



38th Annual Report | 2021-2022

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY



HINDUSTAN OIL EXPLORATION COMPANY LIMITED
TRANSFORMING THROUGH TALENT AND TECHNOLOGY

Growing Responsibly



CONTENTS

COMPANY INFORMATION

STRATEGIC REPORTS

Highlights: FY 2021-22	01
Our Asset Portfolio	03
Board of Directors	04
Safety First	05
HOEC - Directing, Changing and Delivering	06

STATUTORY REPORTS & FINANCIALS

Board's Report	09
Management Discussion and Analysis Report	30
Business Responsibility Report	41
Report on Corporate Governance	50
Independent Auditors' Report and Standalone Financial Statements	73
Independent Auditors' Report and Consolidated Financial Statements	127
Glossary	180

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Statutory Auditor

Deloitte Haskins & Sells LLP
Chartered Accountants
Audit Partner
Mr. C. Manish Muralidhar

Secretarial Auditor

S Sandeep & Associates
Company Secretaries

Internal Auditor

Guru & Ram LLP
Chartered Accountants

Cost Auditor

Mr. K. Suryanarayanan

CIN

L11100GJ1996PLC029880

ISIN

INE345A01011

38th Annual General Meeting

Day: **Wednesday** Date: **September 28, 2022** Time: **10:30 a.m.**

Mode: The Company is conducting the ensuing 38th AGM through VC / OAVM.

Detailed instructions for participation and voting at the meeting is available in the notice of the 38th AGM.

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 & assumptions and involve known & 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 2021-2022



B-80 : MB/OSDSF/B80/2016 (HOEC PI : 60%) (O)

- Discovered Small Field – B80 development project was completed safely and successfully.
- The project involved:
 - Installation of Mobile Offshore Processing Unit named as Key Gibraltar – Offshore Installation platform.
 - Laying of all oil and gas flowlines and export line including Hot – Tapping of existing ONGC pipeline.
 - Installation of Single Point Mooring system (SPM).
 - Mobilization of Floating Storage & Offloading (FSO) vessel.
- All facilities were integrated and was made ready for production.
- Successful e-auction for gas sales was conducted and GSPC emerged as the winner.



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

- Successful completion of production for 4 years and our Hollong Modular Gas Processing Plant (HMGGP) has crossed 1480 LTI free days.
- Cumulative production from Dirok has crossed the milestone of 50 BCF of Natural Gas and 1 MMBBL of Condensate.
- Successfully conducted gas e-auction and 6 premium gas sales agreement were signed, increasing the realized price.
- Obtained Stage – I Forest Clearance for our Dirok Phase – II execution which involves increasing the production to 55 mmscfd.
- **In our Cambay asset**, we have achieved zero flaring by commencing the sale of Associated Natural Gas.



AVERAGE PRODUCTION

7,895 boepd (Gross)
2,441 boepd (HOEC-Net)



PROFIT FOR THE YEAR

₹ 1995.31 Lakhs

PRODUCTION WORKING INTEREST



8,90,819 boe

GROSS WORKING CAPITAL



₹ 167 Crores

HSE LOST TIME INJURY



0

NET WORTH



₹ 753 Crores

TOTAL INCOME



₹ 167 Crores



Note: Figures are given on a consolidated basis

Other North-Eastern Blocks



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

- Adhoc PSC extension has been granted.
- RFDP is approved and the mining lease is granted till 15 June 2030.



Kherem : 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.
- Forest Clearance (FC) is in Final stage, NoC for FRA obtained, PML to be processed after FC.



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.
- The preliminary Environmental Impact Assessment studies will be initiated for further development and regulatory process.



Umatara (HOEC PI : 10%) (O)

- Block awarded under DSF Bid Round 2019.
- Fifth block in HOEC's portfolio of North-East blocks and is 50 km away from Dirok field.
- It will be jointly operated by IOC (as Lead operator) & HOEC.
- Upon successful sanction of Environmental Clearance, tendering and land acquisition for approved FDP is under implementation.

Cambay Assets



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

- Approved the development of 2 wells & hook-up to GCS as a part of Field Development Plan which will be executed over next two years.
- Successfully completed mandatory Public Hearing on environmental clearance for future development.



Asjol (HOEC PI : 50%) (O)

- Approved the development of 2 wells and hook-up to EPS as a part of FDP will be executed over the next 2 years.
- Successfully completed mandatory Public Hearing and initiated the environmental clearance process.



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

- Ring Fenced PSC has been submitted to MoPNG through DGH.

Other Offshore Assets



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

- Finalized the settlement agreement and is being executed for 10-year grant extension.
- Completed Environmental Impact Assessment for obtaining Environmental Clearance to drill additional wells.



PY-3 (HOEC PI : 21%)

- Field under shutdown since July 2011.
- Last production (100%) – 3,300 boepd.
- PSC extension has been granted till 2030.

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.

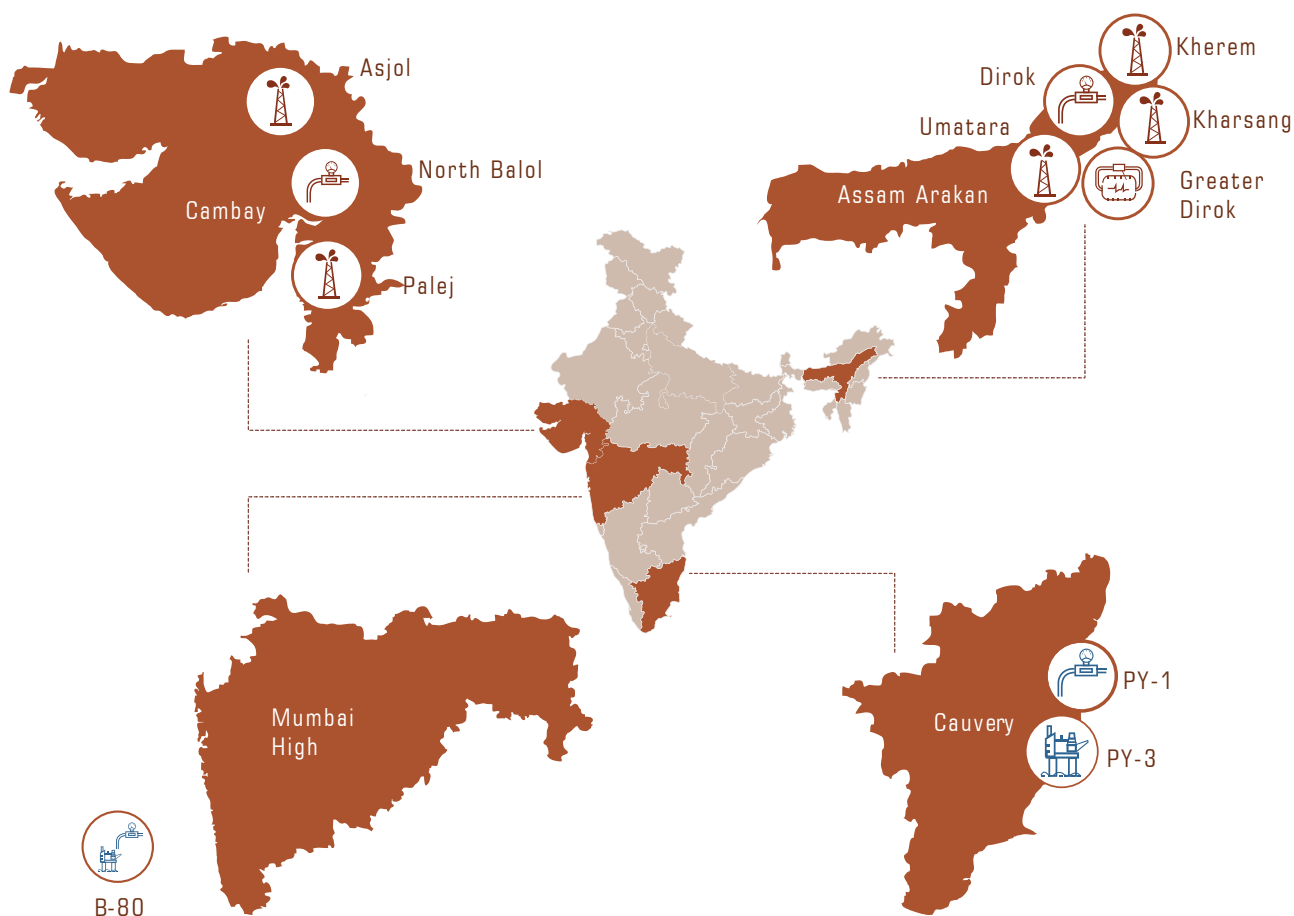
Diverse geographical footprint Presence in 4 out of 7 producing basins in India.

Balanced portfolio Offshore – 3 blocks / Onshore - 8 blocks & Oil / Gas.

Upside potential for exploration within portfolio with infrastructure for rapid monetization.

Operatorship in majority of blocks to drive value creation.

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



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 38 years. During this period, he worked in diverse capacities under various Ministries including the Ministry of Defence and Finance and has acquired wide ranging experience cutting across social and economic sectors, including health, education, planning 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. Pronip Kumar Borthakur

Non-Executive Independent Director

Mr. P.K. Borthakur brings in more than 42 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 PAN projects / 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 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. 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 24 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 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. Elango Pandarinathan

Managing Director

In his career spanning over 37 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. Ramasamy Jeevanandam

Executive Director and Chief Financial Officer

Mr. Ramasamy Jeevanandam has an overall experience of more than 40 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 operations for onshore and offshore assets.
- 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 HSE Awards Program.
- Engaging all operating personnel in monthly mock safety drills, to ensure that all personnel remain aware and vigilant and act swiftly to handle any emergency.
- Practical training on operating Fire Protection System, Lifesaving appliances and Oil Spill Response are provided to site personnel.
- Performing comprehensive internal site audits on HSE compliance during major operational activities, such as drilling, development, and production.
- HSE performance of all the operational Block are reviewed by HSE Steering & Risk Management Committee which includes members from the Management Team.
- Mutual aid scheme with nearby Operators to avail assistance during emergency situation.
- HSE Management System in place to ensure full compliance with the guidelines recommended by regulatory authorities.
- Utilizing 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 Training at KGBOI



Fire Hose practical Training at Dirak



Lifeboat Training at KGBOI



Fire Fighting Training at HMGPP



Fire Tender operation training at Dirak Field

Key Performance Indicators (KPIs) : FY 2021 - 22	HOEC	OGP*
Fatal Accident Rate (FAR)	0.00	0.75
LTI Frequency (LTIF)	0.01	0.22
LTI Severity Rating (LTISR)	0.00	52.4
First Aid Cases	0.01	NR
Total Recordable Injury Rate (TRIR)	0.00	0.77

* OGP Report No 2021s (June 2022)

HOEC – Directing, Changing, and Delivering

Progressing with B-80

Developing B-80 in a pandemic environment has been an incredibly challenging journey. In particular, during FY 2021-22, Cyclone Tauktae, one of the strongest tropical cyclone that hit the Arabian Sea during May 2021, set the project development back by a year. This posed unprecedented challenges causing severe strain on the limited resources. Team HOEC overcame all the hurdles and safely installed the CALM Buoy and completed the installation of Single Point Mooring (SPM) system during the post monsoon weather window. Our FSO vessel, Prem Pride was mobilised to the location, and it is now connected to the SPM. All the offshore facilities have been installed and fully integrated. All the top side process equipment were tested, and commissioning activities commenced with the introduction of oil and gas into the system. Post commissioning, operational issues are being handled on a day-to-day basis, targeting stable and sustained production operations.



Taking advantage of the prevailing brent crude prices, we have established a way to link the natural gas price and the brent crude price. As a result of a successful e-auction conducted for B80 – Gas, the Gujarat State Petroleum Corporation Ltd. (GSPC) emerged as the winner and gas sales commenced through ONGC pipeline system and was delivered to GSPC at Hazira, Gujarat. Gas sales system involved sharing the facilities of ONGC and GAIL through tariff agreements by HOEC and GSPC, respectively. Efficiency of this complex delivery system involving multiple stakeholders was established and revenue from First Gas sales was realised subsequently.

Focusing on Value over Volume at Dirok

At Dirok too, challenges on the ground of running safe operations during the pandemic year continued and the HMGPP LTI free days have surpassed 1480 days since its inception. The performance of Dirok reservoir has been consistent and promising. Despite the hurdles, we continued to maintain production and successfully crossed a major milestone by producing 50 BCF of natural gas and 1 million barrels of condensate from this field.

We have now shifted our focus on the value over volume at Dirok. A successful gas e-auction for the first time in North-East was conducted and six premium gas sales agreement were signed, increasing the realized price (>\$1/MMBTU over and above the Government notified prices). As a result, gas sales at premium prices commenced to four new buyers (AGCL, BCPL, NRL and NEEPCO). Share of premium sales in total gas sales has shown an increasing trend, touching 40% during Q4 FY 2021-22.

This pioneering e-auction uncovered the North-East region's natural gas market potential. We are also preparing for the North-East market to be connected to the rest of India via the North-East Gas Grid Indradhanush. The rising demand for natural gas in the North-East has prompted us to enhance our production, and the preparatory work on the Dirok Phase-II development has commenced by obtaining Stage-I Forest Clearance.

Prospective Resources in PY-1

In PY-1, production has declined, and the offtake has been negligible and inconsistent during the year. To revive stable production, additional wells need to be drilled. Our geological studies have been completed and we have completed the Environmental Impact Assessment for obtaining Environmental Clearance, to plan the next drilling campaign in this technically challenging unique fractured basement reservoir. Although the current output from PY-1 is quite low, we are optimistic that the drilling program will return the field to its full potential. The final investment decision will be made following an independent technical review and risk reduction.

Untapped Potential in Cambay

We then successfully completed the mandatory public hearing to initiate the Environmental Clearance process to drill additional wells in our Asjol and North Balol blocks. Similarly, for our Palej block, we have submitted the RF PSC to MoPNG via DGH for further developments.

Progressing with a Purpose

Overcoming the operational challenges and bringing the production operations of B-80 into a stable mode remains our top priority. Considering that the wells have performed to our expectations, we are confident that we will be able to overcome the remaining challenges post monsoon. Post that, we will prioritise accelerating HOEC's growth journey by fast tracking the development of discovered resources within our portfolio.

Even as we prepare for our next stage of growth, I would like to reiterate our goal is to emerge as a role model for Responsible Business Operations among Independent Oil and Gas companies with a sharper focus on Environmental, Social and Governance (ESG) aspects.



B-80: Post Installation of Single Point Mooring system (SPM)

Towards this long journey, we have taken following two small steps:

We made a commitment to implement the steps to achieve Net-Zero emissions at Dirok. This ambition is backed by a comprehensive roadmap approach that identifies emission-reduction opportunities. Idea is to demonstrate the efficacy of this pilot model in Dirok and then replicate it across all our operating assets. Our aim is to establish a model, to create a sustainable environment around oil and gas fields in the eco sensitive North-East region.

Finally, we have achieved zero flaring in our Cambay asset, by selling a small volume of associated natural gas, which was previously flared.

Thank you for your continuing support, especially during this challenging period.

P. Elango
Managing Director