

MEMORANDUM OF UNDERSTANDING

2018-19



ONGC VIDESH LTD.

(A WHOLLY OWNED SUBSIDIARY OF ONGC)

AND



OIL AND NATURAL GAS CORPORATION LTD.

April, 2018

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SECTION - 1

Brief about ONGC Videsh

1.	Name of the CPSE	ONGC Videsh			
2.	Financial Status (please write Sick/Incipient Sick/Weak/Profit-making) and its basis as per DPE OM no.-DPE/5(1)/2014-Fin(Part-IX) dated 29.10.2015	Sick/ Incipient Sick / weak/ none			
3.	Reasons of Sickness, if applicable	-			
4.	Whether registered with BIFR, If yes, details	No			
5.	Schedule of the CPSE (Please tick)	A/B/C/D/ none			
6.	Purpose for which CPSE has been setup and the main business now	The primary business of ONGC Videsh is to prospect for oil and gas acreages outside India, including exploration, development, production and transportation of oil and gas. ONGC Videsh owns Participating Interests in 40 projects in 19 countries. In terms of reserves and production, ONGC Videsh is the second largest petroleum Company of India, next only to its parent ONGC.			
7.	Number and Name of subsidiary companies along with amount invested and share in its profit during last five years	<p>10 Direct Subsidiaries</p> <p>1) ONGC Nile Ganga B.V.</p> <p>2) ONGC Amazon Alaknanda Limited</p> <p>3) Imperial Energy Limited</p> <p>4) Carabobo One AB</p> <p>5) Beas Rovuma Energy Mozambique Limited</p> <p>6) ONGC Narmada Limited</p> <p>7) ONGC (BTC) Limited</p> <p>8) ONGC Videsh Rovuma Limited</p> <p>9) ONGC Videsh Atlantic Inc.</p> <p>10) ONGC Videsh Singapore Pte. Ltd.</p> <p>Details of subsidiaries are given below:</p>			
		Year	Name of subsidiary	Amount invested CAPEX (Rs.)	Share in its profit (Rs.)
1		2012-13	ONGC Nile Ganga B.V. (ONGBV), Netherland	2,085.56	1,393.74
		2013-14		5,879.39	1,018.92
		2014-15		2,256.92	(98.00)
		2015-16		1,902.65	543.19
		2016-17		1,090.92	(1,273.11)
2		2012-13	ONGC Amazon Alaknanda Limited (OAAL), Bermuda	425.98	363.89
		2013-14		393.05	273.66
		2014-15		376.65	(57.89)
		2015-16		142.75	(322.94)
		2016-17		46.52	(156.60)
3		2012-13	Imperial Energy Limited, Cyprus	48.96	(555.09)
		2013-14		89.06	(434.99)
		2014-15		65.40	(285.29)
		2015-16		184.55	(143.16)
		2016-17		152.09	(38.88)

4	2012-13	Carabobo One AB, Sweden	138.94	0.21
	2013-14		250.22	(0.47)
	2014-15		90.13	208.54
	2015-16		62.04	(277.51)
	2016-17		126.08	39.11
5	2012-13	Beas Rovuma Energy Mozambique Limited (BREML), British Virgin Islands	-	-
	2013-14		8,866.90	(1.74)
	2014-15		411.54	(51.69)
	2015-16		198.12	(11.35)
	2016-17		75.36	(8.85)
6	2012-13	ONGC Narmada Ltd (ONL), Nigeria	-	(1.34)
	2013-14		-	(0.16)
	2014-15		-	-
	2015-16		-	-
	2016-17		-	-
7	2012-13	ONGC (BTC) Limited, Cayman Islands	70.07	-
	2013-14		-	54.10
	2014-15		-	51.22
	2015-16		-	177.45
	2016-17		-	23.21
8	2012-13	ONGC Videsh Rovuma Ltd (OVRL), Mauritius	-	-
	2013-14		-	-
	2014-15		-	(0.03)
	2015-16		-	(0.08)
	2016-17		-	(0.07)
9	2012-13	ONGC Videsh Atlantic Inc (OVAI), Texas	-	-
	2013-14		-	-
	2014-15		-	(0.07)
	2015-16		22.15	0.29
	2016-17		0.27	1.26
10	2012-13	ONGC Videsh Singapore Pte. Ltd, Singapore	-	-
	2013-14		-	-
	2014-15		-	-
	2015-16		-	-
	2016-17		13,060.84	498.54

SECTION – 2

**Mandatory Parameters
PART A**

Sl. No.	Financial Performance Criteria	Unit	Marks	MoU Target for the year 2018-19				
				Excellent	Very Good	Good	Fair	Poor
1	Turnover							
	Revenue from Operations (Net) (including share of Profit of equity accounted investees)	Rs. crore	10	12,000	11,500	10,800	10,500	10,300
2	Operating Profit/Loss							
	Operating Profit as a percentage of Revenue from operations (Net).	%	20	15.10	14.70	14.40	14.00	13.80
3	Return on investment:							
	PAT as percentage of Average Net Worth*	%	20	3.60	3.30	3.00	2.70	2.40
Total (A)			50					

* OCI / FCTR is excluded from net worth calculation


**Other Parameters
PART B**


Sl. No.	Performance Criteria	Unit	Marks	MoU Target for the year 2018-19				
				Excellent	Very Good	Good	Fair	Poor
1	Capacity Utilisation/ Production/ Generation/ Transmission, etc.							
	Crude Oil Production	MMT	6	10.00	9.500	9.100	8.600	8.200
	Gas Production	BCM	4	4.352	4.134	3.927	3.731	3.544
2	Production efficiency parameters							
	Reserve accretion (2P) through organic growth	MMT OE	10	3.0	2.5	2.0	1.5	1.0
3	R&D, Innovation, Technology up-gradation parameter							
	Implementation of New Generation Sand Control technology in open hole well and implementing it in one well	Date	5	31.12.2018	21.01.2019	11.02.2019	04.03.2019	31.03.2019
4	CAPEX	Rs. Crore	5	6,000	5,500	5,200	5,000	4,800

Sl. No.	Performance Criteria	Unit	Marks	MoU Target for the year 2018-19				
				Excellent	Very Good	Good	Fair	Poor
5	Trade Receivables (Net) as number of days of Revenue from Operations (Gross) (Excluding Sudan receivables)	Days	5	32	33	40	45	50
6	Reduction in Claims against the Company not acknowledged as debt-overall basis	%	5	3.0	2.5	2.0	1.5	1.0
Any other sector specific result-oriented measurable parameters								
7	Business Development projects reached to Board of Directors	Nos.	3	10	9	8	7	6
	Business Development projects approved by Board of Directors	Nos.	3	2	1	0	0	0
	HSE Audit	Nos.	4	8	7	6	5	4
Total (B)			50					

SIGNATURES

ONGC VIDESH LTD. and OIL AND NATURAL GAS CORPORATION LTD. agree to the Memorandum of Understanding for 2018-19 and sign this document on the 25th day of April, 2018.


 (Narendra K. Verma)
 Managing Director
 ONGC Videsh Limited


 (Shashi Shanker)
 Chairman and Managing Director
 Oil and Natural Gas Corporation Limited

SECTION – 3

Note on MoU 2018-19

1 Capacity Utilisation:

The production targets exclude production from the new foreign assets to be acquired during the year 2018-19.

After acquisition of 4% stake in Lower Zakum Concession, UAE on 10/02/2018, the targets of MoU are recasted to include the physical and financial parameters of the newly acquired Project.

2 Technology Up gradation:

Implementation of New Generation Sand Control technology in open hole well completion in one well of Sakhalin-1, Russia with following salient features:

- Alternative solution to develop low Particle Size Distribution (PSD) reservoirs.
- Low cost alternative to Gravel Pack (GP) completions

GeoFORM-an industry first- sand management system provides a superior sand control method that is less prone to plugging or failure due to compaction, requires a smaller footprint, and has better sand filtration efficiency covering a wider range of sand grains. It improves connectivity to the wellbore through total conformance, maximizing conductivity. It offers a cost-effective alternative to gravel packing method by reducing rig time and requiring fewer personnel to achieve operational goals, which also reduces the risk of incidents occurring. Also, it mitigates workover risk by reducing the chance of plugging or sand control loss caused by production cycles and reservoir or wellbore compaction.

3 Financial Parameters

- Crude oil and condensate price has been considered at US\$ 55/bbl for Dated Brent Crude and appropriate premium and discount based on past trend have been applied to arrive at the prices of crude for the different projects. Gas revenues have been computed based on the contractual arrangements for respective projects.
- 1 US Dollar has been assumed at Rs 65 for MoU 2018-19.
- Escalation formula for variations in Crude price and Exchange rate:

Revised Target for Revenue from operation (RO)	Target of RO × (1+ Exchange Variation × 1.50% + Crude price Variation × 1.326%)
Exchange variation	Variation from Rs 65 Per US Dollar
Crude price variation	Variation from crude Price of USD 55 per barrel

- ONGC Videsh has adopted Ind-AS accounting standards from FY 2016-17 as such the profitability from some of the Joint Ventures will be reflected in ONGC Videsh consolidated accounts under the head “Share of Profit of Equity Accounted Investees”. This has been included in the parameter “Revenue from operations”.
- Net worth was taken as “Equity attributable to owners of the Company” shown in financial statement for PAT/New Worth parameter. As discussed in DPE meeting dated 11th Jan 2018, Net worth is now computed after excluding “Exchange differences on translating the financial statements of foreign operations” from the Equity attributable to owners of the Company” shown in financial statement.
- Acquisition of ADMA project in Abu Dhabi has been done through ONGBV, NL and is accounted for under subsidiaries
- Trade receivables - targets are excluding receivables from Sudan projects
- CAPEX target for MOU 2018-19 is the capital expenditure of all standalone projects including Capex/investment in subsidiaries.

SECTION – 4

Annexure -I (PART-A)
Trend Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2012-13 (I-GAAP)	2013-14 (I-GAAP)	2014-15 (I-GAAP)	2015-16 Ind-AS	2016-17 Ind-AS	2017-18	
									Actual H1	Estimated RE
1	a. Revenue from operations- Gross of VAT	Rs Crore	Actual	17,791	22,024	19,050	10,747	11,686	5,470	12,289
			Actual	17,558	21,823	18,882	10,635	11,570	5,415	12,098
	b. Revenue from operations- Net of VAT	Rs Crore	MoU Ex	NA	NA	22,728	16,685	11,213		
			MoU VG	NA	NA	21,591	NA	10,442	NA	11,430
2	a. Profit before tax	Rs Crore	Actual	6,683	6,989	3,067	(3,973)	1,307	284	1,269
	b. Other Incomes		Actual	471	401	267	885	243	222	245
	c. Extraordinary & Exceptional Items	Rs Crore	Actual	-	-	-	4,717	1,006	-	-
	d. Prior period Items		Actual	(50)	(42)	(121)	-	-	-	-
	e. Operating profit/Loss (a-b-c-d)	Rs Crore	Actual	6,161	6,546	2,678	(141)	2,070	62	1,024
	Operating profit/Revenue from operations (Net)		%	MoU	NA	NA	NA	NA	4.25%	NA
			Actual	35.09%	29.99%	14.18%	-1.33%	17.89%	1.15%	8.5%
3	a. PAT	Rs Crore	Actual	3,929	4,445	1,904	(3,633)	701	280	738
	b. Net Worth at year end		Actual	29,167	41,549	43,327	44,255	46,025	46,315	47,869
	c. Average Net Worth	Rs Crore	Actual	24,554	35,358	42,438	43,791	45,140	46,170	46,947
	d. PAT/Avg. Net Worth		%	Actual	16.0%	12.6%	4.6%	-8.3%	1.6%	0.6%
			MoU	19.5%	6.2%	NA	NA	NA	NA	1.12%
e. Paid up share capital	Rs Crore	Actual	5,000	10,000	10,000	10,000	15,000	15,000	15,000	15,000
f. Govt Share	%	Actual	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g. Reserves and Surplus	Rs Crore	Actual	24,167	31,549	33,327	34,255	31,025	31,315	32,869	
4	Total Expenses	Rs Crore	Actual	11,397	15,277	16,204	10,777	9,500	5,352	11,074
5	Total Incomes	Rs Crore	Actual	18,029	22,224	19,149	11,521	11,813	5,637	12,342
6	Total Expenses/Total Income	Rs Crore	Actual	63.2%	68.7%	84.6%	93.5%	80.4%	95.0%	89.7%
7	Details of other income									
a.	Interest	Rs Crore	Actual	207	50	49	207	106	57	92
	b. Dividend		Actual	-	-	-	358	30	15	-
c.	Other Incomes	Rs Crore	Actual	265	351	218	319	107	150	153
	d. Total Other Income		Actual	471	401	267	885	243	222	245
8	a. Cash and Bank Balance & Equivalent	Rs Crore	Actual	4,459	2,235	2,383	463	824	1,125	909
	With Subsidiaries		Actual	4,046	1,611	1,646	330	451	482	497
	With JV		Actual	172	195	128	22	29	43	32
	With OVL		Actual	241	429	609	110	345	601	380
b.	Investment in MFs	Rs Crore	Actual	-	-	-	-	-	-	-
	c. Investments in shares other than subsidiary/JV		Actual	-	-	-	-	-	-	-
d.	Total (a+b+c)		Actual	4,459	2,235	2,383	472	824	1,125	909
e.	Cash credit/over-draft loan/Short-term loan									
f.	Balance in Current account									
9	Dividend paid/declared for the year, excluding Dividend tax	Rs Crore	Actual	-	-	-	-	210	-	222
10	Finished Goods and Work in progress									
	Inventory of finished goods and work in progress to revenue from operations (Net of Days)									
11										
12	Long Term Borrowings			14,587	21,608	36,486	34,479	38,927	45,091	44,972
13	Balance in Current Account			-	-	-	-	-	-	-
14	Cash Credit/Over Draft Loan/ Short term borrowings			-	-	-	-	-	-	-

Annexure - I (PART-B)
Trend Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2012-13 I-GAAP	2013-14 I-GAAP	2014-15 I-GAAP	2015-16 Ind-AS	2016-17 Ind-AS	2017-18 H1 actual	2017-18 Estimated RE
1	Installed capacity in respect of each product									
2	Capacity Utilisation in respect of each product									
	Oil	MMT	Actual	5.762	5.168	5.533	5.510	8.434	4.815	9.797
			MoU- VG	6.210	4.650	4.989	5.360	7.660	NA	9.307
	Gas	BCM	Actual	2.918	2.769	3.341	3.406	4.369	2.198	4.581
			MoU- VG	2.394	2.606	2.630	3.242	3.510	NA	4.352
3	Contribution of each product in sales	%								
4	New order received during the year	Rs Crore								
5	Export as % of revenue from operations	%								
6	Development or Revenue from new products or product with new features	Rs Crore								
7	Production efficiency parameters	MMTOE	Actual	0.448	10.906	20.029	8.079	-4.337	NA	2
	Reserve accretion (2P) through organic growth		MoU- VG	NA	NA	NA	NA	NA	NA	1.75
8	Completion of milestone of clients orders/agreements without time overrun		Actual							
			MoU- VG							
9	Technology up-gradation parameter		Actual							
	Implementation of New Generation Sand Control technology in open hole well and implementing it in one well		MoU- VG							
10	Market share	%	Actual							
			MoU- VG							
11	CAPEX	Rs Crore	Actual	10,891	35,357	7,172	6,470	17,617	* 1,735	* 4,313
			MoU- VG	7,119	7,386	14,052	8,143	13,000	NA	* 3,600
12	CAPEX contracts/projects running/completed without time/cost overrun to total value of CAPEX	%	Actual							
			MoU- VG							
13	Inventory in finished goods and WIP	Rs Crore	Actual							
14	Inventory in finished goods and WIP to Revenue from Operations (RO) (Net)	%	Actual							
			MoU- VG							
15	Inventory of Finished goods of more than one year	Rs Crore	Actual							
16	Inventory of Finished goods of more than one year as % of RO	%	Actual							
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
17	Trade receivable (Net)	Rs Crore	Actual	5,961	7,602	8,160	2,328	2,981	2,508	3,594
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
18	Trade receivable (Net) as % of RO (gross)	%	Actual	33.5%	34.5%	42.8%	21.7%	25.5%	22.9%	29.2%
			MoU- VG	NA	NA	NA	NA	15.2%	NA	NA
	Trade Receivables (Net) as number of days of Revenue from Operations (Gross)	Days	Actual	122	126	156	79	93	84	107
			MoU- VG	NA	NA	NA	NA	NA	NA	110
19	Claims against the company not acknowledge raised by:									
	Central Govt Dept.		Actual	4,665	5,550	6,459	7,004	7,278	7,278	7,278
	State Govt. Dept./Local Auth.		Actual	0	0	0	0	0	0	0
	CPSEs		Actual	0	0	0	0	0	0	0
	Bank & performance Guarantees		Actual	14,662	9,158	8,389	8,282	8,121	8,247	8,121
	Others		Actual	907	970	1,536	726	315	237	306
	Total Claims against the company		Actual	20,233	15,678	16,385	16,012	15,715	15,762	15,705
	Reduction in Claims against the Company not acknowledged as debt-overall basis		Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
20	Loans disbursed/Total Funds Available	%	Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
21	Overdue loans/Total loans (Net)	%	Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
22	NPA/Total loans (Net)	%	Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
23	Cost of raising funds as compared to similarly rated CPSEs/entities		Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
24	Return (share of profit/loss) on Investment in Joint Ventures	%	Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
25	Any other sector specific result-oriented measurable parameters									
	Business Development projects reached to Board of Directors	Nos.	Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
	Business Development projects approved by Board of Directors		Actual	NA	NA	NA	NA	NA	NA	NA
			MoU- VG	NA	NA	NA	NA	NA	NA	NA
	HSE Audit	Nos.	Actual	1	3	4	4	4	2	8
			MoU- VG	NA	NA	4	4	NA	NA	NA

*Note: Capex target for FY 2017-18 is for direct and standalone blocks i.e. excluding capex in subsidiaries. Accordingly, the H1 2017-18 actual and estimates are for direct blocks only.