



31st Annual Report 2014-2015

INDIA'S FIRST
PRIVATE OIL AND GAS COMPANY

Transforming Through Talent And Technology

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

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COMPANY INFORMATION

Registered Office

'HOEC House', Tandalja Road
Vadodara – 390 020, Gujarat (India)
E-mail: contact@hoec.com
Website: www.hoec.com

Chennai Office

Hindustan Oil Exploration Company Limited
'Lakshmi Chambers', 192, St. Mary's Road
Alwarpet, Chennai – 600 018
Tamil Nadu (India)

CIN

L11100GJ1996PLC029880

ISIN

INE345A01011

Credit Rating Agency

ICRA Limited
(An Associate of Moody's
Investors Service)

Auditors

S.R. Batliboi & Associates LLP
Chartered Accountants
Audit Partner
Mr. Subramanian Suresh

Internal Auditors

Guru & Ram
Chartered Accountants

Cost Auditor

Mr. K. Suryanarayanan

31st Annual General Meeting

Day : Friday

Date: September 25, 2015

Time: 10:30 A.M.

Place: 'Tropicana Hall', The Gateway Hotel Vadodara
Akota Gardens, Akota
Vadodara – 390 020, Gujarat (India)

Disclaimer Note:

Certain sections of this Annual Report, in particular the Management Discussion and Analysis, and Operational Highlights may contain forward-looking statements concerning the financial condition and results of operations of HOEC. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. No assurances can be given as to future results, levels of activity and achievements & actual results, levels of activity and achievements may differ materially from those expressed or implied by any forward-looking statements contained in this report. HOEC does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information.

Highlights

FY 2014-2015

Average Production

696 boepd

Revenue

INR 479 million

Operating Cash Flow*

INR 139 million

PRODUCTION WORKING
INTEREST (boe)

254,183

NET WORTH (in INR million)

2,719

EXPLORATION
EXPENDITURE (in INR million)

96

DEVELOPMENT
EXPENDITURE (in INR million)

18

CUMULATIVE
CAPITAL INVESTMENT (in **USD** million)

500+

HSE - LOST TIME INJURY

0

→ Plan of Development for AAP-ON-94/1 (Assam-Dirok) Approved

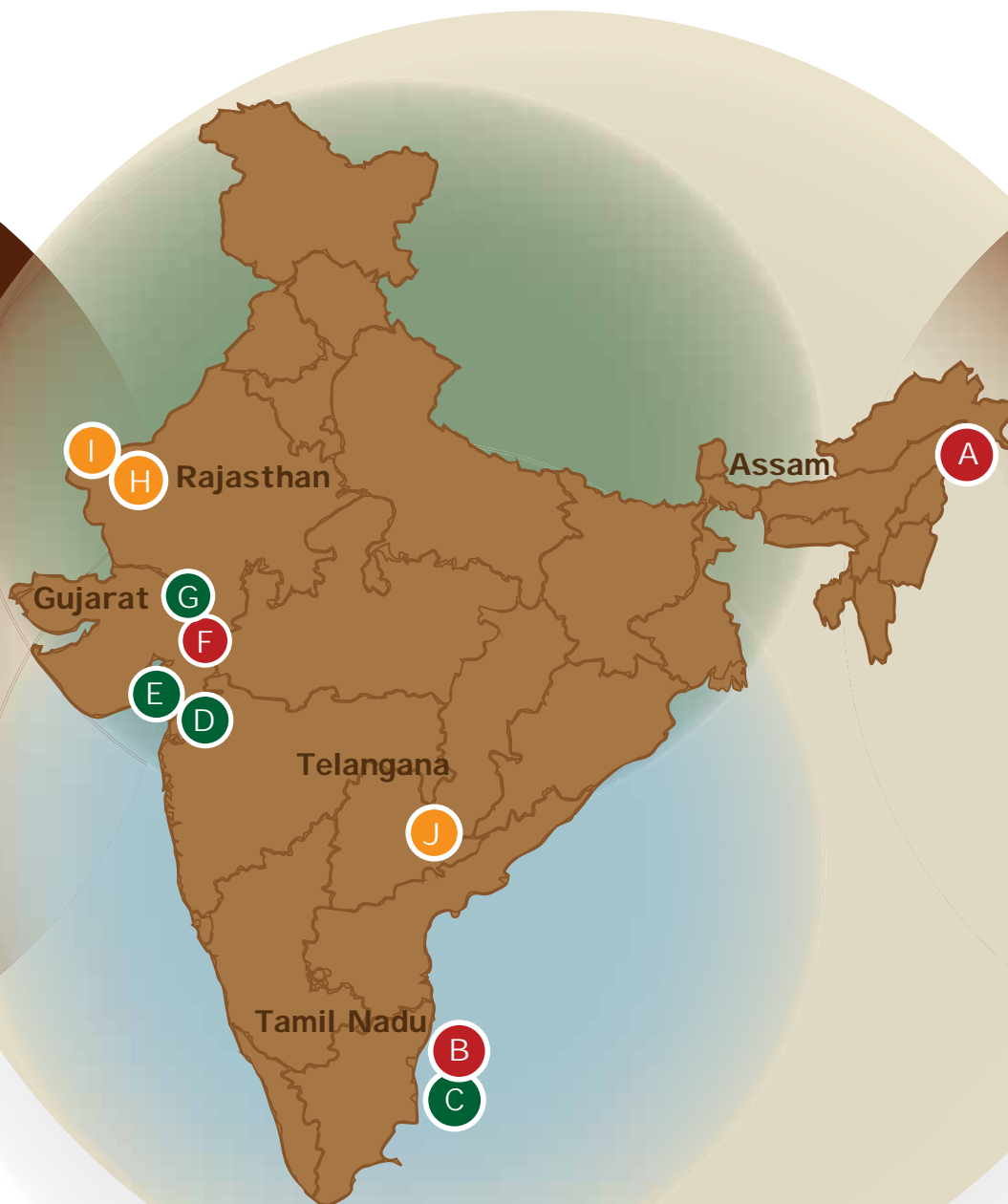
→ Public Hearing successfully conducted for Environmental Clearance in Assam block

*Before working capital changes



Our Asset Portfolio

HOEC's oil and gas assets consist of operated & non-operated acreages in Cauvery, Cambay, Assam-Arakan, Rajasthan and Pranhita-Godavari basins in India



LEGEND

● OIL

● GAS

● Appraisal / Exploration

(O) HOEC as Operator

(PI) Participating Interest

Notes: Production figures are gross for respective fields for Financial Year 2014-2015.
Location of Contract Area is indicative and not to scale.

- A AAP-ON-94/1, HOEC PI: 26.882 % (O)**
Dirok Gas Discovery
- Plan of Development has been approved
 - Public Hearing for Environmental Clearance successfully conducted
 - Fast track development is in progress to deliver the first gas by Q4 FY 2016-17
- B PY-1, HOEC PI: 100 % (O)**
- Average Production (FY 2015) – 3 mmscfd
 - Cumulative Production – 29.57 BCF
 - Revenue – INR 314 Mn
 - Field opex – INR 216 Mn
 - Work-over is planned to improve production
 - Processing plant on onland area of 200 + acres
- C PY-3, HOEC PI: 21 %**
- Field under shutdown since July 2011
 - Last production (100%) - 3,300 bopd
 - Field development opportunity exists at optimized cost and appropriate prices
- D CB-ON-7, HOEC PI: 35 % (O)**
- Average Gross (100%) Production (FY 2015) – 128 boepd
 - Net Revenue – INR 59 Mn
 - Field Opex – INR 8 Mn
- E CB-OS/1, HOEC PI: 38.07 %**
- Plan of Development was approved in FY 2015
 - ONGC (Operator) is optimising the offshore development concept
- F North Balol, HOEC PI: 25 % (O)**
- Average Gross (100%) Production (FY 2015) – 0.81 mmscfd
 - Net Revenue – INR 17 Mn
 - Field Opex – INR 3 Mn
- G Asjol, HOEC PI: 50 % (O)**
- Average Gross (100%) Production (FY 2015) – 16 bopd
 - Net Revenue – INR 13 Mn
 - Field Opex – INR 7 Mn
- H RJ-ONN-2005/1, HOEC PI: 25 % (O)**
- Application has been filed for surrender as per MoP&NG Guidelines dated 10 November 2014
- I RJ-ONN-2005/2, HOEC PI: 20 %**
- Application for extension of time pending
 - Exploration by Operator is in progress
- J GN-ON-90/3, HOEC PI: 100 % (O)**
- PSC yet to be signed



Board of Directors



Mr. Sunil Behari Mathur, Non-Executive Independent Director/Chairman
Mr. Sunil Behari Mathur, 71 years, is a Chartered Accountant. He has more than 47 years of experience in the fields of insurance and housing finance. He was the Chairman of Life Insurance Corporation of India. He has been sponsored by United States Agency for International Development ("USAID") for a training program on housing finance at the Wharton Business School of the University of Pennsylvania. He also holds membership, advisory / administrative roles on various Government bodies, authorities and corporations.



Mr. Guido Papetti, Non-Executive Director
Mr. Guido Papetti, 54 years, holds doctorate in Geological Sciences from University of Milan. He has more than 27 years of technical, operational and managerial experience in E&P industry. He has held various positions while working with Eni in Europe, UK, Kazakhstan, Africa and Middle East countries. Currently he is the Managing Director of Eni India Limited.



Mr. Paolo Ceddia, Non-Executive Director
Mr. Paolo Ceddia, 54 years, graduated in Business Administration from Bocconi University in Milan, has 29 years of planning and control experience in telecommunication and oil & gas companies. He joined Eni in 1994, where he held several assignments in planning and control area in exploration & production division at eni spa. He dealt with important projects in scope of management reporting, adoption of IFRS and US GAAP. He is responsible for Eni's Business program and support of Central Asia, Far East and Pacific Area.



Ms. Sharmila Amin, Non-Executive Independent Director
Ms. Sharmila, 52 years, is a Graduate in Commerce with additional qualifications on Shipping Management from the Indian Institute of Management, Ahmedabad. In her long career in Heavy Lift Projects Logistics, she has previously headed Panprojects / Oil & Gas for the South Asia Region as a part of the Panalpina Group. Prior to that she headed CRC's Projects Division and also N.S.Guzder and Company's Project Logistics Division. Currently she is the South Asian Regional Director and Managing Director for Bertling Logistics. In her 25+ year's career, she has handled and led teams in multiple disciplines. Her industry experience and expertise spans most core industry sectors including Oil & Gas, Petrochemicals, Fertilizers, Automobiles, and Power Generation.



Mr. P. Elango, Managing Director
In his career spanning over 28 years in Upstream Oil & Gas Sector, Elango has held several leadership roles in different areas of the business and is a recognized leader in the Indian industry. Prior to joining HOEC, he was the Chief Executive Officer & Whole Time Director of Cairn India Limited. Over his long association with Cairn, he played a key role in building Cairn into a leading Oil & Gas company. Elango holds a Masters degree in Business Administration and began his career with ONGC in 1985. Elango was one of the five finalists for Platts' first-ever Asia CEO of the Year Award 2013.



Mr. Ramasamy Jeevanandam, Director and Chief Financial Officer
Mr. Ramasamy Jeevanandam has an overall experience of 30 years in various aspects of finance, listing, funding, finalization of accounts and taxation of upstream oil and gas industry in India. Before joining HOEC, he worked as Vice President at Aban Offshore Limited and functioned as CFO & Director at Hardy Exploration & Production (India) Inc. He started his career with ONGC in 1982. He is CPA (USA), CGMA (USA), Qualified Cost Accountant, Chartered Financial Analyst and Company Secretary with a Bachelor's Degree in Law.

Safety First

Integrated HSE Policy: Health, Safety, Environment, Quality

HOEC believes that "All Lives Have Equal Value" and nothing that we do can be more important than ensuring safety. HOEC is committed to making a positive contribution to the protection of the environment in areas in which we operate and to do everything possible to minimize any adverse effects of our operations.

To ensure this

- HOEC has a robust Emergency Response Plan (ERP) for production operations, drilling campaigns and project execution activities to respond swiftly during any emergency.
- Risk assessment studies are conducted for critical activities and safe operating procedures are developed for controlling identified hazards.
- HSE awareness campaigns are conducted regularly and best practices are felicitated by HSE Awards Program.
- Mock Safety Drills are carried out at Site on Monthly basis.
- Practical training on fire protection system and oil spill response are provided to site personnel.
- Fields are regularly inspected for HSE compliances.
- HSE culture is promoted by HSE Steering & Risk Management Committee which includes members from Management team.

Key Performance Indicators (KPIs) : 2014 - 2015

	HOEC	OGP*
Fatal Accident Rate (FAR)	0	2.12
LTI Frequency (LTIF)	0	0.45
LTI Severity Rating (LTI SR)	0	42.98
First Aid Cases	0	NR
Total Recordable Injury	0	1.60

*International Association of Oil & Gas Producers (OGP) Safety Performance Indicators Report No. 2013s (July 2014)



National Safety day celebration

Yoga day celebration



Training on oil spill response equipment



Mock Drill at Site



Assam Gas Development

Dirok Gas Discovery - A special feature

KEY FACTS

Basin

Assam-Arakan Basin

Reserves Being Developed

Gas Initially in Place – 244 BCF

Recoverable Reserves – 134 BCF

Wells

3 Existing wells

2 New wells, 3 additional wells for Economic Life

Investment

INR 500+ Crores (\$85 million)

Production

20 mmscfd

Plateau Period/Economic Life

15 Years/20 Years

First Gas

Q4 FY 2016-17

Revenues to State Government

INR 20+ crores per annum

INR 250+ crores for economic life

Partners

HOEC (26.882%) - Operator

OIL (44.086%) - Licensee

IOC (29.032%)

PROJECT SNAP SHOT

- Assam's AAP-ON-94/1 is a pre-NELP block located in Assam Arakan Basin.
- Block was awarded in June 1998 and the present parties to JV Consortium are Oil India Limited (OIL), Indian Oil Corporation Limited (IOC) and Hindustan Oil Exploration Company (HOEC).
- After successful Exploration and Appraisal, the Declaration of Commerciality (DoC) was approved by Management Committee (MC) in September 2013.
- The Plan of Development (PoD), submitted in August 2014, was approved by MC in May 2015 with recoverable reserves of 134 BCF.
- The PoD envisages production of 20 million standard cubic feet of gas (mmscfd) for a plateau period of 15 years with a total economic life of 20 years.



At Dirok Gas site



Images from the Public Hearing Meeting held on 03 July 2015

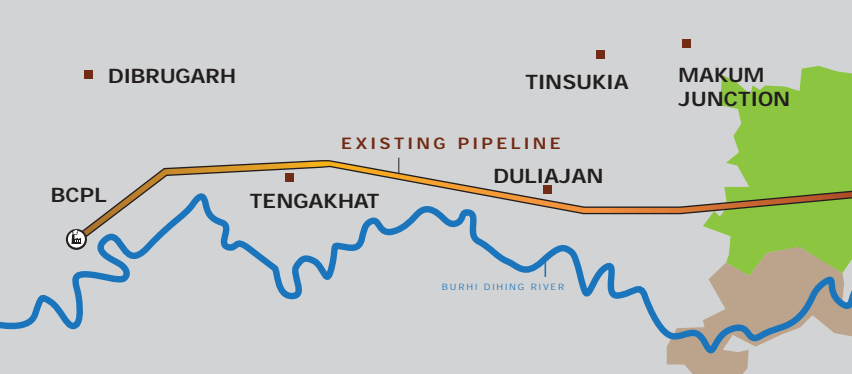


FIG A. DELIVERY TO BCPL THROUGH EXISTING PIPELINE

- ➔ Existing infrastructure provides ready access to the gas market
- ➔ New pricing policy allows Subsidy to Private sector too

- ➔ First Gas is targeted in Q4 FY 2016 - 17.
- ➔ The planned investment for the Project is around \$85 million (INR 500 + Crores).
- ➔ The project cost includes Re-entry & Completion of 3 wells, Drilling of development well, Gas Gathering Station (GGS), Gas Processing Plant (GPP) and pipelines connecting GGS to GPP and GPP to OIL's Kusijan facilities. Gas will be sold to flagship Brahmaputra Cracker & Polymer Limited (BCPL). Refer figures A and B.
- ➔ The Gas bearing sands are in prolific Girujan formation. The Upside prospective resources are Tipam & Barail formation and North Dirok analogous structures.

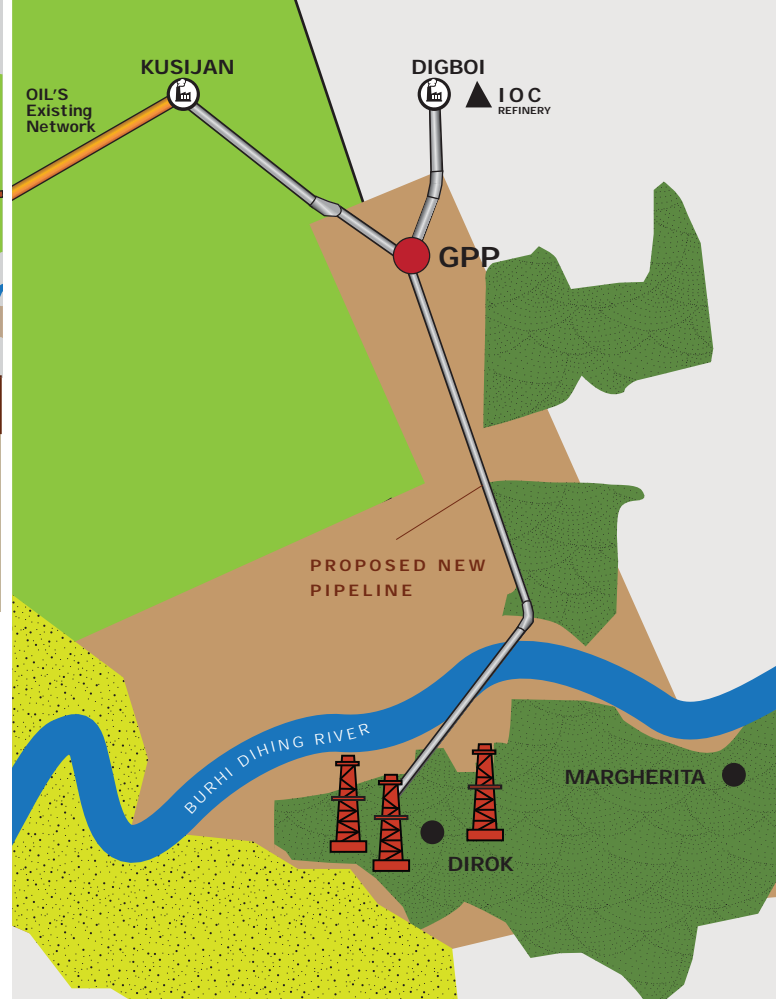
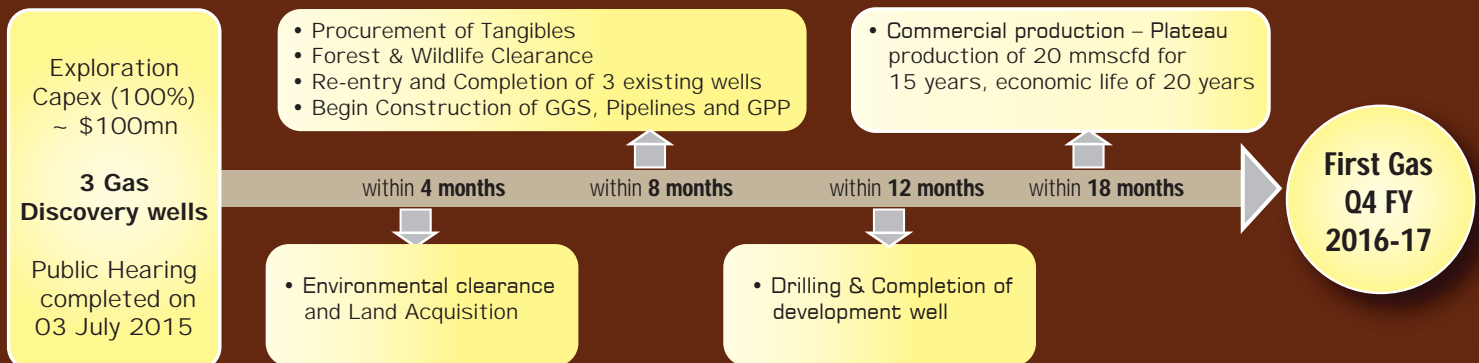


FIG B. DELIVERY TO KUSIJAN THROUGH NEW PIPELINE

- Existing Old Pipeline
- Proposed New Pipeline

PROJECT TIME LINE



Progress & Plan

Developmental activities have been fast-tracked since the approval of PoD. The following activities were carried out till date:

- Public Hearing for Environmental Clearance (EC) was conducted in July 2015, which concluded on positive note.
- Applications for Wildlife Clearance & Forest Clearance have been submitted to Government in July 2015.
- Process for Land acquisition, tendering for Re-entry & completion of 3 wells, drilling, GGS, Pipeline, GPP has been initiated.
- Discussions for Gas Sales Agreement are on fast-track.

STATUTORY APPROVAL PROGRESS

Public Hearing	
Approval of Public Hearing Minutes	
Initiate Pipeline Route Approval Process	
Requisition for Compliance Certificate	
PLAN	
Compliance Certificate for Existing Wells	
EIA Report Finalization	
Recommendation by Wildlife and Forest Authorities	
Consent to Establish & Operate	

 Completed  In Process

Financial Impact

- The Early completion of Project would substantially create wealth for all stake holders.
- At 20 mmscfd production, the project would generate gross revenues to the tune of INR 200+ crores per annum to JV partners.
- The Government of Assam would receive a Royalty of INR 20+ crores per annum with a total benefit of approximately INR 250+ crores over project life.
- Company will be entitled for higher revenues in the beginning on account of higher share in exploration phase (40.323%).

Socio-Economic Impact

- The project involves an investment of INR 500+ crores in Assam region.
- Company believes in benefitting the society through following CSR (Corporate Social Responsibility) Policy & Programmes:
 1. Promoting Local Content by developing entrepreneurship and local enterprises. Company follows a local vendor development policy, the details of which are available on corporate website.
 2. Improving access to clean drinking water.
 3. Enhancing the quality of education in our Operating Area.
 4. Promoting personal safety, environmental and technology awareness.
 5. Supporting promotion of local culture and sports.