



BALANCE SHEET AS AT 31ST MARCH, 2006

(Rupees in million)

	Schedule	As at 31st March, 2006	As at 31st March, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	14,259.30	14,259.28
Reserves and Surplus	2	525,337.39	454,194.87
		539,596.69	468,454.15
LOAN FUNDS			
Unsecured Loans	3	1,069.76	18,221.55
DEFERRED TAX LIABILITY (NET)		63,551.33	54,438.46
LIABILITY FOR ABANDONMENT COST		126,156.35	80,940.64
TOTAL		730,374.13	622,054.80
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		478,823.45	429,838.49
Less: Depreciation and Impairment		400,401.48	371,473.18
NET BLOCK		78,421.97	58,365.31
PRODUCING PROPERTIES	5		
Gross Cost		560,896.49	486,169.73
Less: Depletion and Impairment		285,063.12	256,563.10
NET PRODUCING PROPERTIES		275,833.37	229,606.63
CAPITAL WORKS-IN-PROGRESS (NET)	6	28,303.01	43,186.68
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (NET)	7	29,602.83	17,357.87
INVESTMENTS	8	48,885.73	40,366.66
CURRENT ASSETS, LOANS AND ADVANCES			
Interest Accrued	9	3,509.48	4,357.27
Inventories	10	30,384.94	23,924.19
Sundry Debtors	11	37,042.76	37,293.07
Cash and Bank Balances	12A	42,792.65	58,488.06
Deposit with Scheduled Bank Under Site Restoration Fund Scheme	12B	45,335.56	36,180.55
Loans and Advances	13	212,549.33	159,637.38
Other Current Assets	14	0.21	10.11
		371,614.93	319,890.63
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	15	65,270.11	51,904.17
Provisions	16	40,680.95	40,126.44
		105,951.06	92,030.61
NET CURRENT ASSETS		265,663.87	227,860.02
MISCELLANEOUS EXPENDITURE	17	3,663.35	5,311.63
(To the extent not written off or adjusted)			
TOTAL		730,374.13	622,054.80
SIGNIFICANT ACCOUNTING POLICIES	27		
NOTES TO ACCOUNTS	28		

Schedules referred to above form an integral part of the Accounts

For and On behalf of the Board

S. C. Setia
Company Secretary

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants

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

For Brahmayya & Co.
Chartered Accountants

V. Seetaramaiah
Partner (Mem. No. 03848)

New Delhi
June 26, 2006

Dr. A.K. Balyan
Director (HR)

For S. Bhandari & Co.
Chartered Accountants

S.S.Bhandari
Partner (Mem. No. 11332)

For Lodha & Co.
Chartered Accountants

H.K.Verma
Partner (Mem. No. 55104)

R. S. Sharma
Chairman & Managing Director/
Director(Finance)

For S.C. Ajmera & Co
Chartered Accountants

S. C. Ajmera
Partner (Mem. No. 81398)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rupees in million)

	Schedule	2005-06	2004-05
INCOME			
Gross Sales	18	482,443.90	467,112.48
Less Excise Duty		2,779.97	3,492.03
Net Sales		479,663.93	463,620.45
Other Income	19	23,484.98	17,251.47
		503,148.91	480,871.92
Increase/ (Decrease) in stocks	20	2,115.83	298.62
		505,264.74	481,170.54
EXPENDITURE			
Purchases		34,337.97	51,013.16
Production, Transportation, Selling and Distribution Expenditure	21	170,245.59	168,428.25
Depreciation, Depletion and Amortisation	22	83,021.72	62,014.23
Financing Costs	23	298.14	409.63
Provisions and Write-off (Net)	24	3,437.65	2,828.25
		291,341.07	284,693.52
Profit Before Tax, Prior Period and Extraordinary Items		213,923.67	196,477.02
Adjustments relating to Prior Period (Net)	25	(1,957.84)	178.43
Extraordinary Items- Excess of Insurance Claims over book value (Refer Note 6 of Sch-28)		6,405.39	0.00
Profit Before Tax		218,371.22	196,655.45
Provision for Taxation			
- Current Tax (including Wealth Tax Rs. 31.00 million, Previous Year Rs. 17.00 million)		63,481.00	69,817.00
- For Earlier years		926.07	(26.22)
- Deferred Tax		9,112.87	(2,965.79)
- For Fringe Benefit Tax		543.50	0.00
		74,063.44	76,856.03
Profit after Taxation		144,307.78	129,830.46
Surplus at the beginning		0.10	0.31
BALANCE AVAILABLE FOR APPROPRIATION		144,307.88	129,830.77
APPROPRIATIONS			
Proposed Dividend		28,518.68	28,518.68
Tax on Proposed Dividend		3,999.74	4,036.28
Interim Dividend		35,648.35	28,518.68
Tax on Interim Dividend		4,999.68	3,727.03
Transfer to General Reserve		71,141.00	65,030.00
Balance carried to Balance Sheet		0.43	0.10
		144,307.88	129,830.77
Earnings per Equity Share - Basic and Diluted (Rs.)	26		
(Face Value Rs. 10/- Per Share)			
- before extraordinary items (net of tax)		98.22	91.05
- after extraordinary items		101.20	91.05
SIGNIFICANT ACCOUNTING POLICIES	27		
NOTES TO ACCOUNTS	28		

Schedules referred to above form an integral part of the Accounts

For and On behalf of the Board

S. C. Setia
Company Secretary

In terms of our report of even date attached

For K.K.Soni & Co.
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Partner (Mem. No. 07737)

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Chairman & Managing Director/
Director(Finance)

For S.C. Ajmera & Co
Chartered Accountants

S. C. Ajmera
Partner (Mem. No. 81398)

SCHEDULE-1

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
SHARE CAPITAL		
Authorised:		
15000,000,000 Equity Shares of Rs. 10 each	<u>150,000.00</u>	<u>150,000.00</u>
Issued and Subscribed:		
1425,933,992 Equity Shares of Rs. 10 each	<u>14,259.34</u>	<u>14,259.34</u>
Paid up :		
1425,933,992 Equity Shares of Rs. 10 each	<u>14,259.34</u>	<u>14,259.34</u>
Less : Calls in Arrears (Other than Directors)	<u>0.04</u>	<u>0.06</u>
	<u>14,259.30</u>	<u>14,259.28</u>
TOTAL	<u>14,259.30</u>	<u>14,259.28</u>

Note :

The above includes:

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

SCHEDULE-2

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
RESERVES AND SURPLUS		
Capital Reserve*	159.44	159.44
(As per last year Balance Sheet)		
Deferred Government Grant		
a) Opening Balance	37.33	41.97
b) Addition during the year	11.16	5.82
c) Deduction during the year**	<u>10.38</u>	<u>10.46</u>
	38.11	37.33
Share Premium Account ***		
a) Opening Balance	1,724.91	1,724.57
b) Addition during the year	<u>0.41</u>	<u>0.34</u>
	1,725.32	1,724.91
Premium on Foreign Currency Bonds	168.12	168.12
(As per last year Balance Sheet)		
Insurance Reserve	2,500.00	2,500.00
(As per last year Balance Sheet)		
General Reserve		
a) Opening Balance	449,604.97	386,577.25
b) Less Adjustment for Impairment Loss as on 01.04.2004	0.00	2,002.28
c) Add: Transferred from Profit and Loss Account	<u>71,141.00</u>	<u>65,030.00</u>
	520,745.97	449,604.97
Profit and Loss Account	0.43	0.10
TOTAL	<u>525,337.39</u>	<u>454,194.87</u>

* Represents assessed value of assets received as gift.

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

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

SCHEDULE-3

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
UNSECURED LOANS		
(a) Long Term		
- From Oil Industry Development Board	404.35	606.53
Foreign Currency Loans:		
- From Banks	665.41	882.90
(b) Line of Credit		
- From Bank	0.00	8,550.00
(c) Cash Credit		
- From Bank	0.00	8,182.12
TOTAL	1,069.76	18,221.55
Long term includes Repayable within one year	358.73	370.34

SCHEDULE-4

FIXED ASSETS

(Rupees in million)

	GROSS BLOCK				Up to 31st March, 2005	DEPRECIATION AND IMPAIRMENT				NET BLOCK		
	As at 1st April, 2005	Additions during the year	Deletions/ adjustments during the year	As at 31st March, 2006		For the year			Deletions/ Adjustments during the year	Upto 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
						Depreciation	Charged	Reversed				
Land												
i) Freehold	1,197.08	72.68	5.01	1,264.75	25.96	0.00	0.00	0.98	0.00	24.98	1,239.77	1,171.12
ii) Leasehold	2,794.43	131.76	0.44	2,925.75	183.49	18.21	0.00	0.00	0.18	201.52	2,724.23	2,610.94
Buildings and Bunk Houses	10,063.02	481.52	26.86	10,517.68	5,396.17	307.64	42.72	76.43	24.76	5,645.34	4,872.34	4,666.85
Railway Sidings	89.95	0.00	0.00	89.95	75.58	2.00	0.00	0.00	0.00	77.58	12.37	14.37
Plant and Machinery	405,777.48	58,388.05	11,749.08	452,416.45	358,582.20	38,544.36	234.28	66.17	10,617.66	386,677.01	65,739.44	47,195.28
Furniture and Fittings	3,539.53	667.16	111.28	4,095.41	2,513.27	232.01	12.45	5.09	94.18	2,658.46	1,436.95	1,026.26
Vehicles, Survey Ships, Crew Boats and Helicopters	4,359.78	684.00	554.67	4,489.11	4,006.12	202.87	8.66	0.92	551.26	3,665.47	823.64	353.66
TOTAL	427,821.27	60,425.17	12,447.34	475,799.10	370,782.79	39,307.09	298.11	149.59	11,288.04	398,950.36	76,848.74	57,038.48
Intangibles - Software	2,017.22	1,011.18	4.05	3,024.35	690.39	753.47	9.40	0.00	2.14	1,451.12	1,573.23	1,326.83
TOTAL	429,838.49	61,436.35	12,451.39	478,823.45	371,473.18	40,060.56	307.51	149.59	11,290.18	400,401.48	78,421.97	58,365.31
Previous year	410,076.23	20,869.95	1,107.69	429,838.49	354,152.64	18,242.23	187.65	0.00	1,109.34	371,473.18	58,365.31	
The above includes the Corporation's share in Joint Venture Assets	16,937.99	1,089.13	78.14	17,948.98	13,301.76	1,286.38	160.50	0.00	73.15	14,675.49	3,273.49	
Previous year	15,420.64	1,526.19	8.84	16,937.99	12,317.75	964.12	49.96	0.00	30.07	13,301.76	3,636.23	

Notes:

- Intangibles - Software are depreciated @ 40% on Written Down Value (WDV) Method.
- Additions to Plant and Machinery are net of Rs. 34.13 million on account of net exchange gain during the year (Previous Year Rs. 160.32 million).
- Land includes land in respect of certain projects for which execution of lease/conveyance deeds are in process.
- Registration of title deeds in respect of certain Buildings is pending execution.
- Depreciation for the year includes Rs. 1,532.95 million taken to prior period (Refer Note 12 of Schedule-28).

SCHEDULE-5

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	486,169.73	457,046.17
Acquisition Cost	0.00	2,183.07
Expenditure during the year	11,145.91	8,536.78
Transfer from Exploratory Wells-in-Progress	1,396.39	2,316.73
Transfer from Development Wells-in-Progress	18,566.91	15,591.20
Estimated Abandonment costs	45,215.71	648.61
Deletion/ Other Adjustments	(1,598.16)	(152.83)
TOTAL	560,896.49	486,169.73
Less: Depletion & Impairment		
Opening Balance	256,563.10	231,827.48
Depletion for the year	29,684.36	24,850.57
Transfer of Impairment from Development Wells in Progress	136.98	0.00
Impairment provided for the year	483.13	223.31
Write back of Impairment	(1,098.13)	(272.30)
Deletion/ Other Adjustments	(706.32)	(65.96)
TOTAL	285,063.12	256,563.10
NET PRODUCING PROPERTIES	275,833.37	229,606.63

SCHEDULE-6

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
CAPITAL WORKS-IN-PROGRESS		
Buildings	61.34	731.61
Plant and Machinery	25,197.30	39,937.47
Advances for Capital Works and Progress Payments	1,600.67	752.87
Capital Stores (including in transit)	1,542.86	1,767.71
TOTAL	28,402.17	43,189.66
Less: Impairment		
Opening Balance	2.98	6.67
Provided for the year	97.49	0.13
Transfer to Fixed Assets	(0.30)	0.00
Write back during the year	(1.01)	(3.82)
TOTAL	99.16	2.98
NET CAPITAL WORKS-IN-PROGRESS	28,303.01	43,186.68

SCHEDULE-7

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
A) EXPLORATORY WELLS-IN-PROGRESS		
Gross Cost		
Opening Balance	13,531.86	9,556.78
Acquisition Cost	0.00	3,711.22
Expenditure during the year	26,247.74	24,185.96
Less: Sale proceeds of Oil and Gas (Refer Schedule-18)	5.90	19.30
	26,241.84	24,166.66
	39,773.70	37,434.66
Less:		
Transfer to Producing Properties	1,396.39	2,316.73
Wells written off during the year	15,579.78	21,564.10
Other adjustments	0.00	21.97
EXPLORATORY WELLS-IN-PROGRESS	22,797.53	13,531.86
B) DEVELOPMENT WELLS-IN-PROGRESS		
Opening Balance	3,962.99	1,663.66
Expenditure during the year	21,444.44	17,890.53
Transfer to Producing Properties	(18,566.91)	(15,591.20)
TOTAL	6,840.52	3,962.99
Less: Impairment		
Opening Balance	136.98	97.48
Transfer to Producing Property	(136.98)	0.00
Provided for the year	35.22	136.98
Write back during the year	0.00	(97.48)
TOTAL	35.22	136.98
NET DEVELOPMENT WELLS-IN-PROGRESS	6,805.30	3,826.01
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)	29,602.83	17,357.87

SCHEDULE-8

	(Rupees in million)			
	No. of Shares/ Bonds/Units	Face Value per Share/Bond /Unit (in Rupees)	As at 31st March, 2006	As at 31st March, 2005
INVESTMENTS				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1. Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	13,720.49	13,720.49
ii) GAIL (India) Limited	40,839,549	10	2,451.06	2,451.06
iii) Mangalore Refinery and Petrochemicals Ltd.(Subsidiary)	1,255,354,097	10	10,405.73	10,405.73
iv) Petronet LNG Limited	93,750,000	10	987.50	987.50
2. Equity Shares (Unquoted)				
i) Pawan Hans Helicopter Limited	24,500	10,000	245.00	245.00
ii) ONGIO International Private Ltd.	0	10	0.00	15.05
	(1,505,000)			
iii) Oil Spill Response Ltd.	100	*	0.01	0.01
iv) ONGC-Videsh Ltd. (Wholly owned subsidiary)	30,000,000	100	3,000.00	3,000.00
3. Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 5% Oil companies' Government of India Special Bonds 2009	257,600	10,000	2,576.00	2,576.00
ii) 6.96% Government of India transferable Special Bonds 2009	698,037	10,000	6,980.37	6,980.37
iii) 7% Government of India Special Bonds 2012	851,907	10,000	8,519.07	0.00
	(0)			
			48,885.23	40,381.21
Less: Provision for Diminution			0.00	15.05
TOTAL TRADE INVESTMENTS			48,885.23	40,366.16
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan 2011	1	500,000	0.50	0.50
TOTAL NON TRADE INVESTMENTS			0.50	0.50
TOTAL			48,885.73	40,366.66
Total Quoted Investments			27,564.78	27,564.78
Total Unquoted Investments			21,320.95	12,801.88
			48,885.73	40,366.66
Total Market value of Quoted Investments			133,655.24	118,762.02

* Pound one each, total value Rs. 6.885/-
Figures in the () relate to previous year.

SCHEDULE-9

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
- Investments	40.82	4.37
- Deposits with Banks/Financial Institutions	753.02	1,830.68
- Others		
- Considered Good	2,715.64	2,522.22
- Considered Doubtful	231.61	246.89
	<u>3,741.09</u>	<u>4,604.16</u>
Less: Provision	231.61	246.89
TOTAL	<u>3,509.48</u>	<u>4,357.27</u>

SCHEDULE-10

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
INVENTORIES		
(As verified and valued by the Management)		
Finished Goods	3,832.85	1,717.03
Stores and spare parts		
- on hand	22,998.84	18,595.19
- in transit (including inter-project transfers)	3,376.79	3,444.51
Unservicable Items	176.46	167.46
TOTAL	<u>30,384.94</u>	<u>23,924.19</u>

SCHEDULE-11

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	2,598.73	2,529.04
- Considered Doubtful	2,943.63	812.46
Other debts :		
- Considered Good	34,444.03	34,764.03
- Considered Doubtful	71.36	367.35
	<u>40,057.75</u>	<u>38,472.88</u>
Less: Provision for Doubtful Debts	3,014.99	1,179.81
TOTAL	<u>37,042.76</u>	<u>37,293.07</u>

SCHEDULE-12

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
A) CASH AND BANK BALANCES		
Cash balance on Hand	17.76	15.34
Balances with Scheduled Banks in:		
Current Accounts	6,956.57	184.82
Fixed Deposits	35,794.67	58,279.10
Margin Money Deposit Account	0.00	0.12
Balances with Non-Scheduled Banks in:		
Current Account with Commerz Bank - Frankfurt (Maximum balance outstanding at any time during the year Rs. 2.89 million Previous year Rs. 2.89 million)	2.78	2.89
Current Account with Citi Bank - London (Maximum balance outstanding at any time during the year Rs. 66.54 million Previous year Rs. 5.79 million)	20.87	5.79
TOTAL	<u>42,792.65</u>	<u>58,488.06</u>
B) Deposit with Scheduled Bank Under Site Restoration Fund Scheme *	<u>45,335.56</u>	<u>36,180.55</u>

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

SCHEDULE-13

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
LOANS AND ADVANCES		
Loans to Public Sector Undertakings and Other Body Corporate	3,439.14	419.50
Loans and Advances to Subsidiaries	170,175.74	130,474.58
Advance for Purchase of Shares	7,297.88	383.41
Loans and Advances to Employees*	7,402.07	7,436.67
Advances Recoverable in Cash or in Kind or for Value to be received	10,126.05	8,209.99
Recoverable from Petroleum Planning & Analysis Cell (PPAC)	476.81	9,082.24
Insurance Claims	941.33	799.58
Deposits:		
a) With Customs/Port Trusts etc.	53.23	41.73
b) Others	3,176.55	4,129.12
	<u>203,088.80</u>	<u>160,976.82</u>
Less : Provision for Doubtful Claims / Advances	2,953.45	3,599.90
	<u>200,135.35</u>	<u>157,376.92</u>
Income Tax :		
Advance payment of Income Tax (Including Advance payment of Wealth Tax Rs. 11.89 million Previous Year Rs. 14.34 million)	282,956.96	207,854.98
Less: Provision (Including provision for Wealth Tax Rs. 48.00 million Previous Year Rs. 33.00 million)	270,542.98	205,594.52
	<u>12,413.98</u>	<u>2,260.46</u>
TOTAL	212,549.33	159,637.38
Particulars of Loans and Advances:		
Secured	6,824.80	6,876.03
Unsecured - Considered Good	205,724.53	152,761.35
- Considered Doubtful	2,953.45	3,599.90
	<u>215,502.78</u>	<u>163,237.28</u>
Less : Considered Doubtful and provided for	2,953.45	3,599.90
TOTAL	212,549.33	159,637.38

* Loans and Advances to employees include an amount of Rs. 1.34 million (Previous Year Rs. 0.95 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 1.54 million (Previous Year Rs. 1.05 million).

SCHEDULE-14

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
OTHER CURRENT ASSETS (Unsecured, Considered Good unless otherwise stated)		
Other Accounts		
- Considered Good	0.21	10.11
- Considered Doubtful	1,052.87	1,123.99
	<u>1,053.08</u>	<u>1,134.10</u>
Less: Provision for Doubtful Accounts	1,052.87	1,123.99
	<u>0.21</u>	<u>10.11</u>
TOTAL	0.21	10.11

SCHEDULE-15

(Rupees in million)

	As at 31st March, 2006	As at 31st March, 2005
CURRENT LIABILITIES		
Sundry Creditors for Supplies / Works		
- Small Scale Industries	6.61	5.32
- Other than Small Scale Industries	34,622.88	29,046.84
Liability for Royalty/Cess/Sales tax etc.	8,224.00	7,326.23
Deposits from Suppliers, Contractors	7,440.52	4,086.80
Other Liabilities	14,844.32	11,303.68
Unclaimed Dividend *	130.97	134.23
Interest Accrued but not due on loans	0.81	1.07
TOTAL	65,270.11	51,904.17

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

SCHEDULE-16

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
PROVISIONS		
Gratuity	895.42	1,267.48
Leave Encashment	4,074.95	3,540.41
Provision against Non-Moving Inventories and Others	3,192.16	2,800.13
Proposed Dividend	28,518.68	28,518.68
Tax on Proposed Dividend	3,999.74	3,999.74
TOTAL	40,680.95	40,126.44

SCHEDULE-17

	(Rupees in million)	
	As at 31st March, 2006	As at 31st March, 2005
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Dry Docking Charges	2,511.81	2,815.58
Other Expenditure	1,151.54	2,496.05
TOTAL	3,663.35	5,311.63

SCHEDULE-18

	(Rupees in million)	
	2005-06	2004-05
SALES		
Sales	494,898.54	479,095.04
Less :		
Transfer to Exploratory Wells in Progress (Refer Schedule-7)	5.90	19.30
Government of India's share in Profit Petroleum	12,604.44	12,509.31
	482,288.20	466,566.43
Adventitious gain	0.00	(37.48)
Price Revision Arrears	155.70	583.53
TOTAL	482,443.90	467,112.48

SCHEDULE-19

	(Rupees in million)	
	2005-06	2004-05
OTHER INCOME		
Contractual Short Lifted Gas Receipts	165.28	158.90
Pipeline Transportation Receipts	15.07	23.21
Reimbursement from Govt. of India (Refer Note 7.1 of Schedule-28)	1,272.23	0.00
Other Contractual Receipts	2,905.36	1,348.69
Income from Trade Investments :		
Dividend on Long term Investments	3,928.56	2,546.69
Interest on Long Term Investments	949.24	986.32
	4,877.80	3,533.01
Income from Non-Trade Investments :		
Interest on Long Term Investments	0.06	0.06
Interest Income on :		
Deposits with Banks/Financial Institutions (Tax deducted at source Rs. 1079.42 million. Previous year Rs. 684.47 million)	4,670.93	3,583.33
Loans and Advances to Subsidiaries (Tax deducted at source Rs. 201.96 million Previous year Rs. 246.58 million)	900.00	1,179.25
Loans and Advances to Employees	337.37	338.30
Income Tax Refund	0.97	328.95
On Site Restoration Fund Deposit	2,354.92	1,998.58
Delayed Payment from Customers and Others (Tax deducted at source Nil Previous year Rs. 181.93 million)	103.81	1,302.34
	8,368.00	8,730.75
Excess Provisions written back	978.09	658.71
Liabilities no longer required written back	677.08	597.40
Miscellaneous Receipts	4,226.01	2,200.74
TOTAL	23,484.98	17,251.47

SCHEDULE-20

	(Rupees in million)	
	2005-06	2004-05
INCREASE/(DECREASE) IN STOCKS (FINISHED GOODS)		
Closing Stock	3,832.86	1,717.03
Opening Stock	1,717.03	1,418.41
NET INCREASE/ (DECREASE) IN STOCK	2,115.83	298.62

SCHEDULE-21

	(Rupees in million)	
	2005-06	2004-05
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Royalty	46,198.47	38,149.63
Cess	41,595.67	43,052.86
Natural Calamity Contingent Duty	1,061.23	1,137.93
Excise Duty on stocks (Net)	(42.12)	(47.47)
Sales Tax	5,742.93	14,543.27
Octroi and Port Trust Charges	2,450.79	3,062.35
Staff Expenditure	12,725.12	10,030.55
Workover Operations	12,395.46	14,055.18
Water Injection, Desalting and Demulsification	3,765.91	2,551.05
Consumption of Raw materials, Stores and Spares	3,731.60	1,840.93
Pollution Control	2,671.12	3,335.66
Transport Expenses	2,144.50	2,144.26
Insurance	764.56	814.56
Power and Fuel	860.79	1,031.85
Repairs and Maintenance	5,504.62	4,267.07
Contractual payments including Hire charges etc.	4,694.90	3,877.44
Other Production Expenditure	1,672.58	1,222.18
Transportation and Freight of Products	5,906.64	8,982.14
Research and Development	1,083.70	947.29
General Administrative Expenses	12,428.00	11,364.77
Other Expenditure	2,889.12	2,064.75
TOTAL	170,245.59	168,428.25

Note:

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

SCHEDULE-22

	(Rupees in million)	
	2005-06	2004-05
DEPRECIATION, DEPLETION AND AMORTISATION		
Survey	15,856.81	10,023.59
Dry Wells	15,579.78	21,564.10
Depletion	29,684.36	24,850.57
Depreciation	38,527.61	18,242.23
Less : Allocated to:-		
Survey	722.07	575.31
Exploratory Drilling	1,885.23	1,502.94
Development	13,604.92	10,622.93
Others	89.23	105.55
	16,301.45	12,806.73
Impairment Loss		
During the year	923.34	548.07
Less: Reversal during the year	1,248.73	407.60
TOTAL	83,021.72	62,014.23

SCHEDULE-23

	(Rupees in million)	
	2005-06	2004-05
FINANCING COSTS		
A. INTEREST		
i) On Fixed Loans		
From Oil Industry Development Board	24.76	34.87
Foreign Currency Loans	22.36	29.31
ii) On Short Term Loans from Banks	19.71	56.95
iii) On Cash Credit	90.31	48.58
iv) Others	312.51	205.31
Sub-Total	469.65	375.02
B. EXCHANGE FLUCTUATION		
Exchange variation for the year (Net)	(205.64)	(125.71)
Less : Capitalised	(34.13)	(160.32)
Sub-Total	(171.51)	34.61
TOTAL	298.14	409.63

SCHEDULE-24

	(Rupees in million)	
	2005-06	2004-05
PROVISIONS AND WRITE-OFF		
PROVISIONS		
Provision for Doubtful Debts	1,835.18	583.96
Provision for Doubtful Claims/Advances	773.81	1,243.88
Provision against Non-Moving Inventories and Others	343.69	669.89
Sub-Total	2,952.68	2,497.73
WRITE-OFF		
Loss on Disposal/Condemnation of Fixed Assets (Net)	48.35	84.12
Claims / Advances Written Off	339.01	14.51
Inventories Written Off	82.56	101.08
Bad debts Written Off	0.00	123.63
Investments and Other Write Off	15.05	7.18
Sub-Total	484.97	330.52
TOTAL	3,437.65	2,828.25

SCHEDULE-25

	(Rupees in million)	
	2005-06	2004-05
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Statutory levies *	(50.28)	(133.25)
Other production, selling & distribution expenditure *	87.02	38.49
Interest -Others	0.00	2.10
Exchange Fluctuation	(0.29)	(32.27)
Depletion	18.19	0.00
Depreciation	1,532.95	1.86
TOTAL DEBIT	1,587.59	(123.07)
Sales	(435.18)	(14.26)
Interest -Others	31.70	0.01
Other Income	33.23	69.61
TOTAL CREDIT	(370.25)	55.36
Net Debit/(Credit)	1,957.84	(178.43)

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

SCHEDULE-26

	(Rupees in million)	
	2005-06	2004-05
EARNINGS PER EQUITY SHARE		
A) Net Profit after Tax	144,307.78	129,830.46
Less:		
B) Extraordinary items	6,405.39	-
C) Tax impact on Extraordinary items	(2,156.05)	-
D) Net Profit before Extraordinary items (net of tax)	140,058.44	129,830.46
E) Number of Shares	1,425,933,992	1,425,933,992
		(Amount in Rupees)
Basic & Diluted Earnings Per equity Share		
- Before extraordinary items (net of tax)- (D/E)	98.22	91.05
- After extraordinary items- (A/E)	101.20	91.05

SCHEDULE-27

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Conventions

The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP), under the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India and 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 stratigraphic 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 wells under "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

2.2.3 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion.

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.

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. In case of acquisition, cost of producing properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

2.4 General Administrative Expenses

General Administrative Expenses 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

Producing Properties and Fixed Assets of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their

recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life on the written down value method.

4. Abandonment Cost

- 4.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company.
- 4.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

5. Joint Ventures

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

- 5.1 The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for according to the participating interest of the Company as per the various Joint Venture Agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.
- 5.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/exploratory wells in progress.
- 5.3 The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Company.

6. Fixed Assets

- 6.1 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.
- 6.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

7. Intangible Assets

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

8. Depreciation

- 8.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956 except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition.
- 8.2 Leasehold land is amortised over the lease period.
- 8.3 Depreciation on adjustments to fixed assets on account of exchange difference and price variation is provided for prospectively over the remaining useful life of such assets.
- 8.4 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.

9. Taxes on Income

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

10. Inventories

- 10.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Weighted Average Cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.
- 10.2 Natural gas in pipelines and crude oil in flow lines and Group Gathering Stations are not valued.
- 10.3 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower.
- 10.4 Unserviceable items, when determined, are valued at estimated net realizable value.

11. Investments

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

12. Foreign Exchange Transactions

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using mean exchange rate prevailing on the last day of the financial year. The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except in cases (a) where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1.4.2004; (b) fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.

13. Revenue Recognition

- 13.1 Revenue from sale of products is recognized on transfer of custody to customers.
- 13.2 Sale of crude oil and gas produced from exploratory wells in progress is deducted from expenditure on such wells.
- 13.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.
- 13.4 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:
- Short lifted quantity of gas.
 - Gas pipeline transportation charges and statutory duties thereon.
 - Reimbursable subsidies and grants.
 - Interest on delayed realization from customers.

14. Retirement Benefits

- 14.1 Contribution to Provident Fund is made as per the Rules of the Company. The same is paid to a fund administered through a separate Trust.
- 14.2 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.
- 14.3 Provision towards leave encashment is made on the basis of actuarial valuation at the end of the financial year.

15. Voluntary Retirement Scheme

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

16. Insurance claims

The company accounts for insurance claims as under:-

- 16.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head "Claims Recoverable-Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.
- 16.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as "Claims Recoverable-Insurance". Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.
- 16.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is accounted for in Profit and Loss Account.

17. Research and Development

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

18. 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.

19. Deferred Revenue Expenditure

Dry docking charges of Rigs/ Multipurpose Supply Vessels (MSVs), rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure to be amortized over the period of use not exceeding five years.

20. Borrowing Costs

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

21. Provisions, Contingent Liabilities and Contingent Assets

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

SCHEDULE-28

NOTES TO ACCOUNT

- 1.1 Sales Revenue in respect of Crude Oil is based on the pricing formula agreed with the customers for the period from 1.4.2002 to 31.3.2004. Pending finalisation of fresh Memorandum of Understanding (MOU) with the customers, the same pricing formula has been provisionally applied for the years 2004-05 and 2005-06.
- 1.2 Sales revenue in respect of Natural Gas is based on the gas prices fixed on provisional basis as per directives of the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP&NG) dated 9th November, 2000 and 20th June, 2005.
- 1.3 Adjustments, if any, on account of para 1.1 and 1.2 above shall be carried out on finalisation of agreement/directives. However, company does not foresee material impact on the current year's results.
2. In terms of the decision of the GOI, the company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2005-06 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis. Accordingly, Sales Revenue in respect of Crude Oil, LPG and SKO during the year is net of Rs. 119,564.89 million (Previous Year Rs. 41,038.04 million) on this account.
3. Sales Revenue and Purchases include Rs. 34,388.86 million (Previous Year Rs. 51,040.29 million) and Rs. 34,337.97 million (Previous Year Rs. 51,012.88 million) respectively on account of trading of products of a subsidiary i.e. Mangalore Refinery and Petrochemicals Limited (MRPL).
4. In accordance with the Guidance Note on Accounting for State-Level Value Added Tax (VAT), VAT wherever applicable, collected from customers during the year amounting to Rs. 12,536.00 million, has not been included in Sales Revenue. Similarly, VAT paid has not been treated as an expense. As a result thereof, Sales Revenue as well as Sales Tax for the year is not comparable with those of previous year. This has, however, no impact on the profit for the year.
5. Royalty amounting to Rs. 1,626.24 million has been considered for the purpose of valuation of closing stock of Crude Oil from the current year. However, this has no impact on profit for the current year.
6. In a major accident on 27.07.2005, BHN platform in Mumbai High Offshore field was totally destroyed. The accident also damaged the adjacent platforms and connecting pipelines. Multi-purpose support vessel Samudra Surakhsha also caught fire and subsequently sank. All these assets were insured at specified values under Energy Insurance Package Policy.

The Company has received the insurance claim of Rs. 8,154.23 million after policy deductibles towards total loss of BHN platform and other losses related thereto which has a written down value of Rs. 1,748.84 million. The differential amount of Rs. 6,405.39 million between insurance claim received and written down value of assets has been accounted for as extraordinary item.

Further, the Company has raised certain other claims arising out of BHN accident aggregating to Rs. 3,853.63 million (US \$86,288,352) which are under process. Also claims in respect of removal of wreckage of BHN and MSV Samudra Surakhsha, damage to MNW and BHF platform, pipelines risers, third party liabilities etc. are under survey, assessment and quantification. These will be accounted for as per Accounting Policy No. 16 on Insurance as stated in Schedule 27.
- 7.1 During the year, Government of India has allowed reimbursement of Rs. 1,272.23 million from Gas Pool Account on account of excess JV purchase differential in respect of Ravva satellite field, earlier recovered from ONGC from September, 2001 to March, 2003. The same has been exhibited as Reimbursement from Govt. of India (Schedule-19).
- 7.2 The company has also received Rs. 1,436.88 million from Gas Pool Account towards reimbursement of capital cost of gas compressors installed in earlier years for augmenting sale of natural gas. The same has been credited to the Capital Cost of Compressors to the extent of Net Book Value of Rs. 949.74 million and the balance amount of Rs. 487.14 million has been included under the head Miscellaneous receipt (Schedule-19).
- 8.1 During the year, the Company has settled issues pending with JV Partners since Feb. 1998 for Panna Mukta & Tapti Joint Venture which has resulted in revision of Transportation & Processing losses, Transportation & Processing charges and treatment of Condensate

transfer, the net increase has been accounted for in current year as follows (after excluding Company's share in JV) :

(a)	Gas Sales	:	Rs. 308.42 million
(b)	Other Income (net of processing losses of Rs. 394.27million)	:	Rs. 1,217.76 million
(c)	Purchase of Condensate	:	Rs. 1,518.45 million

8.2 Pending determination of Condensate price by the Price Expert as per the Settlement Agreement, purchase of Condensate has been accounted for at provisional price by applying monthly mean average FOB price of Brent Crude.

9. Under the Accounting Policy No. 4 of Schedule 27, the Company has been recognising the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities, based on the latest technical assessment at current costs available with the Company, as cost of Producing Properties and has been providing Depletion thereon under 'Unit of Production' Method as part of Producing Properties in line with the Guidance Note on Accounting of Oil & Gas Producing Activities issued by ICAI. During the year, the Company has reviewed the earlier estimates and revised the same. Accordingly, an additional amount of Rs. 41,308.21 million has been recognised as estimated liability towards abandonment with corresponding increase in producing properties. This has resulted in increase in depletion for the year with corresponding reduction in profit by Rs 4,479.59 million.

10. Based on the opinion of the Expert Advisory Committee of the ICAI on a reference made by the Company during the year, the company has discontinued its practice of expensing the cost of exploratory type stratigraphic test wells (expendable wells) on their completion irrespective of their status. The said change has the effect of increasing both the profit for the year and exploratory wells in progress by Rs. 534.38 million.

11. The expert advisory committee of the Institute of Chartered Accountants of India has issued an opinion on 31.05.06 on a reference made earlier with regard to treatment of costs incurred on side tracking and abandoned portion of the wells due to side tracking.

The Institute has opined that the cost of abandoned portion of a side tracked exploratory well is to be charged to Profit & Loss Account and that of development well is to be capitalized as development wells in progress. In respect of sidetracking in producing wells, the cost of side tracking is to be capitalized if side tracking results in increase in proved developed reserves other wise it is to be charged to Profit & Loss Account.

Since the opinion has come after the close of the accounting period and the company has sought certain specific clarifications, no accounting adjustment has been made. However, as per past practice, the company has been considering the cost of abandoned portion of exploratory/Development wells as Exploratory/Development wells in Progress and charging off the cost of sidetracking of producing wells to Profit & Loss Account.

12. During the year, the Company has changed the rate of Depreciation on all trunk pipelines and onshore flow lines (assets below ground) from 27.82% to 100% based on technical assessment by the Management. Accordingly, depreciation on such assets is higher by Rs. 11,667.13 million, including Rs. 1,525.26 million taken to prior period. As a result thereof, profit before tax for the year is lower by Rs. 11,667.13 million.

13. During the year, the company, through its subsidiaries, has acquired participating interest in four Production Sharing Contracts in Syria. The Company has entered into a Joint Venture with ONGC Mittal Energy Limited (OMEL) for acquiring the participating interest through ONGC Nile Ganga BV (ONGBV), a subsidiary of ONGC Videsh Ltd (OVL). For financing the cost of Syrian Assets, the Company, its subsidiaries i.e., OVL and ONGBV entered into an Agreement with OMEL, in terms of which, the Company has paid an amount of Rs. 6,914.47 million (Euro 128.05 million) to ONGBV for acquiring 55% Class C shares of ONGBV. Pending finalisation of Shareholders' Agreement and allotment of shares in this respect, this amount has been shown in the accounts as "Advance for Purchase of Shares". Further, the Company has also provided a loan of Rs. 2,885.82 million (US\$ 64.62 million) to OMEL for which detailed terms under the Loan Agreement are pending.

ONGBV in joint venture with Fulin Investments Sarl (a subsidiary of CNPC, a company incorporated under the laws of China) acquired 50% shareholding in Bergamo Holdings BV, Netherlands (Purchaser), which acquired the participating interest in Syrian Assets through its wholly owned subsidiaries. The Company and CNPC also provided a guarantee to the seller guaranteeing jointly and severally the full, prompt and complete performance by the Purchaser of all its obligations under the Sale Agreement executed between the Seller and Purchaser.

14. Loans and Advances includes Rs. 383.41 million paid to Petronet MHB Limited (PMHBL) in 2003-04 towards advance for shares in terms of Ministry of Petroleum and Natural Gas approval for ONGC's 23% participation in the equity shares of PMHBL along with equity of 26% by Petronet India Ltd. (PIL), 26% by HPCL and 25% by financial institutions. ONGC has also contributed Rs. 50.00 million as advance against equity in 2004-05. The PMHBL Project was commissioned on 01.08.2003. Since its commissioning, the Company has been facing serious operational and financial constraints and has incurred losses in financial year 2004-05 due to high interest burden. It is envisaged that PMHBL will issue shares to the Company after completion of restructuring of its equity and debt restructuring exercise

initiated in consultation with lenders. Since the company intends to hold equity in PMHBL on long term basis, no provision has been considered necessary despite losses incurred by PMHBL due to high interest which are proposed to be optimized through DRP package.

15. The Company is mainly in the oil exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 14.24% (previous year 11.74%) for Rupee transactions and 11.13% (previous year 9.74%) for crude oil and value added products revenue measured in USD as on 31.03.2006.

During the year Rs. 923.34 million has been provided for as impairment loss in respect of six CGUs. Out of these, five CGUs namely Agartala, Silchar, Jodhpur, Ratna and Gauri which are mainly gas fields were impaired last year also and retail outlet has been partially impaired during the year. However, there is a write back of impairment loss of Rs. 1,248.73 million in respect of DVP Jorhat CGU due to increase in prices of crude oil.

16. The item-wise details of Net Deferred Tax Liability as on 31st March, 2006 accounted for in accordance with AS-22 on "Accounting for Taxes on Income" amounting to Rs. 63,551.33 million (previous year Rs. 54,438.46 million) are as under:

(Rs. in million)

	As on 31.03.2006	As on 31.03.2005
(i) Liabilities		
Depletion of Producing Properties	92,574.64	76,906.13
Depreciation Allocated to Wells in Progress & Expenses relating to NELP	3,354.39	294.31
Deferred Revenue Expenditure written off	2,290.66	1,787.74
Development Wells-in-Progress	1,233.08	1,287.83
Others	434.88	310.45
Total (i)	99,887.65	80,586.46
(ii) Assets		
Depreciation	136.50	167.97
Dry wells written off	3,937.05	6,572.40
Provision for Non Moving Inventories	1,074.48	942.52
Provision for Doubtful Debts/Claims/Advances/ Interest	2,245.49	1,766.32
Provision for Abandonment	27,204.27	15,066.24
Provision for Leave Encashment	1,371.63	1,191.70
Others	366.90	440.85
Total (ii)	36,336.32	26,148.00
Deferred Tax Liability (Net)(i - ii)	63,551.33	54,438.46

17. Loans and Advances (Schedule-13) include:

(Rs. in million)

	Loans & Advances in the Nature of Loans	
	Outstanding as on 31-03-2006	Maximum Amount outstanding during the year
a) Subsidiaries		
ONGC Videsh Limited (OVL) - Wholly owned subsidiary	154,769.52 (115,468.95)	154,769.52 (115,468.95)
Mangalore Refinery & Petrochemicals Ltd. (MRPL)	15,000.00 (15,000.00)	15,000.00 (24,000.00)
b) Loans and advance to ONGC Mittal Energy Limited (OMEL), JV Partner of OVL	2,885.82 (0)	2,885.82 (0)
c) Loans to employees having repayment schedule of more than seven years	6,824.80 (6,876.03)	6,876.03 (7,031.46)

Notes:

- Loans to OVL - fully owned subsidiary are interest free and repayable with a notice period of minimum one year.
- Loan to MRPL carries interest at the Bank Rate payable at quarterly intervals which is presently 6% p.a. The loan is repayable over a period of 8 years in quarterly installments, commencing from 30.06.2006. However, ONGC can call this loan on a notice of 90 days and MRPL can also prepay whole or part of the loan, as per their convenience.
- Loan to ONGC Mittal Energy Limited (OMEL), a JV partner of OVL has been advanced for acquisition of participating interest in four production sharing contracts in Syria. It carries interest @ 135 basis points (bps) over 6 months LIBOR.
- The Company has not advanced any money to its employees for the purposes of investment in the securities of the Company.

18. Joint Venture Accounting:

18.1 Jointly Controlled Operations

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

SI. No.	Joint Ventures / PSCs	Company's PI**	Operatorship/ Others Partners' PI
A	Jointly Operated JVs		
1	Mid & South Tapti	40%	BGEPIL - 30% RIL - 30%
2	Panna & Mukta	40%	BGEPIL - 30% RIL - 30%
B	Non-Operated JVs		
3	Ravva	40%	CEIL (Operator) - 22.5% Petrocon India Ltd. - 25% Ravva Oil (Singapore) Pte. Ltd. - 12.5%
4	CY-OS-90/1 (PY3)	40%	Hardy Exploration & Production (India) Inc. (Operator) - 18% HOEC - 21% TPL - 21%
5	RJ-ON-90/1	30%	CEIL (Operator) - 35% Cairn Energy Hydrocarbons Ltd. - 35%
6	CB-OS/2 - Expl. Phase	25%	Cairn Energy Group (Operator) - 60% TPL - 15%
	CB-OS/2 - Dev. Phase	50%	Cairn Energy Group (Operator) - 40% TPL - 10%
7	CB-ON/7	30%	HOEC (Operator) - 35% GSPC - 35%
8	GK-OSJ-3	25%	RIL (Operator) - 60% OIL - 15%
9	MN-ONN-2000/1	20%	OIL (Operator) - 40% GAIL - 20% IOC - 20%
10	RJ-ONN-2001/1	30%	OIL (Operator) - 70%
11	RJ-ONN-2002/1	40%	OIL (Operator) - 60%
12	AA-ONN-2002/3	70%	OIL (Operator) - 30%
13	GV-ONN-2003/1	51%	CEIL (Operator) - 49%
14	VN-ONN-2003/1	51%	CEIL (Operator) - 49%
15	RJ-ONN-2003/1	36%	ENI (Operator) - 34% Cairn Exploration - 30%
16	AN-DWN-2003/2	45%	ENI (Operator) - 40% GAIL - 15%
C	ONGC Operated JVs		
17	Jharia (JH)	90%	CIL - 10%
18	Raniganj (JG)	74%	CIL - 26%
19	CB-OS/1	32.89%	TPL - 10% HOEC - 57.11%

20	GV-ONN-97/1	40%	IOC - 30% CEIL - 30%
21	KG-DWN-98/4	85%	OIL - 15%
22	MN-OSN-97/3	85%	GAIL - 15%
23	KG-DWN-98/2	90%	CEIL - 10%
24	MB-OSN-97/4 *	70%	IOC - 30%
25	MB-OSN-2000/1	75%	IOC - 15% GSPC - 10%
26	MN-OSN-2000/2	40%	GAIL - 20% IOC - 20% OIL - 20%
27	WB-OSN-2000/1	85%	IOC - 15%
28	MB-DWN-2000/1	85%	IOC - 15%
29	MB-DWN-2000/2	50%	IOC - 15% GAIL - 15% OIL - 10% GSPC - 10%
30	GS-DWN-2000/2	85%	GAIL - 15%
31	AA-ONN-2001/2	80%	IOC - 20%
32	AA-ONN-2001/3	85%	OIL - 15%
33	CY-DWN-2001/1	80%	OIL - 20%
34	CB-ONN-2001/1	70%	CEIL - 30%
35	NK-CBM-2001/1 (JE)	80%	IOC - 20%
36	MN-DWN-2002/1	70%	OIL - 20% BPCL - 10%
37	CB-ONN-2002/1	70%	CEIL - 30%
38	BK-CBM-2001/1	80%	IOC - 20%
39	KK-DWN-2002/2	80%	HPCL - 20%
40	KK-DWN-2002/3	80%	HPCL - 20%
41	KG-DWN-2002/1	70%	OIL - 20% BPCL - 10%
42	CY-ONN-2002/2	60%	BPCL - 40%
43	BS(3) CBM-2003/II (NU)	70%	GSPC - 30%
44	AA-ONN-2002/4	90%	OIL - 10%
45	GS-OSN-2003/1	51%	CEIL - 49%

* Pending renewal of PEL w.e.f. 07.05.2006.

** PI-Participating Interest

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

18.1.2 The company has entered into 45 joint ventures for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 41,427.25 million, Rs. 11,839.27 million, Rs. 38,259.03 million, Rs. 27,778.70 million and Rs. 10,480.33 million respectively. The figures have been incorporated based on the audited accounts except relating to 7 joint ventures having assets, liabilities, income, expenditure and net profit before tax amounting to Rs. 2,004.98 million, Rs. 1,771.16 million, Rs. 7.86 million, Rs. 147.09 million and Rs. (139.23) million respectively which have been incorporated on the basis of unaudited returns received from the respective joint ventures.

18.1.3 In respect of KK-DWN-2000/2 (relinquished on 30.07.2004) and GK-OSJ-1 (relinquished on 19.12.2003) Joint Venture total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 8.62 million, Rs. 9.33 million, Rs. 1.95 million, Rs. Nil million and Rs. 1.95 million respectively have been also incorporated in the accounts of the company.

18.2 **Jointly Controlled Entity:**

a) Name	Country of Incorporation	Ownership Interest (%)	
		31.03.2006	31.03.2005
Petronet LNG Ltd.	India	12.5	12.5

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

Description	(Rs. in million)	
	31.03.2006	31.03.2005
i) Assets		
- Long Term assets	2,328.42	2,362.82
- Investments	196.12	22.36
- Current assets	681.47	716.54
- Deferred Tax Assets	0.00	17.50
ii) Liabilities		
- Current liabilities & provisions	215.59	448.08
- Other liabilities	1,574.86	1,574.87
iii) Income	4,820.77	2,448.17
iv) Expenses	4,451.97	2,501.22
v) Contingent liabilities	878.62	728.67
vi) Capital commitments	1,370.72	247.80
vii) Deferred Tax Liabilities	75.63	0.00

19. Based on the information available, the names of the Small Scale Industrial Undertakings having outstandings for more than 30 days from the Company are M/s Doshi Exchange & Chem Ind Ltd., Mumbai, M/s R K Control Instruments, Mumbai, M/s Mahalaxmi Industrial Corporation, Sivasagar, M/s N.E. Paints Udyog, Sivasagar, M/s North Eastern Cable (P) Ltd., Sivasagar, M/s Shradha Associates (Gujrat) Pvt. Ltd., 3033 Specialist, Shiv Kripa, Sivasagar.

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

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

22. Some of the Balances of Debtors, Creditors and Loans & Advances are subject to confirmation/reconciliation. Adjustments, if any, will be accounted on receipt / confirmation of the same.

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

a) **Name of Related parties and description of relationship (excluding with State Controlled Entities) :-**

Joint Ventures		
	Ravva	GK-OSJ-3
	PY-3	GV-ONN-97/1
	Panna, Mukta & Tapti	KG-DWN-98/2
	Petronet LNG Ltd.	CB-ONN-2001/1
	CB-OS-1	CB-ONN-2002/1
	CB-OS-2	RJ-ON-90/1
	CB-ON/7	GV-ONN-2003/1
	VN-ONN-2003/1	RJ-ONN-2003/1
	AN-DWN-2003/II	GS-OSN-2003/1

b) **Key Management Personnel: -**

Functional Directors:

- Shri Subir Raha, C&MD (Upto 24.05.2006)
- Shri R.S. Sharma (holding additional charge of C&MD w.e.f. 25.05.2006)
- Shri Y. B. Sinha (Upto 04.05.2005)
- Shri Nathu Lal (Upto 30.04.2005)
- Dr. A. K. Balyan
- Shri A.K. Hazarika
- Shri N.K. Mitra
- Shri U. N. Bose (w.e.f. 27.09.2005)
- Shri D.K. Pande (w.e.f. 23.09.2005)

Details of Transactions

Particulars	(Rs. in million)		
	Joint Ventures	Key Management Personnel	Total
Amount paid /payable for Oil Transfer Services (Ravva)	19.71 (33.39)		19.71 (33.39)
Amount received for use of Drill Site Accommodation (Ravva)	9.68 (8.50)		9.68 (8.50)
Receipt towards transportation and Processing Charges (Panna Mukta)	1,267.93 (724.02)		1,267.93 (724.02)
Receipt towards transportation Charges (Panna Mukta Tapti Tpt. Charges)	1,133.26 (0)		1,133.26 (0)
Amount paid for differential processing losses for Panna Mukta gas	657.12 (0)		657.12 (0)
Amount received for substituted gas (Panna Mukta)	514.03 (0)		514.03 (0)
Amount paid for purchase of Tapti Condensate	2,490.03 (0)		2,490.03 (0)
Remuneration to Directors (As per b above)		8.69 (7.48)	8.69 (7.48)
Amount Outstanding (Ravva)	6.54 (2.74)	1.34 (0.95)	7.88 (3.69)

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

(Figures in million)

SI No.	Particulars	Amount in Foreign Currency	Equivalent Rupees
1	Loans SBI-Newyork (JPY)	1,749.22	665.40
2	Import Creditors		
	AUD	6.92	221.52
	CHF	0.04	1.43
	DKK	25.03	182.25
	EUR	2.51	136.52
	GBP	0.85	66.07
	JPY	17.31	6.59
	NOK	0.32	2.21
	SGD	0.00	0.05
	USD	323.36	14,441.15
	TOTAL		15,057.79
3	Export Receivables		
	USD	99.67	4,451.08

The above disclosure has been made consequent to an announcement by the Institute of Chartered Accountants of India in December 2005, which is applicable to the financial periods ending on or after March 31, 2006. Therefore figures for the previous year are not disclosed.

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

- a) in respect of Company- Rs.83,557.54 million (Previous year Rs. 38,628.87million). Current year includes Capital Commitments amounting to Rs. 9,439.53 million where the company has 100% participating interest.
b) in respect of Joint Ventures- Rs. 9,609.61 million (Previous year Rs. Nil).

26. Contingent Liabilities:

- a. Claims against the Company not acknowledged as debts which in the opinion of the Management are not tenable/under appeal at various stages: -

(Rs. in million)

		As at 31 st March, 2006	As at 31 st March, 2005
i)	in respect of Company:		
	i. Income tax matters	22,028.64	12,317.32
	ii. Excise Duty matters	2,823.14	1,636.58
	iii. Custom Duty matters	1,437.47	1,438.22
	iv. Royalty	490.25	360.64
	v. Cess	87.85	0.89
	vi. Sales Tax	693.14	605.69
	vii. Municipal Corporation	84.50	84.50
	viii. Specified Land Tax (Assam)	735.76	0.00
	ix. Claims of contractors in Arbitration/Court	17,989.50	18,134.82
	x. in respect of other matters	6,666.15	4,651.40
	Sub Total	53,036.40	39,230.06
ii)	in respect of Joint Ventures:		
	i. Income tax matters	8.91	8.91
	ii. Custom Duty matters	3,818.37	3,693.28
	iii. Royalty	240.04	167.12
	iv. Cess	7.76	7.76
	v. Sales Tax	1,926.80	1,926.80
	vi. Claim of GOI for additional Profit Petroleum	5,082.30	4,985.60
	vii. Claims of contractors in Arbitration/Court	68.45	89.80
	viii. in respect of other matters	2,865.34	2607.22
	Sub Total	14,017.97	13,486.49
	TOTAL	67,054.37	52,716.55

- b. Bank Guarantees given by the Company Rs. 358.15 million (Previous year Rs. 206.98 million)

c. Guarantees executed by the company on behalf of its wholly owned subsidiary - ONGC Videsh Limited in favour of:-

(Rs. in million)

S.No	Details	Guarantee Amount	Amount Outstanding
1	Oil Industry Development Board.	877.00 (877.00)	61.25 (157.13)
2	National Iranian Oil Company, USD 10.80 million.	482.33 (473.15)	482.33 (473.15)
3	National Oil Company of Tripoli, Libya, USD 15.974 million for Block NC-188 & NC-189, Libya	713.40 (699.82)	713.40 (699.82)
4	Certain Banks towards loan facility granted, aggregating USD 114.46 million to part finance development of gas fields at Len Do and Lan Tay, Vietnam (out of this ONGC Videsh Limited had drawn USD 60.40 million and balance outstanding as on 31.3.2006 is nil)	- (5014.49)	- (-)
5	M/s Roseneft-S, R N Astra, SMNG-S and Exxon-N to the extent of USD 2770 million (previous year USD 2770 million) in terms of Assignment and Carry Finance Agreements in respect of Sakhalin-I Project (out of this ONGC Videsh Ltd has already made remittances aggregating USD 2552.17 million (previous year USD 1639.20 million) and balance outstanding is USD 217.83 million (Previous year USD 1130.80 million)	123708.20 (121353.70)	9728.29 (49540.35)
6	Talisman Energy Inc to the extent of USD 720.00 million (previous year USD 720.00 million) in terms of the Purchase and Sale Agreement in respect of acquisition of 25% participating interest in Greater Nile Oil Project, Sudan. Balance outstanding as on 31.3.2006 is USD 5.925 million. (Previous year USD 5.925 million).	32155.20 (31543.20)	264.61 (259.57)
7	National Oil Company of Tripoli, Libya, USD 12.50 million for Block 81-I, Libya	558.25 (-)	558.25 (-)
8	Performance Guarantee to Govt. of Qatar for Najwat Najem Oil Structure, Qatar without any financial ceiling. However, financial commitment of USD 8.00 million is involved at this stage.	357.28 (-)	357.28 (-)
	TOTAL	158851.70 (159961.36)	12165.41 (51130.02)

d. Guarantees executed by the company on behalf of its subsidiary- MRPL in favour of: -

1	Bank of America for giving buyers' credit facility up to USD 90 million (previous year USD 90 million). Balance outstanding as on 31.03.2006 was nil.	- (3942.90)	- (-)
2	Bank of America Securities, Asia Ltd. (erstwhile BA Asia Ltd.) for giving buyers' credit facility up to USD 39 million. Balance outstanding as on 31.03.2006 was USD 19.50 million.	1741.74 (1708.59)	870.87 (1708.59)
3	State Bank of India, Bahrain for giving buyers' credit facility up to USD 25 million. Balance outstanding as on 31.03.2006 was USD 25 million.	1116.50 (1095.25)	1116.50 (1095.25)
4	Saudi Aramco for supply of crude oil up to USD 160 million (previous year USD 100 million). Balance outstanding as on 31.03.2006 was USD 82.45 million	7145.60 (4381.00)	3682.22 (4381.00)
	TOTAL	10003.84 (11127.74)	5669.59 (7184.84)

e. Guarantees executed by the company on behalf of Petronet LNG Limited in favour of:

1	Certain banks towards short term loans granted to Petronet LNG Limited (a company which is promoted by the Company together with three other co-promoters) to the extent of Rs. 14,000 million out of which Company's share is Rs. 3,500 million. Balance outstanding as on 31.03.2006 is Nil.	(3500.00)	(-)
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27. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

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

DETAILS	Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MMT)**	
	As on 31-3-2006	As on 31-3-2005	As on 31-3-2006	As on 31-3-2005	As on 31-3-2006	As on 31-3-2005
OFFSHORE						
OPENING	227.930	237.920	177.637	192.724	405.567	430.644
ADDITION	1.920	9.840	2.249	4.779	4.169	14.619
DEDUCTION						
SALE/TRANSFER						
PRODUCTION	18.100	19.830	19.356	19.866	37.456	39.696
CLOSING	211.750	227.930	160.530	177.637	372.280	405.567
ONSHORE						
OPENING	194.050	185.830	154.850	154.132	348.900	339.962
ADDITION	5.590	16.980	4.127	6.601	9.717	23.581
DEDUCTION						
SALE/TRANSFER	0.000	0.450	0.051	0.392	0.051	0.842
PRODUCTION	8.090	8.310	5.611	5.491	13.701	13.801
CLOSING	191.550	194.050	153.315	154.850	344.865	348.900
TOTAL						
OPENING	421.980	423.750	332.487	346.856	754.467	770.606
ADDITION	7.510	26.820	6.375	11.379	13.886	38.199
DEDUCTION						
SALE/TRANSFER	0.000	0.450	0.051	0.392	0.051	0.842
PRODUCTION	26.190	28.140	24.967	25.357	51.157	53.497
CLOSING	403.300	421.980	313.845	332.487	717.145	754.467

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

DETAILS	Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MMT)**	
	As on 31-3-2006	As on 31-3-2005	As on 31-3-2006	As on 31-3-2005	As on 31-3-2006	As on 31-3-2005
OFFSHORE						
OPENING	193.580	198.780	126.539	141.066	320.119	339.846
ADDITION	17.370	14.630	6.409	5.338	23.779	19.968
DEDUCTION						
SALE/TRANSFER						
PRODUCTION	18.100	19.830	19.356	19.866	37.456	39.696
CLOSING	192.850	193.580	113.592	126.539	306.442	320.119
ONSHORE						
OPENING	152.870	138.920	120.087	120.476	272.957	259.396
ADDITION	4.090	22.260	2.959	5.354	7.049	27.614
DEDUCTION						
SALE/TRANSFER	0.000	0.000	0.000	0.252	0.000	0.252
PRODUCTION	8.090	8.310	5.611	5.491	13.701	13.801
CLOSING	148.870	152.870	117.435	120.087	266.305	272.957
TOTAL						
OPENING	346.450	337.700	246.626	261.543	593.076	599.243
ADDITION	21.460	36.890	9.368	10.692	30.828	47.582
DEDUCTION						
SALE/TRANSFER	0.000	0.000	0.000	0.252	0.000	0.252
PRODUCTION	26.190	28.140	24.967	25.357	51.157	53.497
CLOSING	341.720	346.450	231.027	246.626	572.747	593.076

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

28. DETAILS OF EXPENDITURE

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

	(Rupees in million)	
	2005-06	2004-05
Manpower Cost:		
(a) Salaries, Wages, Ex-gratia etc.	24,236.68	21,105.24
(b) Contribution to Provident and other funds	1,514.00	1,365.56
(c) Provision for gratuity	895.42	1,288.35
(d) Provision for leave encashment	1,462.64	1,672.53
(e) Staff welfare expenses	2,038.35	2,033.15
Consumption of Raw materials, Stores and Spares	16,312.06	14,075.91
Cess	40,804.29	42,457.84
Natural Calamity Contingent Duty - Crude Oil	1,047.73	1,127.28
Excise Duty	2,686.90	3,398.34
Royalty	46,167.50	37,913.65
Sales Tax	6,567.16	14,580.73
Octroi/BPT	2,773.14	5,670.50
Service Tax	76.97	8.33
Education cess	867.99	655.03
Rent	956.63	901.55
Rates and taxes	412.36	264.68
Hire charges of equipments and vehicles	36,714.75	35,108.87
Power, fuel and water charges	1,954.47	2,143.20
Contractual drilling, logging, workover etc.	26,841.71	22,442.29
Contractual security	1,214.54	1,266.54
Repairs to building	359.30	200.25
Repairs to plant and machinery	1,522.70	1,803.62
Other repairs	7,270.66	5,238.15
Insurance	1,504.67	1,605.82
Expenditure on Tour / Travel	2,000.92	1,824.83
Contribution *	358.61	238.64
Miscellaneous expenditure	9,483.66	7,086.69
	238,045.81	227,477.57
Less:		
Allocated to exploration, development drilling, capital jobs recoverables etc.	64,983.51	55,652.05
Excise duty	2,779.97	3,492.03
Prior Period Adjustment	36.74	(94.76)
Production, Transportation, Selling and Distribution Expenditure etc.	170,245.59	168,428.25

* Includes Contribution to Prime Minister's Relief Fund- Natural Calamity due to 'Tsunami' Nil (Previous Year Rs. 150 million).

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

i) SALES TURNOVER

	Unit	2005-06		2004-05	
		Quantity	Value Rs. in million	Quantity	Value Rs. in million
Crude Oil	MT	22453076	328929.51	24092759	322540.41
Less: From Exploratory Fields		333	5.90	1452	18.29
Less: Government of India's share in Profit Petroleum			11117.69		311823.75
Natural Gas	000M3	20499797	68188.21	20644133	55016.11
Less: From Exploratory Fields		0	0	539	1.01
Less: Government of India's share in Profit Petroleum			1486.75		53204.16
Liquified Petroleum Gas	MT	1083511	16279.06	1085504	12081.93
Natural Gasoline/Naphtha	MT	453304	9876.05	363141	6545.80
Ethane/Propane	MT	535237	7401.25	527634	5705.47
Aromatic Rich Naphtha	MT	1125012	25802.65	1203967	22714.31
Superior Kerosene Oil	MT	176258	3185.04	177406	1696.58
	KL	432287	7419.83	969543	15199.23
Heavy Cut	MT	14	0.40	13859	320.57
LSHS	MT	25489	428.43	24272	298.88
HSD	MT	7484	231.92	12221	282.16
	KL	807237	23171.39	1537520	28995.24
Motor Spirit	KL	110347	3797.06	261888	6845.82
Others			187.75		852.53
			482288.21		466566.43
Price Revision Arrears			155.70		583.53
Add: Adventitious Gain			0		-37.48
			482443.91		467112.48

ii) OPENING AND CLOSING STOCK OF GOODS PRODUCED:

	Unit	As at 31st March, 2006		As at 31st March, 2005	
		Quantity	Value Rs. in million	Quantity	Value Rs. in million
Opening stock					
Crude Oil*	MT	760735	1444.07	681134	1130.77
Liquefied Petroleum Gas	MT	13733	35.47	22678	112.75
Natural Gasoline/Naphtha	MT	36828	76.37	25660	52.23
Ethane/Propane	MT	729	3.66	532	2.30
Aromatic Rich Naphtha	MT	62138	133.15	30450	94.88
Superior Kerosene Oil	MT	4899	4.69	5371	16.65
Heavy Cut	MT	224	0.99	510	1.63
Low Sulphur Heavy Stock (LSHS)	MT	569	4.38	172	1.18
High Speed Diesel (HSD)	MT	1323	9.42	462	4.01
	KL**	19	0.45	-	-
Motor Spirit	KL	14	0.42	-	-
Others			3.96		2.01
			1717.03		1418.41
Closing stock					
Crude Oil*	MT	874616	3543.43	760735	1444.07
Liquefied Petroleum Gas	MT	19543	55.70	13733	35.47
Natural Gasoline/Naphtha	MT	21128	56.04	36828	76.37
Ethane/Propane	MT	581	4.41	729	3.66
Aromatic Rich Naphtha	MT	52446	143.17	62138	133.15
Superior Kerosene Oil	MT	5777	10.50	4899	4.69
Heavy Cut	MT	0	0.00	224	0.99
Low Sulphur Heavy Stock (LSHS)	MT	176	1.81	569	4.38
High Speed Diesel (HSD)	MT	1947	12.64	1323	9.42
	KL**	66	1.85	19	0.45
Motor Spirit	KL	4	0.13	14	0.42
Others			3.18		3.96
			3832.86		1717.03

* Includes Company's share in stock of Joint Ventures

** Material purchased for trading

iii) PURCHASES

	Unit	2005-06		2004-05	
		Quantity	Value Rs. in million	Quantity	Value Rs. in million
Superior Kerosene Oil	KL	432287	7415.51	969543	15189.53
HSD	KL	66978	1838.98	1013346	18637.74
ULS HSD	KL	807237	21294.16	524194	10342.21
Motor Spirit	KL	109812	3788.77	261902	6843.40
Others			0.55		0.28

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

	Unit	2005-06		2004-05	
		Installed Capacity Per Annum	Actual Production Quantity	Installed Capacity Per Annum	Actual Production Quantity
Crude Oil	MT	NA	26189601	NA	28133355
Natural Gas	000M3	NA	24967985	NA	25229916
Liquefied Petroleum Gas	MT	1158000	1094307	1158000	1094881
Natural Gasoline/Naphtha	MT	2127000	357485	2127000	376603
Ethane/Propane	MT	570000	535089	570000	527831
Aromatic Rich Naphtha	MT	1072030	1199428	773495	1242799
Superior Kerosene Oil	MT	297200	177756	297200	176906
Heavy Cut	MT	32965	10	32965	13246
LSHS	MT	19800	25096	19800	24669
HSD	MT	12540	36291	12540	33447

- Licensed Capacity is not applicable for the above products.
- Production includes internal consumption and intermediary losses.
- Crude Oil includes condensate 1.961 MMT (Previous year 1.955 MMT).
- NGL Production of 1.382 MMT (Previous year 1.425 MMT) fractionated for producing SKO, ARN & Heavy Cut.

v) RAW MATERIAL CONSUMED:

	Unit	2005-06		2004-05	
		Quantity	Value at Cost Rs. in million	Quantity	Value at Cost Rs. in million
(For production of Liquefied Petroleum Gas, Natural Gasoline, Ethane/Propane, Naphtha, ARN,SKO,LSHS, HSD and Heavy Cut)					
Out of own production:					
Crude Oil	MT	179342	688.78	182682	579.82
Natural Gas	000M3	829665	3073.37	827515	1757.66
Gas Equivalent Condensate	000M3	583725	694.39	663246	696.73
Purchases :					
Gas Equivalent Condensate	000M3	47200	1518.45	0	0

vi) CONSUMPTION OF STORES AND SPARE PARTS

	2005-06		2004-05	
	Amount Rs. in million	%	Amount Rs. in million	%
Imported	3,531.80	23.87	3,392.14	24.10
Indigenous	11,261.81	76.13	10,683.77	75.90
	14,793.61	100.00	14,075.91	100.00

vii) VALUE OF IMPORTS ON CIF BASIS

	2005-06	2004-05
	Amount Rs. in million	Amount Rs. in million
Capital items *	25,371.54	28,148.30
Stores and Spare Parts	4,760.99	3,301.91
	30,132.53	31,450.21

*Includes stage payments made against capital works.

viii) EXPENDITURE IN FOREIGN CURRENCY

	2005-06	2004-05
	Amount Rs. in million	Amount Rs. in million
Interest	19.62	29.17
Services	45,398.51	33,548.97
Others	3,063.66	6,216.40
	48,481.79	39,794.54

ix) EARNINGS IN FOREIGN CURRENCY

	2005-06	2004-05
	Amount Rs. in million	Amount Rs. in million
Services	6.68	1.12
FOB value of Sales	26,084.90	12,062.64
Others	2.24	41.12
	26,093.83	12,104.88

x) MANAGERIAL REMUNERATION (included in 28 above)

	2005-06	2004-05
	Amount Rs. in million	Amount Rs. in million
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Functional Directors:		
Salaries and Allowances	4.23	4.63
Contribution to Provident & Other Funds	0.46	0.50
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)	2.09	1.35
Leave Encashment and Gratuity of retired directors	1.91	1.00
Independent Directors:		
Sitting Fees	0.93	1.14
	9.62	8.62

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

xi) AUDITORS' REMUNERATION (included in 28 above)

	2005-06	2004-05
	Amount Rs. in million	Amount Rs. in million
Audit Fees	4.55	4.55
For Certification work etc.	3.52	3.09
Travelling and Out of Pocket Expenses	7.66	4.82
	15.73	12.46

- Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.
- Figures in bracket as given in Notes to Accounts relate to previous year.
- Figures in the accounts are stated in Rs. Millions except those in parenthesis which would otherwise have become Nil on account of rounding off.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rupees in million)

	Year ended 31st March, 2006	Year Ended 31st March, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax, prior period and extraordinary items	213,923.67	196,477.02
Adjustments for:		
Recouped Cost		
(Represented by Depreciation, Depletion and Amortisation)		
Gross Amount	83,347.11	61,873.76
Cash Outflows	<u>(26,650.83)</u>	<u>(25,146.34)</u>
	56,696.28	36,727.42
- Interest on Borrowings	469.65	375.02
- Foreign Exchange Loss/(Gain)	(58.51)	(26.79)
- Provision for Gratuity	895.42	1,267.48
- Provision for Leave Encashment	534.54	698.67
- Provision for Impairment	(325.39)	140.47
- Other Provisions and Write offs	2,459.56	2,169.54
- Interest Income	(9,317.24)	(9,717.07)
- Deferred Government Grant	(10.38)	(10.46)
- Dividend Received	<u>(3,928.56)</u>	<u>(2,546.69)</u>
	47,415.37	29,077.59
Operating Profit before Working Capital Changes	261,339.04	225,554.61
Adjustments for:-		
- Debtors	(1,584.87)	(14,315.83)
- Loans and Advances	7,050.46	(3,657.52)
- Other Current Assets	81.02	(91.95)
- Deferred Revenue Expenditure	1,648.28	87.98
- Inventories	(6,543.31)	(1,736.09)
- Trade Payable and Other Liabilities	<u>11,606.43</u>	<u>15,619.79</u>
	12,258.01	(4,093.62)
Cash generated from Operations	273,597.05	221,460.99
Direct Taxes Paid (Net of tax refund)	<u>(75,101.98)</u>	<u>(65,531.27)</u>
Cash Flow before prior period	198,495.07	155,929.72
Prior period items	(406.99)	180.29
Cash Flow from Operating Activities before Extra-ordinary Items	198,088.08	156,110.01
Insurance Claims received for BHN	8,154.23	0.00
Net Cash Flow from Operating Activities 'A'	<u>206,242.31</u>	<u>156,110.01</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	(46,298.52)	(52,412.48)
Exploratory and Development Drilling	(31,807.76)	(28,599.43)
Purchase of Investments (Net)	(8,504.02)	3,850.00
Loans and advances to Subsidiary	(39,701.16)	(20,008.09)
Advance for Share Capital	(6,914.47)	0.00
Loans to ONGC Mittal Energy Limited	(2,885.82)	0.00
Refund of advance for shares	0.00	12.50
Dividend Received from Trade Investments	3,859.96	2,509.00
Dividend Received from Associates	68.60	37.69
Interest Received	10,180.31	10,104.92
Net Cash Flow from Investing Activities 'B'	<u>(122,002.88)</u>	<u>(84,505.89)</u>

(Rupees in million)

	Year ended 31st March, 2006	Year Ended 31st March, 2005
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	0.43	0.35
Proceeds from Government Grants	11.16	5.82
Proceeds from Line of Credit	(8,550.00)	8,550.00
Repayment of Short Term Borrowings	(217.50)	(24,650.00)
Repayment of Long Term Borrowings	(202.18)	(601.42)
Cash Credit Advance	(8,182.12)	1,163.85
Dividend Paid	(64,170.29)	(42,691.53)
Tax on Dividend	(8,999.42)	(5,590.55)
Interest Paid	(469.91)	(538.48)
Net Cash Flow from Financing Activities 'C'	<u>(90,779.83)</u>	<u>(64,351.96)</u>
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	<u>(6,540.40)</u>	<u>7,252.16</u>
Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance)	94,668.61	87,416.45
Cash and Cash Equivalents as at 31st March, 2006 (Closing Balance)	<u>88,128.21</u>	<u>94,668.61</u>

Notes:

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

(Rupees in million)

	2005-06	2004-05
a) Cash and Bank Balances (Schedule 12A)	42,792.65	58,488.06
b) Deposits with Bank under Site Restoration Fund Scheme (Schedule 12B)	45,335.56	36,180.55
TOTAL	88,128.21	94,668.61

- Brackets indicate cash outflow/deduction.

For and On behalf of the Board

S. C. Setia
Company Secretary

Dr. A. K. Balyan
Director (HR)

R. S. Sharma
Chairman & Managing Director/
Director(Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants

For S. Bhandari & Co.
Chartered Accountants

For S.C. Ajmera & Co
Chartered Accountants

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

S.S.Bhandari
Partner (Mem. No. 11332)

S. C. Ajmera
Partner (Mem. No. 81398)

For Brahmayya & Co.
Chartered Accountants

For Lodha & Co.
Chartered Accountants

V. Seetaramaiah
Partner (Mem. No. 03848)

H.K.Verma
Partner (Mem. No. 55104)

New Delhi
June 26, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	55-54155	State Code	55
Balance Sheet Date	31-03-2006		

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

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

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

	Total Liabilities	Total Assets
	730374122	730374122
Source of Funds	Paid-up Capital	Reserves & Surplus
	14259300	525337387
	Secured Loans	Unsecured Loans
	-	1069754
	Deferred Tax Liability	Liability For Abandonment Cost
	63551330	126156353
Application of Funds	Net fixed Assets	Investments
	412161179	48885728
	Net Current Assets	Misc. Expenditure
	265663863	3663352
	Accumulated Losses	
	-	

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

Turnover (Gross Revenue)	Total Expenditure
511670142	293298924
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
218371218	144307779
Earning per Share in Rs.	Dividend Rate %
101.20	450%

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

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

S. C. Setia
Company Secretary

Dr. A.K. Balyan
Director (HR)

R.S.Sharma
Chairman & Managing Director/
Director (Finance)

New Delhi
June 26, 2006

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

Name of the Subsidiary Company	ONGC Videsh Limited	ONGC Nile Ganga B.V. (Subsidiary of ONGC Videsh Limited)	ONGC Narmada Ltd.	ONGC Bonny Brahmaputra Ltd.	Mangalore Refinery and Petrochemicals Ltd.
1. The Financial Year of the Subsidiary Company ended on	31st March, 2006	31st December, 2005	31st March, 2007	31st March, 2007	31st March, 2006
2. Date from which it became Subsidiary Companies	1st February, 1994	12th March, 2003	07th December, 2005	07th December, 2005	30th March, 2003
3. a) Number of shares held by Oil and Natural Gas Corporation Limited alongwith its nominees in the Subsidiary at the end of the financial year of the Subsidiary Companies.	3,00,00,000 Equity Shares of Rs. 100/- each	40 Class "A" & 100 Class "B" Shares of Euro 453.78 each *	20 million shares of one Naira each*	20 million shares of one Naira each *	1,25,53,54,097 Equity Shares of Rs. 10/- each
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies.	100%	100%	100%	100%	71.62%
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company.					
a) Not dealt within the Holding Company's accounts:					
i) For the financial year ended 31st March, 2006	Rs. 6,494.50 Million	Rs. 7,023.94 Million #	-	-	Rs. 2,661.51 Million
ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries.	Rs. 4,184.13 Million	Rs. 7,040.96 Million	-	-	Rs. 8,132.84 Million
b) Dealt within the Holding Company's accounts:					
i) For the financial year ended 31st March, 2006	Rs. 1,050.00 Million	Rs. 5,112.09 Million \$	-	-	Rs. 1,255.35 Million
ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries	-	Rs. 8,986.68 Million \$	-	-	-

* Shares held by ONGC Videsh Limited.

At the closing rate of exchange, there is a Foreign Exchange Translation Reserve of (Rs. 2213.21million), which has not been adjusted.

\$ Dealt with in accounts of ONGC Videsh Limited.

Note: As the first financial year of ONGC Narmada Ltd. and ONGC Bonny Brahmaputra Ltd. would end on 31st March, 2007, the OVL interest in these subsidiaries as shown above is as on 31st March, 2006

S. C. Setia
Company Secretary

Dr. A. K. Balyan
Director (HR)

R. S. Sharma
Chairman & Managing Director/
Director (Finance)

New Delhi
June 26, 2006

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Industry structure and developments

- A.1 Since last Annual General Body Meeting of your Company in September' 2005 global landscape and dynamics for petroleum industry has changed radically.
- A.2 Oil prices crossed USD 75 per barrel. Natural gas prices also increased world over. Hurricane Katrina's effect on production and refining capacity in the Gulf of Mexico, ongoing conflicts in Middle East, surging demands from world's two fastest growing nations India and China coupled with capacity constrains of oil exporting countries are few reasons for sudden rise in oil and gas prices.
- A.3 Growing concern about energy security, geo-politics and unprecedented interest of investors in energy business are also the factors to put energy at premium. Continuous hardening of oil prices and other energy sources are now being seen as the long-term response to 'demand shock'.

Oil and Gas Demand

Over the last decade primary energy consumption in the world increased at a Compounded Annual Growth Rate (CAGR) of more than two percent, mainly due to surge in energy demand from developing world, especially from China and India, where it has spiraled at a CAGR of 5.4% and 4.3% respectively.

Oil and natural gas are the dominant fuels in energy basket, accounting for almost 60% of the primary energy consumption with a share of 36% and 24% respectively.

Oil consumption in the world increased at a CAGR of 1.7%; however, China and India registered a CAGR of 7.4% and 4.4% respectively in the last decade.

Globally natural gas consumption increased at a CAGR of 2.5%. In case of China and India it increased at a CAGR of 10.4% and 6.6% respectively against a decline in gas consumption in USA, the largest gas consumer in the world.

Hydrocarbon Resources

The greatest exploration successes occurred prior to 1980, driven by large discoveries in Middle East, Russia etc. Since then, hydrocarbon resource additions have lagged behind the demand. The demand for oil and gas will continue to increase, as they are expected to remain dominant energy sources in the near future also.

Industry has made significant new discoveries in the last few years but they are increasingly being made at greater depths on land and in deepwater where cost of finds and production are high. New and discovered resources need to be produced economically and in environment friendly manner to meet ever growing demand for oil and gas and offset natural field decline. Exploration successes would also require new and better technology.

New supplies, especially gas, are located at increasing distances from consuming markets. Finding economic and safe transportation solutions is yet another challenge before the industry. However, good news is that transnational trade of natural gas has increased substantially in recent past mainly due to strengthening of gas supply from countries like, Oman, Qatar, Iran, Nigeria, Trinidad & Tobago etc. LNG supply and use which has also increased substantially, today accounts for about 35% of international gas trade.

B. Opportunities and threats

Rising oil and gas prices favour the financials of your Company but its effect on national economy would be devastating in the long-run. There are early indications of global economic recession, particularly on economies dependent on oil import.

In this scenario, your company faces two challenges. First, ensuring sustained growth for the Company and second supporting national cause to minimize the effect of high energy cost. These challenges can be handled only through finding new energy assets in the country through intensive exploration and/or acquiring equity oil and gas overseas.

Your Company, carrying the responsibility of nation's energy security concerns, has committed itself for locating new oil & gas assets in the country, bringing new sources of energy to stream and aggressively pursuing global hydrocarbon opportunities. For this, sufficient resources have already been earmarked.

'Energy Resource Nationalism' has caught the attention of Governments world over. Energy security options go beyond national boundaries and equity oil and gas have become priority for the nations.

Your Company had realized this long back and responded by forming ONGC Videsh Limited (OVL) to secure energy security for the country, which is now sourcing more than six million Tonnes of oil and oil equivalent gas per year from 22 oil and gas assets in 14 countries.

Your Company has committed required resources to support OVL's quest for equity oil and gas for energy security of the country.

Keeping in view the increasing gas demand in India, and available global opportunities, your Company finds opportunity in LNG business and is taking appropriate measures to get into the business.

C. Physical Performance

C.1 Crude oil production

Crude oil production during the year was 26.19 MMT as against 28.13 MMT during the previous year. Natural Gas production was 24.97 BCM against 25.23 BCM during the previous year. Less oil and gas production was mainly due to shortfall in production from Mumbai High, Neelam-Heera and Bassein & Satellite assets. The shortfall in Mumbai High production was primarily due to unfortunate BHN platform accident on 27th July, 2005. There was a shortfall in production from Assam Asset as well.

C.2 Value-added products (VAP)

Production of value added products during the year was 3,364 MT against 3,419 MT during the previous year. VAP production was less mainly on account of less gas production and supply.

C.3 Drilling

Total 270 wells were drilled during the year out of which 106 were exploratory wells and 164 were development wells.

C.4 Seismic survey

6,197 Line Kilometers of 2D and 19,865.6 Square Kms. of 3D seismic data were acquired during the year.

D. Outlook

D.1 Exploration and Production

D.1.1 Your Company, in recent years, has taken positive initiatives to revitalize its oil and gas assets in India; most of which are matured fields. Improved/ Enhanced Oil Recovery (IOR/ EOR) programmes are under implementation in 10 major fields with planned investment of more than Rs120,000 million. Your Company expects that declining production will be arrested from these fields.

D.1.2 Under the present oil price regime, Marginal fields are no longer marginal. Accordingly, your Company has identified expeditious development of marginal fields as one of the major thrust area. Your Company had identified 153 fields (79 in onshore and 74 in offshore) as marginal fields, as in earlier oil price regime did not favour development of these fields. The ultimate reserves of more than 180 Million Tonnes of oil and oil equivalent gas (O+OEG) was lying idle with these dormant assets.

D.1.3 Out of these 153 fields, 38 fields (Onshore: 36, Offshore: 2) have already been monetized. 94 fields are under monetization (Onshore: 39, Offshore: 55) and balance 21 fields are planned for monetization (Onshore: 4, Offshore: 17). Your Company will be making investment to the tune of Rs 127,000 million and expects that these marginal fields may contribute 50,000 bbls/ day of oil and 10 MMm³/day of gas by terminal year of XI Plan.

D.1.4 Technology plays an important role in risk mitigation and value addition in E&P industry. Recognizing that, in recent years your Company has inducted best-in-class technology in all spheres of its exploration and production activities. In addition, your Company has entered into strategic alliances with reputed service providers like Schlumberger, Halliburton, Baker Hughes, IPR, Transocean etc., to have cutting edge in E&P. Your Company has also established association/ cooperation with major E&P companies like BG, ENI, CAIRN, SHELL, Norsk Hydro, BP, BHP Billiton, etc.

D.1.5 Renewal and replacement of old installations, facilities and pipelines of your Company is in progress in most of the Assets. More than Rs 20,000 million is being invested in Assam fields alone for revamping of old installations and pipeline network to reduce surface bottlenecks.

D.2 New Sources of Energy

D.2.1 Your Company has taken structured initiatives towards new energy sources, i.e., Coal Bed Methane (CBM), Under Ground Coal Gasification (UCG) and Surface Coal Gasification (SCG).

D.2.2 Your Company has intensified CBM exploration and expects to produce CBM from early 2007. Your Company has entered into a Memorandum of Agreement (MoA) on July 21, 2005 with Central Mining Research Institute (CMRI), Dhanbad, to carry out laboratory and field-based studies for CBM exploration and exploitation.

D.2.3 To pursue UCG opportunities, your Company has entered into an MOU with Neyveli Lignite Corporation Limited (NLC) and Coal India Limited (CIL). Vastan, in South Gujarat, has been chosen as the first pilot project for UCG. The Company plans for commercial production of UCG from 2009-10.

D.2.4 Feasibility study for Surface Coal Gasification is in progress in association with UHDE (Germany) and WEC (China).

D.2.5 Your Company constituted the 'ONGC Energy Center Trust' on 18th August 2005, with the objective of holistic R&D in energy and development of marketable applications for unconventional energy sources. At present three projects viz., Hydrogen Generation, Helium and Geo-Bioreactors are on hand and these projects have been taken up in association with various institutes like BARC, SINP, DST, TERI, BHU etc. Further, your Company is considering taking up the projects like Fuel Cells, LED, SOLAR (Fresnel's Lens), Li-Battery etc.

D.3 Information Technology

D.3.1 Your Company is upgrading its existing enterprise wide Supervisory Control and Data Acquisition (SCADA) system for its production and drilling facilities. This new system will enable your Company to integrate its Assets, Basins, Plants, Forward Bases and other installations to the corporate data center, facilitating 'anytime-anywhere' access to data and real-time performance management. The turnkey project is expected to be completed by October, 2007.

D.4 Value-chain Integration

D.4.1 Besides thrust on exploration and production of oil and gas, your Company has firmed up its plans for value proposition and optimization for sustained growth.

D.4.2 Petrochemicals

Keeping in view surplus in Naphtha, a major output of your Company from the Plants at Hazira and Uran, and from the subsidiary, MRPL, due to increased availability of gas, your Company has planned for conversion of Naphtha to petrochemicals, rather than exports at low realization.

Your Company has firmed up two state-of-the-art petrochemical complexes one at Dahej (Gujarat) and other at Mangalore (Karnataka). Dahej Complex will have C2-C3 extraction plant and an integrated Petrochemical Complex. Mangalore Complex envisages Aromatic and Olefins projects.

D.4.3 Refineries

Your Company has initiated necessary actions for de-bottlenecking MRPL to 15 MMTPA capacity. In addition, your Company has also firmed up its plans for establishing a green field refinery of 15 MMTPA at Mangalore SEZ to process heavy & sour crude. Techno-commercial feasibility of proposed Rajasthan Refinery and Kakinada Refineries is also being examined.

D.4.4 LNG

Keeping in view the emerging opportunities in gas business, due to burgeoning gas demand in the country, your Company is aggressively pursuing LNG opportunities.

D.4.5 Power

Your Company is developing a 740 MW power plant at Palatana in Tripura primarily to monetize idle gas. The foundation stone of the power plant was laid by the Hon'ble Prime Minister of India on 29th October, 2005. The project is scheduled to be completed by 2008.

Your Company is also taking initiatives to develop non-conventional energy sources and has planned to set up two Wind Power Projects of 50 MW each at Gujarat and Karnataka with approximate investment of Rs 5,000 Million. Further, your Company is examining the feasibility to establish wind power plants on its offshore operation facilities.

D.4.6 SEZ Projects

Your Company is the anchor co-promoter for developing Special Economic Zones at Dahej and Mangalore for tailor-made infrastructure development for ONGC's anchor industries planned at these two locations.

E. RISKS & CONCERNS

1. The intensive exploration campaign involves high technology, high investment and high risks.
2. Crude as well as gas pricing continues to be controlled by the Government, formally or informally. Your Company is required, under the prevailing Government directives, to subsidise PSU Oil Marketing Companies, directly or indirectly, with adverse impact on revenues and profits.
3. Security of personnel and property especially crude oil continues to be a cause of concern in certain areas.
4. There are inherent HSE risks in the Oil & Gas business.
5. Regulatory frame-work for Gas and Downstream business is yet to be instituted.
6. ONGC has hired the services of a professional agency to study the risk and assess the risks faced by ONGC.

F. INTERNAL CONTROL SYSTEMS

The Company has the required internal control systems and procedures. These ensure optimum use of Company's resources; the Company's internal audit department conducts regular audits of various operational and financial matters. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors and necessary directions are issued wherever required.

G. Financial Performance

Salient Features

	(Rs. in million)	
	2005-06	2004-05
• Sales Revenue	482,288	466,566
• Profit after Tax (PAT)	144,308	129,830
• Contribution to Exchequer	23,409	22,812
• Dividend (Exclusive of Dividend Tax)	6,417	5,704
Financial Ratios		
• Profit margin	29.20	27.5
• Current ratio	3.08:1	2.62:1
• Debt-Equity Ratio	0.002:1	0.003:1
• Earning per share (Rs.)	101.20	91.05
• Book Value (Rs.)	376	325
• Dividend rate (%)	450	400

1. Your Company was directed by the Government to give discount on Crude Oil, LPG and SKO of Rs. 119,565 Million to Oil Marketing Companies (OMCs). Impact of discount on net profit was to the tune of Rs. 72,096 Million.

2. ONGC has received the **highest-ever Credit rating for any Indian Corporate** by the International Credit Rating Agency, **Moody's Investors Services**. The rating awarded is **Baa1** (Indicative Foreign Currency debt rating) - **2 notches higher than the Sovereign rating/A2** (Local currency issuer rating)- **6 notches higher than the Sovereign rating** with 'stable' outlook. **CRISIL** and **ICRA** have also assigned highest **domestic credit rating** of **AAA** and **LAAA**, respectively with a 'stable' outlook.

H. Human Resources/ Industrial Relations

- H.1 Retaining experienced and specialized manpower, which ONGC has nurtured over the years, is one of the biggest challenges your Company is facing today. Within given framework of PSUs, your Company is working out suitable options to retain its experienced and specialized manpower.
- H.2 Your Company, in association with M/s McKinsey, launched Project ARCUBE, the biggest Organisational Development (OD) intervention after Corporate Rejuvenation Campaign (CRC) in 2001. The project aims at maximizing efficiency of human resources by defining Roster, Role & Responsibility at each level. Pilot project has been implemented in Mehsana.
- H.3 Your Company has also taken initiatives for Cadre rationalization and aims to bring down the number of cadres for various employees from more than 100 to a manageable level as per global industry practices.
- H.4 ONGC, being a knowledge based Company, structured its training programmes for its employees to enhance technical and managerial skills and capabilities through regular courses like Unnati Prayas, Super Unnati Prayas, Shangsaptak - in association with reputed technical universities and management schools.
- H.5 Note: The pay-roll strength as on 31st March, 2006 was 34,722.

I. CAUTIONARY STATEMENT

These discussions are "forward looking" within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

CORPORATE GOVERNANCE REPORT

The principles of Corporate Governance and Code of Business principles are the cornerstones of your Company. These principles ensure transparency, integrity, fairness, equity, accountability and commitment to values which are vital for the long and sustained growth of your Company. Good governance practices stem from the culture and mindset of the organisation. As shareholders, across the globe, demonstrate keen interest in the practices and performance of companies, Corporate Governance has emerged on the centre stage.

ONGC has been practicing these principles long before these were made mandatory for listed companies. Your Company is committed to good governance practices that create long term sustainable value for the stakeholders. Keeping in view the large operations, complexity, global operations and corporate traditions, ONGC's Corporate Governance framework is based on the following principles:

- Ensuring timely flow of information to the Board/Committees for meaningful and focused discussion in meetings;
- Independent verification of Inplace Reserves of Oil and Gas;
- Independent verification of the Company's financial reporting;
- A sound system of internal control to mitigate the risks;
- Timely and balanced disclosure of all material information to all Stakeholders;
- Compliance with applicable laws, rules, guidelines and regulations;
- Equitable and fair treatment to all its stakeholders including Government, employees, customers, vendors, shareholders and investors.

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

- 'Golden Peacock Award for Excellence in Corporate Governance - 2002' by the Institute of Directors;
- 'ICSI National Award for Excellence in Corporate Governance'- 2003 by the Institute of Company Secretaries of India;
- 'Golden Peacock Global Award' for Corporate Governance in Emerging Economies -2005 by World Council for Corporate Governance, U.K.
- 'Golden Peacock Award for Excellence in Corporate Governance - 2005' by the Institute of Directors;
- 'Golden Peacock Award for Excellence in Corporate Social Responsibility in Emerging Economies - 2006' by World Council for Corporate Governance, UK.

2. BOARD OF DIRECTORS

2.1 Composition, Meetings And Attendance

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

2.2 Composition

Shri R. S. Sharma, Director (Finance) assumed additional charge of the post of Chairman & Managing Director with effect from 25th May, 2006, consequent upon completion of the five-year term of Shri Subir Raha as Chairman & Managing Director on 24th May, 2006.

Dr. R.K. Pachauri, Director General, The Energy Research Institute (TERI), S/Shri V.P.Singh, former C&MD, IFCI, P.K.Choudhury, Vice-Chairman & Group CEO, ICRA Ltd. and Dr. Bakul H. Dholakia, Director, IIM Ahmedabad have joined the Board as non-official part-time Independent Directors on 26th June, 2006.

S/Shri M.S. Srinivasan, former Special Secretary, MoP&NG and Ashok Chawla, Addl. Secretary, MoF, were appointed as Directors in place of S/Shri Sunjoy Joshi, Joint Secretary, MoP&NG and P.K. Deb, Joint Secretary, MoF on 5th December, 2005. On elevation of Shri M.S. Srinivasan to the position of Secretary, MoP&NG, Shri Anil Razdan, Addl. Secretary, MoP&NG was appointed as Director on 20th February, 2006.

S/Shri P.K. Sinha, Joint Secretary and Financial Advisor, MoP&NG and Sunjoy Joshi, Joint Secretary, MoP&NG vacated office as Directors on 3rd March, 2006 and 5th December, 2005, respectively.

S/ Shri D.K. Pande and U.N. Bose assumed the charge of Director(Exploration) and Director(T&FS) on 23rd September and 27th September, 2005, respectively in place S/Shri Y.B.Sinha and Nathu Lal who separated from the Company on 4th May and 30th May, 2005, respectively. Shri A.M. Uplenchwar joined the Board as IOC nominee on 23rd December, 2005 in place of Shri N.K.Nayyar, Director who tendered resignation on 5th December, 2005.

S/Shri M.M. Chitale, U. Sundararajan and Rajesh V. Shah, non-official part-time Directors shall be completing their tenure of three years on 10th September, 2006.

Presently, the Board has 16 members, comprising of 6 Functional Directors, including the Chairman & Managing Director and 10 non-executive Directors comprising of: 2 part-time official (ex-officio) Directors and 8 part-time non-official Directors, all nominated by Government of India. The Board of Directors thus, has an adequate combination of executive and non-executive Directors. To share the experience and business strategies, C&MD, Oil India Limited and Managing Director, ONGC Videsh Ltd. (OVL) are invitees to the meetings of the Board.

2.3 Board /Committee Meetings and Procedures:

(A) Institutionalised decision making process:

With a view to institutionalise all corporate affairs and setting up systems and procedures for advance planning for matters requiring discussion/ decisions by the Board, the Company has defined guidelines for the meetings of the Board of Directors and Committees thereof. These guidelines seek to systematise the decision making process at the meetings of Board/Committees, in an informed and efficient manner.

(B) Scheduling and selection of Agenda items for Board /Committee Meetings:

- The meetings are being convened by giving appropriate advance notice after obtaining the approval of the Chairman of the Board/Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance amongst the members for facilitating meaningful, informed and focused decisions at the meetings. To address specific urgent need, meetings are also being called at a shorter notice. The Board is also authorised to pass Resolution by Circulation for all such matters which are of utmost urgent nature.
- Where it is not practicable to attach any document or the agenda is of confidential nature, the same is tabled with the approval of Chairman of the meeting. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted. Sensitive subject matters are discussed at the meeting without written material being circulated.
- The agenda papers are prepared by the concerned officials, sponsored by the concerned functional Directors and submitted for obtaining approval of the Chairman of the Board/Committee. Duly approved agenda papers are circulated amongst the Board/Committee members by the Company Secretary and/or by the convener of the Committee.
- The meetings of the Board/Committees are generally held at the Company's Registered Office in New Delhi. During the year under review one meeting was held in Kolkata.
- Presentations are made at the Board/Committee meetings covering Finance, Production, major Business Segments, Human Resources, Marketing, Joint Venture operations etc. of the Company and for taking on record quarterly / annual financial results at the pre-scheduled Board/Committee meetings.
- The members of the Board/Committee have complete access to all information of the Company. The Board is also free to recommend inclusion of any matter in agenda for discussion. Senior management officials are called to provide additional inputs to the items being discussed by the Board/Committee, as and when necessary.

(C) Recording minutes of proceedings at the Board/Committee Meeting

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

(D) Follow-up mechanism

The guidelines for the Board/Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the action taken on decisions of the Board/Committee. Every functional Director submits follow-up Action Taken Report (ATR) on the areas of his responsibilities, at least once in a quarter, on the decisions/ instructions/directions of the Board.

(E) Compliance

Every functional Director while preparing the agenda notes is responsible for and is required to ensure adherence to all applicable provisions of law, rules, guidelines etc. The Company Secretary has to ensure compliance to all the applicable provisions of the Companies Act, 1956, SEBI Guidelines, Listing Agreement and other statutory requirements pertaining to capital market. A Quarterly Compliance Report (collected from all work centres) confirming adherence to all the applicable laws, rules, guidelines and internal instructions/manuals including on Corporate Governance is reviewed by the Audit & Ethics Committee and the Board.

2.4 BOARD MEETINGS

During the year 2005-06, **fourteen** Board Meetings were held on: April 12 & 27, May 19, June 02 & 20, July 27, August 10, October 01&26, December 05&23, 2005 and January 30, February 20 and March 03, 2006. The minimum and maximum interval between any two Board meetings was 10 days and 51 days, respectively.

Composition and Attendance: a) Executive Directors

Name & Designation	Financial Year 2005-06 Attendance at			As on date			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (21.09.05)	No. of Directorships in other Public limited Companies		No. of Committee positions held in Public Companies including ONGC*	
				Listed	Others	Chairman	Others
Shri R. S. Sharma Director (Finance)/ Chairman & Managing Director (from 25.05.2006)	14	13	Yes	2	3**	0	2
Dr. A.K. Balyan Director (Human Resource)	14	11	Yes	1	3**	0	1
Shri A.K. Hazarika Director (Onshore)	14	14	Yes	0	1	0	0
Shri N.K. Mitra Director (Offshore)	14	13	Yes	2	2	0	0
Shri D.K. Pande Director (Exploration) (from 23.09.2005)	7	5	NA	0	1**	0	0
Shri U.N. Bose Director (Technology & Field Services) (from 27.09.2005)	7	7	NA	1	1	0	0
Shri Subir Raha Chairman & Managing Director (up to 24.05.2006)	14	14	Yes	1	4**	0	0
Shri Y.B. Sinha Director (Exploration) (up to 04.05.2005)	2	2	N.A	1	1**	0	1
Shri Nathu Lal Director (Technology & Field Services) (up to 30.04.2005)	2	2	N.A	1	1	0	1

b) Non-Executive Directors

Name & Designation	Financial Year 2005-06 Attendance at			As on date			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (21.09.05)	No. of Directorships in other Public limited Companies		No. of Committee positions held in Public Companies including ONGC*	
				Listed	Others	Chairman	Others
(i) Part-time official Directors-(ex-officio) Govt. nominees							
Shri Anil Razdan Addl.Secretary, MoP&NG (from 20.02.2006)	2	2	N.A.	2	1	0	0
Shri M.S.Srinivasan, former Special Secretary, MoP&NG (from 05.12.2005 to 02.01.2006)	2	2	N.A.	2	0	0	0
Shri Ashok Chawla Addl Secretary, MoF (from 05.12.2005)	5	5	N.A.	0	1	0	1
Shri P.K. Deb Joint Secretary (FT&I), MoF (up to 05.12.2005)	9	0	No	0	3	0	0
Shri P.K. Sinha Joint Secretary & Financial Advisor, MoP&NG (up to 03.03.2006)	13	13	Yes	2	1	0	1
Shri Sunjoy Joshi Joint Secretary, MoP&NG (up to 05.12.2005)	9	6	Yes	0	3	2	0
(ii) Part-time non-official Independent Directors							
Shri M.M.Chitale	14	12	Yes	2	3**	2	3
Shri Rajesh V. Shah	14	8	Yes	2	8**	4	3
Shri U. Sundararajan	14	11	Yes	2	2	0	3
Shri A.M.Uplenchwar (from 23.12.2005)	4	3	N.A.	3	4	0	0
Shri N.K. Nayyar (up to 05.12.2005)	9	1	Yes	3	2**	0	2
Dr. R.K. Pachuari (from 26.06.2006)	N.A.	N.A.	N.A.	1	0	0	3
Shri V.P. Singh (from 26.06.2006)	N.A.	N.A.	N.A.		2	0	2
Shri P.K.Choudhury (from 26.06.2006)	N.A.	N.A.	N.A.	1	3	0	3
Dr. Bakul H.Dholakia (from 26.06.2006)	N.A.	N.A.	N.A.	4	1	1	3

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

** The Directorships held by Directors as mentioned above, do not include Directorships in Foreign Companies, Section 25 Companies and Private limited Companies.

- Notes:**
- Being a PSU, all Directors are appointed/ nominated by the President of India;
 - Directors are not related to each other;
 - Directors do not have any pecuniary relationships or transactions with the Company;
 - The Directorship/Committee Memberships are based on the latest disclosure received from Directors;
 - None of the Director is a Member of more than 10 Committees and Chairman of more than 5 Committees, across all the Companies in which he is a Director.

3. STRATEGY MEETS

The Company has a practice of periodic retreats where all members of the Board and high officials of the Ministry of Petroleum & Natural Gas discuss issues of Corporate Strategy and Policy. The 5th Strategy Meet was held on April 28-30, 2006 in Bangalore.

4. CONCLAVES

To have the benefit of cumulative knowledge and experience of the elders of the ONGC family, an assembly of the past and present members of Oil & Natural Gas Commission and Board is organized every year. The 5th Conclave was held on 11-13 August, 2005.

5. VICHAR VISHLESHAN

The Key Executives in-charge of Assets, Basins, Services and Institutes meet periodically with the Executive Committee consisting of the C&MD and the functional Directors to review performance and to formulate future plans. During the year under review, 5th & 6th 'Key Executive Meets' were held at the ONGC Academy, Dehradun from April 25-27 and May 30-31, 2005 respectively.

6. RESUME OF DIRECTORS PROPOSED TO BE RE-APPOINTED

The brief resume of Directors retiring by rotation and seeking reappointment is appended in the notice for calling Annual General Meeting.

7. BOARD COMMITTEES

The Company has the following Committees of the Board:

7.1 AUDIT & ETHICS COMMITTEE

The terms of reference of the Audit & Ethics Committee are in accordance with Section 292 of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement.

The Committee is headed under the stewardship of Shri M.M.Chitale, an Independent non-executive Director. Shri Chitale is a Fellow member of the Institute of Chartered Accountants of India and has vast, diverse and enriched experience in financial management, corporate affairs and accounting matters. The other members of the Committee S/Shri U. Sundararajan and Rajesh V. Shah, Independent non-executive Directors, have requisite financial and management experience and have held or hold senior positions in other reputed organizations.

Shri Ashok Chawla, Dr. R.K. Pachauri, Shri V.P. Singh, Shri P.K. Choudhury and Dr. Bakul H. Dholakia were appointed as members of the committee with effect from 8th August, 2006.

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

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

Shri S.C. Setia, Company Secretary acts as the Secretary to the Committee.

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

- Overseeing financial reporting processes and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible;
- Recommending to the Board, audit fees payable to Statutory Auditors appointed by C&AG and approving payments for any other services;
- Reviewing with management the periodic financial statements/results before submission to the Board, focusing primarily on:
 - matters required to be included in the Directors' Responsibility Statement ;
 - changes in accounting policies and practices;
 - major accounting entries based on exercise of judgement by the management;
 - qualifications in draft audit report;
 - significant adjustments arising out of the audit;
 - the going concern assumption;

- compliance with accounting standards;
 - compliance with listing agreement and legal requirements concerning financial statements;
 - related party transactions i.e. transactions of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large;
- Reviewing with the management, Statutory Auditors, Govt. Audit and Internal Audit, adequacy of internal control systems and recommending improvements to the management;
 - Reviewing the adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audit;
 - Discussion with internal auditors any significant findings and follow-up thereon;
 - Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
 - Discussion with the Statutory Auditors before the audit commences, the nature and scope of audit, as well as post-audit discussion including their observations to ascertain any area of concern;
 - Reviewing the Company's financial and risk management policies;
 - Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals including on Corporate Governance principles;
 - Reviewing the management discussion and analysis of financial condition and results of operations, statement of significant related party transactions, management letters/letter of internal control weaknesses issued by the statutory auditors, internal audit reports; and
 - Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.

Minutes of the meetings of the Audit & Ethics Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in its next meeting.

Composition, Meetings and Attendance

During the year 2005-06, ten meetings of Audit & Ethics Committee were held on: April 12, June 19, July 6 & 27, October 7 & 26, November 30, 2005 and January 6, 17 & 30, 2006.

Member	No. of Meetings held during the tenure	Meetings Attended
Shri M.M.Chitale, Chairman	10	10
Shri Rajesh V Shah	10	6
Shri U. Sundararajan	10	9
Permanent Invitees:		
Shri R. S. Sharma, Director(Finance)	10	9
Shri B.L. Ghasolia, ED-Chief-Internal Audit	10	9

7.2 REMUNERATION COMMITTEE

ONGC being a Government Company, appointment and terms and conditions of remuneration of Executive (whole-time functional) Directors are determined by the Government through the Ministry of Petroleum & Natural Gas. Non-executive part-time official Directors (ex-officio) do not draw any remuneration. The part-time non-official Directors receive sitting fees of Rs. 10,000/- for each Board/Committee meeting attended by them.

The Committee is headed by Shri Anil Razdan, Additional Secretary, MoP&NG, effective 08.08.2006. Shri Sunjoy Joshi, Joint Secretary, MoP&NG was heading the Committee upto 05.12.2005. Shri. U.Sundararajan, Dr. Bakul H. Dholakia (from 08.08.2006), non-official part-time independent Directors, Shri R.S. Sharma, Director (Finance) and Dr. A.K. Balyan, Director (Human Resource) are the members of the Committee.

Director (Human Resource) acts as a Member-Convener of the Committee.

7.2.1 DIRECTORS' REMUNERATION:

Remuneration of Directors for the year ended 31st March, 2006 was as follows:

(a) Executive Directors

(Rs. in lac)

SL. No.	Name	Salary including DA	Other benefits & perks	Performance Incentives	Contribution to PF & Other Funds	Total	Term upto
1.	Shri R.S. Sharma	5.88	0.96	0.54	0.73	8.11	28.02.2007
2.	Dr. A. K. Balyan	6.08	2.45	0.55	0.76	9.84	22.08.2008
3.	Shri N.K. Mitra	6.12	2.24	0.53	0.77	9.66	08.09.2009
4.	Shri A.K. Hazarika	6.27	2.62	0.53	0.77	10.19	08.09.2009
5.	Shri D.K.Pande (from 23.09.2005)	3.05	0.40	0.33	0.38	4.16	22.09.2010
6.	Shri U.N.Bose (from 27.09.2005)	2.99	0.47	0.34	0.37	4.17	26.09.2010
7.	Shri Y.B.Sinha (up to 04.05.2005)	0.54	0.76	0.53	0.07	1.90	Not applicable
8.	Shri Nathu Lal (up to 30.04.2005)	0.28	0.11	0.53	0.04	0.96	Not applicable
9.	Shri Subir Raha (up to 24.05.2006)	6.08	1.41	0.56	0.76	8.81	Not applicable

- Notes:**
- The remuneration does not include cost of medical treatment availed from the Company's owned medical facilities, provision/ payment for gratuity and leave encashment.
 - Notice period of 3 months or salary in lieu thereof is required for severance of service.
 - Pursuant to ONGC incentive scheme, annual incentive @ 4.5% of the basic plus special pay and additional annual incentive @ 28% on the maximum payscale have been paid.

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

Non-Executive non-official Directors are paid sitting fee at the rate of Rs.10,000/- for attending each meeting of the Board and Committee thereof. Details of sitting fees paid during the year under review are as follows:

Name	Sitting fees (Rs. in lac)*
Shri M.M.Chitale	3.80
Shri U. Sundararajan	4.10
Shri R.V. Shah	3.20

Note: *inclusive of sitting fee paid for attending Board and sub-committee meetings.

There were no other pecuniary relationships or transactions of the Non-executive Directors vis-à-vis the Company.

7.2.2 STOCK OPTIONS

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

7.2.3 EQUITY SHARES HELD BY DIRECTORS (As on 31st March, 2006)

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

Name of Directors	No. of Shares held*	Name of Directors	No. of Shares held*
Shri R.S.Sharma	717	Shri M.M.Chitale	41
Dr.A.K.Balyan	400	Shri U. Sundararajan	70
Shri N.K. Mitra	662	Shri Subir Raha (up to 24.05.2006)	1,101
Shri A.K. Hazarika	774	Shri Y.B.Sinha (up to 04.05.2005)	482
Shri D.K. Pande	1,112	Shri Nathu Lal (up to 30.04.2005)	434
Shri U.N.Bose	199		

*Source: Declarations made to the Company.

7.3 SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The terms of reference include to oversee the redressal of Shareholders'/Investors' complaints/grievances pertaining to share transfers, non receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints. The Committee oversees and reviews performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of Company's Code of Conduct for Prevention of Insider Trading in Securities.

The Committee is headed by Shri Rajesh V. Shah, an independent non-official Director. S/Shri R.S. Sharma, U.N. Bose and Nathu Lal (upto 30.05.2005) were the members of the Committee during the year 2005-06.

The Committee has been re-constituted w.e.f. 8th August, 2006 comprising of Shri Rajesh V. Shah, Dr. R.K. Pachauri, Shri P.K. Choudhury, all independent Directors, Shri R.S. Sharma, Director (Finance) and Dr. A.K. Balyan, Director (Human Resrouce) as members.

The Company Secretary acts as Secretary to the Committee.

Minutes of the meetings of the Shareholders'/Investors' Grievance Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in its next meeting.

Composition and Attendance

During the year 2005-06, **four** meetings were held on: June 20, September 21, December 5, 2005 and March 03, 2006. The attendance particulars are as under:

Member	Meetings held during the tenure	Meetings attended
Shri Rajesh. V Shah -Chairman	4	4
Shri R.S. Sharma	4	4
Shri U.N. Bose	4*	4*
Shri Nathu Lal	0	0

* Inclusive of two meetings attended in capacity of Executive Director (T&FS), prior to becoming member of the committee.

7.3.1 REDRESSAL OF INVESTORS' GRIEVANCE

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues resolved usually within 15 days except in case of dispute over facts or other legal constraints.

Except for the complaints pertaining to 'Offer for Sale', the Company received 286 shareholders' complaints from Stock Exchanges/SEBI which inter-alia includes non receipt of dividend, annual report etc.

The complaints were duly attended to and the Company/RTA have furnished necessary documents/information to the shareholders.

The Shareholders'/Investors' Grievance Committee reviews the complaints received and appropriate action is taken promptly.

No request for share transfer is pending beyond 30 days except those that are disputed or sub-judice. All requests for de-materialisation of shares are likewise processed and confirmation communicated to investors and Depository Participants within 10 working days.

The total number of complaints/queries /correspondence received and replied/attended to the satisfaction of the shareholders was 6,930. There were 8 outstanding complaints as on 31st March, 2006, since settled.

Barring complaints relating to allocation of shares in the Offer for Sale, 2004, 517 complaints/ queries / correspondence were received from 1st April to 31st July, 2006, out of which 510 complaints have been resolved and 7 complaints are under process for settlement.

The Company Secretary is the Compliance Officer.

7.3.2 STEPS REQUIRED FOR FAST SETTLEMENT OF GRIEVANCES:

Sl.No.	Nature of Complaint	Contact Office	Action to be taken
1.	Complaint regarding allocation of Shares, Refund order under Offer for Sale, 2004 by Govt. of India	Shri Ramesh Agarwal, Director MCS Limited 77/2A, Hazra Road, Kolkata-700029 Phone Nos.033- 24767359 Fax Nos. 033-24541961 & 241709881 e-mail: mcskol@rediffmail.com.	Application giving details of Application No, No. of Shares applied, No. of Shares allotted, DP ID, Client ID, Nature of complaint, Applicant Name(s) & complete postal address.
2.	Dividend from financial years 1998-99 to 2005-06 and all matters pertaining to Physical Shares; For Physical Shares- Change of address, status, Bank account, mandate, ECS mandate etc.	M/s Karvy Computershare Private Ltd., "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500034. Phone Nos. 040- 23420815-819. Fax No: 040- 23420814. e-mail: mailmanager@karvy.com OR Karvy Computershare Private Ltd., 105-108 Arunachal Building, 1st floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-43528522 (tele-fax) & 43636370 e-mail: delhi@karvy.com	Letter on plain paper stating the nature of complaint, Folio / DP ID/ Client ID No; lodging of original shares and other documents / instruments as the case may be. Members are requested to apply for renewal or issue of duplicate dividend warrants for the Dividend 1998-99 before 30th September, 2006. After 30th September, 2006, the unpaid dividend amount for the year 1998-99 will be transferred by the Company to the Investor Education & Protection Fund (IEPF) set up by Govt. of India and no claim will lie neither against IEPF nor against the Company.
3.	For Dematted Shares- Change of address, status, Bank account, mandate, ECS mandate etc.	Concerned Depository Participant (DP) where the Shareholder is maintaining his/her account	As per instructions of DP
4.	All complaints except of Sl.no.3	Company Secretary Oil and Natural Gas Corporation Ltd. 124, Indira Chowk, New Delhi-110001 Phone: 011-23301277 & 23301299 e-mail: secretariat@ongc.co.in	On plain paper stating nature of complaint, folio/DPID/Client ID No., Name and address.

7.3.2 INVESTOR RELATIONS CELL

In line with global practices, the Company is committed to maintain, the highest standards of Corporate Governance, reinforcing the relationship between the Company and its Shareholders. 'Investor Service Center' with information frequently required by investors and analysts was launched on 9th May, 2005 on the Company's website ongcindia.com. This service provides updates on financial statements, investor-related events and presentations, annual reports, dividend information and shareholding pattern along with media releases, company overview and report on Corporate Governance etc.

The in place information will help tremendously in arriving at investment decision by FIIs, OCBs, NRIs, Institutional Investors and the small shareholders. Also existing and potential investors will be able to interact with the company through this link for their queries and seeking information.

A Core Team comprising of senior, seasoned and experienced officials, headed by Director (Finance) had been assigned the responsibilities for up-keeping the said link and also to serve as a platform for the shareholders to express their opinions, views, suggestions etc. to understand the influencing factors in their investment decision-making process. Besides, the said above team is also instrumental to maintain close liaison and to share information through periodic meets including tele-conferencing in India and abroad, regular press meets with investment bankers, research analysts, the media, institutional investors etc. The Company is committed to take such other steps as may be necessary to fulfill the expectations of the stakeholders.

7.4 HUMAN RESOURCE MANAGEMENT COMMITTEE

Composition, Meetings and Attendance

The terms of reference include consideration of HR policies & issues and proposals for promotions to below - Board levels. Shri Rajesh V. Shah, an independent part-time non-official Director is the Chairman of the Committee. S/Shri M.M. Chitale, U. Sundararajan, Sunjoy Joshi (upto 05.12.2005), C&MD and all functional Directors were members during the year under report. Dr. Bakul H. Dholakia, S/Shri Anil Razdan and P.K. Choudhury were co-opted as members with effect from 8th August, 2006. Director (Human Resource) is the Member-Convener of the Committee.

Minutes of the meetings of the Human Resource Management Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in the ensuing Board Meeting.

During the year 2005-06, six meetings were held on April 11, June 20, July 27, October 26 and December 23, 2005 and February 07, 2006. These meetings were attended by the members of the Committee, as under:

Member	Meetings held during the tenure	Meetings attended
Shri Rajesh V. Shah, Chairman	6	5
Shri R.S. Sharma	6	4
Dr. A.K. Balyan	6	5
Shri N.K. Mitra	6	5
Shri A.K. Hazarika	6	5
Shri M.M. Chitale	6	6
Shri U. Sundararajan	6	6
Shri D.K.Pande (from 23.09.2005)	5*	4*
Shri U. N.Bose (from 27.09.2005)	5*	5*
Shri Subir Raha (up to 24.05.2006)	6	6
Shri Y.B. Sinha (up to 04.05.2005)	1	1
Shri Nathu Lal (up to 30.04.2005)	1	1
Shri Sunjoy Joshi (upto 05.12.2005)	4	0

Note: * inclusive of one & two meetings attended as a special invitee, prior to becoming member.

7.5 PROJECT APPRAISAL COMMITTEE

The Project Appraisal Committee reviews and make recommendations to the Board on projects/capital investment exceeding Rs.150 crore. Also monitors IOR/EOR schemes of the Company. Shri U. Sundararajan, an independent part-time non-official Director is the Chairman. Director (T&FS) acts as a Member - Convener of the Committee.

S/Shri R.S. Sharma, M.M. Chitale, Rajesh V. Shah, D.K. Pande (from 23.09.2005), U.N. Bose (from 27.09.2005), Y.B. Sinha (up to 04.05.2005), Nathu Lal (up to 30.04.2005), P.K. Sinha (up to 03.03.2006) and Sunjoy Joshi (up to 05.12.2005) were members of the Committee. S/Shri Anil Razdan, Ashok Chawla, V.P. Singh and P. K. Choudhury were appointed as members of the Committee with effect from 8th August, 2006.

Minutes of the meetings of the Project Appraisal Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in the ensuing Board Meeting.

Composition, Meetings and Attendance

During the year 2005-06, **ten** meetings were held on: April 11 & 27, May 19, June 20, September 21, October 07 & 25 and December 23, 2005 and February 7 & 20, 2006. These meetings were attended by the members of the Committee, as under:

Member	Meetings held during the tenure	Meetings Attended*
Shri U. Sundararajan, Chairman	10	10
Shri R.S. Sharma	10	10
Dr. A.K. Balyan	10	3
Shri N.K. Mitra	10	8
Shri A.K. Hazarika	10	9
Shri M.M. Chitale	10	7
Shri Rajesh V Shah	10	5
Shri D.K. Pande (from 23.09.2005)	4*	4*
Shri U.N. Bose (from 27.09.2005)	8**	8**
Shri Y.B. Sinha (up to 04.05.2005)	2	1
Shri Nathu Lal (up to 30.04.2005)	2	2
Shri P.K. Sinha (up to 03.03.2006)	10	3
Shri Sunjoy Joshi (up to 05.12.2005)	7	1

Note: The functional Directors attended only those meetings concerning the Projects of their responsibilities. Inclusive of one*/ three** meeting (s) attended as a special invitee, prior to becoming member of the committee.

7.6 SHARE TRANSFER COMMITTEE

In order to expedite the process of share transfers and other related activities, the Share Transfer Committee has been empowered to approve the requests received for share transfer/ transmission/ transposition, issue of duplicate share certificates, sub-division, consolidation, re-materialisation, change of status etc. These requests are processed through the Registrar & Share Transfer Agent, M/s Karvy Computershare Private Ltd., usually once in a fortnight. The details of transfers are reported to the Board of Directors at the ensuing meeting. The Committee was headed by Director (Finance) during FY 2005-06. The Company Secretary acts as a Convener to the Committee.

The Committee has been re-constituted from 8th August, 2006 comprising of Shri P.K. Choudhury, Chairman, Dr. R.K. Pachauri, Director (Finance) and Director (Human Resource) as members.

Minutes of the meetings of the Share Transfer Committee are circulated to the members of the Committee and the Board is kept apprised.

Composition, Meetings and Attendance

During the year 2005-06, **Twenty one** meetings were held on: April 27, May 19, June 08 & 27, July 14 & 27, August 21 & 29, September 20, October 03 & 18, November 08 & 21 and December 15 & 29, 2005, January 17 & 30, February 10 & 20, and March 03 & 23, 2006. These meetings were attended by the members of the Committee, as under:

Member	Meetings held during the tenure	Meetings attended
Shri R. S. Sharma, Chairman	21	21
Dr. A.K. Balyan	21	21
Shri N.K. Nayyar (upto 05.12.2005)	13	11

7.7 HEALTH, SAFETY & ENVIRONMENT COMMITTEE

The terms of reference includes review of policies, processes & systems on Safety, Occupational Health, Environment and Ecology aspects. Shri U. Sundararajan, an independent part-time non-official Director is the Chairman of the Committee. Director, Incharge-HSE, acts as the Convener - Member. Minutes of the meetings of the Health, Safety and Environment Committee are circulated to the members of the Committee and the Board is kept apprised.

S/Shri Subir Raha, R.S. Sharma, Dr. A.K. Balyan, S/Shri A.K. Hazarika, N.K. Mitra, D.K. Pande (from 23.09.2005), U.N. Bose (from 27.09.2005), M.M. Chitale and Rajesh V. Shah, Y.B. Sinha (up to 04.05.2005), Nathu Lal (up to 30.04.2005) and Sunjoy Joshi (up to 05.12.2005) are/were the members. S/Shri Anil Razdan, Dr. R. K. Pachauri, V.P. Singh and Dr. Bakul H. Dholakia have been co-opted as members of the Committee with effect from 8th August, 2006.

Minutes of the meetings of the Health, Safety & Environment Committee are circulated to the members of the Committee and the Board is kept apprised.

During the year 2005-06, **two** meetings were held on December 5/23, 2005 and January 4, 2006. These meetings were attended by the members of the Committee, as under:

Member	Meetings held during the tenure	Meetings Attended
Shri U. Sundararajan, Chairman	2	2
Shri R.S. Sharma	2	2
Dr. A.K. Balyan	2	2
Shri A.K. Hazarika	2	2
Shri N.K. Mitra	2	2
Shri M.M. Chitale	2	1
Shri Rajesh V Shah	2	1
Shri D.K. Pande (from 23.09.2005)	2	1
Shri U.N. Bose (from 27.09.2005)	2	2
Shri Subir Raha	2	2

7.8 FINANCIAL MANAGEMENT COMMITTEE

A new Committee headed by Dr. Bakul H. Dholakia, an Independent Director for consideration of Budget, Delegation of powers (empowerment), Commercial issues, Forex and Treasury management, Investments, Risk management, Capital structure, Issue of securities, Short & long term loans, Periodical performance review of ONGC Videsh Ltd. (OVL) & Mangalore Refinery and Petrochemicals Ltd. (MRPL) both subsidiary companies, has been constituted on 8th August, 2006. S/Shri Ashok Chawla, V.P. Singh, P.K. Choudhury, Director (Finance) and the concerned functional Director(s) are the members. The Managing Directors of OVL & MRPL are invitees. Director (Finance) is the Convener - Member of the Committee.

7.9 BUSINESS DEVELOPMENT COMMITTEE

In order to oversee new areas of business, proposals for Collaborations, Joint-ventures, Amalgamation, Mergers & Acquisitions, Commercial (including marketing) etc., a Committee under the stewardship of Dr. R.K. Pachauri, an Independent Director has been constituted on 8th August, 2006. Other members include S/Shri Anil Razdan, Ashok Chawla, V.P. Singh and all functional Directors. The Managing Directors of OVL & MRPL are the invitees. Director (Human Resource) is the Convener - Member of the Committee.

7.10 OTHER FUNCTIONAL COMMITTEES

Apart from the above, the Board also from time to time, constitute Functional Committees with specific terms of reference as it may deem fit. Meetings of such Committees are held as and when required for discussing the matter concerning the purpose arises. Time schedule for holding the meetings of such functional committee(s) are finalized in consultation with the Committee Members. Minutes of the meetings of all such functional Committees are circulated to the members of the Committee and the Board is kept apprised.

7.11 PROCEDURE AT COMMITTEE MEETINGS

Company's guidelines relating to Board Meetings are applicable to Committee Meetings as far as may be practicable. Each Committee has the authority to engage outside experts, advisers and counsels to the extent it considers appropriate to assist the Committee in its work. Minutes of the Committee meetings are circulated to the members of the Committee and the same are noted, ratified and approved by the Board of Directors.

8. CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT

The Board of Directors in its 148th meeting held on 5th December, 2005, on the recommendations of Audit & Ethics Committee, has adopted a Code of Conduct ('Code') for Members of the Board and Senior Management. This Code is a comprehensive code applicable to Executive and Non-executive Directors as well as members of the Senior Management i.e. 'Key Executives' of the Company. A copy of the Code has been placed on the Company's website www.ongcindia.com.

The Code has been circulated to all the members of the Board and Key Executives and compliance of the same has been affirmed by them. A declaration signed by Chairman & Managing Director is given below:

I hereby confirm that:

The Company has obtained from the Members of the Board and Key Executives (Senior Management Personnel), affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2005-06.

R.S. Sharma
Chairman & Managing Director

8.1 ONGC CODE ON INSIDER TRADING

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading". The objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, insiders (Directors, Advisors, Key Executives, Designated Employees and other concerned persons) are prohibited to deal in the Company's shares during the closure of Trading Window. To deal in securities, beyond a specified limit, permission of Compliance Officer is required. All Directors/Officers/designated employees are also required to disclose related information periodically as defined in the code, which in turn is being forwarded to the stock exchanges. Company Secretary has been designated as the Compliance Officer.

9. SUBSIDIARY MONITORING FRAMEWORK:

All subsidiaries of the Company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies periodically.

The Company has wholly-owned unlisted non-material subsidiary companies. In terms of Clause 49.III (ii) and (iii) of the Listing Agreement, their performance has been reviewed by the Audit and Ethics Committee and the Board by the following means:

- Financial Statements for the year/period ended 31st March, 2006, in particular the investments made by the unlisted subsidiary companies, are reviewed by the Audit and Ethics Committee;
- Minutes of the meetings of the Board of Directors are placed before the Company's Board, periodically.
- The Company does not have any Material unlisted Subsidiary in terms of Clause 49 of the Listing Agreement.
- M/s ONGC Narmada Ltd. and ONGC Bonny Brahmaputra Ltd. became subsidiary on 7th December, 2005 and there being no transaction, their performance was not reviewed.

9.1 Brief of the Company's subsidiary companies as on March 31, 2006:

Sl.No	Name of the Subsidiary	Date of incorporation	Country in which incorporated	Material/Non-material/ Listed/Unlisted
1	ONGC Videsh Ltd.	05.03.1965	India	Non-material/Unlisted
2	Mangalore Refinery and Petrochemicals Ltd.	07.03.1988	India	Listed
3	ONGC Nile Ganga BV	10.10.1995	Netherlands	Non-material/Unlisted
4	ONGC Narmada Ltd	7.12.2005	Nigeria	-do-
5	ONGC Bonny Brahmaputra Ltd.	7.12.2005	Nigeria	-do-

10. COMPLIANCE OFFICER

The Company Secretary has been nominated as the Compliance Officer.

11. ANNUAL GENERAL MEETINGS

Location, date and time, where the AGMs were held during the preceding 3 years:

Year	Location	Date	Time (IST)
2002-03	Convention Hall, Hotel Ashok, 50-B Chanakyapuri, New Delhi-110021	29.09.2003	11.00 a.m.
2003-04	-do-	29.09.2004	11.00 a.m.
2004-05	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	21.09.2005	11.00 a.m.

Three Special Resolutions were passed in the 11th Annual General Meeting held on 29th September, 2004 by show of hands: (i) Delisting of equity shares from Delhi Stock Exchange Association Ltd.(DSE), (ii) Amendment and/or alteration to the Articles of Association of the Company and (iii) Keeping the Register of Members, index, copies of Annual Return etc. at the existing office or any place at the office of Registrar & Share Transfer Agent. A Special Resolution for maintaining the Register of Members, Index of Members and copies of Annual Return etc. at the office of the Registrar and Transfer Agent was passed in the AGM held on 21.09.2005. No Resolution was passed through Postal Ballot in preceding three years.

12. DISCLOSURES

12.1 MATERIAL CONTRACTS/RELATED PARTY TRANSACTIONS

The Company has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners except with certain PSUs, where the Directors are Directors without the required shareholdings. The Company has obtained declarations from all concerned in this regard, which were noted by the Board.

Transactions with related parties are disclosed in Note No.20 of Schedule 29 to the Accounts in the Annual Report. Being a State enterprise, no disclosure has been made in respect of the transactions with subsidiary companies in line with Accounting Standard-18 on Related Party Transactions.

12.2 COMPLIANCES

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities, on matters related to capital markets.

It is certified that the Company has complied with applicable rules and regulations prescribed by Stock Exchanges, SEBI or any other statutory authority relating to the capital markets.

All Returns/Reports were filed within stipulated time with Stock Exchanges/other authorities. .

13. MEANS OF COMMUNICATION

- Quarterly/Annual Results:** The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges, immediately these are taken on record/ approved. These financial results are normally published in Times of India, Business Standard, Economic Times (English) Navbharat Times and Jansatta (Hindi), other dailies having wide circulation across the country. The results are not sent individually to the shareholders. The results are also displayed on the web site of the Company www.ongcindia.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely www.sebidifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, www.sebi.gov.in . The results are posted on NSE Electronic Issuer Interface (NSEII) www.nseii.com.
- News Release, Presentation etc.:** The official news releases, detailed presentations made to media, institutional investors, financial analysts etc. are displayed on the Company's website www.ongcindia.com.
- Website:** The Company's website www.ongcindia.com. contains separate dedicated section '*Investor Relations*' where the information generally required by the shareholders is available. Full Annual Report, Shareholding Pattern and Corporate Governance Report etc. is also available on the web-site in a user-friendly form.
- Annual Report:** Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Corporate Governance Report including Information for the Shareholders and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report duly reviewed by the Audit & Ethics Committee forms part of the Directors' Report in Annual Report.

14. SHAREHOLDERS' INFORMATION:

14.1 ANNUAL GENERAL MEETING:

- Date : 19th September, 2006
- Time : 10.30 A.M.
- Venue : Air Force Auditorium, Subroto Park, New Delhi-110010.

14.2 FINANCIAL CALENDAR (Tentative):

Adoption of Quarterly Results for the Quarter ending:

- June 30, 2006 July, 2006
- September 30, 2006 October, 2006
- December 31, 2006 January, 2007
- March 31, 2007 (audited) June, 2007

14.3 BOOK CLOSURE PERIOD:

Friday, the 8th September to Tuesday, 19th September, 2006 (both days inclusive).

14.4 DIVIDEND PAYMENT DATE: On or after September 20, 2006.

14.5 LIQUIDITY OF SHARES:

The equity shares of the Company are part of the S&P CNX Nifty Index and are listed on the following Stock Exchanges:

Name & Address	Telephone/Fax/E-mail ID/Website ID	Trading Symbol
Bombay Stock Exchange Ltd. (BSE) P.J.Towers, Dalal Street, Fort, Mumbai-400001	Telephone:022-22721233/34 Facsimile: 022-22721919 E-mail: listing@bseindia.com Website: www.bseindia.com	500312 ONG CORP. LTD
National Stock Exchange of India Ltd.(NSE) Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai-400051	Telephone: 022-2659 8100/104 Facsimile: 022-2659 8120 E-mail: cmlist@nse.co.in Website: www.nseindia.com	ONGC

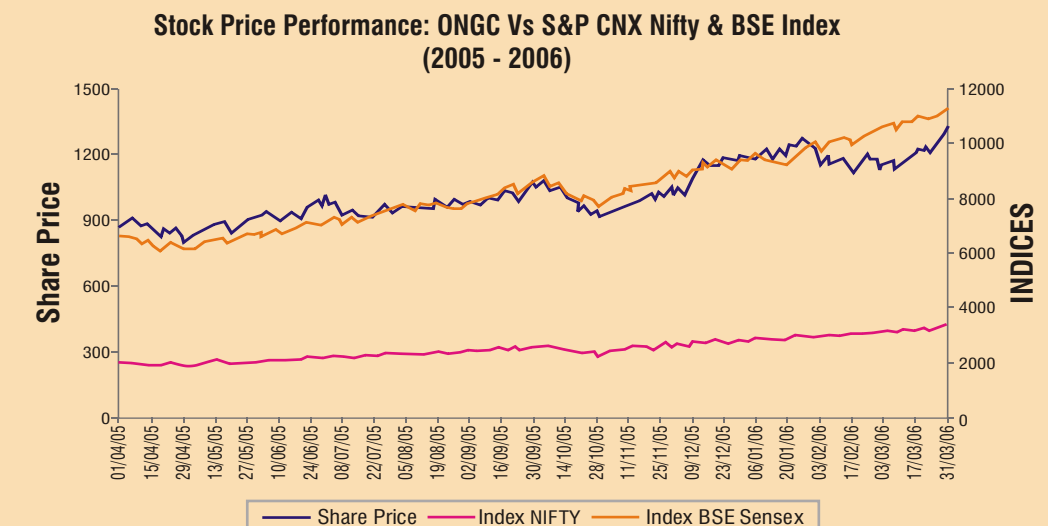
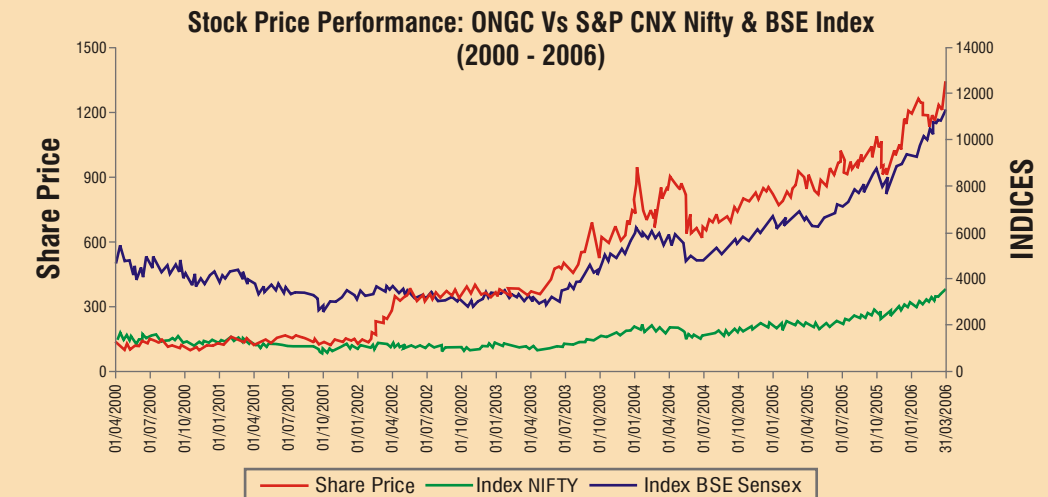
14.6 LISTING FEES

Annual listing fees for the year 2005-06, as applicable have been paid to the above Stock Exchanges.

14.7 DEMAT ISIN NUMBER IN NSDL & CDSL: INE213A01011

14.8 STOCK MARKET INFORMATION

14.8.1 PERFORMANCE IN COMPARISON TO S&P CNX NIFTY & BSE INDEX



14.8.2 STOCK MARKET DATA

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr'05	916.45	811.35	5955752	915.55	811.20	22089485
May'05	916.93	824.12	5468031	922.75	827.10	20163208
Jun'05	1015.35	904.90	7799032	1027.45	910.70	25323221
Jul'05	993.28	913.92	7763044	988.20	918.20	30470443
Aug'05	1005.66	938.25	6290371	1003.10	941.70	25290826
Sep'05	1084.12	973.58	5234804	1076.95	978.25	21014929
Oct'05	1075.58	924.29	7492284	1078.70	918.65	27751653
Nov'05	1044.40	930.27	5577827	1049.25	930.15	18129590
Dec'05	1193.26	1028.17	6129923	1192.95	1022.05	25205476
Jan'06	1269.32	1183.92	6721155	1277.50	1180.05	21593328
Feb'06	1230.47	1132.11	7740128	1224.05	1121.95	23533813
Mar'06	1325.39	1122.17	9569856	1337.15	1122.10	19749510

Source: Web-sites of BSE & NSE.

14.9 REGISTRAR AND TRANSFER AGENT (RTA)

M/s Karvy Computershare Private Limited (Karvy) 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500034, Telephone Nos. 040-23420815-819, Fax.No. 040- 23420814, e-mail: mailmanager@karvy.com are the Registrar and Share Transfer Agent for Physical Shares. Karvy is also the depository interface of the Company with both National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL).

Keeping in view the convenience of the shareholders, documents relating to shares and any other documents are accepted at Karvy Computershare Private Ltd., 105-108 Arunachal Building, 1st floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-43528522, Tele-fax 43636370, e-mail delhi@karvy.com and at the Company at 8th floor, Jeevan Bharati Tower-II, 124 Indira Chowk, New Delhi-1100 01, Phone Nos: 011-23301277 & 23301299, e-mail: secretariat@ongc.co.in

15. SHARE TRANSFER SYSTEM

With a view to expedite the process of share transfer, the Board of Directors of the Company had constituted a Committee ' Share Transfer Committee' which usually meets in a fortnight to consider and approve the shares received for transfer, transmission, re-materialisation and dematerialisation etc. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the share transfer is not under any dispute. The share certificates duly endorsed are returned immediately to the shareholders by RTA. Confirmation in respect to the requests for dematerialisation of shares is sent to the respective depositories i.e. NSDL and CDSL, expeditiously.

As per SEBI guidelines facility of simultaneous transfer-cum-dematerialisation is being extended. Under the said system, after the transfer is affected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him in case he wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a demat request and sends the same to RTA along with option letter.

Pursuant to the Clause 47-C of the Listing Agreement with the Stock Exchanges, Certificates on quarterly basis confirming due compliance of share transfer formalities by the Company, certificate for timely dematerialisation of the shares as per SEBI (Depositories and Participants) Regulations, 1996 and a Secretarial Audit Report for reconciliation of the share capital of the Company obtained from a practicing Company Secretary have been submitted to stock exchanges with in stipulated time.

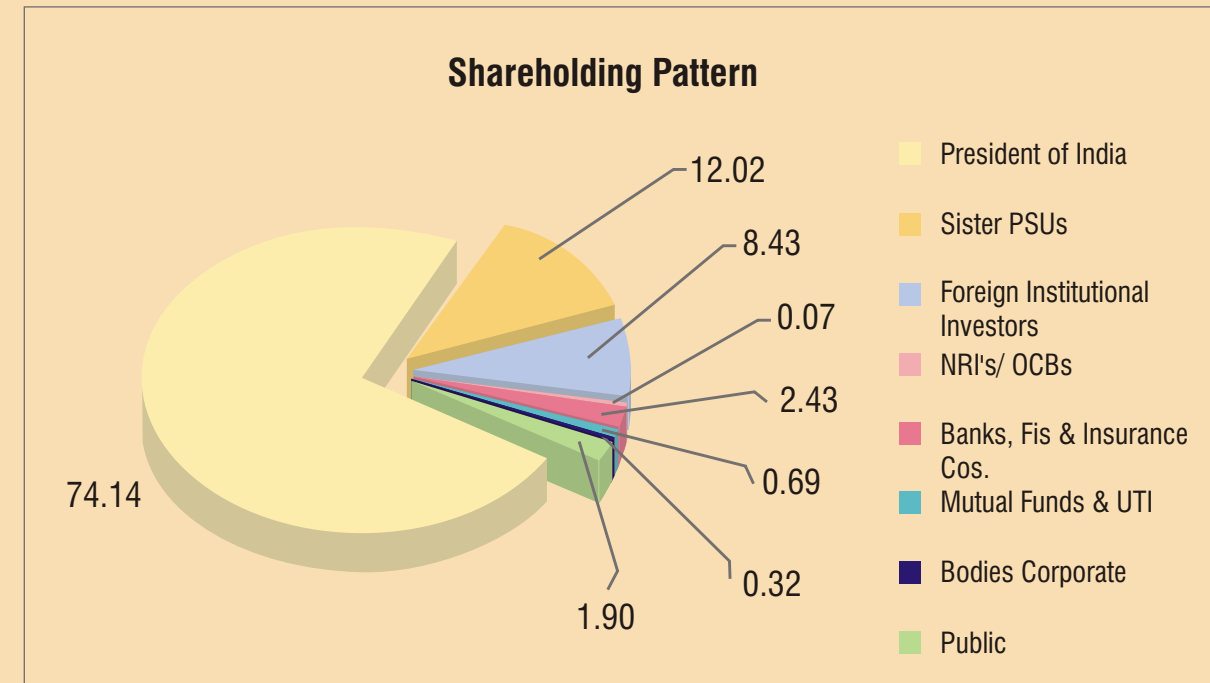
The total number of transfer deeds processed and shares transferred during the last three years are as under:

Year	No. of Transfer Deeds processed	No. of Shares Transferred
2005-06	563	71,319
2004-05	964	1,34,732
2003-04	2057	3,04,932

As on 31st March, 2006, 2 requests involving transfer of 350 shares were under process. The requests were less than 15 days old and have since been processed.

16. SHARE OWNERSHIP PATTERN (As on 31st March, 2006)

Category	No. of Shares held	Percentage of Shareholding
President of India	1,05,71,60,451	74.14
Banks, Financial Institutions and Insurance Companies	3,46,71,585	2.43
Foreign Institutional Investors	12,01,95,921	8.43
Mutual Funds & UTI	98,05,173	0.69
NRIs & OCBs	9,43,565	0.07
Bodies Corporate:		
- Government	17,13,34,226	12.01
- Others	45,72,009	0.32
Public	2,72,51,062	1.91
TOTAL	142,59,33,992	100.00



16.1 TOP 10 SHAREHOLDERS (As on 30th June, 2006)

Sl.No.	Name of the Shareholder	No. of Shares held	% of total Shareholding
1	President of India	105,71,60,451	74.14
2	Indian Oil Corporation	10,96,53,905	7.69
3	GAIL (India) Ltd.	3,42,66,845	2.40
4	Life Insurance Corporation of India	2,70,80,268	1.90
5	Euro Pacific Growth Fund	1,35,02,527	0.95
6	Capital World Growth & Income Fund.Inc.	75,55,840	0.53
7	HSBC Global Investment Funds A/C. HSBC Global Investment Funds Mauritius Ltd.	74,57,164	0.52
8	Morgan Stanley & Co. International Limited A/C-Morgan Stanley Dean Witter Mauritius Company Ltd.	46,21,752	0.32
9	Aberdeen Asset Mangers Limited A/C-Aberdeen International India Opportunities Fund (Mauritius) Ltd.	34,44,000	0.24
10	Franklin Templeton Investment Funds	33,14,586	0.23
	TOTAL	126,80,57,338	88.92

16.2 DISTRIBUTION OF SHAREHOLDING BY SIZE (As on 31st March, 2006)

Number of Shares	Number of Shareholders	% of Share-Holders	Total Number of Shares	Percentage
1 - 500	3,36,530	96.58	1,84,00,854	1.29
501 - 1000	10,142	2.91	65,59,522	0.46
1001- 2000	855	0.25	11,40,853	0.08
2001 - 3000	180	0.05	4,37,940	0.03
3001 - 4000	89	0.03	3,10,704	0.02
4001-5000	61	0.01	2,77,212	0.02
5001 -10000	134	0.04	9,69,496	0.07
10001-above	459	0.13	139,78,37,411	98.03
TOTAL	3,48,450	100.00	142,59,33,992	100.00

16.3 GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS (As on 30th June, 2006)

Sl.No.	City	No. of Shareholders	No. of Shares held	% of total Shareholding
1	Delhi	29,527	1,09,40,85,393	76.73
2	Mumbai	79,359	31,02,97,297	21.76
3	Chennai	2,503	21,58,759	0.15
4	Ahmedabad	26,406	21,07,352	0.15
5	Kolkata	18,360	20,38,495	0.14
6	Dehradun	4,291	10,98,421	0.08
7	Bangalore	15,572	10,54,393	0.07
8	Pune	10,548	5,77,055	0.04
9	Hyderabad	7,216	4,13,467	0.03
10	Guwahati	962	84,589	0.01
11	Others	1,53,849	1,20,18,771	0.84
	TOTAL	3,58,593	1,42,59,33,992	100.00

17. CORPORATE BENEFITS:
DIVIDEND HISTORY

Years	Rate (%)	Per Share (Rs.)	Amount (Rs. in million)
2000-01	110	11.00	15,685.27
2001-02	140	14.00	19,963.08
2002-03			
- Interim	170	17.00	24,240.88
- Final	130	13.00	18,537.14
2003-04			
- Interim	140	14.00	19,963.08
- Final	100	10.00	14,259.34
2004-05			
- Interim	200	20.00	28,518.68
- Final	200	20.00	28,518.68
2005-06			
- Interim	250	25.00	35,648.35
- Final	200	20.00	28,518.68
(Proposed)			

18. TRANSFER OF UNPAID/UNCLAIMED DIVIDEND AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year under report, an amount of Rs.14,55,955/- (Rupees Fourteen lac fifty five thousand nine hundred fifty five only) pertaining to unpaid dividend for the financial year 1997-98 has been transferred to IEPF of the Central Government.

As per provision of the Section 205A read with Section 205C of the Companies Act, 1956 the Company is required to transfer unpaid dividends remaining unclaimed and unpaid for a period of 7 years from the due date(s) to the Investor Education and Protection Fund set up by the Central Government.

Unclaimed dividend for the year 1998-99 is due for transfer to Investors' Education and Protection Fund established by Govt. of India on or before 09.11.2006. All Shareholders, whose dividend is unpaid, are requested to lodge their claim, if not already lodged with M/s Karvy, the RTA by submitting an application before 30th September, 2006. Kindly note that no claim will lie against the Company or the IEPF once the dividend amount is deposited in IEPF.

Reminder letters have been sent by RTA to all such members, whose dividend is unpaid/unclaimed for the year 1998-99. Members who have not responded to the reminder letter or have not encashed their dividend warrants within their validity period may write to the Company at its Registered Office or M/s Karvy Computershare Private Limited, Registrar & Transfer Agent of the Company, for revalidating the warrants or for obtaining duplicate warrants/or payment in lieu of such warrants in the form the demand draft.

Given below are the proposed dates for transfer of the unclaimed dividend to IEPF by the Company:

Financial Year	Date of Declaration	Proposed Date for Transfer to IEPF*
1998-99	21.09.1999	09.11.2006
1999-00		
- Interim	10.05.2000	09.06.2007
- Final	27.09.2000	26.10.2007
2000-01	27.09.2001	26.10.2008
2001-02	20.09.2002	19.10.2009
2002-03		
- Interim	31.01.2003	28.02.2010
- Final	29.09.2003	28.10.2010
2003-04		
- Interim	04.02.2004	03.03.2011
- Final	29.09.2004	28.10.2011
2004-05		
- Interim	24.12.2004	23.01.2012
- Final	21.09.2005	20.10.2012
2005-06		
- Interim	23.12.2005	22.01.2013
- Final	19.09.2006	18.10.2013

*Indicative dates, actual dates may vary.

18.1 DIRECT DEPOSIT OF DIVIDEND (ELECTRONIC CLEARING SERVICE)

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

Those shareholders who have not opted for ECS payment are advised to provide (if not already provided) their Bank account details, such as Bank name, Branch, Account Number, Type of Account, quoting Folio numbers to M/s Karvy Computershare Private Ltd., RTA to enable them to incorporate the same on the dividend warrants, to avoid any fraudulent encashment.

18.2 BANK DETAILS FOR DEMATTED SHARES

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

19. DEMATERIALISATION OF SHARES

The shares of the Company are in compulsory dematerialised segment and are available for trading in depository system of both National Securities Depository Limited and Central Depository Services (India) Limited. As on 31st March, 2006, 36,64,15,565 equity shares, forming 99.36% of divested shareholding in the hands of the public, stood de-materialised. Small shareholders can approach separate window at stock exchanges to sell up to 500 shares in physical form.

20. OUTSTANDING GDRs /ADRs/ WARRANTS OR CONVERTIBLE BONDS

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

21. LEGAL PROCEEDINGS

No case and/or suit of any material or substantial nature is pending against the Company.

22. ASSETS /BASINS/ PLANTS/REGIONS/INSTITUTES/ MAJOR PROJECTS:

A. ASSETS:

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

B. BASINS:

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

C. PLANTS:

1. Uran Plant, Uran
2. Hazira Plant, Hazira

D. REGIONS:

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

E. INSTITUTES:

1. Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE), Dehradun
2. Institute of Drilling Technology(IDT), Dehradun
3. Institute of Reservoir Studies, Ahmedabad
4. Institute of Oil & Gas Production Technology, Navi Mumbai
5. Institute of Engineering & Ocean Technology, Navi Mumbai
6. Geo- data Processing & Interpretation Center(GEOPIC), Dehradun
7. ONGC Academy, Dehradun
8. Institute of Petroleum Safety, Health & Environment Management, Goa.
9. Institute of Biotechnology & Geotectonics Studies, Jorhat
10. School of Maintenance Practices, Vadodara
11. Regional Training Institutes, Navi Mumbai, Chennai, Sivasagar & Vadodara.

F. SERVICES:

1. Drilling Services, Mumbai
2. Well Services, Mumbai
3. Geo-physical Services, Dehradun
4. Logging Services, Vadodara
5. Engineering Services, Mumbai
6. Offshore Logistics, Mumbai
7. Technical Services, Dehradun
8. Info-com Services, New Delhi
9. Corporate Planning, New Delhi
10. Human Resource Development, Dehradun
11. Employee Relations, Dehradun
12. Security, Dehradun
13. Company Secretary, New Delhi
14. Marketing, New Delhi
15. Corporate Affairs & Co-ordination, New Delhi
16. Corporate Communication, New Delhi
17. Health, Safety & Environment, New Delhi
18. Material Management, Dehradun
19. Legal Services, New Delhi
20. Medical Services, Dehradun
21. Internal Audit, New Delhi
22. Commercial, New Delhi
23. Exploration & Development, Dehradun

23. INVESTOR SERVICES:

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

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

23.1 ADDRESSES FOR SHAREHOLDERS' CORRESPONDENCE:

- **Investor Correspondence:** For transfer/transmission/ dematerialisation of shares, payments of dividend and other query relating to shares of the Company:

- **For Shares held in Physical Form**
M/s Karvy Computer share Private Ltd.
"Karvy House", 46, Avenue 4,
Street No. 1, Banjara Hills, Hyderabad-500034.
Telephone: 040- 23420815-819; Fax: 040-23420814.
email:mailmanager@karvy.com

- **For Shares held in Demat Form**
To the Investors' Depository Participant(s) and/or Karvy Computershare Private Limited.
- **For Offer for Sale made by Govt. in 2004**
M/s MCS Limited
77/2-A, Hazra Raod, Kolkata -700029.
Phone No. 033-24767350, Fax No. 033-24541961.
e-mail: mcskol@rediffmail.com.

24. RISK MANAGEMENT

The framework for risk assessment and minimisation thereto has been evaluated and further improvements, if any, suggested by experts shall be implemented.

25. COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from the Auditors of the Company, M/s. K.K. Soni & Co., S. Bhandari & Co., Brahmayya & Co., Lodha & Co. and S.C. Ajmera & Co., Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed to this report forming part of the Annual Report.

The Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

26. ADOPTION OF NON-MANDATORY REQUIREMENTS OF CLAUSE-49

Besides the mandatory requirements, the Company has complied with the following Non-mandatory requirements stipulated under Clause- 49

Remuneration Committee:

The Company has constituted a Remuneration Committee to recommend/review payment of sitting fees to part-time non-official Directors. Being a PSU, appointment and terms and conditions of remuneration of Executive (whole-time functional) Directors are determined by the Government through the Ministry of Petroleum & Natural Gas.

27. SECRETARIAL COMPLIANCE REPORT

Secretarial Compliance Report confirming Compliance to the applicable provisions of Companies Act, 1956, Listing Agreement, Depositories Act, 1996 and Regulations framed there under, SEBI guidelines and all other related rules and regulations relating to capital market, though not mandatory, obtained from a practicing Company Secretary, was noted by the Board and forms part of the Directors' Report.

28. CAPITAL INTEGRITY AUDIT

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Stock Exchanges where the securities of the Company are listed.

29. WHISTLE BLOWER POLICY

Being a PSU, the guidelines of CVC are applicable; therefore no separate mechanism has been formulated.

30. FEE TO STATUTORY AUDITORS

The fee paid to the Statutory Auditors for the year was Rs. 54.40 lac (previous year Rs. 54.40 lac) including Rs. 3.75 lac (previous year Rs. 3.75 lac) as fee for certification of Corporate Governance Report and Rs. 18.75 lac for Limited Review Reports.

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To
The Members
Oil and Natural Gas Corporation Ltd.

We have examined the compliance of the conditions of Corporate Governance by **Oil and natural Gas Corporation Limited** for the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and has been limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company, except that the Board of Directors does not comprise of the required number of independent directors as per the terms of provisions of Clause 49 of the Listing Agreement, has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders' / Investors' Grievance Committee.

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

For K K Soni & Co.
Chartered Accountants

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

For S. Bhandari & Co.
Chartered Accountants

S.S. Bhandari
Partner (Mem. No. 11332)

For S.C. Ajmera & Co.
Chartered Accountants

S.C. Ajmera
Partner (Mem.No. 81398)

For Brahmayya & Co.
Chartered Accountants

V.Seetaramaiah
Partner (Mem. No. 003848)

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner (Mem. No. 55104)

New Delhi
August 16, 2006

SECRETARIAL COMPLIANCE REPORT

The Board of Directors, Oil and Natural Gas Corporation Ltd.

We have examined the registers, records and documents of **Oil and Natural Gas Corporation Ltd.** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made under that Act, for the financial year ended on 31st March, 2006 (financial year). In our opinion and according to the information and explanations given to us by the Company, the Company has complied with the provisions of the Act and Rules made there under, and the Memorandum and Articles of Association of the Company with regard to:

- (a) Maintenance of various statutory registers and documents and making necessary entries therein;
- (b) Filing of the requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana within the time prescribed under the Act and the Rules.
- (c) Service of documents by the Company on its members and the Registrar of Companies.
- (d) Closure of Register of Members and Share Transfer Books of the Company from 5th September 2005 to 19th September 2005 (both days inclusive).
- (e) Notice of Board Meetings and Committee meetings of Directors;
- (f) Convening and holding of the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) The 12th Annual General Meeting held on 21st September 2005.
- (h) Minutes of proceedings of General Meeting and meetings of Board and its committees.
- (i) Constitution of Board of Directors and appointment, retirement and re-appointment of directors;
- (j) Appointment of Chairman and Managing Director, Whole Time Directors and non-executive Directors and their remuneration.
- (k) The Directors disclosed their interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities and their disclosures have been noted and recorded by the Board.
- (l) Transfers and transmission of shares and issue and delivery of original and duplicate certificates of shares; dematerialization/rematerialization of shares;
- (m) Declaration and payment of dividend including interim dividend;
- (n) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (o) Investment of Company's funds including inter corporate loans and investments.
- (p) Appointment and remuneration of Auditors.
- (q) The Central Government vide its letter No. 47/263/2006-CL-III dated 27/06/2006 has under Section 212(8) of the Act, exempted the Company from attaching the reports and accounts of its subsidiary companies with its annual report for the year 2005-2006.

- (r) The Company wherever necessary has kept in abeyance rights to dividend declared at the Annual General Meeting held on 21st September, 2005 and interim dividend declared on 23rd December, 2005, pending registration of transfer of shares in compliance with the provisions of the Act.
 - (s) The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year;
 - (t) The Company has not made any secured borrowings during the financial year ended on 31st March, 2006.
 - (u) The Company has not bought back any shares during the financial year.
 - (v) The Company has not altered any provisions of its Memorandum of Association or Articles of Association during the financial year.
 - (w) The Company has created a trust, namely, the ONGC Employees Contributory Provident Fund Trust for its employees. The Company has deposited both the employees' and employer's contribution with the above Trust within the prescribed time pursuant to Section 418 of the Act.
 - (x) There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company, its Directors and Officers during the financial year for any offences under the Act.
2. We further report that the Company has complied with the provisions of the Depositories Act, 1996 and Regulations framed there under with regard to dematerialisation/rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.
 3. We further report that:
 - (i) The Company has complied with the requirements of Listing Agreements entered into with the Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd.
 - (ii) The Company has complied with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to disclosures and maintenance of records required under the Regulations.
 - (iii) The Company has complied with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the Regulations.

For A.N.Kukreja & Co.
Company Secretaries.

New Delhi
July 19, 2006

A.N.Kukreja
Proprietor
CP No.2318

DETAILS OF THE SUBSIDIARY COMPANIES

(Rs. in million)

Sl. No.	Name of the Subsidiary Company	ONGC Videsh Ltd.	ONGC Nile Ganga B.V.	Mangalore Refinery and Petrochemicals Ltd.
1	Capital	3,000	3.37 \$0.075	17,618.04
2	Reserves	11,098.23	31,003.81 \$694.219	6,335.35
3	Total Assets	184,641.22	49,435.30 \$1,106.926	83,011.38
4	Total Liabilities	184,641.22	49,435.30 \$1,106.926	83,011.38
5	Investment (excluding investment in subsidiaries)	0.05	0.64 \$0.014	272.78
6	Turnover	11,945.94	64,204.11 \$1,449.303	249,675.4
7	Profit before Tax	8,545.32	17,748.89 \$401.468	6,225.83
8	Provision for Taxation	2,050.82	5,675.34 \$128.112	2,509.68
9	Profit after tax	6,494.5	12,073.55 \$273.356	3,716.15
10	Proposed dividend		5,112.09 \$117.000	1,227.04

Exchange Rate

As on 31.03.2006 1 US\$ = Rs.44.66

Average Rate for 2005-06 1 US\$ = Rs.44.30

Note: The Balance sheets, Profit and Loss Account, Reports of Directors and Auditors of the Subsidiaries are not attached in view of exemption received from the Government of India, Ministry of Company Affairs, vide their letter No.47/208/2005-CL-III, dated 17th June' 2005. The accounts of the subsidiary companies and their detailed information will be made available to the investors seeking such information at any point of time. The same are also available for inspection by the members at the Registered Office of the Company as well as at the Registered Office of the Subsidiaries.

