29th Annual Report 2012-2013

Hindustan Oil Exploration Company Limited

29th Annual General Meeting

Date : September 25, 2013
Day : Wednesday
Time : 10:30 A.M.
Place : "Chandarva Hall"
WelcomHotel Vadodara
R.C. Dutt Road
Vadodara-390 007, Gujarat (India)

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Disclaimer Note:

Certain sections of this Annual Report, in particular the Management 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 and actual results, levels 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

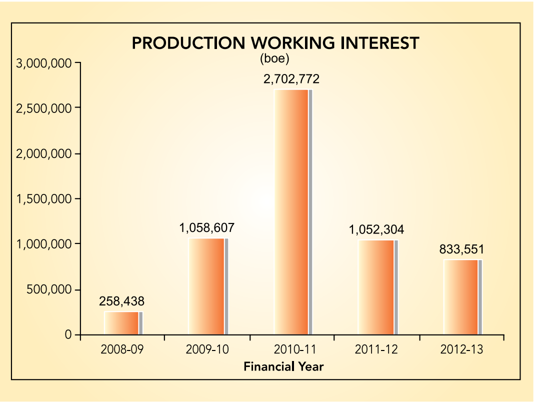
Registered Office	'HOEC House', Tandalja Road Vadodara – 390 020, Gujarat (India) E-mail: contact@hoec.com Website: www.hoec.com
Chennai Office	'Lakshmi Chambers' 192, St. Mary's Road, Alwarpet Chennai – 600 018, Tamil Nadu (India)
Secretarial Department	Mr. Minesh Bhatt Assistant Company Secretary Hindustan Oil Exploration Company Limited 'Lakshmi Chambers', 192, St. Mary's Road Alwarpet, Chennai – 600 018 Tamil Nadu (India) Tel: +91-(044) 66229000, Extn.: 103 Fax: +91-(044) 66229011/12 E-mail: hoecshare@hoec.com

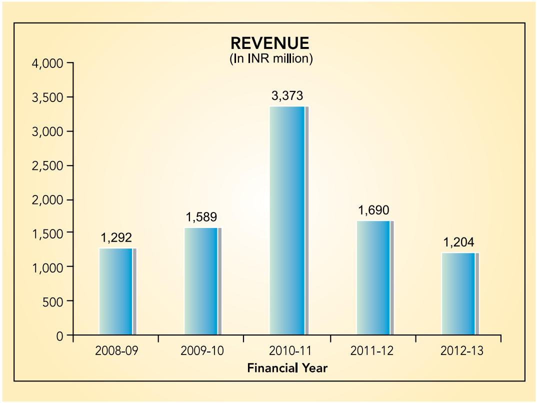
Auditors	S.R. Batliboi & Associates LLP (earlier known as S.R. Batliboi & Associates) Chartered Accountants
Audit Partner	Mr. Subramanian Suresh
Internal Auditors	Protiviti India
Cost Auditor	Mr. K. Suryanarayanan
Bankers	• Axis Bank • HDFC Bank • IDBI Bank • State Bank of India
Lenders	• ENI Finance International S.A., Belgium (earlier known as ENI Coordination Center S.A., Belgium) • Axis Bank • HDFC Bank • IDBI Bank
Advocates & Solicitors	Amarchand & Mangaldas & Suresh A. Shroff & Co.
Registrars & Share Transfer Agent	Link Intime India Pvt. Limited (Unit: Hindustan Oil Exploration Company Limited) B-102 & 103, Shangrila Complex, First Floor Opp. HDFC Bank, Near Radhakrishna Char Rasta Akota, Vadodara – 390 020, Gujarat (India) E-Mail: vadodara@linkintime.co.in
Credit Rating Agency	ICRA

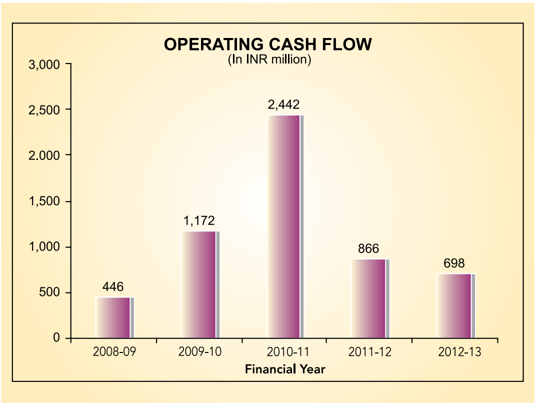
Highlights of FY 2012-2013

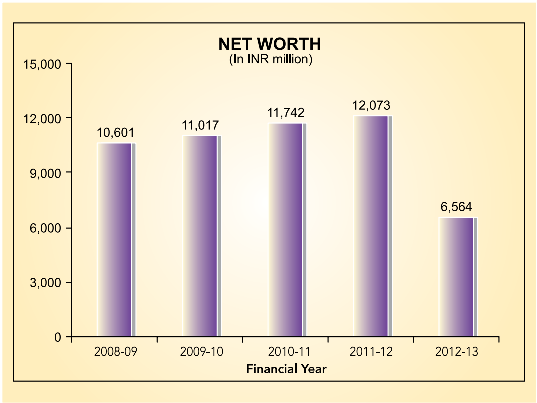
FINANCIAL HIGHLIGHTS*

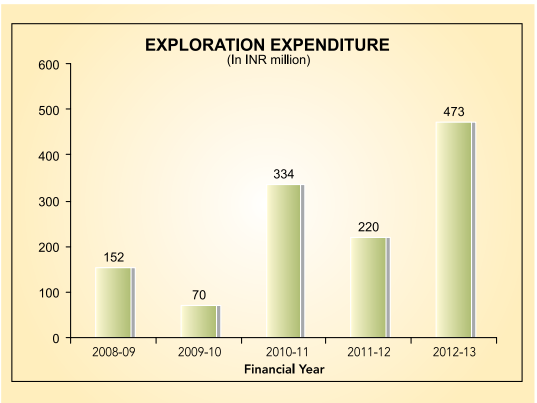
- Average Production** 2,284 boepd (FY 2011-2012: 2,875 boepd)
- Revenue of INR 1,204 million (FY 2011-2012: INR 1,690 million)
- Loss After Tax of INR 5,508 million (FY 2011-2012: Profit After Tax of INR 335 million)
- Operating Cash Flow*** of INR 698 million (FY 2011-2012: INR 866 million)

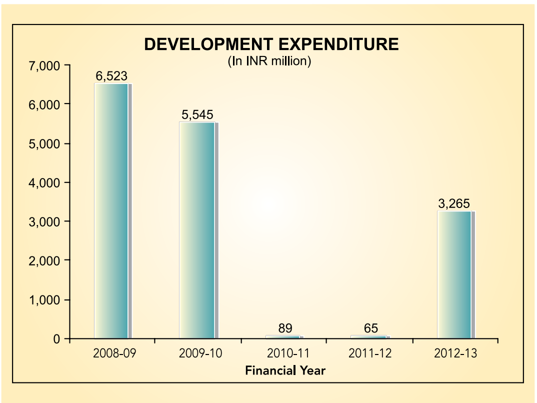












* *Figures have been regrouped / reclassified in accordance with the Revised Schedule VI (of the Companies Act, 1956) requirements.*

** *Average Production is on working interest basis.*

*** *Operating Cash Flow is before working capital changes and taxes.*

All figures have been rounded off.

Operational Highlights At A Glance

HOEC's oil and gas assets consist of operated & non-operated acreages in Cauvery, Cambay, Assam-Arakan and Rajasthan basins in India

RJ-ONN-2005/1 HOEC PI: 25% (O)

- Prospect Inventory generated based on 3D and High Resolution 3D Seismic Data.
- Drilling of Exploration Well(s) expected to commence by end of 2013 upon receipt of MoD and MoEF clearances.
- Proposal for assignment of 25% PI to HPCL is under consideration.

RJ-ONN-2005/2 HOEC PI: 20%

- 3D Seismic Data being interpreted to establish Prospect Inventory.
- Drilling of Exploration Well(s) expected to commence by end of 2013.

North Balol HOEC PI: 25% (O)

- Production: approx. 1.0 mmscfd.

Asjol HOEC PI: 50% (O)

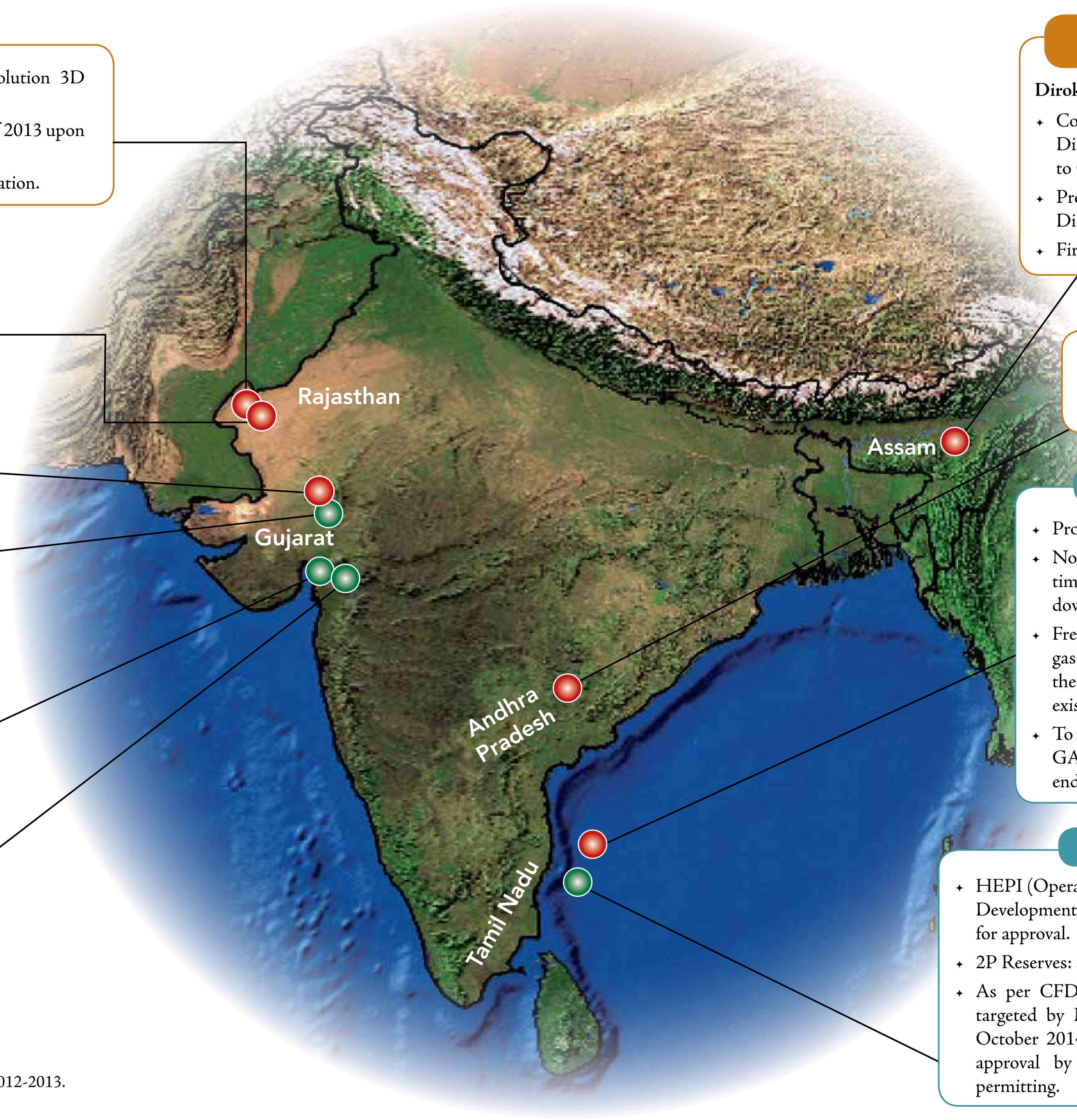
- Production: approx. 19 bopd.

CB-OS/1 HOEC PI: 38.07% (D)

- Revised Plan of Development (rPoD) approved by Operating Committee and under examination by DGH.
- As per rPoD, First Oil schedule: December 2015.
- Approval of Commercial Discovery Report (CDR) for South Harinagar Discovery being pursued by ONGC.

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

- Production: approx. 175 boepd.



AAP-ON-94/1 HOEC (O) PI: 40.32% (E)/26.88% (D)

Dirok Gas Discovery

- Commercial Discovery Report (CDR) for Dirok Discovery reviewed by DGH and recommended to Government for approval.
- Preparation of Plan of Development for Dirok Discovery initiated.
- First Gas schedule: December 2015.

GN-ON-90/3 HOEC PI: 100% (O)

- Government's petition against the Arbitration Award dismissed by Delhi High Court.

PY-1 HOEC PI: 100% (O)

- Production: approx 2,169 boepd.
- No gas off-take by GAIL for 37% of the time primarily due to shutdown/limitation of downstream consumer.
- Frequent production shutdowns due to no gas off-take resulted in water breakthrough thereby adversely impacting the productivity of existing wells.
- To mitigate risk of dependence on single end user, GAIL has executed gas supply contracts with other end consumers in July 2013.

PY-3 HOEC PI: 21%

- HEPI (Operator) has submitted a Comprehensive Full Field Development Plan (CFDP) to the Operating Committee for approval.
- 2P Reserves: approx. 18 mmboe.
- As per CFDP, restart of production from existing well targeted by March 2014 and ramp-up of production by October 2014; schedule subject to receipt of Government approval by September 2013 and weather conditions permitting.

Legend:

- Oil
- Gas
- Production/Development & Exploration
- Appraisal/Exploration only

O = HOEC as Operator
D = Development Phase
E = Exploration Phase
PI= Participating Interest

Notes: Production figures are gross for respective fields for Financial Year 2012-2013.
Location of Contract Area is indicative and not to scale.

Board of Directors

Mr. R. Vasudevan
Non-Executive Independent Director/Chairman

Mr. R. Vasudevan, 76 years, holds B.A. (Hons.) (Economics) degree from the University of Madras, M.A. (Economic Statistics) degree from the University of Delhi and M.P.A. (Development Economics) from Harvard University, Boston, U.S.A.

He has held various senior level positions in the ministries of the Government of India including the Prime Minister's Office, Ministry of Steel and Ministry of Petroleum and Natural Gas. He retired as Secretary to the Government of India, Ministry of Power. He was a founder director of Small Industries Development Bank of India.

Mr. Sunil Behari Mathur
Non-Executive Independent Director

Mr. Sunil Behari Mathur, 69 years, is a Chartered Accountant. He has more than 46 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.

He also holds membership, advisory/administrative roles on various Government bodies, authorities and corporations.

Mr. Paolo Carmosino
Non-Executive Director

Mr. Paolo Carmosino, 59 years, holds a degree in law from the University "La Sapienza" of Rome and pursued a career within the Eni Group spanning 35 years in finance and planning control areas. He is Eni's Senior Vice President for Finance, Chairman of eni finance international (efi) and Banque Eni SA and he is also a Director of EniADFin (formerly Sofid SpA).

Mr. Luigi Ciarrocchi
Non-Executive Director

Mr. Luigi Ciarrocchi, 52 years, holds a degree in Petroleum Engineering from the Politecnico of Turin and has pursued an international career, spanning 26 years in hydrocarbon E&P sector, in Europe, Africa and Middle East countries. He has held important managerial positions in Eni, including District Manager in Italy, Managing Director of Agip in Croatia and Managing Director of Eni Pakistan. He is currently Chairman of Burren Shakti Limited, Burren Energy plc., Eni China B.V., Eni South China Sea Limited, Sarl, Eni Australia B.V., Eni Australia Limited, Eni Bulungan B.V., Eni Muara Bakau and others.

Mr. V. Srinivasa Rangan
Non-Executive Non-Independent Director

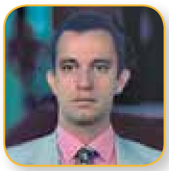
Mr. V. Srinivasa Rangan, 53 years, holds a Bachelor's degree in Commerce and is an associate member of the Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India (ICWAI). Mr. Rangan is an Executive Director of Housing Development Finance Corporation Limited (HDFC) besides being on the Board of other companies.

Mr. Rangan was conferred the "Best CFO in the Financial Sector for 2010" by ICAI for exceptional performance and achievements.

Mr. Paolo Ceddia
Non-Executive Director

Mr. Paolo Ceddia, 52 years, graduated in Business Administration from Bocconi University in Milan, has 27 years of planning and control experience in telecommunication and oil & gas companies. He joined Eni in 1994, where he held several assignments in planning and control area in exploration & production division at eni spa. He dealt with important projects in scope of management reporting, adoption of IFRS and US GAAP. He is responsible for Eni's Business program and support of Central Asia, Far East and Pacific Area.

Mr. Guido Papetti
Non-Executive Director



Mr. Guido Papetti, 52 years, doctorate in Geological Sciences from University of Milan, has around 25 years of technical and operational experience in exploration & production industry. He has held various positions while working with Eni in Europe, UK, Kazakhstan, Africa and Middle East countries. Currently he is the Managing Director of Eni India Limited.

Mr. Mukesh Butani
Non-Executive Independent Director

Mr. Mukesh Butani, 49 years, is a Lawyer and Chartered Accountant. He is a member of ICC, Paris Taxation Commission and served as Chairman of the Tax & Tariff Committee of the American Chamber of Commerce.

He is a member of OECD's business restructuring advisory group. Mr. Butani is the founder partner of BMR Legal, Advocates & Solicitors. He leads the tax practice with specialization in International Tax and Transfer Pricing matters. He has deep experience in working with companies across the industry value chain from upstream companies to organizations engaged in midstream and downstream activities.

Mr. Manish Maheshwari
Managing Director

Mr. Manish Maheshwari, 45 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received Danida Fellowship. He has business experience of more than 25 years. Prior to his appointment as the Managing Director of the Company, he held the office of the Chief Financial Officer of the Company.

Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

Directors' Report

To the Members of HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have the pleasure in placing before you the 29th Annual Report including the Audited Financial Statements for the year ended March 31, 2013.

1. FINANCIAL HIGHLIGHTS

INR million

Particulars	HOEC Standalone		Consolidated	
	2012-2013	2011-2012	2012-2013	2011-2012
Turnover	1,088	1,440	1,287	1,633
Other Income	116	250	81	252
Revenue	1,204	1,690	1,368	1,885
Profit before Depreciation / Depletion / Amortization / Taxation and Exceptional items	655	997	645	1,020
Less: Depreciation / Depletion / Amortisation	874	555	875	555
Exceptional Items – Impairment and Additional Depletion	5,720	—	5,720	—
Profit / (Loss) Before Tax	(5,939)	442	(5,950)	465
Less: Provision for Tax	(431)	107	(424)	120
Profit / (Loss) After Tax	(5,508)	335	(5,526)	345
Profit / (Loss) brought forward	2,931	2,596	3,015	2,670
Profit / (Loss) available for Appropriation	(2,577)	2,931	(2,511)	3,015
Balance carried to the Balance Sheet	(2,577)	2,931	(2,517)	3,015

Figures have been rounded off.

During the year, your Company produced 0.83 mmboe of crude oil and gas (previous year 1.05 mmboe), the decrease being (a) on account of the buyer, GAIL India Limited, being unable to off-take PY-1 Gas for 135 days due to shut-down/limitation of downstream consumer; and (b) unexpected behavior of PY-1 reservoir marked by water breakthrough and accelerated depletion. The lower production has resulted in a Turnover of INR 1,088 million for the year, a decrease of 24% over the previous year. The Revenue for the year was INR 1,204 million, a decrease of 29% over the previous year, for the aforesaid reasons.

On a standalone basis, the Loss-Before-Tax was INR 5,939 million. This is due to recognition of impairment loss and charging off of additional depreciation pursuant to reduction in PY-1 Reserves as certified by an independent 3rd Party in January 2013.

Provision for tax reflects the deferred tax asset created on carried forward business losses and unabsorbed depreciation to the extent of deferred tax liability as at March 31, 2013.

During the year under review, your Company had a Loss-After-Tax of INR 5,508 million compared to Profit-After-Tax of INR 335 million during the previous year.

2. DIVIDEND

In view of recognition of impairment loss and the consequential Loss-After-Tax during the year, the Directors have not recommended any dividend for the Financial Year 2012-2013.

3. DIRECTORS' COMMISSION

The Independent Directors have chosen not to accept commission as a gesture to support the Company in its immediate endeavors.

4. CAPITAL EXPENDITURE

During the year under review, the Company incurred (a) development expenditure of INR 3,265 million mainly towards drilling of 'Surya' Well in PY-1 Field; and (b) appraisal/ exploration expenditure of INR 473 million in Assam and Rajasthan Blocks.

5. OPERATIONAL HIGHLIGHTS

Operations review has been provided in the Management Discussion and Analysis Report, which forms part of this Annual Report.

6. DRILLING OF 'SURYA' WELL IN PY-1 FIELD AND IMPAIRMENT ASSESSMENT

During the year, your Company drilled multi-lateral well, 'Surya' in PY-1 Field. Initial efforts to activate this well by using nitrogen met with little success as the gas production was impeded due to loss of drilling fluids while drilling in the reservoir section, which seems to be partially depleted. The Company is pursuing rigless intervention like huff & puff technique to lift the well.

Pending activation of 'Surya' well, the Company commissioned an independent 3rd Party reserve certification to re-assess the potential of PY-1 Field. Based on the said report, the Total Proved Reserves are estimated to be 120 bcf as against earlier approved estimates of 185 bcf.

Consequent to the reduction in the Proved Reserves of PY-1 Field, the Company has carried out an impairment assessment as at December 31, 2012, based on procedures consistent with Accounting Standard 28 (AS-28) and recognised an impairment loss to the extent of INR 4,593.9 million and additional depletion amounting to INR 1,125.8 million upto the date of assessment of impairment. The aggregate amount of INR 5,719.7 million has been disclosed under exceptional items.

As recommended in the aforesaid 3rd Party Report, a comprehensive geological & reservoir study has been commissioned and the findings thereto are expected to help monetise the PY-1 gas reserves in an economical manner.

7. SUPPORT FROM ENI (PROMOTERS OF THE COMPANY)

Pursuant to the Petroleum Service Agreement (PSA) with Eni India Limited (Eni), your Company has received technical support from Eni towards drilling of 'Surya' Well in PY-1, Reservoir & Production Management, PY-3 Static & Dynamic Modelling, exploration support in Assam and Rajasthan Blocks, and continuous improvement in HSE standards.

Further, Eni Finance International has provided external commercial borrowing of USD 60 million to the Company to part finance the PY-1 capex programme.

8. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report are appended to and forms part of this Annual Report.

9. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance, along with a Certificate thereon, from a Company Secretary in Practice, is appended to and forms part of this Annual Report. The Board of Directors have implemented certain provisions of the 'Corporate Governance Voluntary Guidelines 2009', issued by the Ministry of Corporate Affairs, in order to pursue best Corporate Governance practices.

10. COMPANY SECRETARY

Upon resignation of the erstwhile Company Secretary and Legal Counsel, the Company has initiated the process of appointing a Company Secretary and Legal Counsel, and till such time a suitable replacement is found, Mr. Minesh Bhatt, Assistant Company Secretary, has been authorised to discharge the functions of the Company Secretary and Compliance Officer.

11. COST ACCOUNTING RECORDS

The Company has maintained cost records as required by Cost Accounting Records (Petroleum Industry) Rules, 2002 notified on October 8, 2002.

The Ministry of Corporate Affairs vide its Order dated May 02, 2011 has notified that a company engaged in petroleum operations shall get its cost accounting records in respect of each financial year commencing on or after April 01, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959. In compliance with the aforesaid requirement, the Cost Accounting Records of the Company for Financial Year 2012-2013 were audited by Mr. K. Suryanarayanan, a qualified Cost Accountant.

12. HOEC BARDAHL INDIA LIMITED (HBIL), SUBSIDIARY OF HOEC

During the year under review, net income of HBIL, HOEC's wholly owned subsidiary, was INR 213 million being approximately 12% higher as against previous year of INR 190 million. The net profit was INR 17 million during the year as against INR 10 million in the previous year.

The Consolidated Financial Statements presented by the Company include financial information of HBIL prepared in compliance with applicable accounting standards. The Ministry of Corporate Affairs, Government of India vide its Circular No. 5/12/2007-CL-III dated February 8, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the company. Accordingly, annual accounts of HBIL and the related detailed information will be made available to the shareholders of the Company seeking such information at any time during the office hours.

The annual accounts of HBIL are also available for inspection by any shareholder at the Company's Registered Office and at the Registered Office of HBIL, at Vadodara.

Details of the financial information required under the Circular is covered in Note No. 26 of the Consolidated Financial Statements.

13. CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Accounting Standard (AS) 21 and the Listing Agreement entered into with the Stock Exchanges, Consolidated Financial Statements for the Financial Year 2012-2013 are appended to and form part of this Annual Report.

14. CREDIT RATING

Subsequent to the recognition of impairment loss in PY-1, ICRA has revised the long term rating in February 2013 from [ICRA] A+ to [ICRA] A– for the line of credit and the outlook on the long term rating is "Stable".

15. AUDITORS' REPORT AND DIRECTORS' EXPLANATION

In response to the specific observation in the Auditors' Report, the Directors' explanation is as hereunder:

Auditors have made an observation under heading "Basis for qualified opinion" in their report about capitalisation of the costs of surveys and studies relating to exploration activities under the 'Successful Efforts Method' in line with the "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India.

As per the Company's Accounting Policy, the survey costs are initially capitalized as "Exploration Expenditure" and subsequently either expensed if the exploration activity is determined as unsuccessful or transferred to "Producing Properties" on attainment of commercial production. In this regard, the Directors have to state that:

(a) the Company's Financial Statements have been prepared in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(b) the aforesaid Guidance Note, issued by the Institute of Chartered Accountants of India, is not mandatory and only recommendatory in nature and does not form part of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(c) the Company's Accounting Policy, which has been followed consistently during the earlier quarters in the Financial Year 2012-2013 and in the earlier Financial Years with reference to treatment of survey cost, is in compliance with international Oil and Gas Industry accounting practices, and has been accepted by the auditors in the past without modification; and

(d) the accounting for the cost of surveys is in compliance with the terms of the Production Sharing Contract (PSC) signed with the Government of India.

In view of explanation stated above, the Company is in compliance with the Accounting Standards referred to in the Companies Act, 1956.

16. UNINCORPORATED JOINT VENTURES

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on a line-by-line basis with similar items in the Company's Accounts to the extent of the participating interest of the Company as per various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures.

17. FIXED DEPOSIT

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as at the balance sheet date.

18. DIRECTORS

Mr. Sergio Adriano Laura resigned as Director and Managing Director of the Company with effect from May 29, 2013 (closure of business hours). Mr. Marcello Simoncelli also resigned as Director with effect from May 28, 2013. The Board places on record its appreciation for valuable services rendered by Mr. Sergio Adriano Laura and Mr. Marcello Simoncelli to the Company.

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. Sunil Behari Mathur and Mr. Luigi Ciarrocchi will retire by rotation and being eligible, have offered themselves for re-appointment as Directors.

The Board at its meeting held on May 29, 2013 has appointed Mr. Guido Papetti and Mr. Paolo Ceddia as Additional Directors with effect from May 30, 2013 subject to approval of the shareholders at the ensuing Annual General Meeting of the Company.

The term of appointment of Mr. Guido Papetti and Mr. Paolo Ceddia, who were appointed as Additional Directors of the Company with effect from May 30, 2013, will expire concurrent with the ensuing AGM, and are being eligible for re-appointment. The Company has received notices under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. Guido Papetti and Mr. Paolo Ceddia as Directors of the Company, liable to retire by rotation.

None of the Directors are disqualified from being appointed as Directors as specified in Section 274(1)(g) of the Companies Act, 1956.

The Board of Directors recommends aforesaid re-appointments / appointments at the ensuing Annual General Meeting.

The information on the particulars of Directors seeking re-appointment / appointment as required under Clause 49 of the Listing Agreement executed with the BSE Limited and National Stock Exchange of India Limited have been given in the Notice convening the 29th Annual General Meeting of the Company.

19. EMPLOYEES STOCK OPTION SCHEME

No stock options were granted during the Financial Year 2012-2013.

The ESOS disclosure as at March 31, 2013 is as below:

	PARTICULARS		HOEC EMPLOYEE STOCK OPTION SCHEME-2005
(a)	Stock Options outstanding as at April 01, 2012	:	67,643
(b)	Options Exercised during the year from Stock Options outstanding as at April 01, 2012	:	14,174
(c)	Options Granted during the year	:	Nil
(d)	Pricing Formula	:	Nil
(e)	Options Vested during the year	:	Nil
(f)	The total number of shares arising upon / after exercise of Options	:	Nil
(g)	Options Forfeited/Lapsed during the year	:	35,789
(h)	Variation in terms of Options	:	Not Applicable
(i)	Money realized by exercise of Options	:	Nil
(j)	Total number of Options in force as of March 31, 2013	:	17,680
(k)	Details of Options granted during the Financial Year 2012-2013	:	
	Senior Management Personnel	:	Nil
	Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted during that year	:	Nil
	Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding equity share) of the Company at the time of grant.	:	Nil
(l)	Diluted Earnings Per Share (EPS) before exceptional items pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard-20 (AS-20) Earning Per Share [Refer Note-1]	:	INR (42.21)
(m)	Weighted – average exercise price	:	Nil
	Weighted – average fair value of options separately for options, whose exercise price either equal or exceed or is less than the market price of the stock on the grant date.	:	No option granted during the year

Note:

1. *Under the ESOS Scheme approved by the Shareholders, the exercise of options has no dilution impact on the EPS.*

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

A. Conservation of Energy:

(a) energy conservation measures taken:

During the year, Company continued to focus on minimizing the energy consumption and the measures taken are summarised below:

1. Due consideration has been given to energy consumption while procuring equipments with preference for BEE Star rated equipments, wherever feasible.

2. As a responsible Corporate Citizen and in adherence to climate change policy, Company is continuously taking effective steps to conserve energy and to reduce methane and other Green Houses Gases (GHG) emissions, wherever feasible.

3. Minimized environmental impact from its activities:

   Several measures have been implemented during drilling of 'Surya' well in PY-1 Field for prevention and control of pollution and improvement of environmental performance.

   Company continues with its initiatives on energy and resource conservation at its PY-1 facilities and use of renewable energy like solar panels at onshore and offshore locations.

4. The Company regularly monitored air emission sources and ambient air quality and ensured that emission levels at all times remain lower than the statutory limits.

5. Except the emergency lights, all lights and electrical gadgets are turned off after working hours and on holidays at office premises of the Company to help in minimising the energy consumption.

(b) additional investments and proposals, if any, being implemented for reduction of consumption of energy: NIL

(c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Reduction in emission of Green House Gases (GHGs) as a result of minimal use of air conditioning system and reduced consumption of power and fuel.

(d) total energy consumption and energy consumption per unit of production as per Form A of the annexure to the Rules in respect of industries specified in the schedule thereto:

The Company is neither part of the industries nor engaged in any activity specified in the Schedule to the Rules.

A miniscule fraction of gas production is being utilized for internal consumption at PY-1 and CB-ON-7 sites.

B. Research and Development (R&D): NIL

C. Technology absorption, adaptation and innovation:

Various technology absorption, adaptation and innovation initiatives were implemented including *inter-alia* use of vortex bottom hole drilling assembly, aluminium drill pipes, torque and drag reducers to drill multi-lateral extended reach horizontal well 'Surya' in PY-1 Field. The Company continued to use bio degradable base oil in mud system for drilling applications.

Technology imported during last five years: NIL

D. Foreign exchange earnings and outgo:

(a) activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans: Company is engaged in production of crude oil and natural gas; the existing Government policies and Production Sharing Contracts (PSCs), to which Company is a party, do not allow Company to export its production till India achieves self sufficiency in domestic production of hydrocarbons.

(b) total foreign exchange used and earned:

INR million

	Particulars	2012-2013	2011-2012
A.	Foreign Exchange Earnings (Note 1)	0.76	0.01
B.	Foreign Exchange Used		
	• Cash Call Payment to Joint Ventures	1,789.26	113.55
	• Expenditure in Foreign Currency (Note 2)	199.17	158.99
	• Repayment of Foreign Currency Loan (Note 3)	628.65	675.01
	Total Foreign Exchange Used (B)	2,617.08	947.55
Net Foreign Exchange Used (B-A)		2,616.32	947.54

Note 1: The earnings represent Interest on Foreign Currency Deposits

Note 2: The amount includes Interest on ECB loans paid in foreign currency

Note 3: The amount excludes drawdown of ECB loan of INR 3,278.6 million (USD 60 million)

21. HUMAN CAPITAL & MANAGEMENT

The Company continues to pursue best practices to develop it's human capital. The Company has a 360 degree Performance Appraisal System (PAS) with focus on the organizational objectives aligned with KRAs of key personnel, objective performance measurement, and assessment of potential and identification of training needs for individual growth.

22. PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are appended hereto and forms part of this Report.

23. AUDITORS

The Auditors, S. R. Batliboi & Associates LLP, (SRB) Chartered Accountants, will retire at the forthcoming Annual General Meeting and are eligible for reappointment. SRB have confirmed that their appointment, if made shall be within the limits of Section 224(1B) of the Companies Act, 1956. Based on the recommendation of the Audit Committee, the Board has, at its meeting held on May 29, 2013, recommend the appointment of SRB as Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

24. MANAGERIAL REMUNERATION

Due to inadequate profit/loss during the year following recognition of impairment loss in PY-1 on account of reduction in reserves, the managerial remuneration paid to Mr. Manish Maheshwari, Managing Director, has been rendered in excess of the limits prescribed under the Companies Act, 1956. In terms of the provisions of Schedule XIII Part II of the Companies Act, 1956, such managerial remuneration requires the approval of the Shareholders and a proposal has been included as part of the agenda for the Annual General Meeting together with disclosures/details therein. The Board recommends the approval of the said proposal/resolution.

25. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

(ii) that the directors have selected such accounting policies and applied them consistently unless otherwise stated and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss account of the Company for the year ended on that date;

(iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that the directors have prepared the accounts on a 'going concern' basis.

26. ACKNOWLEDGEMENTS

Your Directors place on record their gratitude for the support and cooperation received from Government agencies namely, the Ministry of Defence, Ministry of Environment and Forests, Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbons, Government of Gujarat, Government of Tamil Nadu, Government of Assam, Government of Andhra Pradesh, Government of Rajasthan and the authorities working under them. Your Directors express their gratitude to the Company's stakeholders, shareholders, business partners, and bankers for their understanding and support and look forward to their continued support in future. Your Directors value the professionalism, dedication and commitment of the HOEC team to achieve the corporate goals.

For and on behalf of the Board

R. Vasudevan

Date: July 22, 2013 Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2013.

Name	Designation	Remuneration received (not including Stock option) (INR)	Stock options granted during the year (No. of shares)	Nature of employment	Nature of duties of the employee	Qualifications of the employee	Experience of the employee (in years)	Date of commencement of employment	Age	The last designation and employment held by such employee before joining the company	The number of equity shares held by the employee	The percentage of equity shares held by the employee	Period of Employment during the Financial year	
Mr. K. Sriram (refer Note 4)	Exploration Manager	3,321,294	Nil	Permanent	Exploration Activities	M.Sc. (Geology)	25	01-Mar-11	49	Technical Leader Exploration – Eni India Limited	Nil	Nil	1-Apr-12	30-Sept-12
Mr. Manish Maheshwari	Managing Director	20,191,035	Nil	Permanent	Overall management of the Company	B.E. (Hons), MBA (UK)	25	1-Oct-03	45	Senior Investment Manager – Danish International Investment Fund	18,983	Negligible	1-Apr-12	31-Mar-13

Notes:

1. Gross remuneration as above includes salary, taxable allowances, Company's contribution to Provident Fund and Superannuation Fund, Gratuity (excluding Company's contribution to Gratuity Fund), reimbursement of medical expenses, personal accident & health insurance premium, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules there-under. No Stock Options were granted to the Managing Director.
2. The above mentioned persons are eligible for all employee benefits eligible to the same class of employee.
3. None of the above mentioned person is a relative to any Director of the Company.
4. Mr. K. Sriram resigned from the Company with effect from September 30, 2012 to re-join Eni India Limited. Remuneration includes leave encashment (INR 132,763).

Management Discussion and Analysis Report

INDUSTRY STRUCTURE, DEVELOPMENT AND OPPORTUNITIES

FY 2012-2013 saw a slowdown in the growth of energy consumption globally, partly as a result of the economic slowdown but also because individuals and businesses have responded to high prices by becoming more efficient in their use of energy. Brazil, China, the EU, India, Japan, Russia and the US all saw below-average growth in energy consumption. Indeed, consumption growth of all forms of fossil energy was below average.

On the supply side, the world witnessed supply of energy coming from an increasing diversity of sources as the energy market continues to adapt, innovate and evolve. The most noticeable phenomenon remains the American shale gas revolution. In 2012, the US recorded the largest oil and natural gas production increases in the world, and saw the largest gain in oil production in its history. Elsewhere, for a second year, disruptions to oil supply in Africa and parts of the Middle East were offset by growth among OPEC producers. Libyan production recovered strongly after the sharp drop in output in FY 2011-2012, and Saudi Arabia, the UAE, and Qatar all produced at record levels. However, despite these supply increases, oil prices reached another record high. Coal remained the fastest-growing fossil fuel, with China consuming half of the world's coal for the first time – but it was also the fossil fuel that saw the weakest growth relative to its historical average. While natural gas grew at a below-average rate, it was the only fossil fuel to see consumption growth accelerate in 2012. Cheaper natural gas competed strongly with coal in North America, displacing it as a power feedstock. Hydroelectric and renewable energy also competed strongly against coal globally; renewables in power generation grew by 15%. However in Europe, where gas was relatively expensive, coal was often the fuel of choice for power generation, while the LNG tankers that used to supply Europe turned towards Asia. Global nuclear power output had the largest decline ever, with Japanese output falling by nearly 90% as the response to the tragedy at Fukushima continued to unfold. Fossil fuel imports rose to compensate.

In these and many other ways, FY 2012-2013 highlighted the flexibility of the world's energy market and the innovative approaches that consumers and producers take in response to change. Despite the slowdown, consumption and production reached record levels for all fuels except nuclear power and biofuels.

Energy price developments were mixed. Brent, the international crude oil benchmark, saw annual average prices reach record levels (in money-of-the-day terms), although annual prices declined slightly on an inflation-adjusted basis. Crude oil prices eased in the face of rising output in the US, Libya, and other OPEC producers. Oil production growth in the US was the largest in the world in 2012. In response, the differential between Brent and West Texas Intermediate (WTI) reached another record premium, although the gap began to narrow later in the year as infrastructure bottlenecks in the US eased. Natural gas prices rose in Europe and Asia, but fell in North America, where rising US natural gas output pushed gas prices to record discounts against both crude oil and international gas prices.

Despite global slowdown, Indian energy sector remains poised for a rapid growth as resource augmentation and growth in energy supply have failed to meet the domestic demand. India continues to import more than 70% of its Crude Oil requirements with its oil import bill being close to USD 157 billion in FY 2012-2013. Further given India's targeted GDP growth, India's need for primary energy is likely to more than double by the year 2020.

In this context, the exploration and production of domestic oil and gas assume a critical dimension for India's energy security and economic growth. In a high demand growth scenario coupled with the fact that India remains vastly unexplored territory with only 20% of its sedimentary basins been moderately explored and developed, the Oil and Gas sector in India presents significant opportunity to the industry.

COMPANY'S BUSINESS

HOEC operates in the Oil & Gas Exploration and Production (E&P) Industry, with its current portfolio of assets centric to India. With energy security being one of the most strategic challenges for our country, central to economic development and rapid growth, HOEC's business is therefore inexorably linked with the national imperative. HOEC is dedicated to contribute in meeting the energy needs of India and in this endeavor, the Company, in association with its consortium partners, works in close collaboration with the Government of India through Production Sharing Contracts (PSCs) to explore, develop and produce hydrocarbons in a safe and responsible manner.

The Company's core business is to:

- ***Explore*** for hydrocarbons;
- ***Execute*** to transform resources to assets; and
- ***Enhance Value*** for all stakeholders.

The Company seeks out opportunities which have the potential to establish and transform 'resources' to 'assets' and thus generate shareholder value. HOEC's strategy is to grow Company's core business over both medium and the long term with improving profitability through enhanced operational efficiency, capital efficiency and cost efficiency. We focus our attention on decisions that benefit decades, not just near term results. We want to achieve our strategic objectives and goals through exploration– led growth in existing and new acreages. In executing this strategy, Company intends to preserve a robust capital structure targeting an optimal mix of borrowings and shareholders' equity.

HOEC believes that good environmental, social, health and safety performance is an integral part of our business success. Our commitment to these principles is demonstrated by the fact that we have had no lost-time accidents or environmental incidents during the year under review. We conduct our business with respect and care for our communities and the environment in which we operate. We have a commitment to being a good corporate citizen of India, striving to emphasize and utilize national talent, services, and equipment.

HOEC conducts its business with high regard for safety in operations and in compliance with the law. We strive to run our business within the discipline of a transparent financial framework. We focus on the application of technology and developing relationships based on a commitment to long-term partnerships.

Our priority is to ensure safe, reliable and regulatory compliant operations. Our strategy is to invest in long-term value growth by continuing to build a portfolio of exploration, development and producing properties. Our strategy is enabled by:

- Operate and hold material working interests for control;
- Maintain a balanced asset portfolio with effective exploration inventory;
- Continuously evaluate technical performance of existing projects and take initiatives to mitigate and/or share risks;
- Strong relationships built on mutual advantage;
- Deep knowledge of the basins in which we operate, and apply technology;
- Operate in low cost business environment and focus on operational control and cost efficiency;
- Build capability along the value chain across Exploration, Development, Production and Enhanced Recovery Phases of E&P Projects; and
- Improve ongoing focus on safety, people and performance.

We expect to organically replace reserves and grow long-term production by maturing opportunities available through our existing assets. To recapitulate, the key elements of our Company's strategy continue as follows:

- To increase our production by redevelopment programmes in existing producing properties and development of new discoveries in existing assets;
- To increase our reserve base by exploring and establishing upside potential in our existing assets;
- To constrain our exposure to exploration risk within prudent limits;
- Effective use of technology in operations;
- Improvement of production indicators and efficient control over lifting costs;
- To seek new investment opportunities wherein HOEC can leverage its position as a cost efficient operator; and
- To monetise assets with a view to value realization or risk sharing.

The initiatives taken by the Company to pursue the objectives set for the FY 2012-2013 are summarized below:

- HOEC carried out workover involving plugging of water breakthrough zones & re-perforation of potential gas sections in existing wells, 'Mercury' and `Jupiter'; and drilled a multi-lateral well, 'Surya', in PY-1 Field.
- HOEC successfully drilled and tested the final appraisal well, Dirok-4, and submitted a Commercial Discovery Report (CDR) relating to 'Dirok' Gas Discovery, in a conventional and prolific 'Girujan' Reservoir setting in Upper Assam to DGH.
- Completed the processing and interpretation of 3D seismic data and generated prospect inventory in RJ-ONN-2005/1 Block.
- Proactively pursued with Hardy Exploration & Production India Inc. (HEPI), the Operator, to develop and finalise Comprehensive Field Development Plan for PY-3 Field by addressing the regulatory and technical issues; and
- Supported ONGC, the Operator, in formulating the revised development scheme for 'Gulf A' Discovery in CB-OS-1 Block in compliance with the Coastal Regulation Zone (CRZ) guidelines; ONGC has submitted the revised Plan of Development relating to 'Gulf A' Discovery, with unanimous recommendation of the Operating Committee, to DGH for approval.

Financial and Operational Discipline

Oil and gas exploration is a capital intensive industry. Our financial strategy is to ensure that we evolve a strong balance sheet through capital restructuring and secure access to resources to support the Company's capital expenditure on its development and exploration activities.

OPERATIONAL IMPERATIVES: TOP FIVE DIMENSIONS FY 2012-13

Safety First	Never put person or asset in an unsafe situation.
Environment Friendly	Never knowingly harm the environment.
Regulation Compliant	To be compliant with applicable laws all the time.
Lowest Possible Cost (USD/bbl)	To focus on expeditious exploitation at the lowest possible cost.
Investment Prudence	To exploit the most valuable opportunities (EMV/NPV) on priority in our portfolio in any given year.

In pursuit of its business strategy, the Company continuously undertakes a comprehensive risk-reward evaluation and allocates capital post assessment of risked returns expected from projects. Projects within the Company compete against each other for capital.

All projects are screened on a rigorous, consistent basis for technical quality, materiality, and commercial viability. We use our in-house geoscience expertise ably supplemented by Eni's global experience to identify, evaluate, and prioritize the highest quality resource opportunities.

As one of the low cost operators in the industry, we scrutinize every cost in the organization on the premise that costs drive economics, especially in resource plays. Cost is an element which can be controlled in the E&P business without sacrificing either value or HSE dimension by way of meticulous planning and preparation ahead of operations. Our operations-oriented background has proved beneficial in this context. Our ability to allocate capital with focus on cost allows us to achieve an acceptable return on invested capital in various price environments.

Operational discipline, technical excellence and cost control are intrinsic to the Company's processes. The financial strategy of the Company is focused on improving the Balance Sheet to allow us to invest in our exploration and development opportunities.

Operations Overview

The Company's activities relate to exploration and production (based on exploration success) of hydrocarbons (crude oil and natural gas), which are natural resources. HOEC assets are geographically spread across India with a portfolio of exploration, development and production projects.

Product-wise Performance

The Company's aggregate production during the FY 2012-2013 was 833,551 barrels of oil equivalent (boe) (crude oil: 61,163 bbls; gas: 121,052,906 scm) as against 1,052,304 barrels of oil equivalent (boe) (crude oil: 145,102 bbls; gas: 142,641,782 scm) during the previous year. The decrease in production is predominantly on account of PY-1 Field being shut in for a period of 135 days, primarily on account of the buyer, GAIL, being unable to off-take the gas due to shutdown/limitation of downstream consumer; and the productivity of the existing wells being adversely impacted due to accelerated depletion and water breakthrough, a phenomenon which was aggravated by frequent interruptions in evacuation of gas.

Reserves

As of March 31, 2013, the internal estimate of Proved and Probable (2P) reserves, on working interest basis, for the Company were 28.5 mmboe. This estimate accounts for reduction in PY-1 reserves based on 3rd Party assessment.

CAUVERY BASIN

PY-1 Gas Field

From commencement upto March 31, 2013, the cumulative production of natural gas from PY-1 Field has been 26.7 bcf. Due to complex mineralogical rock composition and varied fracture system, the PY-1 reservoir response has been unexpected and materially at variance to the initial simulation results. During the year under review, the Company implemented a series of action plans involving both surface and sub-surface interventions with the objective to improve performance of PY-1 Field, salient amongst them have been summarised herein below.

To mitigate the risk of non-evacuation of gas due to single end user limitation, GAIL eventually executed gas supply contracts in July 2013 with alternate consumers connected to its existing low pressure pipeline network in the State of Tamil Nadu. This is a positive development as the arrangement enables GAIL to divert the gas to alternate consumers if the existing end user is unable to use the gas, and thereby help in improving production uptime of PY-1 Field.

As part of the surface initiatives, the Company commissioned onshore compression units to allow processing operations at low pressure. Further debottlenecking was carried out in November 2012 to allow reduction of inlet pressure of the compressors to 60 psig from an earlier pressure regime of 100 psig. The overall positive effect of this initiative shall be realized over the life of the Field as the same would help in lowering the abandonment pressure and consequently improving the ultimate recoverable reserves.

To execute the sub-surface programme involving work-over in existing wells and drilling a multi-lateral well, 'Surya', the Company deployed Perro Negro 3 rig. The completion of work-over operations in two of the existing wells, Mercury and Jupiter, including plugging water breakthrough zones and re-perforation of potential gas sections in existing wells resulted in a marginal gain in productivity albeit lower than the simulated results.

Subsequent to drilling of multi-lateral well 'Surya' in September 2012, the Company made efforts to activate this well by using nitrogen since the gas and oil/condensate production was impeded due to loss of drilling fluids while drilling in the reservoir section, which seems to be partially depleted. As the well activation operation was assessed to be time consuming and expensive through the use of the rig, efforts are presently ongoing to lift the well through rig-less intervention like huff & puff technique and use of foamer.

Pending activation of bi-lateral well 'Surya' drilled in PY-1 Field, HOEC commissioned a third party reserve certification to assess the potential of PY-1 Field. Based on the said Report, there has been a reduction in the assessment of Total Proved (Developed and Undeveloped) Reserves and the same are now estimated to be 120 bcf vis-a-vis the original estimate of 185 bcf, with the Developed Reserves accounting for nearly 37% of the Total Proved category. The Report recognizes the complexity of this fractured basement granitic reservoir and recommends to *'prepare a fresh dynamic simulation model incorporating the suggestions that would decide future production profile'.*

Forward Plan

As recommended in the Independent Reserve Report, Eni, with its global experience and technical expertise, in conjunction with HOEC technical team, is undertaking a comprehensive geological and reservoir study aimed to address the performance challenges of this specific reservoir, including *inter-alia* defining the activation programme for well 'Surya', production profile for Proved Developed Reserves, and production/investment profile for Proved Undeveloped Reserves. Given the multi-disciplinary approach required to accomplish this task, it is expected that the results of the aforesaid study shall be available by end of 2013. The recommendations of the aforesaid study, consequent to approval of the same by DGH, shall be implemented to monetize the PY-1 gas reserves in the most economical manner.

PY-3 Field

PY-3, operated by HEPI, is a conventional sandstone reservoir, and the Field has been producing high quality light crude oil (49 API) with low sulphur content.

Prior to the production shutdown in July 2011, the production from the Field was around 3,300 bopd.

During the year under review, the Company completed the static and dynamic modeling for PY-3 Field so as to help the Joint Venture establish a development scheme to maximise recovery of balance reserves, expected to be in the range of 18 to 20 mmboe.

The submission of a Comprehensive Full Field Development Plan (CFDP) to DGH remains the topmost priority for the consortium. Operating Committee has technically reviewed the CFDP and the Operator has incorporated value added suggestions from the Joint Venture Partners. Operator is awaiting feedback from one of the Joint Venture Partners on the issue of cess and royalty prior to submission of CFDP to DGH.

Forward Outlook

Restarting the production from this Field is the immediate priority and the Company is working closely with the JV Partners to achieve this objective. Approval of the CFDP would help pave the way for completing the tendering process for facilities, and restarting the crude oil production from existing producer well 'PD3S', which is anticipated by the Operator in March 2014. Further, the CFDP considers drilling of new producer wells and sidetracking existing wells, at an estimated gross (100%) capex of USD 106 million, during the fair weather window in 2014, with consequent ramp-up of production upto 7000 bopd by Q3 of FY 2014-15.

CAMBAY BASIN

Block CB-ON-7 (Palej)

The gross production from CB-ON-7 Block averaged 175 boepd as compared to 186 boepd in the previous year. Production on working interest basis to HOEC averaged 61 boepd during the year, the decrease being primarily attributable to natural decline.

Forward Plan

The Joint Venture Partners are evaluating application of EOR techniques suitable to this Field with the objective to maximize recovery of reserves.

North Balol Gas Field

North Balol Gas Field produced 10,186,020 scm of natural gas during the year, with an average production rate of 28,000 scmd, a decrease of 8% over the previous year attributable to natural decline.

During the year, the Company renegotiated the gas price equivalent to USD 5.83 mmbtu, an increase of 39% over the previous price.

Asjol Field

Asjol Field produced at an average rate of 19 bopd, with an aggregate production of 6,943 bbls. The Company carried out work-over operations during the current year to sustain the production level.

Block CB-OS/1

ONGC, the Operator, has submitted a revised Plan of Development (rPOD) for 'Gulf A' Discovery taking CRZ aspects into consideration and the same has been unanimously approved by the Operating Committee and recommended to the Management Committee for its authorisation.

The rPoD envisages construction and installation of an offshore well-head platform, which shall be tied to ONGC's existing onshore processing facility at Akholjuni through a 25km pipeline spanning across inter-tidal area.

ONGC has estimated gross (100%) capital expenditure of USD 185 million and with the First Oil production targeted by December 2015.

ASSAM-ARAKAN BASIN

Block AAP-ON-94/1

HOEC, as Operator, has successfully completed the appraisal of "Dirok Gas Discovery" located in conventional and prolific 'Girujan' Reservior in upper Assam.

Integrating the geological, geophysical and reservoir data acquired during drilling of discovery well and appraisal wells, the Company has prepared the Commercial Discovery Report (CDR), and with the unanimous recommendation of the Operating Committee submitted the same to DGH in December 2012. It is understood that DGH has completed the technical assessment of the CDR and recommended the same to MoPNG for final approval.

Forward Plan

Anticipating the approval of CDR by MoPNG, the Joint Venture is engaged in preparing the Plan of Development (POD) to monetize the gas from "Dirok Discovery" with an accelerated time-to-market 'First Gas' during the calendar year 2015.

RAJASTHAN BASIN

Block RJ-ONN-2005/1

HOEC, as Operator, has completed the processing and interpretation of 3D and High Resolution Seismic data and generated prospect inventory for the Block.

Subject to receipt of approvals from the Government authorities including Ministry of Defence and Ministry of Forests & Environment, the Joint Venture is preparing to start the exploratory drilling campaign by December 2013.

Block RJ-ONN-2005/2

Oil India Limited, the Operator, has completed the acquisition and processing of 3D and High Resolution Seismic data in the Block. Interpretation of the Seismic data is ongoing and Operator will be submitting the prospect inventory and the exploratory well locations to the JV Partners for approval. Exploratory drilling is expected to commence by end of 2013.

Risks, Threats, Uncertainties, Concerns and Opportunities

HOEC's business, financial standing and reputation may be impacted by various risks and uncertainties not all of which are within its control. The Company identifies and monitors the key risks and uncertainties affecting the Company and runs the business in a way that minimizes their impact where possible.

The Company's level of risk and its management approach is discussed and reviewed by the Board, Audit Committee and senior management. The principal risks and uncertainties facing the Company and the actions taken to mitigate these risks are as follows:

STRATEGIC RISK

DESCRIPTION OF RISK	MITIGATION
Business Model	Our Board Members along with Management team periodically reviews the Company's business model and effect necessary adjustments if economic circumstances so demand.
Portfolio Mix	The Company maintains a diverse portfolio of oil and gas assets across a range of sedimentary basins and at different project life cycles in order to minimise exposure to geographical, political and commodity market risk.

OPERATIONAL RISK

DESCRIPTION OF RISK	MITIGATION
Health, Safety and Environment	Oil and gas operations carry a potentially high level of attendant risk, and the impact of an accident can be significant in terms of human, environmental and financial cost. HOEC carries out HAZOP, HAZID, SIMOPs and maintains risk register and Emergency Response Plan covering risks specific to various operations. The Company has devised a comprehensive policy framework as well as health and safety management and reporting systems. These are regularly monitored and reviewed by the Board. The Company also works closely with the Central and State Governmental authorities on this dimension. The Company undertakes operations as per international environmental standards of the oil industry. Environmental Impact Assessments are prepared and approvals from authorities are secured before any project is executed.
Exploration & Geological Risk	Exploration is inherently a risky business, with statistically only a relatively small proportion of exploration wells resulting in commercial discovery. It is not possible to insure against the risk of exploration failure. Subsequent to a commercial discovery, the geological and reservoir risk may still persist. The Company has experienced management and technical team with a track record of finding hydrocarbon discoveries, which has resulted in a portfolio of exploration, development and production assets. Systematic geo scientific work flow is pursued under technical stewardship of Eni, to address geological risk and maximise opportunities.
Reserves Estimation and Recovery Risk	Numerous uncertainties are inherent in estimating crude oil and natural gas reserves. Reservoir engineering follows a subjective process of estimating underground accumulations of crude oil and natural gas. It is well recognized that these cannot be measured in an exact manner. Reserves estimations involve a high degree of technical judgment and it is a function of the quality of the available geological and reservoir data. Results of drilling, testing and production may substantially change the reserve estimates for a given reservoir over a period of time. For these reasons, actual recoverable reserves may vary substantially from original estimates.
Talent Attrition	Remuneration packages are reviewed regularly to ensure key executives and senior management are properly remunerated. Long-term incentive programme has been established.

DESCRIPTION OF RISK	MITIGATION
Cost Inflation impacting both Goods and Services	The Company pursues structured planning processes which allow sufficient time for procurement of services and tracking the critical path activities. Under the terms of the PSCs, operating expenditure and capital costs are recoverable through cost recovery mechanism, and so the effect of cost increase is cushioned to certain degree, subject to approval of expenditure by the Management Committees under the PSCs.
Community Relationship	Continuous dialogue and engagement exists between the Company and its stakeholders which is central to harmonious operations. Local personnel are employed wherever possible and Company helps in developing skill sets of such personnel.

FINANCIAL RISK

DESCRIPTION OF RISK	MITIGATION
Commodity Price Volatility	HOEC is exposed to volatility in the oil price since the Company does not undertake any oil price hedge. The impact of falling oil price is however partly mitigated via the production sharing formula in the PSCs, whereby our share of gross production increases in a falling oil price environment due to cost recovery mechanism. We believe that our shareholders as a body prefer to retain exposure to the oil price, so our policy is not to hedge against a fall in oil prices. Gas prices are fixed for certain duration and the same are controlled by the Government.
Foreign Exchange Exposure and Interest Rate Risk	Company enjoys a natural hedge to a certain extent as its receivable and significant expenditure are denominated in United States Dollar (USD). The bullet loan repayment has not been hedged as the Company is at a preliminary stage of evaluating various options including capital restructuring. Presently, the Company has a weighted average interest cost of 2.35% per annum. Company would enter into Interest Rate Swap (IRS) if it believes that the interest rate movements going forward would have significant effect on the financial performance of the Company.
Liquidity Risk	A formal budgeting and forecasting process is in place and cash forecasts identifying liquidity requirements of the Company are reviewed regularly by the Audit Committee and Board and financing plans are approved based on end utilization of proceeds and cost of capital.

COMPLIANCE, ETHICAL AND GOVERNANCE RISK

DESCRIPTION OF RISK	MITIGATION
Legal, Regulatory and Litigation	The Company's activities are subject to various laws and regulations. Regulatory changes could affect the short, medium and long-term value of the Company. Risks are mitigated by employing skilled and experienced staff to conduct proactive assessment and ensuring compliance. The Company is party to various ongoing litigations/arbitrations (also refer Note No. 31 of the Financial Statements), which if decided against the Company, may have an adverse impact on the operations and/or financial position of the Company.
Ethical Conduct	The Company recognises the importance and maintains transparent and responsible relationships with a wide variety of stakeholders including the Government.
Corporate Governance	The Company recognises the importance of maintaining strong corporate governance procedures and processes. The Company has governance framework in place. The Board reviews compliance with the applicable regulatory guidelines and best practices. The Company, benchmarking with international best practices, has adopted policies on Anti-corruption Compliance, Global Compliance, Management System, Procurement Management etc. as per international practices.

Opportunities

The Company continues to seek new opportunities which provide strategic fit to our existing portfolio/competencies while providing basis of reserve replacement.

Insurance Coverage

Our business is subject to the operating risks normally associated with exploration, production, processing and transportation of oil and gas. As protection against financial loss resulting from some of the operating hazards, we maintain insurance coverage for all operated and non-operated assets including physical damage, control of well, seepage and pollution, business interruption, employer's liability, third party liability, goods in transit, terrorism coverage and comprehensive general liability insurance. The coverage is subject to customary deductibles, waiting periods and recovery limits. We maintain insurance at levels that we believe are appropriate and consistent with industry practice and we regularly review our potential risks of loss and the cost and availability of insurance and revise our insurance program accordingly. The Company also procures director's liability insurance covering pollution defense cost, legal representation cover and crisis management cover.

FINANCIAL REVIEW

Revenue

Turnover for the FY 2012-2013 was INR 1,088 million as compared to INR 1,440 million of previous year, a decrease of 24%. This decrease is primarily on account of lower production for reasons as detailed in the section 'Operations Review' of the Management Discussion & Analysis Report. The Company's Production on working interest basis during the year was 833,551 boe (2,284 boepd), 21% lower than the previous year. The Production on net entitlement basis to the Company was 2,258 boepd for the FY 2012-2013.

Other Income for the FY 2012-2013 was INR 116 million as compared to INR 250 million in the previous year; the decrease is explained by the Income Tax refund amounting to INR 74 million accounted in the previous year (FY 2012-2013: Nil) and the lower dividend income from current investments.

The average sale price of crude oil was USD 104/bbl (FY 2011-2012: USD 112/bbl) and net gas price realisation for PY-1 remained at USD 3.63 per mmbtu.

Operating Profit/Loss

Cost of sales increased from INR 1,084 million to INR 1,192 million in FY 2012-2013, primarily due to increase in depletion charge for PY-1 Field, partially offseted by reduction in operating and administrative expenses.

Depletion charge, computed on a 'Unit of Production' method, for the year was INR 869 million as against INR 549 million in the previous year, the increase in depletion charge being on account of reduction in PY-1 Reserves following the 3rd Party Certification.

Consequently, the Operating (EBIT) Loss was INR 114 million during FY 2012-2013 as compared to profit of INR 551 million during the previous year.

Finance Costs

Interest and other finance charges were INR 106 million as compared to INR 109 million in the previous year. As per the terms of the Loan Agreement, Company has repaid external commercial borrowing (ECB) of USD 11.52 million during the year. As anticipated in the Directors' Report for FY 2011-2012, the Company has availed ECB of USD 60 million from Eni Finance International to part finance its PY-1 capex programme. Borrowing costs are either expensed or capitalized in accordance with the Accounting Standard 16.

Exceptional Items – Impairment and Additional Depletion

Pursuant to an independent third party certification of PY-1 Field reserves, the estimate of Proved Reserves of PY-1 Field has been revised to 120 billion cubic feet (bcf) from the earlier approved estimate of 185 bcf.

Being a material event, the Company has carried out an impairment assessment as at December 31, 2012, based on procedures consistent with the Accounting Standard 28 (AS-28) and recognised an impairment loss to the extent of INR 4,593.9 million and additional depletion amounting to INR 1,125.8 million for the production upto the date of assessment of impairment. The aggregate amount of INR 5,719.7 million has been disclosed under exceptional items.

The following key assumptions have been used for determining the value-in-use of PY-1 Asset:

a. Pre-tax cash flows have been projected for the life of the PY-1 Field based on the estimate of Proved Reserves as certified by the independent third party and considering cash flows necessary to maintain originally assessed standard of performance.

b. Discount rate of 10% has been considered reflecting market assessment based on transactions for similar assets.

While estimating the future cash flows for determining the value-in-use of PY-1 Asset as per Accounting Standard 28 (AS-28), the Company has considered a natural gas price of USD 5 per mmbtu from 2015 onwards. The foregoing assumption of gas price seems to be conservative in view of the subsequent approval by the Cabinet Committee on Economic Affairs (CCEA) of increase in natural gas prices with effect from April 2014 as recommended by Dr. C. Rangarajan Committee.

Net Profit/Loss

The Company incurred Loss before tax of INR 5,939 million for the FY 2012-13 primarily on account of the above mentioned Impairment and Depletion charges for PY-1 Field. As a result of the Loss reported, the tax charge for the year was nil. Further, consistent with the Accounting Standards, the Company has restricted the creation of deferred tax assets, on carried forward business losses and unabsorbed depreciation, to the extent of deferred tax liability existing in books as at March 31, 2013. Consequently, the Company reported a Net Loss of INR 5,508 million for the FY 2012-13 as against Net Profit of INR 335 million for the previous year.

Cash Flow and Capital Expenditure

Cash from Operation before working capital and taxes was INR 698 million as compared to INR 866 million in the previous year. The lower internal accruals are due to significant production shutdown in PY-1 Field aggravated by adverse impact on productivity of wells due to water breakthrough as detailed in the section 'Operations Review' of the Management Discussion and Analysis Report. During the year under review, the Company incurred exploration expenditure of approximately INR 473 million (FY 2011-2012: INR 220 million) and development expenditure of approximately INR 3,265 million (FY 2011-2012: INR 65 million).

Financial Position

Liquidity

At the year end, HOEC had cash and cash equivalent of approx. INR 1,129 million.

Cash, surplus to immediate requirements, is placed in debt oriented Liquid Funds and Bank Deposits as approved by the Board. HOEC manages its short term liquidity in order to generate returns by investing its surplus funds while ensuring safety of capital.

Eni Finance International S.A. (EFI) is considering a moratorium on repayment by the Company of two principal installments due in September and December 2013, aggregating to USD 5 million, subject to RBI approval.

Following the recognition of Impairment Loss on account of downward revision in PY-1 Reserves during 2013, the Board is engaging with an independent financial advisory firm to assist in evaluating a range of options for the business.

Credit Rating

In February 2013, subsequent to the recognition of impairment loss, ICRA has revised the long term rating from [ICRA] A+ to [ICRA] A- for the line of credit and the outlook on the long term rating is "Stable".

Internal Control Systems and Their Adequacy

The Company maintains a comprehensive system of internal control. This comprises the holistic set of management systems, organizational structures, processes, standards and behaviors that are employed to conduct our business and deliver returns for shareholders. The Company has a proper and adequate system of internal control commensurate with the size and nature of business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the company and ensuring compliance with corporate policies.

Company has an elaborate internal control system part of which is embedded within each asset's operations to monitor and manage risks associated with each asset's operations and performance. The Company also conducts periodic evaluations, mainly through its Internal Audit, in order to determine the adequacy of its Internal Controls System.

The Company re-appointed Protiviti, an independent global firm with expertise in internal audit and assurance, that among other things, ensures the adequacy of the procedures of recognizing and managing risks applied by Management, the effectiveness of the Internal Controls System and the quality and reliability of the information given to the Management with regard to the System of Internal Controls. The adequacy of the Internal Controls System is monitored on a systematic basis by the Audit Committee, through reports submitted to it every quarter by the Internal Auditors. Reports by the Management and the Internal Auditors include assessments of the major risks and the effectiveness of the Internal Controls System in addressing them.

Systemic weakness identified, if any, are incorporated in the reports, including the impact they had or could have had, as well as the actions of Management to correct them. No significant control failures were reported during the year.

A detailed asset level business plan is prepared to meet the agreed annual work programme and budget. This sets out detailed objectives and KPIs for each asset and supporting functional departments, and is consolidated into the Company's annual business plan. After an iterative process, the business plan and budget along with cash forecasts identifying liquidity and financing requirements of the Company are presented to the Audit Committee and the Board for approval. Funding plans are approved by the Audit Committee and the Board based on end utilization of proceeds and cost of capital.

As part of the Company's internal control process, any transactions with related parties are approved by the Audit Committee and Board of Directors, and appropriately disclosed in the financial statements.

The Company's Information Technology (IT) Department is responsible for developing the IT strategy to support the overall strategy and provide the required tools and solutions to all employees. A key part of its responsibilities is the operation and support of IT systems and applications through the drafting and updating of manuals, and the efficient management of internal and external resources. The Company has developed a sufficient framework to monitor and control its IT systems, which is defined by a set of internal controls, policies and procedures. Access rights have been set in several information systems for all the employees, according to their position and role.

The Company has internal controls regarding fixed assets, inventories, cash and bank checks, etc., such as physical security, inventory counts and reconciliations of physically counted quantities with the recorded ones. Further the Company has schedule of quarterly inventory counts to confirm inventory levels as per accounting records. The Company also has a chart of authorities, which depicts assigned authorities to various Company executives, in order to conduct certain transactions or actions (e.g. payments, receipts, contracts, etc.).

The Company has an established policy towards maintaining standards of health, safety and environmental norms while maintaining operational integrity. The HSE Management System ensures that relevant safety and environmental standards are adhered to on an ongoing basis in all the areas of operations. A series of reports are generated on a regular basis to monitor compliance with standards on gas emissions, liquid effluents, solid waste, noise and incident statistics monitoring. These reports are then collated and used to highlight and propose an action plan for any area of non-compliance or where there is potential for improvement. Emergency Response Plan (ERP) is also in place for operational areas.

Company is using Maximo ERP system for its procurement-to-payment function. Maximo ERP System covers most of the Company's operations with a defined online authorization protocol and provides a proper budgetary control system to monitor capital related as well as other costs, against approved budget on an ongoing basis.

Whistle-Blower Policy

The Company has a whistle-blower policy and systems in place. A copy of the policy has been made available on the website of the Company. All employees, contractual persons, consultants, vendors and customers of HOEC can raise concerns about possible wrong doing by contacting the Ombudsperson in a confidential manner.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE FRONT

Our ability to create sustainable shareholder value is directly linked to our ability to recruit, motivate and retain staff with high degree of professionalism. HOEC strives to ensure that relationships amongst our employees are cohesive, professionally, effective and performance enriching. HOEC values all employees for their contribution to our business. It is vital that we develop and deploy people with the skills, capability and determination required to meet our objectives. There remains, in our industry, a continuing shortage of professionals, driven by changing demographics. Nonetheless, we have thus far been successful in building this capacity and we are committed to building and deploying capability with a strong safety and risk management culture to foster professional pride in engineering, health, safety, security, the environment and operations. Opportunities for advancement are equal and not influenced by considerations other than performance and aptitude. Employees are provided with the opportunity to develop their potential and further their careers within the Company.

HOEC's success has been attributable, in part, to having the right team of people. Employees are motivated to develop within a flexible framework and are encouraged to provide feedback on their expectations.

We conduct 360-degree performance appraisals annually during which business objectives are established for the coming year. The size of the corporate organisation facilitates everyday, direct interaction and multi-disciplinary dialogue amongst personnel. This is enhanced further by informal offsite meetings which provide a forum for corporate updates and feedback. Your Company has over the years evolved a favourable work environment that creates and promotes culture of performance for teams to maximize their contribution. We also seek to improve the working environment by ensuring fairness and consistency of remuneration practices, as well as policies and procedures.

HOEC's talent base, as on March 31, 2013, stands at 61 (previous year: 62) with the average employee age being 37 years.

HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

Our Goal

We are fully committed to making a positive contribution to the environment in areas in which we operate and to minimize any adverse effects our operations have on the environment. This we achieve through responsible performance, adoption of International safety standards and continuously monitoring and evaluating the impact of our operations on the immediate surroundings.

HOEC continued with sound health and safety record in FY 2012-2013 with no lost time incidents or fatalities. There were no environmental incidents. Environmental Impact Assessments were conducted in line with regulatory requirements. Consistent with the Company's HSE Management System, site specific HSE Procedures have been put in place for each of the operating sites.

Special skills training on Job Safety Awareness (JSA), Risk Assessment and HSE awareness campaigns have been conducted and best practices have been felicitated by HSE Awards Program.

HOEC has an Emergency Response Plan (ERP) for production operations, drilling campaigns and construction activities to ensure timely response in times of emergency. ERP integrates knowledge from such diverse areas as small group decision making, environmental scanning, risk assessment, emergency communication, evaluation methods and reputation management. HOEC continually reviews its ERP to ensure that the Company's processes match its needs and requirements.

During the FY 2012-2013, there was no fatality, no lost time incident (LTI) and no environmental incident. The key performance indicators (KPIs) related to HSE tracked by the Company for PY-1 Project since onset of commercial production are as below:

KPI's statistics	2012-2013	2011-2012
Fatalities Accident Rate (FAR)	0	0
No. of LTIs	0	0
Days since last LTI	1,370	1,005
Oil Spill Incidents	0	0
	2012-2013 Results	Industry Statistics OGP Report dated June, 2013
Fatal Accident Rate	0	2.38
LTI Frequency	0	0.48
LTI Severity	0	40.7

Critical Accounting Policies and Estimates

The preparation of the financial statements requires the Company's management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. When alternatives exist among various accounting methods, the choice of accounting method can have a significant impact on reported amounts. The following is a discussion of the accounting policies, estimates and judgment which management believes are most significant in the application of generally accepted accounting principles used in the preparation of the financial statements.

Oil and Gas Properties

The Company generally follows the "Successful Efforts Method" (SEM) of accounting for its exploration, development and production activities.

As per the Company's Accounting Policy, costs to acquire mineral interests in crude oil and natural gas properties, to survey and acquire seismic, to drill and equip exploratory wells that find commercial quantities of proved reserves, and to drill and equip development wells are capitalized.

Proved property acquisition costs are amortized by the unit-of production method on a field-by-field basis based on total proved crude oil and natural gas reserves as approved by the Management Committees of the respective Unincorporated Joint Ventures. Costs associated with survey, seismic acquisition and drilling exploratory wells that find proved reserves and drilling development wells are also amortized by the unit-of-production method on a field-by field basis. These costs, along with support equipment and facilities, are amortized based on related crude oil and natural gas reserves.

Site Restoration Liability

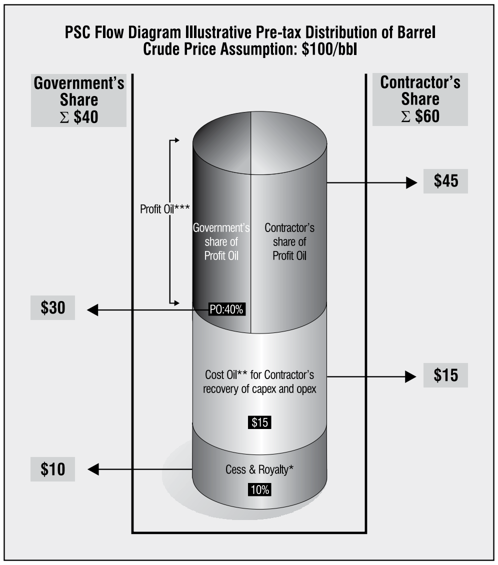
Our site restoration liability consist of estimated costs of dismantling and abandoning producing well sites and facilities, site reclamation and similar activities associated with our oil and gas properties. The recognition of site restoration liability requires that management make estimates, assumptions and judgments regarding such factors as estimated probabilities, amounts and timing of obligation. The corresponding amount is added to the cost of the producing property and is expensed in proportion to the production for the year and the remaining estimated proved developed reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding producing property. Site restoration liability aggregated INR 960.5 million as at March 31, 2013.

Note: In preceding sections of this Annual Report, in particular the Directors' Report and the Management Discussion and Analysis:

(a) Previous year figures have been regrouped/reclassified in accordance with Revised Schedule VI (of the Companies Act, 1956) requirements; and

(b) Figures have been rounded off.

Annexure to the Management Discussion and Analysis Report



Notes:

* For pre NELP Blocks, Royalty borne by Licensee

** Cost Recovery Limit defined in PSC; biddable term

*** Profit Oil Sharing is based on Investment Multiple biddable term. Investment Multiple computation is as below:

Investment Multiple (IM) = Cumulative Net Cash Income of Contractor ÷ Cumulative Investment wherein:

Net Cash Income of Contractor = Cost Oil + Contractors' Profit Oil – Production Costs – Notional Income Tax

Investment = Exploration Costs + Development Costs

Report on Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) ("Clause 49") and some of the best practices followed internationally on Corporate Governance, the report containing the details of corporate governance systems, processes and practices at Hindustan Oil Exploration Company Limited (HOEC) is as under:

1. STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a set of systems and practices to ensure that the affairs of the company are managed to ensure accountability, transparency and fairness in all its transactions and meet its stakeholder's aspirations and societal expectations. Good governance practices stem from a progressive culture and positive mindset of an organisation.

It is crucial to foster and sustain a culture that integrates all components of good governance by carefully balancing the complex interrelationship among the board of directors, audit committee, accounting & corporate secretarial team, auditors and senior management.

HOEC not only adheres to the prescribed corporate governance practices as per Clause 49 but is also committed to adopt emerging best principles and practices worldwide and in this initiative it is helped by Eni, the promoters of the Company. It is our endeavor to achieve higher standards and provide oversight and guidance to the management in strategy implementation, risk management and fulfillment of stated goals and objectives.

Additionally, the Company has voluntarily adopted and implemented certain non-mandatory guidelines issued by the Ministry of Corporate Affairs and as amended from time to time relating to the appointment of Directors, training, risk management, rotation of Auditors and / or its Partners.

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably increasing the Company's value. The Company has defined guidelines and established framework for the meetings of the Board and its Committees. These guidelines seek to systematise the decision-making process at the meeting of the Board and the Committees in an informed and efficient manner.

The Board critically evaluates strategic direction of the Company, management policies and their effectiveness. The agenda for Board reviews include strategic review from each of the Board committees, a detailed analysis and review of annual strategic plans, operating plans, capital allocation, budgets and financial reports.

Over the years governance processes and systems have been strengthened at HOEC. Corporate Governance is a journey for constantly improving sustainable value creation. We have undertaken several initiatives towards maintaining the highest standards of governance and these include formulating the following codes, policies and MSG's etc.:

- HOEC Guideline for Prohibition of Insider Trading
- HOEC Directors' Code of Conduct
- Whistle Blower Policy
- HOEC Anti Corruption Guideline
- HOEC Management and Control Model
- Our People Policy
- Corporate Governance Policy
- Procurement Management System Guideline
- Human Resources Guideline
- Operational Excellence Policy
- Health Safety and Environment (HSE) Policy
- Policy on Security
- Corporate Policy on Anti Sexual Harassment of Employees

2. BOARD OF DIRECTORS

(i) Board Composition and Category of Directors

As on March 31, 2013, the Company has nine (9) Directors, of which seven (7) Directors are Non-Executive Directors and remaining two (2) Directors are Executive Directors.

The Chairman of the Board is a Non-Executive Independent Director. Three (3) Directors are Non-Executive Independent Directors. Therefore the composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

(ii) Function of the Board

Board is the highest decision making body subject to the powers and matters reserved to Members that may be exercised in their meeting.

Board accords its approval to all the key decisions of the Company. For day to day routine operations, the Board has delegated authority to the Managing Director. All matters of strategic or material nature are placed before the Board with background, proposal, situational and option analysis, notes and relevant documents to enable Board to take informed decisions.

(iii) Separation of Board's supervisory role from Executive Management

The Company, in line with the best corporate governance practice, has separated the Board's supervisory role from that of the executive management.

(iv) Role of Independent Directors

The Independent Directors have vast and diversified professional and operational experience in the areas of general management, finance, insurance, international taxation and public administration.

This pool of diverse experience enriches and adds value to the discussions and decisions arrived by the Board.

(v) The names and categories of the Directors on Board, their attendance and other directorships etc.

The names and categories of the Directors on the Board, their attendance record, number of directorships, committee positions and shareholding in the Company as on March 31, 2013 are summarised below:

Name of Directors	Category	No. of attendance at the Board Meeting	Whether attended last AGM	Memberships on Board of other public Companies	Board Committee Chairmanship / Membership of Board Committees of other Public Companies refer Note 1	No. of shares & % held in the Company
Mr. R. Vasudevan (DIN 00025334)	Non-Executive, Independent Director (Chairman)	7 of 7	Yes	4	Chairmanship–1 Membership–3	16,074 refer Note 5 (% Negligible)
Mr. Sunil Behari Mathur (DIN 00013239)	Non-Executive, Independent Director	5 of 7	Yes	12 refer Note 2	Chairmanship–2 Membership – 5	8,215 refer Note 5 (% Negligible)
Mr. Mukesh Butani (DIN 01452839)	Non-Executive, Independent Director	7 of 7	Yes	1 refer Note 2	Membership – 1	8,215 refer Note 5 (% Negligible)
Mr. V. Srinivasa Rangan (DIN 00030248)	Non-Executive, Non-Independent Director	6 of 7	Yes	11 refer Note 2	Membership – 7	Nil
Mr. Paolo Carmosino (DIN 02688754)	Non-Executive Director	0 of 7	No	Nil refer Note 3	Nil	Nil
Mr. Luigi Ciarrocchi (DIN 02357053)	Non-Executive Director	0 of 7	No	Nil refer Note 3	Nil	Nil
Mr. Manish Maheshwari (DIN 01791004)	Managing Director	7 of 7	Yes	1	Nil refer Note 4	18,983 refer Note 5 (% Negligible)
Mr. Sergio Adriano Laura (DIN 02670514)	Managing Director (Upto May 29, 2013)	6 of 7	Yes	Nil refer Note 3	Nil	Nil
Mr. Marcello Simoncelli (DIN 03316543)	Non-Executive Director (Upto May 28, 2013)	2 of 7	Yes	Nil refer Note 3	Nil	Nil
Mr. Guido Papetti (DIN 06616547)	Non-Executive Director (from May 30, 2013)	N.A.	N.A.	Nil refer Note 3	N.A.	Nil
Mr. Paolo Ceddia (DIN 06638260)	Non-Executive Director (from May 30, 2013)	N.A.	N.A.	Nil refer Note 3	N.A.	Nil

Note 1 Represents Chairmanships / Memberships of Audit Committee and Shareholders / Investors Grievance Committee across all public limited companies, whether listed on the stock exchange(s) or not.
Note 2 Excludes directorships / trusteeships and advisory role on the Board of various private limited companies, trusts and the Government bodies / authorities / corporations.
Note 3 Excludes directorships on the Board of foreign companies registered outside India.
Note 4 Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, wholly owned subsidiary of this Company.
Note 5 Number of shares mentioned above represents the stock options exercised as per the terms of ESOS scheme of the Company.

(vi) Board Meetings

The Board is required to have four (4) regular scheduled meetings per financial year. During the year under review, seven (7) Board meetings were held and the gap between any two meetings did not exceed four months. The maximum and the minimum time gaps between two Board meetings were one hundred one (101) days and nine (9) days respectively.

The dates on which the Board meetings were held during the Financial Year 2012-2013 were April 30, 2012, May 18, 2012, July 31, 2012, September 26, 2012, October 26, 2012, February 04, 2013 and February 13, 2013.

(vii) Directors retiring during the year and re-appointments / appointments

Mr. Sunil Behari Mathur and Mr. Luigi Ciarrocchi, Directors, will retire at the ensuing Annual General Meeting of the Company. Being eligible, Mr. Sunil Behari Mathur and Mr. Luigi Ciarrocchi have offered themselves for re-appointment.

The term of Mr. Guido Papetti and Mr. Paolo Ceddia, who were appointed as Additional Directors (w.e.f. May 30, 2013) of the Company at the Board Meeting held on May 29, 2013, will expire concurrent with the ensuing AGM. Company has received notices under Section 257 of the Companies Act, 1956, proposing the appointments of Mr. Guido Papetti and Mr. Paolo Ceddia, as Directors, liable to retire by rotation.

The brief profile and experience of Mr. Sunil Behari Mathur, Mr. Luigi Ciarrocchi, Mr. Guido Papetti and Mr. Paolo Ceddia, are given in the Notice of the 29th Annual General Meeting.

The Company did not have any pecuniary relationship with the Non-Executive Directors during the year under review, except for the payment of sitting fees and grant of stock options to the Non-Executive Independent Directors.

The Board periodically reviews compliance of laws applicable to the Company. Based on compliance certificates given by the functional heads, the Managing Director and the Assistant Company Secretary jointly give certificate of compliance to the Board for its review and noting. These certificates also contain reasons and action plan to remedy non-compliance, if any.

(viii) Code of Conducts for the Directors and Senior Executives

In compliance with Clause 49 of the Listing Agreement, Company has laid down and implemented the Directors' Code of Conduct and Code of Ethics for Senior Management of the Company.

All Board Members, Senior Management and personnel who are below the Senior Management level, but instrumental in the critical operations / functions are covered under the said Codes.

Company continues to ensure effective implementation and enforcement of these Codes to achieve the objectives enshrined in these Codes. All the employees are updated and sensitized about these Codes. Copies of the Codes are available on the intranet for reference and compliance by all the employees. These Codes have been also posted on the Company's website: www.hoec.com. All the employees under the scope of these Codes have affirmed their compliance thereof.

(ix) Code of Conduct for prevention of Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Company has laid down and adopted a Code of Conduct for Prevention of Insider Trading based and modeled on said Regulations. The said Code incorporates the amendments made in the aforementioned Insider Trading Regulations from time to time. The Company *inter-alia* observes a closed period for trading in securities of the Company for Directors / Officers and Designated Employees of the Company for the period of at-least seven days prior to the consideration of quarterly / yearly results.

The trading window is also closed in anticipation of price sensitive information / announcements / events. The said closure extends upto at least 24 hours after the disclosure of the said results / price sensitive information / announcements / events to the Stock Exchanges.

(x) Information provided to the Board

The Board of the Company is presented with information under the following heads:

- Annual operating plans of business, capital budget and any updates / revisions duly reviewed and recommended by the Audit Committee.
- Quarterly results of the Company along with various reports.
- Annual Financial results of the Company, Auditors' Report and the Report of the Board of Directors'.
- Minutes of the Audit Committee, Shareholders / Investors Grievance Committee and Compensation & Remuneration Committee of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal or resignation of the senior officers and the Company Secretary.

- Materially important litigations, show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems etc.
- Any material default in financial obligation to and by the Company.
- Any issue, which involves liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory, or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc.
- Sale of material nature of investments, subsidiary, assets, which is not in normal course of business.
- Status of each of the projects and criticalities, if any.
- Prior approval for award of contract on behalf of the JV for HOEC operated Projects beyond a threshold value as decided by the Board.
- General notices of interest of Directors.
- Appointment, remuneration and resignation of Directors.
- Formation / Reconstitution of Board Committees.
- Terms of reference of Board Committees.
- The minutes of the Board meetings of unlisted Subsidiary Company.
- Declaration of Independent Directors at the time of appointment / annually.
- Dividend declaration, if any.
- Quarterly summary of all long-term borrowings made, bank guarantees issued, loans and investments made.
- Significant changes in accounting policies and internal controls.
- Statement of significant transactions, related party transactions and arrangements entered by unlisted subsidiary company.
- Appointment of and the fixing of remuneration of the Auditors as recommended by the Audit Committee.
- Internal Audit Findings and Reports (through the Audit Committee).
- Proposals for major investment, mergers and acquisitions.
- Details of any joint venture, acquisitions of companies or collaboration agreement.
- Status of business risk exposures, its management and related action plans.
- Investment of surplus funds.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like implementation of Voluntary Retirement Scheme, etc.
- Brief on statutory developments, changes in government policies, etc. with impact thereof, directors' responsibilities arising out of any such developments.
- Compliance Certificate certifying compliance with all Laws as applicable to the Company.
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

The agenda and notes and the agenda items are circulated to the Directors, in advance, in the defined agenda format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted by the Chairman.

The Assistant Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board / Committee for their comments. The minutes are entered in the Minutes Book within thirty (30) days from conclusion of the meeting.

The Assistant Company Secretary, while preparing the agenda, notes to the agenda, minutes, etc. of the meeting(s), is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules and regulations issued thereunder alongwith Secretarial Standards recommended by the Institute of Company Secretaries of India. The aforesaid are submitted generally as part of the agenda papers / Board Notes in advance of the Board Meetings and / or presented during the Board Meeting.

3. AUDIT COMMITTEE

(i) Terms of Reference

The terms of reference of the Audit Committee *inter-alia* includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Statutory Auditors including Cost auditors and fixation of Audit fees.

- Approval of payment to Statutory Auditors including Cost auditors for any other services rendered by them.
- Reviewing with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions.
  - Qualifications in draft audit report.
- Reviewing with the Management, the Quarterly Financial Statements before submission to the Board for approval.
- Reviewing, with the Management, the Statement of Uses / Application of Funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing with the Management, the performance and observations of Statutory Auditors including Cost Auditors and Internal Auditors, adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with Internal Auditors regarding significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory Auditors including Cost Auditors about the post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower Mechanism.
- Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors and / or other Committees of Directors of the Company.
- To review the following information:
  - The Management Discussion and Analysis of financial condition and results of operations;
  - Statement of related party transactions (as defined by the Audit Committee); Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
  - Internal audit reports relating to internal control weaknesses, if any; and
  - The appointment, removal and terms of remuneration of Internal Auditors.
- Reviewing the financial statements and the investments made by HBIL, the unlisted subsidiary of the Company.

(ii) Composition of Audit Committee

Audit Committee consists of five Directors. Majority of the members of the Committee are Non-Executive Independent Directors.

Mr. Mukesh Butani, a Non-Executive Independent Director, is the Chairman of the Committee.

All the members of this Committee possess good knowledge of finance, accounts and corporate laws.

The Assistant Company Secretary is also the Secretary to the Audit Committee.

(iii) Meetings and attendance during the year

During the year under review, six (6) Audit Committee Meetings were held on, April 30, 2012, May 18, 2012, July 31, 2012, October 26, 2012, February 04, 2013 and February 13, 2013.

The details of attendance of Members of the Committee are given below:

Sr. No.	Name of members and their position	No. of Committee meetings attended
1.	Mr. Mukesh Butani, Chairman	6 of 6
2.	Mr. R. Vasudevan, Member	6 of 6
3.	Mr. Sunil Behari Mathur, Member	4 of 6
4.	Mr. Paolo Carmosino, Member	0 of 6
5.	Mr. V. Srinivasa Rangan, Member	5 of 6

The Chairman of the Audit Committee was present at the last Annual General Meeting.

4. COMPENSATION & REMUNERATION COMMITTEE

(i) Terms of Reference

The terms of reference of the Compensation & Remuneration Committee, *inter-alia*, are to decide the term of services and compensation payable to Whole-time / Managing Director and to discharge such other functions as may be referred by the Board from time to time.

Additionally, the Committee also considers the compensation payable to senior executives of the Company. It is also entrusted with the duty to administer the Long Term Incentive Plan of the Company including the ESOS.

(ii) Composition of Committee

The Committee comprises of five directors. Mr. R. Vasudevan, a Non-Executive Independent Director, is the Chairman of the Committee.

Sr. No.	Name	Position
1.	Mr. R. Vasudevan	Chairman
2.	Mr. Mukesh Butani	Member
3.	Mr. Sunil Behari Mathur	Member
4.	Mr. Sergio Adriano Laura (upto May 29, 2013)	Member
5.	Mr. Marcello Simoncelli (upto May 28, 2013)	Member

(iii) Attendance during the year

During the year under review, no Compensation & Remuneration Committee meeting was held.

(iv) Remuneration Policy

The Company *inter-alia* while deciding the remuneration package takes into consideration, the following:

(a) Employment scenario and demand for talent in the upstream oil and gas sector;

(b) Remuneration package of the industry / other industries for the requisite managerial talent; and

(c) The qualification and experience held by the appointee.

(v) Details of Remuneration of Directors:

(A) REMUNERATION TO THE MANAGING DIRECTORS DURING THE FINANCIAL YEAR 2012-2013.

The Managing Directors of the Company are appointed as per the terms and conditions decided by the Board of Directors of the Company.

Company has two Managing Directors, Mr. Sergio Adriano Laura (*upto May 29, 2013*) and Mr. Manish Maheshwari.

Mr. Sergio Adriano Laura does not draw any remuneration from the Company as per the terms of the appointment made by the Members of the Company at their 27th Annual General Meeting held on September 28, 2011.

The remuneration package of Mr. Manish Maheshwari, Managing Director, comprises of salary, allowances, perquisites and bonuses as approved by the Members at the 27th Annual General Meeting held on September 28, 2011 and as revised by the Board from time to time. It may be noted that Mr. Manish Maheshwari, Managing Director, has declined annual increments in his salary for FY 2011-2012 and FY 2012-2013.

The details of remuneration received by the Managing Director during the Financial Year 2012-2013 is given hereunder:

Name	FIXED COMPONENT				PERFORMANCE LINKED INCENTIVE			Total Remuneration (Refer Note 2 below)
	Salaries	Contribution to Provident Fund & Super-annuation Fund	Other allowances / perquisites (Refer Note 1 below)	Total	Bonus	Stock Options (No. of shares)	Total	
	INR	INR	INR	INR (A)	INR		INR (B)	INR (A+B)
Mr. Manish Maheshwari, Managing Director	8,073,000	2,179,710	9,938,325	20,191,035	Nil	Nil	Nil	20,191,035

Notes:

1. In computing the above Managerial Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits or notional amount (as per Income Tax Rules has been added) where the actual amount of expenditure cannot be ascertained.
2. As per the policy of the Company, gratuity and eligible leave encashment is payable at the time of retirement / separation and, hence, gratuity and leave encashment are included in the remuneration of the year in which they are payable.

(B) REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS DURING THE YEAR 2012-2013.

All Non-Executive Directors (NEDs) of the Company are entitled to receive sitting fee for each meeting of the Board or Committee thereof attended by them.

The details of sitting fees paid during the financial year 2012-2013 are given hereunder:

Sr. No.	Name of Director	Sitting Fees (INR)
1.	Mr. R. Vasudevan	340,000
2.	Mr. Sunil Behari Mathur	180,000
3.	Mr. Mukesh Butani	260,000
4.	Mr. V. Srinivasa Rangan	220,000

NEDs are eligible for Stock Options in accordance with the Employee Stock Option (ESOP) Scheme of the Company. The ESOP Scheme is not applicable to the Promoter Director(s) or Director(s) who either by himself / themselves or through his / their relative or through any body corporate, directly or indirectly hold(s) more than 10% of the outstanding equity shares of the Company.

During the year, no Stock Options have been granted to Non-Executive Independent Directors or Managing Director. Further, during the year, no commission was distributed to the Non-Executive Independent Directors (NEDs).

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The terms of reference of the Shareholders/Investors Grievance Committee *inter-alia* are to look into the shareholders/investors complaints pertaining to transfer and transmission of shares, issue of duplicate shares, non-receipt of balance sheet, dividends etc.

To facilitate prompt services to the shareholders of the Company, Assistant Company Secretary is authorized to approve the Share Transfer and its related processes / procedures / activities viz., splitting, consolidation, replacement, issue of duplicate share certificate, dematerialization and rematerialisation of equity shares etc. Company Secretary also acts as a Compliance Officer to the Shareholders / Investors Grievance Committee.

During the year under review, four (4) Shareholders / Investors Grievance Committee meetings were held on May 18, 2012, July 31, 2012, October 26, 2012 and February 13, 2013.

The composition of the Shareholders / Investors Grievance Committee and the details of meetings attended by Committee members are given below:

Sr. No.	Name of members and their position	No. of Committee meetings attended
1.	Mr. R. Vasudevan, Chairman	4 of 4
2.	Mr. Paolo Carmosino, Member	0 of 4
3.	Mr. Manish Maheshwari, Member	4 of 4

The Shareholders / Investors Grievance Committee meetings are also attended by the Assistant Company Secretary & Compliance Officer.

Any queries regarding the Company may please be addressed to the Assistant Company Secretary & Compliance Officer at the following address:

Mr. Minesh Bhatt
Assistant Company Secretary
Hindustan Oil Exploration Company Limited
'Lakshmi Chambers', 192, St. Mary's Road
Alwarpet, Chennai-600 018, (Tamil Nadu) India
Tel : +91-(044) 66229000 Extn. 103,
Fax : +91-(044) 66229011 / 12
E-mail : hoecshare@hoec.com

Details of number of grievances received and replied / resolved during the year are as under:

Particulars	Total Grievances / Complaints received	Total Grievances / Complaints resolved / addressed	Pending Grievances / Complaints as on 31.03.2013
Received from Investors	11	11	Nil
Received from NSDL / CDSL	Nil	Nil	Nil
Referred by SEBI	06	06	Nil
Referred by Stock Exchanges	04	04	Nil
Total	21	21	Nil

There were no grievance / complaints from shareholders which remained unaddressed / unresolved except where Company was restrained by courts or constrained because of courts' proceedings or subject matters of complaints were disputed. Every effort is made to redress investors' grievances / complaints in least possible time.

6. PROMOTERS

Eni UK Holding plc, Burren Shakti Limited and Burren Energy India Limited (referred to as "Eni Group") collectively hold 47.18% of the paid-up capital of the Company. Eni Group, the promoters have declared that they have not pledged any of their shareholding in the Company.

7. DETAILS ON GENERAL BODY MEETINGS

(a) Location, Date and Time of last three Annual General Meetings is as under:

Year	Location	Date	Time
2009-2010	"Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens Akota, Vadodara – 390 020.	September 30, 2010	10:30 a.m.
2010-2011	"Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens Akota, Vadodara – 390 020.	September 28, 2011	10:30 a.m.
2011-2012	"Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens Akota, Vadodara – 390 020.	September 26, 2012	10:30 a.m.

(b) Special Resolutions passed at the Annual General Meeting (AGM) for the last 3 years are as under:

a. Appointment of Mr. Luigi Ciarrocchi as the Managing Director of the Company w.e.f. September 30, 2010 until the conclusion of the 27th Annual General Meeting of the Company (passed at the 26th AGM held on September 30, 2010 at Sr. No. 6 of Notice).

b. Appointment of Mr. Manish Maheshwari as the Managing Director of the Company w.e.f. September 28, 2011 until the conclusion of the 30th Annual General Meeting of the Company (passed at the 27th AGM held on September 28, 2011 at Sr. No. 7 of Notice).

c. Appointment of Mr. Sergio Adriano Laura as the Managing Director of the Company w.e.f. September 28, 2011 until the conclusion of the 30th Annual General Meeting of the Company (passed at the 27th AGM held on September 28, 2011 at Sr. No. 8 of Notice).

Special Resolution passed through postal ballot, if any:

No Special Resolution was passed through postal ballot during the last three years. The Company is not anticipating any Special Resolution to be passed through Postal Ballot and hence procedure for postal ballot has not been provided for.

8. DISCLOSURES

(a) **Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors and the management, their relatives or subsidiaries, etc. that may have potential conflict with the interests of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company.

Attention of members is drawn to the disclosure of transactions with the related parties set out in Note No. 30 of the Financial Statements, forming part of the Annual Report.

All related party transactions are negotiated on arms length basis and are intended to further the interests of the Company.

(b) **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital markets, during the last three years.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

(c) As the Company publishes the Audited Annual Results within the stipulated period as required by the listing Agreement with the Stock Exchanges, hence the unaudited results for the last quarter of the Financial Year are not published.

9. MEANS OF COMMUNICATION

(a) Quarterly / Annual Results

Quarterly / Annual Results of the Company are published in the Economic Times / Business Line (all editions) / Vadodara Samachar and also are displayed on the Company's website www.hoec.com.

(b) News Releases, Presentations, etc.

Official news releases and Official Media Releases are sent to the Stock Exchanges and also displayed on the company's website.

The Company's website www.hoec.com contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.

(c) No presentations made to institutional investors or to the analysts.

(d) Annual Report

Annual Report containing, *inter-alia*, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report and is displayed on the Company's website www.hoec.com.

(e) Chairman's Communique

Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting. The same is also placed on the website of the Company.

(f) SEBI Complaints Redress System (SCORES)

The investor complaints are processed in a centralized web-based complaints redress system. The salient features of this system are:

Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

(g) NSE Electronic Application Processing System (NEAPS)

The NEAPS is a web based application designed by NSE for Corporates. The Shareholding pattern, Corporate Governance Report and other announcements are also filed electronically on NEAPS.

(h) Designated Exclusive e-mail-id

The Company has designated email-id hoecshare@hoec.com exclusively for investor servicing.

(i) Green Initiative

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA), by its Circulars, enabling electronic delivery of documents including the Annual Report to the shareholders at their e-mail address previously registered with the Depository Participants (DPs) / Registrars & Share Transfer Agents.

Shareholders, who have not registered their e-mail addresses so far, are requested to register their e-mail addresses. Those holding shares in demat form can register their e-mail address with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with Link Intime India Pvt. Ltd. by sending a letter, duly signed by the first / sole-holder quoting details of Folio No. Company's website is a comprehensive reference on the Company's management, business, policies, corporate governance, investor relations, HSE, subsidiary, updates and news. The section on "Investors Relations" serves to inform the shareholders, by giving complete financial details, annual reports, shareholding patterns, corporate benefits, information relating to stock exchanges, registrars and share transfer agent etc.

10. COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from CS Niraj Trivedi, Company Secretary-in-practice, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is attached to the Directors' Report forming part of the Annual Report.

This Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

11. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT

The Company has complied with all mandatory requirements and has adopted following non-mandatory requirements of Clause 49.

(a) Compensation & Remuneration Committee

The Company has constituted Compensation & Remuneration Committee to recommend / review remuneration of the Managing Director and senior management personnel based on their performance and defined assessment criteria.

(b) Training of Board Members

The Board members are provided with the necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors.

(c) Whistle Blower policy

The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. During the year, no personnel have been denied access to the Audit Committee. The Whistle Blower Policy is available on the website of the Company at www.hoec.com The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

(d) CEO and CFO Certification

Managing Directors of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Directors also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

(e) Non-mandatory requirements

In respect of adoption of other non-mandatory requirements, the Company will review its implementation from time to time. Further, the Company has also ensured that the persons who are appointed as Independent Director / (s) have the requisite qualifications and experience which would be useful to the Company and which, in the opinion of the Company, would enable them to contribute effectively to the Company in their capacity as Independent Directors.

(f) Transfer to Investor Education and Protection Fund

The Company in compliance with Section 205C of the Companies Act, 1956, has deposited an amount of INR 930,545 being the amount of unclaimed / unpaid dividend for the financial year 2004-2005 with the Investor Education and Protection Fund.

(g) Subsidiary Company

The Company does not have any material unlisted subsidiary and hence is not required to have an Independent Director on the Board of such subsidiary. The Audit Committee reviews the financial statements of the Company's unlisted subsidiary company. The minutes of the meeting of the Board of Directors of the subsidiary company are periodically placed before and reviewed by the Board of Directors of the Company.

(h) Quarterly compliance report

The quarterly compliance report has been submitted to the Stock Exchanges where the Company's equity shares are listed in the requisite format duly signed by the Assistant Company Secretary / Compliance Officer, pursuant to Clause 49 of the Listing Agreement.

(i) Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

A qualified company secretary in practice carried out a Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of shares held with NSDL and CDSL.

12. GENERAL SHAREHOLDERS INFORMATION

Day, Date, Time and Venue of 29th Annual General Meeting.	Wednesday, 25th day of September, 2013 at 10:30 a.m. at "Chandarva Hall" WelcomHotel Vadodara, R. C. Dutt Road Vadodara– 390 007,Gujarat (India).
Financial Year	April 1, to March 31
Quarterly Financial Information	Results for the quarter ending on: June 30, 2013 September 30, 2013 December 31, 2013 March 31, 2014* Within 45 / 60* days from the close of the quarter.
Book Closure Date	Friday, August 09, 2013 to Monday, August 12, 2013 (both days inclusive).
Dividend Payment Date	The Board has not recommended dividend for the FY 2012-2013.

(a) Listing on Stock Exchanges

Equity Shares of the Company at present are listed at following Stock Exchanges:

1. BSE Limited (formerly known as Bombay Stock Exchange Limited) (BSE)
2. National Stock Exchange of India Limited (NSE)

The Company has paid annual listing fees for the Financial Year 2013-2014 to the said Stock Exchanges and also paid annual maintenance / custodial charges / fees to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

(b) Stock Code

BSE Limited (formerly known as Bombay Stock Exchange Limited) (BSE) : 500186

National Stock Exchange of India Limited : HINDOILEXP

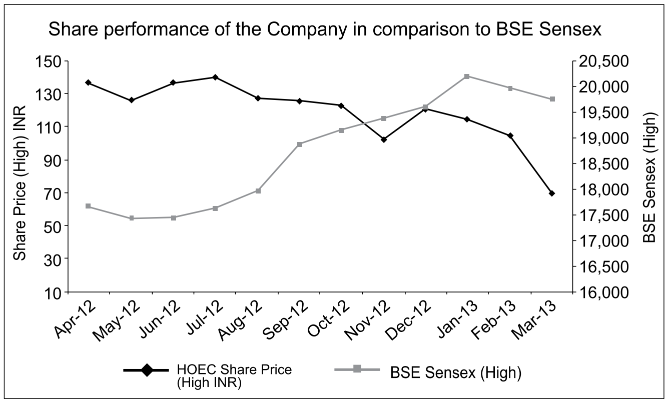
(NSE) Series : Eq

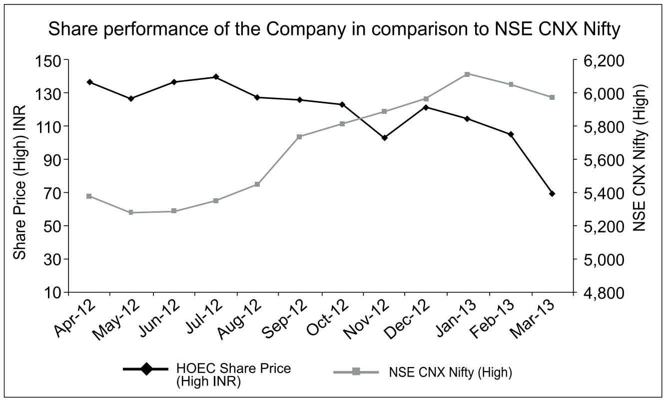
The Company has established connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Security Identification Number (ISIN) of the Company's equity shares with NSDL and CDSL is INE345A01011.

(c) Market Price Data

Month	BSE Share Price High Price (Rs.)	BSE Share Price Low Price (Rs.)	BSE Sensex (High)	NSE CNX Nifty (High)
April 2012	136.50	112.00	17,664.10	5,378.75
May 2012	126.30	96.60	17,432.33	5,279.60
June 2012	136.60	95.10	17,448.48	5,286.25
July 2012	140.00	109.85	17,631.19	5,348.55
August 2012	127.10	113.05	17,972.54	5,448.60
September 2012	125.50	113.00	18,869.94	5,735.15
October 2012	122.60	98.55	19,137.29	5,815.35
November 2012	102.50	92.35	19,372.70	5,885.25
December 2012	120.80	98.60	19,612.18	5,965.15
January 2013	114.60	101.20	20,203.66	6,111.80
February 2013	104.65	57.50	19,966.69	6,052.95
March 2013	69.40	49.85	19,754.66	5,971.20

(d) Share Price Chart





(e) Registrars and Transfer Agents

Link Intime India Private Limited
(Unit: Hindustan Oil Exploration Company Limited)
B- 102 & 103, Shangrila Complex
First Floor, Opp. HDFC Bank Limited
Near Radhakrishna Char Rasta, Akota
Vadodara-390020, Gujarat (India).
Email : vadodara@linkintime.co.in
Tel : +91 (0265) 2356573, 2356794,
Fax : +91 (0265) 2356791

(f) Share Transfer System

Share Transfer in physical form requests are generally registered and returned within a period of 15 days from the date of receipt and request for dematerialization, rematerialization generally confirmed within a period of 21 days from the date of its receipt, if documents are complete in all respect.

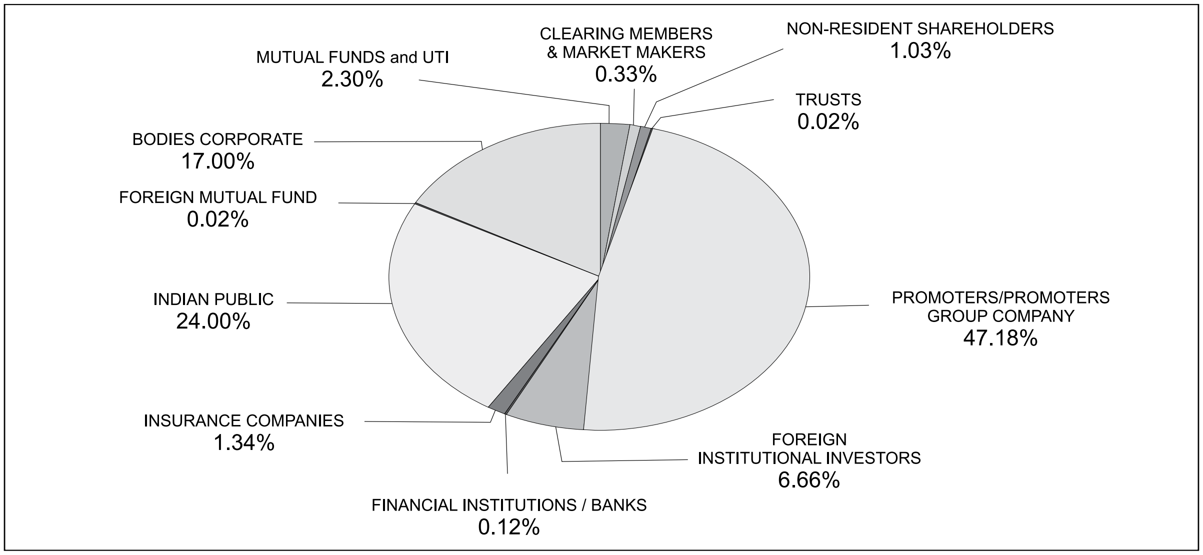
As on March 31, 2013, 128,447,268 equity shares representing 98.43% of total equity shares are dematerialized. As required by SEBI, the promoter's shares have been dematerialized.

(g) Distribution of Shareholding as on March 31, 2013

CATEGORY (Shares)	PHYSICAL		NSDL		CDSL		TOTAL	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
1 to 5000	10,954	2,025,421	46,663	14,186,769	24,493	6,009,763	82,110	22,221,953
5001 to 10000	0	0	282	2,070,507	109	796,710	391	2,867,217
10001 to 20000	0	0	124	1,742,955	39	550,783	163	2,293,738
20001 to 30000	1	20,600	40	981,309	14	361,167	55	1,363,076
30001 to 40000	0	0	20	685,830	2	65,633	22	751,463
40001 to 50000	0	0	17	789,893	4	182,000	21	971,893
50001 to 100000	0	0	23	1,569,802	2	130,729	25	1,700,531
Above 100000	0	0	36	97,266,841	3	1,056,577	39	98,323,418
TOTAL	10,955	2,046,021	47,205	119,293,906	24,666	9,153,362	82,826	130,493,289

NSDL = National Securities Depository Limited
CDSL = Central Depository Services (India) Limited

(h) Shareholding Pattern as on March 31, 2013



(i) Shareholding Pattern as on March 31, 2013

(I)(a) Statement showing Shareholding Pattern

Sr. No.	Category of Shareholders	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a % of total number of shares		Shares Pledged or otherwise encumbered	
					As a % of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a %
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII) / (IV)* 100
(A)	Promoter and Promoter Group							
1.	Indian	0	0	0	0	0	0	0
2.	Foreign	0	0	0	0	0	0	0
(a)	Individuals (Non-Resident Individuals / Foreign Individuals)	0	0	0	0	0	0	0
(b)	Bodies Corporate	3	61,569,134	61,569,134	47.18	47.18	0	0
	Sub-Total (A)(2)	3	61,569,134	61,569,134	47.18	47.18	0	0
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)	3	61,569,134	61,569,134	47.18	47.18	0	0
(B)	Public shareholding							
1.	Institutions							
(a)	Mutual Funds / UTI	7	3,003,100	3,000,000	2.30	2.30	0	0
(b)	Financial Institutions / Banks	14	152,547	150,287	0.12	0.12	0	0
(c)	Insurance Companies	1	1,750,537	1,750,537	1.34	1.34	0	0
(d)	Foreign Institutional Investors	42	8,693,525	8,692,525	6.66	6.66	0	0
(e)	Foreign Mutual Fund	1	25,298	25,298	0.02	0.02	0	0
	Sub-Total (B)(1)	65	13,625,007	13,618,647	10.44	10.44	0	0
2.	Non-institutions							
(a)	Bodies Corporate	1,360	22,182,339	22,137,429	17.00	17.00	0	0
(b)	Individuals							
i	Individual Shareholders Holding Nominal Share Capital up to Rs. 1 lakh	79,423	21,825,128	20,110,989	16.73	16.73	0	0
ii	Individual Shareholders Holding Nominal Share Capital in excess of Rs. 1 lakh	160	9,482,959	9,482,959	7.27	7.27	0	0
(c)	Clearing Member	280	350,408	350,408	0.27	0.27	0	0
(d)	Market Makers	41	75,328	75,328	0.06	0.06	0	0
(e)	Non-Resident Shareholders	1,489	1,355,008	1,074,396	1.03	1.03	0	0
(f)	Trusts	5	27,978	27,978	0.02	0.02	0	0
	Sub-Total (B)(2)	82,758	55,299,148	53,259,487	42.38	42.38	0	0
	Total Public Shareholding (B) = (B) (1)+ (B) (2)	82,823	68,924,155	66,878,134	52.82	52.82	0	0
	TOTAL (A)+(B)	82,826	130,493,289	128,447,268	100.00	100.00	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0
C1	Promoter and Promoter Group	0	0	0	0	0	0	0
C2	Public	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	82,826	130,493,289	128,447,268	100.00	100.00	0	0

(I)(b) Statement showing Shareholding of persons belonging to the category "Promoter and Promoter Group"

Sr. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered			Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		No. of shares	As a % of grand total (A)+(B)+(C)	No. of shares	As a %	As a % of Grand Total (A)+(B)+(C) of sub-clause (I) (a)	No. of warrants held	As a % total no of warrants of the same class	No. of convertible securities held	As a % total no of convertible securities of the same class	
(I)	(II)	(III)	(IV)	(V)	(VI) = (V) / (III)* 100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)
1.	Burren Shakti Limited	35,440,913	27.16	0	0	0	0	0	0	0	0
2.	Eni UK Holding Plc.	26,115,455	20.01	0	0	0	0	0	0	0	0
3.	Burren Energy India Limited	12,766	0.01	0	0	0	0	0	0	0	0
	TOTAL	61,569,134	47.18	0	0	0	0	0	0	0	0

(I)(c)(i) Statement showing Shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a % of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted
				No of warrants held	As a % total no of warrants of the same class	No of convertible securities held	% w.r.t. total no of convertible securities of the same class	
1.	Housing Development Finance Corporation Limited	14,826,303	11.36	0	0	0	0	0
2	Reliance Capital Trustee Co. Limited A/c – Reliance Regular Savings Fund – Equity Option	3,000,000	2.30	0	0	0	0	0
3.	General Insurance Corporation of India	1,750,537	1.34	0	0	0	0	0
4.	Nomura Singapore Limited	1,705,560	1.31	0	0	0	0	0
5.	GHI LTP Limited	1,650,000	1.26	0	0	0	0	0
6.	Jhunjhunwala Rakesh Radheshyam	1,559,606	1.20	0	0	0	0	0
	TOTAL	24,492,006	18.77	0	0	0	0	0

(I)(c)(ii) Statement showing Shareholding of persons belonging to the category "Public" and holding more than 5% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a % of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted
				No of warrants held	As a % total no of warrants of the same class	No of convertible securities held	% w.r.t total no of convertible securities of the same class	
1	Housing Development Finance Corporation Limited	14,826,303	11.36	0	0	0	0	0
	TOTAL	14,826,303	11.36	0	0	0	0	0

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
		NIL	

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
Company has not issued any Depository Receipts (DRs)				

(II)(b) Statement showing holding of Depository Receipts (DRs), where underlying shares held by 'promoter / promoter group' are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
Not Applicable				

(III) Statement showing the voting pattern of shareholders, if more than one class of shares / securities is issued by the issuer.

Sr. No.	Category of shareholder	Number of Voting Rights held in each class of securities			Total Voting Rights (III+IV+V)	Total Voting Rights i.e. (VI)	
		Class X	Class Y	Class Z		As a % of (A+B)	As a % of (A+B+C)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)
(A)	Promoter and Promoter Group						
(1)	Indian						
(a)	Individuals / Hindu Undivided Family	0	0	0	0	0	0
(b)	Central Government / State Government(s)	0	0	0	0	0	0
(c)	Bodies Corporate	0	0	0	0	0	0
(d)	Financial Institutions / Banks	0	0	0	0	0	0
(e)	Any Other	0	0	0	0	0	0
	Sub-Total (A)(1)	0	0	0	0	0	0
(2)	Foreign						
(a)	Individuals (Non-Resident Individuals / Foreign Individuals)	0	0	0	0	0	0
(b)	Bodies Corporate	0	0	0	0	0	0
(c)	Institutions	0	0	0	0	0	0
(d)	Qualified Foreign Investor	0	0	0	0	0	0
(e)	Any Other (Total)	0	0	0	0	0	0
	Sub-Total (A)(2)	0	0	0	0	0	0
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	0	0	0	0	0	0
(B)	Public shareholding						
(1)	Institutions						
(a)	Mutual Funds / UTI	0	0	0	0	0	0
(b)	Financial Institutions / Banks	0	0	0	0	0	0
(c)	Central Government / State Government(s)	0	0	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0	0	0
(e)	Insurance Companies	0	0	0	0	0	0
(f)	Foreign Institutional Investors	0	0	0	0	0	0
(g)	Foreign Venture Capital Investors	0	0	0	0	0	0
(h)	Qualified Foreign Investor	0	0	0	0	0	0
(i)	Any Other	0	0	0	0	0	0
	Sub-Total (B)(1)	0	0	0	0	0	0
(2)	Non-institutions						
(a)	Bodies Corporate	0	0	0	0	0	0
(b)	Individuals i. Individual Shareholders Holding Nominal Share Capital up to > Rs. 1 Lakh	0	0	0	0	0	0
	ii. Individual Shareholders Holding Nominal Share Capital in excess of Rs. 1 Lakh	0	0	0	0	0	0
(c)	Qualified Foreign Investor	0	0	0	0	0	0
(d)	Any Other	0	0	0	0	0	0
	Sub-Total (B)(2)	0	0	0	0	0	0
	Total Public Shareholding (B)= (B) (1) + (B) (2)	0	0	0	0	0	0
	TOTAL (A)+(B)	0	0	0	0	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0
C1	Promoter and Promoter Group	0	0	0	0	0	0
C2	Public	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	0	0	0	0	0	0

Note: Company has only one class of security which is Equity Shares.

(j) Statement showing Shareholding of Top Eleven Shareholders as on March 31, 2013 and July 22, 2013

Sr. No.	Name of the Shareholders	Shareholding as on March 31, 2013		Shareholding as on July 22, 2013		Difference	
		Nos of Shares	%	Nos of Shares	%	Nos of Shares	%
1	Eni Group Shareholding (Promoter)	61,569,134	47.18	61,569,134	47.18	—	—
2	Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36	—	—
3	Reliance Capital Trustee Co. Limited A/c – Reliance Regular Savings Fund – Equity Option	3,000,000	2.30	3,000,000	2.30	—	—
4	General Insurance Corporation of India	1,750,537	1.34	1,750,537	1.34	—	—
5	Nomura Singapore Limited	1,705,560	1.31	1,705,560	1.31	—	—
6	GHI LTP Limited	1,650,000	1.26	1,650,000	1.26	—	—
7	Jhunjhunwala Rakesh Radheshyam	1,559,606	1.20	2,325,023	1.78	765,417	0.59
8	Citigroup Global Markets Mauritius Private Limited	1,260,503	0.97	1,374,492	1.05	113,989	0.09
9	Rekha Jhunjhunwala	1,100,000	0.84	—	—	(1,100,000)	(0.84)
10	Government Pension Fund Global	1,039,000	0.80	1,039,000	0.80	—	—
11	Rekha Jhunjhunwala	900,000	0.69	—	—	(900,000)	(0.69)
	TOTAL	90,360,643	69.25	89,240,049	68.38		

13. OUTSTANDING ADR / GDR / WARRANTS ETC.

Not Applicable

14. PROCESS / PLANT / PRODUCTION FACILITIES LOCATION

The Company is engaged in the business of Oil and Gas exploration, development & production, and is at present operating at various fields as mentioned in section "Operational Highlights" in the Annual Report. The address of the respective production facilities is summarised as follows:

(i) PY-1 Offshore Production Facility

SUN Platform

Offshore Cauvery Basin
Block PY-1, (Tamil Nadu), India.

PY-1 Gas Processing Plant
Pillaiperumalnallur, Thirukadaiyur-609 311
Nagapattinam District (Tamil Nadu), India.

(ii) Palej Production Facilities (PPF)

Block CB-ON-7, Near Palej,
Village Makan-392 220
Vadodara District (Gujarat), India.

(iii) North Balol Gas Collection Station (GCS)

Block North Balol,
Near Village Palaj-384 410
Mehsana District (Gujarat), India.

(iv) Asjol Early Production System (EPS)

Block Asjol, Village Katosan-384 430
Mehsana District (Gujarat), India.

(v) Floating Production Unit

[under the control of Hardy Exploration & Production (India) Inc. (Operator of the Block)] Offshore Cauvery Basin, Block CY-OS-90 / 1, (Tamil Nadu), India.

15. ADDRESS FOR CORRESPONDENCE

Secretarial Department
Hindustan Oil Exploration Company Limited
'Lakshmi Chambers', 192, St. Mary's Road, Alwarpet
Chennai – 600 018 (Tamil Nadu), India.
Tel : + 91-(044)- 66229000,
Fax : +91-(044)- 66229011 / 12
Email : hoecshare@hoec.com

For and on behalf of the Board

R. Vasudevan
Chairman

Date: July 22, 2013

DECLARATION

I hereby declare that all the members of the Board and the senior management personnel of the Company have affirmed compliance with their respective Code of Conduct, as applicable to them for the Financial Year ended March 31, 2013.

For and on behalf of the Board

Manish Maheshwari
Managing Director

Date: May 29, 2013

CEO/CFO CERTIFICATION UNDER CLAUSE 49

We, Manish Maheshwari and Sergio Adriano Laura in our capacity as the Managing Directors of Hindustan Oil Exploration Company Limited (hereinafter referred to as the "Company"), hereby certify that :

1. We have reviewed the financial statements and the cash flow statement for the Financial Year 2012-2013 and that to the best of our knowledge and belief:
   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
   (i) significant changes in internal control over financial reporting during the year;
   (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
   (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Manish Maheshwari
Managing Director

Sergio Adriano Laura
Managing Director

Date: May 29, 2013

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
Hindustan Oil Exploration Company Limited

I have examined the compliance of the conditions of Corporate Governance by Hindustan Oil Exploration Company Limited, for the financial year ended March 31, 2013 as stipulated in Clause 49, as amended, of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance.

It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

I state that as per the records maintained, no investor complaint / grievances against the Company are pending for a period exceeding one month before Shareholders/Investors Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

Niraj Trivedi
Company Secretary
CP. No. 3123

Place : Vadodara
Date : July 22, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of
Hindustan Oil Exploration Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Hindustan Oil Exploration Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

The Company follows "Successful Efforts Method" method of accounting for its exploration and production activities and as detailed in Note B (iii) to the financial statements, the Company has capitalised costs of INR 342.29 million (including INR 64.49 million to March 31, 2012), incurred in respect of surveys and studies relating to exploration activities.

The "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India requires costs of surveys and studies relating to exploration activities to be expensed when incurred under the "Successful Efforts Method" of accounting. Had the Company followed the recommendation of the Guidance Note, survey costs of INR 342.29 million (including prior period charge of INR 64.49 million) would have been written off as an expense and after considering related tax effects the net loss for the year would have been higher by INR 342.29 million and reserves and surplus would have been lower by INR 342.29 million respectively. Our audit opinion on the financial statements for the year ended March 31, 2012 was also qualified in respect of the above matter.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Other Matter

We did not audit the Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 220,618,926, INR 11,108,879, INR Nil and INR Nil respectively as at March 31, 2013 in respect of one of its unincorporated joint venture ('UJV') not operated by the Company, whose accounts and other financial information have been audited by the auditors of the respective UJV and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such UJVs are based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

The attached financial statements and other financial information include Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 807,757,669, INR Nil, INR Nil and INR Nil respectively as at March 31, 2013 in respect of two of its UJV's not operated by the Company, the accounts of which have not been audited. The financial statements and other financial information have been incorporated based on un-audited financial statements as provided by the Operator of respective UJV's and relied upon by us. Our opinion is not qualified in respect of this matter.

For S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm's registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : Chennai
Date : May 29, 2013

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Hindustan Oil Exploration Company Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.

(iii) (a-d) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the Company.

(e) The Company had taken loan from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was INR 9,051.25 million and the year end balance of loans taken from that party was INR 8,631 million.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interests have been regular.

(iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets which are of special nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, that need to be entered into the register maintained under section 301 of the Companies Act, have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance, customs duty and excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, and cess on account of any dispute, are as follows:

Name of Statute	Nature of the Dues	Amount (INR)	Period to which the amount relates	Forum where Dispute is Pending
Income Tax Act, 1961	Tax and Interest	342,679,519	Assessment Year 2007-2008	Income Tax Appellate Tribunal
	Tax and Interest	30,893,925	Assessment Year 2008-2009	CIT (Appeals)
	Less: Refunds Adjusted*	(277,359,710)		
	Net Amount	96,213,734		
	Fringe Benefit Tax	741,728		Commissioner of Income Tax (Appeals)

* Refunds pertaining to other assessment years adjusted against disputed dues, based on intimations received from Income Tax Department.

(x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has no outstanding dues in respect of a financial institution and has not issued any debentures during the period.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : Chennai
Date : May 29, 2013

BALANCE SHEET AS AT 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	5,259,283,293	10,768,202,478
		6,564,376,298	12,073,295,483
Non-current Liabilities			
Long-term borrowings	3	8,166,505,117	5,241,119,064
Deferred tax liabilities (net)	11	—	430,852,081
Long-term provisions	4	964,353,649	908,136,407
		9,130,858,766	6,580,107,552
Current Liabilities			
Trade payables	5	127,826,163	182,011,309
Other current liabilities	5	1,653,356,552	1,080,287,441
Short-term provisions	4	1,374,889	1,718,563
		1,782,557,604	1,264,017,313
TOTAL		17,477,792,668	19,917,420,348
ASSETS			
Non-current Assets			
Fixed Assets:			
Tangible assets	6	90,500,849	94,299,434
Intangible assets	7	665,258	1,108,763
Producing Properties	8	10,694,369,285	15,251,378,396
Exploration / Development work in progress	9	3,391,815,137	1,238,848,894
Non-current Investment	10	5,000,201	5,000,201
Long-term loans and advances	12	1,067,907,567	1,040,749,031
Other bank balances	16	373,060,309	370,813,315
Other non-current assets	13	1,087,490	3,989,192
		15,624,406,096	18,006,187,226
Current Assets			
Current investments	14	271,048,964	712,907,617
Inventories	15	391,760,011	468,893,866
Trade receivables	13	148,875,803	199,652,972
Cash and bank balances	16	872,705,616	423,684,414
Short-term loans and advances	12	160,983,595	101,146,076
Other current assets	13	8,012,583	4,948,177
		1,853,386,572	1,911,233,122
TOTAL		17,477,792,668	19,917,420,348
Background	A		
Significant Accounting Policies	B		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
Income			
Revenue from Operations	17	1,086,137,616	1,513,923,485
(Decrease)/Increase in inventories of Crude Oil, Condensate and Natural Gas	18	1,695,682	(73,922,559)
Other Income	19	116,335,799	250,126,221
Total Revenue (I)		**1,204,169,097**	**1,690,127,147**
Expenses			
Employee Benefits, Operating, Administrative and Other expenses	20	443,379,091	584,616,020
Depletion, depreciation and amortization expenses	6 to 8	874,499,575	554,598,357
Finance costs	21	105,730,289	108,981,511
Total Expenses (II)		**1,423,608,955**	**1,248,195,888**
Profit/(Loss) before tax and Exceptional Items (I - II)		**(219,439,858)**	**441,931,259**
Less: Exceptional Items - Impairment and Additional depletion (III)		**5,719,744,003**	—
Profit/(Loss) before tax (I - II - III)		**(5,939,183,861)**	**441,931,259**
Tax Expenses			
Current tax		—	69,000,000
Less: MAT credit entitlement		—	(69,000,000)
Net current tax expense		—	—
Deferred tax charge/(credit)		(430,852,081)	107,000,000
Total Tax Expenses		(430,852,081)	107,000,000
Net Profit/(Loss)		**(5,508,331,780)**	**334,931,259**
Earnings per equity share in INR computed on the basis of profit/(loss) for the year [nominal value of share INR 10 (Previous Year: INR 10)] Basic and Diluted	23	(42.21)	2.57

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan — Chairman
Manish Maheshwari — Managing Director
S. B. Mathur — Director
V. S. Rangan — Director
Minesh Bhatt — Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
Cash flow from operating activities		
Profit/(Loss) Before Tax	(5,939,183,861)	441,931,259
Adjustments to reconcile:		
Depletion, depreciation and amortization expense (Including Exceptional item)	2,000,356,844	554,598,357
Impairment During the Year	4,593,886,734	—
Provisions	47,178,555	299,571
Unrealized foreign exchange (gain) (net)	637,327	(767,336)
Amortization of Foreign Currency Monetary Item Translation Difference Account	1,881,533	1,175,478
Excess Liabilities / Provisions Written Back	(4,249,904)	(24,463,158)
Net gain on sale of assets	(823)	(214,731)
Finance Costs	105,730,289	108,981,512
Interest income	(36,502,364)	(117,340,976)
Other non-operating income	(49,292)	—
Dividend income	(71,191,450)	(98,177,693)
Operating profit before working capital changes	**698,493,588**	**866,022,282**
Movements in working capital:		
Increase / (Decrease) in trade payables and other liabilities	91,766,227	(192,884,494)
Decrease in trade receivables	50,139,846	275,094,923
Increase / (Decrease) in inventories	77,133,855	(28,465,528)
Increase in loans and advances and other assets	(148,343,948)	(56,584,563)
Cash generated from operations	**769,189,568**	**863,182,620**
Direct taxes paid (net of refunds)	(17,759,615)	(231,964,740)
Net cash flow from operating activities (A)	**751,429,953**	**631,217,880**
Cash Flows from Investing Activities		
Purchase of fixed assets (including CWIP and capital advances)	(3,302,862,342)	(103,908,060)
Proceeds from Sale of Fixed Assets	1,300	543,788
Other Income	49,292	—
Interest received	58,728,100	117,430,312
Dividend received	71,191,450	98,177,693
Net cash flow from / (used in) investing activities (B)	**(3,172,892,200)**	**112,243,733**
Cash flows from financing activities		
Procceds from long-term borrowings	3,278,600,000	—
Repayment of long-term borrowings	(700,418,477)	(753,099,746)
Dividend Paid (including Dividend Tax)	—	—
Interest paid	(148,153,207)	(105,166,572)
Net cash flow from / (used in) financing activities (C)	**2,430,028,316**	**(858,266,318)**
Net Increase / (Decrease) in cash and cash equivalents (A + B + C)	**8,566,069**	**(114,804,705)**
Cash and cash equivalents at the beginning of the year	1,121,215,253	1,236,019,958
Cash and cash equivalents at the end of the year	**1,129,781,322**	**1,121,215,253**
Components of cash and cash equivalents		
Cash on hand	2,024	2,024
Balances with Banks* (See Note 16)		
– on deposit account	1,193,577,676	683,582,067
– on current accounts	47,907,879	106,635,292
Adjustment for Lien Marked Deposits / Accounts (See Note a, b & c of Note 16)	(61,672,934)	(91,308,414)
Adjustment for Site Restoration Deposits (See Note c of Note16)	(321,033,323)	(290,554,369)
Current Investment – Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	271,000,000	712,858,653
Total cash and cash equivalents	**1,129,781,322**	**1,121,215,253**
* Includes effect of exchange loss of INR 440,832 (Previous Year: INR Nil) on translation of foreign currency cash and cash equivalent.		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

A. Background

Hindustan Oil Exploration Company Limited ('the Company') was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956 and is listed on the National Stock Exchange ('NSE') and Bombay Stock Exchange ('BSE'). The Company is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is participant in various Oil and Gas blocks / fields (which are in the nature of jointly controlled assets) granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has seven onshore assets of which three are located in Cambay basin in the state of Gujarat, one in Assam Arakan basin in the state of Assam, two in Jaisalmer basin in the state of Rajasthan and one in Pranhita Godavari basin in the state of Andhra Pradesh. The Company has three offshore assets of which two assets are located in the Cauvery basin on the east coast of India, and one in Gulf of Cambay on the west coast of India. Details of Company's participating interest are fully disclosed in Note 28.

B. Significant Accounting Policies

(i) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures which are accounted on the basis of available information in the audited / unaudited financial statements of the Unincorporated Joint Ventures on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures. Hence, in respect of these Unincorporated Joint Ventures, certain disclosures required under the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 have been made in the financial statements of the Company based on audited / unaudited financial statement of the unincorporated Joint Venture.

(ii) Use of Estimates

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like depletion of Producing Properties, estimate of Site Restoration Liability, expensing of the estimated Site Restoration Liability, provision for employee benefits, useful lives of fixed assets, provision for doubtful advances, provision for tax, recognition of MAT Credit, recognition of deferred tax asset etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates. Any revisions to accounting estimates are recognized prospectively.

(iii) Fixed Assets and depreciation, depletion and amortization

Fixed assets comprises the following:

- Tangible assets:

  Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

  Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956. Assets individually costing less than or equal to INR 5,000 are fully depreciated in the year of acquisition.

  Improvements to Leasehold premises are amortised over the remaining primary lease period.

- Intangible assets:

  Intangible assets comprising computer software is amortised over the license period or 10 years, whichever is lower.

- Producing properties and Exploration / Development work-in-progress:

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

The Company generally follows the "Successful Efforts Method" of accounting for its exploration and production activities as explained below:

(a) Acquisition costs cover all costs incurred to purchase, lease or otherwise acquire a property or mineral right. These are costs incurred in acquiring the right to explore, drill and produce oil and gas including the initial costs incurred for obtaining the Petroleum Exploration License / Letter of Authority and Mining Lease. Acquisition costs are carried in books as Capital – Work in Progress and transferred to Producing Properties on attainment of commercial production. Depletion on Acquisition cost is provided on "Unit of production" method based on the related reserves as recommended by the Guidance Note issued by the Institute of Chartered Accountants of India.

(b) Cost of exploratory wells, including survey costs, is expensed in the year when the well is determined to be dry / abandoned or is transferred to Producing Properties on attainment of commercial production.

(c) Cost of all appraisal programmes related to a Discovery are initially capitalised as "Exploration Expenditure". If a Discovery is determined to be commercial pursuant to the appraisal programme, all appraisal costs, including the cost of unsuccessful appraisal wells, if any, are capitalised as Producing Properties on attainment of commercial production. If at the end of the appraisal programme, the Discovery is relinquished, then all appraisal costs related to the Discovery are charged to the Statement of Profit and Loss.

(d) Cost of temporary occupation of land, successful exploratory wells, appraisal wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalised as Producing Properties on attainment of commercial production.

(e) Producing Properties, including the cost incurred on dry / abandoned wells in development areas, are depleted using "Unit of Production" method based on the related reserves as recommended by the Guidance Note issued by the Institute of Chartered Accountants of India. Company provides minimum depreciation as prescribed under Schedule XIV of the Companies Act, 1956, wherever required. Any changes in Reserves and / or Cost are dealt with prospectively from the beginning of the year of such change. Hydrocarbon reserves are estimated and / or approved by the Management Committees of the Unincorporated Joint Ventures, which follow the International Reservoir Engineering Principles.

(f) If the Company / Unincorporated Joint Venture were to relinquish a block or part thereof, the accumulated acquisition and exploration costs carried in the books related to the block or part thereof, as the case may be, are written off as a charge to the Statement of Profit and Loss in the year of relinquishment.

Explanatory Note

1. All exploration costs including acquisition of geological and geophysical seismic information, license, depreciation on support equipment and facilities and acquisition costs are initially capitalized as "Exploration Expenditure", and are retained in exploration expenditure-work-in-progress if the exploration well(s) in first drilling campaign is determined to be successful, or such costs are written off consistent with para 2 below, if is determined to be unsuccessful.

2. Exploration costs associated with drilling, testing and equipping exploratory well(s) are initially capitalized as "Exploration Expenditure" and retained in exploration expenditure-work-in-progress so long as:

   (a) such well has found potential commercial reserves; or

   (b) such well test result is inconclusive and is subject to further exploration or appraisal activity like acquisition of seismic, or re-entry of such well, or drilling of additional exploratory / step out well in the area of interest, such activity to be carried out no later than 2 years from the date of completion of such well testing

   — until such time as such costs are transferred to "Producing Properties" on attainment of commercial production;

   or

   — else charged to the Statement of Profit and Loss.

Management makes quarterly assessment of the amounts included in "Exploration Expenditure-work-in-progress" to determine whether capitalization is appropriate and can continue. Exploration well(s) capitalized beyond 2 years are subject to additional judgment as to whether facts and circumstances have changed and therefore the conditions described in 2(a) and (b) above no longer apply.

(iv) Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities is recognised when the installation of the production facilities is completed based on the estimated future expenditure determined by the Management in accordance with the local conditions and requirements. The corresponding amount is added to the cost of the Producing Properties and is expensed in proportion to the production for the year and the estimated proved developed reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding Producing Properties.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

(v) Impairment

The carrying amounts of assets are reviewed annually or if there is any indication of impairment based on internal/external factors during the year. An impairment loss is recognized wherever the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount. The recoverable amount is the greater of the asset's or CGU's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(vi) Investments

Investments are capitalised at cost plus brokerage and stamp charges. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and fair value determined on an individual investment basis. Long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(vii) Inventories

(i) Closing stock of crude oil, condensate and natural gas in saleable condition is valued at Estimated Net Realisable Value. Estimated Net Realisable Value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(ii) Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out basis / weighted average basis, as applicable, or estimated net realisable value, whichever is lower.

(viii) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Revenue from the sale of crude oil, condensate and natural gas, net of Government's share of Profit Petroleum (calculated as per the provisions of the respective Production Sharing Contracts), where applicable, and Value Added Tax, is recognised on transfer of custody.

(ii) Service Income is recognised on accrual basis as per the contractual terms and is net of Service Tax.

(iii) Delayed Payment charges, retrospective revision in prices, interest on delayed payments and interest on income tax refunds are recognised as and when there is no uncertainty in the determination / receipt of the amount, on grounds of prudence.

(iv) Interest Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(v) Dividend Income is recognised when the right to receive the dividend is unconditional.

(ix) Employee Benefits

(a) Defined Contribution Plan

(i) <u>Provident Fund:</u> Contributions towards Employees' Provident Fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions. Contributions towards Employees' Provident Fund are recognized as an expense in the year incurred. There are no obligations other than the contribution payable to the respective fund.

(ii) <u>Superannuation Fund:</u> The Company contributes a sum equivalent to 15% of eligible Employees' basic salary to a Superannuation Fund administered by trustees. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

(b) Defined Benefit Plan

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by an Actuary appointed by the Company, using the Projected Unit Credit method. Actuarial gains / losses are recognised in the Statement of Profit and Loss. Obligation under the defined benefit plan is measured at the present value of estimated future cash flows. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

(c) Compensated Absences

The liability for long term compensated absences carried forward on the Balance Sheet date is provided for based on actuarial valuation done by an independent Actuary using the Projected Unit Credit method at the end of each accounting period. Short term compensated absences is recognized based on the eligible leave at credit on the Balance Sheet date and is estimated based on the terms of the employment contract.

(d) Other Employee Benefits

Other employee benefits, including allowances, incentives etc. are recognised based on the terms of the employment contract.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

(x) **Borrowing Cost**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Eligible borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(xi) **Foreign Currency Transactions**

The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, excluding long term foreign currency monetary items (see below), are recognised as income or as expenses in the period in which they arise.

Exchange differences, both realised and unrealised, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard - 11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and in other cases unrealised exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the Company's Balance Sheet and amortized over the balance period of such long term asset / liability by recognition as income or expense in each of such periods.

In accordance with MCA circular dated 09 August 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

(xii) **Taxation**

Income Tax: Current tax is the amount of tax payable on the taxable income for the year and is provided with reference to the provisions of the Income Tax Act, 1961.

Deferred Tax: Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities offset and relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT Credit: Minimum Alternate Tax (MAT) Credit is recognised as an asset, only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period, in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961". In the year in which the MAT Credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(xiii) **Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash and deposits at bank, cash in hand and short-term investments with an original maturity of three months or less.

(xiv) **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
1. Share Capital		
Authorised Shares		
200,000,000 (Previous Year: 200,000,000) equity shares of INR 10 each	2,000,000,000	2,000,000,000
Issued Shares		
130,563,363 (Previous Year: 130,563,363) equity shares of INR 10 each	1,305,633,630	1,305,633,630
Subscribed and Fully Paid up		
130,493,289 (Previous Year: 130,493,289) equity shares of INR 10 each	1,304,932,890	1,304,932,890
Add : Amount Paid-up on Shares Forfeited	160,115	160,115
Total issued, subscribed and fully paid-up share capital	1,305,093,005	1,305,093,005

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	31 March 2013		31 March 2012	
	No.	INR	No.	INR
At the beginning of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890
Issued during the period	—	—	—	—
Outstanding at the end of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

	31 March 2013		31 March 2012	
	No.	% holding	No.	% holding
Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36
Shares held by Promoter and Promoter Group				
Burren Shakti Limited 35,440,913 (Previous Year: 35,440,913) shares of INR 10 each	35,440,913	27.16	35,440,913	27.16
Burren Energy India Limited 12,766 (Previous Year: 12,766) shares of INR 10 each	12,766	0.01	12,766	0.01
Eni UK Holding Plc 26,115,455 (Previous Year: 26,115,455) shares of INR 10 each	26,115,455	20.01	26,115,455	20.01
	61,569,134	47.18	61,569,134	47.18

As per records of the Company, including its register of shareholders / members, the above shareholding represents legal ownerships of shares.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
2. Reserves and Surplus		
Securities premium account	7,841,521,473	7,841,521,473
Foreign Currency Monetary Item Translation Difference Account (See Note 35)		
Balance as per last financial statements	(4,119,003)	—
Created during the Year	(2,468,938)	(5,294,481)
Amortized during the Year	1,881,533	1,175,478
Closing Balance	(4,706,408)	(4,119,003)
Surplus / (Deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	2,930,800,008	2,595,868,749
Profit / (Loss) for the Year	(5,508,331,780)	334,931,259
Net Surplus / (Deficit) in the Statement of Profit and Loss	(2,577,531,772)	2,930,800,008
Total Reserves and Surplus	5,259,283,293	10,768,202,478

	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note (a) below)	83,505,117	157,044,064	83,504,678	78,521,826
From banks (Rupee) (See Note (b) below)	—	59,900,000	59,900,000	72,000,000
Loan from Related Party (Unsecured)				
ENI Finance International (Foreign Currency) (See Note (c) below) *(Earlier known as ENI Coordination Center S.A., Belgium)*	8,083,000,000	5,024,175,000	548,000,000	515,300,000
	8,166,505,117	5,241,119,064	691,404,678	665,821,826
The above amount includes				
Amount disclosed under the head "other current liabilities" (See Note 5)	—	—	(691,404,678)	(665,821,826)
Net amount	8,166,505,117	5,241,119,064	—	—

Notes:

a. The term loans from banks (Foreign currency) include loan from Axis Bank Limited: INR 167,009,795 (Previous Year: INR 235,565,890); term loan is secured by way of charge on all movable properties pertaining to PY-1 Gas Project, the Company's Participating Interest in PY-1 Field and the PY-1 Trust and Retention Accounts. The Loan is to be paid in variable installments over a period upto Financial Year 2014-2015.

b. The term loans from banks (Rupee) includes loan from HDFC Bank Limited and Axis Bank Limited INR 59,900,000 (Previous Year: INR 131,900,000) are secured by way of charge on the Company's Participating Interest in PY-3 and Palej Fields, first charge on the Company's share of Crude Oil Receivables from PY-3 and Palej Fields and charge on the Debt Service Reserve Account; the Loans are to be paid in variable installments over a period upto Financial Year 2013-2014.

c. Loan from Related Party (Unsecured) includes (Total INR 8,631,000,000):

   a. Unsecured loan of INR 5,343,000,000 (Previous Year: INR 5,539,475,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.

   b. During the year Company had raised funds through External Commercial Borrowing (ECB) from ENI Finance International of USD 60 Million (INR equivalent 3,288,000,000) to be paid in variable installments over a period up to 2018-2019 starting from June 2014.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Long-term		Short-term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
4. Provisions				
Provision for employee benefits				
Provision for gratuity (See Note 26)	—	—	770,763	1,124,722
Provision for compensated absences	3,803,649	3,993,907	121,296	128,646
	3,803,649	**3,993,907**	**892,059**	**1,253,368**
Other provisions				
Provision for site restoration (See Note a below)	960,550,000	904,142,500	—	—
Provision for Wealth Tax (net of advance tax)	—	—	482,830	465,195
	960,550,000	**904,142,500**	**482,830**	**465,195**
Total Provisions	**964,353,649**	**908,136,407**	**1,374,889**	**1,718,563**

Note :

	31 March 2013	31 March 2012
a. Provision for site restoration		
Opening balance	904,142,500	801,505,000
Effect of changes in Foreign Exchange Rates	56,407,500	102,637,500
Closing balance	**960,550,000**	**904,142,500**

	31 March 2013	31 March 2012
5. Current Liabilities		
Trade payables		
Micro, Small & Medium Enterprises (See Note a below)	1,214,744	248,230
Others	126,611,419	181,763,079
	127,826,163	**182,011,309**
Other current liabilities		
Current maturities of long-term borrowings	691,404,678	665,821,826
Unclaimed / Unpaid Dividend (See Note b below)	3,840,125	3,840,125
Unclaimed / Unpaid Share Application Money (See Note b below)	438,221	438,221
Creditor for Capital Expenditure	664,218,751	258,433,960
Others Payables		
Statutory dues payable	47,242,958	42,073,012
Security Deposits (See Note c below)	8,500,000	8,500,000
Other Payable	237,711,818	101,180,297
	1,653,356,552	**1,080,287,441**

Notes:

a. **Details of dues to Micro, Small & Medium Enterprises as per MSMED Act, 2006.**

	31 March 2013	31 March 2012
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	1,214,744	248,230
Interest accrued and due to suppliers under the MSMED Act on the above amount as at year end	—	—
Payment made to suppliers (other than interest) beyond the appointed day, during the year	—	—
Interest paid to suppliers under the MSMED Act (other than Section 16)	—	—
Interest paid to suppliers under the MSMED Act (Section 16)	—	—
Interest due and payable to suppliers under the MSMED Act for payments already made	—	—
Interest accrued and remaining unpaid to suppliers under the MSMED Act as at year end	—	—
	1,214,744	248,230

All payments due to Micro, Small and Medium Enterprises have been made within the prescribed time limits and / or date agreed upon under the contract.

b. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

c. Includes Security Deposit of INR 8,500,000 (Previous Year: INR 8,500,000) received from HOEC Bardahl India Ltd., the Wholly Owned Subsidiary of the Company.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Fixed Assets	GROSS BLOCK						DEPLETION, DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE					NET BLOCK	
		Balance as at 1 April 2012	Additions	(Disposals)/ Transfers	Exchange Differences	Borrowing Costs	Balance as at 31 March 2013	Balance as at 1 April 2012	Depletion Depreciation & Amortisation for the year	Impairment during the year	(Disposals)	Balance as at 31 March 2013	Balance as at 31 March 2013	Balance as at 31 March 2012
6	Tangible Assets													
	Land	22,752,173	—	—	—	—	22,752,173	—	—	—	—	—	22,752,173	22,752,173
	Buildings (See Note a below)	104,331,788	—	—	—	—	104,331,788	37,117,931	3,360,693	—	—	40,478,624	63,853,164	67,213,857
	Furniture & Fixture	5,605,174	62,332	—	—	—	5,667,506	4,932,402	133,054	—	—	5,065,455	602,051	672,772
	Vehicles	5,063,701	—	—	—	—	5,063,701	3,876,680	307,320	—	—	4,184,000	879,701	1,187,021
	Office Equipments	8,727,780	145,420	—	—	—	8,873,200	7,070,747	250,721	—	—	7,321,469	1,551,731	1,657,033
	Computers	6,162,479	620,614	(47,320)	—	—	6,735,773	5,345,901	574,686	—	(46,843)	5,873,744	862,029	816,578
		152,643,095	828,366	(47,320)	—	—	153,424,141	58,343,661	4,626,474	—	(46,843)	62,923,292	90,500,849	94,299,434
	Previous Year	*154,700,563*	*2,195,801*	*(4,253,269)*	—	—	*152,643,095*	*57,354,816*	*4,913,056*	—	*(3,924,211)*	*58,343,661*	*94,299,434*	
7	Intangible Assets													
	Computer Software	25,776,873	—	—	—	—	25,776,873	24,668,110	443,505	—	—	25,111,615	665,258	1,108,763
	Previous Year	*24,250,713*	*1,526,160*	—	—	—	*25,776,873*	*23,924,735*	*743,375*	—	—	*24,668,110*	*1,108,763*	
8	Producing Properties (See Note b and c below)	18,644,529,289	872,896,322	(348,838)	418,198,697	—	19,935,275,470	3,393,150,893	1,995,286,866	3,852,468,426	—	9,240,906,185	10,694,369,285	15,251,378,396
	Previous Year	*17,643,725,111*	*131,927,793*	*(1,287,349)*	*870,163,734*	—	*18,644,529,289*	*2,844,208,967*	*548,941,926*	—	—	*3,393,150,893*	*15,251,378,396*	
9	Exploration/ Development work in progress													
	Development Expenditure	39,348,571	2,709,193,370	(316,772,127)	6,730,078	16,816,421	2,455,316,313	—	—	741,418,308	—	741,418,308	1,713,898,005	39,348,571
	Exploration Expenditure	1,199,500,323	473,368,415	33,170	1,797,167	3,218,057	1,677,917,132	—	—	—	—	—	1,677,917,132	1,199,500,323
		1,238,848,894	3,182,561,785	(316,738,957)	8,527,246	20,034,477	4,133,233,445	—	—	741,418,308	—	741,418,308	3,391,815,137	1,238,848,894
	Previous Year	*1,010,869,277*	*285,622,566*	*(57,642,949)*	—	—	*1,238,848,894*	—	—	—	—	—	*1,238,848,894*	

Notes:

a. Gross block and net block of Buildings include an amount of INR 28,238,883 (Previous Year: INR 28,238,883) and INR 10,656,046 (Previous Year: INR 11,216,890) respectively for assets given on operating lease.

b. Producing Properties include assets used in connection with petroleum operations.

c. Addition to Producing Properties (Exchange Differences) includes increase in undiscounted estimated future Site Restoration cost of INR 56,407,500 (Previous Year: increase of INR 109,710,000).

d. The Company has performed an Impairment test in compliance with Accounting Standard-28 during the current year and recognised an Impairment loss. Also refer Note 22 – Exceptional item for details.

e. Depletion, Depreciation & Amortization for the current year includes additional depletion of INR 1,125,857,269 (disclosed under exceptional items) provided on account of change in reserves. In case there had been no such change, the depletion charge would have been INR 869,429,596. Also refer Note-22 Exceptional item for details.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
10. Non-Current Investment		
Trade Investment		
Unquoted Equity Instrument (Investment in subsidiary)		
50,002 (Previous Year: 50,002) Equity Shares of INR 100 each of HOEC Bardahl India Limited	5,000,200	5,000,200
Non-Trade Investment		
Unquoted Equity Instrument		
100,000 (Previous Year: 100,000) Equity Shares of INR 10 each of Gujarat Securities Limited	1,000,000	1,000,000
Less : Provision for diminution in value of investment in Gujarat Securities Limited	(999,999)	(999,999)
Total	5,000,201	5,000,201
Aggregate amount of unquoted investment	6,000,200	6,000,200
For method of valuation, please refer section vi of Significant Accounting Policies (Note B).		

	31 March 2013	31 March 2012
11. Deferred Tax Liabilities (net) (See Note 36)		
Deferred Tax Asset		
Exploration Expenses	294,014,049	294,014,049
Doubtful Advances	15,893,100	439,507
Employee Related Costs	—	3,325,198
Unabsorbed Business Losses and Depreciation	864,081,347	1,768,725,559
Others	—	12,634,387
Sub Total (A)	1,173,988,496	2,079,138,700
Deferred Tax Liability		
Depreciation, depletion and amortization of Fixed Assets	1,173,250,278	2,508,654,370
Employee Related Costs	127,755	—
Foreign Currency Monetary Item Translation Difference Account	610,463	1,336,411
Sub Total (B)	1,173,988,496	2,509,990,781
Net Deferred Tax Liabilities (B – A)	—	430,852,081

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
12. Loans and advances				
Unsecured and considered good				
Capital advances	40,558,444	14,150,371	—	—
Security deposit	9,393,399	9,131,550	—	—
Advances recoverable in cash or kind (See Note a and b below)	—	245,549	146,118,082	66,784,348
(A)	**49,951,842**	**23,527,471**	**146,118,082**	**66,784,348**
Other loans and advances (unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 1,240,963,496 (Previous Year: INR 1,240,963,496)]	580,463,577	562,786,327	—	—
MAT credit entitlement (See Note c below)	436,362,448	436,362,448	—	—
Fringe benefit tax [Net of Provision for Fringe Benefit Taxation of INR 8,500,000 (Previous Year: INR 8,500,000)]	1,058,060	1,058,060	—	—
Prepaid expenses	71,640	17,014,725	14,865,513	34,361,728
(B)	**1,017,955,725**	**1,017,221,560**	**14,865,513**	**34,361,728**
Unsecured and considered doubtful				
Capital advances	1,354,621	1,354,621	—	—
Advances recoverable in cash or kind (See Note d below)	47,630,122	—	—	—
Less: Provision for Doubtful Advances	(48,984,743)	(1,354,621)	—	—
(C)	—	—	—	—
Total (A+B+C)	**1,067,907,567**	**1,040,749,031**	**160,983,595**	**101,146,076**

Notes:

	31 March 2013	31 March 2012
a. Maximum amount due from HOEC Bardahl India Limited (Wholly Owned Subsidiary) at any time during the year	—	2,804,372
b. Amount due from HOEC Bardahl India Limited (Wholly Owned Subsidiary) at the end of year.	—	—

c. Provision for Income Tax for the current year as well as the previous year has been computed based on Minimum Alternate Tax in accordance with Section 115JB of the Income Tax Act, 1961. Provision for Income tax for current year is NIL and accordingly no addition to MAT Credit Entitlement has been made during the year. Taking into consideration the future profitability and the taxable position in the subsequent years, the Company has recognised "MAT Credit Entitlement" in accordance with the "Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India.

d. Pursuant to a demand raised by Directorate General of Hydrocarbons with respect to the block CY-OS-97/1 in the current year, the Company has paid amounts aggregating to INR 47,630,122 under protest. The matter is under arbitration and the Company has provided for the entire amount in books of account.

	Current	
	31 March 2013	31 March 2012
13. Trade receivables and other assets		
Trade receivables		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	—	—
Other receivables	148,875,803	199,652,972
	148,875,803	**199,652,972**

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	1,087,490	3,989,192	2,901,699	3,137,254
Interest accrued on deposits	—	—	5,110,884	1,810,923
	1,087,490	**3,989,192**	**8,012,583**	**4,948,177**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
14. Current Investments		
Quoted equity instrument		
318 (Previous Year: 318) Equity Shares of INR 10 each of Reliance Industries Limited	25,975	25,975
318 (Previous Year: 318) Equity Shares of INR 5 each of Reliance Communication Ventures Limited	19,332	19,332
23 (Previous Year: 23) Equity Shares of INR 10 each of Reliance Infrastructure Limited	3,219	3,219
15 (Previous Year: 15) Equity Shares of INR 10 each of Reliance Capital Limited	166	166
79 (Previous Year: 79) Equity Shares of INR 10 each of Reliance Power Limited	272	272
(A)	48,964	48,964
Unquoted mutual funds		
Units of Liquid / Liquid plus schemes of Mutual Funds		
53,317.42 (Previous Year: Nil) Units of INR 1,876 each of UTI Floating Rate Fund – STP-Regular Plan – Direct Plan – Growth	100,000,000	—
85,320.53 (Previous Year: Nil) Units of INR 2,004 each of Units of Magnum Insta Cash fund Liquid Floater – Regular Plan – Growth	171,000,000	—
Nil (Previous Year: 124,465) Units of INR 1,000 each of UTI Treasury Advantage Fund – Institutional Plan (Daily Dividend Option) – Reinvestment	—	124,492,492
Nil (Previous Year: 3,067,035) Units of INR 10 each of ICICI Prudential Floating Rate Plan D-Daily Dividend-Dividend Reinvestment	—	306,864,540
Nil (Previous Year: 23,185,924) Units of INR 10 each of Kotak Floater Short Term – Daily Dividend	—	234,553,448
Nil (Previous Year: 468,568) Units of INR 10 each of Birla Sun Life Cash Plus Fund – Institutional premium – Daily Dividend – Reinvestment	—	46,948,173
(B)	271,000,000	712,858,653
Total (A)+(B)	271,048,964	712,907,617
For method of valuation, please refer section vi of Significant Accounting Policies (Note B).		
Aggregate amount (cost) of Quoted Investment	48,964	48,964
Market Value of Quoted Investment	280,407	290,520
Aggregate amount (cost) of Unquoted Investment	271,000,000	712,858,653

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Current	
	31 March 2013	31 March 2012
15. Inventories		
Crude Oil, Condensate and Natural Gas		
– Crude Oil	8,908,261	9,257,281
– Condensate	38,062,530	33,539,797
– Natural Gas	624,878	566,691
Stores, Spares, Capital Stock and Drilling Tangibles	344,164,342	425,530,097
	391,760,011	**468,893,866**

For method of valuation, please refer section vii of Significant Accounting Policies (Note B).

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts (See Note a below)	—	—	47,907,879	106,635,292
Deposits with original maturity of less than 3 months (See Note b below)	—	—	398,669,476	308,911,768
Cash on hand	—	—	2,024	2,024
(A)	—	—	**446,579,379**	**415,549,084**
Other bank balances				
Unclaimed / Unpaid Dividend Accounts	—	—	3,840,125	3,840,125
Unclaimed / Unpaid Share Application Money	—	—	438,221	438,221
Deposits with original maturity of more than 3 months but less than 12 months	—	—	394,200,000	—
Deposits with original maturity of more than 12 months (See Note c below)	373,060,309	370,813,315	27,647,891	3,856,984
(B)	**373,060,309**	**370,813,315**	**426,126,237**	**8,135,330**
Total (A+B)	**373,060,309**	**370,813,315**	**872,705,616**	**423,684,414**

Notes:

a. Current accounts include lien marked amounts of INR 1,176,472 (Previous Year: INR 2,137,598).

b. Deposits (with original maturity of less than 3 months) include lien marked deposits of INR 8,469,476 (Previous Year: INR 8,911,869).

c. Deposits (with original maturity of more than 12 months) include (i) lien marked deposits of INR 52,026,986 (Previous Year: INR 80,258,947), and (ii) deposits of INR 321,033,323 (Previous Year: INR 290,554,369) placed as "Site Restoration Fund" under Section 33ABA of Income Tax Act, 1961.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
17. Revenue from Operations		
Sales (See Note 32)		
Sale of Crude Oil, Condensate and Natural Gas (See Notes a & b below)	1,125,913,753	1,663,227,213
Less: Profit petroleum to Government of India	(46,832,137)	(156,359,728)
(A)	1,079,081,616	1,506,867,485
Sale of services		
Warehousing Services	7,056,000	7,056,000
(B)	7,056,000	7,056,000
Total (A+B)	1,086,137,616	1,513,923,485

Notes:

a. During Financial Year ended March 31, 2013, the PY-1 Field was shut-in for a cumulative period of 135 days (Previous Year: 159 days), primarily on account of the buyer, GAIL India Limited, not able to off-take the gas supply due to shut-down of downstream consumer (115 days) and unplanned maintenance at PY-1 onshore processing terminal (20 days). (Also see Note 32).

b. PY-3 Field, operated by Hardy Exploration & Production (India) Inc., remains shut since July 31, 2011. Operator of the field is preparing a Comprehensive Field Development Plan for approval by Consortium Partners and finally the Authorities.

	31 March 2013	31 March 2012
18. Increase / (Decrease) in inventories of Crude Oil, Condensate and Natural Gas		
Inventories at the end of the year	47,595,669	43,363,769
Inventories at the beginning of the year	43,363,769	114,565,190
	4,231,900	(71,201,421)
Less: Profit petroleum to Government of India	2,536,218	2,721,138
Net Increase / (Decrease) in inventories	1,695,682	(73,922,559)

	31 March 2013	31 March 2012
19. Other Income		
Interest Income on		
Bank Deposits	36,502,364	31,661,157
Income Tax refund (See Note a below)	—	73,812,440
Other Interest (See Note b below)	—	11,867,379
	36,502,364	117,340,976
Dividend income on current investments	36,184,209	98,172,182
Dividend income on long term investments (See Note c below)	35,007,241	5,511
Renting of Immovable property	4,200,000	2,800,000
Gain on sale / discard of asset (Net)	823	214,731
Profit on sale of current Investment	49,292	—
Excess provision written back / Provision no longer required (See Note d & e below)	4,249,904	24,463,158
Miscellaneous Income (See Note f below)	141,966	7,129,663
	116,335,799	250,126,221

Notes:

a. During the previous year, the Company had received interest on refund of Income Tax pursuant to a favorable Income Tax Appellate Tribunal award amounting to INR 73,812,440.

b. During the previous year, the Company had received interest amounting to INR 11,867,379, pursuant to a favorable award from the Arbitration Tribunal in relation to a dispute with ONGC / Government of India for GN-ON-90/3 Block.

c. Includes dividend received in current year INR 35,001,400 from wholly owned subsidiary HOEC Bardahl India Limited.

d. Represents INR 4,249,904 as reversal during the year (Previous Year: INR Nil), for Long Term Incentive Plan, being provision no longer required. (See Note 25).

e. Excess provision written back for the year ended March 31, 2012 includes INR 14,202,235 pertaining to reversal of provision made in earlier years pursuant to favorable award of Arbitration Tribunal (See Note b above).

f. During the previous year, the Company had received an amount of INR 4,250,000 pursuant to settlement in relation to a dispute with Mafatlal Industries Limited in GN-ON-90/3 Block.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2013	31 March 2012
20. Employee Benefits, Operating and Administrative and Other Expenses			
A. Employee Benefit Expenses			
Salaries, Wages and Bonus		84,872,672	91,892,086
Contribution to :			
(i) Provident Fund		4,611,239	4,964,385
(ii) Gratuity Fund (See Note 26)		893,118	1,347,777
(iii) Superannuation Fund		4,984,448	5,577,951
Staff Welfare Expenses		4,073,831	4,523,966
Total Employee Benefits Expenses	(A)	**99,435,308**	**108,306,165**
B. Operating Expenses			
Hire Charges & Rent		30,710,461	76,966,913
Insurance		45,303,261	31,574,886
Repairs and Maintenance – Plant and Machinery		27,662,528	45,020,363
Manpower Costs & Overheads		66,946,800	140,928,643
Transportation and Logistics		17,280,571	102,294,678
Consumables		798,135	1,120,597
Royalty, Cess & Other Duties		79,802,293	82,811,307
Other Production Expenses		53,863,298	54,213,367
Total Operating Expenses	(B)	**322,367,346**	**534,930,754**
C. Administrative and Other Expenses			
Office and Guest House Rent		14,205,801	13,831,260
Electricity		2,316,431	1,861,159
Rates and Taxes		536,879	623,820
Repairs and Maintenance – Others		4,888,795	5,095,753
General Office Expenses		1,290,172	1,216,260
Travelling and Conveyance		7,741,326	5,635,871
Communication Expenses		3,755,437	3,419,373
Membership & Subscription		1,819,975	1,638,713
Legal and Professional Expenses		51,200,374	22,799,134
Insurance		744,560	325,132
Directors' Sitting Fees and Commission		1,122,191	1,020,000
Printing and Stationary		2,768,499	2,820,831
Miscellaneous Expenses		5,566,289	5,846,045
Loss on Foreign Exchange		58,531,745	19,358,466
Provision for Doubtful Advance (See Note 12(d))		47,630,122	—
	(i)	**204,118,596**	**85,491,817**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2013	31 March 2012
20. Employee Benefits, Operating and Administrative and Other Expenses (Contd.)			
Payment to Auditor:			
As Auditor:			
Audit Fee		2,078,660	2,078,660
Tax Audit Fee		114,420	112,360
Limited Review		512,947	413,625
Reimbursements		217,231	210,375
In Other Capacity:			
Other Services		22,472	—
Cost Audit Fees		224,720	224,720
	(ii)	3,170,450	3,039,740
Total Administrative and Other Expenses	C = (i+ii)	207,289,046	88,531,557
Total Employee Benefits, Operative Administrative and Other Expenses	(A+B+C)	629,091,700	731,768,476
Less: Recovery of Expenses (See Note 34)		(185,712,609)	(147,152,456)
Total Employee Benefits, Operative Administrative and Other Expenses		443,379,091	584,616,020

	31 March 2013	31 March 2012
21. Finance Costs		
Interest on Fixed Term Loans	100,962,708	103,440,520
Bank Charges and Commission	1,630,325	1,726,051
Amortization of Ancillary Borrowing Cost	3,137,256	3,814,940
	105,730,289	108,981,511

	31 March 2013	31 March 2012
22. Exceptional Items		
Impairment on Assets (Refer Note a below)	4,593,886,734	—
Additional Depletion on Producing Properties and Site Restoration Assets (Refer Note a below)	1,125,857,269	—
	5,719,744,003	—

Note:

a. Pursuant to an independent third party certification of PY-1 Field reserves based on information available subsequent to the drilling of Surya Well in PY-1 Field, the estimate of Proved Reserves of PY-1 Field has been revised to 120.2 billion cubic feet.

The Company has carried out an impairment assessment as at December 31, 2012, based on procedures consistent with Accounting Standard 28 (AS 28) and recognised an impairment loss to the extent of INR 4,593,886,734 and additional depletion amounting to INR 1,125,857,269 for the production upto the date of assessment of impairment. The aggregate amount of INR 5,719,744,003 has been disclosed under exceptional items.

The following key assumptions have been used for determining the value-in-use of PY-1 Asset:

i. Pre-tax cash flows have been projected for the life of the PY-1 Field based on the estimate of Proved Reserves as certified by the independent third party and considering cash flows necessary to maintain originally assessed standard of performance.

ii. Discount rate of 10% has been considered reflecting market assessment based on transactions for similar assets.

	31 March 2013	31 March 2012
23. Earnings Per Share (EPS)		
The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:		
Profit/(Loss) After Tax as per Statement of Profit & Loss (used for both calculation of basic and diluted EPS)	(5,508,331,780)	334,931,259
	No.	No.
Weighted average number of equity shares used in calculating basic & diluted EPS	130,493,289	130,493,289
Earnings per equity share in INR computed on the basis of profit/(loss) for the year Basic and Diluted	(42.21)	2.57

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

24. Foreign Currency Transactions

(i) **Expenditure in Foreign Currency (on accrual basis)**

Particulars	2012-2013	2011-2012
Professional and Consultancy Fees	56,782,726	50,185,322
Interest	136,917,435	87,199,979
Travelling Expenses	320,986	517,338
Others	5,146,786	21,084,046

(ii) **Earnings in Foreign Currency (on accrual basis)**

Particulars	2012-2013	2011-2012
Interest	764,552	12,433

(iii) **CIF Value of Imports** (on accrual basis)

Particulars	2012-2013	2011-2012
Capital Goods	3,858,941	4,031,413
Components and Spare Parts	103,533,680	118,676,896

25. Long Term Incentive Plan, Scheme 2005

Under the HOEC Limited Employee Stock Option Scheme – 2005 (ESOS Scheme) approved by the Shareholders, and as amended from time to time, the Board had approved grant of Nil options (Previous Year: 34,524 options approved on November 09, 2011) to the eligible Employees and eligible Directors at Nil exercise price as part of the Long Term Incentive Plan (LTIP). In terms of the ESOS Scheme, the options would vest at the third anniversary of the end of the financial year for which the grant corresponds to. During the year, the Company has written back excess provision towards cash and ESOS (deferred bonus) made during the prior year amounting to INR 4,249,904 (Previous Year: INR 1,976,665) based on the approval / ratification of the Board of Directors of the Company.

Method used for Accounting for Share Based Payment Plan:

Under the LTIP Scheme 2005, the eligible employees are granted options in the succeeding year after adoption of the Annual Audited Accounts for the given year. The Company charges the entire amount provided towards performance bonus and stock options to the Statement of Profit and Loss for the year for which the grant corresponds to. Any upward variation in the market price / acquisition price of the ESOS stocks, as may be applicable, as on the date of Balance Sheet, is charged to the Statement of Profit and Loss for the period as per LTIP.

Particulars	Number of Shares Arising Out of Options	
	2012-2013	2011-2012
Outstanding at the beginning of the Year	67,643	49,110
Granted during the Year	—	34,524
Forfeited / lapsed during the Year	35,789	—
Exercised during the Year	14,174	15,991
Outstanding at the End of the Year	17,680	67,643
– Vested	—	15,439
– Yet to Vest	17,680	52,204

Fair Value Methodology:

The fair value of the options granted under LTIP Scheme 2005 approximates the intrinsic value of the options on the date of the grant.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

26. Employee Benefits

a. Gratuity

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Every employee who has completed a continuous period of five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet.

	2012-2013	2011-2012
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,178,812	1,330,106
Interest cost on benefit obligation	616,591	548,841
Expected return on plan assets	(551,636)	(436,009)
Net actuarial (gain) / loss recognized in the Year	(350,649)	(95,161)
Past service cost	—	—
Net benefit expense	**893,118**	**1,347,777**
Actual return on plan assets	551,636	590,063
Balance Sheet		
Benefit asset / (liability)		
Present value of defined benefit obligation	(8,258,734)	(7,694,034)
Fair value of plan assets	7,487,971	6,569,312
Plan asset / (liability)	(770,763)	(1,124,722)
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	7,694,034	6,652,620
Current service cost	1,178,812	1,330,106
Interest cost	616,591	548,841
Benefits paid	(880,054)	(896,426)
Actuarial (gains) / losses on obligation	(350,649)	58,893
Closing defined benefit obligation	8,258,733	7,694,034
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	6,569,312	3,709,852
Expected return	551,636	436,009
Contributions by employer	1,247,076	3,165,824
Benefits paid	(880,054)	(896,426)
Actuarial gains / (losses)	—	154,053
Closing fair value of plan assets	7,487,971	6,569,312

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

Particulars	2012-2013	2011-2012
Discount rate	8.10%	8.50%
Future salary increase	9.00%	9.00%
Expected rate of return on assets	9.00%	9.00%
Employee turnover	1% to 5%	1% to 5%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

Particulars	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Defined benefit Obligations	(8,258,733)	(7,694,034)	(6,652,620)	(6,320,300)	(8,311,130)
Plan Assets	7,487,971	6,569,312	3,709,852	3,467,487	2,204,015
Surplus / (Deficit)	(770,763)	(1,124,722)	(2,942,768)	(2,852,813)	(6,107,115)
Experience adjustments on Plan Liabilities	(350,649)	58,893	(616,151)	(649,489)	30,916
Experience adjustments on Plan Assets	—	154,053	8,331	25,631	35,621

b. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences are as given below:

Discount Rate (% p.a.)	8.10%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

27. Segmental Reporting

The Company is primarily engaged in a single business segment of "Hydrocarbons and other incidental services". All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. Hence, there are no separate reportable segments as per AS-17 "Segmental Reporting".

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

28. Unincorporated Joint Venture Operations

The Company has entered into Production Sharing Contracts (PSCs) and Unincorporated Joint Ventures (UJVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these UJVs and participating interest of venture partners are as follows:

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%)	
			As at March 31, 2013	As at March 31, 2012
Licensed Production Sharing Contracts:				
1	PY-1	Hindustan Oil Exploration Company Limited (HOEC) (O)	100.00	100.00
2	CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc. (O)	18.00	18.00
		Oil and Natural Gas Corporation Limited	40.00	40.00
		Hindustan Oil Exploration Company Limited	21.00	21.00
		Tata Petrodyne Limited	21.00	21.00
3	Asjol	Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
4	North Balol	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Gujarat State Petroleum Corporation Limited	45.00	45.00
		Heramec Limited	30.00	30.00
5	CB-ON/7 (Palej)	**Exploration Area**		
		Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development Area		
		Hindustan Oil Exploration Company Limited (O)	35.00	35.00
		Gujarat State Petroleum Corporation Limited	35.00	35.00
		Oil and Natural Gas Corporation Limited	30.00	30.00
6	CB-OS/1	**Exploration Area**		
		Oil and Natural Gas Corporation Limited (O)	32.89	32.89
		Hindustan Oil Exploration Company Limited	57.11	57.11
		Tata Petrodyne Limited	10.00	10.00
		Development Area		
		Oil and Natural Gas Corporation Limited (O)	55.26	55.26
		Hindustan Oil Exploration Company Limited	38.07	38.07
		Tata Petrodyne Limited	6.67	6.67
7	GN-ON-90/3* (Pranhita Godavari)	Hindustan Oil Exploration Company Limited (O)	100.00	75.00
8	AAP-ON-94/1	Hindustan Oil Exploration Company Limited (O)	40.323	40.323
		Indian Oil Corporation Limited	43.548	43.548
		Oil India Limited	16.129	16.129
9	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Bharat Petro Resources Limited (BPRL)	25.00	25.00
		Jindal Petroleum Limited (JPL)**	25.00	25.00
		IMC Limited	25.00	25.00
10	RJ-ONN-2005/2	Oil India Limited (O)	60.00	60.00
		Hindustan Oil Exploration Company Limited	20.00	20.00
		HPCL & Mittal Energy Limited	20.00	20.00

(O) – Operator

Note:

All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.

* Pursuant to the Settlement Agreement entered into during 2012, the Participating Interest (PI) of the Company has been revised to 100%.

** On account of non-submission of Financial and Performance Guarantee to the Government of India, JPL has been declared "Defaulting Party" by the Management Committee. The non defaulting parties i.e HOEC, BPRL and IMC have assumed the PI of the defaulting party (JPL) on interim basis with onward assignment of 25% PI to Hindustan Petroleum Corporation Limited (HPCL) so that the effective Participating Interest of each of the parties remain at 25%. Necessary Government approvals for the aforesaid assignment in favour of HPCL are awaited.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

29. Details of Oil and Gas Reserves

As at March 31, 2013, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is as follows:

		Opening Balance	Addition	Deduction	Production	Closing Balance
Oil Condensate	MMBOE	10.9	0.3	—	0.1	11.1
Gas	MMSCM	6,417.7	—	3,568.7	121.1	2,727.9

30. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2013 are as follows:

(A) Wholly Owned Subsidiary Company:
HOEC Bardahl India Limited

(B) Promoter Group:
1. ENI UK Holding plc. (Wholly Owned Subsidiary of ENI S.p.A, Italy)
2. Burren Shakti Limited (Wholly Owned Indirect Subsidiary of ENI UK Holding plc.)
3. Burren Energy India Limited (Wholly Owned Indirect Subsidiary of ENI UK Holding plc.)

(C) Other Group Entities
1. ENI Finance International, S.A., Belgium
2. ENI India Limited, United Kingdom
3. Banque ENI, Belgium

(D) Unincorporated Joint Ventures:
As per details given in Note 28 above

(E) Key Management Personnel:
1. Mr. Manish Maheshwari – Managing Director
2. Mr. Sergio Laura – Managing Director

(ii) The nature and volume of transactions of the Company during the year with the above parties were as follows:

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
INCOME					
– Warehousing Services & Rental of Immovable Property	11,256,000 (9,856,000)	— (—)	— (—)	— (—)	— (—)
– Dividend received	35,001,400 (—)	— (—)	— (—)	— (—)	— (—)
EXPENDITURE					
– Operating Expenditure	— (—)	— (—)	21,338,976 (25,462,465)	— (—)	— (—)
– Remuneration to Managing Director	— (—)	— (—)	— (—)	— (—)	20,191,035 (24,685,792)
– Professional Fee	— (—)	— (—)	24,839,201 (9,159,769)	— (—)	— (—)
– Recovery of Expenses	— (—)	— (—)	— (—)	53,557,572 (51,835,762)	— (—)
– Interest Paid*	— (—)	— (—)	130,152,137 (78,945,530)	— (—)	— (—)
– Dividends Paid	— (—)	— (—)	— (—)	— (—)	— (—)
– Bank Charges	— (—)	— (—)	121,174 (37,414)	— (—)	— (—)
OTHERS					
– Warehouse Deposit	8,500,000 (8,500,000)	— (—)	— (—)	— (—)	— (—)
LOAN					
– Unsecured Loan Received*	— (—)	— (—)	3,278,600,000 (—)	— (—)	— (—)
– Unsecured Loan Repaid*	— (—)	— (—)	545,525,000 (496,942,077)	— (—)	— (—)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
CAPITAL EXPENDITURE					
– Exploration Expenditure	— (—)	— (—)	1,142,146 (14,249,373)	— (—)	— (—)
– Development Expenditure	— (—)	— (—)	25,129,473 (20,454,219)	— (—)	— (—)
AS AT YEAR END					
Amounts Receivable as at Year End	— (—)	— (—)	— (—)	— (—)	— (—)
Loan Outstanding as at Year End*	— (—)	— (—)	8,631,000,000 (5,539,475,000)	— (—)	— (—)
Amounts Payable as at Year End	8,500,000 (8,500,000)	— (—)	156,108,428 (236,010,854)	— (—)	— (—)

* Amount relates to ENI Finance International S.A., Belgium.

Note:

Figures in brackets relate to the Previous Year.

31. Commitments and Contingencies

Particulars	As at March 31, 2013	As at March 31, 2012
(i) Contingent Liabilities		
(a) Counter Guarantees on account of Bank Guarantees	208,107,930	321,035,786
(b) Claims against the Company Not Acknowledged as Debt – Income Tax Demands under Appeal	393,584,832	362,690,907
(c) Service Tax Liability (pertaining to one Unincorporated Joint Venture)	2,139,321	2,139,321
(d) Hire Charges (pertaining to one Unincorporated Joint Venture)	51,694,208	51,694,208
(e) Liquidated damages under appeal (Pertaining to one Unincorporated Joint Venture)	47,630,122	—
(ii) Commitments		
(a) Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided for	397,242,309	179,634,270

32. Sales Turnover (See Note 17)

	2012-2013	2011-2012
Crude Oil / Condensate	335,941,436	807,660,616
Natural Gas	789,972,317	855,566,597
Less: Profit Petroleum to Government of India	46,832,137	156,359,728
Net Sales	**1,079,081,616**	**1,506,867,485**

33. Consumption of Stores and Spares

Product	2012-2013		2011-2012	
	Value in INR	%	Value in INR	%
Imported	571,348	8%	1,528,815	9%
Indigenous	6,936,156	92%	14,991,701	91%

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

34. Recovery of Expenses

Recovery of expenses represents expenditure incurred by the Company for the UJVs where the Company is the Operator. Such costs are recovered from the respective UJVs as per the terms of the Production Sharing Contract. Recovery of expenses also includes an amount of INR 37,353,814 (Previous Year: INR 10,303,863) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

35. Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

The details of the adjustment pursuant to the above are as under:

Particulars	2012-2013	2011-2012
Exchange Differences capitalised to Fixed Assets (including Work in Progress) during the year	370,318,443	760,453,734
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	4,706,408	4,119,003
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Statement of Profit and Loss for the year	1,881,533	1,175,478

36. Deferred tax:

During the current year, the Company has restricted the creation of deferred tax assets on carried forward business losses and unabsorbed depreciation to the extent that it believes that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Accordingly, the Company has restricted the deferred tax assets to the extent of deferred tax liability existing in books as at March 31, 2013 (See Note 11).

37. Particulars of Unhedged Foreign Currency Exposure

The particulars of unhedged Foreign Currency Exposure of the Company, are as under:

Particulars	Exposure as at March 31, 2013	Exposure as at March 31, 2012
Secured Loans	167,009,795	235,565,890
Unsecured Loans	8,631,000,000	5,539,475,000
Sundry Creditors	288,779,735	236,104,502
Sundry Debtors	29,408,284	46,806,017
Loans and Advances	8,275	10,821,287
Bank Account and Deposit	24,036,462	—

38. Previous Year Figures

Previous year's figures have been regrouped and reclassified wherever necessary to confirm to the current year's presentation.

In terms of our report of even date attached.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Hindustan Oil Exploration Company Limited

1. We have audited the attached Consolidated Balance Sheet of Hindustan Oil Exploration Company Limited ('the Company'), and its subsidiary HOEC Bardahl India Limited as at March 31, 2013, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 220,618,926, INR 11,108,879, INR Nil and INR Nil respectively as at March 31, 2013 in respect of one of its unincorporated joint venture ('UJV') not operated by the Company, whose accounts and other financial information have been audited by the auditors of the respective UJV and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such UJVs are based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

4. The attached financial statements and other financial information include Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 807,757,669, INR Nil, INR Nil and INR Nil respectively as at March 31, 2013 in respect of two of its UJV's not operated by the Company, the accounts of which have not been audited. The financial statements and other financial information have been incorporated based on un-audited financial statements as provided by the Operator of respective UJV's and relied upon by us. Our opinion is not qualified in respect of this matter.

5. *The Company follows "Successful Efforts Method" method of accounting for its exploration and production activities and as detailed in Note B (iv) to the financial statements, the Company has capitalised costs of INR 342.29 million (including INR 64.49 million to March 31, 2012), incurred in respect of surveys and studies relating to exploration activities.*

   The "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India requires costs of surveys and studies relating to exploration activities to be expensed when incurred under the "Successful Efforts Method" of accounting. Had the Company followed the recommendation of the Guidance Note, survey costs of INR 342.29 million (including prior period charge of INR 64.49 million) would have been written off as an expense and after considering related tax effects the net loss for the year would have been higher by INR 342.29 million and reserves and surplus would have been lower by INR 342.29 million respectively. Our audit opinion on the financial statements for the year ended March 31, 2012 was also qualified in respect of the above matter.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *except for the effects of the matters referred to in paragraph 5 above*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Company and its subsidiary as at March 31, 2013;

   (b) in the case of the consolidated statement of profit and loss, of the loss for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : Chennai
Date : May 29, 2013

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	5,322,300,271	10,854,471,298
		6,627,393,276	12,159,564,303
Non-current Liabilities			
Long-term borrowings	3	8,166,505,117	5,241,119,064
Deferred tax liabilities (net)	11	—	429,684,958
Long-term provisions	4	965,367,783	909,130,554
		9,131,872,900	6,579,934,576
Current Liabilities			
Trade payables	5	164,598,978	210,719,196
Other current liabilities	5	1,657,129,031	1,082,448,513
Short-term provisions	4	1,374,889	2,006,366
		1,823,102,898	1,295,174,075
TOTAL		17,582,369,074	20,034,672,954
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible assets	6	93,892,241	98,187,592
Intangible assets	7	784,656	1,246,311
Producing Properties	8	10,694,369,285	15,251,378,396
Exploration / development work in progress	9	3,391,815,138	1,238,848,894
Non-current Investment	10	1	1
Deferred tax assets (net)	11	1,207,309	—
Long-term loans and advances	12	1,071,406,635	1,044,108,724
Other non-current assets	13.2	1,087,490	3,989,192
Other bank balances	16	373,060,309	370,813,315
		15,627,623,064	18,008,572,425
Current Assets			
Current investments	14	301,446,777	771,702,569
Inventories	15	427,733,013	501,923,829
Trade receivables	13.1	178,580,014	217,682,663
Cash and bank balances	16	875,193,812	427,170,682
Short-term loans and advances	12	163,779,811	102,672,609
Other current assets	13.2	8,012,583	4,948,177
		1,954,746,010	2,026,100,529
TOTAL		17,582,369,074	20,034,672,954
Background	A		
Significant Accounting Policies	B		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
Income			
Revenue from Operations (Gross)	17	1,316,600,863	1,713,840,789
Less: Excise Duty		(29,018,999)	(21,154,787)
Revenue from Operations (Net)		1,287,581,864	1,692,686,002
(Decrease) in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives	18	(1,391,155)	(59,207,270)
Other Income	19	81,470,866	251,443,050
Total Revenue (I)		**1,367,661,575**	**1,884,921,782**
Expenses			
Purchase of traded goods	21	79,621,731	74,791,740
Employee Benefits, Operating, Administrative and Other expenses	20	510,125,443	652,230,199
Repacking Cost	22	27,260,810	26,764,871
Depletion, depreciation and amortization expense	6-9	875,272,931	555,421,366
Finance costs	23	106,030,053	110,291,591
Total Expenses (II)		**1,598,310,968**	**1,419,499,767**
Profit/(Loss) Before Tax and Exceptional Items (I - II)		**(230,649,393)**	**465,422,015**
Less: Exceptional Items – Impairment and Additional depletion (III)	24	**5,719,744,003**	—
Profit/(Loss) Before Tax (I - II - III)		**(5,950,393,396)**	**465,422,015**
Tax expenses			
Current tax		6,600,000	76,200,000
Current tax expense relating to prior years		(195,610)	5,652,492
Less: MAT credit entitlement		—	(69,000,000)
Net current tax expenses		6,404,390	12,852,492
Deferred tax charge / (credit)		(430,892,267)	107,151,732
Total tax expense		**(424,487,877)**	**120,004,224**
Net Profit / (Loss)		**(5,525,905,519)**	**345,417,791**
Earnings per equity share in INR computed on the basis of profit/(loss) for the year [nominal value of share INR 10 (Previous Year: INR 10)] Basic and Diluted	25	(42.35)	2.65

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
Cash flow from operating activities		
Profit/(Loss) before tax	(5,950,393,398)	465,422,015
Adjustment to reconcile:		
Depletion, depreciation and amortization expense	2,001,130,200	555,421,366
Impairment During the Year	4,593,886,734	—
Provisions	46,844,437	401,695
Unrealized foreign exchange (gain) (net)	637,326	(767,336)
Amortization of Foreign Currency Monetary Item Translation Difference Account	1,881,533	1,175,478
Excess Liabilities / Provisions Written Back	(4,249,904)	(24,463,158)
Net gain on sale of assets	16,984	(160,330)
Finance Cost	106,030,053	110,291,592
Interest income	(36,589,201)	(117,353,450)
Other non-operating income	(49,292)	—
Dividend income	(40,098,210)	(101,995,747)
Operating profit before working capital changes	**719,047,262**	**887,972,124**
Movements in working capital:		
Increase / (Decrease) in trade payables, other liabilities and provisions	101,442,562	(190,553,347)
Decrease in trade receivables	38,531,629	278,613,765
Decrease / (Increase) in inventories	74,190,816	(41,102,287)
(Increase) in loans and advances and other assets	(150,220,170)	(57,919,092)
Cash generated from operations	**782,992,099**	**877,011,163**
Direct taxes paid (net of refunds)	(23,696,840)	(240,008,233)
Net cash flow from operating activities (A)	**759,295,259**	**637,002,930**
Cash flows from investing activities		
Purchase of fixed assets (including CWIP and capital advances)	(3,303,141,589)	(106,570,936)
Proceeds from sale of fixed assets	4,300	602,921
Other Income	49,292	—
Interest received	58,814,937	117,442,786
Dividend received	40,098,210	101,995,747
Net cash flow from / (used in) investing activities (B)	**(3,204,174,850)**	**113,470,518**
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including securities premium)		
Proceeds from long-term borrowings	3,278,600,000	—
Repayment of long-term borrowings	(700,418,477)	(753,099,746)
Dividend Paid (including Dividend Tax)	(5,678,103)	—
Interest paid	(148,452,971)	(106,476,652)
Net cash flow from / (used in) financing activities (C)	**2,424,050,449**	**(859,576,398)**
Net increase in cash and cash equivalents (A + B + C)	**(20,829,142)**	**(109,102,950)**
Cash and cash equivalents at the beginning of the year	1,183,496,473	1,292,599,423
Cash and cash equivalents at the end of the year	**1,162,667,331**	**1,183,496,473**
Components of cash and cash equivalents		
Cash on hand	2,024	2,024
With banks* (See Note 16)		
- on deposit account	1,193,577,676	683,582,067
- on current accounts	50,396,075	110,121,560
Adjustment for Lien Marked Deposits / Accounts (See Note a, b, & c of Note 16)	(61,672,934)	(91,308,414)
Adjustment for Site Restoration Deposits (See Note c of Note 16)	(321,033,323)	(290,554,369)
Current Investment - Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	301,397,813	771,653,605
Total cash and cash equivalents	**1,162,667,331**	**1,183,496,473**
*includes effect of exchange loss of INR 440,832 (Previous Year: INR Nil) on translation of foreign currency cash and cash equivalents.		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

A. Background

Hindustan Oil Exploration Company Limited (the 'Group') was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956 and is listed on the National Stock Exchange ('NSE') and Bombay Stock Exchange ('BSE'). The Company is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets) granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has seven onshore assets of which three are located in Cambay basin in the state of Gujarat, one in Assam Arakan basin in the state of Assam, two in Jaisalmer Basin in the state of Rajasthan and one in Pranhita Godavari basin in the state of Andhra Pradesh. The Company has three offshore assets of which two assets are located in the Cauvery basin on the east coast of India, and one in Gulf of Cambay on the west coast of India. Details of Company's participating interest are fully disclosed in Note 30.

The Company has one subsidiary as at the year end:

HOEC Bardahl India Limited (HBIL) - A wholly owned subsidiary of the Company incorporated on November 24, 1988 in the state of Gujarat. HBIL is engaged in the business of marketing "Bardahl" brand of auto additives from U.S.A and is the sole authorised distributor for Bardahl products in India, Nepal and Sri Lanka.

The Company, along with HBIL, shall hereinafter, be collectively referred to as 'the Group'.

B. Significant Accounting Policies

(i) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures which are accounted on the basis of available information in the audited / unaudited financial statements of the Unincorporated Joint Ventures on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures. Hence, in respect of these Unincorporated Joint Ventures, certain disclosures required under the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. have been made in the financial statements of the Company based on audited / unaudited financial statement of the Unincorporated Joint Venture.

(ii) Principles of Consolidation

(a) The Consolidated Financial Statements ('CFS') of the Group have been prepared based on a line-by-line consolidation of the balance sheet as at March 31, 2013, statement of profit and loss and cash flows of the Group for the year ended March 31, 2013.

(b) The financial statements of the Subsidiary considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2013.

(c) The CFS have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(d) All material inter-company transactions and balances between the entities included in the CFS have been eliminated on consolidation.

(iii) Use of Estimates

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like depletion of producing properties, estimate of site restoration liability, expensing of the estimated site restoration liability, provision for employee benefits, useful lives of fixed assets, provision for doubtful advances, provision for tax, recognition of MAT Credit, recognition of deferred tax asset etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates. Any revisions to accounting estimates are recognized prospectively.

(iv) Fixed Assets and depreciation, depletion and amortization:

Fixed assets comprises the following:

- Tangible assets:

  Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

  Depreciation is provided on the " Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956 or as per the estimated useful lives of the assets, whichever is higher. Assets individually costing less than or equal to INR 5,000 are fully depreciated in the year of acquisition.

  Improvements to Leasehold premises are amortised over the remaining primary lease period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
(All amounts are in Indian Rupees, unless otherwise stated)

- Intangible assets:
  Intangible assets comprising computer software is amortised over the license period or 10 years, whichever is lower.

- Producing Properties and Exploration / Development work-in-progress:
  The Company generally follows the "Successful Efforts Method" of accounting for its exploration and production activities as explained below:

  a. Acquisition costs cover all costs incurred to purchase, lease or otherwise acquire a property or mineral right. These are costs incurred in acquiring the right to explore, drill and produce oil and gas including the initial costs incurred for obtaining the Petroleum Exploration License /Letter of Authority and Mining Lease. Acquisition costs are carried in books as Capital –Work in Progress and transferred to Producing Properties on attainment of commercial production. Depletion on Acquisition cost is provided on "Unit of production" method based on the related reserves as recommended by the Guidance Note issued by the Institute of Chartered Accountants of India.

  b. Cost of exploratory wells, including survey costs, is expensed in the year when the well is determined to be dry / abandoned or is transferred to Producing Properties on attainment of commercial production.

  c. Cost of all appraisal programmes related to a Discovery are initially capitalised as "Exploration Expenditure". If a Discovery is determined to be commercial pursuant to the appraisal programme, all appraisal costs, including the cost of unsuccessful appraisal wells, if any, are capitalised as Producing Properties on attainment of commercial production. If at the end of the appraisal programme, the Discovery is relinquished, then all appraisal costs related to the Discovery are charged to the Statement of Profit and Loss.

  d. Cost of temporary occupation of land, successful exploratory wells, appraisal wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalised as Producing Properties on attainment of commercial production.

  e. Producing Properties, including the cost incurred on dry / abandoned wells in development areas, are depleted using "Unit of Production" method based on the related reserves as recommended by the Guidance Note issued by the Institute of Chartered Accountants of India. Company provides minimum depreciation as prescribed under Schedule XIV of the Companies Act, 1956, wherever required. Any changes in Reserves and/or Cost are dealt with prospectively from the beginning of the year of such change. Hydrocarbon reserves are estimated and/or approved by the Management Committees of the Unincorporated Joint Ventures, which follow the International Reservoir Engineering Principles.

  f. If the Company / Unincorporated Joint Venture were to relinquish a block or part thereof, the accumulated acquisition and exploration costs carried in the books related to the block or part thereof, as the case may be, are written off as a charge to the Statement of Profit and Loss in the year of relinquishment.

Explanatory Note

1. All exploration costs including acquisition of geological and geophysical seismic information, license, depreciation on support equipment and facilities and acquisition costs are initially capitalized as "Exploration Expenditure", and are retained in exploration expenditure-work-in-progress if the exploration well(s) in first drilling campaign is determined to be successful, or such costs are written off consistent with para 2 below, if is determined to be unsuccessful.

2. Exploration costs associated with drilling, testing and equipping exploratory well(s) are initially capitalized as "Exploration Expenditure" and retained in exploration expenditure-work-in-progress so long as:

   (a) Such well has found potential commercial reserves; or

   (b) Such well test result is inconclusive and is subject to further exploration or appraisal activity like acquisition of seismic, or re-entry of such well, or drilling of additional exploratory / step out well in the area of interest, such activity to be carried out no later than 2 years from the date of completion of such well testing

   — until such time as such costs are transferred to "Producing Properties" on attainment of commercial production; or

   — else charged to the Statement of Profit and Loss.

Management makes quarterly assessment of the amounts included in "Exploration Expenditure-work-in-progress" to determine whether capitalization is appropriate and can continue. Exploration well(s) capitalized beyond 2 years are subject to additional judgment as to whether facts and circumstances have changed and therefore the conditions described in 2(a) and (b) above no longer apply.

(v) Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities is recognised when the installation of the production facilities is completed based on the estimated future expenditure determined by the Management in accordance with the local conditions and requirements. The corresponding amount is added to the cost of the Producing Properties and is expensed in proportion to the production for the year and the estimated proved developed reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding Producing Properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

(vi) Impairment

The carrying amounts of assets are reviewed annually or if there is any indication of impairment based on internal/external factors during the year. An impairment loss is recognized wherever the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount. The recoverable amount is the greater of the asset's or CGU's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(vii) Investments

Investments are capitalised at cost plus brokerage and stamp charges. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and fair value determined on an individual investment basis. Long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(viii) Inventories

a. Closing stock of crude oil, condensate and natural gas in saleable condition is valued at Estimated Net Realisable Value. Estimated Net Realisable Value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

b. Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out basis/ weighted average basis, as applicable, or estimated net realisable value, whichever is lower.

c. Inventory of Oil additives are valued at lower of Cost or Net Realisable Value. Cost is ascertained on a specific identification basis. Inventories include Packed, Unpacked stock and Packing Materials. Cost of Unpacked material includes cost of materials (net of Cenvat / VAT), Customs duty, Insurance, Freight, Clearing Charges. Cost of Packed Materials includes materials and repacking cost. Excise duty liability is included in the valuation of closing inventory of Packed Materials. Obsolescence of inventory is determined on the material consumption pattern / specific review and is accordingly provided for.

(ix) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Revenue from the sale of crude oil, condensate and natural gas, net of Government's share of Profit Petroleum (calculated as per the provisions of the respective Production Sharing Contracts), where applicable, and Value Added Tax, is recognised on transfer of custody.

(ii) Service Income is recognised on accrual basis as per the contractual terms and is net of Service Tax.

(iii) Interest: Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(iv) Dividend income is recognised when the right to receive the dividend is unconditional.

(v) Sales of Oil Additives are recognised on shipment or dispatch to customers. Such sales are stated exclusive of Value Added Tax, Central Sales tax and are net of Sales return and Trade Discount. Excise duty deducted from gross turnover (gross) is the amount that is included in the amount of gross turnover.

(vi) Delayed payment charges, retrospective revision in prices, interest on delayed payments and interest on income tax refunds are recognised as and when there is no uncertainty in the determination / receipt of the amount, on grounds of prudence.

(x) Employee Benefits

(a) Defined Contribution Plan

(i) Provident Fund: Contributions towards Employees' Provident Fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions. Contributions towards Employees' Provident Fund are recognized as an expense in the year incurred. There are no obligations other than the contribution payable to the respective fund.

(ii) Superannuation Fund: The Company contributes a sum equivalent to 15% of eligible Employees' basic salary to a Superannuation Fund administered by trustees. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

(b) Defined Benefit Plan

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by an Actuary appointed by the Company, using the Projected Unit Credit method. Actuarial gains / losses are recognised in the Statement of Profit and Loss. Obligation under the defined benefit plan is measured at the present value of estimated future cash flows. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

(c) Compensated Absences

The liability for long term compensated absences carried forward on the Balance Sheet date is provided for based on actuarial valuation done by an independent Actuary using the Projected Unit Credit method at the end of each accounting period. Short term compensated absences is recognized based on the eligible leave at credit on the Balance Sheet date and is estimated based on the terms of the employment contract.

(d) Other Employee Benefits

Other employee benefits, including allowances, incentives etc. are recognised based on the terms of the employment contract.

(xi) Borrowing Cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Eligible borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(xii) Foreign Currency Transactions

The Company translates foreign currency translations into Indian Rupees at the rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the balance sheet date. Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, excluding long term foreign currency monetary items (see below), are recognized as income or as expenses in the period in which they arise.

Exchange differences, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard - 11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and in other cases unrealised exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the Company's Balance Sheet and amortized over the balance period of such long term asset / liability by recognition as income or expense in each of such periods.

In accordance with MCA circular dated 09 August 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

(xiii) Taxation

<u>Income Tax:</u> Current tax is the amount of tax payable on the taxable income for the year and is provided with reference to the provisions of the Income Tax Act, 1961.

<u>Deferred Tax:</u> Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities offset and relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

<u>MAT Credit:</u> Minimum Alternate Tax (MAT) Credit is recognised as an asset, only when and to the extent there is convincing evidence that the Company / its Wholly Owned Subsidiary (as applicable) will pay normal income tax during the specified period, in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961". In the year in which the MAT Credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Group reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay normal income tax during the specified period.

(xiv) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash and deposits at bank, cash in hand and short-term investments with an original maturity of three months or less.

(xv) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Product warranty expenses are accounted as and when the warranty claims are preferred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
1. Share Capital		
Authorised Shares		
200,000,000 (Previous Year: 200,000,000) equity shares of INR 10 each	2,000,000,000	2,000,000,000
Issued Shares		
130,563,363 (Previous Year: 130,563,363) equity shares of INR 10 each	1,305,633,630	1,305,633,630
Subscribed and Fully Paid up		
130,493,289 (Previous Year: 130,493,289) equity shares of INR 10 each	1,304,932,890	1,304,932,890
Add : Amount Paid-up on Shares Forfeited	160,115	160,115
Total issued, subscribed and fully paid-up share capital	**1,305,093,005**	**1,305,093,005**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2013		31 March 2012	
	No.	INR	No.	INR
At the beginning of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890
Issued during the period	—	—	—	—
Outstanding at the end of the period	**130,493,289**	**1,304,932,890**	**130,493,289**	**1,304,932,890**

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

	31 March 2013		31 March 2012	
	No.	% holding in the class	No.	% holding in the class
Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36
Shares held by Promoter and Promoter Group				
Burren Shakti Limited 35,440,913 (Previous Year: 35,440,913) shares of INR 10 each	35,440,913	27.16	35,440,913	27.16
Burren Energy India Limited 12,766 (Previous Year: 12,766) shares of INR 10 each	12,766	0.01	12,766	0.01
Eni UK Holding Plc 26,115,455 (Previous Year: 26,115,455) shares of INR 10 each	26,115,455	20.01	26,115,455	20.01
	61,569,134	47.18	61,569,134	47.18

As per records of the Company, including its register of shareholders / members, the above shareholding represents legal ownerships of shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
2. Reserves and Surplus		
Securities premium account	7,841,521,473	7,841,521,473
Foreign Currency Monetary Item Translation Difference Account (See Note 35)		
Balance as per last financial statements	(4,119,003)	—
Created during the Year	(2,468,938)	(5,294,481)
Amortized during the Year	1,881,533	1,175,478
Closing Balance	(4,706,408)	(4,119,003)
General Reserve		
Balance as per last financial statements	2,000,000	2,000,000
Add : Transfer from surplus in Statement of Profit & Loss	1,800,000	—
Closing Balance	3,800,000	2,000,000
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	3,015,068,828	2,669,651,037
Profit/(Loss) for the Year	(5,525,905,519)	345,417,791
Less: Interim Dividend	—	—
Less: Tax on Interim Dividend (See note a below)	(5,678,103)	—
Less: Transfer to General Reserve	(1,800,000)	—
Net surplus/(Deficit) in the Statement of Profit and Loss	(2,518,314,794)	3,015,068,828
Total Reserves and Surplus	5,322,300,271	10,854,471,298

a. Tax on interim dividend represents the tax on dividend declared and paid by fully owned subsidary during the year, dividend received being eliminated on account of consolidation.

	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note (a) below)	83,505,117	157,044,064	83,504,678	78,521,826
From banks (Rupee) (See Note (b) below)	—	59,900,000	59,900,000	72,000,000
Loan from Related Party (Unsecured)				
ENI Finance International (Foreign Currency) (See Note (c) below) *(earlier known as ENI Coordination Center S.A., Belgium)*	8,083,000,000	5,024,175,000	548,000,000	515,300,000
	8,166,505,117	5,241,119,064	691,404,678	665,821,826
The above amount includes				
Amount disclosed under the head other current liabilities (See Note 5)	—	—	(691,404,678)	(665,821,826)
Net amount	8,166,505,117	5,241,119,064	—	—

Notes:

a. The term loans from banks (Foreign currency) include loan from Axis Bank Limited: INR 167,009,795 (Previous Year: INR 235,565,890); term loan is secured by way of charge on all movable properties pertaining to PY-1 Gas Project, the Company's Participating Interest in PY-1 Field and the PY-1 Trust and Retention Accounts. The Loan is to be paid in variable installments over a period upto Financial Year 2014-2015.

b. The term loans from banks (Rupee) includes loan from HDFC Bank Limited and Axis Bank Limited INR 59,900,000 (Previous Year: INR 131,900,000) are secured by way of charge on the Company's Participating Interest in PY-3 and Palej Fields, first charge on the Company's share of Crude Oil Receivables from PY-3 and Palej Fields and charge on the Debt Service Reserve Account; the Loans are to be paid in variable installments over a period upto Financial Year 2013-2014.

c. Loan from Related Party (Unsecured) includes (Total INR 8,631,000,000):
   a. Unsecured loan of INR 5,343,000,000 (Previous Year: INR 5,539,475,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.
   b. During the year Company has raised funds through External Commercial Borrowing (ECB) from ENI Finance International of value USD 60 Million (INR equivalent 3,288,000,000) to be paid in variable installments over a period up to 2018-2019 starting from June 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Long-term		Short-term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
4. Provisions				
Provision for employee benefits				
Provision for gratuity (See Note 28)	116,996	85,476	770,763	1,412,525
Provision for compensated absences	4,700,787	4,902,578	121,296	128,646
	4,817,783	4,988,054	892,059	1,541,171
Other provisions				
Provision for site restoration (See Note (a) below)	960,550,000	904,142,500	—	—
Provision for Wealth Tax (net of advance tax)	—	—	482,830	465,195
	960,550,000	904,142,500	482,830	465,195
	965,367,783	909,130,554	1,374,889	2,006,366

Note:

	31 March 2013	31 March 2012
a. Provision for site restoration		
Opening balance	904,142,500	801,505,000
Effect of changes in Foreign Exchange Rates	56,407,500	102,637,500
Closing balance	960,550,000	904,142,500

	31 March 2013	31 March 2012
5. Current Liabilities		
Trade payables		
Micro, Small & Medium Enterprises (See Note a below)	5,109,336	1,281,362
Others	159,489,642	209,437,834
	164,598,978	210,719,196
Other Liabilities		
Current maturities of long-term borrowings	691,404,678	665,821,826
Unclaimed / Unpaid Dividend (See Note b below)	3,840,125	3,840,125
Unclaimed / Unpaid Share Application Money (See Note b below)	438,221	438,221
Creditor for Capital Expenditure	664,218,751	258,433,960
Other Payables		
Statutory dues payable	55,017,832	49,530,379
Security Deposits	4,175,001	2,785,001
Other Payable	237,711,818	101,180,297
Advances from customers	322,605	418,704
	1,657,129,031	1,082,448,513

Notes:

a. Details of dues to Micro, Small & Medium Enterprises as per MSMED Act, 2006

	31 March 2013	31 March 2012
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	5,109,336	1,281,362
Interest accrued and due to suppliers under the MSMED Act on the above amount as at year end	—	—
Payment made to suppliers (other than interest) beyond the appointed day, during the year	—	—
Interest paid to suppliers under the MSMED Act (other than Section 16)	—	—
Interest paid to suppliers under the MSMED Act (Section 16)	—	—
Interest due and payable to suppliers under the MSMED Act for payments already made	—	—
Interest accrued and remaining unpaid to suppliers under the MSMED Act as at year end	—	—
	5,109,336	1,281,362

All payments due to Micro, Small and Medium enterprieses have been made within the prescribed time limits and / or date agreed upon under the contract.

b. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Fixed Assets	GROSS BLOCK						DEPLETION, DEPRECIATION AMORTIZATION AND IMPAIRMENT EXPENSE					NET BLOCK	
		Balance as at 1 April 2012	Additions	(Disposals)/ Transfers	Exchange Differences	Borrowing Costs	Balance as at 31 March 2013	Balance as at 1 April 2012	Depletion, Depreciation & Amortization for the year	Impairment during the year	(Disposals)	Balance as at 31 March 2013	Balance as at 31 March 2013	Balance as at 31 March 2012
6	Tangible Assets													
	Land	23,927,774	—	—	—	—	23,927,774	—	—	—	—	—	23,927,774	23,927,774
	Buildings (See Note a below)	104,331,788	—	—	—	—	104,331,788	37,117,931	3,360,693	—	—	40,478,624	63,853,164	67,213,857
	Plant & Equipment	1,704,114	—	(38,771)	—	—	1,665,343	872,804	196,324	—	(20,626)	1,048,502	616,841	831,310
	Furniture & Fixture	6,247,250	62,332	—	—	—	6,309,582	5,394,995	165,542	—	—	5,560,536	749,046	852,255
	Vehicles	5,063,701	—	—	—	—	5,063,701	3,876,680	307,320	—	—	4,184,000	879,701	1,187,021
	Office Equipments	9,335,002	199,260	—	—	—	9,534,262	7,482,929	285,341	—	—	7,768,271	1,765,991	1,852,073
	Others – Computers	6,917,011	846,021	(104,363)	—	—	7,658,669	5,927,157	733,098	—	(101,224)	6,559,031	1,099,638	989,854
	Improvement to Lease Hold Premises	1,900,810	—	—	—	—	1,900,810	567,362	333,362	—	—	900,724	1,000,086	1,333,448
		159,427,450	1,107,613	(143,134)	—	—	160,391,929	61,239,858	5,381,680	—	(121,850)	66,499,688	93,892,241	98,187,592
	Previous Year	*159,565,587*	*4,806,177*	*(4,944,314)*	—	—	*159,427,450*	*60,024,955*	*5,716,625*	—	*(4,501,722)*	*61,239,858*	*98,187,592*	*2,194,885*
7	Intangible Assets													
	Computer Software	25,958,371	—	—	—	—	25,958,371	24,712,060	461,655	—	—	25,173,715	784,656	1,246,311
	Previous Year	*24,379,711*	*1,578,660*	—	—	—	*25,958,371*	*23,949,245*	*762,815*	—	—	*24,712,060*	*1,246,311*	*104,488*
8	Producing Properties (See Note b & c below)	18,644,529,289	872,896,322	(348,838)	418,198,697	—	19,935,275,470	3,393,150,893	1,995,286,865	3,852,468,427	—	9,240,906,185	10,694,369,285	15,251,378,396
	Previous Year	*17,643,725,111*	*131,927,793*	*(1,287,349)*	*870,163,734*	—	*18,644,529,289*	*2,844,208,967*	*548,941,926*	—	—	*3,393,150,893*	*15,251,378,396*	
9	Exploration/ Development work in progress													
	Development Expenditure	39,348,571	2,709,193,370	(316,772,127)	6,730,078	16,816,421	2,455,316,314	—	—	741,418,308	—	741,418,308	1,713,898,006	39,348,571
	Exploration Expenditure	1,199,500,323	473,368,415	33,170	1,797,167	3,218,057	1,677,917,132	—	—	—	—	—	1,677,917,132	1,199,500,323
		1,238,848,894	3,182,561,785	(316,738,957)	8,527,246	20,034,477	4,133,233,446	—	—	741,418,308	—	741,418,308	3,391,815,138	1,238,848,894
	Previous Year	*1,010,869,277*	*285,622,566*	*(57,642,949)*	—	—	*1,238,848,894*	—	—	—	—	—	*1,238,848,894*	

Notes:

a. Gross block and net block of Buildings include an amount of INR 28,238,883 (Previous Year: INR 28,238,883) and INR 10,656,046 (Previous Year: INR 11,216,890) respectively for assets given on operating lease.

b. Producing Properties include assets used in connection with petroleum operations.

c. Addition to Producing Properties (Exchange Differences) includes increase in undiscounted estimated future Site Restoration cost of INR 56,407,500 (Previous Year: increase of INR 109,710,000).

d. Company has performed Impairment test in compliance with AS-28 during current year and incurred Impairment loss. Please refer Note 24 – Exceptional item for details.

e. Depletion, Depreciation & Amortization for the current year includes additional depletion of INR 1,125,857,269 (disclosed under exceptional items) provided on account of change in reserves. In case there had been no such change, the depletion charge would have been INR 869,429,596. Also refer Note-24 Exceptional Item for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
10. Non-Current Investment		
Non-Trade Investment		
100,000 (Previous Year: 100,000) Equity Shares of INR 10 each of Gujarat Securities Limited	1,000,000	1,000,000
Less : Provision for diminution in value of Investment in Gujarat Securities Limited	(999,999)	(999,999)
Total	1	1
Aggregate amount of unquoted investment	1,000,000	1,000,000

For method of valuation, please refer section vii of Significant Accounting Policies (Note B).

	31 March 2013	31 March 2012
11. Deferred Tax Asset/(Liabilities) (net) (See Note 38)		
Deferred Tax Asset		
Exploration Expenses	294,014,049	294,014,049
Doubtful Advances	16,428,447	996,369
Employee Related Costs	329,086	3,647,799
Unabsorbed Business Losses and Depreciation	864,081,347	1,769,013,219
Others	—	12,634,387
Sub Total (A)	**1,174,852,929**	**2,080,305,823**
Deferred Tax Liability		
Depreciation on Fixed Assets	—	—
Depreciation, depletion and amortization of Fixed Assets	1,172,907,402	2,508,654,370
Employee Related Costs	127,755	—
Foreign Currency Monetary Item Translation Difference Account	610,463	1,336,411
Sub Total (B)	**1,173,645,620**	**2,509,990,781**
Net Deferred Tax Assets/(Liabilities) (A – B)	1,207,309	(429,684,958)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
12. Loans and advances				
Unsecured and considered good				
Capital advances	40,558,444	14,150,371	—	—
Security deposit	9,393,399	9,131,550	6,999	7,899
Advances recoverable in cash or kind	1,247,772	886,783	146,385,575	67,198,013
(A)	**51,199,615**	**24,168,704**	**146,392,574**	**67,205,912**
Unsecured and considered doubtful				
Other loans and advances				
(unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 1,273,962,336 (Previous Year: INR 1,267,556,946)]	582,714,784	565,504,699	—	—
MAT credit entitlement (See Note a below)	436,362,448	436,362,448	—	—
Fringe benefit tax paid [Net of Provision for Fringe Benefit Taxation of INR 9,138,912 (Previous Year: INR 9,138,912)]	1,058,148	1,058,148	—	—
Central Excise PLA Balance	—	—	1,131,694	183,156
Service Tax Input credit	—	—	941,700	706,297
Prepaid expenses	71,640	17,014,725	15,313,843	34,577,244
(B)	**1,020,207,020**	**1,019,940,020**	**17,387,237**	**35,466,697**
Unsecured and considered doubtful				
Capital advances	1,354,621	1,354,621	—	—
Advances recoverable in cash or kind (See Note b below)	47,630,122	—	—	—
Less: Provision for doubtful claims	(48,984,743)	(1,354,621)	—	—
(C)	—	—	—	—
Total (A+B+C)	**1,071,406,635**	**1,044,108,724**	**163,779,811**	**102,672,609**

Notes:

a. Provision for Income Tax for the current year as well as the previous year has been computed based on Minimum Alternate Tax in accordance with Section 115JB of the Income Tax Act, 1961. Provision for Income tax for current year is NIL and accordingly no addition to MAT Credit Entitlement has been made during the year. Taking into consideration the future profitability and the taxable position in the subsequent years, the Company has recognised "MAT Credit Entitlement" to the extent INR 69,000,000 during Previous Year in accordance with the "Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India.

b. Pursuant to a demand raised by Directorate General of Hydrocarbons with respect to the block CY-OS-97/1 in the current year, the Company has paid amounts aggregating to INR 47,630,122 under protest. The matter is under arbitration and the Company has provided for the entire amount in books of account.

	Current	
	31 March 2013	31 March 2012
13. Trade receivables and other assets		
13.1 Trade receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	—	—
Other receivables	3,525,313	1,923,644
	3,525,313	1,923,644
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	102,343	187,887
Other receivables	174,952,358	215,571,132
Doubtful	1,649,758	1,716,060
Less : Provision for doubtful trade receivables	(1,649,758)	(1,716,060)
	178,580,014	217,682,663

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
13.2 Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	1,087,490	3,989,192	2,901,699	3,137,254
Interest accrued on deposits and investments	—	—	5,110,884	1,810,923
	1,087,490	3,989,192	8,012,583	4,948,177

	31 March 2013	31 March 2012
14. Current Investments		
Quoted equity instrument		
318 (Previous Year: 318) Equity Shares of INR 10 each of Reliance Industries Limited	25,975	25,975
318 (Previous Year: 318) Equity Shares of INR 5 each of Reliance Communication Ventures Limited	19,332	19,332
23 (Previous Year: 23) Equity Shares of INR 10 each of Reliance Infrastructure Limited	3,219	3,219
15 (Previous Year: 15) Equity Shares of INR 10 each of Reliance Capital Limited	166	166
79 (Previous Year: 79) Equity Shares of INR 10 each of Reliance Power Limited	272	272
(A)	48,964	48,964
Unquoted mutual funds		
53,317.42 (Previous Year: Nil) Units of INR 1,876 each of UTI Floating Rate Fund – STP-Regular Plan – Direct Plan-Growth	100,000,000	—
85,320.53 (Previous Year: Nil) Units of INR 2,004 each of Units of Magnum Insta Cash fund Liquid Floater – Regular Plan – Growth	171,000,000	—
Nil (Previous Year: 124,465) Units of INR 1,000 each of UTI Treasury Advantage Fund- Institutional Plan (Daily Dividend Option) – Reinvestment	—	124,492,492
Nil (Previous Year: 3,067,035) Units of INR 10 each of ICICI Prudential Floating Rate Plan D – Daily Dividend – Dividend Reinvestment	—	306,864,540
Nil (Previous Year: 23,185,924) Units of INR 10 each of Kotak Floater Short Term – Daily dividend	—	234,553,448
Nil (Previous Year : 468,568) Units of INR 10 each of Birla Sun Life Cash Plus Fund – Institutional premium – Daily Dividend – Reinvestment	—	46,948,173
517,352 (Previous Year: 4,367,179) Units of INR 10 each of HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	5,189,812	43,809,359
238,407 (Previous Year: 141,728) Units of INR 100 each of ICICI Prudential Flexible Income Plan – Premium – Daily Dividend Reinvestment	25,208,001	14,985,593
(B)	301,397,813	771,653,605
Total (A)+(B)	301,446,777	771,702,569
For method of valuation, please refer section vii of Significant Accounting Policies (Note B).		
Aggregate amount of Quoted Investment	48,964	48,964
Market Value of Quoted Investment	280,407	290,520
Aggregate amount of Unquoted Investment	301,397,813	771,653,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

		Current	
		31 March 2013	31 March 2012
15. Inventories			
Crude Oil, Condensate and Natural Gas			
— Crude Oil		8,908,261	9,257,281
— Condensate		38,062,530	33,539,797
— Natural Gas		624,878	566,691
Stores, Spares, Capital Stock and Drilling Tangibles		344,164,342	425,530,097
	A	391,760,011	468,893,866
i. Stock of traded goods			
a. Unpacked			
Additives		6,649,543	7,536,453
Lubricants		2,448,727	2,884,916
Car Care		976,117	1,030,940
		10,074,387	11,452,309
b. Packed			
Additives		11,030,531	12,076,050
Lubricants		1,605,135	2,313,905
Car Care		1,908,499	1,863,125
		14,544,165	16,253,080
ii. Unpacked Stock in transit		8,293,794	2,138,957
iii. Stock of Packing Material		3,060,656	3,185,617
	B = (ia+ib+ii+iii)	35,973,002	33,029,963
	Total (A+B)	427,733,013	501,923,829

For method of valuation, please refer section viii of Significant Accounting Policies (Note B).

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts (See Note a below)	—	—	50,396,075	110,121,560
Deposits with original maturity of less than 3 months (See Note b below)	—	—	398,669,476	308,911,768
Cash on hand	—	—	2,024	2,024
(A)	—	—	449,067,575	419,035,352
Other bank balances				
Unclaimed / Unpaid Dividend Accounts	—	—	3,840,125	3,840,125
Unclaimed / Unpaid Share Application Money	—	—	438,221	438,221
Deposits with original maturity of more than 3 months but less than 12 months	—	—	394,200,000	—
Deposits with original maturity of more than 12 months (See Note c below)	373,060,309	370,813,315	27,647,891	3,856,984
(B)	373,060,309	370,813,315	426,126,237	8,135,330
Total (A+B)	373,060,309	370,813,315	875,193,812	427,170,682

Notes:

a. Current accounts include lien marked amount of INR 1,176,472 (Previous Year: INR 2,137,598).

b. Deposits (with original maturity of less than 3 months) include lien marked deposits of INR 8,469,476 (Previous Year: INR 8,911,768).

c. Deposits (with original maturity of more than 12 months) include (a) lien marked deposits of INR 52,026,986 (Previous Year: INR 80,258,947) and (b) deposits of INR 321,033,323 (Previous Year: INR 290,554,369) placed as "Site Restoration Fund" under Section 33ABA of Income Tax Act, 1961.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
17. Revenue from Operations		
Sales		
Crude oil and Condensate	335,941,436	807,660,616
Gas & Associated Natural gas	789,972,317	855,566,597
Sale of Crude oil, condensate and natural gas	1,125,913,753	1,663,227,213
Less: Profit petroleum to Government of India	(46,832,137)	(156,359,728)
(A)	1,079,081,616	1,506,867,485
Sale of traded goods	207,697,662	185,005,978
Add: Excise Duty	29,018,999	21,154,787
(B)	236,716,661	206,160,765
Other operating revenue (C)	802,586	812,539
Total (A+B+C)	1,316,600,863	1,713,840,789

Notes:

a. During Financial Year ended March 31, 2013, the PY-1 Field was shut in for a cumulative period of 135 days (Previous Year: 159 Days), primarily on account of the buyer, GAIL India Limited, not able to off-take the gas supply due to shut-down of downstream consumer (115 days) and unplanned maintenance at PY-1 onshore processing terminal (20 days).

b. PY-3 Field, operated by Hardy Exploration & Production (India) Inc., remains shut since July 31, 2011. Operator is preparing a Comprehensive Field Development Plan for approval of Consortium Partners and finally the Authorities.

	31 March 2013	31 March 2012
18. (Decrease) in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives		
Inventories at the end of the year	72,214,221	71,069,158
Inventories at the beginning of the year	71,069,158	127,555,290
	1,145,063	(56,486,132)
Less: Profit petroleum to Government of India	2,536,218	2,721,138
Net (Decrease) in inventories	(1,391,155)	(59,207,270)

	31 March 2013	31 March 2012
19. Other Income		
Interest income on		
Bank deposits	36,502,364	31,661,157
Income Tax refund (See Note a below)	—	73,812,440
Other Interest (See Note b below)	86,837	11,879,853
Dividend income on current investments	40,092,369	101,990,236
Dividend income on long term investments	5,841	5,511
Gain on Sale / Discard of Asset (net)	823	214,731
Profit on sale of current investments	49,292	—
Excess Provision written back (See Note c & e below)	4,249,904	24,463,158
Miscellaneous Income (See Note d below)	483,436	7,415,964
	81,470,866	251,443,050

Notes:

a. During the previous year, the Company had received interest on refund of Income Tax pursuant to a favorable Income Tax Appellate Tribunal award amounting to INR 73,812,440.

b. During the previous year, the Company had received interest amounting to INR 11,867,379, pursuant to a favorable award from the Arbitration Tribunal in relation to a dispute with ONGC / Government of India for GN-ON-90/3 Block.

c. Represents INR 4,249,904 as reversal during the year (Previous Year: Nil), for Long Term Incentive Plan, being provision no longer required. (See Note 27).

d. Excess provision written back for the year ended March 31, 2012 includes INR 14,202,235 pertaining to reversal of provision made in earlier years pursauant to favorable award of arbitration tribunal (See Note b above).

e. During the previous year, the Company had received an amount of INR 4,250,000 pursuant to settlement in relation to a dispute with Mafatlal Industries Limited in GN-ON-90/3 Block.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2013	31 March 2012
20. Employee Benefits, Operating Administrative and Other Expenses			
A. Employee Benefits Expenses			
Salaries, Wages and Bonus		102,181,211	107,229,487
Contribution to :			
(i) Provident Fund		5,598,015	5,958,475
(ii) Gratuity Fund (See Note 28)		924,638	1,634,264
(iii) Superannuation Fund		4,984,448	5,577,951
Staff Welfare Expenses		5,479,002	5,972,403
Total Employee Benefits Expenses	(A)	**119,167,314**	**126,372,580**
B. Operating Expenses			
Hire Charges & Rent		30,710,461	76,966,913
Insurance		45,303,261	31,574,886
Repairs and Maintenance – Plant and Machinery		27,662,528	45,020,363
Manpower Costs & Overheads		66,946,800	140,928,643
Transportation and Logistics		17,280,571	102,294,678
Consumables		798,135	1,120,597
Royalty, Cess & Other Duties		79,802,293	82,811,307
Other Production Expenses		53,863,298	54,213,367
Total Operating Expenses	(B)	**322,367,346**	**534,930,754**
C. Administrative and Other Expenses			
Office and Guest House Rent		14,724,921	14,737,252
Product Promotion Expenses		14,138,353	18,409,066
Incentives for Marketing		7,177,103	6,308,499
Rebates & Discounts		11,000,878	11,848,058
Sales Promotion		3,482,406	2,908,454
Field Staff Expenses		3,556,739	3,176,595
Electricity		2,488,631	2,003,119
Rates and Taxes		666,477	757,109
Repairs and Maintenance – Others		5,105,034	5,314,270
General Office Expenses		1,290,172	1,216,260
Travelling and Conveyance		8,311,777	6,177,444
Communication Expenses		3,755,437	3,419,373
Membership & Subscription		1,819,975	1,638,713
Legal and Professional Expenses		51,693,531	23,318,462
Insurance		751,732	330,830
Directors' Siting Fees and Commission		1,122,191	1,020,000
Printing and Stationary		2,768,499	2,820,831
Miscellaneous Expenses		9,407,536	9,009,503
Provisions for Doubtful Debts/Advances (See Note 12(b))		47,755,273	70,065
Loss on Foreign Exchange		59,469,407	20,049,498
	(I)	**250,486,072**	**134,533,401**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2013	31 March 2012
20. Employee Benefits, Operating Administrative and Other Expenses (Contd.)			
Payment to Auditor:			
As Auditor:			
Audit Fee		2,515,740	2,450,740
Tax Audit Fee		154,420	137,360
Limited Review		512,947	413,625
Reimbursements		345,321	287,675
In Other Capacity:		—	—
Taxation Matters		—	—
Other Services		64,172	31,800
Company Law Matters		—	—
Cost Audit Fees		224,720	224,720
	(II)	3,817,320	3,545,920
Total Administrative and Other Expenses	C = (I+II)	254,303,392	138,079,321
Total Employee Benefits, Operating, Administrative and Other Expenses	(A+B+C)	695,838,052	799,382,655
Less: Recovery of Expenses (See Note 34)		(185,712,609)	(147,152,456)
Total Employee Benefits, Operating, Administrative and Other Expenses		510,125,443	652,230,199

	31 March 2013	31 March 2012
21. Purchase of Traded Goods		
Additives	67,209,909	58,948,785
Lubricants	—	4,956,421
Car Care	13,605,573	8,244,951
Municipal Cess Tax	775,499	766,749
Increase / (Decrease) in Excise duty on Closing Stock	(973,705)	2,726,511
Cost of Samples & Replacements	(995,545)	(851,677)
	79,621,731	74,791,740

	31 March 2013	31 March 2012
22. Repacking Cost		
Packing Material	19,703,438	19,664,101
Repacking Cost	7,285,914	6,871,952
Municipal Cess Tax	271,458	228,818
	27,260,810	26,764,871

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2013	31 March 2012
23. Finance Costs		
Interest on Fixed Term Loans	100,962,708	103,440,520
Interest (Others)	233,424	1,245,775
Bank Charges and Commission	1,696,665	1,790,356
Amortization of Ancillary Borrowing Cost	3,137,256	3,814,940
	106,030,053	110,291,591

	31 March 2013	31 March 2012
24. Exceptional Items		
Impairment on Assets (Refer Note a below)	4,593,886,734	—
Additional Depletion on Producing Property and Site Restoration Assets (Refer Note a below)	1,125,857,269	—
	5,719,744,003	—

Note:

a. Pursuant to an independent third party certification of PY-1 Field reserves based on information available subsequent to the drilling of Surya Well in PY-1 Field, the estimate of Proved Reserves of PY-1 Field has been revised to 120.2 billion cubic feet.

The Company has carried out an impairment assessment as at December 31, 2012, based on procedures consistent with Accounting Standard 28 (AS 28) and recognised an impairment loss to the extent of INR 4,593,886,734 and additional depletion amounting to INR 1,125,857,269 for the production upto the date of assessment of impairment. The aggregate amount of INR 5,719,744,003 has been disclosed under exceptional items.

The following key assumptions have been used for determining the value-in-use of PY-1 Asset:

i. Pre-tax cash flows have been projected for the life of the PY-1 Field based on the estimate of Proved Reserves as certified by the independent third party and considering cash flows necessary to maintain originally assessed standard of performance.

ii. Discount rate of 10% has been considered reflecting market assessment based on transactions for similar assets.

	31 March 2013	31 March 2012
25. Earnings Per Share (EPS) The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations		
Profit/(Loss) After Tax as per Statement of Profit & Loss (used for both calculation of basic and diluted EPS)	**(5,525,905,520)**	**345,417,791**
	No.	**No.**
Weighted average number of equity shares used in calculating basic & diluted EPS	130,493,289	130,493,289
Earnings per equity share in INR computed on the basis of profit/(loss) for the year Basic and Diluted	(42.35)	2.65

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

26. Information relating to HOEC Bardahl India Limited

(100% subsidiary of Hindustan Oil Exploration Company Limited)

Information required pursuant to General Circular No. 2/2011 No: 5/12/2007-CL-III dated February 08, 2011 issued by Ministry of Corporate Affairs is as below:

Particulars	HOEC Bardahl India Limited	
	FY 2012-2013	FY 2011-2012
Capital	5,000,200	5,000,200
Reserves	63,016,976	86,268,820
Total Assets	87,678,791	73,124,977
Total Liabilities	50,059,428	40,650,909
Investments (Refer note below)	30,397,813	58,794,952
Turnover	212,836,715	189,935,346
Profit Before Taxation	23,791,863	23,490,756
Provision for Taxation	(6,364,204)	(13,004,224)
Profit After Taxation	17,427,659	10,486,532
Proposed Dividend	—	—

Note:

Details of Investments of HOEC Bardahl India Limited

	FY 2012-2013	FY 2011-2012
Current Unquoted (Non-Trade) Units of Liquid / Liquid Plus Schemes of Mutual Funds		
HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	5,189,812	43,809,359
Prudential ICICI Flexible Income Plan – Premium – Daily Dividend Reinvestment	25,208,001	14,985,593
Total	30,397,813	58,794,952

27. Long Term Incentive Plan, Scheme 2005

Under the HOEC Limited Employee Stock Option Scheme – 2005 (ESOS Scheme) approved by the Shareholders, and as amended from time to time, the Board had approved grant of Nil options (Previous Year 34,524 options approved on November 09, 2011) to the eligible Employees and eligible Directors at Nil exercise price as part of the Long Term Incentive Plan (LTIP). In terms of the ESOS Scheme, the options would vest at the third anniversary of the end of the financial year for which the grant corresponds to. During the year, the Company has written back excess provision towards cash and ESOS (deferred bonus) made during the prior year amounting to INR 4,249,904 (Previous Year: INR 1,976,665) based on the approval / ratification of the Board of Directors of the Company.

Method Used for Accounting for Share Based Payment Plan:

Under the LTIP Scheme 2005, the options are granted in the succeeding year after adoption of the Annual Audited Accounts for the given year. The Company charges the entire amount provided towards performance bonus and stock options to the Statement of Profit and Loss for the year for which the grant corresponds to. Any upward variation in the market price / acquisition price of the ESOS stocks, as may be applicable, as on the date of Balance Sheet, is charged to the Statement of Profit and Loss for the period as per LTIP.

Particulars	Number of Shares Arising Out of Options	
	FY 2012-2013	FY 2011-2012
Outstanding at the beginning of the Year	67,643	49,110
Granted during the Year	—	34,524
Forfeited / lapsed during the Year	35,789	—
Exercised during the Year	14,174	15,991
Outstanding at the end of the Year	17,680	67,643
– Vested	—	—
– Yet to Vest	17,680	67,643

Fair Value Methodology:

The fair value of the options granted under LTIP Scheme 2005 approximates the intrinsic value of the options on the date of the grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

28. Employee Benefits

a. Gratuity

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet.

Details of Actuarial Valuation as at March 31, 2013

	2012-2013	2011-2012
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,403,245	1,542,997
Interest cost on benefit obligation	894,338	768,453
Expected return on plan assets	(825,077)	(657,631)
Net actuarial (gain) / loss recognized in the year	(547,868)	(19,555)
Past service cost	—	—
Net benefit expense	**924,638**	**1,634,264**
Balance sheet		
Benefit asset / (liability)		
Present value of defined benefit obligation	(11,846,866)	(10,961,645)
Fair value of plan assets	9,712,031	9,463,644
Plan asset / (liability)	**(2,134,835)**	**(1,498,001)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	10,961,644	9,397,768
Current service cost	1,403,245	1,542,997
Interest cost	894,338	768,453
Benefits paid	(880,054)	(896,426)
Actuarial (gains) / losses on obligation	(532,308)	148,853
Closing defined benefit obligation	**11,846,865**	**10,961,645**
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	9,463,645	5,976,421
Expected return	825,077	657,631
Contributions by employer	287,803	3,557,611
Benefits paid	(880,054)	(896,426)
Actuarial gains / (losses)	15,560	168,407
Closing fair value of plan assets	**9,712,031**	**9,463,644**

Amounts for the current and previous four periods are as follows:

Particulars	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Defined benefit obligation	**(11,846,865)**	(10,961,645)	(9,397,768)	(8,608,804)	(9,924,725)
Plan assets	**9,712,031**	9,463,644	5,976,421	5,072,866	3,216,749
Surplus / (deficit)	**(2,134,835)**	(1,498,001)	(3,421,347)	(3,535,938)	(6,707,976)
Experience adjustments on plan liabilities	**(532,308)**	148,853	(619,983)	(169,499)	264,343
Experience adjustments on plan assets	**15,560**	168,407	14,369	49,240	50,721

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

Particulars	2012-2013	2011-2012
Discount rate	8.50%	8.50%
Future salary increase	9.00%	9.00%
Expected rate of return on assets	9.00%	9.00%
Employee turnover	1% to 5%	1% to 5%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

b. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences are as given below:

Discount Rate (% p.a.)	8.50%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

29. Segmental Reporting

Segment reporting in terms of Accounting Standard 17 is as under:

	Particulars	31 March 2013	31 March 2012
1	Segment Revenue		
	— Hydrocarbon	1,096,425,168	1,474,393,746
	— Oil Additives	205,754,881	200,820,107
	— Inter-Company Elimination	(46,257,400)	(9,856,000)
	— Unallocated	111,738,926	219,563,929
	Gross Sales / Income from Operations	1,367,661,575	1,884,921,782
2	Segment Results		
	— Hydrocarbon	(5,941,197,502)	335,179,369
	— Oil Additives	20,096,630	20,970,308
	— Unallocated	(29,292,526)	109,272,338
	Total Profit/(Loss) before Tax	(5,950,393,398)	465,422,015
3	Segment Assets		
	— Hydrocarbon	14,976,903,325	17,502,507,914
	— Oil Additives	75,720,187	60,739,394
	— Unallocated	2,529,745,561	2,471,425,646
	Total Assets	17,582,369,073	20,034,672,954
4	Segment Liabilities		
	— Hydrocarbon	(2,046,523,745)	(1,497,366,700)
	— Oil Additives	(50,059,428)	(40,650,909)
	— Unallocated	(8,858,392,625)	(6,337,091,043)
	Total Liabilities	(10,954,975,799)	(7,875,108,652)
5	Addition in Tangible & Intangible Fixed Assets		
	— Hydrocarbon	4,056,286,473	1,291,436,053
	— Oil Additives	279,247	2,662,876
	— Unallocated	—	—
	Total Addition in Tangible & Intangible Fixed Assets	4,056,565,720	1,294,098,929
6	Depreciation and Amortisation		
	— Hydrocarbon	2,000,356,844	554,598,357
	— Oil Additives	773,356	823,009
	— Unallocated	—	—
	Total Depreciation and Amortisation	2,001,130,200	555,421,366
7	Non-Cash Expenses other than Depreciation and Amortisation		
	— Hydrocarbon	4,591,618,363	707,713
	— Oil Additives	(66,302)	(4,418)
	— Unallocated	—	—
	Non-Cash Expenses other than Depreciation and Amortisation	4,591,552,061	703,295

Note:

The Group's operations are carried out only in India and the Group does not have any geographical segments other than India.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

30. Unincorporated Joint Venture Operations

The Company has entered into Production Sharing Contracts (PSCs) for Unincorporated Joint Ventures (UJVs) in respect of certain properties with the Government of India and bodies corporate. Details of these UJVs and participating interest of consortium partners are as follows:

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%)	
			As at March 31, 2013	As at March 31, 2012
1	PY-1	Hindustan Oil Exploration Company Limited (HOEC) (O)	100.00	100.00
2	CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc. (O)	18.00	18.00
		Oil and Natural Gas Corporation Limited	40.00	40.00
		Hindustan Oil Exploration Company Limited	21.00	21.00
		Tata Petrodyne Limited	21.00	21.00
3	Asjol	Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
4	North Balol	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Gujarat State Petroleum Corporation Limited	45.00	45.00
		Heramec Limited	30.00	30.00
5	CB-ON/7 (Palej)	**Exploration Area**		
		Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development Area		
		Hindustan Oil Exploration Company Limited (O)	35.00	35.00
		Gujarat State Petroleum Corporation Limited	35.00	35.00
		Oil and Natural Gas Corporation Limited	30.00	30.00
6	CB-OS/1	**Exploration Area**		
		Oil and Natural Gas Corporation Limited (O)	32.89	32.89
		Hindustan Oil Exploration Company Limited	57.11	57.11
		Tata Petrodyne Limited	10.00	10.00
		Development Area		
		Oil and Natural Gas Corporation Limited	55.26	55.26
		Hindustan Oil Exploration Company Limited	38.07	38.07
		Tata Petrodyne Limited	6.67	6.67
7	GN-ON-90/3* (Pranhita Godavari)	Hindustan Oil Exploration Company Limited (O)	100.00	75.00
8	AAP-ON-94/1	Hindustan Oil Exploration Company Limited (O)	40.323	40.323
		Indian Oil Corporation Limited	43.548	43.548
		Oil India Limited	16.129	16.129
9	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Bharat Petro Resources Limited (BPRL)	25.00	25.00
		Jindal Petroleum Limited (JPL)**	25.00	25.00
		IMC Limited	25.00	25.00
10	RJ-ONN-2005/2	Oil India Limited (O)	60.00	60.00
		Hindustan Oil Exploration Company Limited	20.00	20.00
		HPCL & Mittal Energy Limited	20.00	20.00

(O) — Operator

Note:

All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.

* Pursuant to the Settlement Agreement entered into during 2012, the Participating Interest (PI) of the Company has been revised to 100%.

** On account of non-submission of Financial and Performance Guarantee to the Government of India, JPL has been declared "Defaulting Party" by the Management Committee. The non defaulting parties i.e HOEC, BPRL and IMC have assumed the PI of the defaulting party (JPL) on interim basis with onward assignment of 25% PI to Hindustan Petroleum Corporation Limited (HPCL) so that the effective Participating Interest of each of the parties remain at 25%. Necessary Government approvals for the aforesaid assignment in favour of HPCL are awaited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

31. Details of Oil and Gas Reserves

As at March 31, 2013, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is as follows:

		Opening Balance	Addition	Deduction	Production	Closing Balance
Oil Condensate	MMBOE	10.9	0.3	—	0.1	11.1
Gas	MMSCM	6,417.7	—	3,568.7	121.1	2,727.9

32. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2013 are as follows:

(A) Promoter Group:

1. ENI UK Holdings plc (Wholly Owned Subsidiary of ENI S.p.A, Italy)
2. Burren Shakti Limited (Wholly Owned Indirect Subsidiary of ENI UK Holdings plc)
3. Burren Energy India Limited (Wholly Owned Indirect Subsidiary of ENI UK Holdings plc)

(B) Other Group Entities:

1. ENI Finance International, S.A., Belgium (formerly known as ENI Coordination Center S.A., Belgium)
2. ENI India Limited, United Kingdom
3. Banque ENI Belgium

(C) Unincorporated Joint Ventures:
As per details given in Note 29 above.

(D) Key Management Personnel:

1. Mr. Manish Maheshwari – Managing Director
2. Mr. Sergio Laura – Managing Director

(ii) The nature and volume of transactions of the Group during the year with the above parties were as follows:

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
EXPENDITURE				
— Operating Expenditure	— (—)	21,338,976 (25,462,465)	— (—)	— (—)
— Remuneration to Managing Director	— (—)	— (—)	— (—)	20,191,035 (24,685,792)
— Professional Fee	— (—)	24,839,201 (9,159,769)	— (—)	— (—)
— Recovery of Expenses	— (—)	— (—)	53,557,572 (51,835,762)	— (—)
— Interest Paid	— (—)	130,152,137 (78,945,530)	— (—)	— (—)
— Dividends Paid	— (—)	— (—)	— (—)	— (—)
— Bank Charges	— (—)	121,174 (37,414)	— (—)	— (—)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
LOAN				
— Unsecured Loan Received*	— (—)	3,278,600,000 (—)	— (—)	— (—)
— Unsecured Loan Repaid*	— (—)	545,525,000 (496,942,077)	— (—)	— (—)
CAPITAL EXPENDITURE				
— Exploration Expenditure	— (—)	1,142,146 (14,249,373)	— (—)	— (—)
— Development Expenditure	— (—)	25,129,473 (20,454,219)	— (—)	— (—)
AS AT YEAR END				
Amounts Payable as at Year End	— (—)	156,108,428 (236,010,854)	— (—)	— (—)
Loan Outstanding as at Year End*	— (—)	8,631,000,000 (5,539,475,000)	— (—)	— (—)

* Amount relates to ENI Finance International S.A., Belgium.

Note:

Figures in brackets relate to the Previous Year.

33. Commitments and Contingencies

Particulars	As at March 31, 2013	As at March 31, 2012
(i) Contingent Liabilities		
(a) Counter Guarantees on account of Bank Guarantees	208,107,930	321,035,786
(b) Claims against the Company not acknowledged as Debt		
– Income Tax Demands under Appeal	394,715,876	362,820,831
– Fringe Benefit Tax Demand where the matter is in appeal	523,345	523,345
– Central Excise demand where the matter is in appeal	2,249,153	300,844
– Customs demand where the matter is in appeal	540,464	540,464
(c) Service Tax Liability (pertaining to one Unincorporated Joint Venture)	2,139,321	2,139,321
(d) Hire Charges (pertaining to one Unincorporated Joint Venture)	51,694,208	51,694,208
(e) Liquidated damages under appeal (Pertaining to one Unincorporated Joint Venture)	47,630,122	—
(ii) Commitments		
(a) Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided for	397,242,309	179,634,270

34. Recovery of Expenses

Recovery of expenses represents expenditure incurred by the Company for the UJVs where the Company is the Operator. Such costs are recovered from the respective UJVs as per the terms of the Production Sharing Contract. Recovery of expenses also includes an amount of INR 37,353,814 (Previous Year: INR 10,303,863) recovered as parent company overhead pursuant to the respective Production Sharing Contracts. (See Note 20).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in Indian Rupees, unless otherwise stated)

35. Particulars of Unhedged Foreign Currency Exposure

The particulars of Unhedged Foreign Currency Exposure of the Group, are as under:

Particulars	As at March 31, 2013	As at March 31, 2012
Secured Loans	167,009,795	235,565,890
Unsecured Loans	8,631,000,000	5,539,475,000
Sundry Creditors	297,073,529	238,243,458
Sundry Debtors	96,884,094	46,806,017
Loans and Advances	8,275	10,821,287
Bank Account and Deposit	24,036,462	—

36. Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

The details of the adjustment pursuant to the above are as under (See Note 2):

Particulars	2012-2013	2011-2012
Exchange Differences capitalised to Fixed Assets (including Work in Progress) during the year	370,318,443	760,453,734
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	4,706,408	4,119,003
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Statement of Profit and Loss for the year	1,881,533	1,175,478

37. Impairment

Pursuant to an independent third party certification of PY-1 Field reserves based on information available subsequent to the drilling of Surya Well in PY-1 Field, the estimate of Proved Reserves of PY-1 Field has been revised to 120.2 billion cubic feet.

The Company has carried out an impairment assessment as at December 31, 2012, based on procedures consistent with Accounting Standard 28 (AS 28) and recognised an impairment loss to the extent of INR 45,939 lacs and additional depletion amounting to INR 11,258 lacs for the production upto the date of assessment of impairment (See Note 22). The aggregate amount of INR 57,197 lacs has been disclosed under exceptional items.

The following key assumptions have been used for determining the value-in-use of PY-1 Asset:

a. Pre-tax cash flows have been projected for the life of the PY-1 Field based on the estimate of Proved Reserves as certified by the independent third party and considering cash flows necessary to maintain originally assessed standard of performance.

b. Discount rate of 10% has been considered reflecting market assessment based on transactions for similar assets.

38. Deferred tax

During the current year, the Group has restricted the creation of deferred tax assets on carried forward business losses and unabsorbed depreciation to the extent that it believes that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Accordingly, the Company has restricted the deferred tax assets to the extent of deferred tax liability existing in books as at March 31, 2013 (See Note 11).

39. Previous Year Figures

Previous year's figures have been regrouped and reclassified wherever necessary to confirm to the current year's presentation.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 83673

Place : Chennai
Date : May 29, 2013

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
S. B. Mathur	Director
V. S. Rangan	Director
Minesh Bhatt	Assistant Company Secretary

Place : New Delhi
Date : May 29, 2013

GLOSSARY

2D Seismic	–	Two Dimensional Seismic
3D Seismic	–	Three Dimensional Seismic
2P / P+P Reserves	–	Proved and Probable Reserves Proved Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. If probabilistic methods are used, there should be at least 90% probability that the quantities actually recovered will equal or exceed the estimate. Developed Reserves are expected quantities to be recovered from existing wells and facilities. Undeveloped Reserves are quantities expected to be recovered through future investments. Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proven plus probable reserves.
API	–	American Petroleum Institute
AS	–	Accounting Standard
bbl	–	barrel
boe	–	barrels of oil equivalent
bopd	–	barrels of oil per day
boepd	–	barrels of oil equivalent per day
BEE	–	Bureau of Energy Efficiency
CCEA	–	Cabinet Committee on Economic Affairs
CDR	–	Commercial Discovery Report
CFDP	–	Comprehensive Full Field Development Plan
CFS	–	Consolidated Financial Statement
CPCL	–	Chennai Petroleum Corporation Limited
CRZ	–	Coastal Regulation Zone
CSR	–	Corporate Social Responsibility
DP	–	Depository Participant
Development well	–	A well drilled within the proved area of an oil and / or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.
DGH	–	Directorate General of Hydrocarbons
DOC	–	Declaration of Commerciality
DST	–	Drill Stem Test
ECB	–	External Commercial Borrowing
ECC	–	Eni Coordination Center S.A.
EFI	–	Eni Finance International
EMV	–	Expected Monetary Value
EOR	–	Enhanced Oil Recovery
ERP	–	Emergency Response Plan
Exploratory well	–	A well drilled to find oil and / or gas in an unproved area, to find a new reservoir in an existing field or to extend a known reservoir.
E&P	–	Exploration and Production
G&G	–	Geological & Geophysical
GDP	–	Gross Domestic Product
GHG	–	Green House Gas
GSPCL	–	Gujarat State Petroleum Corporation Ltd.
HAZID	–	Hazard Identification (Risk Analysis)
HAZOP	–	Hazard and Operability Analysis
HBIL	–	HOEC Bardahl India Limited
HEPI	–	Hardy Exploration and Production (India) Inc.
HOEC	–	Hindustan Oil Exploration Company Limited
HSEC	–	Health, Safety, Environment & Corporate Social Responsibility
INR	–	Indian Rupee
ISDA	–	International Swap and Derivatives Association, Inc.
JOA	–	Joint Operating Agreement
JSA	–	Job Safety Awareness
JV	–	Joint Venture
KPI	–	Key Performance Indicator
LNG	–	Liquefied Natural gas
rLNG	–	Regasified Liquefied Natural Gas
LTI	–	Loss Time Incident
LTIP	–	Long Term Incentive Plan
MAT	–	Minimum Alternate Tax
ML	–	Mining Lease
mmboe	–	Million barrels of oil equivalent
mmbtu	–	Million british thermal unit
mmscfd	–	Million standard cubic feet per day
mmscm	–	Million standard cubic meters
MMBBL	–	Million Barrels
MoD	–	Ministry of Defence
MoEF	–	Ministry of Environment & Forests
MoP&G	–	Ministry of Petroleum & Natural Gas
MSGs	–	Management System Guidelines
MSMED	–	Micro Small & Medium Enterprises Development Act, 2006
N_2	–	Nitrogen Gas
NEDs	–	Non Executive Directors
NELP	–	New Exploration Licensing Policy
NPV	–	Net Present Value
OECD	–	Organization for Economic Co-operation and Development
OGP	–	International Association of Oil & Gas Producers
OPEC	–	Organization of the Petroleum Exporting Countries
ONGC	–	Oil & Natural Gas Corporation Limited
PI	–	Participating Interest
PoD	–	Plan of Development
rPoD	–	Revised Plan of Development
PMC	–	Project Management Consultant
PSA	–	Petroleum Service Agreement between Eni India and HOEC
PSC	–	Production Sharing Contract
Revenue	–	Sales+Increase / (Decrease) in stock of crude oil+Other Income
scmd	–	standard cubic meters per day
scm	–	standard cubic meters
SEBI	–	Securities and Exchange Board of India
SEM	–	Successful Efforts Method
SIMOPs	–	Simultaneous Operations
UAE	–	United Arab Emirates
USD/$	–	United States Dollar
UJV	–	Unincorporated Joint Venture
Working interest basis	–	Field Production x Participating Interest
Entitlement basis	–	Working interest basis less Government share of Profit Petroleum
Turnover	–	Sales + Increase / (Decrease) in Stock of Crude Oil

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