

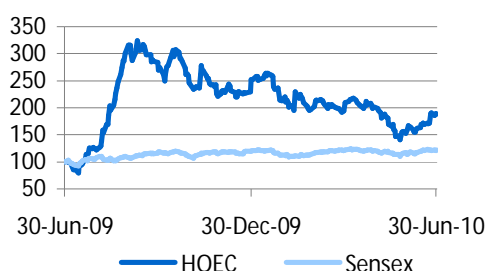
CMP Rs. 222

June 30, 2010

| | |
|-------------------------|------------|
| BSE Code | 500186 |
| BSE ID | HINDOILEXP |
| High/Low 1Y (Rs.) | 399 / 93 |
| Avg. vol (3m) | 563,734 |
| Market Cap (Rs Cr) | 2,897 |
| Net IB Debt (Rs Cr) | (162) |
| Enterprise value(Rs Cr) | 2,735 |

| Shareholding % | Dec-09 | Mar-10 |
|-----------------|--------|--------|
| Promoters | 47.18 | 47.18 |
| MFs/ FIs/ Banks | 1.61 | 1.62 |
| FIIIs | 4.38 | 3.97 |
| Public & Others | 46.83 | 47.23 |

Stock Chart (Relative to Sensex)



| Stock Perfm.(%) | 1M | 6M | 1Yr |
|-----------------|------|--------|------|
| Absolute | 23.9 | (25.2) | 88.6 |
| Rel. to Sensex | 19.4 | (26.5) | 66.5 |

| Financials (Rs.Cr) | 03/08 | 03/09 | 03/10 |
|--------------------|---------|-------|--------|
| Revenue | 96 | 96 | 161 |
| y-o-y | -21.1% | 0.0% | 66.6% |
| EBITDA | 34 | 40 | 110 |
| y-o-y | 2084.3% | 19.1% | 171.2% |
| PAT | 26 | 54 | 44 |
| EPS (Dil.) | 2.6 | 4.2 | 3.4 |
| y-o-y | 700.0% | 58.3% | -19.4% |
| EBITDA Margin | 35.2% | 41.9% | 68.2% |
| PAT Margin | 26.7% | 56.5% | 27.4% |
| D/E(x) | 0.15 | 0.12 | NA |
| P/E(x) | 84.1x | 53.1x | 65.9x |
| EV/EBITDA(x) | 80.6x | 67.7x | 24.9x |
| ROCE | 2.5% | 2.4% | NA |
| ROE | 2.5% | 5.1% | NA |

Financial Year ends at March 31

| Qtry Fin | 06/09 | 09/09 | 12/09 | 03/10 |
|----------|-------|-------|-------|-------|
| Revenue | 29 | 13 | 33 | 79 |
| PAT | 12 | (2) | 10 | 21 |
| EPS | 1.0 | (0.1) | 0.8 | 1.6 |

All figures in Rs. crores except for per share data
Qtry fig. shows standalone results

Hindustan Oil Exploration Company Limited

Company Overview

Hindustan Oil Exploration Company Limited (HOEC) is engaged in the exploration, development and production of crude oil and natural gas, through its presence in major oil and gas fields in India. HOEC has participating interest in ten oil and gas fields in India (in Cambay basin, Cauvery basin, Assam Arakan basin, Pranhita Godavari and Rajasthan basin), which are in varying stages of the E & P life cycle i.e. exploration, development and production.

Key Business Highlights

HOEC successfully acquired interests in Rajasthan blocks

In consortium with Oil India, HOEC successfully acquired RJ-ONN-2005/1 and RJ-ONN-2005/2 blocks in the Rajasthan basin in December 2008. The exploration license was given by the Rajasthan government in July 2009 for a period of seven years. The company is the operator of Block RJ-ONN- 2005/1 and holds around 25 per cent working interest. Its other partners in this block include Bharat Petro Resources, IMC and Jindal Petroleum. On the other hand, the block RJ-ONN-2005/2 is operated by Oil India, where HOEC is the non operating partner of approximately 20 per cent working interest.

HOEC commences production from PY-1 gas field in Cauvery basin

HOEC started production from PY-1 gas field in the second half of FY10. The company holds 100 per cent working interest in this field. The 2P reserve is estimated at 247 bcf (billion cubic feet) (Source: ICRA Credit Perspective Report). The peak production rate of gas from the field is estimated at 90 mmscfd (2.54 mmscmd). It is expected that the company's production from the Cauvery basin will be substituted in the coming years from its presence in the PY-1 block as the expected production from the PY-3 field will continue to decline in the years ahead.

Development of Gulf "A" discovery approved by the Government

Directorate General of Hydrocarbons (DJH) has approved the development of Gulf "A" discovery in the Cambay basin in 2009, where the company holds non operating working interest of approximately 38 per cent. This field has a resource potential of around 11.34 mn barrels in the 10 years from the date of production. Moreover, the field is operated by ONGC.

Key Risks

- Decline in global crude oil and natural gas prices will affect the profitability of the company.
- Low exploration drilling success ratio can be a drag on the company's profitability.
- Dependence of profitability on oil production levels from PY-3 block, which is in a declining phase. Lower than expected reserves from PY-1 can affect the company's performance.

Valuations

The stock is currently trading at a P/E multiple of 65.9x on its FY10 EPS of Rs. 3.4 and 24.9x EV/EBITDA multiple based on FY10 EBITDA of Rs. 110 crores.