



Annual Report | FY 2022-23

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY

**40 YEARS
OF
OIL & GAS**

HINDUSTAN OIL EXPLORATION COMPANY LIMITED
TRANSFORMING THROUGH TALENT AND TECHNOLOGY

Growing Responsibly



CONTENTS

STRATEGIC REPORTS

Highlights: FY 2022-23	01
Our Asset Portfolio	03
Board of Directors	04
Safety First	05
HOEC - Towards an exciting growth journey	06

STATUTORY REPORTS & FINANCIALS

Board's Report	09
Management Discussion and Analysis Report	29
Business Responsibility and Sustainability Report	41
Report on Corporate Governance	66
Independent Auditors' Report and Standalone Financial Statements	89
Independent Auditors' Report and Consolidated Financial Statements	146
Glossary	202

39th Annual General Meeting

Day: **Wednesday** Date: **September 27, 2023** Time: **10:30 a.m.**

Mode: The Company is conducting the ensuing 39th AGM through VC / OAVM.

Detailed instructions for participation and voting at the meeting is available in the notice of the 39th 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.

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
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

HIGHLIGHTS – FY 2022-2023



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

- HMGPP has crossed 1844 LTI free days.
- Dirok gas was sold at an average gas price of USD 7.79 per mmbtu for FY22-23 with premium price sales to niche consumers. Dirok Field has generated its highest revenue since start of commercial production.
- Field activities to increase the production to 70 MMSCMD have commenced with starting 18" Pipeline laying in the forest area.



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

- Discovered Small Field – B80 development project was completed safely.
- Both D1 and D2 well were put on production from December 2022.
- Two e-auctions were conducted for natural gas, tying up the volumes to GSPC & IOCL.
- Cumulative production of B-80 till March'23 is 0.18 Mstb oil and 2.11 bcf gas.



AVERAGE PRODUCTION

8793 boepd (Gross)
2973 boepd (HOEC-Net)



PROFIT FOR THE YEAR

194.08 Crores

PRODUCTION WORKING INTEREST



10,83,998 boe

GROSS WORKING CAPITAL



₹ 469 Crores

HSE LOST TIME INJURY



0.01

NET WORTH



₹ 947 Crores

TOTAL INCOME



₹ 568 Crores

Note: Figures are given on a consolidated basis

Other North-Eastern Blocks



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

- PSC extension granted till 15 June 2030.
- RFDP is approved and the PML is granted till 15 June 2030.



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

- PML is yet to be granted by the state Government.



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

- Block awarded under OALP Bid Round 2019. Exploratory block adjacent to Dirok.
- Exploratory phase extended by 1 year. Preliminary Environmental Impact Assessment studies will be initiated to complete the regulatory process and commence exploration.



Umatara (HOEC PI : 10%)

- 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 IOCL (as Lead operator) & HOEC.
- Environmental Clearance received. Tendering and land acquisition is under progress.

(O) - HOEC as Operator (PI) - Participating Interest

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.
- 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.
- 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 and awaits execution from Gol.

Other Offshore Assets



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

- PSC Amendment executed to extend the term by 10 years.
- Completed Environmental Impact Assessment for obtaining environmental clearance to drill additional wells.



PY-3 (HOEC PI : 21%)

- Field under shut-in since July 2011.
- Last Production (100%) - 3,300 boepd.
- PSC extension has been granted till 2029.

OUR ASSET PORTFOLIO

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

Portfolio of discovered resources Ten blocks with production and development.

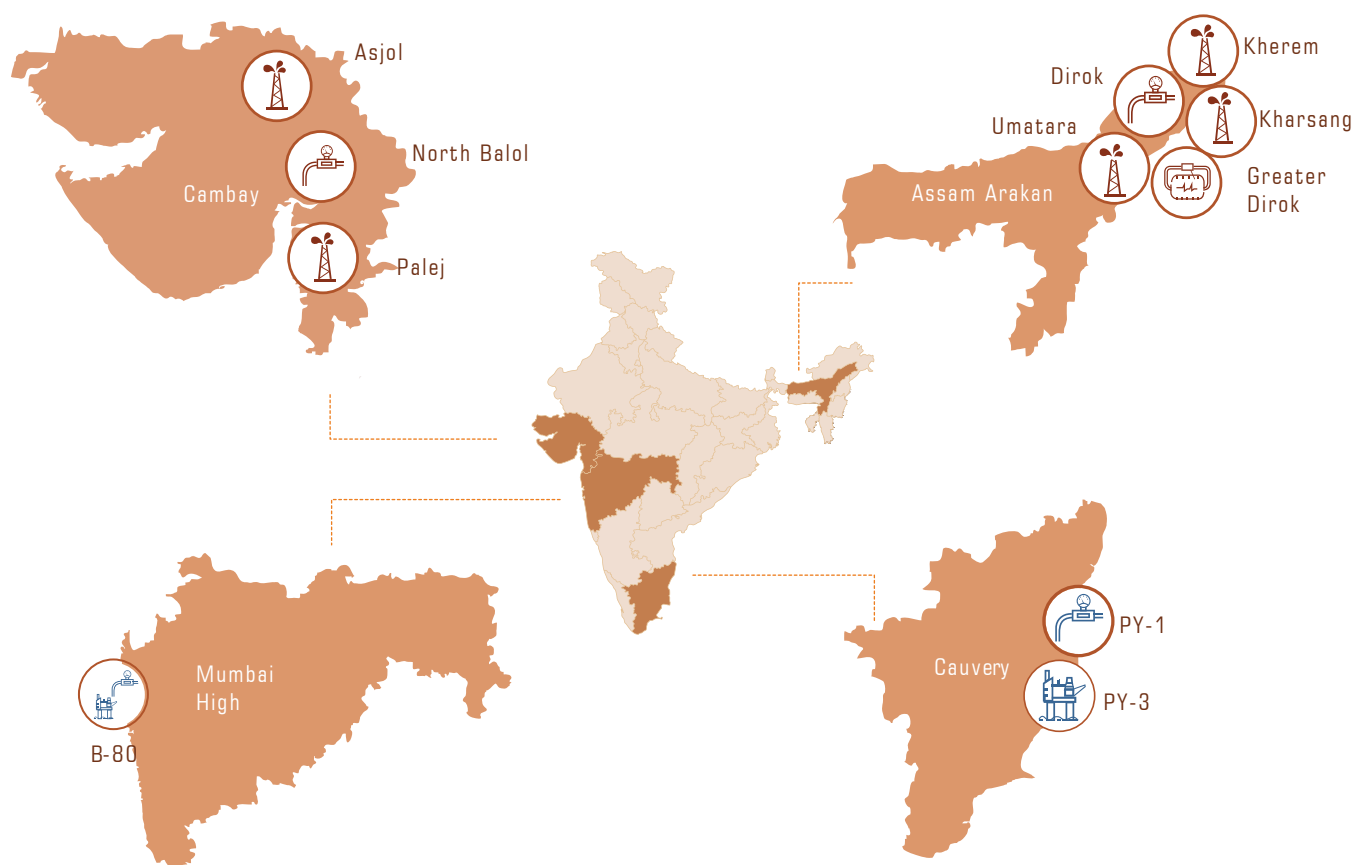
Diverse geographical footprint Presence in 4 out of 7 producing basins in India.

Balanced portfolio Offshore-3 blocks / Onshore -8 blocks.

Upside potential for exploration and further development within portfolio with existing infrastructure for rapid monetization.

Operatorship in all blocks except PY-3, 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 NitiAayog during 2016-18.



Mr. Pronip Kumar Borthakur

Non-Executive Independent Director

Mr. P.K. Borthakur brings in more than 43 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 holds a bachelor's degree in Commerce and is the 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 25 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 38 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 41 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.

Key Performance Indicators (KPIs) : FY 2022 - 23	HOEC	OGP*
Fatal Accident Rate (FAR)	0.00	1.28
LTI Frequency (LTIF)	0.01	0.28
LTI Severity Rating (LTISR)	0.00	41.3
First Aid Cases	0.01	NR
Total Recordable Injury Rate (TRIR)	0.00	0.90

* OGP report No. 2022s (June 2023)

TO ENSURE THIS:

- The HOEC Safety management system enables implementation of safety measures to safeguard people, property and the environment.
- Employees feel a strong personal connection to their own safety and the safety of others – "shared accountability." Employees understand that they shouldn't take shortcuts and that safety is the top priority.
- Reduce the risk of workplace incidents, injuries, and fatalities through the Risk Management System.
- People from different parts of the organization are involved to make safety a shared responsibility and be proactive, preventive and integrated into the culture of the entire organization.
- Hazards are identified as deficient conditions impacting activities which can result in injury, illness, or death to people and/or system, equipment or property damages or losses.
- Risk assessment is performed and a risk matrix is used as a tool for evaluating the combined effects of likelihood and severity, prioritizing which safety risks to address in what sequence for adequate resource allocation.



Lifeboat Training at KGBOI



Fire Fighting Training at HMGPP



Mock Drill at KGBOI



Mutual Aid Mock Drill at Dirok Field



HSE Training at KGBOI

HOEC–Towards an exciting growth journey

Commencing production from B-80

In my last year message, I had mentioned that developing B-80 in a pandemic environment has been an incredibly challenging journey. During FY 23, we had crossed major milestones in B-80 development and Q4 became the first quarter, when both D-1 and D-2 wells were on continuous production mode simultaneously. This helped the company to exit the year with the record gross operated production level of over 10,000 barrels of oil equivalent per day (boepd). Significance of this milestone will be understood, when we recollect that in FY2015, gross operated production was 500 boepd.

B-80 project development involved drilling two new subsea development wells, installing India's first Mobile Offshore Processing Unit (MOPU), installing a Single Point Mooring System (SPM) and mobilisation of Floating Storage & Offloading (FSO) vessel with a storage capacity of 900,000 barrels of oil. When commercial gas sales started in June 2022, HOEC became the first company to commence production from an offshore field under the Discovered Small Field (DSF) policy of the Government of India.



By opting for “Outsource at field level and in source at corporate level” strategy in developing B-80, HOEC group companies funded and owned the MOPU and FSO & SPM assets to provide services to Joint Venture of B-80, operated by HOEC. Due to this, both the 100% owned subsidiary companies earned revenue and turned profitable for the first time during FY23.

Gas contributes to nearly 80% of HOEC's production. E- Auctions provide a transparent way to discover market determined prices. As a result of two successful e-auction conducted, today both GSPC and IOCL are major consumers of B80 – Gas. In addition, HOEC has successfully placed marginal surplus gas volumes in Indian Gas Exchange (IGX) to meet spot demand for gas by consumers in Gujarat. Gas is delivered to all consumers through Gas Transportation Network that involved sharing the facilities of ONGC and GAIL through tariff agreements by HOEC and gas consumers respectively. Efficiency of this complex offshore to onshore delivery system involving multiple stakeholders was established by HOEC, as a private sector player, successfully.

Dirok to get connected to North East Gas Grid

At Dirok, during FY 23, we achieved an average daily gas sales volume of 30 mmscfd. We continue to face the challenge of seasonal variation in gas off take. Maintenance activity of any major consumer also impacts off take adversely. However, once the North-East market is connected to the rest of India via the North-East Gas Grid Indradhanush, demand is set to increase significantly. In preparation, Dirok is being connected directly to Duliajan Marketing hub as part of the Dirok Field Development Plan phase-2. Pipeline construction work in the difficult forest segment has commenced after securing required regulatory approvals. The performance of Dirok reservoir has been excellent and we have the ability to ramp up gas production as the demand picks up.



Overall, our focus on value over volume in Dirok has proven its results during the last financial year. The successful gas e-auction that was conducted for the first time in North-East enabled us to execute six premium gas sales agreements directly with consumers increasing the realized price (>\$1/MMBTU over and above the Government notified prices).

Plans for Development Drilling to increase production from all portfolio assets

During FY 23, the Production Sharing Contracts of both PY-1 and Kharsang has been extended by ten years by Government of India. In both the blocks, we have approved Field Development Plans. HOEC has 100% Participating Interest in the offshore PY-1 field in Tamil Nadu. Post the acquisition of Geopetrol International Inc. HOEC Group has 30% Participating Interest both directly and indirectly, in Kharsang, Arunachal Pradesh. To increase production, additional wells are planned to be drilled across PY-1, Kharsang, Cambay and when demand for gas picks up in Dirok too.

Now that B-80 wells are on continuous production mode and robust gas sales system has been established, this key asset along with Dirok will serve as double engines of growth for HOEC. With track record on driving production growth and demonstrated offshore and onshore capabilities, HOEC will, in future look at drilling wells to increase production to derive further value from its existing portfolio of offshore and onshore assets.

Responsible Operator

Even as we prepare for an accelerated growth by investing to increase production across our portfolio, we remain committed 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) and CSR aspects”.

Since 2015, HOEC has been following a unique business strategy of focusing primarily on discovered oil and gas resources and developing them into production mode through a fast track - low cost model. Dirok was the first field to be developed under this model. While developing this oil and gas field, we have prioritised the local community development. Since 2015, HOEC along with its JV partners, have executed 25 CSR projects costing ₹ 11 Crores in Margherita Sub- Division, in Tinsukia District of Assam, where the field is located, primarily to improve education and rural development infrastructure. As production from Dirok field transformed HOEC, these CSR projects have made a difference to lives of the local community.

Thank you for your continuing support.

P. Elango
Managing Director