



36th Annual Report | 2019-2020

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY

Growing Responsibly



Subsea Wellhead during Drilling Campaign at B-80 Field, Mumbai Offshore

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

TRANSFORMING THROUGH TALENT AND TECHNOLOGY

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36th Annual General Meeting

Day : Wednesday

Date : September 30, 2020

Time : 10:30 a.m.

Mode: The Company is conducting the ensuing 36th AGM through VC / OAVM. Detailed instructions for participation and voting at the meeting is available in the notice of the 36th AGM.

COMPANY INFORMATION

Registered Office

'HOEC House', Tandalja Road
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

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 2019-2020

- Hollong Modular Gas Processing Plant completed 200,000 hours of LTI free operation.
- Safely & successfully completed two subsea well drilling campaign in Mumbai Offshore in March-April 2020.
- Won the FIPI Award for Oil and Gas Production & Development Company of the Year (Small Category).
- Focus on prudent capital allocation, risk management and environmental governance.

AVERAGE PRODUCTION

7,243 boepd (Gross)

3,006 boepd (HOEC-Net)



PROFIT FOR THE YEAR

**₹ 141
Crores**

PRODUCTION WORKING INTEREST

**11,00,293
boe**

TOTAL INCOME

**₹ 201
Crores**

GROSS WORKING CAPITAL

**₹ 317
Crores**

NET WORTH

**₹ 665
Crores**

HSE - LOST TIME INJURY

**0
Nil**

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

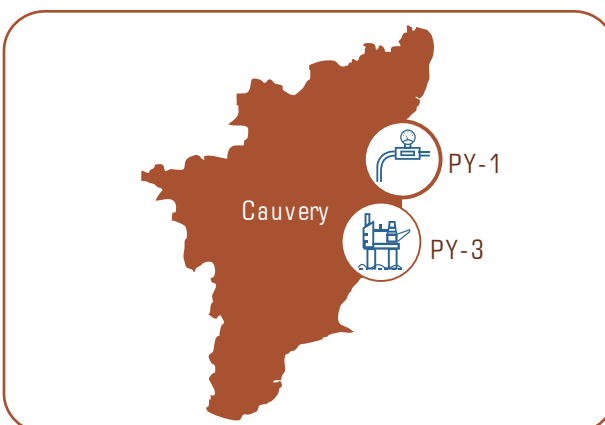
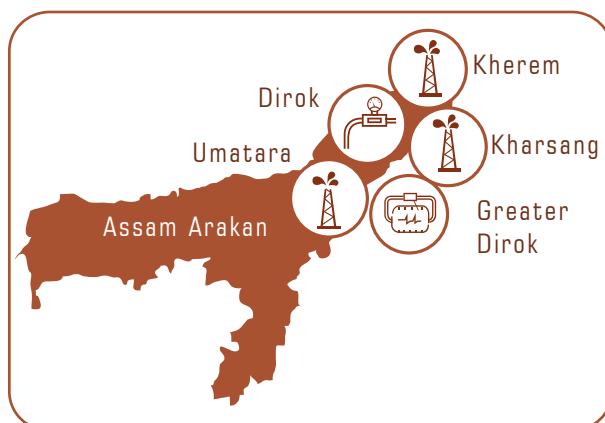
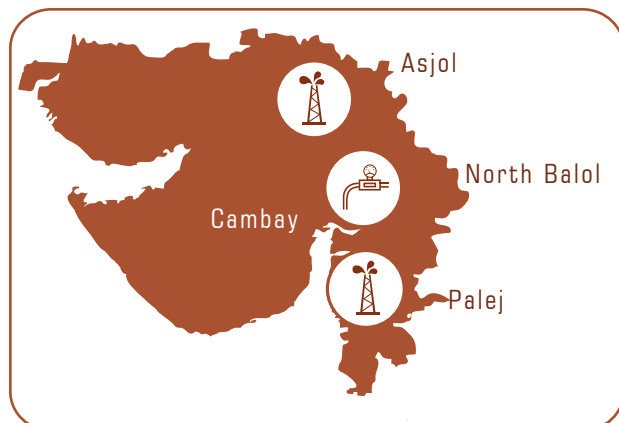
Diverse geographical footprint Presence in 4 out of 7 producing basins in India

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


Onshore Oil
Well


Offshore Oil
Well


Onshore
Gas


Offshore
Gas


Onshore
Exploration

Onshore



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

- HMGPP achieved 200,000 LTI free manhours and Dirok field achieved production capacity of more than 1.2 mmscmd.
- Revised Field Development Plan targeting Dirok upside potential approved.
- Phase-II involves drilling of 3 wells, laying of 35 km pipeline and increase in gas production to 55 mmscmd.
- Average Production (100%) (FY 2019-20) – 29.11 mmscmd;
Total Production (FY 2019-20) – 23,24,490 boe.



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 Facility is 30 km away (Digboi Refinery).
- Application for Forest Clearance and PML is made and approval is in process.



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

- Average Gross (100%) Production (FY 2019-20) – 79 boepd.
- Approval of R2 PSC in final stages.



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

- Average Gross (100%) Production (FY 2019-20) – 0.4 mmscmd.
- Revised Field Development Plan undergoing approval process.



Asjol (HOEC PI : 50%) (O)

- Average Gross (100%) Production (FY 2019-20) – 11 bopd.
- Revised Field Development Plan approved.



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

- Average Gross (100%) Production (FY 2019-20) – 626 bopd.
- RFDP & PSC Extension reviewed and recommended by Management Committee for approval by Govt.



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

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



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



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

- Average Production (FY 2019-20) – 4.19 mmscmd.
- Total Production (FY 2019-20) – 2,69,367 boe.
- Reduced offtake due to customer shutdown, resulting in loss of production.



PY-3 (HOEC PI : 21%)

- Field under shutdown since July 2011.
- Last production (100%) – 3,300 bopd.
- HEPI was acquired by Invenire Energy and retained operatorship.



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

- Block awarded under DSF Bid Round 2016.
- Two subsea wells drilled and proven to produce 8000 boepd of hydrocarbons.
- MOPU is converted and ready to sail out.
- FSO procured for storing produced Oil.

(O) - HOEC as Operator

(PI) - Participating Interest

*Note : Production figures are gross for respective fields for Financial Year 2019-20

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 was the Chairman and Managing Director of Essel Propack Limited until August 2019. He holds a Bachelor's degree in Commerce and is Chairman of Essel World / Water Kingdom. He has been President of Industry Associations namely Organisation of Plastics Processors of India (OPPI), Plast India Foundation and Founder President of Indian Association of Amusement Parks and Industries (IAAPI). He is actively involved with several Schools/educational institutes in various capacities and has been inducted as a Member, Board of Governors of IIT Goa. He possesses great business insight, sharp business acumen, and has rich experience in running and managing the business. 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 other listed and unlisted entities.

Mr. Elango Pandarinathan

Managing Director

In his career spanning over 30 years in the 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 finalists 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). He 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 the 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 a director of the Company and was incharge 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 & 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 a 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 adopting 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.
- ❖ Reviewing regularly all Standard Operating Procedures (SOPs) and developing new ones that are in line with those implemented across the industry.
- ❖ Assessing and monitoring the health & 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 a "Stop Work Program" holding all operating personnel accountable to maintain a healthy and safe working environment on site, by empowering them to stop an unsafe act irrespective of its financial impact, to ensure zero tolerance.
- ❖ HSE awareness campaigns are conducted regularly and best practices are felicitated by an HSE Awards Program.
- ❖ Engaging all operating personnel in monthly mock safety drills, to ensure that all personnel remain aware and vigilant carrying out operational activity.
- ❖ Practical training on Fire Protection System and Oil Spill Response are provided to site personnel.
- ❖ Performing comprehensive internal site audits on HSE compliance before and during major operational activities, such as drilling, development and production.
- ❖ HSE culture is promoted by an HSE Steering & Risk Management Committee which includes members from the Management Team.
- ❖ Mutual aid scheme with nearby Operators to meet emergency requirements.
- ❖ HSE System in place to ensure full compliance with 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.



Exercise on Oil Spill Pollution Response Equipment by HOEC



Joint Inspection by Coast Guard and OISD on Tier I Capabilities



Meeting on Mutual Aid & Emergency Preparedness for Assam Block



Safety Briefing at PY-1



Firefighting Training

Key Performance Indicators (KPIs) : FY 2019 - 20	HOEC	OGP*
Fatal Accident Rate (FAR)	0.00	1.01
LTI Frequency (LTIF)	0.01	0.26
LTI Severity Rating (LTISR)	0.00	51.5
First Aid Cases	0.01	NR
Total Recordable Injury Rate (TRIR)	0.00	0.99

* International Association of Oil and Gas Producers (IOGP) Safety Performance Indicators Report No.2018s (June 2019)

ON THE THRESHOLD OF TRANSFORMATION

Western Offshore - B-80 – A milestone project at an Advanced stage

Key Facts About the Block :

Basin

Mumbai High

Field

Discovered Small Field

Type of Development

Offshore

Acreage

56 sq.km

Participating Interest

50%

No. of Wells

2 (Subsea)

Target First Oil

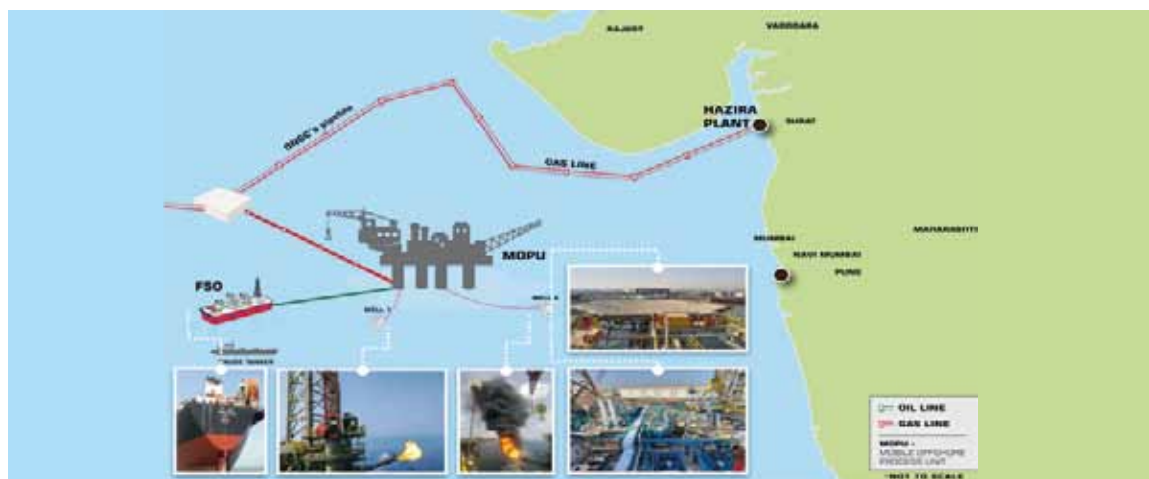
April 2021

Expected Production
(Oil & Gas)

8,000 boepd

B-80 is HOEC's first foray into the Western Offshore and is our top priority currently. During the last year a significant portion of the project was carried out.

1. Successfully drilled two subsea wells with production potential of around 8000 boepd
2. Mobile Offshore Production Unit (MOPU) is ready to sail out from Middle East
3. FSO has been procured and will undergo dry-docking soon
4. New lead in Deccan Trap formation, which can potentially increase the value of the block



Key Milestones :

- First Discovered Small Field (DSF) field to complete drilling
- First private player in India to convert Jack-up Rig to Mobile Offshore Production Unit (MOPU)
- First in India to drill and complete two subsea wells using a Jack-up Rig

Low-cost, Fast-track innovative development

We have engaged with expert partners like Zentech (USA), Expro (UK) and Baker Hughes for the B-80 development project. In keeping with our low-cost, fast-track development model, we have implemented innovative contracting methods. Our partnership with Expro has stood the test of time and they are now engaged with us for constructing and operating (after 'First Oil') the processing facilities of the MOPU.



Jack-up Rig (Shelf Drilling)



Remotely Operated Vehicle



MOPU in Middle East

1. Dry docking of 'Prem Pride' in progress and it will be available at site for 'First Oil'
2. Flexible flowlines for oil from MOPU are to be procured and installed post monsoon in Dec 2020
3. Gas export systems to be installed, connecting to ONGC pipelines

The B-80 project on completion will transform HOEC from a small independent Operator with significant potential, to an E&P player who has successfully executed low-cost, fast-track projects both, onshore and offshore.

Eastern Offshore - PY-1 – HOEC's Flagship Asset with 100% PI

PY-1 is a unique, predominantly gas bearing reservoir. It is the only offshore fractured granitic basement reservoir in India. With 100% PI, any increase in production will positively impact the net revenue from operations. Significant untapped resources exist in this Field and the necessary geological studies are in progress for a full Field Development.



PY-1 Processing Plant



Sun-Platform in PY-1

Onshore - North-East

Our unflinching focus on the safety and welfare of the community are the pillars of our success in the North-East, where we now have 5 assets from just 1 in 2015. Dirok Field contributes about 15% of Assam's gas production. The success of Dirok forms the base on which future development projects in the North-East will be executed.



Open Gym for use of the Community in Digboi



Food Distribution Activities during COVID-19

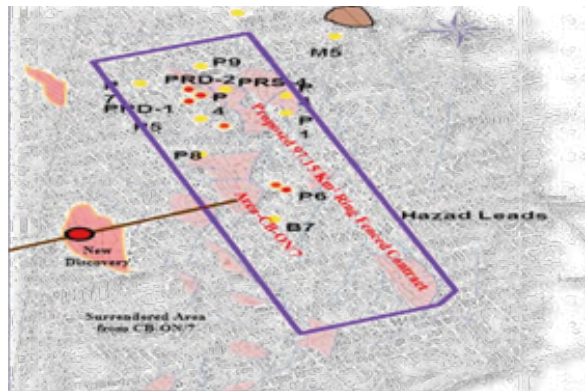
Dirok Phase – II Development

Phase - II development in Dirok involves not just increasing production, but also taking the first steps towards taking advantage of the marketing freedom that is available for Dirok gas, by bringing the gas to the closest marketing hub - Duliajan. This will involve:

1. Drilling - Drilling of 3 development wells, thereby increasing production from 35 mmscfd to 55 mmscfd
2. Hollong Modular Gas Processing Plant (HMGPP) expansion - from 1 mmscmd to 2 mmscmd
3. Delivery - Laying of 35 km pipeline from Kusijan to marketing hub of Duliajan

Onshore - Cambay Basin

We are progressing our plans for our 3 Fields in the Cambay Basin, and now have RFDPs approved for Asjol and in process for North Balol. For Palej, we want to ensure signing of the R2 PSC at the earliest, so we can put into action our exploration plan for the additional 97.15 sq.km of R2 area.



Proposed R2 Additional Area in Palej



Palej Production Facilities

COVID-19 & HOEC'S BUSINESS SUSTAINABILITY PLAN

HOEC's COVID-19 Protocol

The HSE Team along with various stakeholders, have devised a set of procedures & strategies to ensure minimal to nil exposure to the COVID-19 pandemic. The procedures are a combination of mandated Guidelines & Protocols along with Do's & Don'ts that are to be followed stringently. The same has been communicated to all direct and indirect employees of HOEC. In addition to these protocols, a list of mitigation strategies has been devised & enforced in the Corporate Office & all HOEC work sites.

Resumption of work during the COVID-19 Pandemic

Prior to the resumption of work at the Corporate Office or any HOEC work site, all contact areas were disinfected thoroughly via the various disinfectants prescribed by the Governmental Agencies / SMEs. Standard Operating Procedures outlined by Govt. directives with respect to disinfection method, type of medium, periodicity, maintenance of log register, etc. were followed. Appropriate Personal Protective Equipment (PPE) like visors & masks, and disinfection gadgets like sprayers, brushes etc. were made available to all housekeeping and maintenance personnel. Various security procedures for employees & third-party contractors were implemented. These included :

- Restriction on visiting the Corporate Office / worksites for personnel residing in COVID-19 containment zones;
- Prior intimation to the respective Installation Managers & HSE Teams at worksites by vendors / suppliers visiting the site;
- Mandatory installation of AAROGYA SETU Application in all employee / contractor smartphones before entering the Corporate Office/worksites;
- Entry restrictions for personnel beyond the age of 65 years;
- Compulsory screening of anyone irrespective of cadre / status entering through the gate with a thermal scanner / thermometer;
- Mandated sanitization & use of PPE such as masks to enable entry into the Corporate Office / worksite etc.



Mandatory Temperature Check before Entering the Site



Compulsory Use of Masks at All Times