



Chapter

1

Introduction



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ONGC Videsh Limited (Company) was renamed on 15th June 1989 from the erstwhile Hydrocarbons India Private Limited, which was incorporated on 5th March, 1965 as a wholly-owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC). The Company is the international arm of ONGC and is engaged in prospecting, acquisition, exploration, development and production of oil and gas acreages abroad with its operations spanning in Commonwealth of Independent States (CIS), Far East, Middle East, Africa and Latin America. The Company has incorporated/acquired four overseas wholly owned subsidiaries (ONGC Nile Ganga B.V., ONGC Narmada Limited, ONGC Amazon Alaknanda Limited and Jarpeno Limited) and one JV Company (ONGC Mittal Energy Limited) for acquiring stake in various blocks at producing, exploration and development stages. The Company had acquired 45 exploration and production (E&P) assets up to March 2010 (details in **Annexure**) as detailed below:

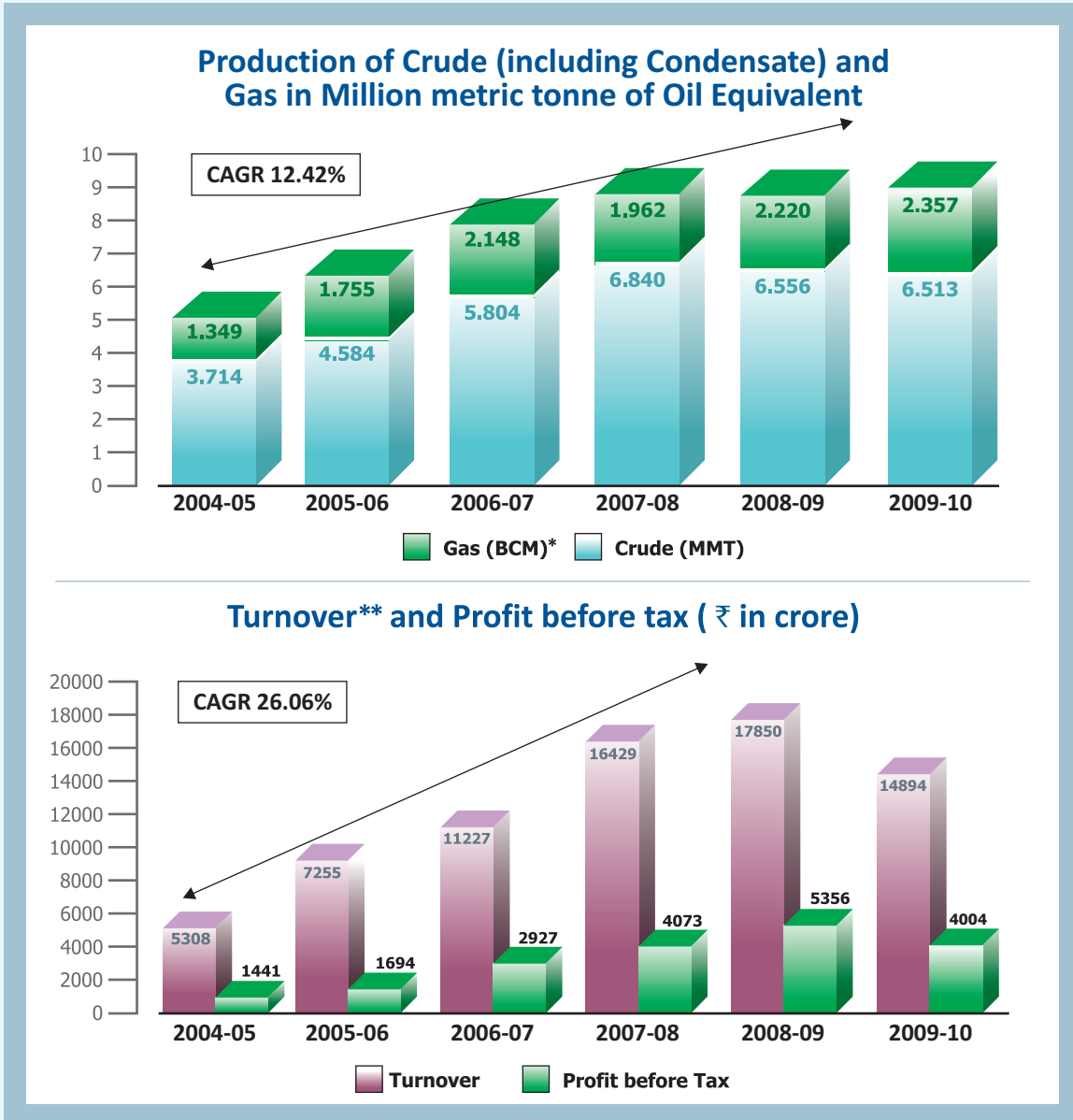
S. No.	Nature of holding	Number of assets	Investment (₹ in crore)
1.	Direct Holding 100 per cent	10	968.78
2.	Direct Holding 100 per cent through overseas Subsidiary	3	11,342.76
3.	Direct Holding through Un-incorporated JV	13	22,667.06
4.	Incorporated JV through Subsidiary Company	3	5,175.73
5.	Un-Incorporated JV through Subsidiary Company	6	10,703.36
6.	Un-Incorporated JV through Subsidiary Company of Joint Venture Company	2	568.04
7.	Abandoned Assets (including 3 Direct Holding 100 per cent)	8	1,066.17
TOTAL		45	52491.90¹

Out of 45 assets as above, 14 were producing, developing/discovered assets, 23 assets were under exploration and remaining eight had been abandoned by the Company up to March 2010 due to non-discovery of hydrocarbons. Producing and developed assets of the Company had proven hydrocarbon reserves of 185.995 Million Metric Tonne Oil Equivalent (MMTOE).

The affairs of the Company as of March 2010 were being managed by a Board of Directors consisting of 13 Directors including four functional directors, two Government Nominee Directors and seven part time directors who are whole time directors on the Board of ONGC. The Chairman and Managing Director (CMD) of ONGC is also the Chairman of the Company.

¹ Excluding ₹ 850.81 crore on account of Farsi Project and Sudan Pipeline project. These projects are not covered in the Performance audit report because these are service contract and non-E&P project respectively.

The growth in production, turnover and profit over past six years ending 2009-10 is depicted in the graphs given below. The production increased at Cumulative Average Growth Rate (CAGR) of 12.42 per cent while the corresponding rise in CAGR in the turnover was 26.06 per cent indicating a rise in price line in addition to production.



* 1BCM Gas = 1 MMTOE

** excluding construction contract revenue and transportation & other services.

The Company acquired 36 assets having an investment of ₹ 6,206.83 crore at exploration stage and achieved success in only five projects (only one project is producing and remaining four are still under development) where it was the non-operator. Eight projects with a cost of ₹ 1,066.17 crore had to be abandoned and remaining 23 projects were still in the process of exploration. Thus, as a sole operator, the Company has not achieved any success so far and needs to improve its core competence in the evaluation of investment opportunities.