



Hindustan Oil Exploration Company Limited

1 5 T H A N N U A L R E P O R T 1 9 9 8 - 9 9

SHRADDHANJALI

One of our Founder Directors, Mr. N. N. Kapadia passed away on June 14, 1999. During his long association, he supported HOEC with his valuable advice and guidance. On his death we lost a visionary and a guiding force and will miss his valuable counsel. The Board place on record their gratitude and pray that his Soul rest in Peace.

15th ANNUAL GENERAL MEETING**Date : September 8, 1999****Day : Wednesday****Time : 11.30 A.M.****Place : The Auditorium
Federation of Gujarat Industries,
Federation Building, R. C. Dutt Road,
Vadodara-390 007**

CONTENTS	PAGE NO.
● Notice	2
● Directors' Report	5
● Auditors' Report	8
● Balance Sheet	10
● Profit and Loss Account	11
● Schedules Forming Part of Accounts	12
● Significant Accounting Policies	17
● Notes Forming Part of Accounts	18
● Information regarding Subsidiary	21
● Balance Sheet Abstract and Company's General Business Profile	21
● Cash Flow Statement	22
● Accounts of Subsidiary Company HOEC Bardahl India Limited	23

BOARD OF DIRECTORS

- * Rasesh N. Mafatlal *Chairman*
 * Deepak S. Parekh
 * Vimal Bhandari
 Dr. I. G. Patel
 B. R. Sule
 A.H. Divanji
 C. K. Mehta
 Hasmukh Shah
 * R. Vasudevan
 Steven Holliday
 * Arun K. Metre
 R. Boyd Montgomery
 * Ashok M. Bhatt *Joint Managing Director*
 * Ajit C. Kapadia *Managing Director*
 Ronald Bryans *Alternate Director to
Mr. Steven Holliday*
 Randolph L. Howard *Alternate Director to
Mr. R. Boyd Montgomery*

* *Members of Executive Committee***COMPANY SECRETARY**

Surendra U. Tamboli

AUDITORSS.B. Billimoria & Co, Chartered Accountants,
Mumbai**BANKERS**Allahabad Bank
ICICI Banking Corporation Limited
Bank of Baroda
HDFC Bank Limited**REGISTERED OFFICE**'HOEC HOUSE', Tandalja Road, Off Old Padra Road,
Vadodara - 390 020**MUMBAI OFFICE**Anand House, 13th Road,
Off Linking Road, Khar (West),
Mumbai- 400 052**SHARE DEPARTMENT**107/108, 1st Floor, Gajanan Complex,
Opp. Tube Company, Old Padra Road,
Vadodara - 390 020**MANAGEMENT TEAM**Vipul 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 15th Annual General Meeting of the Members of Hindustan Oil Exploration Company Limited will be held on Wednesday, September 8, 1999 at 11.30 A.M. at the Auditorium, Federation of Gujarat Industries, Federation Building, R. C. Dutt Road, Vadodara-390 007 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at March 31, 1999 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. A.H. Divanji, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.R. Sule, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. C. K. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. I. G. Patel, 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.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution :-

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956, (including any statutory modifications, guidelines or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary from Securities and Exchange Board of India (SEBI), Stock Exchange(s), Central Government or such other authorities and subject to such conditions and modifications as may be prescribed or enforced while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to delist the equity shares of the Company from the Ahmedabad, Bangalore, Calcutta, Delhi and Madras Stock Exchanges."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, things and matters that may be necessary and desirable or expedient in giving effect to the aforesaid resolution."

8. To consider, and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution :-

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956, (including any statutory modifications, guidelines or re-enactments thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions as may be required from any statutory authorities, and pursuant to the applicable provisions of the Articles of Association, consent of the Company be and is hereby accorded for the cancellation of 7,55,323 equity shares of Rs. 10/- each which were offered to the employees of the Company but have not been subscribed to or agreed to be taken by any person and in turn the issued capital of the Company be reduced from Rs. 59,53,32,330/- divided into 5,95,33,233 equity shares of Rs. 10/- each to Rs. 58,77,79,100/- divided into 5,87,77,910 equity shares of Rs. 10/- each."

9. To consider, and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution :-

"RESOLVED that Mr. R. Boyd Montgomery, Nominee Director of Unocal Bharat Limited, Mauritius, be and is hereby appointed as Special Director under Article 113 of the Articles of Association of the Company."

10. To consider, and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution :-

"RESOLVED that Mr. Arun K. Metre, Nominee Director of Unocal Bharat Limited, Mauritius, be and is hereby appointed as Special Director under Article 113 of the Articles of Association of the Company."

11. To consider, and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution :-

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as follows :

- (a) In Article 2 dealing with Interpretation, the following new Clauses be inserted after Clause (vi) as :

- **CLAUSE (VI) (A) :**

'Beneficial Owner' shall mean beneficial owner as defined in Clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

- **CLAUSE (VI) (B) :**

'Depositories Act, 1996' shall include any

statutory modification or re-enactment thereof ;

● **CLAUSE (VI) (C) :**

'Depository' shall mean a Depository as defined in Clause (1) of Section 2 of the Depositories Act, 1996 ;

● **CLAUSE (VII) :**

To insert the following words after the existing interpretation of 'Member' "and the beneficial owner as defined above".

- (b) At the end of Article 14, the following proviso be inserted: "Provided, however that no share certificate(s) shall be issued in respect of the shares held in Depository."

- (c) A new Article 15 (1A) be inserted after the existing Article 15, as under :-

15 (1A) The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and/or to issue its fresh shares, debentures and other securities, in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

- (d) A new Article 31(A) be inserted after the existing Article 31, as under :-

31 (A) Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any equity or benami trust or equitable, contingent, future or partial or other claim or claims or right to or interest in such share on part of any other person whether or not it shall have express or implied notice thereof.

- (e) A new Article 34(A) be inserted after the existing Article 34, as under :-

34 (A) No notice of any trust, express, implied or constructive shall be entered in the Register of Members or of debenture holders.

- (f) A new Article 60(A) be inserted after the existing Article 60, as under :-

60 (A) In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

- (g) The existing Article 185 (3) be substituted by the following :-

Register and Index of Members shall be kept in accordance with all applicable provisions of the Companies Act, 1956, and the Depositories Act, 1996, with details of shares held in material and dematerialised form as may be permitted by law. The Company shall be entitled to keep in any State or Country outside India, a branch Register of Members Resident in that State or Country.

- (h) A new Article 185 (4) (a) be inserted after the existing Article 185 (4) as under :-

185 (4) (a) "Register of Transfer" and shall therein enter fairly and distinctly, particulars of every transfer or transmission of any share held in material form.

By Order of the Board of Directors

Place : Mumbai

Surendra U. Tamboli

Date : May 28, 1999

Company Secretary

Registered Office :

'HOEC HOUSE', Tandalja Road,
Off Old Padra Road,
Vadodara - 390 020

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 Monday, August 23, 1999 to Wednesday, September 8, 1999 (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 at least 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 bring their copy of the Annual Report along with them to the Annual General Meeting as extra copy will not be supplied.
- 6 The Company's equity shares are now available to hold/trade/transact in dematerialised form. Members can exercise their option to keep their shares in Physical Form or Demat Form.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

ANNEXURE TO THE NOTICE :**Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.****ITEM NO. 7**

The equity shares of the Company are listed at The Ahmedabad (Regional Stock Exchange), Bangalore, Calcutta, Delhi, Mumbai and Madras Stock Exchanges. The trading volume of the Company's shares at the above Stock Exchanges except The Mumbai Stock Exchange is very low since last three years. With the introduction of Bombay On-Line Trading (BOLT) facility available from many part of the country, the importance of regional Stock Exchanges is reduced substantially. In view of this, it is proposed to de-list our securities from Stock Exchanges other than The Mumbai Stock Exchange. After de-listing from these Stock Exchanges, the Company proposes to get enlistment with The Vadodara Stock Exchange as the Regional Stock Exchange.

None of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

ITEM NO. 8

In order to bring the issued and subscribed capital at par (excluding forfeited 32,975 equity shares), cancellation of 7,55,323 equity shares under Section 94 (1) (e) is proposed. The cancellation of the unsubscribed portion of the issued shares do not tantamount to reduction of share capital as per Section 100 of the Companies Act, 1956. On account of cancellation of 7,55,323 equity shares, the issued capital will be of Rs. 58,77,79,100/- divided into 5,87,77,910 equity shares of Rs. 10/- each.

The Board commends the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 9 & 10

As per the terms of the preferential offer of 1,52,81,633 equity shares of Rs. 10/- each at a premium of Rs. 42.50 per share to Unocal Bharat Limited, Mauritius, and Clause 11 (2) (C) of the Code of Best Practice for effective Corporate Governance; Unocal Bharat Limited, Mauritius has the right to nominate two directors on the Board of the Company. Unocal Bharat Limited, Mauritius has vide their letter dated 19-05-1999 nominated Mr. R. Boyd Montgomery and Mr. Arun K. Metre as their Nominee Directors.

The Board is pleased to recommend the appointments of Mr. R. Boyd Montgomery and Mr. Arun K. Metre under Article 113 of the Articles of Association of the Company as Special Directors.

No other Directors of the Company are concerned or interested except Mr. R. Boyd Montgomery and Mr. Arun K. Metre in their appointment as Special Directors.

ITEM NO. 11

Consequent to the passing of the Depositories Act, 1996 and with the introduction of the Depository System, the Company has entered into an agreement with National Securities Depository Limited (NSDL) under Depositories Act, 1996 to dematerialise and rematerialise its shares and therefore necessary definitions and provisions are required to be provided in the Articles of Association of the Company, pertaining to issue, holding, transfer and dealing in shares of the Company in conformity with Depository System. Certain provisions of the existing Articles of Association pertaining to the issue, transfer, transmission, dealing in shares, etc., are proposed to be amended to conform to the requirements of the Depositories Act, 1996.

The Board commends the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

INSPECTION OF DOCUMENTS

Copies of the Documents referred to in the notice and explanatory statement are available for inspection at the Registered Office of the Company between 09.15 a.m. to 06.00 p.m. during working days (except Saturdays, Sundays and Holidays) until the date of the Annual General Meeting.

By Order of the Board of Directors

Place : Mumbai
Date : May 28, 1999

Surendra U. Tamboli
Company Secretary

Registered Office :

'HOEC HOUSE', Tandalja Road,
Off Old Padra Road,
Vadodara – 390 020

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

Your Directors present their Report and Audited Accounts of the Company for the year ended March 31, 1999.

ANNUAL RESULTS

This has been a mixed year for your Company with good progress in the production of our assets contrasting with low oil price impact on disappointing financial results. Overall, we have completed a difficult year stronger than we began it. Continuing our exploration efforts and the induction of new funds has significantly advanced our potential to withstand vicissitudes of global oil industry in general and Indian oil industry in particular.

There were two main factors which attributed towards poor results. First, the international price of crude oil. At the beginning of the year, based on then prevailing price, 14.63\$/barrel was used to estimate Net Sales. The average oil price for the year dropped to 12\$/barrel curtailing revenue significantly. The Company, along with International and Indian Consortium partners had won a contract for exploration in the Gulf of Cambay. All geoscientists of the Consortium partners rated the block very highly. Also, the fact that this particular exploration block was one of the very few blocks that was fiercely competed both by Indian and International partners, indicate that the other Consortiums also rated this block very highly. Unfortunately, the first four wells drilled fell way below expectations. The bottom line provide for the cost of these wells.

The Company's net loss carried to balance sheet is Rs. 3399 lacs as compared to last year's net profit of Rs. 508 lacs. The year's disappointing results are a reminder that the Company's short-term financial performance at this point in its investment cycle can be particularly sensitive to circumstances. As such, the Board has not recommended any dividend.

FINANCIAL HIGHLIGHTS

	(Rs. in Lac)	
	1998-99	1997-98
Net Sales	3953.51	2569.83
Other Income	568.48	1299.01
Gross Profit after Interest but before Depreciation / Depletion / Taxation	1722.15	2125.91
Less : Depreciation and Depletion	2210.82	716.60
Profit/Loss before :		
Expenses Written Off/ Provision for Contingencies/Taxation	(488.67)	1409.31
Less :		
Expenses Written Off	275.14	
Provision for Contingencies	2634.00	
Provision for Taxation	1.17	
Profit /Loss carried forward to Balance Sheet	(3398.98)	508.29

INDUSTRY CLIMATE

The plunge in crude oil prices over the past year has highlighted once again the crucial role that oil revenues play in the economies of OPEC member countries. OPEC raised

production quotas by 10% and Asian economies fell apart, seemingly overnight. Within 45 days of OPEC's quota raising, oil prices began to tumble. Never since 1986, did prices fall so low. In October 1997, the oil price which was around 22\$/barrel had fallen down to 11\$/barrel in June 1998. The industry is still feeling the pinch of low, unstable crude prices. The resultant financial pressures have led to another round of restructuring and as a result, major consolidations and large-scale mergers and acquisition are recently witnessed.

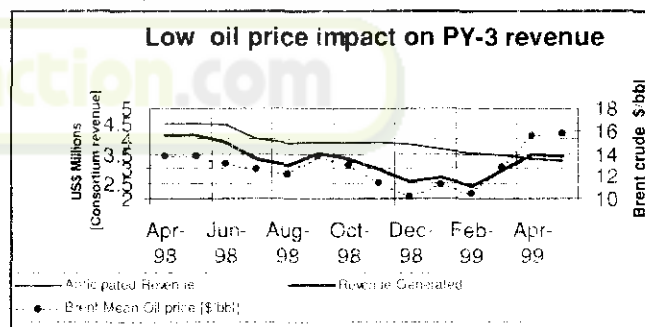
Since OPEC member countries resolved to maintain cuts on production quotas, the prices have stabilized for now. Lot depends upon the tone and outcome of each OPEC meeting. Tighter discipline at the current level of quotas would probably impress markets more than another promised cutback, which could again take months to implement. However, the plunge of oil price has mixed results on Indian oil industry. Low international crude oil price has been the biggest boon particularly for Indian oil refining companies and in general to all major industries.

However for the Indian upstream industry this period is very unfortunate. While ONGC is saved due to floor crude and gas price, private sector upstream oil companies have been hit hard due to the low crude price.

OPERATIONS REVIEW

In spite of the disappointing financial results, the last twelve months have been marked by substantial increase in the Company's exploration work-programme to develop adequate producing properties and increase in the production from existing developed oil fields.

PRODUCTION



During the year under review, the Consortium has produced 3,184,845 barrels of oil from PY-3 oil field in Cauvery offshore area. The peak production phase has unfortunately matched with low oil price during the year which has resulted into significant reduction in revenue than what was anticipated at the beginning of the year [see chart]. The positive developments are that: Madras Refineries Limited has paid the benchmark price to the Consortium (after withholding marginal amount on account of import parity) which was pending, and the international crude price is improving after March 1999.

Asjol Oil field, Cambay basin onshore in Gujarat where HOEC is operating has produced 25,931 barrels with daily average production of 71 barrels.

DEVELOPMENT

After successful testing of one well in PY-1 Cauvery offshore block, the Consortium has carried out Geological and Reservoir



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

studies which have indicated positive signs of commercial viability of the field. Government of India has already approved the development plan of the block. Various options for gas marketing are being evaluated. The current plan envisages production start-up by end of 2001 A.D.

Company has also been awarded six small size oil and gas fields in Gujarat for which Production Sharing Contracts (PSC) are yet to be signed with the Government of India.

EXPLORATION

Your Company is committed to long term exploration business in the country and has increased its exploration work programme. Out of seven exploratory wells committed in PSC, four offshore exploration wells were planned and drilled in Block CB-OS-1, Gulf of Khambhat, Gujarat. Out of four wells drilled, only in one well hydrocarbon was present. However, the quantity of hydrocarbon in the well was not commercially viable, we have abandoned these wells and full provision has been made towards the cost of four wells drilled. The balance work-programme to complete remaining three wells drilling in prospective areas of the block is in progress.

In Cauvery offshore block CY-OS-2, activities comprising of seismic reprocessing and interpretation are nearing completion.

During the year, we have executed Production Sharing Contracts for two blocks in North East region of the country viz. Blocks AAP-ON-94/1 and CR-ON-90/1. The operations are pending for requirement of Petroleum Exploration License since June 1998. Apart from this, the Company is awaiting Government's invitation to sign contracts for Blocks CB-ON-2 and CB-ON-7, located in Gujarat.

Regarding relinquishment of Pranhita-Godavari basin block, requisite representation has been made to Government and your Company is awaiting Governments approval for closure.

OUTLOOK

NEW EXPLORATION LICENCING POLICY (NELP) ROUND

Government of India finally announced **NELP** round in January 1999. A total of 38 offshore blocks including 12 deep-water blocks (beyond 400-m isobath) and 10 on-land blocks are on offer. The terms include a seven-year tax holiday and tax write-off on losses from production against any other business a company has in the country. In view of prevailing conditions, Government has extended the bid deadline from May'99 to August'99. Your company is evaluating the offered blocks.

STRATEGIC OBJECTIVES

The objective of the Company is to build long term value for shareholders, by providing a balance of capital and income growth through the profitable discovery and development of oil and gas reserves. Our core business, the exploration and development of oil and gas assets, is managed as a portfolio and is concentrated in a restricted number of areas where we believe we can create clear competitive advantage. This will be supplemented, where appropriate by acquisitions.

MANAGEMENT

Formalities to issue preferential issue of equity shares to Unocal Bharat Ltd., Mauritius (a wholly owned subsidiary of Unocal Corporation, USA) is complete. On behalf of all of you, my colleagues and officers of the Company, we welcome on the Board Mr. R. Boyd Montgomery, Corporate Vice

President of Unocal Corporation, responsible for Unocal's activities in South East Asia and Mr. Arun K. Metre, Managing Director of Unocal Bharat Ltd., Mauritius. We have placed a resolution to appoint them as Special Directors. We are very confident that their association would be most beneficial to us in strengthening our technical and managerial capabilities.

HOEC BARDAHL INDIA LIMITED (WHOLLY OWNED SUBSIDIARY OF HOEC)

The Company has managed to increase the volume of sales for the year under review by concentrated marketing efforts and expanding our sales to some more cities. Apart from this, we have reduced the overhead expenses with a view to minimize the loss. We have also tried to minimize the operational bottlenecks and seek to achieve higher sales in the ensuing years.

AUDITORS' REPORT

With reference to the observations made in the Auditors' Report regarding the Subsidiary Company and other issues, the same are explained in Schedule 15, Notes forming part of accounts, and therefore, do not call for any further comments under section 217(3) of the Companies Act, 1956.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. A.H. Divanji, Mr. B.R. Sule, Mr. C. K. Mehta and Dr. I.G. Patel will retire by rotation at the ensuing Annual General Meeting and they, being eligible offer themselves for re-appointment.

During the year Mr. R. Boyd Montgomery and Mr. Arun K. Metre were appointed as Additional Directors and Mr. Randolph L. Howard, as Alternate Director to Mr. R. Boyd Montgomery.

British Borneo (Hardy Oil & Gas Plc.) has changed their Nominee Director by nominating Mr. Steven Holliday in place of Mr. John Walmsley and Mr. Ronald Bryans as Alternate Director to Mr. Steven Holliday.

DEPOSITORY

Your Directors have pleasure in informing you that the Company has entered into an agreement with the National Securities Depository Limited to facilitate investors to hold the shares in the electronic form. This would facilitate paperless trading and faster settlements, while minimizing the problems of loss of certificates, bad delivery and forgery etc.

YEAR 2000 (Y2K)

Your company is well aware about the sensitivity of Y2K compliance, hardware/software environment. While for in-house software, the process is near to the completion; for all third party packages, we are in process of obtaining such upgraded software with the necessary certification of Y2K testing.

DE-LISTING OF SHARES

It has been observed that the trading of the Company's securities on the Stock Exchanges of Ahmedabad, Bangalore, Calcutta, Delhi, and Madras are almost Nil or very thin for the last three years. With the introduction of Bombay On-Line Trading (BOLT) System, which is available to the major cities, the importance of regional Stock Exchanges is reduced substantially. Your Directors propose to de-list the equity shares from aforesaid five Stock Exchanges and seek your approval

for the same at the ensuing Annual General Meeting as required by the SEBI. However, after de-listing the Company's securities from these five Stock Exchanges, the Company's securities will continue to be listed and traded on the Mumbai Stock Exchange. Apart from this, the Company will get enlistment at the Vadodara Stock Exchange as its Regional Stock Exchange. This will give enough liquidity to the Company's securities.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In a continued effort to conserve energy at Asjol production facilities, the Company as an Operator has installed a screw pump (with 5 hp motor) at Asjol # 5, replacing sucker rod pump (with 25 hp motor). This has resulted in improved load factor as well as conservation of energy. The screw pump consumes less energy as compared to sucker rod pump. Now all the three wells i.e. Asjol #5, # 6 and #7 are producing oil with screw pumps.

Various operations were carried out in-house in the form of technical assignments such as Geological Studies, Geophysical Studies, Reserve Estimation, Reservoir Modeling etc., utilizing the knowledge and experience gained by the members of the technical team.

Particulars with regard to foreign exchange appear in Schedule 15 of the accounts.

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are attached hereto and form part of the Report.

AUDITORS

The Auditors M/s. S.B. Billimoria & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

CONCLUSION & ACKNOWLEDGEMENT

HOEC has established itself as a significant participant in the exploration and production sector. We are taking action to improve profitability and to make the asset position strong. There is every reason to believe that we can continue to build a large and stronger exploration and production company on these promising foundations.

Your Company and its Directors wish to sincerely thank the Government of India, Ministry of Petroleum and Natural Gas, other Ministries, the Government of Gujarat, Banks and Consortium partners for their continuing assistance and co-operation.

Your Directors wish to place on record their sincere appreciation of the sustained and dedicated efforts put in by all the employees.

Your Directors sincerely thank the Shareholders for the confidence reposed in and the continued support extended to the Company.

For and on behalf of the Board

Place : Mumbai
Date : May 28, 1999

Rasesh N. Mafatlal
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' report for the year ended March 31, 1999.

Name & Qualification	Age in Years	Designation	Remuneration Rupees	Experience (No. of Years)	Date of Joining	Last Employment	
						Name of the Company	Designation
Ajit C. Kapadia B.Sc. (Hons.) M.E. (Chem.) Business Management Certificate, Sr. Course	57	Managing Director	1,017,190	36	30.03.1987	Gas Authority of India Ltd	Director (Planning)
Ashok M. Bhatt B.E. (Mechanical)	59	Jt. Managing Director	626,997	38	28.10.1995	Oil & Natural Gas Corp. Ltd	Regional Director

Notes :

- 1) Gross remuneration as above includes salary, taxable allowances, Company's contribution to Provident Fund and Superannuation Fund (but excludes Company's contribution to Gratuity Fund), reimbursement of medical expenses, personal accident & mediclaim insurance premium, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules thereunder.
- 2) The above mentioned employees are not a relative of any Director of the Company.
- 3) The nature of employment is contractual.