OIL AND NATURAL GAS CORPORATION LIMITED

COMPANY SECRETARIAT

Regd. Office : 'Deendayal Urja Bhawan', 5, Nelson Mandela Marg, Vasant Kunj, New Delhi-110070
CIN: L74899DL1993GOI054155 Website: www.ongcindia.com Email: secretariat@ongc.co.in

ONGC/CS/SE/2018 29.05.2018

National Stock Exchange of India Ltd. Listing Department Exchange Plaza Bandra-Kurla Complex Bandra (E) Mumbai – 400 051 Symbol-**ONGC**; Series **- EQ**	**BSE Limited** Corporate Relationship Department Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 001 BSE Security Code No.**- 500312**

Sub: *Clarification with respect to news article appeared in Newspaper-The Economic Times dt. 24.05.18, titled "RIL, Shell, ONGC told to pay dollar 3.8bn as Govt share of PMT".*

Sir/ Madam,

This has reference to your e-mail dated 24.05.18 on the captioned subject. In this connection we would like to submit herewith the clarification sought by the stock exchange(s).

Thanking You,

Yours faithfully,

For Oil and Natural Gas Corporation Ltd.

29/05/18

M E V Selvamm
Compliance Officer &
Company Secretary

Encl: As Above (5 Pages)

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News Clarifications ONGC in Economic Times dated 24th May 2018

This is with reference to the emails dated 24th May 2018 from Stock Exchange(s) on the news appearing in Economic times in respect of the ongoing PMT arbitration case.

In this regard, the point-wise replies are furnished below:-

Q1) *Whether such event stated in published news were taking place? If so, you are advised to provide the said information along with the sequence of events in chronological order.*

Reply

1. The Company, with 40% Participating Interest (PI), is a Joint Operator in Panna-Mukta and Mid and South Tapti Fields along with Reliance Industries Limited (RIL) and BG Exploration and Production India Limited (BGEPIL), each having 30% PI. The Production Sharing Contracts (PSCs) with respect to Panna-Mukta and Mid and South Tapti contract areas were signed between the Contractors and Government of India on December 22, 1994 for a period of 25 years. In December 2010, RIL & BGEPIL invoked an arbitration proceeding against the Union of India in respect of certain disputes, differences and claims arising out of or in connection with both the PSCs in respect to Panna-Mukta and Mid and South Tapti contract areas pursuant to the provisions of Article 33 of the PSCs and UNCITRAL Rules, 1976. Ministry of Petroleum and Natural Gas (MoP&NG), vide letter dated July 4, 2011, had advised the Company not to participate in the arbitration initiated by RIL and BGEPIL under Panna-Mukta & Tapti PSCs. However, in case of an arbitral award, the same will be applicable to the Company also as a constituent of the contractor for both the PSCs. On October 12, 2016, a Final Partial Award (FPA) was pronounced by the Tribunal in the arbitration matter between RIL, BGEPIL and Union of India. However, detail proceedings in this regard are not known to the Company since the Company is not a party to this arbitration. Directorate General of Hydrocarbons (DGH), vide letter dated May 25, 2017 marked to all Joint Venture Partners (RIL, BGEPIL & the Company) has asked for payment of differential GOI share of Profit Petroleum and Royalty alleged to be payable by contractor pursuant to Governments interpretation of the FPA (40% share of the Company amounting to US$ 1,574.76 million equivalent to Rs. 10,223 crore including interest upto November 30, 2016). However, in response to letter dated May 25, 2017 of DGH, RIL and BGEPIL the JV partners (with a copy marked to all Joint Venture Partners) had stated that demand of DGH is premature as the FPA does not make any money award in favour of GOI as quantification of liabilities are to be determined during the final proceedings of the arbitration and the same has been challenged before the English Commercial Court.

2. DGH vide letter dated 17th October 2017 directing ONGC to pay the differential GOI PP. In reply vide letter dated 16th November 2017, ONGC has re-iterated its views that the dispute has not attained finality as the Tribunal award is being challenged in English Commercial Court. It was further stated that ONGC cannot be put in a potentially disadvantageous position vis a vis the other two partners.

3. Further, subsequent to London High Court Orders dated April 16, 2018 and May 2, 2018, DGH vide letters dated May 4, 2018 and May 15, 2018 has asked for re-casting of accounts of the JV and for remitting the respective PI share of balance dues including interest till the date of remittance. Details of proceedings thereof and the London High Court orders are not known to the company since the company is not a party to the arbitration. In response to the letter of DGH, RIL & BGEPIL have responded (with a copy marked to all Joint Venture Partners) that FPA of October 2016 does not make any money award in favour of the Government. Further it has also been stated by RIL & BGEPIL that the English Court has upheld challenge 4 of the claimants (RIL & BGEPIL) in relation to "Agreement Case" and held that there had been a serious irregularity in the Award of the Tribunal. Further in the court order of May 2, 2018, the English Court has directed the Tribunal to re-consider the "Agreement Case" and issue a fresh award within three months of that date. The "Agreement Case" is closely linked with the Cost recovery limit (CRL) increase application filed by the contractor with the Management Committee and Tribunals re-consideration of this issue necessarily impacts the re-computation of accounts. Re-computation of accounts and consequential determination of any amount due and payable by the contractor are to be determined during the final stage of the arbitration proceedings after determination of all substantive issues by the Tribunal (including any application for an increase in the Tapti and Panna Mukta CRL and an award on the Agreement Case).

   Pending decision of the Tribunal on agreement case / CRL issue and final quantification of liabilities by the Arbitral Tribunal or further proceedings thereof, if any, the company is not liable to implement the FPA being pre-mature and therefore no provision for the same has been considered necessary. However, the same has been considered as contingent liability.

   In line with RIL & BGEPIL, ONGC has also requested DGH to keep the matter in abeyance till finality in the matter is achieved.

Q2) *The material impact of this article on the Company.*

Reply

In response to letter dated May 25, 2017 of DGH, RIL and BGEPIL the JV partners (with a copy marked to all Joint Venture Partners) had stated that demand of DGH is premature as the FPA does not make any money award in favour of GOI as quantification of liabilities are to be determined during the final proceedings of the arbitration and the same has been challenged before the English Commercial Court.

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Further, subsequent to London High Court Orders dated April 16, 2018 and May 2, 2018, DGH vide letter dated May 4, 2018 and May 15, 2018 has asked for re-casting of accounts of the JV and for remitting the respective PI share of balance dues including interest till the date of remittance. Details of proceedings thereof and the London High Court orders are not known to the company since the company is not a party to the arbitration. In response to the letter of DGH, RIL & BGEPIL have responded (with a copy marked to all Joint Venture Partners) that FPA of October 2016 does not make any money award in favour of the Government. Further it has also been stated by RIL & BGEPIL that the English Court has upheld challenge 4 of the claimants (RIL & BGEPIL) in relation to "Agreement Case" and held that there had been a serious irregularity in the Award of the Tribunal. Further in the court order of May 2, 2018, the English Court has directed the Tribunal to re-consider the "Agreement Case" and issue a fresh award within three months of that date. The "Agreement Case" is closely linked with the Cost recovery limit (CRL) increase application filed by the contractor with the Management Committee and Tribunals re-consideration of this issue necessarily impacts the re-computation of accounts. Re-computation of accounts and consequential determination of any amount due and payable by the contractor are to be determined during the final stage of the arbitration proceedings after determination of all substantive issues by the Tribunal (including any application for an increase in the Tapti and Panna Mukta CRL and an award on the Agreement Case).

In view of above, it may be noted that it is pre-mature to quantify any material impact on ONGC at this stage based on FPA since the English Court has directed the Tribunal to reconsider the Agreements Case which is primarily the CRL issue and issue a fresh award in this regard. Further the quantification of the arbitration is yet to be decided by the Tribunal.

Further in line with RIL and BGEPIL, ONGC has also requested DGH to keep the matter in abeyance till finality in the matter is achieved.

Q3) *Whether company are aware of any information that has not been announced to the Exchanges under Regulation 30 of Listing Regulations. If so, you are advised to provide the said information and the reasons for not disclosing the same to the Exchange earlier as required under Regulation 30 of the Listing Regulations.*

Reply

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Article 33 of the PSCs and UNCITRAL Rules, 1976. Ministry of Petroleum and Natural Gas (MoP&NG), vide letter dated July 4, 2011, had advised the Company not to participate in the arbitration initiated by RIL and BGEPIL under Panna-Mukta & Tapti PSCs. However, in case of an arbitral award, the same will be applicable to the Company also as a constituent of the contractor for both the PSCs. On October 12, 2016, a Final Partial Award (FPA) was pronounced by the Tribunal in the arbitration matter between RIL, BGEPIL and Union of India. However, detail proceedings in this regard are not known to the Company since the Company is not a party to this arbitration. Directorate General of Hydrocarbons (DGH), vide letter dated May 25, 2017 marked to all Joint Venture Partners (RIL, BGEPIL & the Company) has asked for payment of differential GOI share of Profit Petroleum and Royalty alleged to be payable by contractor pursuant to Governments interpretation of the FPA (40% share of the Company amounting to US$ 1,574.76 million equivalent to Rs. 10,223 crore including interest upto November 30, 2016). However, in response to letter dated May 25, 2017 of DGH, RIL and BGEPIL the JV partners (with a copy marked to all Joint Venture Partners) had stated that demand of DGH is premature as the FPA does not make any money award in favour of GOI as quantification of liabilities are to be determined during the final proceedings of the arbitration and the same has been challenged before the English Commercial Court.

2. DGH vide letter dated 17th October 2017, directed ONGC to pay the differential GOI PP. In reply vide letter dated 16th November 2017, ONGC has re-iterated its views that the dispute has not attained finality as the Tribunal award is being challenged in English Commercial Court. It was further stated that ONGC cannot be put in a potentially disadvantageous position vis a vis the other two partners.

3. Further, subsequent to London High Court Orders dated April 16, 2018 and May 2, 2018, DGH vide letter dated May 4, 2018 and May 15, 2018 has asked for re-casting of accounts of the JV and for remitting the respective PI share of balance dues including interest till the date of remittance. Details of proceedings thereof and the London High Court orders are not known to the company since the company is not a party to the arbitration. In response to the letter of DGH, RIL & BGEPIL have responded (with a copy marked to all Joint Venture Partners) that FPA of October 2016 does not make any money award in favour of the Government. Further it has also been stated by RIL & BGEPIL that the English Court has upheld challenge 4 of the claimants (RIL & BGEPIL) in relation to "Agreement Case" and held that there had been a serious irregularity in the Award of the Tribunal. Further in the court order of May 2, 2018, the English Court has directed the Tribunal to re-consider the "Agreement Case" and issue a fresh award within three months of that date. The "Agreement Case" is closely linked with the Cost recovery limit (CRL) increase application filed by the contractor with the Management Committee and Tribunals re-consideration of this issue necessarily impacts the re-computation of accounts. Re-computation of accounts and consequential determination of any amount due and payable by the contractor are to be determined during the final stage of the arbitration proceedings after determination of all substantive issues by the Tribunal (including any application for an increase in the Tapti and Panna Mukta CRL and an award on the Agreement Case).

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Pending decision of the Tribunal on agreement case / CRL issue and final quantification of liabilities by the Arbitral Tribunal or further proceedings thereof, if any, the company is not liable to implement the FPA being pre-mature and therefore no provision for the same has been considered necessary. However, the same has been considered as contingent liability. As the quantification of the arbitration is yet to be decided by the Tribunal, ONGC has requested DGH to keep the matter in abeyance till finality in the matter is achieved.

Moreover the details in this regard had also been disclosed to Stock Exchanges(s) in July 2017 and appropriate disclosure has been shown in the notes to the accounts for the quarter ended June, September and December 2017 in consultation with the Statutory Auditors. Appropriate disclosure in this regard is also being provided in the Financial Result for the quarter and year ended 31st March 2018.