



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

13TH ANNUAL REPORT

1996-97

13TH ANNUAL GENERAL MEETING

Date : September 19, 1997
Day : Friday
Time : 10.30 A.M.
Place : "Chandarva", Hotel Welcomgroup Vadodara,
R.C. Dutt Road, Baroda 390 005.

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BOARD OF DIRECTORS* Rasesh N. Mafatlal *Chairman*

* Deepak S. Parekh

* John Walmsley

* Vimal Bhandari

Dr. I. G. Patel

B.R. Sule

N.N. Kapadia

A. H. Divanji

C. K. Mehta

Hasmukh Shah

R. Vasudevan

* Ashok M. Bhatt

Joint Managing Director

* Ajit C. Kapadia

Managing Director

David Hobbs

*Alternate Director to Mr. John Walmsley** *Members of Executive Committee*

MD	✓		BKC	✓
CS	✓		DPY	NA
RD	✓		DEV	NA
TRP	✓		AC	✓
ACU	✓	✓	SPI	✓
SE	✓	✓		

COMPANY SECRETARY

Surendra U. Tamboli

AUDITORSS. B. Billimoria & Company,
Chartered Accountants,
Mumbai.**PRINCIPAL BANKERS**Allahabad Bank
Bank of Baroda
Central Bank of India
HDFC Bank Limited
ICICI Banking Corporation Limited
State Bank of India**REGISTERED OFFICE**Tandalja Road,
Off Old Padra Road,
Baroda 390 020.**MUMBAI OFFICE**Anand House,
13th Road, Off Linking Road,
Khar (West),
Mumbai 400 052.**MANAGEMENT TEAM**

Vipul P. Bhatt

General Manager (Engg. & Production)

Dr. Vipul Desai

General Manager (Corporate Services)

Dr. Udayan Das Gupta

General Manager (Exploration)



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

NOTICE

NOTICE IS HEREBY given that the **13th Annual General Meeting** of the Members of Hindustan Oil Exploration Company Limited will be held on Friday, September 19, 1997 at 10:30 a.m. at "Chandarva", Hotel Welcomgroup Vadodara, R.C. Dutt Road, Baroda - 390 005 to transact the following business :

ORDINARY BUSINESS

- 1 To receive and adopt the Audited Balance Sheet as at March 31, 1997 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
- 2 To appoint a Director in place of Mr. B.R. Sule who retires by rotation and, being eligible, offers himself for re-appointment.
- 3 To appoint a Director in place of Mr. C.K. Mehta who retires by rotation and, being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Dr I.G. Patel who retires by rotation and, being eligible, offers himself for re-appointment.
- 5 To appoint a Director in place of Mr. Vimal Bhandari who retires by rotation and, being eligible, offers himself for re-appointment.
- 6 To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration and to pass an Ordinary Resolution for this purpose, but if, at the date of the Annual General Meeting, the holding of the public financial institutions, nationalised banks and other bodies as specified in Section 224A of the Companies Act, 1956 exceed 25% of the subscribed Share Capital of the Company, then to pass the Resolution for the purpose as **Special Resolution**.

SPECIAL BUSINESS

- 7 To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**.
"RESOLVED that Mr. John Walmsley, Nominee of Hardy Oil & Gas plc., U.K. be and is hereby appointed as a Special Director under Article 113 of the Articles of Association of the Company."
- 8 To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**.
"RESOLVED that Mr. R. Vasudevan be and is hereby appointed as a Director of the Company, liable to retire by Rotation."
- 9 To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**.
"RESOLVED that the consent of the Company be and is hereby accorded for addition of a clause for one time payment for subscription of UTI's Senior Citizens Unit Plan in an Agreement dated April 5, 1993 entered into between the Company and Mr. Ajit C. Kapadia, Managing Director, governing his appointment."
- 10 To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**.
"RESOLVED that the Company hereby approves the re-appointment and remuneration to be paid to Mr. Ajit C. Kapadia, Managing Director, of the Company for further period of 5 years from August 1, 1998 on the terms and conditions as set out in the Explanatory statement annexed to this notice."

Place : Mumbai
Date : June 11, 1997.

Registered Office :
Tandalja Road,
Off Old Padra Road,
Baroda 390 020.

By Order of the Board of Directors,

Surendra U. Tamboli
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 2, 1997 to Friday, September 19, 1997 (both days inclusive).
4. Members desirous of obtaining any information concerning the accounts and operations of the Company, are requested to send their queries to the Company Secretary atleast seven days before the Meeting, so that the information required by the Members may be made available at the Meeting.
5. Members are requested to notify immediately any change in their address to the Share Department of the Company, specifying the Registered Folio No., complete address in Block Capitals with Pin Code Number of the Post Office.
6. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's share department enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
7. The in-house Share Department of the Company has been shifted from Mumbai to Baroda at 107-108, Gajanan Complex, 1st Floor, Opp. Tube Company, Old Padra Road, Baroda - 390 020. The members are requested to send all correspondence pertaining to Shares at the aforesaid address.
8. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting as extra copy will not be supplied.

ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

ITEM NO. : 7

Hardy Oil & Gas plc. U.K. is a well experienced independent U.K. based exploration and production Company who has agreed to participate in the Equity of the Company by subscribing 6,750,000 Equity Shares of Rs.10 each at a premium of Rs.15 per share. Since Hardy has enough capabilities and technical know-how for oil exploration and production, the Company would be highly benefited with the induction of Hardy's nominee on the Board. Hardy has nominated Mr. John Walmsley as a Special Director on the Board of HOEC. The presence of Hardy's nominee on the Board would be of great help in the form of guidance.

The Board is pleased to recommend the appointment of Mr. John Walmsley under Article 113 of the Articles of Association of Company as a Special Director.

No other Directors of the Company are concerned or interested except Mr. John Walmsley in his appointment as Special Director.

ITEM NO. : 8

The Board of Directors have appointed Mr. R. Vasudevan as an Additional Director pursuant to Article 111 of the Articles of Association of the Company at their Meeting held on June 11, 1997. Mr. R. Vasudevan will hold office till the date of ensuing Annual General meeting. The Company has received the Notice together with a deposit of Rs.500 as required under Section 257 of the Companies Act, 1956 from member indicating the intention to propose Mr. R. Vasudevan as a candidate for the office of Director.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Mr. R. Vasudevan is retired IAS Officer having command on administrative aspects of the oil industry in India and abroad. Having regards to the experience of Mr. R. Vasudevan, the Board recommends the appointment of Mr. R. Vasudevan.

No other Directors of the Company are concerned or interested except Mr. R. Vasudevan in his appointment as Director.

ITEM NO. : 9

Shareholders had given their consent to the terms and conditions governing the appointment of Mr. Ajit C. Kapadia, Managing Director at their Annual General Meeting held on September 17, 1993. The said terms of appointment had been modified by the consent of shareholders at the Annual General meeting held on August 10, 1994 to match the requirements of Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956.

Now the present terms of the appointment will be supplemented by the following additional term.

- 1) One time payment of Rs. 35,000 towards the subscription for subscribing the Senior Citizens Unit Plan of Unit Trust of India.

Since the overall quantum of perquisites are within the limits as approved by the Company, the Directors commend the Resolution for your approval.

No other Directors of the Company except Mr. Ajit C. Kapadia are concerned or interested in the above Resolution.

ITEM NO. : 10

The period of appointment of Mr. Ajit C. Kapadia as Managing Director of the Company will expire on July 31, 1998 by efflux of time. Having regard to his long association with the Company and valuable services rendered by him, the Board of Directors of the Company ("the Board") consider that it would be advisable for the Company to maintain the continuity of the present form of management of the Company by re-appointing Mr. Ajit C. Kapadia as Managing Director for a further period of five years. Accordingly, the Board at its meeting held on June 11, 1997 re-appointed Mr. Ajit C. Kapadia as Managing Director for a further period of five years, subject to the necessary approvals as may be required under the Companies Act, 1956.

The material terms and conditions for the re-appointment are mentioned below for consideration of the members :

The revised salary would be Rs.50,000 per month with effect from August 1, 1998 with annual increase of Rs.5,000 per month.

In addition to the Basic salary, Mr. Kapadia will also be entitled for the following perquisites.

1. **Period of re-appointment** : Five years from August 1, 1998
2. **Perquisites** : The perquisites shall be restricted to an amount equal to 66% of the annual salary.

Unless the context otherwise requires, Mr. Kapadia will be entitled for the following perquisites;

A. Perquisites / Allowances :

- i) Furnished accommodation or H.R.A. in lieu thereof as per the rules of the Company.
- ii) Reimbursement of expenditure and allowances in respect of utilities such as gas, electricity, water, furnishing, repairs and maintenance of house, medical reimbursement, medical insurance and leave travel concession for self and family, etc. in accordance with the rules of the Company from time to time.

In addition to above perquisites, Mr. Kapadia will also be entitled to the following benefits. These benefits will not be included in the computation of ceiling on perquisites.

B. Other Entitlements :

- a) Gratuity payable subject to the condition that it will not exceed half a month's salary for each completed year of service and shall be subject to the maximum amount as may be permitted under the Company's rules in relation to gratuity prevailing from time to time.
- b) Encashment of Privilege Leave at the end of the tenure.
- c) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and shall be subject to the maximum amount as may be permitted under the Company's rules.
- d) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to Mr. Kapadia.

C. Commission :

At the rate not exceeding 1% of the Net Profit (excluding non-operating income) of the Company in addition to salary and perquisites, subject to overall ceiling stipulated in Section 198 and 309 of the Companies Act, 1956, the actual amount to be determined by the Board of Directors or a Committee thereof for each financial year.

D. The aggregate of the Salary, Perquisites / Allowances and Other Entitlements shall not exceed the limits specified in Sections 198 and 309 of the Companies Act, 1956.

E. In absence or inadequacy of Operational Profits in any year, the remuneration by way of Salary, Perquisites / Allowances and Other Entitlements will not exceed the limits prescribed under the Companies Act, 1956.

3. The Managing Director shall not be entitled to sitting fees for attending Board Meetings / Committees thereof.
4. The Managing Director shall not become interested or concerned directly or through his wife and / or minor children in any selling agency of the Company without the prior approval of the Central Government.
5. The Explanatory Statement togetherwith the accompanying Notice is and may be treated as an abstract under Section 302 of the Companies Act, 1956.

No other Directors except Mr. Ajit C. Kapadia are said to be concerned or interested in the said Resolution.

Place : Mumbai
Date : June 11, 1997.

Registered Office :
Tandalja Road,
Off Old Padra Road,
Baroda 390 020.

By Order of the Board of Directors,
For Hindustan Oil Exploration Company Limited

Surendra U. Tamboli
Company Secretary



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

DIRECTORS' REPORT**TO THE MEMBERS OF****HINDUSTAN OIL EXPLORATION COMPANY LIMITED**

Your Directors have pleasure in presenting the 13th Annual report and the Audited Statement of Accounts of the Company for the year ended March 31, 1997.

FINANCIAL RESULTS

For the year ended March 31, 1997, the Company has earned a pre-tax profit of Rs.12,336,495 (Previous Year Rs.26,892,889). After provision for taxation and adjusting the previous balance, a sum of Rs.58,976,792 in Profit and Loss Account is being carried forward as surplus. During the year, major portion of surplus funds have been deployed in exploration and development projects mainly PY-3 and Asjol, oil revenue from which will accrue in coming years.

DIVIDEND

In order to conserve the resources of the Company for the ongoing projects, the Directors do not recommend any dividend for the year under review.

ONGOING PROJECTS**EXPLORATION****CB-0S/1 BLOCK - GULF OF CAMBAY OFFSHORE**

The consortium of HOEC, Tata Petrodyne and Vaalco Energy Inc. signed Production Sharing Contract (PSC) with Government of India on November 19, 1996. Subsequently, interest of Vaalco Energy Inc. has been taken over by Hardy Oil & Gas plc. of U.K. ONGC has exercised their option to take 10% participating interest.

The block comprises of northern half of Gulf of Cambay and covers an area of 3290 square kilometers. ONGC had conducted exhaustive seismic survey and drilled four wells in 1992. Two of these wells have been found to be oil bearing signifying prospectivity of the block. Studies are in progress for an early appraisal of the discovered oil prospects and to confirm presence and extent of hydrocarbons in other parts of the block.

CY-OS/2 BLOCK - CAUVERY OFFSHORE BASIN

The consortium of Vaalco Energy Inc. USA, HOEC and Tata Petrodyne signed the PSC with the Government of India on November 19, 1996. M/s. Vaalco USA has assigned their interest in favour of Vaalco Energy (India) Inc. which is a wholly owned subsidiary of Hardy Oil & Gas plc. of U.K. M/s. Mosbacher Energy Corporation, USA have expressed their desire to join the consortium. An agreement to that effect has been signed and the approval of Government is sought with 25% participating interest of each member.

PY-1-CAUVERY OFFSHORE BLOCK

In spite of concentrated efforts, a suitable rig to drill the first appraisal well could not be tied up. The Government has accepted our request for extension of the Phase-I by ten months.

During the year, M/s. Petrodyne Inc., one of the consortium member, decided to withdraw. Their participating interest has been taken over by Operator M/s. Mosbacher Energy Corporation, U.S.A. Government approval formalities to this effect are being completed.

Now, the rig already tied up by the consortium of KG Block, would be available for PY-1. Drilling of an appraisal well is expected to commence during the last quarter of 1997.

KG-OS-90/1 - KRISHNA GODAVARI OFFSHORE BLOCK

The Government has approved changes in consortium with Hardy Oil and Gas plc., U.K. as the Operator. Necessary formalities for Government approval took considerable time. With this, it became necessary to seek extension for the Phase-II of the exploration work by one year. The consortium has now tied-up an appropriate rig and drilling of an exploratory well is expected to start in the third quarter of 1997.

GN-ON-90/3 BLOCK - PRANHITA GODAVARI ONSHORE BLOCK

As the environmental problems continued with no end in sight, your Company has invoked the force majeure clause of the PSC and submitted an application to the Government of India that the project be declared as closed. The Government approval in this regard is awaited.

DEVELOPMENT

PY-3 - CAUVERY OFFSHORE BLOCK

As reported last year, the consortium started implementing four wells development programme as approved by the Government of India. Unfortunately, in the first well (PD-1) the prospective oil bearing sands were encountered below the oil/water level and hence no oil was discovered.

However, the data obtained from PD-1 were re-studied alongwith available data by a team of geoscientists and reservoir engineers drawn from all consortium members. The revised development plan with four wells, which is economically viable, has been approved by the Government of India. The revised estimated project cost is 77 million US Dollars.

Three of the four wells as per revised development plan are completed and the fourth would be completed shortly. Results from the first three wells are encouraging. An early production system has been mobilised and is being connected to the wells. We expect production to start in early part of the third quarter of 1997.

ASJOL BLOCK - CAMBAY BASIN ONSHORE

Your Company is the first Indian Private Sector Company who as an operator successfully organised drilling of two wells. All geological and geophysical studies and identifying drilling locations were done in house. This proved to be morale booster and gave a great deal of confidence to Company's technical team.

One of the well so drilled may be considered as an exploration well and initial estimates indicate that recoverable reserves could be higher by about 4 lac barrels of oil.

The production from first development well has already started from April '97 and the second well is expected to be completed shortly. The production is expected to reach around 20 tonnes per day as against 2.5 tonnes per day when the field was taken over by your Company.



Government had fixed provisional price of Rs.3122 per tonne for the Asjol crude oil. Now, price formula, based on analysis of the crude oil and benchmarking the same with international crude oil has been finalised. Accordingly, the price is likely to be above Rs.4000 per tonne which would be applicable retrospectively from the first oil production i.e. w.e.f. March 1995.

During the year M/s. Petrodyne Inc. has defaulted in payment of cash calls. Their participating interest is being shared by remaining members. Subject to Government approval, your Company, now, has 50% Participating Interest in the field.

OTHER PROJECTS

SIX SMALL SIZED FIELDS IN NORTH GUJARAT AND CAMBAY BASIN

These fields were awarded to the consortium consisting of HOEC, GSPC and Amec-Heritage in September, 1996. HOEC is the Operator for Unawa and North Balol whereas, Amec-Heritage is Operator for the remaining four fields. PSC negotiations are at final stage.

CB-ON/7 (TARAPUR), CB-ON/2 (PALEJ) BLOCKS CAMBAY BASIN ONSHORE

Tarapur and Palej blocks were awarded to the consortium consisting of HOEC, Samson and GSPC in September, 1996. Negotiations on draft PSCs have been completed and signing of PSCs is expected shortly.

During the year which went by, your Company has been awarded two more exploration blocks in North-West part of Assam CR-ON-90/1 (Cachar) and AAP-ON-95/1 (Assam onshore). PSCs for these blocks are at various stages of negotiations with the Government of India.

INTERNATIONAL PROPOSALS

Your Company has submitted a proposal for an exploration block in Sultanate of Oman along with M/s. Khimji Ramdas of Oman. The first phase covers extensive analysis of existing seismic data. Discussions have already been held with Director General of Hydrocarbons, Oman, who visited your Company in March '97.

HOEC BARDAHL INDIA LIMITED (WHOLLY OWNED SUBSIDIARY OF HOEC)

After launching Bardahl range of high performance auto additives in Mumbai in April, 1996, the Company has extended its area of operation in the State of Maharashtra, Kerala and in some parts of Gujarat.

The Company's application for obtaining Central Government approval for Equity participation by Bardahl Manufacturing Corporation, U.S.A. is being re-submitted with detailed plan for manufacturing activities in India.

AUDITORS' REPORT

With reference to the observations made in Auditors' Report regarding the subsidiary Company, Note 1 as contained in Schedule 13, Notes forming part of the Accounts, and observations for the provisions for the contingencies are self explanatory and, therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.