustment	(9.50)	29.24	(103.95)	(105.47)	(35.53)	(33.45)
Tax impact of adjustment	-	(3.62)	1.23	1.67	0.42	0.47
Total of adjustment Net of Tax Impact(B)	**(9.50)**	**25.62**	**(102.72)**	**(103.80)**	**(35.11)**	**(32.98)**
(ii) Prior Period/Material Items						
(a) Establishment/Other Exp.	-	22.90	(1.41)	-	(0.03)	(4.11)
(b) Other Income	-	-	0.02	(4.64)	-	-
(c) Prior period expenses	0.13	2.07		0.03	4.12	2.04
(d) Prior period income	(3.00)	(0.02)	4.64	-	(0.01)	(77.81)
(e) Excess provision for Income Tax written back	-	(8.29)	-	-	0.10	8.19
(f) Transportation refunded	(20.03)					
Total Adjustment	(22.90)	16.66	3.25	(4.61)	4.18	(71.69)
Tax impact of adjustment	0.41	(1.96)	(0.25)	0.39	(0.47)	-
Total of adjustment Net of Tax Impact(C)	**(22.49)**	**14.70**	**3.00**	**(4.22)**	**3.71**	**(71.69)**
Adjusted Profit/Loss(A+B+C)	**(19.47)**	**66.30**	**137.09**	**132.86**	**50.45**	**(30.83)**

Particulars	Nine Months ended Dec.'03	Financial Year 2002- 2003	Financial Year 2001- 2002	Financial Year 2000- 2001	Financial Year 1999-2000	Financial Year 1998-1999
(iii) Regrouping						
Capital Reserves	-	-	57.03	57.03	(261.99)	-
Miscellaneous Expenditure to the extent not written off	-	-			(261.99)	
Current Liability	-	-	(57.03)	(57.03)	-	-
Miscellaneous Expenditure to the extent not written off	-	-		(2392.67)	(1596.67)	(1497.55)
Expenditure on Project in progress	-	-		2392.67	1596.67	1497.55

Notes:

(A) Effective from the year ended on 31.03.2003, 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.

(B) Effective from the year ended 31.03.2002, the company has changed its method of providing depreciation from straight line method to written down value method with retrospective effect in accordance with schedule XIV to the Companies Act 1956.

(C) The Company has accounted for Deferred Tax assets/liability for earlier years in order to comply with provisions of Mandatory Accounting Standard-22 "Taxes on Income" issued by the Institute of Chartered Accountants of India.

(D) The tax rate applicable for the respective years has been used to calculate the notional tax impact of the adjustments.

(E) The Company has been classifying the expenditure in respect of 'Board Approved and Contracted Projects' under the head Miscellaneous Expenditure till the year ended on 31.03.2001. During the year ended on 31.03.2002, the Company has started reclassifying these expenditures under head Project Expenditure in Progress. Accordingly, the assets of the Company in respect of 'Board Approved and Contracted Projects' has been reclassified in the respective years.

(F) The Company has created a capital gain tax liability of Rs.57.03 million from the Capital Reserve during the year ended on 31.03.2001, which has been written back during the year ended on 31.03.2003 as the liability no longer required. Accordingly liabilities have been re-casted to the respective years.

(G) During the year ended on 31.03.2000, the Company has treated capital receipts of Rs.705.57 million in respect of 10 percent assignment in Vietnam Project from Company and accordingly transfer to the Capital Reserve Account. However, the Company has reviewed the position during the year ended on 31.03.2001 and decided to reduce the proportionate cost of Rs.261.99 million pertaining to the assigned portion out of the total amount of Rs.705.57 million from the project expenditure. Accordingly, Assets and Liabilities have been recasted to the respective years.

(H) The transportation charges of Rs.20.03 million charged during the year ended on 31.03.2003 has been refunded by the transporter during the period ended on 31.12.2003 due to settlement of the date for take or pay obligations for gas transportation in respect of Vietnam Project. Accordingly, the same is recasted to the respective years.

2) Non Adjustments / Regroupings

(a) During the year ended on 31.03.2002, the Company had changed its method of creating provision for Leave Encashment and Gratuity to 'acturial valuation basis' in place of 'accrual basis' followed up to year ended 31.03.2001. The Profit & Loss Account and the Assets & Liabilities have not been restated in respect of above changes in view of non-availability of acturial valuation reports on the closing of the respective years. Due to the above changes, the cumulative impact of Rs.3.80 million has been accounted for in the year 2001-02.

(b) The Company has accounted for the Assets and Liabilities relating to the interest in joint ventures outside the country following the mandatory Accounting Standard 27 in respect of Financial Reporting of Interest in Joint Venture effective from the year ended 31st March 2003. No adjustment has been carried out in respect of joint ventures interest till the financial year ended 31.03.2002.

(c) No adjustment has been made in the respective earlier years in the restated accounts of the company for the sum of Rs 67.88 lakhs charged by the company on account of arrears of rent for earlier years during the year ended on 31.03.2001.

(d) The Company has been providing liability for pay revision on adhoc basis up till the year ended on 31.03.2000. The pay revision was finalised during the year ended on 31.03.2001. On finalizing pay revisions an additional amount of Rs.16.12 lakhs in respect of liability of earlier years was provided on this account in the accounts of the year ended on 31.03.2001. This expense relating to the earlier years has not been spread in the earlier years to which it belongs to

3) Contingent Liabilities as at:

(Rupees in millions)

Particulars	As on 31.12.2003	As on 31.03.2003	As on 31.03.2002	As on 31.03.2001	As on 31.03.2000	As on 31.03.1999
Contingent liability on account of Liability for payment to contractual workers for regularization of their services is pending with Delhi High Court under civil suit	The amount of liability is not ascertainable	The amount of liability is not ascertainable	The amount of liability is not ascertainable	The amount of liability is not ascertainable	N.A.	N.A.

4) Capital commitment:

(Rupees in millions)

Particulars	As on 31.12.2003	As on 31.03.2003	As on 31.03.2002	As on 31.03.2001	As on 31.03.2000	As on 31.03.1999
Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for	1722.62	1356.13	N.A.	N.A.	N.A.	N.A.

5) Secured Loans:

(Rupees in millions)

Particulars	As on 31.12.2003	As on 31.03.2003	As on 31.03.2002	As on 31.03.2001	As on 31.03.2000	As on 31.03.1999
Long Term Loans	NIL	NIL	NIL	NIL	NIL	NIL
Short Term Loans	NIL	NIL	NIL	NIL	NIL	NIL

6) Unsecured Loans:

(Rupees in millions)

Particulars	As on 31.12.2003	As on 31.03.2003	As on 31.03.2002	As on 31.03.2001	As on 31.03.2000	As on 31.03.1999
LONG TERM						
Indian Rupee Loans						
From Oil Industry Development Board) (Guaranteed by Oil & Natural Gas Corporation Ltd.)	280.50	348.87	444.75	540.63	636.50	732.38
From Oil & Natural Gas Corpn. Ltd.	79592.05	67,313.29	19,634.04			
Foreign Currency Loans						
From Scheduled Banks						
(Guaranteed by Oil & Natural Gas						
Corporation Ltd.)	2751.72	2,871.91	1,817.30			
TOTAL	82624.27	70,534.07	21,896.09	540.63	636.50	732.38
REPAYABLE WITHIN ONE YEAR	536.15	95.87	95.87	95.87	95.87	95.87

NOTES:

1. Rate of interest in case of OIDB loan is 5%.
2. Rate of interest in case of FCNR loan is LIBOR + 45 to 50 basis points.

Annexure III

ONGC NILE GANGA B.V.

UNAUDITED FINANCIAL STATEMENTS FOR PERIOD OF MARCH 12, 2003 TO MARCH 31, 2003

Summary Of Profit And Loss Account, As Restated

	March 12 - March 31, 2003	
	(Amount In $ Million)	**(Amount Rupees in Million)**
INCOME		
Net turnover in oil sales	35.48	1,690.48
Total Income	**35.48**	**1,690.48**
EXPENSES		
Royalties	15.96	760.77
Net operating expense	2.31	110.01
Depletion and amortization	2.24	106.88
Depreciation	0.83	39.47
Exploration	0.04	1.89
Technical and administrative support fee	0.01	0.40
General and administrative		
Total Expenses	**21.39**	**1,019.42**
Financial Charges		
Interest expense group companies	0.09	4.45
Other expense/(income)	(0.25)	(11.91)
Translation Adjustment		(99.85)
Total Financial Charges	**(0.16)**	**(107.31)**
Result on ordinary activities before tax	**14.25**	**778.37**
Tax on results of ordinary activities		
Deferred tax expense		
Current income tax	2.74	130.51
Total Tax on results of ordinary activities	**2.74**	**130.51**
Net results after tax	**11.51**	**647.86**

SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

	As at 31st March,2003 (Amount In $ Million)	As at 31st March,2003 (Amount Rupees in Million)
Fixed assets		
Tangible fixed assets	205.00	9,793.69
Producing Properties	243.23	11,620.37
Total Fixed Assets	**448.23**	**21,414.06**
Current assets		
Stocks	14.72	700.06
Debtors	33.94	1,613.74
Accounts receivable & prepayments	7.58	360.45
Bank	0.52	24.78
Cash	0.00	0.08
Deposits	19.27	916.11
Employee - Long Term Loans	0.04	2.07
Total Current Assets	**76.07**	**3,617.29**
Total assets	**524.30**	**25,031.35**
Current liabilities		
Accounts Payable	13.24	629.38
Parent Company Running Accounts	1.82	86.30
Advances from parent	74.59	3,546.84
Interest Payable	0.09	4.45
Total Current liabilities	**89.74**	**4,266.97**
Current assets less Current liabilities	**(13.67)**	**(649.68)**
Total assets less Current liabilities	**434.56**	**20,764.38**
Long term liabilities		
Long term debt	-	-
Deferred income taxes	40.65	1,933.09
Total long term liabilities	**40.65**	**1,933.09**
Net assets	**393.91**	**18,831.29**
Shareholder's equity		
Issued capital	0.07	3.17
Retained earnings	193.39	9,296.57
Share premium	200.45	9,531.55
Total Shareholder's equity	**393.91**	**18,831.29**

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of U.S. Dollars ("$") except as otherwise noted)

1. Principal Accounting Policies

ONGC Nile Ganga B.V. [formerly Talisman (Greater Nile) B.V] is a private limited liability company established in Rotterdam on September 29, 1995. With effect from March 12, 2003 the ownership of the Company passed to ONGC Videsh Ltd. who acquired hundred percent shares of the Company from Talisamn Energy Inc., Canada. Subsequent to the acquisition by ONGC Videsh Ltd., the name of the Company was changed to ONGC Nile Ganga B.V. effective from March 14, 2003. The principal activities of the company are the exploration, marketing, trade, transport, and extraction of oil, gas, hydrocarbons and minerals.

The financial statements of the Company have been prepared by the management for the period March 12, 2003 to March 31, 2003 following the existing policy of the Company. A substantial portion of the Company's activities is conducted jointly with others and the financial statements reflect only the Company's proportionate interest in such activities.

The preparation of financial statements in conformity with Part 9, Book 2 of the Dutch Civil Code requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

a) Stocks

Materials and supplies are valued at the lower of average cost or net realizable value.

b) Fixed assets

i) Oil and gas properties and equipment

The successful efforts method is used to account for oil and gas exploration and development cost. Under this method acquisition cost of oil and gas properties and costs of drilling and equipping development wells are capitalized as tangible fixed assets. Costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to dry hole expense.

All other exploration costs, including geological and geophysical costs and annual lease rentals, are charged to exploration expense when incurred. Producing properties are assessed annually, or as economic events dictate, for potential impairment.

Capitalised exploration and development costs are depleted using the unit of production method. Costs associated with significant development projects are not depleted until commercial production commences.

Pipeline and terminal facilities costs are depreciated on a straight-line basis at an annual rate of 7 percent.

The recoverability of capitalized costs is examined in relation to the future net revenues from the production of commercial reserves and provisions are made if any permanent diminution in value is believed to have occurred.

ii) Corporate assets

Corporate assets, including leasehold improvements, computer equipment and office furniture and equipment, are depreciated using the straight line method at an annual rate of 10 to 33 percent.

c) Foreign currency translation

Monetary assets and liabilities denominated in currencies other than in U.S. Dollars are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates in effect on the dates the assets were acquired or liabilities were assumed. Expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income.

d) Deferred taxation

The Company uses the full liability method to account for income taxes. Under the full liability method, deferred income taxes are based on the differences between assets and liabilities reported for financial accounting purposes from those reported for income tax. Deferred income tax assets and liabilities are measured using substantively enacted tax rates. The impact of a change in tax rate is recognized in net income in the period in which the tax rate is substantively enacted. Deferred income tax assets are recognised when it is more likely than not the asset will be realized.

e) Other assets and liabilities

Unless otherwise indicated other assets and liabilities are stated at their nominal value.

f) Revenue Recognition

Revenue associated with the sale of crude oil and liquids represents the sale value of the Company's share of petroleum production during the year (the entitlement method). Differences between production and amounts sold are not significant.

g) Royalties

The Company's operations in Sudan are conducted jointly with the national oil company of Sudan (Sudapet) among others. All government stakes, other than income taxes, are considered to be royalty interests. Royalties on production represent the entitlement of the Sudan government to a portion of the Company's share of crude oil and liquid production and are recorded using rates in effect under the terms of the contract at the time of production.

2. Tangible Fixed Assets

Exploration and development cost are classified as tangible fixed assets instead of intangible fixed assets as permitted under Dutch Civil Code.

3. Advances From Ultimate Parent

Advances from ONGC Videsh Ltd. in current account at March 31, 2003, totaled US$ 1.8 million The advances have no specific repayment terms and are not subject to interest.

4. Accounts Payable, Accruded Liabilities And Deferred Income

	March 31, 2003
Accounts Payable, accruals and Deferred income	$ 13,236

5. Long Term Debt

	March 31, 2003
Loans from parent company	$ 74,591
Loan interest	$ 94
Commitment fees	-

6. Issued Capital

Issued	**As at March 31, 2003**
40 Class A shares of NGL 1,000 each	$ 67
100 Class B shares of NGL 1,000 each	-
	$ 67

7. Reserves

	As at March 12, 2003
Retained Earnings	$ 181,886
Current period income	$ 11,508
(March 12, 2003 to March 31, 2003)	
	As at March 31, 2003
Retained Earnings	$ 193,394

8. Ultimate Parent Company

Oil and Natural Gas Corporation Limited ("ONGC"), a company incorporated in India, is the ultimate parent company. Copies of the parent's consolidated financial statements may be obtained from the Company Secretary, ONGC, Jeevan Bharti Building-Tower II, 124, Indira Chowk (Connaught Circus), New Delhi-110 001, India.

9. Reclassification Of Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Profit and Loss Account for the period from April 1, 2003 to December 31, 2003

(Amounts in thousands of U.S. Dollars, unless otherwise specified)

	April 1, 2003 to December 31, 2003
INCOME	
Sales	493,478
Other income	11,472
	504,950
EXPENDITURE	
Royalties	252,639
Net operating expenses	46,083
Depletion and amortisation	31,496
Depreciation	13,891
Dry hole costs	7,961
Exploration costs	5,285
Technical and administrative support fee	831
Financial charges	670
	358,856
Profit before tax	**146,094**
Provision for taxation	
- Current tax	42,848
- Deferred tax	2,802
Net profit after tax	**100,444**
NET PROFIT CARRIED FORWARD TO RESERVES AND SURPLUS	**100,444**

Balance Sheet as on December 31, 2003

(Amounts in thousands of U.S. Dollars, unless otherwise specified)	2003
SOURCES OF FUNDS	
SHAREHOLDERS' FUNDS	
Share capital	80
RESERVES AND SURPLUS	501,500
DEFERRED TAX LIABILITY	34,830
	536,410
APPLICATION OF FUNDS	
FIXED ASSETS	
Gross block	636,012
Less: Accumulated depreciation, depletion and amortisation	221,424
Net block	**414,588**
Work-in-progress	47,229
Total fixed assets	**461,817**
CURRENT ASSETS, LOANS AND ADVANCES	
Inventories	13,725
Sundry debtors	27,858
Cash and bank balances	57,167
Loans and advances	3,137
	101,887
LESS: CURRENT LIABILITIES AND PROVISIONS	27,294
Net current assets	**74,593**
	536,410

Schedules to the Accounts

(Amounts in thousands of U.S. Dollars, unless otherwise specified)

		2003
1.	**SHARE CAPITAL**	
	Authorised -	
	100 Class A shares of €453.78 each	
	100 Class B shares of €453.78 each	
	Issued, subscribed and paid-up -	
	40 Class A shares of €453.78 each	23
	100 Class B shares of €453.78 each	57
		80
2.	**RESERVES AND SURPLUS**	
	Retained Earnings	
	At April 1, 2003	200,603
	Appropriation of results for April 1 to December 31, 2003	100,444
	At December 31, 2003	301,047
	Share Premium	200,453
		501,500
3.	**DEFERRED TAX LIABILITY**	
	Deferred tax liability - for differences between the financial reporting and income tax base of fixed assets (as per Sudanese tax laws) due to depreciation, depletion and amortization	**34,830**

4. FIXED ASSETS

	Pipeline	Exploration and development	Corporate	Total
Cost				
Balance - April 1, 2003	257,831	348,539	4,745	611,115
Additions	4,601	32,894	648	38,143
Expensed to dry hole	-	(7,961)	-	(7,961)
Charged to exploration expense	-	(5,285)	-	(5,285)
Balance - December 31, 2003	**262,432**	**368,187**	**5,393**	**636,012**
Accumulated depreciation, depletion and amortisation				
Balance - April 1, 2003	(55,999)	(117,877)	(2,161)	(176,037)
Charge for the Nine Months	(13,122)	(31,496)	(769)	(45,387)
Balance - December 31, 2003	**(69,121)**	**(149,373)**	**(2,930)**	**(221,424)**
Net book value				
Balance - April 1, 2003	201,832	230,662	2,584	435,078
Balance - December 31, 2003	**193,311**	**218,814**	**2,463**	**414,588**
Work-in-progress				
Balance - April 1, 2003	-	12,883	-	12,883
Balance - December 31, 2003		**47,229**		**47,229**
Total Fixed Assets				
Balance - April 1, 2003	201,832	243,545	2,584	447,961
Balance - December 31, 2003	**193,311**	**266,043**	**2,463**	**461,817**

5. CURRENT ASSETS, LOANS AND ADVANCES

	2003
(a) INVENTORIES	
Material and supplies - Upstream	12,849
Material and supplies - Downstream	869
Vehicle spares	7
	13,725
(b) SUNDRY DEBTORS	
(unsecured, considered good)	
Debts outstanding for a period exceeding 6 months	7,712
Other debts	20,146
	27,858
(c) CASH AND BANK BALANCES	
Cash and cheques on hand	31
Balances with banks	
Current account	225
Deposit account	56,911
	57,167
(d) LOANS AND ADVANCES	
(unsecured, considered good)	
Prepayments	1,014
Loans and advances to employees	102
Unbilled revenues	2,021
	3,137

6. CURRENT LIABILITIES

Accounts payable	9,428
Accrued liabilities	10,224
Advances from parent company	7,642
	27,294

7. OTHER INCOME

Interest income	774
Exchange gain, net	3,519
Miscellaneous income	7,179
	11,472

SCHEDULE 8: Notes to the Accounts

(All amounts in thousands of U.S. Dollars, unless otherwise indicated)

1. BACKGROUND AND NATURE OF OPERATIONS

ONGC Nile Ganga B.V. ("ONGC BV" or the "Company"), formerly known as Talisman (Greater Nile) B.V., is a private limited liability company established in Rotterdam, The Netherlands on September 29, 1995. With effect from March 12, 2003, the ownership of the Company passed on to ONGC Videsh Limited, who acquired 100 percent of the shares of the Company from Talisman Energy Inc., Canada. Subsequent to the acquisition by ONGC Videsh Limited, the name of the Company was changed to ONGC Nile Ganga B.V. with effect from March 14, 2003. The principal activities of the Company are exploration, marketing, trade, transport and extraction of oil, gas, hydrocarbons and minerals.

While the registered office of the Company is in Rotterdam, The Netherlands, the Company operates a representative office in Khartoum, Sudan to look after its 25 percent share in the oil exploration, extraction, transport and marketing operations in the Greater Nile Oil Project ('the Project') in Sudan. Greater Nile Petroleum Operating Company ('GNPOC'), a 40:30:25:5 joint venture between CNPC (China National Petroleum Corporation), Petronas Carigali Overseas SDN BHD (Malaysian National Oil Company), ONGBV and Sudapet Limited (Sudanese National oil Company), is the operator for the Project. The project operations are conducted as per the terms of the Exploration and Production Sharing Agreement ('EPSA') and Crude Oil Pipeline Agreement ('COPA') signed by the joint venture partners.

2. BASIS OF PREPARATION OF SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements have been prepared for the sole purpose of preparing the consolidated financial statements of ONGC Videsh Limited, the parent company, and they do not include the information as required by Accounting Standards ('AS') relating to Cash Flow Statements (AS-3), Segment Reporting (AS-17), Related Party Disclosures (AS-18), Accounting for Leases (AS-19), Earnings per Share (AS-20), Interim Financial Reporting (AS-25) and Financial Reporting of Interests in Joint Ventures (AS-27). The financial statements have been prepared on a going concern basis, under the historical cost convention on an accrual basis of accounting.

The nine month Summary Financial Statements for the period from April 1 to December 31, 2003 ('the period') have been prepared by reducing the results for the three month period ended March 31, 2003 from the audited financial statement of the company for the year ended December 31, 2003. Since this is the first time that the Company has reported numbers for a nine-month period, no comparatives are provided for the preceding period. The management believes it is impracticable to generate the financial results for the preceding period, as the necessary cut-offs were not obtained.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

Revenue associated with the sale of crude oil and liquids represents the sale value of the Company's share of petroleum production during the period and are recognized under the entitlement method as specified in the EPSA and COPA.

b) Fixed assets

i) Oil and gas properties and equipment

The successful efforts method is used to account for oil and gas exploration and development cost. Under this method, acquisition cost of oil and gas properties and costs of drilling and equipping development wells are capitalized as tangible fixed assets. Costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to dry hole expense.

All other exploration costs, including geological and geophysical costs and annual lease rentals, are charged to exploration expense when incurred. Producing properties and significant unproved properties are assessed annually or as economic events dictate, for potential impairment.

Capitalised exploration and development costs are depleted using the unit of production method. Costs associated with significant development projects are not depleted until commercial production commences.

The recoverability of capitalized costs is examined in relation to the future net revenues from the production of commercial reserves and provisions are made if any permanent diminution in value is believed to have occurred.

Pipeline and terminal facilities costs are depreciated on a straight-line basis at an annual rate of 7 percent.

ii) Corporate assets

Corporate assets, including leasehold improvements, computer equipment and office furniture and equipment, are depreciated using the straight-line method at an annual rate of 10 to 33 percent, which is representative of their estimated useful lives.

c) Inventories

Materials and supplies are valued at the lower of average cost or net realizable value.

d) Royalties

The Company's operations in Sudan are conducted jointly with the National Oil Company of Sudan (Sudapet) among others. All government stakes, other than income taxes, are considered to be royalty interests. Royalties on production represent the entitlement of the Sudan Government to a portion of the Company's share of crude oil and liquid production and are recorded using rates in effect under the terms of the contract at the time of production.

e) Foreign currency translation

The financial statements are presented in United States dollars ('USD'), which is the functional currency of the Company. Monetary assets and liabilities denominated in currencies other than in USD are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates in effect on the dates the assets were acquired or liabilities were assumed. Expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in profit and loss account.

f) Taxation

The Company uses the full liability method to account for deferred income taxes. Under the full liability method, deferred income taxes are based on the differences between assets and liabilities reported for financial accounting purposes from those reported for income tax. Deferred income tax assets and liabilities are measured using substantively enacted tax rates. The impact of a change in tax rate is recognized in net income in the period in which the tax rate is substantively enacted. Deferred income tax assets are recognised when it is more likely than not the asset will be realized.

Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax arising from brought forward losses and depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised.

Income taxes are recorded in accordance with applicable local laws in Sudan and The Netherlands.

g) Use of estimates

The preparation of the Summary Financial Statements requires the Company's management to make estimates and assumptions that affect the amounts and balances reported in the Summary Financial Statements and accompanying notes. These estimates are based on information available as of the date of the Summary Financial Statements. Actual results, therefore, could differ from those estimates.

Significant estimates underlying the accompanying Summary Financial Statements primarily consist of the recoverability of long-term assets and adequacy of provision for liabilities.

h) Accounts receivable

Trade and other receivables are stated at estimated net realisable value. An allowance is made for amounts specifically identified as doubtful of collection.

4. CONTINGENCIES AND COMMITMENTS

a) The Company's share of estimated amount of contracts to be executed on capital account arising out of the Greater Nile Oil Project and not provided for as at December 31, 2003 is USD 28,000.

b) Based on the exceptions noted during the cost audit conducted by OEPA (Sudan government agency) in accordance with the terms of the EPSA, certain amounts have been disallowed in the past. Similarly, price audits conducted by the OEPA have resulted in revisions in sale prices. Since the OEPA has not conducted any cost audit post December 2000 and price audit post July 2002, the Company management is unable to estimate its share of the potential liability on this count. Accordingly, the impact of these potential liabilities on the Company's financial statements is not yet determined.

c) The Company's share of the claims arising out of contractor disputes against GNPOC amounts to USD 327 at December 31, 2003.

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors,
Oil and Natural Gas Corporation Limited,
New Delhi.

1. We have audited the attached summary restated Consolidated Assets and Liabilities of Oil and Natural Gas Corporation Limited (the Company) and its subsidiaries, joint ventures and associates as per Note III B 2 (the Group), as at 31st December 2003, 31st March 2003 and 31st March 2002 and the summary of restated Consolidated Profit and Loss account for the periods ended on those dates, annexed thereto, which we have signed under reference to this report. The Financial information is based on the accounts audited by us and other autitors viz; Chandabhoy and Jassoobhoy, Chartered Accountants for the year 2001-02 for Mumbai Region including operations business group, Uran, BRBC Mumbai and Hazira including R&D Institutes and consolidation; M/s Chaturvedi & Shah, Chartered Accountants for the years 2001-02 and 2002-03 for Western Region, Baroda including Ahmedabad Project, Ankleswar Project and R&D Institutes and consolidation; M/s Lovelock & Lewes, Chartered Accountants for the year 2001-02 for Northern and Central region including R&D Institutes, all units at Dehradun, registered office at New Delhi and consolidation; M/s M R Narain & Co., Chartered Accountants for the year 2001-02 for Southern Region including R&D Institutes, Cauvery projects, Rajamundry and Chennai and consolidation. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. 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.

3. a) We did not audit the Financial Statements of the subsidiaries for the period of nine months ended 31st December 2003 and for the years ended 31st March 2003 and 31st March 2002. These Financial Statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

   b) We also did not audit the Financial Statements of joint ventures and associate companies for the period nine months ended 31st December 2003 and for the year ended 31st March 2003 and 31st March 2002. These Financial Statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these joint ventures and associates, is based solely on the report of the other auditors.

   c) 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.

   d) The Financial Statements of subsidiaries and joint ventures reflect total assets / (liabilities) of Rs. 213,016.71 / (175,142.62) million, Rs. 189,776.56 / (155,971.64) million and Rs. 51,103.82 / (26079.99) million respectively as at 31st December 2003, 31st March 2003 and 31st March 2002 and total revenues / (expenditure) of Rs. 128,542.25 / (117,006.12) million, Rs. 24,404.92 / (14,736.23) million and Rs. 18,876.91 / (10,069.87) million respectively for the nine months period ended on 31st December 2003 and years ended on 31st March 2003 and 31st March 2002.

   e) As stated in Note no III B 3 (a), the amount of Company's investment in associates is accounted on the basis of audited results up to 31st March 2001 in the accounts of the Company for the financial year ended 31st March 2003 and period of nine months ended 31st December 2003 and no restatement is made for accounting of investment in associates in the accounts for the years ended 31st March 2003 and for the period of nine months ended 31st December 2003.

4. Attention is invited to the following notes-

4.1 Note No. III B 10 regarding recognition of deferred tax assets amounting to Rs.7567.36 million, the extent of realisability of which on the basis of virtual certainty as regards future profits of Mangalore Refineries & Petrochemicals Limited is presently not ascertainable.

4.2 Note No. III B 12 , regarding non-reconciliation of certain accounts and its impact, if any (amount unascertained).

4.3 The Financial Statements include unaudited figures relating to subsidiaries and joint ventures as under:

i) total assets of Rs.81,226.46 million and Rs.48,918.79 million and total liabilities of Rs.10,656.93 million and Rs.8,284.77 million as at 31st December 2003 and 31st March 2003 and

ii) total revenue of Rs.40,407.76 million and Rs.1,788.98 million and total expenditure of Rs.27,553.94 million and Rs.1,116.48 million for the period ended 31st December 2003 and 31st March 2003.

5. We report that the summary restated consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21 ' Consolidated Financial Statements', AS 23 ' Accounting for Investments in Associates in Consolidated Financial Statements' (except for associates and joint venture as above) and AS 27 'Financial Reporting of Interest in Joint Ventures' issued by the Institute of Chartered Accountants of India, on the basis of the separate audited Financial Statements of the Company and its subsidiaries, joint ventures and associates included in the summary restated Consolidated Financial Statements.

6. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited Financial Statements of the Company and its aforesaid subsidiaries, joint venture and associate companies, in our opinion, the summary restated Consolidated Financial Statements, **subject to Para 4 above**, give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the summary restated consolidated Balance Sheets, of the consolidated state of affairs of the company and its Group as at 31st December 2003, 31st March 2003 and 31st March 2002 respectively and

   b) in the case of the summary restated consolidated Profit and Loss accounts, of the consolidated results of operations of the company and its Group for the nine months period ended on 31st December 2003 for the years ended on 31st March 2003 and 31st March 2002 respectively.

7. This report is solely for your information and for inclusion in the offer document being issued by the Company in connection with the offer for sale by the Government of India of certain Equity Shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Thakur Vaidyianath Aiyar & Co.
Chartered Accountants
Sd/-
(Anil K. Thakur)
Partner (M.No.F-88722)

For S. Bhandari & Co.
Chartered Accountants
Sd/-
(P.D. Baid)
Partner (M No.F-72625)

For RSM & Co.
Chartered Accountants
Sd/-
(Vijay N. Bhatt)
Partner (M.No.F-36647)

For Brahmayya & Co.
Chartered Accountants
Sd/-
(V.Seetaramiah)
Partner (M.No.F-003848)

For Lodha & Co.
Chartered Accountants
Sd/-
(H.K. Verma)
Partner (M.No.F-55104)

New Delhi
February 10th, 2004

CONSOLIDATED FINANCIAL STATEMENTS

OIL AND NATURAL GAS CORPORATION LTD.

1. SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. in millions)

	Nine Months ended December 31, 2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002
Income			
Sales	327,441.24	349,449.72	228,371.82
Pipeline Transportation	13.91	477.57	3,965.88
	327,455.15	**349,927.29**	**232,337.70**
Other Income	12,998.39	19,990.17	16,690.82
Increase/(Decrease) in stock	1,306.43	(1,115.29)	2.25
Total	**341,759.97**	**368,802.17**	**249,030.77**
Expenditure			
Production, Transportation, Selling and Distribution Expenditure			
i) Statutory Levies	85,589.36	93,176.72	59,743.31
ii) Consumption of Raw Materials	52,269.31	173.69	-
iii) Consumption of Stores and Spares	1,480.13	1,846.47	2,108.04
iv) Staff Expenditure	6,795.23	9,876.91	6,841.50
v) Other Expenses	36,278.16	38,926.37	37,389.55
Recouped Costs (Depreciation, depletion and amortisation)	44,742.96	41,514.22	38,074.92
Interest and Exchange Fluctuation	3,648.44	1,681.48	2,843.50
Provisions & Write-offs (Net)	**796.87**	**21,802.56**	**3,272.08**
Total	**231,600.46**	**208,998.42**	**150,272.90**
Profit before tax and Prior Period Adjustments	**110,159.51**	**159,803.75**	**98,757.87**
Adjustments relating to Prior Period (Net)	360.48	404.41	50.77
Profit before Tax	**110,519.99**	**160,208.16**	**98,808.64**
Provision for Taxation			
Current tax	39,841.98	58,983.05	31,031.62
Earlier years	(139.54)	(1,791.02)	-
Deferred tax	702.85	(1,407.17)	5,561.50
Net Profit after tax as per audited statement of accounts (A)	**70,114.70**	**104,423.30**	**62,215.52**
Adjustments on account of changes in accounting policies			
[Refer Note III.B(1)(i)]	157.81	8,440.83	(2,100.89)
Impact of material adjustments and prior period items	(1,257.19)	(3,720.47)	(4,287.20)
[Refer Note III.B(1)(ii)]			
Total Adjustments (B)	**(1,099.38)**	**4,720.36**	**(6,388.09)**
Adjusted Profit (A+B)	**69,015.32**	**109,143.66**	**55,827.43**
Share of Loss in Associates	**-**	**7.75**	**-**
Loss relating to Minority	**329.65**	**259.04**	**-**
Group Profit after tax	**69,344.97**	**109,394.95**	**55,827.43**

	Nine Months ended December 31, 2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002
Surplus at the beginning	-	21.62	(203.30)
Profit available for appropriation	**69,344.97**	**109,416.57**	**55,624.13**
Less :			
General Reserve	-	64,263.48	35,639.43
Interim Dividend	-	24,240.88	-
Proposed Final Dividend	-	18,537.14	19,963.08
Tax on Interim Dividend	-	-	-
Tax on Proposed Final Dividend	-	2,375.07	-
Balance Carried to Summary of Assets and Liabilities	**69,344.97**	**-**	**21.62**

The loss of subsidiary (MRPL) of Rs. 560.75 Million has been adjusted in General Reserve

The accompanying significant accounting policies and notes are an integral part of this statement.

Sd/-
(H.C. Shah)
Company Secretary

Sd/-
(R.S. Sharma)
Director (Finance)

Sd/-
(Subir Raha)
Chairman & Managing Director

This is the Summary of Profit and Loss Account referred to in our report of even date.

For Thakur, Vaidyianath Aiyar & Co.
Chartered Accountants

Sd/-
(Anil K. Thakur)
Partner (M.No.F-88722)

For S. Bhandari & Co.
Chartered Accountants

Sd/-
(P.D. Baid)
Partner (M No.F-72625)

For RSM & Co.
Chartered Accountants

Sd/-
(Vijay N. Bhatt)
Partner (M.No.F-36647)

For Brahmayya & Co.
Chartered Accountants

Sd/-
(V.Seetaramiah)
Partner (M.No.F-03848)

For Lodha & Co.
Chartered Accountants

Sd/-
(H.K. Verma)
Partner (M.No.F-55104)

New Delhi
February 10, 2004

CONSOLIDATED FINANCIAL STATEMENTS

OIL AND NATURAL GAS CORPORATION LTD.

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rupees in million)

		As at December 31, 2003	As at March 31, 2003	As at March 31, 2002
A.	**Goodwill on Consolidation**	14,591.08	12,790.44	-
B.	**Fixed assets**			
	Gross Block	484,624.91	475,764.98	373,655.54
	Less Accumulated Depreciation	373,399.59	355,832.88	317,643.61
	Net Block	111,225.32	119,932.10	56,011.93
C.	**Capital Works in Progress**	11,468.08	9,338.06	6,903.15
D.	**Producing Properties(Net of Depletion)**	244,664.82	246,274.64	230,950.46
E.	**Cost of Exploratory & Development Wells in progress**	44,182.93	34,868.96	32,599.93
F.	**Investments**	28,272.09	30,603.05	30,231.77
G.	**Deferred Tax Assets**	48,520.97	26,026.29	13,767.27
H.	**Current Assets, Loans and Advances:**			
	Inventories	30,427.62	25,634.70	14,526.09
	Sundry Debtors	30,046.38	42,842.59	22,513.84
	Cash and Bank Balances	107,681.41	64,815.70	57,195.34
	Loans and Advances	46,900.21	38,895.97	64,663.94
	Interest Accrued	6,569.57	3,720.30	6,499.04
	Other Current Assets	189.03	295.35	254.52
	Total	221,814.22	176,204.61	165,652.77
I.	**Liabilities and Provisions:**			
	Secured Loans	47,159.10	44,310.42	-
	Unsecured Loans	14,048.08	17,317.32	37,370.47
	Finance Lease	-	397.17	-
	Liability for Abandonment	82,377.77	84,518.50	85,799.06
	Deferred tax Liability	95,451.19	72,603.89	61,647.71
	Current Liabilities and Provisions	60,468.29	74,958.78	58,922.47
	Total	299,504.43	294,106.08	243,739.71
J.	**Minority Interest**	2,710.35	5,028.82	**-**
K.	**Net worth (A+B+C+D+E+F+G+H-I-J)**	**422,524.73**	**356,903.25**	**292,377.57**
	Net worth Represented By			
L.	**Share Capital**	14,259.30	14,259.27	14,259.27
M.	**Reserves and Surplus**			
	Capital Reserve	1,485.30	1,485.30	1,485.30
	Deferred Government Grant	41.54	37.82	10.11
	Share Premium	1,724.50	1,724.50	1,724.50
	Premium on Foreign Currency Bonds	168.12	168.12	168.12
	Revaluation Reserve	35.77	-	-
	Insurance Reserve	2,500.00	2,500.00	2,500.00
	General Reserve	339,303.71	339,031.91	274,353.74
	Profit and Loss Account	69,344.97	-	21.62
	Total	414,603.91	344,947.65	280,263.39

		As at December 31, 2003	As at March 31, 2003	As at March 31, 2002
N.	**Less Miscellaneous Expenditure (to the extent not written off)**	6,338.48	2,303.67	2,145.09
O.	**Net Worth (L+M-N)**	**422,524.73**	**356,903.25**	**292,377.57**

The accompanying significant accounting policies and notes are an integral part of this statement.

Sd/-	Sd/-	Sd/-
(H.C. Shah)	(R.S. Sharma)	(Subir Raha)
Company Secretary	*Director (Finance)*	*Chairman & Managing Director*

This is the Summary of Assets and Liabilities referred to in our report of even date.

For Thakur, Vaidyianath Aiyar & Co.	For S. Bhandari & Co.	For RSM & Co.
Chartered Accountants	*Chartered Accountants*	*Chartered Accountants*
Sd/-	Sd/-	Sd/-
(Anil K. Thakur)	(P.D. Baid)	(Vijay N. Bhatt)
Partner (M.No.F-88722)	Partner (M No.F-72625)	Partner (M.No.F-36647)
For Brahmayya & Co.	For Lodha & Co.	
Chartered Accountants	*Chartered Accountants*	
Sd/-	Sd/-	
(V.Seetaramiah)	(H.K. Verma)	
Partner (M.No.F-03848)	Partner (M.No.F-55104)	

New Delhi
February 10, 2004

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES

(A) SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The Consolidated Financial Statements relate to the Company (Oil and Natural Gas Corporation Limited), its subsidiaries and associates. The consolidated Financial Statements have been prepared on the following basis: -

i) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".

ii) The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except otherwise stated in the Notes.

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 Company.

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 Company'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 percent 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.

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 Company and its subsidiaries appearing elsewhere in the Offer Document.

B. NOTES

1 Adjustments/Regroupings

Impact of changes in Accounting policies, Extraordinary and prior period items

(Rs.in millions)

Particulars		Nine Months ended December 31, 2003	Financial Year ended March 31, 2003	Financial Year ended March 31, 2002
Profit after tax as per Audited statement of accounts	**A**	**70,114.70**	**104,423.30**	**62,215.52**
Adjustments on account of :				
(i) Changes in Accounting Policies				
Abandonment policy on Unit of production Method [Note- 1.1(a)]		-	13,026.42	(3,527.79)
Time limit for carry over of Wells-in-Progress [Note-1.1(b)]		451.64	(229.67)	46.11
Change in method of calculation of depletion [Note-1.1(c)]		(190.74)	531.01	185.22
Depreciation [Note-1.2(a)]		-	-	0.79
Unsecessful Project Expenditure [Note-1.2(b)]		-	45.98	(16.91)
Deferred tax [Note-1.2(c)]		(9.50)	(16.74)	(87.83)
Tax Impact of Adjustments [Note 1.2(d)]		(93.59)	(4,916.17)	1,299.52
Total Adjustments	**B**	**157.81**	**8,440.83**	**(2,100.89)**
(ii) Extra Ordinary & Prior Period items				
Arrears- Sales Revenue, pipeline revenue & other income [Note 1.2(e)]		(1,404.14)	(4,027.01)	(8,306.39)
Statutory levies on arrears- [Note 1.2(e)]		53.90	1,015.26	1,586.29
Prior Period items [Note-1.2(f)]		(380.51)	(58.47)	51.18
Tax Impact of Prior Period Adjustment		613.10	1,132.47	2,381.72
Provision for Tax for earlier years [Note 1.2(g)]		(139.54)	(1,782.72)	-
Adjustments for Prior Period items	**C**	**(1,257.19)**	**(3,720.47)**	**(4,287.20)**
Net adjusted Profit after tax (A+B+C)		**69,015.32**	**109,143.66**	**55,827.43**
(iii) Regroupings				
Provisions & Write-offs (Net)		-	(19,125.81)	(2,332.80)
Recouped Costs (Depreciation, depletion and amortisation)		-	19,125.81	2,332.80

1.1 Change in Policies due to implementation of Guidance Note on Accounting for Oil and Gas Producing Activities.

Till the financial year ended 31st March 2003, the Company was generally following the Successful Efforts Method of accounting for its Oil & Gas Exploration and Production Activities. The Institute of Chartered Accountants of India has issued a Guidance Note on 'Accounting for Oil and Gas Producing Activities' in March 2003. The Company has adopted this Guidance Note for accounting for its transactions with effect from 01.04.2003. The major differences between the accounting requirements as per the Guidance Note and the accounting followed earlier are:

(a) Provision of estimated abandonment costs on Unit of Production Method and recognition of full eventual liability for abandonment costs as an asset (producing property) as well as a liability in the Balance Sheet as against recognition of liability for abandonment on gradual basis.

(b) Change in the time limit for carry over of exploratory wells in progress from three years to two years from the date of completion of drilling for charging to Profit & Loss Account unless the well has proved reserves and development of the field in which the well is located has been planned in which case the cost of exploratory well can be carried forward without any time limit.

(c) Change in the method of depletion of producing properties by excluding capital advances & work in progress related to facilities and development wells in progress.

1.2 Other Changes/ adjustments:

(a) Effective from the year ended 31.03.2002, the subsidiary ONGC Videsh Limited has changed its method of providing depreciation from Straight Line Method to Written down Value Method with retrospective effect in accordance with Schedule XIV to the Companies Act, 1956. Accordingly, depreciation has been restated as per revised policy.

(b) Effective from the year ended 31.03.2003, the subsidiary ONGC Videsh Limited has changed its policy of writing off the accumulated cost in respect of unsuccessful projects that are abandoned, from 5 years to writing off in the year of relinquishment decision itself. The same has been restated as per the revised policy.

(c) The Company has accounted for deferred tax asset/liability for earlier years in terms of Accounting Standard-22 "Taxes on Income" issued by the Institute of Chartered Accountants of India.

(d) The Current and Deferred tax impact of adjustments has been computed on the profit arrived after making the adjustments and on the basis of the rates applicable to the respective years.

(e) The sales revenues have been accounted for at the prices fixed by the Central Government from time to time and are inclusive of statutory levies. The Company has received arrears on account of retrospective revision in the prices, pipeline revenue and other income towards reimbursement of cost. The same along with statutory levies have now been taken to respective years.

(f) The prior period items in the Profit and Loss Account have been re-allocated to respective years.

(g) Provision for tax for earlier years has been allocated and taken to the respective years.

The accounts for the years 2001-02 to 2002-03 have been restated considering the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred to above. The effect of these changes have been shown as separate line items. The effect of changes for the financial years prior to 2001-02 has been adjusted in the General Reserve Balance as on 1.4.2001.

2. (a) The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited) and its subsidiaries as detailed below:

Name of the Subsidiaries	Country of Incorporation	Proportion of ownership interest		
		31.12.2003	31.3.2003	31.3.2002
ONGC Videsh Limited (OVL)	India	100%	100%	100%
ONGC Nile Ganga BV*	Netherlands	100%	100%	-
Mangalore Refinery and Petrochemicals Ltd. (MRPL)	India	71.62 %	51.25 %	-

* 100 percent subsidiary of ONGC Videsh Ltd.

(b) 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 %

(c) In respect of MRPL, the accounts have been consolidated w.e.f. 30.3.2003 and in respect of ONGC Nile Ganga B.V., the same have been consolidated w.e.f. 12.3.2003, being the date on which these became subsidiaries.

3. **Non Adjustments /Regulations :**

(a) 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 2002-03 was restated by Rs. 379.19 million by applying 'Equity Method' of accounting from the date of acquisition of the associates and corresponding adjustment was made to the retained earnings as on 1.4.2002 in the accounts of 2002-03. In respect of Pawan Hans Limited such adjustment was made on the basis of audited results up to 31st March, 2001, as the Annual Accounts for the financial year 2001-02, 2002-03 and for the nine months period ended on 31st December, 2003 are not available. Similarly, in respect of ONGCIO International Private Limited, such adjustment was made on the basis of the audited results up to 31st March, 2003 as the Accounts for the nine months period ended on 31st December, 2003 are not available.

(b) Due to different nature of their operations, Pawan Hans Helicopters Limited and ONGIO International Pvt. Ltd., the associates of the Company follow different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Company to make adjustment for purposes of applying the equity method.

(c) In respect of ONGC Videsh Limited - Subsidiary of the Company, the subsidiary has accounted for the Assets and Liabilities relating to the interest in joint ventures outside the country following the mandatory Accounting Standard 27 in respect of Financial Reporting of interest in Joint Venture effective from the year ended 31st March, 2003. no adjustment has been carried out in respect of joint ventures interest for the financial year ended 31.3.2002.

(d) In respect of ONGC Videsh Limited - Subsidiary of the Company, the opening retained earnings as on 31.03.2003 was considered during the year 2002-03 at Rs. 9195.73 million (US$ 193.39 million) based on the unaudited results which was revised to Rs. 9538.53 million (US$ 200.60 million) as per audited accounts and the difference of Rs. 342.80 million (US$ 7.21 million) has been considered as an adjustment in the reserve during the year. The impact of the same has not been adjusted to the assets, liabilities and income & expenses of the respective years to which it pertains due to nonavailability of information.

4. ONGC being an E&P Company is following the Successful Effort 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 the purpose of declaring dividend for all the last five financial years under reference was preferred to the Department of Company Affairs, Government of India. Such exemption was granted during these years.

The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Oil & Gas Producing Activities. Since as per the Guidance Note all the items in the Gross Block of Fixed Assets have either been depreciated as per Accounting Standard (AS-6) or depleted as per the "Successful Effort Method" and the Guidance Note is silent on this issue, an application to the Department of Company Affairs is being preferred for suitable clarifications in this regard for the financial year 2003-04.

5. In terms of the decision of the Government of India conveyed by Ministry of Petroleum and Natural Gas vide letter dated 30th October, 2003, the upstream oil and gas companies (including ONGC) will share the under-recoveries of Oil Marketing Companies (OMCs) on PDS Kerosene and domestic LPG for the year 2003-04 by means of discount in the prices of crude oil, domestic LPG and PDS Kerosene. Accordingly, Sales Revenue in respect of crude oil, LPG and SKO for the period ended 31st December, 2003 is net of Rs. 15356.80 million on this account.

6. Miscellaneous expenditure (to the extent not written off or adjusted) consist of expenditure on dry docking charges of MSVs (Multipurpose supply vessels) and other deferred revenue expenditure which is amortised over a period of three to five years as per the policy of the Company.

7. Producing properties as at 31st December, 2003 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 Company holds 40 percent interest. PSC for the same is yet to be signed. Pending finalisation of PSC, no adjustment has been made in the books of Accounts.

8. 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 Auditors have placed reliance.

9. (a) 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 on fixed assets and amortization of leasehold lands and sales revenue by the subsidiaries are different from the accounting policies followed by the Company. Such different accounting policies considered in the Consolidated Financial Statements are as under :

(Rs. in millions)

Particulars	Name of Subsidiary	Accounting Policies		Proportion 31.12.03
		Holding Company	Subsidiaries	
Producing Property	ONGC Videsh Limited	Successful Efforts Method	Full Cost Method	6172.82
Exploratory Wells & projects in Progress	ONGC Videsh Limited	Successful Efforts Method	Full Cost Method	31144.25
Depreciation - Fixed Assets	ONGC Nile Ganga BV	Written Down Value Method	Straight Line Method as applicable in Netherlands	9366.63
Depreciation - Fixed Assets	MRPL	Written Down Value Method	Straight Line Method.	67219.55
Amortisation of Leasehold land as ownership will	MRPL	Amortised over the the lease period	Not being amortised as ownership will get transferred to MRPl on expiry of the lease period	211.09
Sales Revenue	MRPL	Sales inclusive of Sales Tax	Sales net of Sales Tax	85444.88

(b) In respect of ONGC NILE GANGA B.V. - The subsidiary follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the EPSA and COPA. The amount of sales revenue involved is Rs.22798.71 million.

10. MRPL, a subsidiary of the Company, has recognised Net Deferred Tax Asset to the extent of Rs. 512.18 million during the period ended 31.12.2003. Based on the past performance and the facts on record, the subsidiary's (MRPL) management is virtually certain that there will be sufficient profits for the susidiary in future years to absorb the unabsorbed depreciation and brought forward loss of past years within the statutory time frame of allowability under the Income Tax Act 1961. Based on the above facts, the Deferred Tax Asset of Rs. 7055.18 million in the previous years, together with a sum of Rs. 512.18 million added during the period ended 31.12.2003 in respect of the subsidiary has been accounted for in terms of Accounting Standard on Accounting for Taxes on Income (AS-22) issued by the Institute of Chartered Accountants of India.

11. (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)

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%
xxxi)	LIBYA PROJECT, LIBYA BLOCK NC - 188 AND NC-189	49%
xxxii)	SYRIA PROJECT, BLOCK-24 SYRIA	60%

(b) In respect of Joint Ventures, the figures have been incorporated on the basis of unaudited accounts.

12. The Company 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 Company 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.

The management does not envisage any significant impact on the accounts.

13. CONTINGENT LIABILITIES AS AT :

(Rs. in millions)

PARTICULARS	As at December 31, 2003	As at March 31, 2003	As at March 31, 2002
A Contingent liabilities not provided for on account of Claims against the Campany not acknowledged as debts:			
i) In respect of Joint Ventures	**14,946.71**	**10,591.96**	**7,706.76**
ii) In respect of other than Joint Ventures:			
a) Income-tax demands	7,608.29	7,251.00	6,732.39
b) Excise demands	2,112.76	2,328.71	464.36
c) Claims of Contractors in arbitration/courts	16,107.28	15,982.58	18,322.48
d) Custom Duty Matters	4,077.90	2,640.43	-
e) Disputed matter with Municipal Corporation	336.68	336.68	336.68
f) In respect of its subsidiary-OVL, liability for payment to the contractual workers for regularization of their services pending with the Delhi Court under civil suit. The amount of liability is not ascertainable.			
g) In respect of the subsidiary company ONGC NILE GANGA B.V., based on the exceptions noted during the cost audit conducted by Oil Exploration and Production Authority (OEPA) (Sudan Government agency) in accordance with the terms of the (Exploration and Production Sharing Agreement (EPSA), certain amounts have been disallowed in the past. Similarily, price audits conducted by OEPA have resulted in revision in sale prices. Since OEPA has not conducted any cost audit post December 2000 and price audit post July 2002, the subsidiary Company management is unable to estimate its share of the potential liability on this account. Accordingly, the impact of these potential liabilities on the Company's financial statements is not yet determined.			
h) Others	11,804.54	5,821.71	3,754.76
Total	**42,047.45**	**34,361.11**	**29,610.67**
B Guarantees executed by the Company in favour of:			
i) M/S Roseneft -S, R N Astra, SMNG-S and Exxon-N on behalf of its wholly owned subsidiary ONGC Videsh Ltd. to the extent of USD 1741 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 Ltd.	79,319.96	82,784.55	84,751.88
(out of this ONGC Videsh Ltd. has already made remmitances aggregating USD 951.73 million previous year USD 415.01 million)	(43,360.73)	(32,103.68)	(19,634.04)
ii) Certain banks towards short term loan granted to Petronet LNG Ltd. (a company which is promoted by the ONGC together with other three co-promoters)	14,000.00	14,000.00	11,450.00
(Out of which ONGC's share)	(3,500.00)	(3,500.00)	(2,862.50)
iii) Corporate Guarantee given by MRPL towards loan sanctioned by certain bankers/ financial institutions to new Mangalore Port Trust (NMPT) for construction of Jetties.	3,372.30	3,372.30	-
Amount outstanding as at the close of the year.	1,440.62	1,694.21	-
14 Capital commitments (net of advances)			
i) In respect of Joint ventures	-	1,356.13	34.39
ii) In respect of other than Joint Venture	23,178.06	12,379.20	15,874.89
15 Provision for current tax includes provision for wealth tax	**12.00**	**15.01**	**12.00**

16.1 As per Accounting Standard-17 on Segment Reporting, the Company has reported segment information on consolidated basis including business conducted through its subsidiaries.

16.2 Segmentwise Information, As Restated

A) For the nine months ended 31.12.2003

(Rs. in million)

	9 MONTHS ENDED 31.12.2003					
	In India					
	E&P					
Particulars	**Offshore**	**Onshore**	**Refining**	**Outside India**	**Unallocated**	**Grand Total**
Revenue						
External Sales	181263.08	59467.94	87776.26	23990.26	199.70	352697.24
Inter Segment Sales	(15920.63)			(6200.34)		(22120.97)
Total Revenue	**165342.45**	**59467.94**	**87776.26**	**17789.92**	**199.70**	**330576.27**
Results						
Segment Result Profit(+)/Loss(-)	88933.43	9798.96	1661.83	6146.50		106540.72
Unallocated Corporate Expenses					2834.08	2834.08
Operating Profit	88933.43	9798.96	1661.83	6146.50	(2834.08)	103706.64
Interest					3192.60	3192.60
Interest/Dividend Income					8527.02	8527.02
Income Taxes					40025.74	40025.74
Profit from Ordinary Activities	**88933.43**	**9798.96**	**1661.83**	**6146.50**	**(37525.40)**	**69015.32**
Extraordinary loss						
Net Profit	**88933.43**	**9798.96**	**1661.83**	**6146.50**	**(37525.40)**	**69015.32**
Other Information						
Segment Assets	244516.49	128704.20	70631.56	96194.57	0.00	540046.82
Unallocated Corporate Assets					191031.16	191031.16
Total Assets	**244516.49**	**128704.20**	**70631.56**	**96194.57**	**191031.16**	**731077.98**
Segment Liabilities	108801.52	16886.35	14618.18	5800.01	0.00	146106.06
Unallocated Corporate Liabilities					156108.72	156108.72
Total Liabilities	**108801.52**	**16886.35**	**14618.18**	**5800.01**	**156108.72**	**302214.78**
Capital Expenditure	39496.81	16173.22	78.84	10067.80	454.97	66271.64
Depreciation (Recouped Cost)	27729.68	11352.47	2838.78	2824.03	163.13	44908.09
Non-cash Expenses (excl. Dep.)	298.29	261.60	233.29	0.00	3.69	796.87

B) Financial Year ended 31.03.2003

(Rs. in million)

	2002-03					
	In India					
	E&P			Outside		Grand
Particulars	**Offshore**	**Onshore**	**Refining**	**India**	**Unallocated**	**Total**
Revenue						
External Sales	259386.31	90515.68	1720.21	1954.83	203.37	353780.40
Inter Segment Sales						
Total Revenue	**259386.31**	**90515.68**	**1720.21**	**1954.83**	**203.37**	**353780.40**
Results						
Segment Result Profit(+)/Loss(-)	138107.31	25563.90	(380.90)	430.90		163721.21
Unallocated Corporate Expenses					5174.30	5174.30
Operating Profit	138107.31	25563.90	(380.90)	430.90	(5174.30)	158546.91
Interest					1182.86	1182.86
Interest/Dividend Income					13125.31	13125.31
Income Taxes					61345.70	61345.70
Profit from Ordinary Activities	**138107.31**	**25563.90**	**(380.90)**	**430.90**	**(54577.55)**	**109143.66**
Extraordinary Loss						
Net Profit	**138107.31**	**25563.90**	**(380.90)**	**430.90**	**(54577.55)**	**109143.66**
Other Information						
Segment Assets	247249.59	132599.77	69080.14	69439.02	0.00	518368.52
Unallocated Corporate Assets					139973.30	139973.30
Total Assets	**247249.59**	**132599.77**	**69080.14**	**69439.02**	**139973.30**	**658341.82**
Segment Liabilities	109533.07	17705.26	11739.71	5686.33		144664.37
Unallocated Corporate Liabilities					154470.53	154470.53
Total Liabilities	**109533.07**	**17705.26**	**11739.71**	**5686.33**	**154470.53**	**299134.90**
Capital Expenditure	34627.36	20240.50	326.70	5595.20	611.65	61401.41
Depreciation (Recouped Cost)	28018.07	12543.02	10.27	205.77	180.46	40957.59
Non-cash Expenses (excl. Dep.)	20435.39	(184.00)	890.27	(0.05)	660.94	21802.55

C) Financial Year ended 31.03.2002

(Rs. in million)

Particulars	2001-02				
	In India				
	Offshore	Onshore	Outside India	Unallocated	Grand Total
Revenue					
External Sales	169132.45	62819.77	110.66	270.18	232333.06
Inter Segment Sales					
Total Revenue	**169132.45**	**62819.77**	**110.66**	**270.18**	**232333.06**
Results					
Segment Result Profit(+)/Loss(-)	72951.09	11418.32	(5.84)		84363.57
Unallocated Corporate Expenses				2934.14	2934.14
Operating Profit	72951.09	11418.32	(5.84)	(2934.14)	81429.43
Interest				2665.48	2665.48
Interest/Dividend Income				9975.36	9975.36
Income Taxes				32911.88	32911.88
Profit from Ordinary Activities	**72951.09**	**11418.32**	**(5.84)**	**(28536.14)**	**55827.43**
Extraordinary loss					
Net Profit	**72951.09**	**11418.32**	**(5.84)**	**(28536.14)**	**55827.43**
Other Information					
Segment Assets	238556.22	123132.13	26234.20	0.00	387922.55
Unallocated Corporate Assets				150339.82	150339.82
Total Assets	**238556.22**	**123132.13**	**26234.20**	**150339.82**	**538262.37**
Segment Liabilities	108430.83	17072.09	102.39		125605.31
Unallocated Corporate Liabilities				118134.40	118134.40
Total Liabilities	**108430.83**	**17072.09**	**102.39**	**118134.40**	**243739.71**
Capital Expenditure	28102.94	18497.80	21441.05	314.82	68356.61
Depreciation (Recouped Cost)	25073.44	12532.55	36.98	262.85	37905.82
Non-cash Expenses (excl. Dep.)	2646.37	645.07	(1.64)	(17.72)	3272.08

16.3 The above matrix presentation depicts the geographical segments and business segment as primary segments.

16.4 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

16.5 Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amount allocated on reasonable basis. Unallocated includes common expenditure incurred for all the segments and expenses incurred at the corporate level.

16.6 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.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The consolidated and unconsolidated financial statements of Oil and Natural Gas Corporation Limited included in this Preliminary Sale Document have been prepared in accordance with applicable Indian GAAP and the applicable provisions of the Companies Act and the SEBI Guidelines. Indian GAAP differs in certain respects from US GAAP.

The audited consolidated financial statements of the Company are prepared and presented in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from US GAAP. These significant differences between Indian GAAP and US GAAP relevant to the Company's audited consolidated financial statements are summarized below.

The differences identified below are limited to those significant differences that are appropriate to the Company's financial statements. However, they should not be construed as being exhaustive and no attempt has been made to identify all differences in disclosure, presentation and classification that would affect the manner in which transactions and events are presented in the consolidated financial statements. No attempt has been made to identify future differences between Indian GAAP and US GAAP as a result of prescribed changes in accounting standards or to identify all future differences that may affect the Company's consolidated financial statements as a result of transactions or events that may occur in the future.

Sl. No.	Particulars	Indian GAAP	US GAAP
1.	**Contents of financial statements**	• Companies are required to present balance sheets, profit and loss account for two years along with relevant accounting policies and notes. • Additionally, all listed companies (including companies in the process of getting listed), companies with turnover exceeding Rs. 50 crore and insurance companies are required to present cash flow statements. • Companies in the process of listing are required to present five years of adjusted financial information.	• Companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders equity for two years alongwith the relevant accounting policies and notes. • Potential registrants are required to present statements of operations, statements of cash flows and statements of changes in stockholders equity for three years. They need not present the balance sheet for the third year.
2	**Specific to Oil and Gas exploration and development activities**		
2.1	**Time limit for carry over of undecided wells in progress**	Costs of undecided exploratory wells are not carried over for more than a period of two years from the date of completion of drilling unless it could be reasonably demonstrated that the well has proved reserves and development of the field in which the well is located has been planned with required capital investment, in which cases costs of exploratory wells can be carried forward without any time limit.	The time limit as per US GAAP is one year following completion of drillings for determination of status of such wells.
2.2	**Disclosures relating to Oil and Gas exploration and production activities.**	The following disclosures are to be made in its financial statements : a) The method of accounting followed viz. successful efforts method or full cost method. b) Net quantities of an enterprise's interests in proved reserves and proved developed reserves of (a) oil (including condensates and natural gas liquids) and (b) gas as at thebeginningand additions, deductions, production and closing balance of the year.	US GAAP requires publicly traded enterprises with significant oil and gas activities to disclose the following as supplementary information to the annual financial statements but not as part of the financial statements: a) Proved oil and gas reserve quantities b) Capitalised costs relating to oil and gas producing activities c) Costs incurred in oil and gas property acquisition, exploration and development activities

Sl. No.	Particulars	Indian GAAP	US GAAP
		c) Net quantities of an enterprise's interests in proved reserves and proved developed reserves of (a) oil and (b) gas should also be disclosed on the geographical basis. d) The reporting of reserve quantities should be stated in metric tonnes of oil reserves and cubic meters for gas reserves.	d) Results of operations for oil and gas producing activities . e) Standadised measure of discounted future net cash flows relating to oil and gas reserve quantities.
2.3	**Abandonment Cost**	Full eventual liability for abandonment cost net of salvage values should be recognized at the outset on the ground that a liability to remove an installation exists the moment it is installed at current prices considering the environment and social obligations, terms of mining lease agreement, industry practice, etc. As of March 31, 2003 the estimated costs of restoration and removal of major producing facilities are generally accrued on a unit-of-production method basis in case of offshore projects and accounted for in the year of occurrence in case of onshore projects.	U.S. GAAP requires that an entity shall recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. If quoted market prices are not available, the estimate of fair value shall be based on the best information available in the circumstances, including prices for similar liabilities and the results of present value (or other valuation) techniques. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. An entity shall subsequently allocate that asset retirement cost to expense using a systematic and rational method over its useful life. Subsequently, an entity shall recognize period-to-period changes in the liability for an asset retirement obligation resulting from (a) the passage of time and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flows.
3.	**Changes in accounting policies - Accounting treatment**	• The effect of changes in accounting policy must be recorded in the income statement of the period in which the change is made. • Exceptions to the Rule, where accounting standards specify that the change resulting from adoption of the standard has to be adjusted against opening retained earnings	• Cumulative effect of the change in accounting policy is generally included (net of taxes) in the current year's income statement (between extraordinary items and net income). • Restatement of previous period comparatives will occur only in disclosures and proforma calculations. • Exception to the rule if change is required to be made to give effect to new pronouncement.
4.	**Correction of fundamental errors**	The effect of correction of errors must be included in the current year income statement with appropriate disclosure.	• To be treated as prior period adjustments. • Retrospective treatment required i.e. previous period comparatives should be restated.
5.	**Fixed Assets**	• Revaluation of fixed assets permitted on a systematic basis. There is no restriction on the frequency of valuation.	• Upward revaluations are not permitted. • Assets are depreciated over their estimated useful economic lives. (usually based on technical evaluation)

Sl. No.	Particulars	Indian GAAP	US GAAP
		• Depreciation charged is generally as per the minimum statutory rates prescribed by the Companies Act, 1956. Higher depreciation may be charged based on useful life of the asset.	
6.	**Impairment of Assets**	• Under Indian GAAP, applicable for accounting period beginning from April 1, 2004 onwards.	• The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows.
	- Other than E&P Assets	Impairment review based on the comparison of carrying value of assets and net selling price or value in use based on discounted cash flows.	• If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows or the market value.
		• If impairment is indicated, the assets must be written down to higher of net selling price and the 'value in use based' on discounted cash flows.	• Reversal of losses may be prohibited.
		• Meanwhile the Company is determining impairment loss of E&P Assets on a global basis for adjusting in the carrying cost of producing properties.	
	- E&P Assets	• 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. 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.	
7.	**Goodwill**	• Goodwill on consolidation - generally not to be amortised.	• Acquired goodwill or goodwill arising on business combination - not to be amortised but tested for impairment annually.
		• Other Goodwill - to be amortised over useful life not exceeding ten years.	
8.	**Intangible assets**	• Capitalize intangible assets if specific criteria are met and amortised over useful life, generally not exceeding ten years.	• Capitalize purchased intangible assets, if specific criteria are met. Intangibles are not presumed to be wasting assets.
		• The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding ten years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired.	• Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment.
			• Intangible assets that have finite useful life are required to be amortised over their estimated useful lives.
	Valuation of Investments	• Amortisation should be based on the consumption pattern of the asset or on a straight line basis if a pattern is not determinable.	

Sl. No.	Particulars	Indian GAAP	US GAAP
9.		• Long term investments are carried at cost (with provision for other than temporary diminution in value) • Current investments are carried at lower of cost or fair value determined on individual basis or by category of investment but not on overall (or global) basis.	• Held-to-maturity - where there is ability and intent to hold the investments to maturity, usually debt securities, to be valued at amortised cost. • Trading - investment held with the intention to sell. To be valued at fair value. Unrealised gain/loss to be taken to income statement. • Available for sale - investments that are not classified in the above two categories. To be valued at fair value and unrealized gain/loss to be taken to comprehensive income and not to income statement.
10.	**Deffered income taxes**	• Method of computation not specified. Choice of either the balance sheet approach or the income method. • Deferred tax assets and liabilities are measured using tax rates that have been exacted or substantively exacted by the balance sheet dated. • Deferred tax assets on carry forward losses and unabsorbed depreciation to be recognised only if there is virtual certainty that the same will be realized.	• Use of the 'asset/liability method' i.e. the balance sheet approach for measurement. • Enacted income tax rates to be used to measure deferred tax. • Valuation allowance to be provided when it is 'more likely than not' that deferred tax asset will not be realized.
11.	**Proposed Dividend**	• Any proposed dividends declared after the balance sheet date are adjusted in the financial statements for the relevant year even if they are subject to shareholders' approval.	• Dividend is recorded when it has been declared and notice given to the shareholders. • Stock dividends should preferably be recorded as of the time of declaration unless there is a clear indication that they will be rescinded.
12.	**Off-Balance Sheet Items**	• There is no specific guidance for the accounting for off-balance sheet items under Indian GAAP. • Schedule VI of the Companies Act mandates the disclosure of amounts committed to be paid for the acquisition of fixed assets not provided for in the books of accounts. • Accounting practices require specific disclosures for commitments and contingent liabilities.	• The US Securities and Exchange Commission require the disclosure of material facts and circumstances that provide investors with a clear understanding of a registrant's and their material effects in the financial statements. • Further standards have been issued recently providing guidelines for the accounting and disclosures for guarantees, including indirect guarantees of others and for consolidation of "variable interest entities". • Additionally, existing accounting standards require disclosures of commitments made by an enterprise. • Contingent gain/losses must be recognized or disclosed in the accounts provided certain conditions are met. • Requires recognition of the cost of shares/ options awarded to employees,

Sl. No.	Particulars	Indian GAAP	US GAAP
13.	**Employee Stock Compensation**	• There is no specific guidance on accounting for employee stock compensation under Indian GAAP. • SEBI has issued guidelines which are effective for listed companies. In accordance with these guidelines, the excess of the market price of underlying equity shares as of the date of grant of the options over the exercise price of the options, including up-front payment, if any, is to be recognized and amortized on a straight-line basis over the vesting period. • The general practice is to consolidate trusts set up for administration of employee stock option plans.	whether conditional upon performance criteria or not, over the period to which the employee's service relates. • Entities can either follow the intrinsic value method or a fair value method for determining the costs of benefits arising from employee's stock compensation plans. • Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee (exercise price). The measurement date could be the date of grant or the date of exercise depending upon terms of the plan. This method is widely used in practice. • The fair value method is based on the fair value of the option at the grant date. This is estimated using an option pricing model. If an entity chooses to follow the intrinsic value method, it must make proforma disclosures of net income and earning per share as if the fair value method had been applied. All options given to non-employees have to follow the fair value method. • As ESOP trust's assets and liabilities are included in the balance sheet of the sponsoring entity where the arrangements are such that the sponsoring entity has *de-facto* control and bears the benefits and risks of the shares held by the ESOP trust.
"			
"			
14.	**Related party disclosure**	• State control enterprises are exempt from disclosing transactions with other state control enterprises and excludes related parties Government department and Agencies to the extent such dealings are in normal course of business.	• Contains no similar exemptions but requires disclosure of material related party transactions.
15.	**Principles of Consolidation**	• Applicable to all listed companies • Subsidiaries - compulsory consolidation line by line. • Investment in associates - equity method of accounting. • Joint venture - accounted for as per proportionate consolidation method.	• Subsidiaries - compulsory consolidation line by line • Investment in associates - equity method of accounting. • Investment in Joint Ventures - equity method to be adopted. Less commonly proportionate consolidation is also followed.

Sl. No.	Particulars	Indian GAAP	US GAAP
16.	**Consolidation of subsidiaries**	• The cumulative translation adjustment is effected in the income statement until March 31, 2004. From April 1, 2004 the non-monetary balance sheet items for a non-integral foreign operation have to be translated at the year end rates and all the transaction differences have to be accumulated to a separate reserve. • Under certain circumstances different accounting policies for parent and subsidiary subject to certain disclosures.	• Conversion of monetary items at year end exchange rates and nonmonetary balance sheet items at historical conversion rates and disclose the movements in translation adjustments as a separate component of shareholder's equity. • The accounts of subsidiary should be consolidated after restating them to conform to parents accounting policies unless the subsidiary is in a specialized industry, accounting principles that are appropriate at the subsidiary level should be retained in consolidation. Also the financials of an associate should be amended to be in line with the Group accounting principles, if the nature of the business is similar.
17.	**Presentation/Disclosure of Reserves**	• Various reserves including statutory reserves are required to be presented separately distinguished from retained earnings.	• No such reserves are separately identified in Shareholders equity • Share premium is presented as additional paid in capital.
18.	**Segment reporting**	• Segmental information should be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. But it does not prohibit the disclosure of additional segment information that is prepared on a basis other than the accounting policies adopted for the enterprise's financial statements provided that it is internally reported to the management and the basis is disclosed.	• Segmental information to be reported on the same basis by which it is reported internally, even if the segment information is not in conformity with - GAAP or - The accounting policies used in the consolidated financial statements.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Preliminary Sale Document) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Preliminary Sale Document have been delivered to the RoC at New Delhi for inspection referred to hereunder, may be inspected at the Registered Office of the Company from 10.00 a.m. to 4.00 p.m. on working days from the date of this Preliminary Sale Document until the date of closure of the Offer.

Material Contracts

1. Letter of appointment to JM Morgan Stanley Private Limited, Kotak Mahindra Capital Company Limited and DSP Merill Lynch Limited from Government of India dated December 31, 2004 appointing them as BRLM.
2. Memorandum of Understanding dated January 27, 2004 among the Government of India, the Company and BRLMs.
3. Letter from Government of India dated January 23, 2004 appointing MCS Limited and their acceptance of the same.
4. Letters from the Government dated February 3, 2004 approving the Escrow Collection Banker and Bankers to the Offer.

Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated June 23, 1993.
3. Certificate of Commencement of Business dated August 10, 1993.
4. Resolution of the Board of Directors of the Company, passed at its meeting held on December 29, 2003 noting the Offer and appointing the Committee of Directors for Disinvestment and resolution of the Committee of Directors passed at its meeting held on February 12, 2004 approving this Offer.
5. The reports of the statutory auditors, M/s. Thakur, Vaidyanath Aiyer & Co., M/s. S. Bhandari & Co., M/s. RSM & Co., M/s. Brahmayya & Co. and M/s. Lodha & Co. (i) dated February 7, 2004 relating to the audited unconsolidated financial statements of the Company for the period ended December 31, 2003, (ii) dated February 10, 2004 relating to the restated unconsolidated financial information of the Company and (iii) dated February 10, 2004 relating to the summary restated consolidated financial inormation of the Company and its subsidiaries.
6. Consent dated Febuary 10, 2004 from M/s. Thakur, Vaidyanath Aiyer & Co., M/s. S. Bhandari & Co., M/s. Lodha & Co., M/s. Brahmayya & Co. and M/s. RSM & Co. for inclusion of their reports on accounts in the form and context in which they appear in the Preliminary Sale Document.
7. A copy of the tax benefit report dated February 10, 2004 from the Company's statutory auditors M/s. Thakur, Vaidyanath Aiyer & Co., M/s. S. Bhandari & Co., M/s. Lodha & Co., M/s. Brahmayya & Co. and M/s. RSM & Co.
8. Consent of Directors, Auditors, Legal Advisors, expert named in the Preliminary Sale Document, BRLMs, Syndicate Members, Registrar to the Offer, Escrow Collection Bankers, Bankers to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their respective capacities.
9. General Powers of Attorney executed by Directors of the Company in favour of person(s) for signing and making necessary changes to the Final Sale Document.
10. Resolutions of the meetings of the Board of Directors held on 28 May 1999 for formation of the Company's Audit and Ethics Committee and 7 July 2001 for the formation of the Remuneration Committee and Shareholders/Investors' Greviance Committee.
11. Resolution of the Board of Directors passed at its meeting held on June 7, 2001 noting appointment of Chairman and Managing Director of the Company.
12. In-principle trading approval dated February 4, 2004, January 30, 2004 and February 10, 2004 from BSE, NSE and DSE respectively.
13. Tripartite Agreement between the Company, NSDL and MCS Limited dated June 8, 1998.
14. Tripartite Agreement between the Company, CDSL and MCS Limited dated May 17, 1999.
15. Approval from Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) vide its letter no. FC.II.16(2004)/16(2004) dated January 28, 2004 for the transfer of Equity Shares in this Offer to eligible non-resident investors NRIs and FIIs. in terms of the approval of Government of India, OCBs have not been permitted to participate in the Offer.

16. Annual Reports of our Company for fiscal 1999, fiscal 2000, fiscal 2001, fiscal 2002 and fiscal 2003, containing, among other things, the audited financial statements relating to the respective years..

17. Memorandum and Articles of Association of the subsidiaries.

18. Applications made to NSE, BSE and DSE for permission to trade and deal in 142,593,300 Equity shares of Rs. 10 each of our Equity Shares, being offered to the Public pursuant to this Offer.

19. Land Report prepared by the Task Force Team appointed pursuant to the Office Order No. DDN/CRC/TASK FORCE/ 2002 dated January 18, 2003.

20. Letter no. G-34015/3/2003 FIN-II, dated December 26, 2003 from the MOPNG to us, wherein Government of India has approved the disinvestment in ONGC by the Selling Shareholder by way of the Offer of its shareholding in the domestic market.

21. Letter No. G- 34012/ 2 / 2003- Fin II dated January 23, 2004, from Government of India authorising Mr. N.K. Singh, Director, Ministry of Petroleum and Natural Gas to sign the relevant documents in relation to this Offer for Sale.

22. Letter from SEBI to Ministry of Disinvestment, Government of India dated January 29, 2004.

23. Letter No. 4/ 7/ 2004/ DD-II dated February 6, 2004, from Government of India, Ministry of Disinvestment, addressed to BRLMs and a copy to the Company directing the procedure to be followed for this Offer for Sale including that Government would reserve the right at its sole discretion to offer shares to the Retail Individual Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders.

24. Letter No. 4(45)/2003-MODI dated February 12, 2004, from Government of India, Ministry of Disinvestment, addressed to BRLMs and to domestic legal counsel to the Offer and a copy to the Company and Ministry of Petroleum and Natural Gas directing the procedure to be followed for this offer alongwith a copy of the letter issued by the Department of Company Affairs, Ministry of Finance, addressed to Ministry of Disinvestment, dated February 10, 2004 bearing no. (D.O. No. 1/32/ 01-D-Cell).

25. SEBI guidance letter dated February 16, 2004 addressed to the Joint Secretary, Ministry of Disinvestment, Government of India.

26. Due Diligence Certificate dated February 19, 2004 to the Government of India from JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited.

27. Approval from the RBI vide its letter no. FE.DEL.FID - II/06.04.3664/2003-04 dated February 10, 2004.for non-resident investors to acquire Equity Shares in the Offer for Sale,

28. Letter No. 4/7/2004/DD-II dated February 16, 2004, from Government of India, Ministry of Disinvestment, addressed to BRLMs and to domestic legal counsel to the Offer and a copy to the Company and MOPNG conveying the Government decision on reservations in the Offer for Sale.

29. Letter from Ministry of Petroleum and Natural Gas, Government of India dated January 27, 2004 authorizing the Company to undertake activities relating to processing of investor complaints, etc.

30. Letter dated February 17, 2004 from GAIL (India) Limited and letter dated February 17, 2004 from Indian Oil Corporation Limited and letter no. G - 34015/3/2003 - Fin II dated February 19 from Government of India, Ministry of Disinvestment, each undertalking that they shall not sell or otherwise dispose of any ONGC shares, etc for a period of six months.

31. Copy of resolution passed by Committee of Directors on February 19, 2004 approving the Preliminary Sale Document.

Any of the contracts or documents mentioned in this Preliminary Sale Document may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

SEBI in its letter dated January 29, 2004 has advised that, *"The relevant SEBI (DIP) Guidelines are applicable to an offer for sale by an unlisted company only. Thus the SEBI (DIP) Guidelines do not envisage a listed company facilitating one of the shareholders to dispose off his holdings through an offer for sale." Further, SEBI in its letter dated February 16, 2004 has advised that, "It may be specifically understood that the shares offered under this sale offer being already listed on the stock exchanges, the SEBI guidelines for public issues/offers are not applicable to this sale offer by the selling shareholder". However, the Selling Shareholder has vide its letter dated February 6, 2004 and February 12, 2004 addressed to the BRLMs and the Company stated that, "Government would voluntarily adopt the SEBI (DIP) Guidelines particularly guidelines for the 100 percent Book Building process for ONGC Public Offer. Further, the processes, procedures and practices, which are generally followed in the 100 percent book building process save deviations indicated in the subsequent paragraphs would be adopted for ONGC Public Offer." SEBI by its letters dated January 29, 2004 and February 16, 2004 has stated also that this "Preliminary Sale Document does not constitute an offer document or prospectus in terms of the SEBI Guidelines" and that this Preliminary Sale Document "is not a document issued by or on behalf of the Company and the document may be filed with Registrar of Companies only if required."* Therefore, the following declaration/confirmation is being made voluntarily in the above context only:

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Preliminary Sale Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be.

CONFIRMATION

All the provisions of the Securities Contract (Regulation) Act, 1956 and the provisions of the Securities Contracts (Regulation) Rules, 1957, as applicable, and the terms of the listing agreements have been complied with and continuous disclosures have been made thereunder.

Signed by the Directors

Mr. Subir Raha

Mr. Y B Sinha *

Mr. V K Sharma *

Mr. Nathu Lal *

Mr. R S Sharma

Dr. Ashok Kumar Balyan

Mr. Atul Chandra *

Mr. Badal K Das *

Mr. J M Mauskar *

Mr. Pradeep K Deb *

Mr. Mukund M Chitale *

Mr. Rajesh V Shah *

Mr. U Sundararajan *

Mr. N K Nayyar *

* (Through their constituted attorney Mr. H. C. Shah)

Signed by The Selling Shareholder

Sd/-

Mr. N. K. Singh
Director
Ministry of Petroleum and Natural Gas
(As authorised vide letter no. G-34012/2/2003-Fin II dated January 23, 2004)

Date: February 19, 2004
Place: New Delhi

APPENDIX A - DEGOLYER AND MACNAUGHTON LETTER

DeGolyer and MacNaughton

4925 Greenville Avenue, Suite 400
One Energy Square
Dallas, Texas 75206

January 26, 2004

Oil and Natural Gas Corporation Limited
Jeeven Bharati Tower-II
124, Indira Chowk
New Delhi, India

President of India
Represented by the Joint Secretary, Ministry of Disinvestment,
Government of India
New Delhi, India

J M Morgan Stanley Private Limited,
DSP Merrill Lynch Limited,
Kotak Mahindra Capital Company Limited and
The Other Underwriters
C/O J M Morgan Stanley Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai, India

Gentlemen:

Pursuant to the request of the Oil and Natural Gas Commission of India (ONGC), we have prepared estimates of the proved oil, condensate, and natural gas reserves, as of April 1, 2002, of 38 selected fields in India operated by ONGC. We also have reviewed ONGC's estimates of the reserves, as of April 1, 2002, of the same fields. The fields evaluated are those that were selected by ONGC and are the same as were evaluated in our detailed report entitled "Report as of April 1, 2002 on Oil, Condensate, and Gas Reserves of Certain Fields in India" (the Report).

As stated in the Report, the reserves estimates upon which the Report was based were prepared using information available through April 1, 2002, and no effort was made to incorporate information that may have become available after April 1, 2002. We have not investigated and offer no opinion whether any drilling or production performance activity since April 1, 2002, would have any material effect on the conclusions in this letter and the Report.

The following is a listing of the 38 fields evaluated in the Report:

Agartala Dome	Geleki	Lanwa	Rudrasagar
Ahmedabad	G-1	Limbodra	Sanand
Ankleswar	Heera	Nandasan	Santhal
Balol	Jhalora	Nandej	Sobhasan
B-55	Jotana	Nawagam	South Heera
Bassein	Kali	North Kadi	South Kadi
Bassein East	Kalol	Pasarlapudi	South Sobhasan
Bechraji	KanJirangudi	Periyapattinam	Wasna
Charali	Kuthalam	Perungulam	
Gandhar	Lakwa-Lakhmani	Ramanavalasai	

The proved reserves presented herein and in the Report have been prepared in accordance with reserves definitions consistent with those approved in March 1997 by the Society of Petroleum Engineers (SPE) and the World Petroleum Congresses (WPC).

Reserves are expressed as gross reserves and are defined as the total estimated oil, condensate, and gas to be produced from these fields after March 31, 2002.

Gas volumes shown herein are separator-gas volumes expressed at a temperature base of 15.6 degrees Centigrade and a pressure base of 760 millimeters of mercury. Separator gas is defined as the gas remaining after field separation but prior to gas processing and shrinkage for fuel use and flare. Condensate is defined as the liquid produced from the gas during normal separation processes.

ONGC represents that its estimates of the gross proved oil, condensate, and separator-gas reserves of the 38 fields, as of April 1, 2002, are as follows, expressed in millions of tons (MMt) of oil and condensate and millions of cubic meters (MMm^3) of gas:

Proved Reserves as of April 1, 2002 Estimated by ONGC	
Oil and Condensate (MMt)	**Separator Gas (MMm^3)**
195.25	206,654.2

ONGC has advised us that its estimates of proved oil, condensate, and natural gas reserves are estimated in accordance with the reserves definitions and guidelines established by the SPE and WPC.

Our estimates of the proved oil, condensate, and separator-gas reserves, as of April 1, 2002, are as follows, expressed in millions of tons (MMt) of oil and condensate and millions of cubic meters (MMm^3) of gas:

Proved Reserves as of April 1, 2002 Estimated by DeGolyer and MacNaughton	
Oil and Condensate (MMt)	**Separator Gas (MMm^3)**
183.53	204,381.0

In comparing the detailed reserves estimates prepared by us and those prepared by ONGC for the fields involved, we have found differences, both positive and negative, in reserves estimates for individual fields. These differences appear to be compensating to a great extent when considering the reserves of ONGC in the evaluated fields, resulting in overall differences not being substantial. It is our opinion that the reserves estimates prepared by ONGC on the fields reviewed by us and referred to previously, when compared in total for the evaluated fields, do not differ materially from those prepared by us.

Submitted,

DeGOLYER and MacNAUGHTON

/S/ Thomas A. Schob, P.E.

Thomas A. Schob, P.E.
Senior Vice President
DeGolyer and MacNaughton