



34th Annual Report 2017-2018

INDIA'S FIRST
PRIVATE OIL AND GAS COMPANY



DD-8 Rig in PY-1 offshore Block April-July 2018

Transforming Through Talent And Technology

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

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COMPANY INFORMATION

Registered Office
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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)

Statutory Auditor
Deloitte Haskins & Sells LLP
Chartered Accountants
Audit Partner
Mrs. Bhavani Balasubramanian

Secretarial Auditor
S Sandeep & Associates
Company Secretaries

Internal Auditor
Guru & Ram
Chartered Accountants

Cost Auditor
Mr. K. Suryanarayanan

CIN
L11100GJ1996PLC029880

ISIN
INE345A01011

34th Annual General Meeting

Day : Monday
Date : August 20, 2018

Time : 10:30 a.m.
Place : "Tropicana Hall", The Gateway Hotel,
Akota Gardens, Akota, Vadodara – 390 020

Disclaimer Note:

Certain sections of this Annual Report, in particular the Management's 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. Level 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

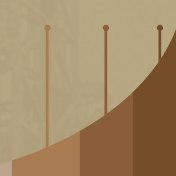
FY 2017-2018

- Dirok commercial production commenced on August 26, 2017 through Project KOPOU.
- Hollong Modular Gas Processing Plant and 12" pipeline commissioned in March 2018 to ramp-up production.
- Secured approval of B-80 Field Development Plan in December 2017; Field to produce 5,000 bopd of oil and 15 mmscfd of gas by Q1 FY 2020-21.
- Two well re-entry and side track drilling campaign commenced in April 2018 to increase production in PY-1 field.
- Delivered leading HSE performance with strong focus on safe and sustainable operations.
- Achieved debt-free balance sheet with optionality for self-funding growth commitments.



AVERAGE
PRODUCTION
2,428 boepd
(Gross)
1,179 boepd
(HOEC-Net)

TOTAL INCOME
₹ 60 crores



PRODUCTION WORKING
INTEREST

3,34,990 boe

PROFIT FOR
THE YEAR

₹ 38 crores

GROSS WORKING
CAPITAL

₹ 193 crores

NET WORTH

₹ 374 crores

CASH AND CASH
EQUIVALENT

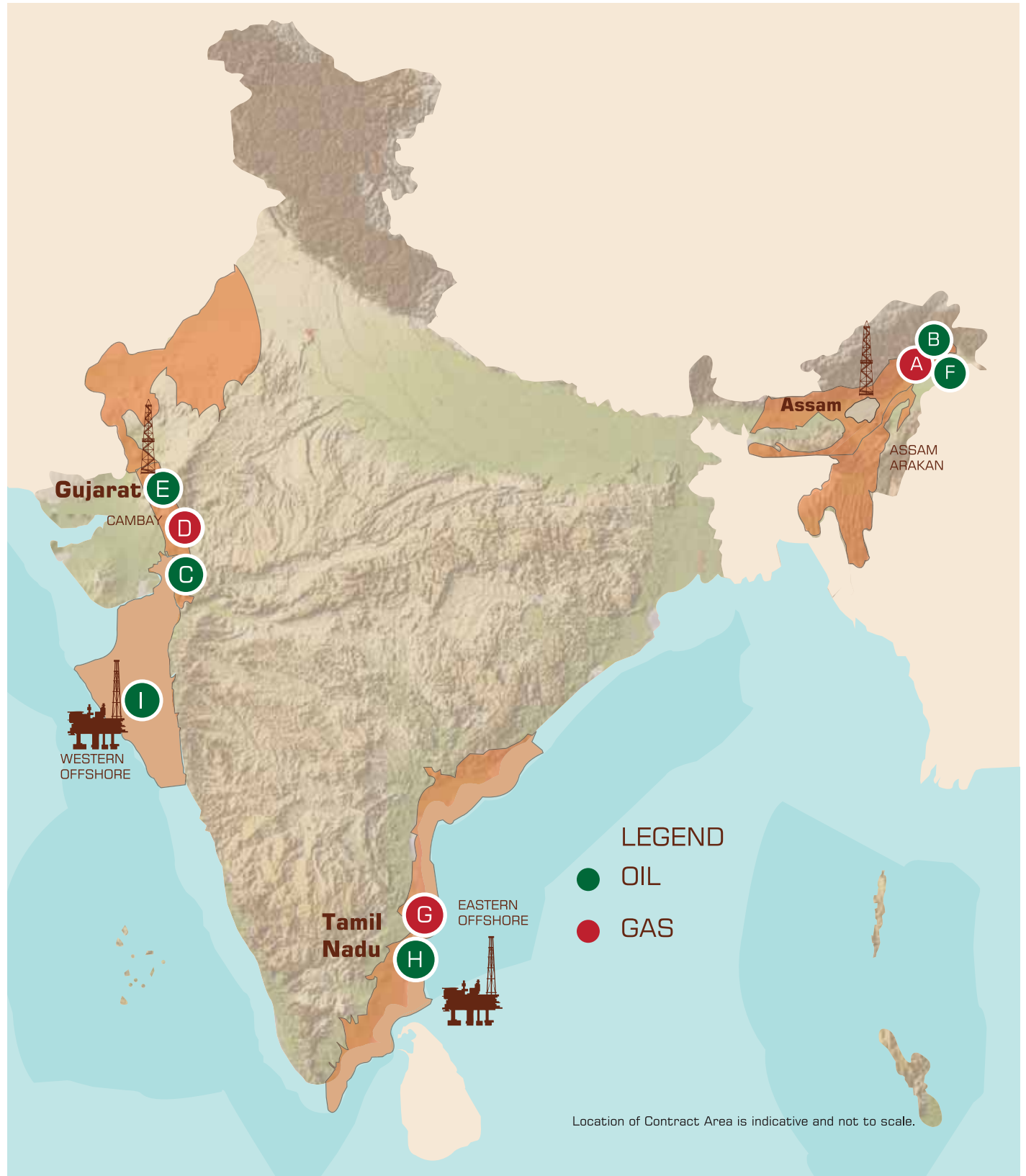
₹ 133 crores

HSE -
LOST TIME INJURY

0

OUR ASSET PORTFOLIO

Consists of 9 Oil & Gas blocks of Discovered Resources



Onshore

A AAP-ON-94/1 (HOEC PI: 26.882 %) (O)

- Commercial sales commenced on August 26, 2017.
- Hollong Modular Gas Processing Plant and 12" line commissioned in March 2018.
- All six wells hooked up and has capacity to produce 1 MMSCMD and 1000 barrels of condensate.
- Revised Field Development Plan targeting Dirok upside Potential is under preparation.
- Environmental Clearance applied for future drilling campaigns and facility development in Dirok.
- Average Production (100%) (FY 2017-18) – 8.5 mmscfd;
Cumulative Production – 3,87,574 boe.

B AA/ONDSF/Kherem/2016 (HOEC PI 40%) (O)

- Block awarded under DSF Bid Round 2016.
- Work Program (2 wells) to be completed in 3 years.
- Tested: Oil 402 bopd.
- Nearest Facilities 30 kms (Digboi Refinery).
- Application for Forest Clearance and PML is in process.

C CB-ON-7 (HOEC PI: 35 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 98 boepd.

D North Balol (HOEC PI: 25 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 0.4 mmscfd.

E Asjol (HOEC PI: 50 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 8 bopd.

F Kharsang (HOEC PI: 30% (O) - Direct and Indirect)

- HOEC acquired entire share capital of M/s Geopetrol International Inc. which has 30% stake - Direct and Indirect in Kharsang Oil field.
- Average Gross (100%) Production (FY 2017-18) - 850 bopd.
- Application for PSC extension with revised FDP submitted.

Offshore

G PY-1 (HOEC PI: 100 %) (O)

- Average Production (FY 2017-18) – 2.3 mmscfd.
- Cumulative Production – 1,73,237 boe.
- Re-entry and completion of two wells to enhance production in progress.

H PY-3 (HOEC PI: 21 %)

- Field under shutdown since July 2011.
- Last production (100%) – 3,300 bopd.
- Application for PSC extension with revised FDP submitted.

I MB/OSDSF/B80/2016 (HOEC PI: 50%) (O)

- Block awarded under DSF Bid Round 2016.
- Work Program (2 well) to deliver First Oil by Q1 FY 2020-21.
- Field to produce 5,000 bopd & 15 mmscfd of gas.

(O) - HOEC as Operator

(PI) - Participating Interest

*Notes: Production figures are gross for respective fields for Financial Year 2017-18



Hollong Modular Gas Processing Plant at Margherita, Assam

Mr. Sunil Behari Mathur

*Non-Executive Independent Director/
Chairman*

Mr. Sunil Behari Mathur is a Chartered Accountant and 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. Also, he holds membership, advisory/administrative roles on various Government bodies, authorities and corporations.

Mr. Pronip Kumar Borthakur

Non-Executive Independent Director

Mr. P.K. Borthakur brings in more than 37 years of rich & diverse experience from his illustrious career in ONGC, from where he retired as Director (Offshore) and has led multiple large onshore and offshore operations and projects. His wide technical expertise ranges from managing oil & gas operations, artificial lift, well completion, drilling, well control, reservoir management to processing and extraction of value added petroleum products. He is a well recognized and respected technical authority in the Oil and Gas Sector.

Mr. Rohit Rajgopal Dhoot

Non-Executive Non-Independent Director

Mr. Rohit Rajgopal Dhoot is a Managing Director of Dhoot Industrial Finance Limited since 1994 and has an opulent experience of about more than 20 years. When qualified he achieved the distinction of being one of the youngest chartered accountants in the country. He joined the management of Dhoot Industrial Finance Limited in 1988 as Director of the Company and was in charge of marketing and expansion of business. He has an all-encompassing background and experience in Finance, Banking, Mergers and Acquisitions, Strategic Planning, Restructuring Operations, Export Marketing, Trading and Logistics, International Business Relations and Collaborations & Joint Ventures.

Mr. Ramasamy Jeevanandam

*Executive Director and
Chief Financial Officer*

Mr. Ramasamy Jeevanandam has an overall experience of more than 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.



BOARD OF DIRECTORS

Ms. Sharmila H. Amin

Non-Executive Independent Director

Ms. Sharmila Amin is the South Asian Regional Director and Managing Director of Bertling Logistics. She is a Graduate in Commerce from the University of Mumbai. She also has a long list of additional qualifications that include Shipping Management from the Indian Institute of Management, Ahmedabad and is a Customs License Holder (Rule 9), Mumbai. 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. She has headed CRC's Projects Division and also N.S. Guzder and Company's Project Logistics Division.

Mr. Ashok Kumar Goel

Non-Executive Non-Independent Director

Mr. Ashok Goel is the Chairman and Managing Director of Essel Propack Limited. He has been associated with the Essel Group since 1984. He has great insight into the business & sharp business acumen and possesses rich experience in running & managing the business of large conglomerate of Essel group. He holds a Bachelor's degree in Commerce. In July 2005, the renowned publication 'The Smart Manager' rated Mr. Ashok Goel as "one of the 25 truly world class managers from India". Mr. Ashok Goel also serves on the Boards of various listed and unlisted entities.

Mr. Elango Pandarinathan

Managing Director

In his career spanning over 30 years in Upstream Oil & Gas Sector, Mr. P. 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. He holds a Master's degree in Business Administration and began his career with ONGC in 1985. He was one of the five finalist for Platts' first-ever Asia CEO of the Year Award 2013.

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 operation procedures are developed for controlling identified hazards.
- All Health, Safety, Environment and related issues are incorporated and addressed, while hook-up & commissioning new installations, routine productions and regular logistical facilities for onshore and offshore.
- HOEC has "Stop Work Program" and has authorized all employees and contractors to stop work activity in any situation where it is considered unsafe to act so as to ensure zero tolerance.
- HSE awareness campaigns are conducted regularly and best practices are felicitated by HSE Awards Program.
- Mock Safety Drills are carried out at sites on a 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.
- Mutual aid scheme with nearby operators to meet emergency.
- HSE system in place to ensure full compliance to the guidelines recommended by regulatory authorities.



Key Performance Indicators (KPIs) : FY 2017 -18	HOEC	OGP*
Fatal Accident Rate (FAR)	0.00	1.73
LTI Frequency (LTIF)	0.01	0.27
LTI Severity Rating (LTI SR)	0.00	61.4
First Aid Cases	0.01	NR
Total Recordable Injury Rate (TRIR)	0.00	1.03

* International Association of Oil and Gas Producers (IOGP) Safety Performance Indicators Report No.2016s (June 2017)

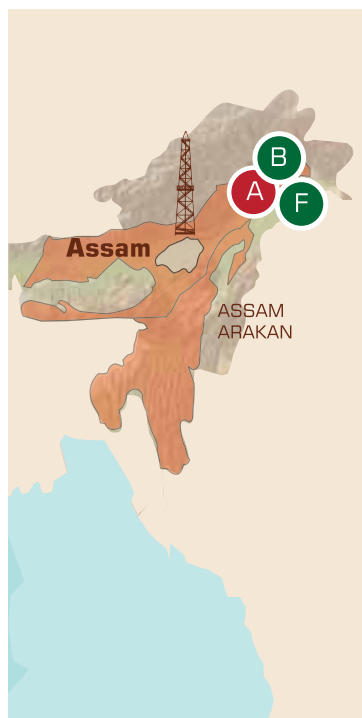


STRONG FOUNDATION TO DRIVE GROWTH

DIROK FACILITIES



ONSHORE

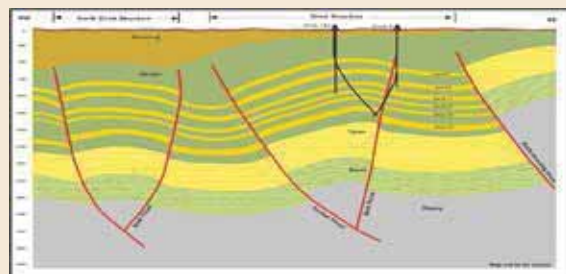


Focus on North-East:

- With the acquisition of Geopetrol International Inc., HOEC will now have interests in 3 blocks (Dirok, Kherem and Kharsang) within 50 Kms. from each other in the North-East.
- Firmly established position as the largest private producer of Oil & Gas in the North-East.
- Participated in OALP Bid Round - I focused on blocks in the North-East.

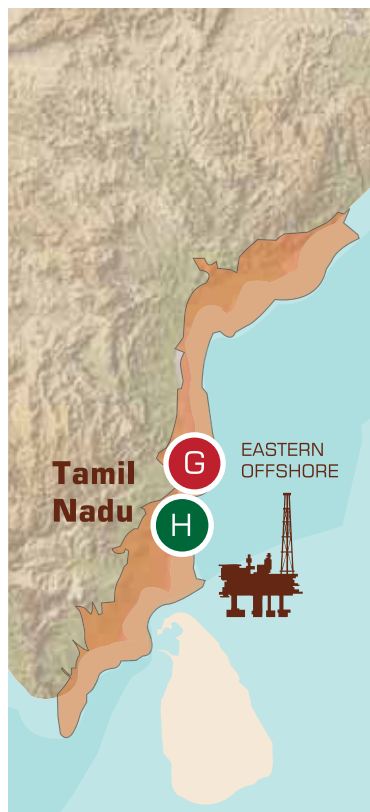
Dirok Upside:

- Dirok field - 110 sq.kms. endowed with Girujan, Tipam and Barail formation.
- Environmental Clearance applied for future drilling campaigns and facility development at Dirok.
- Revised Field Development Plan targeting upside potential under preparation.



Dirok and North Dirok Sand Map

OFFSHORE



Eastern Offshore – PY-1:

Two well re-entry and sidetrack drilling campaign is in progress. This campaign was designed to rejuvenate the production from the block with minimal capital expenditure, as the PY-1 plant has ready infrastructure to handle additional production. This drilling campaign paves the way for future follow-on drilling to explore potential upside from other wells.



Sun platform at PY-1

- Significant resources exists in this fractured granite basement reservoir.
- With 100% PI, ramping up production in PY-1 field will positively impact our net revenue from operations from Q2 FY 2018-19 onwards.

Western Offshore - B80

After securing the discovered block MB/OSDSF/B80/2016 in Discovered Small Field (DSF) Bid Round I, HOEC was the first operator to obtain field development plan approval. We are now currently progressing development on a fast-track basis targeting "First Oil" by Q1 of FY 2020-21. The phase – 1 development of B-80 envisages drilling of two sub-sea wells, installing a Mobile Offshore Processing Unit (MOPU) and hooking up of the wells through flow lines. The oil & gas is to be evacuated through existing pipelines of ONGC. Gross production of 5,000 barrels of oil and 15 mmscf of natural gas is targeted from B80.

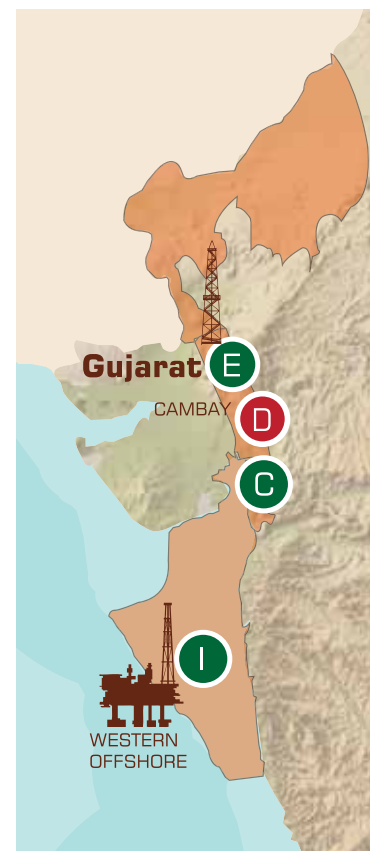
Block Area: 56 sq.kms. | Estimated STOIP: 40 million barrels | Estimated GIIP: 44 bcf

Project Status:

- ✓ Terms of Reference (TOR) approved on December 21, 2017
- ✓ Engineering Study to IOGPT awarded.
- Environmental Clearance application process initiated.
- Discussions with possible vendors for MOPU in progress.



B80 Development



FIRING UP THE GROWTH ENGINE

“The Dirok development has been achieved in a record time with the use of innovative contracting model and modular design to reduce the lead time and optimise the costs.”

FY 2017-18 has been a year of turnaround performance for HOEC. I wish to briefly report on the progress made and outline the business plan.

We have come a long way in our journey of business transformation, with HOEC now firmly established as one of the fastest growing E&P companies. During FY 2017-18, we have achieved a five-fold increase in our gross operated production to about 2,500 boepd. We have also roughly doubled our revenue from operations from ₹ 25 crores in FY 2016-17 to ₹ 49 Crores in FY 2017-18.

These stellar results are the result of the significant progress we have made towards implementing our strategy of quickly monetising our discovered resource portfolio. I would like to particularly highlight three aspects of our performance in FY 2017-18.

First, in Assam, we have successfully commissioned the Hollong Modular Gas Processing Plant in March 2018. We have now hooked up all six wells and achieved full production capacity of 36 mmscfd of gas. Currently, we are focusing on ensuring full gas and condensate offtake to maintain production at capacity. The Dirok development has been achieved in a record time with the use of innovative contracting model and modular design to reduce the lead time and optimise the costs, delivering the development in lower than estimated capex.

We have also been encouraged by better than expected reservoir performance in the first phase and are currently developing a revised field development plan with follow-on drilling to further increase the production. We will also be targeting additional exploration potential in the subsequent drilling campaigns.

3-Year Growth Projects Pipeline:

1. Production ramp-up to capacity in Dirok; PY-1 field re-entry campaign.
2. Stabilise Kharsang Production; B80 Development; Dirok / PY-1 follow-on drilling.
3. Kherem, PY-3, Kharsang additional exploration potential.

