

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY

Growing Responsibly

35th Annual Report 2018-2019



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Transforming Through Talent And Technology



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COMPANY INFORMATION

Registered Office

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Vadodara – 390 020
Gujarat, India
E-mail: contact@hoec.com
Website: www.hoec.com

Chennai Office

'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 LLP
Chartered Accountants

Cost Auditor

Mr. K. Suryanarayanan

CIN

L11100GJ1996PLC029880

ISIN

INE345A01011

35th Annual General Meeting

Day : Monday

Date : August 26, 2019

Time : 10:30 a.m.

Place : "Tropicana Hall", Vivanta Vadodara,

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 2018-2019

- Hollong Modular Gas Processing Plant completed one year of LTI and downtime free operations. Consolidated production from the key asset – Dirok. Production is consistently at 35 mmscfd of natural gas and 800 bbl/d of condensate per day.
- Successfully completed two well re-entry and side-track drilling campaign in PY-1 thereby increasing production to 10 mmscfd.
- Continued to grow our unique portfolio of discovered resources – added Kharsang, Umatara and AA-ONHP-2017/19 in the North-East region.
- 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

8,508 boepd (Gross)
3,909 boepd (HOEC-Net)



PROFIT FOR THE YEAR

₹ 149 crores

PRODUCTION WORKING INTEREST

14,26,872 boe



GROSS WORKING CAPITAL

₹ 221 crores



CASH AND CASH EQUIVALENT

₹ 129 crores



HSE - LOST TIME INJURY

0

TOTAL INCOME

₹ 247 crores



NET WORTH

₹ 522 crores



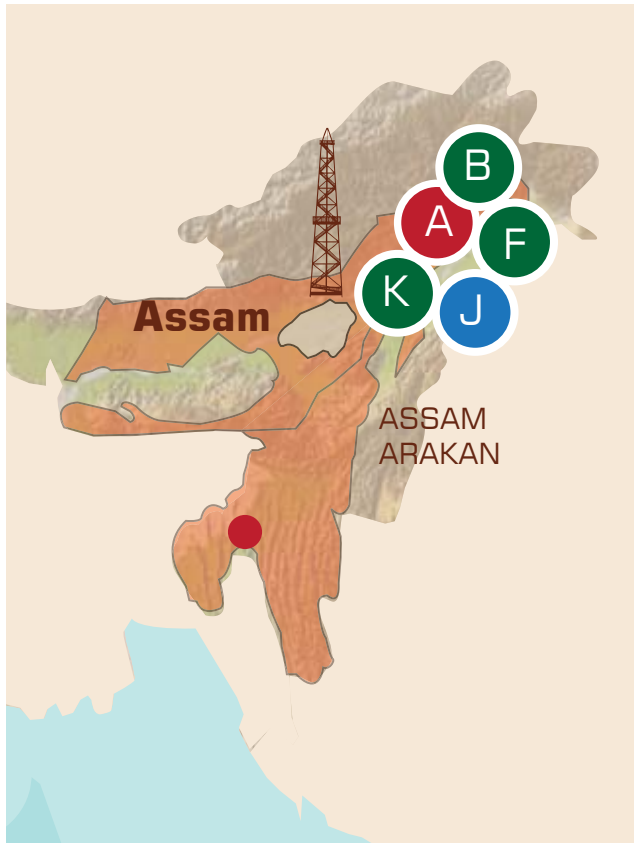
OPERATING CASH FLOW

₹ 177 crores



OUR ASSET PORTFOLIO

Consists of 10 Oil & Gas blocks of Discovered Resources and 1 exploratory block



Portfolio of discovered resources :

Ten blocks with discoveries producing / ready to be developed

Diverse geographical footprint :

Presence in 4 out of 7 producing basins in India

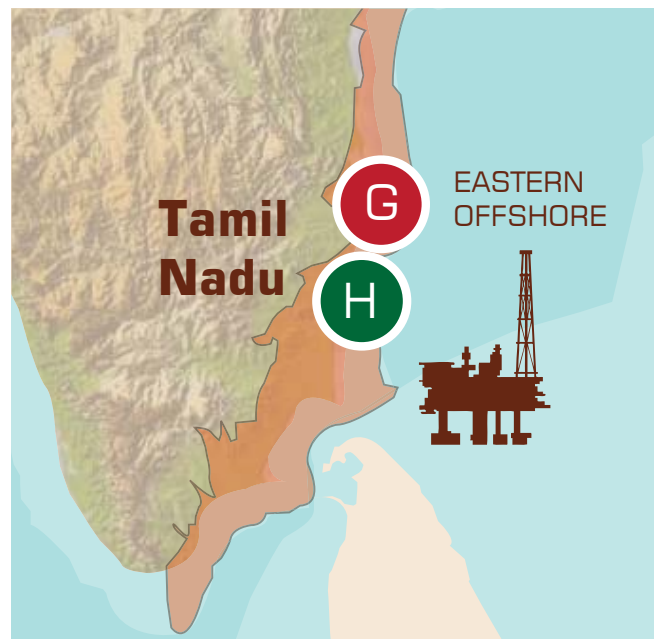
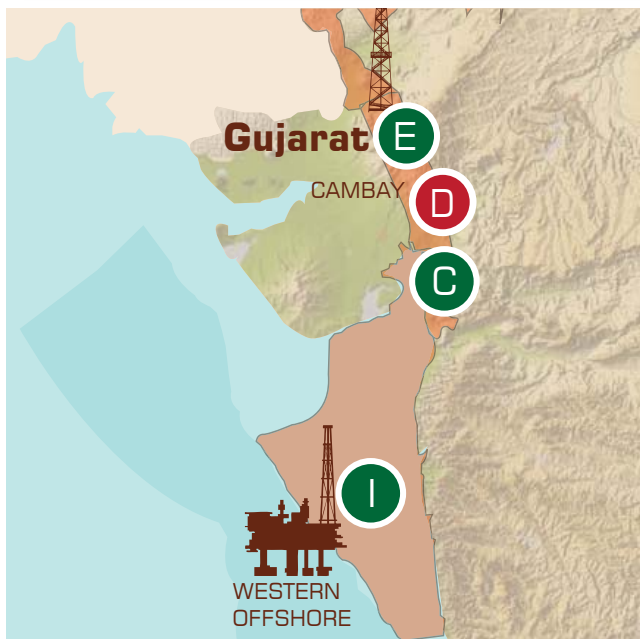
Balanced portfolio :

Offshore – 3 blocks / Onshore - 8 blocks & Oil/Gas

Upside potential for exploration within portfolio with infrastructure for rapid monetisation

Operatorship in majority of blocks to drive value creation

One exploratory block in our focus area North East added to portfolio through OALP-I



LEGEND: ● OIL ● Gas ● Under exploration

Onshore

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

- Hollong Modular Gas Processing Plant completed one year of LTI and downtime free operations.
- Production consolidated from this key asset. Production is consistently at 35 mmscfd of gas and 800 barrels of condensate per day.
- Revised Field Development Plan targeting Dirok upside potential submitted.
- Phase-II involves drilling of 4 wells and increase in gas production to 55 mmscfd.
- Average Production (100%) (FY 2018-19) – 31.4 mmscfd; Total Production (FY 2018-19) – 25,16,272 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 from the date of PML.
- 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 2018-19) – 86 boepd.

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

- Average Gross (100%) Production (FY 2018-19) – 0.4 mmscfd.
- Revised Field Development plan under preparation.

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

- Average Gross (100%) Production (FY 2018-19) – 12 bopd.
- Revised Field Development plan submitted.

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 2018-19) - 662 bopd.
- RFDP & PSC Extension reviewed and recommended by Management Committee for approval by Gol.
- Forest Clearance is obtained. Mining lease approval under process with the Govt. of Arunachal Pradesh.

J AA-ONHP-2017/19 (HOEC PI: 100%) (O)

- Block awarded under OALP Bid Round 2019.
- Exploratory block adjacent to Dirok block with associated synergies both surface and sub-surface.

K Umatara (HOEC PI: 10%) (O)

- Block awarded under DSF Bid Round 2019.
- Fifth block in HOEC's portfolio of North-East blocks. Located at a distance of 50 km from Dirok field.
- To be operated in Joint operator model with IOC.

Offshore

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

- Average Production (FY 2018-19) - 8.13 mmscfd.
- Total Production (FY 2018-19) – 5,27,516 boe.
- Re-entry and completion of two wells successfully completed in July 2018. Current production ~10 mmscfd consistently.

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.
- ONGC is assuming operatorship of PY-3 field. Field to be operated under Joint operatorship model with appropriate role for HOEC.

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 June 2020.
- FDP involves drilling of two wells and Process by MOPU.
- Field to produce 5,000 bopd & 15 mmscfd of gas after Phase - I.
- Plan to execute the project along with vendors having global expertise.

(O) - HOEC as Operator

(PI) - Participating Interest

*Notes: Production figures are gross for respective fields for Financial Year 2018-19

BOARD OF DIRECTORS

Mr. Vivek Rae

*Non-Executive
Independent Director/Chairman*

Mr. Vivek Rae, a former Secretary, Ministry of Petroleum & Natural Gas, Government of India, served in the Indian Administrative Services for 36 years. During this period, he worked in diverse capacities under various ministries including the Ministry of Defence and Finance. He superannuated as Petroleum Secretary to the Govt. of India in February 2014, during which period he also served as Chairman of the Board of Petronet LNG Ltd. and Indian Strategic Petroleum Reserves Ltd. in an ex-officio capacity. Subsequent to his retirement, Mr. Rae served as a whole-time member of the 7th Central Pay Commission from Feb 2014 to Nov 2015 and was on the Board of Indian Oil Corporation Limited as an Independent Director during 2017-18. Mr. Rae has been an invitee to the Prime Minister's annual consultation with global experts on Oil & Gas, convened by NitiAyog, during 2016-18.

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.



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.



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. 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 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.





SAFETY FIRST

HOEC's Health and Safety Policy is anchored on the core principle that **"All Lives Have Equal Value"** and **"Nothing is More Important than Safe Operations"**. HOEC's Board and the Management understand the need for sustainable development and are committed to achieve this goal, by laying strict emphasis on compliance with all legislations and statutory requirements and to adopt global best practices. This includes the welfare, health and safety of employees, contractors and the local communities, where the company operates, as well as the safety of all its operational machinery and equipment.

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, during hook-up & commissioning of new installations, routine productions and regular logistical facilities for onshore and offshore.
- ❖ Assessing and monitoring the health and safety track record and performance of all service providers and contractors, both before and after the award of contracts to achieve the common objective of safe operations.
- ❖ 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.
- ❖ Utilising the Health, Safety and Environment (HSE) Department as a store house of expertise, which passes on all relevant knowledge to Operating Personnel and Managers stationed at various sites.



HSE Recognition award in the Annual Safety Week celebration conducted under the aegis of DGMS



Oil Spill containment training for PY-1 team



Safety pledge on National safety day celebration



Fire fighting training



First aid training

Key Performance Indicators (KPIs): FY 2018 - 19	HOEC	OGP*
Fatal Accident Rate (FAR)	0.00	1.10
LTI Frequency (LTIF)	0.01	0.27
LTI Severity Rating (LTI SR)	0.00	42.5
First Aid Cases	0.01	NR
Total Recordable Injury Rate (TRIR)	0.00	0.96

* International Association of Oil and Gas Producers (IOGP) Safety Performance Indicators Report No.2017s (June 2018)

MARCHING AHEAD ON THE GROWTH PATH

B-80 Field Development – A Pioneer Discovered Small Field (DSF) offshore field

B-80 block Snapshot

The GoI came up with the Discovered Small Fields bid rounds to take advantage of the many unexploited discoveries which needed the impetus to be put into production. This was a direct result of opening up of the Indian E&P industry and introduction of key policy changes. The DSF blocks fits into the low-risk strategy of HOEC, by eliminating the high-risk involved in pure exploration businesses. This enables HOEC to fast-track its projects and monetise resources at a much faster pace.

The B-80 block is HOEC's maiden foray into the prestigious Mumbai High basin. B-80 is also a pioneer offshore DSF field development. The B-80 Field Development Plan(FDP) was the first offshore DSF FDP to be approved. And this project is on track for 'First Oil' before any other offshore DSF field.

B-80 project is also important for HOEC because it will transform the production mix of HOEC. Delivery of this project will increase the oil production from the current 13% upto 30%.

Key Facts About the Block:

Basin

Mumbai High

Field

Discovered Small Field

Type of Development

Offshore



Acreage

56 sq.km

Participating Interest

50%

STOIIP - 40.9 mmbbls

GIIP - 44.5 bcf

Target First Oil

June 2020

No. of wells

2

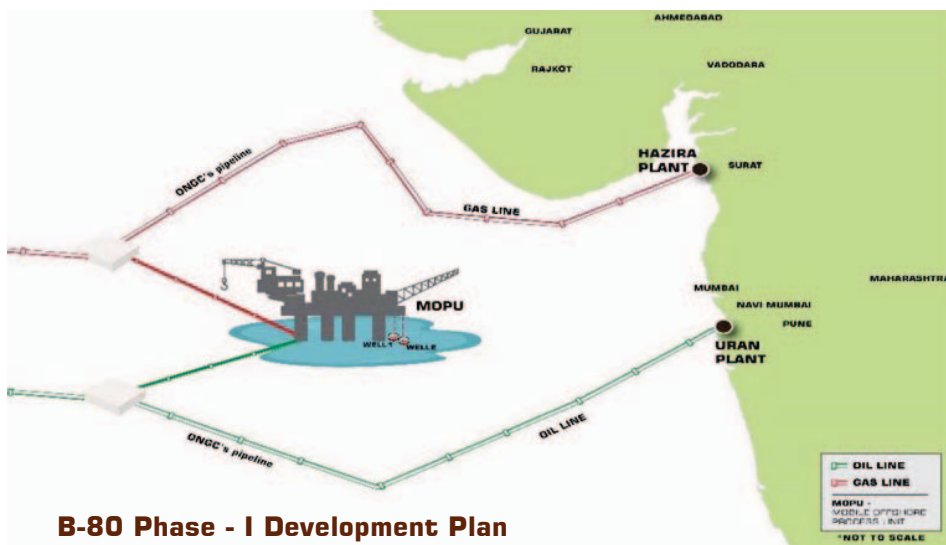


Expected Production (Oil)

5,000 bopd

Expected Production (Gas)

15 mmscfd



- ❖ FDP involves drilling of two wells and process by MOPU
- ❖ Marketing & Pricing freedom
- ❖ Evacuating Oil & Gas through existing ONGC lines

B-80 Project Pipeline

The project involves drilling two new wells, processing the oil/gas through a Mobile Offshore Processing Unit (MOPU), and transporting the processed oil/gas through sub-sea pipelines to the landfall point. Sub-sea lines laid from the MOPU will be connected to existing ONGC pipelines. The oil so produced is proposed to be taken to the ONGC's Uran Plant and the natural gas produced is proposed to be taken to the ONGC's Hazira Plant for further processing and distribution.



Jack-up Rig Procured (KGB)



Focus on North-East:

Our strategic geographic focus on the North-East reflects in our asset portfolio where we now have 5 assets in the North-east from just 1 in 2015. Dirok field currently contributes about 15% of Assam's Gas production. Our success with the Dirok project will help HOEC embark on the next two development projects in the North-East: Dirok phase-II and Kharsang phase-I in the coming months.

Dirok Phase – II Development

The fast-track development of Dirok phase-I in 27 months has now set a very strong foundation for future development work in the North-East region. We are now on-track for delivery of additional gas from Dirok for phase-II from Q1 FY 2021-22. Dirok phase-II will also involve drilling of appraisal wells in North Dirok (inside Dirok Development area).



Dirok - Drilling



Dirok - Processing



Dirok - Delivery

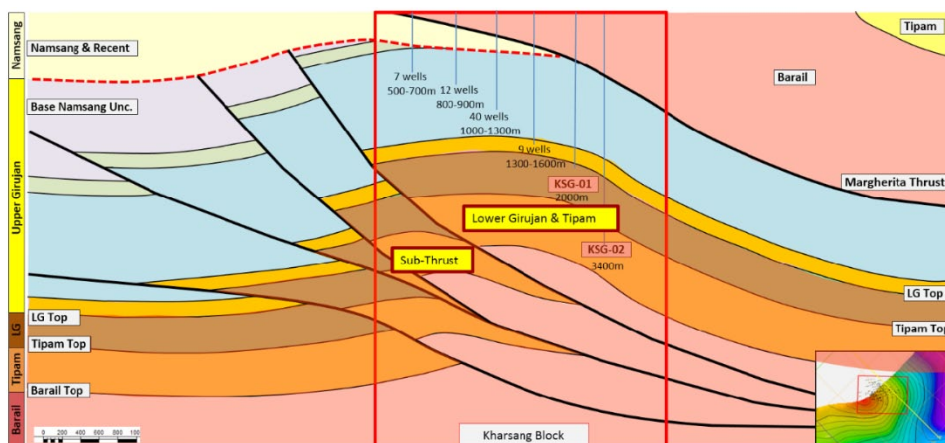
Dirok phase – II development involves 3 main focus areas:

1. Drilling - Drilling of 4 development wells
2. Hollong Modular Gas Processing plant (HMGPP) expansion – Increases capacity from 35 mmscfd to 55 mmscfd
3. Delivery - Laying of 35 km pipeline from Kusijan to marketing hub of Duliajan. A Gas off-take terminal at Duliajan is proposed from where gas may be distributed to various customers

Kharsang Phase – I development

Acquiring Geopetrol International Inc., was primarily motivated by the potential of deeper prospects in Kharsang. The first phase of Kharsang development will plan to increase the production to 1,800 bopd from the current levels of 650 bopd. This increase in production will be from the shallow established reserves. The phase-I drilling campaign will also include appraisal of deeper prospects in addition to this.

Reservoir Upper Girujan	Number of wells 18
OIIP/GIIP 223 MMSTB/184 BCF	Phase – I completion target - Q2 FY 2021-22



Significant deeper potential including gas potential in Lower Girujan & Tipam formations to be appraised