FORM B

1.	Name of the company	Hindustan Oil Exploration Company Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of Audit qualification	Basis for Qualified Opinion (Annual Report 2013-2014 Page No.37) *Attention is invited to note 39 of the accompanying financial statements which describes the uncertainty relating to the recoverability of the carrying value of INR 116,571 Lakhs in respect of a producing property of the Company. We are unable to obtain sufficient appropriate audit evidence in relation to the assessment of impairment loss, if any, in the carrying value of the producing property. In view of the significant uncertainties involved, we are unable to comment on the adjustments that may be required to be made in these financial statements.*
4.	Frequency of qualification	First Time
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	(a) Directors' Explanation given in the Directors' Report on Page No.6 in the Annual Report for FY 2013-2014; and (b) Note No. 39 on Page No. 64 – Notes to Financial Statement for the year ended March 31, 2014 in the Annual Report for FY 2013-2014.
	Additional comments from the board/audit committee chair:	The Company, as Operator, has commissioned a comprehensive geological and reservoir study by an independent 3rd party for PY-1 Field, the results and recommendations of which are still awaited.
5.	CEO/Managing Director	M Manish
	Head – Corporate Accounts	M handak
	Auditor of the company	[illegible signature]
	Audit Committee Chairman	[illegible signature]

Hindustan Oil Exploration ... Chennai

30th Annual Report 2013-2014

Hindustan Oil Exploration Company Limited

30th Annual General Meeting

Date : September 26, 2014
Day : Friday
Time : 10:30 A.M.
Place : "Tropicana Hall"
The Gateway Hotel Vadodara
Akota Gardens, Akota
Vadodara-390 020, Gujarat (India)

Contents

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 & Compliance Officer 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

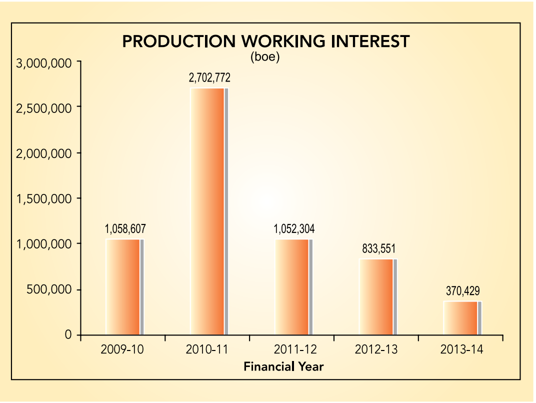
ISIN	INE345AO1011
CIN	L11100GJ1996PLC029880

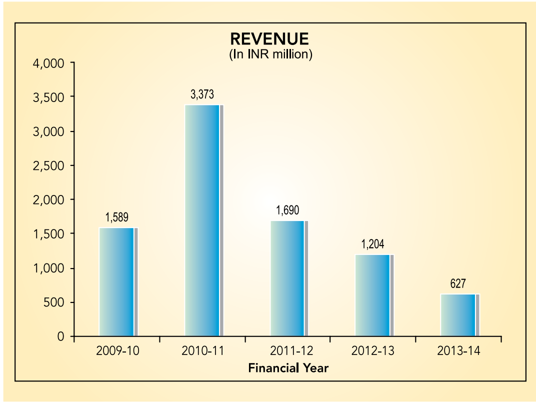
Auditors	S.R. Batliboi & Associates LLP Chartered Accountants
Audit Partner	Mr. Subramanian Suresh
Internal Auditors	Protiviti India
Cost Auditor	Mr. K. Suryanarayanan
Bankers	• Axis Bank • HDFC Bank • IDBI Bank • State Bank of India
Lenders	• Eni Lasmo Plc. • Axis Bank • IDBI Bank
Advocates & Solicitors	• Wadia Ghandy and Co. • 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 Limited (An Associate of Moody's Investors Service)

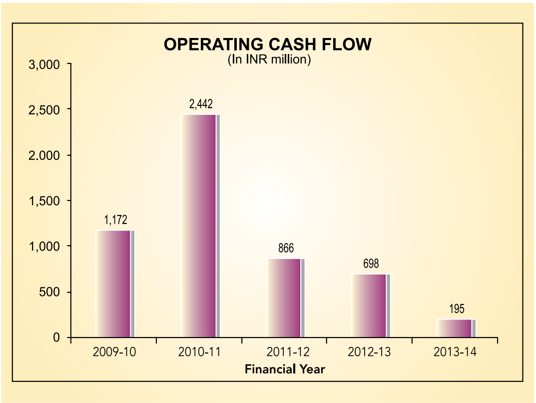
Highlights of FY 2013-2014

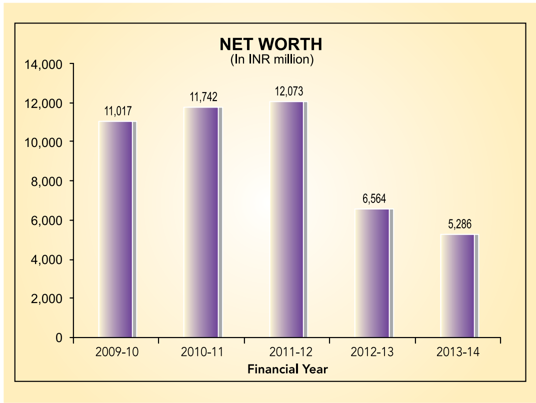
FINANCIAL HIGHLIGHTS*

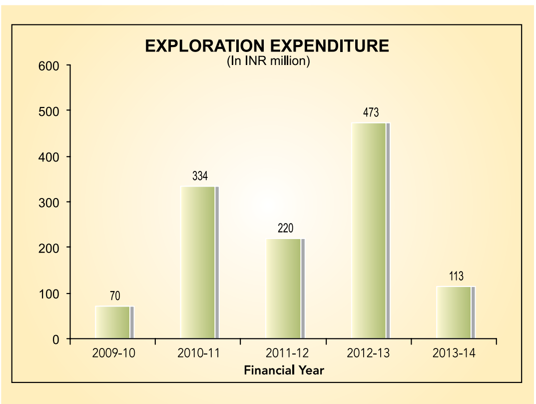
- Average Production** 1,015 boepd [FY 2012-2013: 2,284 boepd]
- Revenue of INR 627 million [FY 2012-2013: INR 1,204 million]
- Loss After Tax of INR 1,248 million [FY 2012-2013: Loss of INR 5,508 million]
- Operating Cash Flow*** of INR 195 million [FY 2012-2013: INR 698 million]

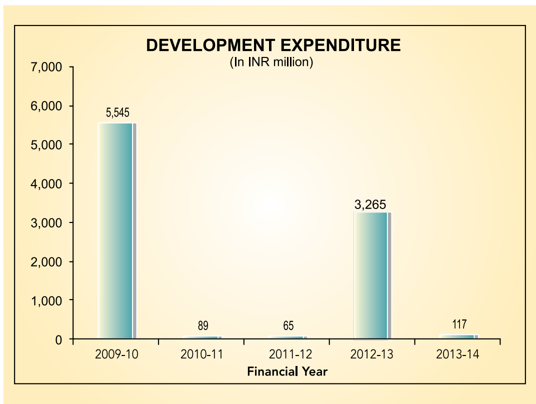












* *Figures have been regrouped and reclassified wherever necessary.*

** *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, Rajasthan and Pranhita – Godavari Basins in India

RJ-ONN-2005/1 HOEC PI: 33% (O)

- Inventory of 6 drillable prospects and 6 leads established based on 3D and High Resolution Seismic Data.
- Drilling of Exploration Well(s) expected to commence by end of 2014 subject to receipt of MoD and MoEF clearances and availability of suitable rig.

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

- 3D and High Resolution Seismic Data interpreted and an inventory of 5 drillable prospects established by OIL (Operator).
- Drilling of Exploration Well(s) expected to commence by end of 2014, subject to rig availability.

North Balol HOEC PI: 25% (O)

- Production: approx. 0.86 mmscfd.

Asjol HOEC PI: 50% (O)

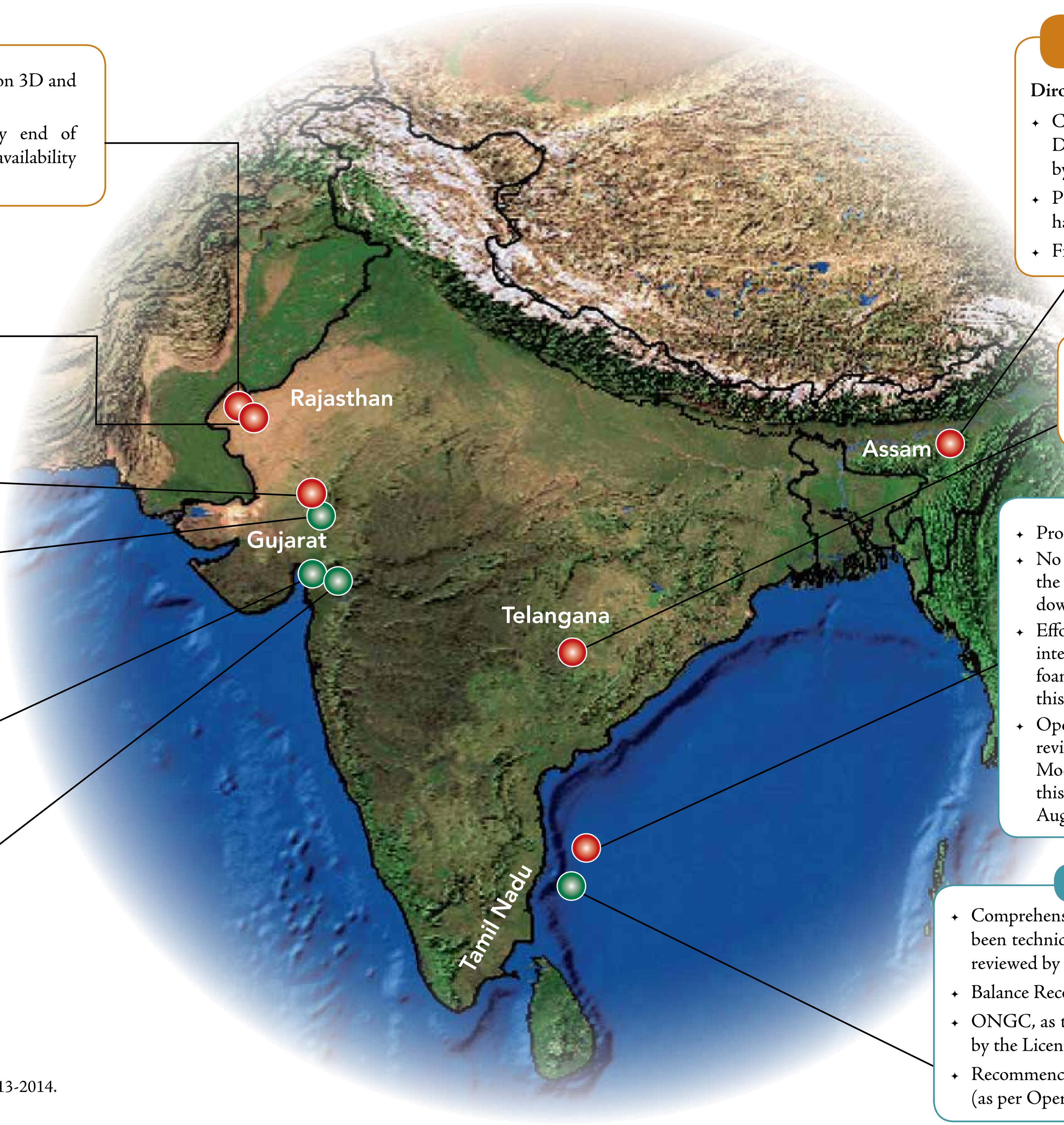
- Production: approx. 17 bopd.

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

- Revised Plan of Development (rPoD) approved by MoPNG and 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. 142 boepd.



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

Dirok Gas Discovery

- Commercial Discovery Report (CDR) for Dirok Discovery with GIIP of 254 bcf has been approved by MoPNG and DGH.
- Plan of Development (PoD) for Dirok Discovery has been submitted to DGH in August 2014.
- First Gas Schedule: August 2016.

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

- Discussions are underway for activation of the Production Sharing Contract (PSC) for the acreage in the State of Telangana.

PY-1 HOEC PI: 100% (O)

- Production: approx. 917 boepd.
- No gas off-take by GAIL for 28% of the time during the Financial Year primarily due to shutdown of downstream consumers.
- Efforts to lift 'Surya' Well through rig-less intervention like huff & puff technique and use of foamer did not yield sustainable production from this Well.
- Operator has appointed an international firm to review and reconstruct, if required, Static & Dynamic Model and simulate performance prediction of this complex reservoir; results are expected by end August/early September 2014.

PY-3 HOEC PI: 21%

- Comprehensive Full Field Development Plan (CFDP) has been technically approved by the Operating Committee and reviewed by DGH.
- Balance Recoverable 2P Reserves: approx. 18 mmboe.
- ONGC, as the Licensee, expects that Cess & Royalty borne by the Licensee be allowed for cost recovery.
- Recommencement of Production: Target early 2015 (as per Operator)

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 2013-2014.
Location of Contract Area is indicative and not to scale.

Board of Directors

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

Mr. R. Vasudevan, 77 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.

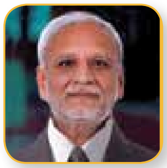
He has held various senior level positions in the ministries of the Government of India including the Prime Minister's Office, Ministry of Steel and Ministry of Petroleum and Natural Gas. He retired as Secretary to the Government of India, Ministry of Power. He was a founder director of Small Industries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

Mr. Sunil Behari Mathur
Non-Executive Independent Director

Mr. Sunil Behari Mathur, 70 years, is a Chartered Accountant. He has more than 47 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. Dhruv S. Kaji
Non-Executive Independent Director



Mr. Dhruv S. Kaji, 63 years, is a Chartered Accountant. He has diversified business experience in the field of textiles, apparel, cement, engineering and cosmetics in India as well as overseas. He has served on the Board of Companies like Raymond Apparel, Balaji Telefilms Limited and Colorplus Fashions. Currently, he is on the Board of Diamines & Chemicals Limited, Orion Trade FZCO and Superadd Trade & Services Pvt. Limited.

He has authored several books on Vedanta philosophy. Additionally, he is an avid scuba diver and pilot.

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

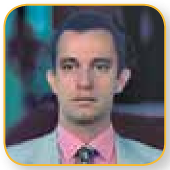
Mr. V. Srinivasa Rangan, 54 years, holds a Bachelor's degree in Commerce and is an associate member of the Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India (ICWAI). Mr. Rangan is an Executive Director of Housing Development Finance Corporation Limited (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, 53 years, graduated in Business Administration from Bocconi University in Milan, has 28 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, 53 years, doctorate in Geological Sciences from University of Milan, has around 26 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. Manish Maheshwari
Managing Director

Mr. Manish Maheshwari, 46 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 26 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 (Non-Executive) 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 30th Annual Report including the Audited Financial Statements for the year ended March 31, 2014.

1. FINANCIAL HIGHLIGHTS

INR Million

Particulars	HOEC Standalone		Consolidated	
	2013-2014	2012-2013	2013-2014	2012-2013
Turnover	569	1,088	756	1,287
Other Income	58	116	56	81
Revenue	627	1,204	812	1,368
Earnings / (Loss) before Depreciation / Depletion / Amortization / Taxation / Exploration and Exceptional items	100	655	116	645
Less: Depreciation / Depletion/ Amortization / Exploration	1,477	874	1,477	875
Exceptional Items – Impairment and Additional Depletion	—	5,720	—	5,720
Profit / (Loss) Before Tax	(1,377)	(5,939)	(1,361)	(5,950)
Less: Provision for Tax	(129)	(431)	(124)	(424)
Profit / (Loss) After Tax	(1,248)	(5,508)	(1,237)	(5,526)
Profit / (Loss) brought forward	(2,577)	2,931	(2,518)	3,015
Profit / (Loss) available for Appropriation	(3,825)	(2,577)	(3,755)	(2,511)
Balance carried to the Balance Sheet	(3,825)	(2,577)	(3,755)	(2,517)

Figures have been rounded off.

During the year, your Company produced 0.37 mmboe of crude oil and gas (previous year 0.83 mmboe), the decrease being predominantly in PY-1 Field due to accelerated decline in reservoir pressure and high water cut in existing wells.

The lower production has resulted in a Turnover of INR 569 million for the year, a decrease of 48% over the previous year. The Revenue for the year was INR 627 million, a decrease of 48% over the previous year, for the aforesaid reasons.

On a standalone basis, the Loss-Before-Tax was INR 1,377 million. This is mainly due to:

(a) depreciation charge of INR 1,031 million predominantly related to PY-1 Field; and

(b) the exploration cost of INR 446 million written off during the year in accordance with Guidance Note (Accounting for Oil and Gas Producing Activities, issued by Institute of Chartered Accountants of India).

Provision for tax during the year reflects the write-back of provision for income tax of earlier years on account of favourable order from Hon'ble ITAT relating to deduction under Section 80IB(9) of the Income Tax Act, 1961 and netting off reversal of MAT credit as a prudential accounting measure.

During the year under review, your Company had a Loss-After-Tax of INR 1,248 million compared to Loss-After-Tax of INR 5,508 million during the previous year.

2. DIVIDEND

In view of the Loss-After-Tax during the year, the Directors have not recommended any dividend for the Financial Year 2013-2014.

3. CAPITAL EXPENDITURE

During the year under review, the Company has incurred capital expenditure aggregating to INR 230 million towards exploration and development programme in existing portfolio.

4. OPERATIONAL HIGHLIGHTS

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

5. MEASURES BEING TAKEN TO IMPROVE THE OPERATIONAL AND FINANCIAL PERFORMANCE

The Company has initiated following measures to achieve improvement in operational and financial performance:

i. Focus on Cost Optimisation in existing Producing Field:

Your Company has implemented various cost optimisation initiatives in PY-1 Field, salient amongst them include de-hiring of chopper services, de-hiring of warehouse and explosive storage yard, undertaking in-house maintenance of critical equipment, tele linking platform to control centre through a low cost yet proven and reliable solution, phasing out expatriates at PY-1 site and improvised rotational work pattern for effective manpower utilization.

ii. Focus on Development of Discoveries in existing portfolio:

Your Company is singularly focused on transforming the reserves in the three existing discoveries, namely Gulf A (Cambay), Dirok (Assam) and PY-3 (Cauvery), to production in the near to mid-term.

6. OUTLOOK

The Company has capital requirements to implement its business plans and commitments under the Production Sharing Contracts (PSC) in the foreseeable future, which cannot be met through internal accruals alone. As a strategic exercise initiated pursuant to appointment of a Financial Advisor, discussions are underway between the Promoter and prospective investors. Notwithstanding uncertainties which may be attached to the outcome of any such process, the Board recognizes that the Company has a successful track record of raising capital in the past and that the Company shall raise financial resources as and when needed to meet its commitments under the Production Sharing Contracts and to transform the reserves from the existing discoveries to production. Based on the foregoing, the Financial Statements have been prepared on the basis that the Company is a going concern.

7. ECB AGREEMENTS NOVATED IN FAVOR OF ENI LASMO PLC

Due to internal structuring within the Eni Group, Eni Finance International (EFI), upon receipt of regulatory approvals from the Indian authorities, has novated the existing agreements relating to external commercial borrowings (ECBs) in favour of Eni Lasmo Plc, a wholly-owned subsidiary of Eni S.p.A, and which indirectly owns 47.18% stake in HOEC.

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.

10. COMPANY SECRETARY

Upon resignation of the erstwhile Company Secretary and Legal Counsel, the Company is in 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 2013-2014 were audited by Mr. K. Suryanarayanan, a qualified Cost Accountant-in-Practice.

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

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 Consolidated Financial Statements presented by the Company include financial information of HBIL prepared in compliance with the applicable accounting standards.

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

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

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 2013-2014 are appended to and form part of this Annual Report.

14. CREDIT RATING

ICRA has accorded a long term rating of [ICRA] BBB+ for the line of credit to the Company 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 inability to obtain sufficient audit evidence in relation to the assessment of impairment loss, if any, in the carrying value of the producing property.

In this regard, the Directors have to state that :

While the EBITDA of INR 236 million for FY 2013-2014 has been positive, the Company has reported negative EBIT of INR 1,240 million and LBT of INR 1,377 million for the same period, primarily due to high depletion, depreciation and amortization (DDA) charge in an offshore producing property, PY-1, located in the Cauvery Basin. The Company, as Operator, has commissioned a comprehensive geological and reservoir study by an independent 3rd party for PY-1 Field, the results and recommendations of which are still awaited. Pending the results of the Study, the Company has relied on the last independent reserve report of January 2013 and the capital allocation assumption considered towards drilling additional producer wells at the time of the Impairment Test for the year ended March 2013. Should the findings of the Study and the capital allocation assumptions undergo revision, there may be uncertainty in the recoverability of the carrying value of PY-1 Asset, which as of March 31, 2014 is approximately INR 11,657 million.

16. ACCOUNTING OF SURVEY COST AS PER GUIDANCE NOTE

In compliance with SEBI directions relating to treatment of survey cost under the Guidance Note (Accounting for Oil and Gas Producing Activities, issued by Institute of Chartered Accountants of India), the Company has expensed off survey costs amounting to INR 446 million (INR 341 million pertaining to previous years) in the Statement of Profit and Loss.

17. 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.

18. 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.

19. DIRECTORS

Mr. Sergio Laura, Managing Director, Mr. Mukesh Butani, Independent Director, Mr. Luigi Ciarrocchi, Non-executive Director and Mr. Paolo Carmosino, Non-executive Director resigned from the Board of Directors of the Company. The Board places on record its appreciation for valuable services rendered by Mr. Sergio Laura, Mr. Mukesh Butani, Mr. Luigi Ciarrocchi and Mr. Paolo Carmosino to the Company.

In terms of the Articles of Association of the Company and provisions of the Companies Act, 2013, Mr. V.S. Rangan, Mr. Manish Maheshwari, Mr. Guido Papetti and Mr. Paolo Ceddia, Directors will retire by rotation and being eligible, have offered themselves for re-appointment as Directors.

Further, Mr. Manish Maheshwari has given his consent to be re-appointed as Managing Director. Upon recommendation by the Nomination & Remuneration Committee, the Board of Directors has, at its meeting held on July 26, 2014, recommended the appointment of Mr. Manish Maheshwari as Managing Director of the Company for a period of 5 years from the conclusion of the ensuing Annual General Meeting.

Pursuant to the provisions of the Companies Act 2013, Mr. R. Vasudevan and Mr. Sunil Behari Mathur, Independent Directors retire at the ensuing Annual General Meeting. The Company has received requisite notices in writing from a member proposing appointment of Mr. R. Vasudevan and Mr. Sunil Behari Mathur as Independent Directors.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Dhruv S. Kaji was appointed as an Additional Director designated as an Independent Director w.e.f. February 14, 2014 and he shall hold office upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the appointment of Mr. Dhruv S. Kaji as an Independent Director for a period of 5 consecutive years until the conclusion of the 35th Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

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 30th Annual General Meeting of the Company.

20. EMPLOYEES STOCK OPTION SCHEME

No stock options were granted during the Financial Year 2012-2013 and 2013-2014. Stock options aggregating to 17,680 and outstanding as at March 31, 2013 have been exercised during the year.

21. 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 activity:

   Company continues with its initiatives on energy and resource conservation at its various Production Facilities and promoting use of renewable energy like solar panels at onshore/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:

NIL during the year.

Technology imported during last five years: NIL during the last 5 years.

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 the 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	2013-2014	2012-2013
A.	Foreign Exchange Earnings (See Note 1)	—	0.76
B.	Foreign Exchange Used		
	• Cash Call Payment to Joint Ventures	23.71	1,789.26
	• Expenditure in Foreign Currency (See Note 2)	318.43	199.17
	• Repayment of Foreign Currency Loan (See Note 3)	242.02	628.65
	Total Foreign Exchange Used (B)	584.16	2,617.08
Net Foreign Exchange Used (B-A)		584.16	2,616.32

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) in the previous FY 2012-2013.

22. 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.

23. 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.

24. 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 as prescribed in the Companies Act, 2013. Based on the recommendation of the Audit Committee, the Board has, at its meeting held on July 26, 2014, 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.

25. MANAGERIAL REMUNERATION

Due to inadequate profit/loss during the year, 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/special resolution.

26. 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.

27. 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 Telangana, 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 overcome the present challenges.

For and on behalf of the Board

R. Vasudevan

Date: July 26, 2014 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, 2014.

Name	Designation	Remuneration	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 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. Manish Maheshwari	Managing Director	20,194,705	Nil	Permanent	Overall management of the Company	B.E. (Hons), MBA (UK)	26	1-Oct-03	46	Senior Investment Manager – Danish International Investment Fund	18,983	Negligible	1-Apr-13	31-Mar-14

Notes:

1. Gross remuneration as above includes salary,taxable allowances, Company's contribution to Provident Fund and Superannuation 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 Income Tax Act, 1961 and the Rules there-under. No stock options were granted to the Managing Director.
2. Managing Director is not a relative to any Director of the Company.

Management Discussion and Analysis Report

INDUSTRY STRUCTURE, DEVELOPMENT AND OPPORTUNITIES

The Financial Year 2013-2014 witnessed an acceleration in global energy consumption despite sluggish growth in global economy primarily due to rising energy demand in emerging economies. While the global consumption accelerated, it remained below ten-year average due to weak global economic landscape. As compared to 2012, global primary energy consumption increased by 2.3% in 2013.

FY 2013-2014 highlighted flexible global energy system where producers and consumers adapted to changes by focusing/ preferring, as the case be, on competitively priced energy sources. In 2013, despite slowdown, consumption and production were at record levels for all fossil fuels. Though hydrocarbon production from Libya, Iran, Saudi Arabia and Nigeria declined cumulatively to the tune of around 1 million barrels/day in 2013, however increase in production from shale formations in the US stabilized supply disruptions to a large extent during the year. Growth in oil consumption (1.4%) outpaced growth in oil production (0.6%) by 0.8%. Geopolitical disruptions and risk in supplies maintained average oil prices in excess of $100 for third consecutive year. Continuing the trend of last year, coal remained fastest growing fossil fuel (3% increase) with 88% of consumption growth on account of China and India. While the global natural gas consumption grew at 1.4%, India recorded largest volumetric decline of gas consumption in the world at (-)12.2%. Global nuclear output grew at 0.5%, for the first time since 2010. Renewable energy accounted for record 2.7% of global energy consumption and its share in power generation grew by 16.3%.

Global Oil Pricing

Crude Oil Prices weakened in early 2013 due to record production levels in US, but owing to supply disruptions in the Middle East, the prices rebounded and remained in a narrow range of $100-$110 per barrel with an average of around $108.6/ barrel. Differential between Brent and WTI narrowed but still remained close to $10.6 per barrel as infrastructure bottlenecks in US eased.

Gas Pricing

Natural Gas prices increased in US (Henry Hub) and UK (National Balancing Point - NBP), but eased elsewhere.

Gas prices in India were slated to increase with effect from April 1, 2014 from a level of $4.2 mmbtu to $8.4/mmbtu based on pricing formula recommended by Dr. Rangarajan Committee. This pricing formula was linked to weighted average prices of Henry Hub, NBP, Japan imports and net back pricing of LNG imports in India.

Incidentally, the announcement of 16th Lok Sabha elections in India and consequential applicability of model code of conduct deferred the decision on revision of Gas price by around 6 months. A positive action from the Government on this issue would act as a catalyst to unlock capital and trigger development of already discovered natural gas reserves in excess of 20 TCF in India.

Outlook for India

Despite stagnant global economy, Indian energy sector remains poised for rapid growth as increase in energy supply failed to meet domestic demand. India imported close to 83.4% of total domestic crude oil requirement. Consequently, the Oil Import Bill of India was USD 143 billion in FY 2013-2014. Further, based on the five year plan, demand of natural gas is expected to more than double of the current requirement by the year 2022.

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. To execute this strategy, the Company may restructure its balance sheet and undertake actions worthy of the opportunities available.

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 monetize assets with a view to value realization or risk sharing.

The initiatives taken by the Company to pursue the objectives set for the FY 2013-2014 are summarized below:

- As Operator, HOEC commissioned an international firm, to review and reconstruct, if required, Static and Dynamic Model of PY-1 Field, simulate performance prediction of this complex reservoir and provide guidance on residual reserve potential of this Field for determing future course of action; results of the study are excepted by end August/early September 2014.
- HOEC championed the process to achieve technical consensus on the Comprehensive Field Development Plan (CFDP) of PY-3 Field at the Operating Committee and thereby paving the way for the Operator to recommence production by 2015 depending on the satisfactory resolution of Cess & Royalty, levies borne by the Licensee, being treated as cost recoverable.
- As Operator, HOEC secured approval for Commercial Discovery Report (CDR) relating to 'Dirok Gas Discovery', in the conventional and prolific 'Girujan' Reservoir in Upper Assam from the Directorate General of Hydrocarbons (DGH) & Ministry of Petroleum & Natural Gas (MoPNG).
- Actively supported ONGC, the Operator, in obtaining approval of the revised Plan of Development (rPoD) for 'Gulf A' Discovery in CB-OS-1 Block from DGH and MoPNG.
- As Operator, HOEC has established an inventory of 6 drillable prospects and 6 leads in RJ-ONN-2005/1 Block based on interpretation of 3D and High Resolution Seismic Data and the same has been approved by the Operating Committee.

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 2013-2014

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. Ceterus paribus, 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 2013-2014 was 370,429 barrels of oil equivalent (boe) (crude oil: 34,470 bbls; gas: 52,248,605 scm) as against 833,551 barrels of oil equivalent (boe) (crude oil: 61,163 bbls; gas: 121,052,906 scm) during the previous year. The decrease in production is predominantly due to accelerated pressure depletion and water breakthrough in existing PY-1 Wells.

Reserves

As of March 31, 2014, the estimates of Proved and Probable (P+P) reserves on working interest basis for the Company were 33.10 mmboe. The estimates include reserves in Dirok Gas Discovery following the declaration of its commerciality in September 2013.

CAUVERY BASIN

PY-1 Gas Field

From commencement upto March 31, 2014, the cumulative production of natural gas from PY-1 Field has been 28.5 bcf. Due to complex mineralogical rock composition and heterogenity of fracture system at different scales, the PY-1 reservoir response has been unexpected and materially at variance to the initial simulation results. Paradoxically, in such complex reservoirs heterogenity is found to be benign during early production but can become increasingly malignant as the reservoir is depleted.

During the year under review, HOEC appointed an international firm, with proven credentials in performing an integrated workflow for granatic basement reservoir evaluation, to comprehensively review and reconstruct, if required, Static and Dynamic Model of PY-1 Field, simulate performance prediction of this complex reservoir, and provide technical guidance on residual potential of this Field for determining future course of action. The results of this multi-disciplinary study are expected by end August/early September 2014.

On operational front, efforts to lift 'Surya' Well through rig-less intervention like huff & puff technique and use of foamer did not yield sustainable production from this Well.

Forward Plan

The findings from the aforementioned comprehensive study shall provide better appreciation of the PY-1 residual gas reserves, the reserves distribution and reservoir performance prediction. HOEC shall tread with caution and implement the recommendations of the study to monetize PY-1 residual gas reserves after careful consideration of the risk-return equation.

PY-3 Oil Field

PY-3, operated by HEPI, is a conventional sandstone reservoir, and the Field has been producing high quality light crude oil (49° API) at a rate of 3,300 bopd prior to its shutdown in July, 2011.

Restarting production from PY-3 Field has been a high priority and HOEC has been working proactively with all the Joint Venture Partners to achieve this objective. Operating Committee has technically approved the Comprehensive Full Field Development Plan (CFDP) and the same has been duly reviewed by DGH.

Discussions amongst the Partners and MoPNG continued so as to establish an acceptable commercial framework on the treatment of Cess & Royalty, levies borne by the Licensee, and the tenure of the PSC.

Forward Plan

Upon securing approval of CFDP from MoPNG, Operator is targetting the recommencement of production in 2015. This will be achieved by securing appropriate offshore floating production and storage facilities. Further, the CFDP considers drilling of new producer wells and side tracking existing wells, at an estimated gross (100%) capex of USD 106 million with consequent ramp-up of production upto 7000 bopd and monetisation of associated gas production at approx. 7 mmscfd.

CAMBAY BASIN

Block CB-ON-7 (Palej)

The gross production from CB-ON-7 Block averaged 142 boepd as compared to 175 boepd in the previous year. Production on working interest basis to HOEC averaged 50 boepd during the year, the decrease being primarily attributable to natural decline.

North Balol Gas Field

North Balol Gas Field produced 8,854,980 scm of natural gas during the year, with an average production rate of 24,260 scmd, a decrease of 13% over the previous year attributable to natural decline.

Asjol Field

Asjol Field produced at an average rate of 17 boepd, with an aggregate production of 6,323 barrels, a decrease of 9% attributed to natural decline of Field.

Block CB-OS/1

ONGC, the Operator, had 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 thereafter by DGH and MoPNG.

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 25 km pipeline spanning across inter-tidal area.

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

ASSAM-ARAKAN BASIN

Block AAP-ON-94/1

HOEC, as the Operator, had submitted a Commercial Discovery Report (CDR) with GIIP of 254 bcf for the 'Dirok Gas Discovery' in the conventional and prolific 'Gurujan' reservoir in Upper Assam and which has been duly approved by DGH and MoPNG. Further, during the year, Operator has completed Static and Dynamic Modelling of Dirok Field and prepared Plan of Development which has been approved by the Operating Committee and the same has been submitted to DGH for review and approval.

Forward Plan

HOEC targets to produce the 'First Gas' from Dirok Field within a span of less than 18 months upon the receipt of various regulatory/statutory approvals from the Government authorities. The estimated gross (100%) capital expenditure of the Project is USD 85 million and initial gas production is expected to be around 20 mmscfd.

RAJASTHAN BASIN

Block RJ-ONN-2005/1

As Operator, HOEC has established an inventory of 6 drillable prospects and 6 leads in this Block based on interpretation of 3D and High Resolution Seismic Data. Drilling of Exploration Well(s) are expected to commence by end of 2014, subject to receipt of MoD and MoEF clearances and availability of suitable rig.

Block RJ-ONN-2005/2

OIL, the Operator, has interpreted 3D and High Resolution Seismic Data and established an inventory of 5 drillable prospects in this Block. Drilling of Exploration Well(s) are expected to commence by end of 2014, subject to rig availability.

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 minimize 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 and Reservoir 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. HOEC's policy is to contain this exposure within prudent limits. The Company has experienced management and technical team with a track record of finding hydrocarbon discoveries, which has resulted in a diversified portfolio of exploration, development and production assets. Systematic geo scientific work flow is pursued under technical stewardship of Eni, to address geological and reservoir risks and maximize opportunities.

DESCRIPTION OF RISK	MITIGATION
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.
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 help 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 a 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). Company has negotiated Schedule to ISDA Master Agreement with banks and may enter into Principal Only Swap (POS) at an appropriate window of opportunity taking into consideration cost of hedge vis-à-vis exposure. Presently, the Company has a weighted average interest cost of 2.32% per annum. Company may 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 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 recognizes the importance and maintains transparent and responsible relationships with a wide variety of stakeholders including the Government.
Corporate Governance	The Company recognizes 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 2013-2014 was INR 569 million as compared to INR 1,088 million of previous year, a decrease of 48%. 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 370,429 boe (1,015 boepd), 56% lower than the previous year. The Production on net entitlement basis to the Company was 990 boepd for the FY 2013-2014.

Other Income for the FY 2013-2014 was INR 58 million as compared to INR 116 million in the previous year; the decrease is explained by lower interest/dividend income from current and long term investments.

The average sale price of crude oil was USD 101/bbl (FY 2012-2013: USD 104/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 1,192 million to INR 1,306 million in FY 2013-2014, 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 1,026 million as against INR 869 million in the previous year, the increase in depletion charge being on account of reduction in PY-1 Reserves as reported during the last Financial Year.

Consequently, the Operating (EBIT) Loss was INR 1,240 million during FY 2013-2014 as compared to loss of INR 114 million during the previous year on account of higher depletion charge in PY-1 and write-off of exploration costs.

Finance Costs

Interest and other finance charges were INR 137 million as compared to INR 106 million in the previous year. In accordance with the terms of the ECB Agreements, as amended from time to time, Company has repaid principal amount of USD 4.03 million during the year. Borrowing costs are either expensed or capitalized in accordance with the Accounting Standard 16.

Net Profit/Loss

On a standalone basis, the Loss-Before-Tax for the Company was INR 1,377 million. This is mainly due to: (a) increase in depreciation pursuant to reduction in PY-1 Reserves as certified by an independent third party in January 2013; and (b) the exploration cost written off during the year in accordance with Guidance Note (Accounting for Oil and Gas Producing Activities, issued by the Institute of Chartered Accountants of India).

Provision for tax during the year reflects the write-back of provision for income-tax of earlier years on account of favourable order from Hon'ble ITAT relating to deduction under Section 80IB(9) of the Income Tax Act, 1961 and netting off reversal of MAT credit as a prudential accounting measures.

During the year under review, the Company had a Loss-After-Tax of INR 1,248 million compared to Loss-After-Tax of INR 5,508 million during the previous year.

Cash Flow and Capital Expenditure

Cash from Operation before working capital and taxes was INR 195 million as compared to INR 698 million in the previous year. The lower internal accruals are due to reduction in PY-1 production as detailed in the section 'Operations Review' of the Management Discussion and Analysis Report. During the year under review, Company incurred exploration expenditure of approximately INR 113 million (FY 2012-2013: INR 473 million) and development expenditure of approximately INR 117 million (FY 2012-2013: INR 3,265 million).

Financial Position

Liquidity

At the year end, HOEC had cash and cash equivalent of approx. INR 391 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.

Capital Restructuring

The Company has capital requirements to implement its business plans and commitments under the Production Sharing Contracts (PSC) in the foreseeable future, which cannot be met through internal accruals alone. As a strategic exercise initiated pursuant to appointment of a Financial Advisor, discussions are underway between the Promoter and prospective investors. Notwithstanding uncertainties which may be attached to the outcome of any such process, the Board recognizes that the Company has a successful track record of raising capital in the past and that the Company shall raise financial resources as and when needed to meet its commitments under the Production Sharing Contracts and to transform the reserves from the existing discoveries to production in the near to mid-term.

Credit Rating

ICRA has accorded a long term rating of [ICRA] BBB+ for the line of credit to the Company and the outlook on long term rating is "Stable".

OUTLOOK

Based on the forward plan in various assets, our outlook remains positive.

Oil and Gas Markets

The long-term outlook is one of growing demand for energy, particularly in Asia, and of challenges for the industry in meeting this demand. Fossil fuels are expected still to be satisfying as much as 80% of the world's energy needs in the year 2030. The outlook for oil price in year 2014 is expected to remain robust, mainly supported by a steady tightening of physical supply and due to global geo-political events. Based on market reports, Brent Crude Oil price is expected to trade in a corridor of USD 100-110/bbl through 2014-2015.

Gas prices in India have been evolving over the years from an administered price regime of sub USD 2/mmbtu to USD 4.2/mmbtu. Following the notification by MoPNG on January 10, 2014, prices were to stand revised with effect from April 1, 2014 based on formulae recommended by Dr. Rangarajan Committee. As explained earlier, it is now expected that the prices for domestic gas production shall be revised with effect from October 1, 2014.

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 has reappointed Protiviti, an independent global firm with expertise in internal audit and assurance, which *inter alia* ensures the adequacy of the procedures of recognizing and managing risks applied by the 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 weaknesses 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.

The Company has implemented Maximo ERP system to further strengthen its procurement-to-payment function. Maximo ERP

System covers most of the Company's operations with a define 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 system 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 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, where appropriate, to further their careers within the Company.

HOEC's success has been attributable in part to assembling 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 organization facilitates direct interaction and multi-disciplinary dialogue amongst personnel every day. 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 favorable 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, 2014, stands at 50 (previous year: 61) with the average employee age being 39 years.

HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

Our Goal

We are committed to making a positive contribution to the protection of the environment in areas in which we operate and to minimizing any adverse effects of our operations. We strive to contribute positively to global sustainability through our operations, the development of our fields, our adoption of new technologies and the conduct of our relationships with all of our stakeholders. We aim to promote sharing of economic benefits created by our activities through the conduct of community relationships.

HOEC continued with sound health and safety record in FY 2013-2014 with no lost time incidents or fatalities. There were no environmental incidents and Environmental Impact Assessments 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) and 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 last FY 2013-2014, there were no fatalities, no lost time incidents (LTIs) and no environmental incidents. 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	2013-2014	2012-2013
Fatalities Accident Rate (FAR)	0	0
No. of LTIs	0	0
Days since last LTI	1,735	1,370
Oil Spill Incidents	0	0
	2013-2014 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 assets and 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

We account for crude oil and natural gas properties under the Successful Efforts Method (SEM) of accounting. Under the SEM, costs to acquire mineral interests in crude oil and natural gas properties, 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 developed crude oil and natural gas reserves as approved by the Management Committees of the respective Unincorporated Joint Ventures. Costs associated with drilling successful exploratory wells and drilling development wells are 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 proved developed crude oil and natural gas reserves. Survey and seismic acquisition costs are expensed.

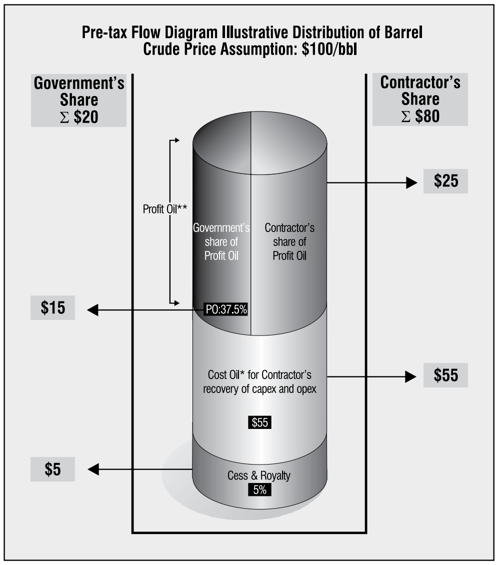
Besides being the recommended method under the Guidance Note issued by the Institute of Chartered Accountants of India, we believe that the SEM is the most appropriate method to use in accounting for our crude oil and natural gas properties because it provides a better representation of results of operations for a company of our size.

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 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 1,059 million as at March 31, 2014.

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 to conform to the current year presentation; and
(b) Figures have been rounded off.

Annexure to the Management Discussion and Analysis Report



Notes:

* 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

At HOEC, Corporate Governance is about maintaining a relationship based on transparancy and trust with all stakeholders: shareholders, employees, suppliers, customers, investors, communities or policy makers. We believe that sound governance system, anchored to the principles of transparancy and trust, is integral to creating enduring value. HOEC has a defined policy framework for ethical conduct of businesses.

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

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 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 include review and direction by the annual and long term, strategic plans, operating plans, capital allocation, budgets and financial reports besides the recommendations of various Board Committees.

At the heart of our governance processes is the extensive use of technology. This ensures robustness and integrity of financial reporting, internal controls, allows optimal use and protection of assets, facilitates accurate and timely compilation of financial statements and management reports and ensures compliance with statutory laws, regulations and company policies.

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 management system guidelines 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.

In addition, the Company has a strong sense of participation in community development. Its established systems encourage and recognize employee participation in environmental and social initiatives that contribute to organisational sustainability, conservation of energy, and promotion of safety and health.

2. BOARD OF DIRECTORS

(i) Board Composition and Category of Directors

As on March 31, 2014, the Company has eight (8) Directors, of which seven (7) Directors are Non-Executive Directors and remaining one (1) Director is the Executive Director.

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 either through circular or at meetings 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) Selection of Independent Directors and their Role

Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field / profession, and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee for appointment as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons. The Board considers the Committee's recommendation, and takes appropriate decision.

Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law.

As mandated under the existing Clause 49 of the Listing Agreement, the Independent Directors on the Board of the Company:

- Apart from receiving Director's remuneration, do not have any material pecuniary relations or transactions with the Company, its Promoters, Directors, Senior Management or its Holding Company, Subsidiaries and Associates which may affect independence as Director;
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- Have not been executive(s) of the Company in the immediately preceding three financial years;
- Are not partner(s) or executive(s) or were not partner(s) or executive(s) during the preceding three years, of any of the following:
    i. Statutory Audit firm or the internal audit firm that is associated with the Company.
    ii. Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are no material supplier(s), service providers(s) or customer(s) or lessor(s) of the Company, which may affect independence of the Director;
- Are not substantial shareholders of the Company i.e. do not own two per cent or more of the block of voting shares;
- Are not less than 21 years of age.

None of the Directors of the Company are related to each other.

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

This pool of rich and 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, 2014 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)	3 of 4	No	4	Chairmanship–1 Membership–3	22,874 refer Note 5 (% Negligible)
Mr. Sunil Behari Mathur (DIN 00013239)	Non-Executive, Independent Director	4 of 4	Yes	12 refer Note 2	Chairmanship–3 Membership – 5	8,215 refer Note 5 (% Negligible)
Mr. V. Srinivasa Rangan (DIN 00030248)	Non-Executive, Non-Independent Director	4 of 4	Yes	10 refer Note 2	Membership – 7	Nil
Mr. Dhruv S. Kaji (DIN 00192559)	Non-Executive, Independent Director (appointed Additional Director w.e.f. February 14, 2014)	N.A.	N.A.	3	Nil	Nil
Mr. Guido Papetti (DIN 06616547)	Non-Executive Director	3 of 3	Yes	Nil refer Note 3	Nil	Nil
Mr. Paolo Ceddia (DIN 06638260)	Non-Executive Director	3 of 3	Yes	Nil refer Note 3	Nil	Nil
Mr. Mukesh Butani (DIN 01452839)	Non-Executive, Independent Director (upto October 15, 2013)	1 of 2	Yes	1 refer Note 2	Membership – 1	8,215 refer Note 5 (% Negligible)
Mr. Luigi Ciarrocchi (DIN 02357053)	Non-Executive Director (upto February 14, 2014)	0 of 3	No	Nil refer Note 3	Nil	Nil
Mr. Paolo Carmosino (DIN 02688754)	Non-Executive Director (upto June 06, 2014)	0 of 4	No	Nil refer Note 3	Nil	Nil
Mr. Sergio Adriano Laura (DIN 02670514)	Managing Director (Upto May 29, 2013)	1 of 1	N.A.	Nil refer Note 3	Nil	Nil
Mr. Manish Maheshwari (DIN 01791004)	Managing Director	4 of 4	Yes	1	Nil refer Note 4	18,983 refer Note 5 (% Negligible)

Note 1 Represents Chairmanships / Memberships of Audit Committee and Stakeholders Relationship Committee (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 Non-executive 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 from time to time.

(vi) Board Meetings

The Board is required to have four (4) regular scheduled meetings per financial year. During the year under review, four (4) Board meetings were held and the gap between any two meetings did not exceed four months. The maximum and the minimum time gap between two Board meetings were one hundred thirteen (113) days and fifty four (54) days respectively.

The dates on which the Board meetings were held during the Financial Year 2013-2014 were May 29, 2013, July 22, 2013, November 12, 2013 and February 14, 2014.

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

Mr. Sergio A. Laura, Managing Director, Mr. Mukesh Butani, Independent Director, Mr. Luigi Ciarrocchi, Non-executive Director and Mr. Paolo Carmosino, Non-executive Director, resigned from the Board of Directors of the Company. The Board places on record its appreciation for valuable services rendered by Mr. Sergio A. Laura, Mr. Mukesh Butani, Mr. Luigi Ciarrocchi and Mr. Paolo Carmosino to the Company.

In terms of the Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. V. S. Rangan, Mr. Manish Maheshwari, Mr. Guido Papetti and Mr. Paolo Ceddia will retire by rotation and being eligible, have offered themselves for re-appointment as Directors.

Further, Manish Maheshwari has given his consent to be re-appointed as Managing Director. Upon recommendation by the Nomination & Remuneration Committee, the Board of Directors has, at its meetings held on July 26, 2014, recommended the appointment of Mr. Manish Maheshwari as Managing Director of the Company for a period of 5 years from the conclusion of the ensuing Annual General Meeting.

Pursuant to the provisions of the Companies Act, 2013, Mr. R. Vasudevan and Mr. Sunil Behari Mathur, Independent Directors retire at the ensuing Annual General Meeting. The Company has received requisite notices in writing from member proposing Mr. R. Vasudevan and Mr. Sunil Behari Mathur, for re-appointment as Independent Directors for a period of 5 consecutive years until the conclusion of the 35th Annual General Meeting.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Dhruv S. Kaji was appointed as an Additional Director designated as an Independent Director w.e.f. February 14, 2014 and he shall hold office upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the appointment of Mr. Dhruv S. Kaji as an Independent Director for a period of 5 consecutive years until the conclusion of the 35th Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

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, a brief resume of Directors, nature of their expertise in specific functional areas and company names in which they hold Directorships, Memberships / Chairmanships of Board Committees, and shareholding in the Company are given in the Notice convening the 30th Annual General Meeting of the Company.

(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 by the Directors / Officers and Designated Employees of the Company for the period of at-least fifteen 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 forty-eight (48) 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:

- Strategic Plan covering immediate to long term proposition.
- Annual Operating Plans of business, Capital Budget and Allocation 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, Stakeholders Relationship Committee (erstwhile Shareholders / Investors Grievance Committee) and Nomination and Remuneration Committee (erstwhile Compensation & Remuneration Committee) of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level and the senior management team.
- 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.
- Prior approval for sale of material nature of investments, subsidiary, assets, which is not in the normal course of business.
- Status of each of the projects and criticalities, if any, on a quarterly basis.
- 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.
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.
- Compliance Certificate certifying compliance with all Laws as applicable to the Company.

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.

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 approved by the Chairman and entered in the Minutes Book within thirty (30) days from conclusion of each 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 / the Companies Act, 2013 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.

Chairman has the authority to engage experts, advisors and counsels to the extent it considers appropriate to assist in the functioning of the Board.

Mr. Minesh Bhatt, Assistant Company Secretary and Compliance Officer, is the Secretary of all Board Committees.

(xi) Procedure at Committee Meetings

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as practicable. Each Committee Chairman has the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its function. Minutes of proceedings of Committee Meetings are circulated to the Directors and placed before Board Meetings for noting.

3. AUDIT COMMITTEE

The Audit Committee's composition meets with requirements of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Members of the Audit Committee possess financial / accounting expertise / exposure.

i. Powers of the Audit Committee

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary

ii. Role of the Audit Committee inter alia, includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of statutory auditors and cost auditors, and fixation of audit fees and other terms of appointment.
- Approving compensation payable to statutory auditors and cost auditors for any other services rendered by them.
- Reviewing with the management, annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Directors' Responsibility Statement 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 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 utilised 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.
- Approval or any subsequent modification of transactions of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Reviewing and monitoring the auditors independence and performance and effectiveness of audit process.
- Reviewing with the management, the performance 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, any 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, before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Approval of appointment of the CFO / Finance Director / any other person heading the finance function or discharging that function after assessing qualifications, experience and background of the candidate.
- Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and / or other Committees of Directors.
- Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries.
- Reviewing the following information:
    - Management Discussion and Analysis of financial condition and results of operations;
    - Statement of significant related party transactions;

- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of internal auditors.

▪ To call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.

▪ Reviewing the financial statements and the investments made by HBIL, the unlisted subsidiary of the Company.

Senior Executives of Accounts and Finance Department, Secretarial Department and representatives of Statutory, Internal and Cost Auditors attend Audit Committee Meetings.

The cost audit reports in XBRL mode for the financial year ended March 31, 2013 has been filed by the Cost Auditor.

(iii) Composition of Audit Committee

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

Mr. Sunil Behari Mathur, 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.

(iv) Meetings and attendance during the year

During the year under review, four (4) Audit Committee Meetings were held on May 29, 2013, July 22, 2013, November 12, 2013 and February 14, 2014.

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. Sunil Behari Mathur, Chairman (from November 12, 2013)	4 of 4
2.	Mr. R. Vasudevan, Member	4 of 4
3.	Mr. V. Srinivasa Rangan, Member	4 of 4
4.	Mr. Dhruv S. Kaji, Member (from February 14, 2014)	N.A.
5.	Mr. Mukesh Butani, Chairman (upto October 15, 2013)	1 of 2
6.	Mr. Paolo Carmosino, Member (upto June 06,2014)	0 of 4

The Chairman of the Audit Committee was present at the last Annual General Meeting held on September 25, 2013.

4. NOMINATION AND REMUNERATION COMMITTEE

(erstwhile Compensation & Remuneration Committee)

The Committee's constitution and terms of reference are in compliance with provisions of the Companies Act, 2013, Clause 49 of the Listing Agreement and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

(i) Terms of Reference

The terms of reference of the Nomination and Remuneration Committee, *inter-alia,* are to identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and / or removal; to decide the term of services and compensation payable to Whole-time / Managing Director; to formulate the criteria for determining qualifications, positive attributes and independence of a Director; to formulate the criteria for evaluation of Independent Directors and the Board; to recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees; it is also entrusted with the duty to administer, monitor and formulate detailed terms and conditions of the long term incentive plan including the ESOS; and to discharge such other functions as may be referred by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

(ii) Composition of Committee

The Committee comprises of three Non-executive directors. Mr. Sunil Behari Mathur, a Non-Executive Independent Director, is the Chairman of the Committee.

(iii) Attendance during the year

During the year under review, two Nomination & Remuneration Committee meetings were held on May 29, 2013 and July 22, 2013.

Sr. No.	Name of members and their position	No. of Committee meetings attended
1.	Mr. Sunil Behari Mathur, Chairman	2 of 2
2.	Mr. R. Vasudevan, Member	2 of 2
3.	Mr. Dhruv S. Kaji, Member (from February 14, 2014)	N.A.
4.	Mr. Mukesh Butani, Member (upto October 15, 2013)	1 of 2

(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 DIRECTOR DURING THE FINANCIAL YEAR 2013-2014.

The Managing Director of the Company is appointed as per the terms and conditions decided by the Board of Directors of the Company. Mr. Manish Maheshwari is the Managing Director of the Company.

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, FY 2012-2013 and FY 2013-2014.

The details of remuneration received by the Managing Director during the Financial Year 2013-2014 is given hereunder:

Name	FIXED COMPONENT				PERFORMANCE LINKED INCENTIVE			Total Remuneration (Refer Note 2 below)
	Salary	Contribution to Provident Fund & Super-annuation Fund	Other allowances / perquisites (Refer Note 1 below)	Total	Bonus	Stock Options	Total	
	INR	INR	INR	INR (A)	INR	(No. of shares)	INR (B)	INR (A+B)
Mr. Manish Maheshwari	8,073,000	2,179,710	9,941,995	20,194,705	Nil	Nil	Nil	20,194,705

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 2013-2014.

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 2013-2014 are given hereunder:

Sr. No.	Name of Director	Sitting Fees (INR)
1.	Mr. R. Vasudevan	220,000
2.	Mr. Sunil Behari Mathur	200,000
3.	Mr. Mukesh Butani	60,000
4.	Mr. V. Srinivasa Rangan	160,000

The Company has not granted any stock option to any of its Non-Executive Directors. Further, during the year no commission was distributed to the Non-Executive Directors.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

(erstwhile Shareholders / Investors Grievance Committee)

The terms of reference of the Stakeholders Relationship 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, and oversee the performance of the Company's Registrars and Share Transfer Agent. The Committee also monitors the implementation and compliance with the Company's Code of Conduct for prohibition of Insider Trading.

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. Assistant Company Secretary also acts as a Compliance Officer to the Stakeholders Relationship Committee.

During the year under review, four (4) Stakeholders Relationship Committee meetings were held on May 29, 2013, July 22, 2013, November 12, 2013 and February 14, 2014.

The Stakeholder Relationship Committee's composition and the terms of reference meet with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 2013.

The Chairman of the Stakeholders Relationship Committee is Mr. R. Vasudevan, Non-Executive, Independent Director.

The composition of the Stakeholders Relationship 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 (up to June 06, 2014)	0 of 4
3.	Mr. Manish Maheshwari, Member	4 of 4
4.	Mr. Dhruv S. Kaji, Member (from July 26, 2014)	N.A.

The Stakeholders Relationship 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 31.03.2014
Received from Investors	12	12	Nil
Received from NSDL / CDSL	Nil	Nil	Nil
Referred by SEBI	01	01	Nil
Referred by Stock Exchanges	03	03	Nil
Total	16	16	Nil

There were no grievances / complaint 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
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.
2012-2013	"Chandarva Hall", Welcom Hotel Vadodara, R. C. Dutt Road, Vadodara – 390 007.	September 25, 2013	10:30 a.m.

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

- 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).
- 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).
- Approval of remuneration paid to Mr. Manish Maheshwari, Managing Director (passed at the 29th Annual General Meeting of the Members of the Company held on September 25, 2013 at Sr. No. 7 of Notice).

Special Resolution passed through postal ballot, if any:

No Special Resolution was passed through postal ballot during the last three years and also during the Financial Year 2013-14. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

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 and 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 Standard / Business Line (all editions) / Loksatta (Gujarati) / 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 were made to institutional investors or to the analysts, other than as disclosed from time to time.

(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 and Report on Corporate Governance forms part of the Annual Report and Report on Corporate Governance 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) Electronic Filing with the Stock Exchanges:

(i) **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.

(ii) **BSE Corporate Compliance & Listing Centre (the 'Listing Centre')**

BSE's Listing Centre is a web-based application designed for Corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

(h) Designated Exclusive e-mail-id

The Company has designated e-mail-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 registered with the Depository Participants (DPs) / Registrars & Share Transfer Agent.

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) Nomination and Remuneration Committee (erstwhile Compensation & Remuneration Committee)

In line with the provision of the Companies Act, 2013, the Company has re-constituted existing Compensation & Remuneration

Committee as Nomination and Remuneration Committee. Brief terms and references of the Committee are given in section 'Nomination and Remuneration Committee' in this report.

Further, the Company / Committee 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.

(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) Certification

Managing Director and Head-Corporate Accounts of the Company gives annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Director and Head-Corporate Accounts also gives 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.

(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 837,582 being the amount of unclaimed / unpaid dividend for the financial year 2005-2006 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 30th Annual General Meeting.	Friday, 26th day of September, 2014 at 10:30 a.m. at "Tropicana Hall", The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara – 390 020.
Financial Year	April 1, to March 31
Quarterly Financial Information	Results for the quarter ending on: June 30, 2014 September 30, 2014 December 31, 2014 March 31, 2015* Within 45 / 60* days from the close of the quarter.
Book Closure Date	Friday, August 08, 2014 to Tuesday, August 12, 2014 (both days inclusive).
Dividend Payment Date	The Board has not recommended dividend for the Financial Year 2013-2014.

(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 2014-2015 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

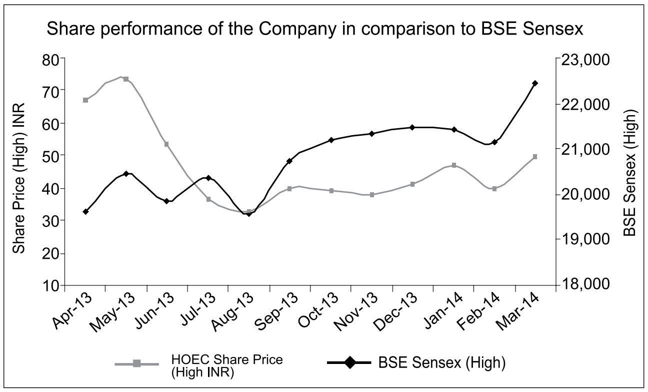
BSE Limited (formerly known as Bombay Stock Exchange Limited) (BSE)	:	500186
National Stock Exchange of India Limited	:	HINDOILEXP
(NSE) Series	:	Eq

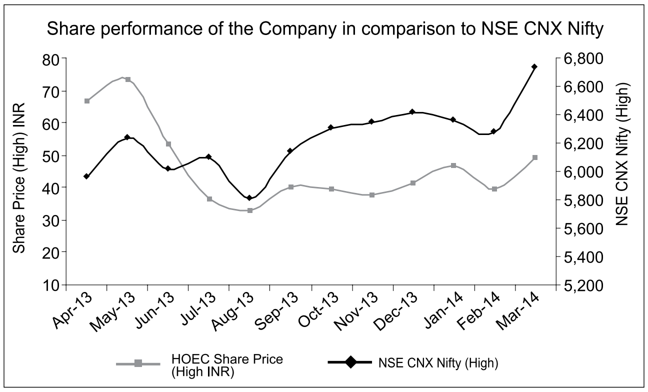
The Company has established connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Security Identification Number (ISIN) of the Company's equity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

(c) Market Price Data

Month	BSE Share Price		BSE Sensex (High)	NSE CNX Nifty (High)
	High Price (Rs.)	Low Price (Rs.)		
April 2013	67.00	51.50	19,622.68	5,962.30
May 2013	73.20	52.20	20,443.62	6,229.45
June 2013	53.70	28.60	19,860.19	6,011.00
July 2013	36.45	22.25	20,351.06	6,093.35
August 2013	33.00	23.70	19,569.20	5,808.50
September 2013	40.00	28.55	20,739.69	6,142.50
October 2013	39.45	31.50	21,205.44	6,309.05
November 2013	37.95	32.60	21,321.53	6,342.95
December 2013	41.15	32.90	21,483.74	6,415.25
January 2014	47.05	35.65	21,409.66	6,358.30
February 2014	39.60	32.25	21,140.51	6,282.70
March 2014	49.45	32.90	22,467.21	6,730.05

(d) Share Price Chart





(e) Registrars and Transfer Agent

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, 2014, 128,485,040 equity shares representing 98.46 % of total equity shares are dematerialized. Promoters hold their shareholding in dematerialized form.

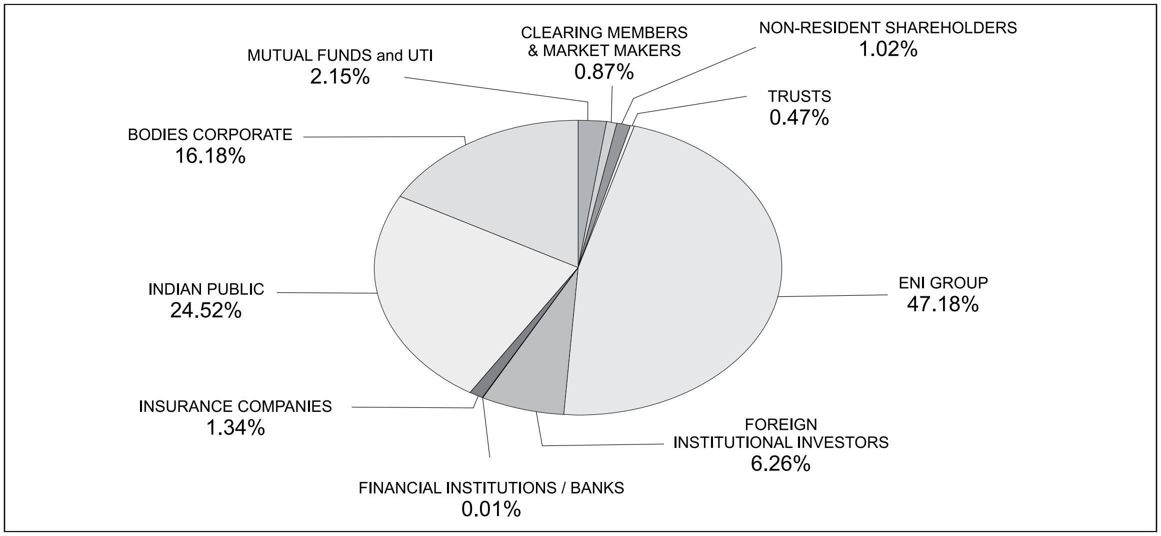
(g) Distribution of Shareholding as on March 31, 2014

CATEGORY	PHYSICAL		NSDL		CDSL		TOTAL	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
1 to 5000	10,776	1,987,649	44,684	14,579,224	23,876	6,629,761	79,336	23,196,634
5001 to 10000	0	0	299	2,191,660	136	997,643	435	3,189,303
10001 to 20000	0	0	133	1,921,091	61	871,249	194	2,792,340
20001 to 30000	1	20,600	42	1,045,153	15	363,565	58	1,429,318
30001 to 40000	0	0	20	698,642	5	186,396	25	885,038
40001 to 50000	0	0	8	365,197	6	278,444	14	643,641
50001 to 100000	0	0	23	1,549,726	7	456,267	30	2,005,993
Above 100000	0	0	31	94,111,222	7	2,239,800	38	96,351,022
TOTAL	10,777	2,008,249	45,240	116,461,915	24,113	12,023,125	80,130	130,493,289

NSDL = National Securities Depository Limited

CDSL = Central Depository Services (India) Limited

(h) Shareholding Pattern as on March 31, 2014



(i) Shareholding Pattern as on March 31, 2014

(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 % of (A+B+C)	Number of shares	As a %
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII) ÷ (IV)x100
(A)	Promoter and Promoter Group							
1	Indian							
(a)	Individuals / Hindu Undivided Family	0	0	0	0	0	0	0
(b)	Central Government / State Government(s)	0	0	0	0	0	0	0
(c)	Bodies Corporate	0	0	0	0	0	0	0
(d)	Financial Institutions / Banks	0	0	0	0	0	0	0
(e)	Any Other	0	0	0	0	0	0	0
	Sub-Total (A)(1)	0	0	0	0	0	0	0
2	Foreign							
(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
(c)	Institutions	0	0	0	0	0	0	0
(d)	Qualified Foreign Investor	0	0	0	0	0	0	0
(e)	Any Other (Total)	0	0	0	0	0	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	2,803,100	2,800,000	2.15	2.15	0	0
(b)	Financial Institutions / Banks	11	3,053	793	0.01	0.01	0	0
(c)	Central Government / State Government(s)	0	0	0	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0	0	0	0
(e)	Insurance Companies	1	1,750,537	1,750,537	1.34	1.34	0	0
(f)	Foreign Institutional Investors	20	8,174,308	8,173,308	6.26	6.26	0	0
(g)	Foreign Venture Capital Investors	0	0	0	0	0	0	0
(h)	Qualified Foreign Investor	0	0	0	0	0	0	0
(i)	Any Other (Total)	0	0	0	0	0	0	0
	Sub-Total (B)(1)	39	12,730,998	12,724,638	9.76	9.76	0	0
2	Non-institutions							
(a)	Bodies Corporate	1,164	21,117,286	21,073,069	16.18	16.18	0	0
(b)	Individuals							
i.	Individual Shareholders holding Nominal Share Capital up to Rs. 1 Lakh.	76,884	23,384,786	21,702,026	17.92	17.92	0	0
ii.	Individual Shareholders holding Nominal Share Capital in excess of Rs. 1 Lakh	208	8,607,137	8,607,137	6.60	6.60	0	0
(c)	Qualified Foreign Investor	0	0	0	0	0	0	0
(d)	Any Other							
(d1)	Clearing Members	410	990,165	990,165	0.76	0.76	0	0
(d2)	Market Maker	36	151,526	151,526	0.11	0.11	0	0
(d3)	Non Resident Shareholders	1,380	1,326,952	1,052,040	1.02	1.02	0	0
(d4)	Trusts	6	615,305	615,305	0.47	0.47	0	0
	Sub-Total (B)(2)	80,088	56,193,157	54,191,268	43.06	43.06	0	0
	Total Public Shareholding (B)=(B)(1)+(B)(2)	80,127	68,924,155	66,915,906	52.82	52.82	0	0
	TOTAL (A)+(B)	80,130	130,493,289	128,485,040	100.00	100.00	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
(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)	80,130	130,493,289	128,485,040	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
		Number	As a % of grand total (A)+(B)+(C)	Number	As a %	As a % of Grand Total (A)+(B)+(C) of sub-clause (I) (a)	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
(I)	(II)	(IV)	(V)	(VI)	(VIII) = (VI) / (IV)* 100	(VIII)	(XI)	(X)	(XI)	(XII)	(XIII)
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) 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
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number 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	2,800,000	2.15	0	0	0	0	0
3.	GHI LTP Limited	2,322,033	1.78	0	0	0	0	0
4.	Jhunjhunwala Rakesh Radheshyam	1,961,251	1.50	0	0	0	0	0
5.	General Insurance Corporation of India	1,750,537	1.34	0	0	0	0	0
6.	Nomura Singapore Limited	1,705,560	1.31	0	0	0	0	0
	TOTAL	25,365,684	19.44	0	0	0	0	0

(I)(ci) 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
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number 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 % of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
		0	0
	TOTAL	0	0

(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}
		0	0	0
	TOTAL	0	0	0

(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}
		0	0	0
	TOTAL	0	0	0

(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 (Total)	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: The Company has only one class of security which is Equity Shares.

(j) Statement showing Shareholding of Top Shareholders as on March 31, 2014 and July 26, 2014

Sr. No.	Name of the shareholders	As on March 31, 2014		As on July 26, 2014		Difference	
		Number of shares	%	Number of shares	%	Number of shares	%
1	Eni Promoter Group	61,569,134	47.18	61,569,134	47.18	0	0
2	Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36	0	0
3	Reliance Capital Trustee Co. Limited A/C - Reliance Regular Savings Fund - Eq Option	2,800,000	2.15	334,000	0.26	(2,466,000)	(1.89)
4	GHI LTP Limited	2,322,033	1.78	2,322,033	1.78	0	0
5	GHI JBD Limited	984,198	0.75	984,198	0.75	0	0
6	GHI HSP Limited	663,941	0.51	663,941	0.51	0	0
7	GHI ERP Limited	445,449	0.34	445,449	0.34	0	0
8	Jhunjhunwala Rakesh Radheshyam	1,961,251	1.50	0	0	(1,961,251)	(1.50)
9	General Insurance Corporation Of India	1,750,537	1.34	1,750,537	1.34	0	0
10	Nomura Singapore Limited	1,705,560	1.31	1,705,560	1.31	0	0
11	Government Pension Fund Global	1,039,000	0.80	97,500	0.07	(941,500)	(0.72)
12	HDFC Standard Life Insurance Co. Limited	739,984	0.57	739,984	0.57	0	0
13	Amal Niranjan Parikh	596,450	0.46	381,917	0.29	(214,533)	(0.16)
14	VEC AIF VEC Strategic Advantage Scheme	596,158	0.46	231,158	0.18	(365,000)	(0.28)
15	Angel Fincap Private Limited	321,692	0.25	761,880	0.58	440,188	0.34

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, Extn : 103
Fax : +91-(044)- 66229011 / 12
Email : hoecshare@hoec.com

For and on behalf of the Board

Place: New Delhi
Date: July 26, 2014

R. Vasudevan
Chairman

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, 2014.

For and on behalf of the Board

Manish Maheshwari
Managing Director

Date: May 30, 2014

CERTIFICATION UNDER CLAUSE 49

We, Manish Maheshwari and Manish Chandak in our capacity as the Managing Director and Head-Corporate Accounts respectively 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 2013-2014 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

Manish Chandak
Head-Corporate Accounts

Date: May 30, 2014

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, 2014 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 Stakeholders Relationship Committee (erstwhile 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 26, 2014

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, 2014 and the Statement of profit and loss and the 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 notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that 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 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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

Attention is invited to note 39 of the accompanying financial statements which describes the uncertainty relating to the recoverability of the carrying value of INR *116,571 Lakhs in respect of a producing property of the Company. We are unable to obtain sufficient appropriate audit evidence in relation to the assessment of impairment loss, if any, in the carrying value of the producing property. In view of the significant uncertainties involved, we are unable to comment on the adjustments that may be required to be made in these financial statements.*

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above*, the financial statements give the information required by the Companies Act, 1956 ("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, 2014;

(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.

Emphasis of Matter

Attention is invited to Note 38 of the accompanying financial statements which describes the factors and conditions that indicate the existence of a material uncertainty that cast a substantial doubt on the Company's ability to continue as a going concern. Our opinion is not qualified for this matter.

Other Matter

We did not audit the Company's share of net fixed assets (including exploration costs written off), current assets and liabilities (net), expenses and cash flows aggregating to INR 498,050,426, INR 13,012,194, Nil and INR (443) respectively as at March 31, 2014 in respect of two of its unincorporated joint ventures ('UJV's') not operated by the Company, whose accounts and other financial information have been audited by the auditors of the respective UJV's 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, current assets, expenses and cash flows aggregating to INR 627,525,693, Nil, Nil and Nil respectively as at March 31, 2014 in respect of one of its UJV not operated by the Company, the accounts of which have not been audited by the auditors of the respective UJV's. The financial statements and other financial information have been incorporated based on unaudited financial statements as provided by the Operator of respective UJV and relied upon by us. Our opinion is not qualified in respect of this matter.

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 Companies Act, 1956 ("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) *Except for the possible effects of the matter stated in Basis for Qualified Opinion paragraph above*, we were able to obtain 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 as 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) *Except for the possible effects of the matter described in Basis for Qualified Opinion paragraph above,* the balance sheet, statement of profit and loss and cash flow statement comply with the accounting standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;

(e) On the basis of the written representations received from the directors, as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 30, 2014

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 disposal of substantial part 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.

(iii) (a-d) According to information and explanations given to us, 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) (a) to (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 9,375.95 million and the year-end balance of loans taken from that party was INR 9,375.95 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 payments 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, we have not observed major weakness or continuing failure to correct major weakness in internal control system of the Company in respect of these areas.

(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. We have not, however, made a detailed examination of the same.

(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 the 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 intimation received from Income Tax Department.**

(x) *Without considering the consequential effect, if any, of the matter stated in paragraph "Basis for Qualified Opinion" of our Auditor's report, the Company's accumulated losses at the end of the financial year are more than fifty per cent of its net worth. The Company 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 before 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 year.

For S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 30, 2014

BALANCE SHEET AS AT MARCH 31, 2014

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

	Notes	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	3,980,457,170	5,259,283,293
		5,285,550,175	6,564,376,298
Non-current Liabilities			
Long-term borrowings	3	7,016,840,000	8,166,505,117
Deferred tax liabilities (net)	11	—	—
Long-term provisions	4	1,062,091,188	964,353,649
		8,078,931,188	9,130,858,766
Current Liabilities			
Trade payables	5	164,816,600	127,826,163
Other current liabilities	5	2,985,579,886	1,653,356,552
Short-term provisions	4	588,095	1,374,889
		3,150,984,581	1,782,557,604
TOTAL		16,515,465,944	17,477,792,668
ASSETS			
Non-current Assets			
Fixed Assets:			
Tangible assets	6	86,703,250	90,500,849
Intangible assets	7	399,155	665,258
Producing Properties	8	10,489,486,598	10,694,369,285
Exploration / Development work in progress	9	3,371,011,641	3,391,815,137
Non-current Investment	10	5,000,201	5,000,201
Long-term loans and advances	12	1,172,081,422	1,067,907,567
Other bank balances	16	475,393,402	373,060,309
Other non-current assets	13	—	1,087,490
		15,600,075,669	15,624,406,096
Current Assets			
Current investments	14	267,093,579	271,048,964
Inventories	15	368,652,039	391,760,011
Trade receivables	13	63,556,166	148,875,803
Cash and bank balances	16	127,221,937	872,705,616
Short-term loans and advances	12	85,385,163	160,983,595
Other current assets	13	3,481,391	8,012,583
		915,390,275	1,853,386,572
TOTAL		16,515,465,944	17,477,792,668
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 : New Delhi
Date : May 30, 2014

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 30, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

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

	Notes	March 31, 2014	March 31, 2013
Income			
Revenue from Operations	17	598,459,255	1,086,137,616
(Decrease)/Increase in inventories of Crude Oil, Condensate and Natural Gas	18	(28,878,714)	1,695,682
Other Income	19	57,839,167	116,335,799
Total Revenue (I)		**627,419,708**	**1,204,169,097**
Expenses			
Employee Benefits, Operating, Administrative and Other expenses	20	391,004,725	443,379,091
Depletion, depreciation and amortization expenses	6 to 8	1,030,505,334	874,499,575
Finance costs	21	136,523,266	105,730,289
Exploration costs	40	446,122,447	—
Total Expenses (II)		**2,004,155,772**	**1,423,608,955**
Profit/(Loss) before tax and Exceptional Items (I-II)		**(1,376,736,064)**	**(219,439,858)**
Less: Exceptional Items - Impairment and Additional depletion (III)	22	—	**5,719,744,003**
Profit/(Loss) before tax (IV=I-II-III)		**(1,376,736,064)**	**(5,939,183,861)**
Tax Expenses			
Write-back of provision for income tax relating to earlier years	12(a)	(565,000,000)	—
Reversal of MAT Credit		436,362,448	—
Deferred tax charge/(credit)		—	(430,852,081)
Total Tax Expenses (V)		(128,637,552)	(430,852,081)
Net Profit/(Loss) (IV-V)		**(1,248,098,512)**	**(5,508,331,780)**
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	(9.56)	(42.21)
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 : New Delhi
Date : May 30, 2014

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 30, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

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

	March 31, 2014	March 31, 2013
Cash flow from operating activities		
Profit/(Loss) Before Tax	(1,376,736,064)	(5,939,183,861)
Adjustments for:		
Depletion, depreciation and amortization expense (Including Exceptional item)	1,030,505,334	2,000,356,844
Impairment	—	4,593,886,734
Provisions	(1,101,365)	47,178,555
Unrealized foreign exchange loss/(gain) (net)	685,756	637,327
Amortization of Foreign Currency Monetary Item Translation Difference Account	12,137,244	1,881,533
Excess Liabilities/Provisions Written Back	(435,649)	(4,249,904)
Net gain on sale of assets	—	(823)
Finance costs	136,523,266	105,730,289
Exploration costs	446,122,447	—
Interest income	(32,913,499)	(36,502,364)
Profit on sale of current investment	(19,787,984)	(49,292)
Dividend income	(6,094)	(71,191,450)
Operating profit before working capital changes	**194,993,392**	**698,493,588**
Movements in working capital :		
Increase/(decrease) in trade payables and other liabilities	(146,744,922)	91,766,227
Decrease in trade receivables	84,820,105	50,139,846
Decrease in inventories	23,107,972	77,133,855
Decrease/(Increase) in loans and advances and other assets	43,767,093	(148,343,948)
Cash generated from operations	**199,943,640**	**769,189,568**
Direct taxes paid (net of refunds)	(5,940,952)	(17,759,615)
Net cash flow from operating activities (A)	**194,002,688**	**751,429,953**
Cash flows from investing activities		
Purchase of fixed assets (including CWIP and capital advances)	(471,967,738)	(3,302,862,342)
Proceeds from Sale of Fixed Assets	21,965	1,300
Profit on sale of current investment	19,787,984	49,292
Interest received	49,339,648	58,728,100
Dividend received	6,094	71,191,450
Net cash flow from/(used in) investing activities (B)	**(402,812,047)**	**(3,172,892,200)**
Cash flows from financing activities		
Proceeds from long-term borrowings	—	3,278,600,000
Repayment of long-term borrowings	(301,827,265)	(700,418,477)
Dividend Paid (including Dividend Tax)	—	—
Interest paid	(228,225,713)	(148,153,207)
Net cash flow from/(used in) financing activities (C)	**(530,052,978)**	**2,430,028,316**
Net Increase/(Decrease) in cash and cash equivalents (A + B + C)	**(738,862,337)**	**8,566,069**
Cash and cash equivalents at the beginning of the year	1,129,781,322	1,121,215,253
Cash and cash equivalents at the end of the year	**390,918,985**	**1,129,781,322**
Components of cash and cash equivalents		
Cash on hand	2,024	2,024
Balances with Bank* (See Note 16)		
– on deposit account	575,517,141	1,193,577,676
– on current accounts	23,748,607	47,907,879
Adjustment for Lien Marked Deposits/Accounts (See Note a, b & c of Note 16)	(64,414,019)	(61,672,934)
Adjustment for Site Restoration Deposits (See Note c of Note 16)	(410,979,383)	(321,033,323)
Current Investment – Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	267,044,615	271,000,000
Total cash and cash equivalents	**390,918,985**	**1,129,781,322**
* Includes effect of exchange loss of INR Nil (Previous Year – INR 440,832) on translation of foreign currency cash and cash equivalent.		
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 : New Delhi
Date : May 30, 2014

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 30, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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 a 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, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. 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, except for treatment of survey costs as referred to in Note 40. 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 of 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:

  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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

(b) Cost of surveys and studies relating to exploration activities are expensed when the same are incurred (also refer Note 40).

(c) Cost of exploratory well(s) are expensed when the well(s) are conclusively determined to be dry / permanently abandoned or are transferred to Producing Properties on attainment of commercial production.

(d) Cost of all appraisal programmes ("appraisal costs") 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.

(e) 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.

(f) 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.

(g) 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. Save the costs referred to in note (b) herein above, all exploration 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

   — 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.

(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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

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

(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.

(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.

(a) 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.

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

(c) 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.

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

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

(ix) 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.

(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 MARCH 31, 2014

(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

<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 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 MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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

	As at March 31, 2014		As at March 31, 2013	
	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

	As at March 31, 2014		As at March 31, 2013	
	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 MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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	(4,706,408)	(4,119,003)
Created during the Year	(42,864,855)	(2,468,938)
Amortized during the Year	12,137,244	1,881,533
Closing Balance	(35,434,019)	(4,706,408)
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	(2,577,531,772)	2,930,800,008
Profit/(Loss) for the Year	(1,248,098,512)	(5,508,331,780)
Net Surplus/(Deficit) in the Statement of Profit and Loss	(3,825,630,284)	(2,577,531,772)
Total Reserves and Surplus	3,980,457,170	5,259,283,293

	Non-current portion		Current maturities	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note (a) below)	—	83,505,117	92,175,630	83,504,678
From banks (Rupee) (See Note (b) below)	—	—	—	59,900,000
Loan from Related Party (Unsecured)				
ENI Finance International (Foreign Currency) (See Note (c) below) *(Earlier known as ENI Coordination Center S.A., Belgium)*	7,016,840,000	8,083,000,000	2,359,110,000	548,000,000
	7,016,840,000	8,166,505,117	2,451,285,630	691,404,678
The above amount includes				
Amount disclosed under the head "other current liabilities" (See Note 5)	—	—	(2,451,285,630)	(691,404,678)
Net amount	7,016,840,000	8,166,505,117	—	—

Notes:

a. The term loans from banks (Foreign currency) include loans from Axis Bank Limited INR 92,175,630 (Previous Year: INR 167,009,795). 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 on 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 Nil (Previous Year INR 59,900,000) which 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. These loans have been repaid during the year.

c. Loan from Related Party (Unsecured) includes (Total INR 9,375,950,000):
   a. Unsecured loan of INR 5,746,550,000 (Previous Year: INR 5,343,000,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.
   b. During the previous year, Company had raised funds through External Commercial Borrowing (ECB) from ENI Finance International of USD 60 Million : INR equivalent 3,629,400,000 (Previous year: INR 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 MARCH 31, 2014

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

	Long-term		Short-term	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
4. Provisions				
Provision for employee benefits				
Provision for gratuity (See Note 26)	—	—	—	770,763
Provision for compensated absences	3,388,688	3,803,649	105,655	121,296
	3,388,688	**3,803,649**	**105,655**	**892,059**
Other provisions				
Provision for site restoration (See Note a below)	1,058,702,500	960,550,000	—	—
Provision for Wealth Tax (net of advance tax)	—	—	482,440	482,830
	1,058,702,500	**960,550,000**	**482,440**	**482,830**
Total Provisions	**1,062,091,188**	**964,353,649**	**588,095**	**1,374,889**

Note :	31 March, 2014	31 March, 2013
a. Provision for site restoration		
Opening balance	960,550,000	904,142,500
Effect of changes in Foreign Exchange Rates	98,152,500	56,407,500
Closing balance	**1,058,702,500**	**960,550,000**

	As at March 31, 2014	As at March 31, 2013
5. Current Liabilities		
Trade payables	788,619	1,214,744
Micro, Small & Medium Enterprises (See Note a below)	164,027,981	126,611,419
Others	**164,816,600**	**127,826,163**
Other current liabilities		
Current maturities of long-term borrowings	2,451,285,630	691,404,678
Unclaimed/Unpaid Dividend (See Note b below)	2,909,580	3,840,125
Unclaimed/Unpaid Share Application Money (See Note b below)	437,987	438,221
Creditor for Capital Expenditure	421,662,921	664,218,751
Others Payables		
Statutory dues payable	23,913,315	47,242,958
Security Deposits (See Note c below)	8,500,000	8,500,000
Other Payable	76,870,453	237,711,819
	2,985,579,886	**1,653,356,552**

Notes:

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

	As at March 31, 2014	As at March 31, 2013
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	788,619	1,214,744
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	—	—
	788,619	1,214,744

All payments due to Micro, Small & 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 MARCH 31, 2014

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

Fixed Assets	GROSS BLOCK						DEPLETION, DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE					NET BLOCK	
	Balance as at April 1, 2013	Additions	(Disposals)/ Transfers/ Write off	Exchange Differences	Borrowing costs	Balance as at March 31, 2014	Balance as at April 1, 2013	Depletion Depreciation & Amortisation for the year	Impairment during the year	(Disposals)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
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	40,478,624	3,192,657		—	43,671,281	60,660,507	63,853,164
Furniture & Fixture	5,667,506	59,540	—	—	—	5,727,046	5,065,455	119,748		—	5,185,203	541,843	602,051
Vehicles	5,063,701	—	(439,506)	—	—	4,624,195	4,184,000	222,068		(417,541)	3,988,527	635,668	879,701
Office Equipments	8,873,200	44,090	—	—	—	8,917,290	7,321,469	221,979		—	7,543,448	1,373,842	1,551,731
Computers	6,735,773	370,000	—	—	—	7,105,773	5,873,744	492,812		—	6,366,556	739,217	862,029
	153,424,141	473,630	(439,506)	—	—	153,458,265	62,923,292	4,249,264	—	(417,541)	66,755,015	86,703,250	90,500,849
Previous Year	*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*
7 Intangible Assets													
Computer Software	25,776,873	—	—	—		25,776,873	25,111,615	266,103		—	25,377,718	399,155	665,258
Previous Year	*25,776,873*	—	—	—		*25,776,873*	*24,668,110*	*443,505*		—	*25,111,615*	*665,258*	*1,108,763*
8 Producing Properties (See Note b and c below)	19,935,275,470	87,166,505	(644,695)	734,585,470	—	20,756,382,750	9,240,906,185	1,025,989,967	—	—	10,266,896,152	10,489,486,598	10,694,369,285
Previous Year	*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*
9 Exploration/ Development work in progress													
Development Expenditure	2,455,316,313	113,865,033	(85,633,604)	214,427,459	42,202,521	2,740,177,722	741,418,308	—		—	741,418,308	1,998,759,414	1,713,898,005
Exploration Expenditure (See Note 40)	1,677,917,132	112,940,446	(446,122,447)	18,317,815	9,199,281	1,372,252,227	—	—		—	—	1,372,252,227	1,677,917,132
	4,133,233,445	226,805,479	(531,756,051)	232,745,274	51,401,802	4,112,429,949	741,418,308	—	—	—	741,418,308	3,371,011,641	3,391,815,137
Previous Year	*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*

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 10,123,244 (Previous Year: INR 10,656,046) 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 Rs 98,152,500 (Previous Year: increase of INR 56,407,500).

d. The Company had performed an Impairment test in compliance with Accounting Standard-28 during the previous year and recognised an Impairment loss. Please see Note-22 Exceptional item for details.

e. Depletion of previous year includes additional depletion of INR 1,125,857,269 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. Please see Note-22 Exceptional item for details.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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).		

	As at March 31, 2014	As at March 31, 2013
11. Deferred Tax Liabilities (net)		
Deferred Tax Asset		
Exploration Expenses	438,769,239	294,014,049
Doubtful Advances	15,893,100	15,893,100
Unabsorbed Business Losses and Depreciation	852,704,520	864,081,347
Sub Total (A)	1,307,366,859	1,173,988,496
Deferred Tax Liability		
Depreciation, depletion and amortization of Fixed Assets	1,303,428,930	1,173,250,278
Employee Related Costs	—	127,755
Foreign Currency Monetary Item Translation Difference Account	3,937,929	610,463
Sub Total (B)	1,307,366,859	1,173,988,496
Net Deferred Tax Liabilities (B – A)	—	—
Please see note 36.		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
12. Loans and advances				
Unsecured and considered good				
Capital advances	7,833,103	40,558,443	6,590,884	—
Security deposit	8,922,400	9,393,399	—	—
Advances recoverable in cash or kind	—	—	69,254,775	146,118,082
(A)	**16,755,503**	**49,951,842**	**75,845,659**	**146,118,082**
Other loans and advances (unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 675,963,496 (Previous Year: INR 1,240,963,496)] (See Note a below)	1,151,304,139	580,463,577	—	—
MAT credit entitlement	—	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	2,963,720	71,640	9,539,504	14,865,513
(B)	**1,155,325,919**	**1,017,955,725**	**9,539,504**	**14,865,513**
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	47,630,122	—	—
Less: Provision for Doubtful Advances	(48,984,743)	(48,984,743)	—	—
(C)	—	—	—	—
Total (A+B+C)	**1,172,081,422**	**1,067,907,567**	**85,385,163**	**160,983,595**

Notes:

a. The Hon'ble Mumbai ITAT has, vide its order dated September 17, 2013, passed a favorable order in relation to the Company's Income Tax Assessment Cases for the Financial Years 2004-05 and 2005-06 primarily relating to deduction under Section 80IB(9) of the Income Tax Act, 1961. Since the deduction had been decided in favour of the Company (consistent with Financial Years 2002-03 and 2003-04), the excess Income Tax provision made for the Financial Years 2004-05 to 2006-07 amounting to INR 5,650 lacs has been written back during the current year.

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

	Current	
	As at March 31, 2014	As at March 31, 2013
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	63,556,166	148,875,803
	63,556,166	148,875,803

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	—	1,087,490	1,087,488	2,901,699
Interest accrued on deposits	—	—	2,221,933	5,110,884
Excess paid to LIC for gratuity	—	—	171,970	—
	—	1,087,490	3,481,391	8,012,583

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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		
Nil (Previous Year: 53,317.42) Units of INR 1,876 each of UTI Floating Rate Fund – STP – Regular Plan – Direct Plan – Growth	—	100,000,000
Nil (Previous Year: 85,320.53) Units of INR 2,004 each of Units of Magnum Insta Cash fund Liquid Floater – Regular Plan – Growth	—	171,000,000
81,360.39 (Previous Year: Nil) Units of INR 10 each of ICICI Prudential Savings Fund – Regular Plan – Growth	14,999,992	—
1,023,627.60 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Long Term – Growth	20,106,503	—
9,601.16 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Short Term – Growth	20,000,000	—
61,422.88 (Previous Year: Nil) Units of INR 10 each of Birla Cash Plus Fund – Regular Plan – Growth	12,395,588	—
132,988.27 (Previous Year: Nil) Units of INR 10 each of Birla Floating Rate Long Term – Regular Plan – Growth	20,000,000	—
119,244.37 (Previous Year: Nil) Units of INR 10 each of Birla Floating Rate Short Term – Regular Plan – Growth	20,000,000	—
11,683.54 (Previous Year: Nil) Units of INR 1,876 each of Tata Floater Fund Plan A – Growth	22,000,000	—
1,536,145.50 (Previous Year: Nil) Units of INR 10 each of Templeton Ultra Short Term Fund – Super Instit – Growth	25,000,000	—
1,197,346.23 (Previous Year: Nil) Units of INR 10 each of HDFC Floating Rate Income Fund – Short Term – Wholesale Option – Growth	25,500,000	—
14,740.65 (Previous Year: Nil) Units of INR 10 each of Reliance Money Manager Fund – Growth	25,000,000	—
3,094,091.30 (Previous Year: Nil) Units of INR 10 each of IDFC Money Manager Fund – Treasury Plan – Growth	62,042,532	—
(B)	267,044,615	271,000,000
Total (A)+(B)	267,093,579	271,048,964
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	353,063	280,407
Aggregate amount (cost) of unquoted investment	267,044,615	271,000,000

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Current	
	As at March 31, 2014	As at March 31, 2013
15. Inventories		
Crude Oil, Condensate and Natural Gas		
– Crude Oil	15,319,557	8,908,261
– Condensate	8,786,282	38,062,530
– Natural Gas	—	624,878
Stores, Spares, Capital Stock and Drilling Tangibles	344,546,200	344,164,342
	368,652,039	**391,760,011**

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
Current accounts	—	—	23,748,607	46,731,407
Deposits with original maturity of less than 3 months	—	—	81,990,857	390,200,000
Cash on hand		—	2,024	2,024
(A)	—	—	**105,741,488**	**436,933,431**
Other bank balances				
Current accounts (See Note a below)	—	—	—	1,176,472
Deposits with original maturity of less than 3 months (See Note b below)	—	—	—	8,469,476
Unclaimed/Unpaid Dividend Accounts	—	—	2,909,580	3,840,125
Unclaimed/Unpaid Share Application Money	—	—	437,987	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)	475,393,402	373,060,309	18,132,882	27,647,891
(B)	**475,393,402**	**373,060,309**	**21,480,449**	**435,772,185**
Total (A+B)	**475,393,402**	**373,060,309**	**127,221,937**	**872,705,616**

Notes:

a. Current accounts include lien marked amount of INR Nil (Previous Year: INR 1,176,472).

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

c. Deposits (with original maturity of more than 12 months) include (i) lien marked deposits of INR 64,414,019 (Previous Year: INR 52,026,986), and (ii) deposits of INR 410,979,383 (Previous Year: INR 321,033,323) placed as "Site Restoration Fund" under Section 33ABA of Income Tax Act, 1961.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	March 31, 2014	March 31, 2013
17. Revenue from Operations		
Sales (See Note 32)		
Sale of Crude oil, Condensate and Natural Gas (See Notes a & b below)	632,146,959	1,125,913,753
Less: Profit petroleum to Government of India	(40,743,704)	(46,832,137)
(A)	**591,403,255**	**1,079,081,616**
Sale of services		
Warehousing Services	7,056,000	7,056,000
(B)	**7,056,000**	**7,056,000**
Total (A+B)	**598,459,255**	**1,086,137,616**

Notes:

a. PY-1 Field was shut in for a period of 102 days in the FY 2014 primarily on account of non evacuation of gas by GAIL (Buyer). Following the Amendment to the Gas Sales Contract which had been executed in July 2013, GAIL has been evacuating gas through the low pressure pipeline connecting PY-1 Gas Terminal to alternate consumers on a nearly continuous basis.

b. PY-3 Field, operated by Hardy Exploration & Production (India) Inc., remains shut since July 31, 2011. The Full Field Development Plan submitted by the Operator during May 2013 has been technically reviewed by all the JV Partners. Discussions are ongoing amongst the Joint Venture Partners with respect to the proposal to proportionately share cess and royalty on a cost recoverable basis.

	As at March 31, 2014	As at March 31, 2013
18. Increase / (Decrease) in inventories of Crude Oil, Condensate and Natural Gas		
Inventories at the end of the year	24,105,839	47,595,669
Inventories at the beginning of the year	47,595,669	43,363,769
	(23,489,830)	**4,231,900**
Less: Profit petroleum to Government of India	5,388,884	2,536,218
Net Increase / (Decrease) in inventories	**(28,878,714)**	**1,695,682**

	March 31, 2014	March 31, 2013
19. Other Income		
Interest Income on		
Bank Deposits	32,913,499	36,502,363
	32,913,499	**36,502,363**
Dividend income on current investments	—	36,184,208
Dividend income on long term investments (See Note a below)	6,094	35,007,241
Renting of Immovable property	4,200,000	4,200,000
Gain on sale / discard of asset (Net)	—	823
Profit on sale of current investment	19,787,984	49,292
Excess provision written back (See Note b below)	435,649	4,249,904
Miscellaneous Income	495,941	141,968
	57,839,167	**116,335,799**

Notes:

a. Previous year income includes dividend of INR 35,001,400 received from wholly owned subsidiary HOEC Bardahl India Limited.

b. Excess provision written back for the year ended March 31, 2013 represents provision of INR 4,249,904 relating to Long Term Incentive Plan, being provision no longer required.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

		March 31, 2014	March 31, 2013
20. Employee Benefits, Operating and Administrative and Other Expenses			
A. Employee Benefit Expenses			
Salaries, Wages and Bonus		86,764,829	85,765,790
Contribution to :			
(i) Provident Fund		4,645,276	4,611,239
(ii) Superannuation Fund		5,210,653	4,984,448
Staff Welfare Expenses		4,017,578	4,073,831
Total Employee Benefits Expenses	(A)	**100,638,336**	**99,435,308**
B. Operating Expenses			
Hire Charges & Rent		322,189	30,710,461
Insurance		32,848,039	45,303,261
Repairs and Maintenance – Plant and Machinery		110,382,043	27,662,528
Manpower Costs & Overheads		77,365,761	66,946,800
Transportation and Logistics		3,896,075	17,280,570
Consumables		354,786	798,135
Royalty, Cess & Other Duties		44,530,703	79,802,293
Other Production Expenses		10,750,492	53,863,298
Total Operating Expenses	(B)	**280,450,088**	**322,367,346**
C. Administrative and Other Expenses			
Office and Guest House Rent		15,540,040	14,205,801
Electricity		2,236,913	2,316,431
Rates and Taxes		1,657,200	536,879
Repairs and Maintenance - Others		5,875,911	4,888,795
General Office Expenses		935,647	1,290,172
Travelling and Conveyance		7,252,718	7,741,326
Communication Expenses		3,793,095	3,755,437
Membership and Subscription		2,079,229	1,819,975
Legal and Professional Expenses		36,734,256	51,200,374
Insurance		586,391	744,560
Directors' Sitting Fees and Commission		817,877	1,122,191
Printing and Stationary		2,569,608	2,768,499
Miscellaneous Expenses		6,474,622	5,566,289
Loss on Foreign Exchange		43,706,553	58,531,745
Provisions for Doubtful Advances (See Note a below)		—	47,630,122
	(i)	**130,260,060**	**204,118,596**
Payment to Auditor:			
As Auditor:			
Audit Fee		2,078,660	2,078,660
Tax Audit Fee		112,360	114,420
Limited Review		505,620	512,947
Reimbursements		152,181	217,231
In Other Capacity:			
Other Services		28,090	22,472
Cost Audit Fees		224,720	224,720
	(ii)	**3,101,631**	**3,170,450**
Total Administrative and Other Expenses	(C) = (i+ii)	**133,361,691**	**207,289,046**
Total Employee Benefits, Operative Administrative and Other Expenses	(A+B+C)	**514,450,115**	**629,091,700**
Less: Recovery of Expenses (See Note 34)		(123,445,390)	(185,712,609)
Total Employee Benefits, Operative Administrative and Other Expenses		**391,004,725**	**443,379,091**

Note:

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees, unless otherwise stated)

	March 31, 2014	March 31, 2013
21. Finance Costs		
Interest on Fixed Term Loans	130,120,344	100,962,708
Bank Charges and Commission	3,501,221	1,630,325
Amortization of Ancillary Borrowing Cost	2,901,701	3,137,256
	136,523,266	105,730,289

	March 31, 2014	March 31, 2013
22. Exceptional Items		
Impairment on Assets (See Note a below)	—	4,593,886,734
Additional Depletion on Producing Property and Site Restoration Assets (See Note a below)	—	1,125,857,269
	—	5,719,744,003

Note:

a. Exceptional item in the previous year represents additional depletion and impairment loss charged to the statement of profit and loss 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 had been revised to 120.2 billion cubic feet.

The Company had 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 had been disclosed under exceptional items.

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

i. Pre-tax cash flows had 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% had been considered reflecting market assessment based on transactions for similar assets.

	March 31, 2014	March 31, 2013
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)	(1,248,098,512)	(5,508,331,780)
	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	(9.56)	(42.21)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

24. Foreign Currency Transactions

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

Particulars	2013-2014	2012-2013
Professional and Consultancy Fees	27,563,718	56,782,726
Interest	220,983,532	136,917,435
Travelling Expenses	353,983	320,986
Membership & Subscription	9,989	—
Others	69,520,500	5,146,786

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

Particulars	2013-2014	2012-2013
Interest	—	764,552

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

Particulars	2013-2014	2012-2013
Capital Goods	—	3,858,941
Components and Spare Parts	849,548	103,533,680

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 granted options in the prior years 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 previous year, the Company has written back excess provision towards cash and ESOS (deferred bonus) amounting to INR 4,249,904 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	
	2013-2014	2012-2013
Outstanding at the beginning of the Year	17,680	67,643
Granted during the Year	—	—
Forfeited / lapsed during the Year	—	35,789
Exercised during the Year	17,680	14,174
Outstanding at the End of the Year	—	17,680
– Vested	—	—
– Yet to Vest	—	17,680

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 MARCH 31, 2014

(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.

	2013-2014	2012-2013
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,008,416	1,178,812
Interest cost on benefit obligation	628,037	616,591
Expected return on plan assets	(693,755)	(551,636)
Net actuarial (gain) / loss recognized in the year	(550,660)	(350,649)
Adjustment to reconcile the opening fund	(116,461)	—
Net benefit expense	275,577	893,118
Actual return on plan assets	734,592	551,636
Balance sheet		
Benefit asset / liability		
Present value of defined benefit obligation	(8,374,974)	(8,258,734)
Fair value of plan assets	8,546,944	7,487,971
Plan asset / (liability)	171,970	(770,763)
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	8,258,734	7,694,034
Current service cost	1,008,416	1,178,812
Interest cost	628,037	616,591
Benefits paid	(1,010,390)	(880,054)
Actuarial (gains) / losses on obligation	(509,823)	(350,649)
Closing defined benefit obligation	8,374,974	8,258,734
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	7,487,971	6,569,312
Adjustment to reconcile the opening fund	116,461	—
Expected return	693,755	551,636
Contributions by employer	1,164,521	1,247,076
Benefits paid	(956,601)	(880,054)
Actuarial gains / (losses)	40,837	—
Closing fair value of plan assets	8,546,944	7,487,971

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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	2013-2014	2012-2013
Discount rate	9.10%	8.10%
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	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
Defined benefit Obligations	(8,374,974)	(8,258,734)	(7,694,034)	(6,652,620)	(6,320,300)
Plan Assets	8,546,944	7,487,971	6,569,312	3,709,852	3,467,487
Surplus / (Deficit)	171,970	(770,763)	(1,124,722)	(2,942,768)	(2,852,813)
Experience adjustments on Plan Liabilities	(509,823)	(350,649)	58,893	(616,151)	(649,489)
Experience adjustments on Plan Assets	(550,660)	—	154,053	8,331	25,631

b. Compensated Absences

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

Discount Rate (% p.a.)	9.10%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ult.
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 MARCH 31, 2014

(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, 2014	Share (%) As at March 31, 2013
Licensed Production Sharing Contracts:				
1	PY-1	Hindustan Oil Exploration Company Limited (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:**		
		Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development and Production:		
		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:**		
		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 and Production:		
		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	100.00
8	AAP-ON-94/1	**Exploration:**		
		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
		Development and Production:		
		Hindustan Oil Exploration Company Limited (O)	26.882	26.882
		Indian Oil Corporation Limited	29.032	29.032
		Oil India Limited	44.086	44.086
9	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Bharat Petro Resources Limited	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

Notes:

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 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 Hindustan Petroleum Corporation Limited (HPCL) are awaited.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

29. Details of Oil and Gas Reserves

As at March 31, 2014, 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	11.15	0.01	—	0.03	11.13
Gas	MMSCM	2,727.90	971.79	—	52.25	3,647.44

30. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2014 are as follows:

(A) Wholly Owned Subsidiary Company:
1. 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
4. Saipem (Portugal) Comercio Maritimo Su Lda

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

(E) Key Management Personnel:
Mr. Manish Maheshwari – 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 (11,256,000)	— (—)	— (—)	— (—)	— (—)
– Dividend received	— (35,001,400)	— (—)	— (—)	— (—)	— (—)
EXPENDITURE					
– Operating Expenditure	— (—)	— (—)	6,293,098 (21,338,976)	— (—)	— (—)
– Remuneration to Managing Director	— (—)	— (—)	— (—)	— (—)	20,194,705 (20,191,035)
– Professional Fee	— (—)	— (—)	21,270,620 (24,839,201)	— (—)	— (—)
– Recovery of Expenses	— (—)	— (—)	— (—)	57,723,663 (53,557,572)	— (—)
– Interest Paid*	— (—)	— (—)	216,516,608 (130,152,137)	— (—)	— (—)
– Bank Charges	— (—)	— (—)	22,823 (121,174)	— (—)	— (—)
LOAN					
– Unsecured Loan Received*	— (—)	— (—)	— (3,278,600,000)	— (—)	— (—)
– Unsecured Loan Repaid*	— (—)	— (—)	137,000,000 (545,525,000)	— (—)	— (—)
CAPITAL EXPENDITURE					
– Exploration Expenditure	— (—)	— (—)	— (1,142,146)	— (—)	— (—)
– Development Expenditure	— (—)	— (—)	28,807,027 (25,129,473)	— (—)	— (—)
AS AT YEAR END					
Amounts Receivable as at Year End	— (—)	— (—)	— (—)	— (—)	— (—)
Loan Outstanding as at Year End*	— (—)	— (—)	9,375,950,000 (8,631,000,000)	— (—)	— (—)
Amounts Payable as at Year End	8,500,000 (8,500,000)	— (—)	285,358,826 (194,845,896)	— (—)	— (—)

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

Note: Figures in brackets relate to the Previous Year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

31. Commitments and Contingencies

Particulars	As at March 31, 2014	As at March 31, 2013
(i) Contingent Liabilities		
(a) Counter Guarantees on account of Bank Guarantees	256,825,234	208,107,930
(b) Claims against the Company Not Acknowledged as Debt – Income Tax Demands under Appeal	393,584,832	393,584,832
(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)	217,881,005	51,694,208
(e) Liquidated damages under appeal (Pertaining to one Unincorporated Joint Venture)	47,630,122	47,630,122
(f) Royalty payable under appeal (Pertaining to one Unincorporated Joint Venture	141,252,121	—
(ii) Commitments		
(a) Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided for	13,417,649	397,242,309

32. Sales Turnover (See Note 17)

Description	Value in INR	
	2013-2014	2012-2013
Crude Oil / Condensate	234,932,815	335,941,436
Natural Gas	397,214,144	789,972,317
Less: Profit Petroleum to Government of India	40,743,704	46,832,137
Net Sales	**591,403,255**	**1,079,081,616**

33. Consumption of Stores and Spares

Product	2013-2014		2012-2013	
	Value in INR	%	Value in INR	%
Imported	1,083,840	22%	571,348	8%
Indigenous	3,767,293	78%	6,936,156	92%

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 5,534,431 (Previous Year INR 37,353,814) 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	2013-2014	2012-2013
Exchange Differences capitalised to Fixed Assets (including Work in Progress) during the year	967,330,744	426,725,943
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	35,434,019	4,706,408
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Statement of Profit and Loss for the year	12,137,244	1,881,533

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

36. Deferred tax:

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, 2014 and 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:

(Amount in INR)

Particulars	Exposure as at March 31, 2014	Exposure as at March 31, 2013
Secured Loans	92,175,630	167,009,795
Unsecured Loans	9,375,950,000	8,631,000,000
Sundry Creditors	287,608,358	288,779,735
Sundry Debtors	18,878,927	29,408,284
Loans and Advances	—	8,275
Bank Account and Deposit	362,793	24,036,462

38. The Company has capital requirements to implement its business plans and commitments under the Production Sharing Contracts (PSC) in the foreseeable future, which cannot be met through internal accruals alone. As a strategic exercise initiated pursuant to appointment of a Financial Advisor, discussions are underway between the Promoter and prospective investors. Notwithstanding uncertainties which may be attached to the outcome of any such process, the Board recognizes that the Company has a successful track record of raising capital in the past and that the Company shall raise financial resources as and when needed to meet its commitments under the Production Sharing Contracts and to transform the reserves from the existing discoveries to production in the near to mid-term. Based on the foregoing, the Financial Statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities.

39. While the EBITDA of INR 2,364.15 lacs for FY 2013-14 has been positive, the Company has reported negative EBIT of INR 12,402.13 lacs and PBT of INR 13,767.36 lacs for the same period, primarily due to high depletion, depreciation and amortization (DDA) charge in an offshore producing property, PY-1, located in the Cauvery Basin. The Company, as Operator, has commissioned a comprehensive geological and reservoir study by an independent third party for PY-1 Field, the results and recommendations of which are still awaited. Pending the results of the Study, the Company has relied on the last independent reserve report of January 2013 and the capital allocation assumption considered towards drilling additional producer wells at the time of the Impairment Test for the year ended March 2013. Should the findings of the Study and the capital allocation assumptions undergo revision, there may be uncertainty in the recoverability of the carrying value of PY-1 Asset, which as of March 31, 2014 is approximately INR 116,571 lacs.

The Auditors have qualified their opinion in this regard and the Company's position is as explained above.

40. In compliance with SEBI directions with respect to previous audit qualification relating to treatment of survey cost under the Guidance Note (Accounting for Oil and Gas Producing Activities, issued by Institute of Chartered Accountants of India), the Company has expensed off survey costs amounting to INR 4,461 lacs (INR 3,410 lacs pertaining to previous years) in the Statement of Profit and Loss which were initially capitalized as 'Exploration Expenditure'.

41. 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 : New Delhi
Date : May 30, 2014

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 30, 2014

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Hindustan Oil Exploration Company Limited

We have audited the accompanying consolidated financial statements of Hindustan Oil Exploration Company Limited ('the Company') including its subsidiary HOEC Bardahl India Limited, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been prepared by the management on the basis of separate financial statements and other financial information regarding components.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 consolidated 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

Attention is invited to note 39 of the accompanying consolidated financial statements which describes the uncertainty relating to the recoverability of the carrying value of INR 116,571 Lakhs in respect of a producing property of the Company. We are unable to obtain sufficient appropriate audit evidence in relation to the assessment of impairment loss, if any, in the carrying value of the producing property. In view of the significant uncertainties involved, we are unable to comment on the adjustments that may be required to be made in these financial statements.

Qualified Opinion

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 possible effects of the matter described in the Basis for Qualified Opinion paragraph above*, we are of the opinion that the 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, 2014;

(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.

Emphasis of Matter

Attention is invited to Note 38 of the accompanying consolidated financial statements which describes the factors and conditions that indicate the existence of a material uncertainty that cast a substantial doubt on the Company's ability to continue as a going concern. Our opinion is not qualified for this matter.

Other Matter

We did not audit the Company's share of net fixed assets (including exploration costs written off), current assets and liabilities (net), expenses and cash flows aggregating to INR 498,050,426, INR 13,012,194, INR Nil and INR (443) respectively as at March 31, 2014 in respect of two of its unincorporated joint ventures ('UJV's') not operated by the Company, whose accounts and other financial information have been audited by the auditors of the respective UJV's 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 consolidated financial statements and other financial information include Company's share of net fixed assets, current assets, expenses and cash flows aggregating to INR 627,525,693, INR Nil, INR Nil and INR Nil respectively as at March 31, 2014 in respect of one of its UJV not operated by the Company, the accounts of which have not been audited by the auditors of the respective UJV's. The financial statements and other financial information have been incorporated based on un-audited financial statements as provided by the Operator of respective UJV 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 registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 30, 2014

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

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

	Notes	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	4,054,301,990	5,322,300,271
		5,359,394,995	6,627,393,276
Non-current Liabilities			
Long-term borrowings	3	7,016,840,000	8,166,505,117
Long-term provisions	4	1,062,982,906	965,367,783
		8,079,822,906	9,131,872,900
Current Liabilities			
Trade payables	5	193,627,738	164,598,978
Other current liabilities	5	2,986,418,343	1,657,129,031
Short-term provisions	4	588,095	1,374,889
		3,180,634,176	1,823,102,898
TOTAL		16,619,852,077	17,582,369,074
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible assets	6	89,841,232	93,892,241
Intangible assets	7	500,403	784,656
Producing Properties	8	10,489,486,598	10,694,369,285
Exploration / development work in progress	9	3,371,011,641	3,391,815,138
Non-current Investment	10	1	1
Deferred tax assets (net)	11	1,259,519	1,207,309
Long-term loans and advances	12	1,176,732,167	1,071,406,635
Other non-current assets	13.2	—	1,087,490
Other bank balances	16	475,393,402	373,060,309
		15,604,224,963	15,627,623,064
Current Assets			
Current investments	14	305,515,932	301,446,777
Inventories	15	397,916,885	427,733,013
Trade receivables	13.1	86,503,594	178,580,014
Cash and bank balances	16	131,670,472	875,193,812
Short-term loans and advances	12	90,388,427	163,779,811
Other current assets	13.2	3,631,804	8,012,583
		1,015,627,114	1,954,746,010
TOTAL		16,619,852,077	17,582,369,074
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 : New Delhi
Date : May 30, 2014

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 30, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

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

	Notes	March 31, 2014	March 31, 2013
Income			
Revenue from Operations (Gross)	17	819,439,366	1,316,600,863
Less: Excise Duty		(28,211,805)	(29,018,999)
Revenue from Operations (Net)		791,227,561	1,287,581,864
(Decrease)/Increase in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives	18	(34,927,386)	(1,391,155)
Other Income	19	56,313,880	81,470,866
Total Revenue (I)		**812,614,055**	**1,367,661,575**
Expenses			
Purchase of traded goods	21	80,506,300	79,621,731
Employee Benefits, Operating, Administrative and Other expenses	20	450,456,661	510,125,443
Repacking costs	22	28,864,555	27,260,810
Depletion, depreciation and amortization expense	6-9	1,031,301,009	875,272,931
Finance costs	23	136,976,042	106,030,053
Exploration costs	40	446,122,447	—
Total Expenses (II)		**2,174,227,014**	**1,598,310,968**
Profit/(Loss) before tax and Exceptional Items (I-II)		**(1,361,612,959)**	**(230,649,393)**
Less: Exceptional Items – Impairment and Additional depletion **(III)**	24	—	**5,719,744,003**
Profit/(Loss) before tax (IV=I-II-III)		**(1,361,612,959)**	**(5,950,393,396)**
Tax Expenses			
Current tax		4,350,000	6,600,000
Current tax expense relating to prior years		(2,527)	(195,610)
Reversal of MAT Credit		436,362,448	—
Write-back of provision for income tax relating to earlier years		(565,000,000)	—
Deferred tax charge/(credit)		(52,210)	(430,892,267)
Total Tax Expenses (V)		**(124,342,289)**	**(424,487,877)**
Net Profit/(Loss) (IV-V)		**(1,237,270,670)**	**(5,525,905,519)**
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	(9.48)	(42.35)

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 : New Delhi
Date : May 30, 2014

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 30, 2014

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

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

	March 31, 2014	March 31, 2013
Cash flow from operating activities		
Profit/(Loss) before tax	(1,361,612,959)	(5,950,393,396)
Adjustments for:		
Depletion, depreciation and amortization expense	1,031,301,009	2,001,130,200
Impairment	—	4,593,886,734
Provisions	(985,385)	46,844,437
Net (gain) / loss on sale of current investments	4,069	—
Unrealized foreign exchange loss / (gain) (net)	685,758	637,324
Amortization of Foreign Currency Monetary Item Translation Difference Account	12,137,244	1,881,533
Excess Liabilities / Provisions Written Back	(435,649)	(4,249,904)
Net gain on sale of assets	(869)	16,984
Finance costs	136,976,042	106,030,053
Exploration costs	446,122,447	—
Interest income	(32,916,824)	(36,589,201)
Profit on sale of current investment	(19,787,984)	(49,292)
Dividend income	(2,284,703)	(40,098,210)
Operating profit before working capital changes	**209,202,196**	**719,047,262**
Movements in working capital:		
Increase / (Decrease) in trade payables, other liabilities and provisions	(157,640,621)	101,442,562
Decrease in trade receivables	91,338,492	38,531,629
Decrease / (Increase) in Inventories	29,816,128	74,190,816
(Increase) in loans and advances and other assets	40,046,481	(150,220,170)
Cash generated from operations	**212,762,676**	**782,992,099**
Direct taxes paid (net of refunds)	(10,076,952)	(23,696,840)
Net cash flow from operating activities (A)	**202,685,724**	**759,295,259**
Cash flows from investing activities		
Purchase of fixed assets (including CWIP and capital advances)	(472,496,222)	(3,303,141,589)
Proceeds from Sale of Fixed Assets	27,203	4,300
Profit on sale of current investment	19,787,984	49,292
Interest received	49,342,972	58,814,937
Net gain / (loss) on sale of current investments	(4,069)	—
Dividend received	2,284,703	40,098,210
Net cash flow from / (used in) investing activities (B)	**(401,057,428)**	**(3,204,174,850)**
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	(301,827,265)	(700,418,477)
Dividend Paid (including Dividend Tax)	—	(5,678,103)
Interest paid	(228,678,489)	(148,452,971)
Net cash flow from / (used in) financing activities (C)	**(530,505,754)**	**2,424,050,449**
Net increase in cash and cash equivalents (A + B + C)	**(728,877,458)**	**(20,829,143)**
Cash and cash equivalents at the beginning of the year	1,162,667,331	1,183,496,473
Cash and cash equivalents at the end of the year	**433,789,873**	**1,162,667,331**
Components of cash and cash equivalents		
Cash on hand	2,024	2,024
With banks* (See Note 16)		
– on deposit account	575,517,141	1,193,577,676
– on current accounts	28,197,142	50,396,075
Adjustment for Lien Marked Deposits / Accounts (See Note a, b, & c of Note 16)	(64,414,019)	(61,672,934)
Adjustment for Site Restoration Deposits (See Note c of Note 16)	(410,979,383)	(321,033,323)
Current Investment – Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	305,466,968	301,397,813
Total cash and cash equivalents	**433,789,873**	**1,162,667,331**
* Includes effect of exchange loss of INR Nil (Previous Year: INR 440,832) 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 : New Delhi
Date : May 30, 2014

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 30, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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 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, except for treatment of survey costs as referred to in Note 40. 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, 2014, statement of profit and loss and cash flows of the Group for the year ended March 31, 2014.

(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, 2014.

(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 MARCH 31, 2014

(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 Property 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 surveys and studies relating to exploration activities are expensed when the same are incurred (also refer Note 40).

  (c) Cost of exploratory well(s) are expensed when the well(s) are conclusively determined to be dry / permanently abandoned or are transferred to Producing Properties on attainment of commercial production.

  (d) 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.

  (e) 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.

  (f) 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.

  (g) 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. Save the costs referred to in note (b) herein above, all exploration 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

   — 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 Property 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 MARCH 31, 2014

(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), Custom 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.

(a) 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.

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

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

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

(e) 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.

(f) 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 MARCH 31, 2014

(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 MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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

	As at March 31, 2014		As at March 31, 2013	
	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

	As at March 31, 2014		As at March 31, 2013	
	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 MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
2. Reserves and Surplus		
Securities premium account	**7,841,521,473**	**7,841,521,473**
Foreign Currency Monetary Item Translation Difference Account (See Note 36)		
Balance as per last financial statements	(4,706,408)	(4,119,003)
Created during the Year	(42,864,855)	(2,468,938)
Amortized during the Year	12,137,244	1,881,533
Closing Balance	**(35,434,019)**	**(4,706,408)**
General Reserve		
Balance as per last financial statements	3,800,000	2,000,000
Add: Transfer from surplus in Statement of Profit and Loss	—	1,800,000
Closing Balance	3,800,000	3,800,000
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance as per last financial statements	(2,518,314,794)	3,015,068,828
Profit/(Loss) for the Year	(1,237,270,670)	(5,525,905,519)
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	**(3,755,585,464)**	**(2,518,314,794)**
Total Reserves and Surplus	**4,054,301,990**	**5,322,300,271**

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

	Non-current portion		Current maturities	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note (a) below)	—	83,505,117	92,175,630	83,504,678
From banks (Rupee) (See Note (b) below)	—	—	—	59,900,000
Loan from Related Party (Unsecured)				
ENI Finance International Center (Foreign Currency) (See Note (c) below) *(Earlier known as ENI Coordination Center S.A., Belgium)*	7,016,840,000	8,083,000,000	2,359,110,000	548,000,000
	7,016,840,000	**8,166,505,117**	**2,451,285,630**	**691,404,678**
The above amount includes Amount disclosed under the head "other current liabilities" (See Note 5)	—	—	(2,451,285,630)	(691,404,678)
Net amount	**7,016,840,000**	**8,166,505,117**	—	—

Notes:

a. The term loans from banks (Foreign currency) include loans from Axis Bank Limited INR 92,175,630 (Previous Year: INR 167,009,795). 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 on 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 Nil (Previous Year: INR 59,900,000) which 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. These loans have been repaid during the year.

c. Loan from Related Party (Unsecured) includes (Total INR 9,375,950,000):

   a. Unsecured loan of INR 5,746,550,000 (Previous Year: INR 5,343,000,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.

   b. During the previous year Company had raised funds through External commercial borrowing (ECB) from ENI Finance International of USD 60 Million : INR equivalent 3,629,400,000 (Previous Year: INR 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 MARCH 31, 2014

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

	Long-term		Short-term	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
4. Provisions				
Provision for employee benefits				
Provision for gratuity (See Note 28)	—	116,996	—	770,763
Provision for compensated absences	4,280,406	4,700,787	105,655	121,296
	4,280,406	**4,817,783**	**105,655**	**892,059**
Other provisions				
Provision for site restoration (See Note a below)	1,058,702,500	960,550,000	—	—
Provision for Wealth Tax (net of advance tax)	—	—	482,440	482,830
	1,058,702,500	**960,550,000**	**482,440**	**482,830**
	1,062,982,906	**965,367,783**	**588,095**	**1,374,889**

Note:

	As at March 31, 2014	As at March 31, 2013
a. Provision for site restoration		
Opening balance	960,550,000	904,142,500
Effect of changes in Foreign Exchange Rates	98,152,500	56,407,500
Closing balance	**1,058,702,500**	**960,550,000**

	As at March 31, 2014	As at March 31, 2013
5. Current Liabilities		
Trade payables		
Micro, Small and Medium Enterprises (See Note a below)	4,644,164	5,109,336
Others	188,983,574	159,489,642
	193,627,738	**164,598,978**
Other Liabilities		
Current maturities of long-term borrowings	2,451,285,630	691,404,678
Unclaimed / Unpaid Dividend (See Note b below)	2,909,580	3,840,125
Unclaimed / Unpaid Share Application Money (See Note b below)	437,987	438,221
Creditor for Capital Expenditure	421,662,921	664,218,751
Other Payables		
Statutory dues payable	27,949,205	55,017,832
Security Deposits	4,825,000	4,175,001
Other Payable	76,870,453	237,711,818
Advances from customers	477,567	322,605
	2,986,418,343	**1,657,129,031**

Notes:

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

	As at March 31, 2014	As at March 31, 2013
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	4,644,164	5,109,336
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	—	—
	4,644,164	**5,109,336**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Fixed Assets	GROSS BLOCK						DEPLETION, DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE					NET BLOCK	
		Balance as at April 1, 2013	Additions	(Disposals)/ Transfers	Exchange Differences	Borrowing Costs	Balance as at March 31, 2014	Balance as at April 1, 2013	Depletion, Depreciation & Amortization for the year	Impairment during the year	(Disposals)	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
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	40,478,624	3,192,657	—	—	43,671,281	60,660,507	63,853,164
	Plant & Equipment	1,665,343	214,083	—	—	—	1,879,426	1,048,502	173,833	—	—	1,222,335	657,091	616,841
	Furniture & Fixture	6,309,582	86,526	(439,506)	—	—	5,956,602	5,560,536	151,236	—	—	5,711,772	244,830	749,046
	Vehicles	5,063,701	—	—	—	—	5,063,701	4,184,000	222,068	—	(417,541)	3,988,527	1,075,174	879,701
	Office Equipments	9,534,262	45,389	—	—	—	9,579,651	7,768,271	253,082	—	—	8,021,353	1,558,298	1,765,991
	Others – Computer	7,658,669	656,116	(66,468)	—	—	8,248,317	6,559,031	700,551	—	(62,099)	7,197,483	1,050,834	1,099,638
	Improvement to Lease Hold Premises	1,900,810	—	—	—	—	1,900,810	900,724	333,362	—	—	1,234,086	666,724	1,000,086
		160,391,929	1,002,114	(505,974)	—	—	160,888,069	66,499,688	5,026,789	—	(479,640)	71,046,837	89,841,232	93,892,241
	Previous Year	*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*
7	Intangible Assets													
	Computer Software	25,958,371	—	—	—	—	25,958,371	25,173,715	284,253	—	—	25,457,968	500,403	784,656
	Previous Year	*25,958,371*	—	—	—	—	*25,958,371*	*24,712,060*	*461,655*	—	—	*25,173,715*	*784,656*	*1,246,311*
8	Producing Properties (See Note b & c below)	19,935,275,470	87,166,505	(644,695)	734,585,470	—	20,756,382,750	9,240,906,185	1,025,989,967	—	—	10,266,896,152	10,489,486,598	10,694,369,285
	Previous Year	*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*
9	Exploration/ Development work in progress													
	Development Expenditure	2,455,316,313	113,865,033	(85,633,604)	214,427,459	42,202,521	2,740,177,722	741,418,308	—	—	—	741,418,308	1,998,759,414	1,713,898,005
	Exploration Expenditure (See Note 40)	1,677,917,132	112,940,446	(446,122,447)	18,317,815	9,199,281	1,372,252,227	—	—	—	—	—	1,372,252,227	1,677,917,132
		4,133,233,445	226,805,479	(531,756,051)	232,745,274	51,401,802	4,112,429,949	741,418,308	—	—	—	741,418,308	3,371,011,641	3,391,815,137
	Previous Year	*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*

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 10,123,244 (Previous Year: INR 10,656,046) 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 98,152,500 (Previous Year: increase of INR 56,407,500).

d. The Company had performed an Impairment test in compliance with Accounting Standard-28 during the previous year and recognised an Impairment loss. Please see Note 24-Exceptional item for details.

e. Depletion of previous year includes additional depletion of INR 1,125,857,269 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. Please see Note-24 Exceptional Item for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
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 (cost) of unquoted investment	1,000,000	1,000,000

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

	As at March 31, 2014	As at March 31, 2013
11. Deferred Tax Asset/(Liabilities) (net) (See Note 37)		
Deferred Tax Asset		
Exploration Expenses	438,769,239	294,014,049
Doubtful Advances	16,505,806	16,428,447
Employee Related Costs	240,553	329,086
Unabsorbed Business Losses and Depreciation	852,704,520	864,081,347
Sub Total (A)	**1,308,220,118**	**1,174,852,929**
Deferred Tax Liability		
Depreciation, depletion and amortisation of Fixed Assets	1,303,022,670	1,172,907,402
Employee Related Costs	—	127,755
Foreign Currency Monetary Item Translation Difference Account	3,937,929	610,463
Sub Total (B)	**1,306,960,599**	**1,173,645,620**
Net Deferred Tax Assets/(Liabilities) (A – B)	1,259,519	1,207,309

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
12. Loans and advances				
Unsecured and considered good				
Capital advances	7,833,103	40,558,444	6,590,884	—
Security deposit	8,922,400	9,393,399	1,671,999	6,999
Advances recoverable in cash or kind	1,835,550	1,247,772	71,624,918	146,385,575
(A)	**18,591,053**	**51,199,615**	**79,887,801**	**146,392,574**
Unsecured and considered doubtful				
Other loans and advances				
(unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 713,309,809 (Previous Year: INR 1,273,962,336)] (See Note a below)	1,154,119,246	582,714,784	—	—
MAT credit entitlement	—	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	—	—	156,207	1,131,694
Service Tax Input credit	—	—	296,076	941,700
Prepaid expenses	2,963,720	71,640	10,048,343	15,313,843
(B)	**1,158,141,114**	**1,020,207,020**	**10,500,626**	**17,387,237**
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	47,630,122	—	—
Less: Provision for Doubtful claims	(48,984,743)	(48,984,743)	—	—
(C)	—	—	—	—
Total (A+B+C)	**1,176,732,167**	**1,071,406,635**	**90,388,427**	**163,779,811**

Notes:

a. The Hon'ble Mumbai ITAT has, vide its order dated September 17, 2013, passed a favorable order in relation to the Company's Income Tax Assessment Cases for the Financial Years 2004-05 and 2005-06 primarily relating to deduction under Section 80IB(9) of the Income Tax Act 1961. Since the deduction had been decided in favour of the Company (consistent with Financial Years 2002-03 and 2003-04), the excess Income Tax provision made for the Financial Years 2004-05 to 2006-07 amounting to INR 5,650 lacs has been written back during the current year.

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

	Current	
	As at March 31, 2014	As at March 31, 2013
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	3,418,539	3,525,313
(A)	**3,418,539**	**3,525,313**
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	666,251	102,343
Other receivables	82,418,804	174,952,358
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	1,888,154	1,649,758
(B)	84,973,209	176,704,459
Less: Provision for doubtful trade receivables (C)	(1,888,154)	(1,649,758)
Total (A+B+C)	**86,503,594**	**178,580,014**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
13.2 Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	—	1,087,490	1,087,488	2,901,699
Interest accrued on deposits	—	—	2,221,933	5,110,884
Excess paid to LIC for gratuity (see note 28)	—	—	322,383	—
	—	1,087,490	3,631,804	8,012,583

	As at March 31, 2014	As at March 31, 2013
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		
Nil (Previous Year: 53,317.42) Units of INR 1,876 each of UTI Floating Rate Fund – STP – Regular Plan – Direct Plan – Growth	—	100,000,000
Nil (Previous Year: 85,320.53) Units of INR 2,004 each of Units of Magnum Insta Cash fund Liquid Floater-Regular Plan – Growth	—	171,000,000
81,360.39 (Previous Year: Nil) Units of INR 10 each of ICICI Prudential Savings Fund – Regular Plan – Growth	14,999,992	—
1,023,627.60 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Long Term – Growth	20,106,503	—
9,601.16 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Short Term – Growth	20,000,000	—
61,422.88 (Previous Year: Nil) Units of INR 10 each of Birla Cash Plus Fund – Regular Plan – Growth	12,395,588	—
132,988.27 (Previous Year: NIL) Units of INR 10 each of Birla Floating Rate Long Term – Regular Plan – Growth	20,000,000	—
119,244.37 (Previous Year: NIL) Units of INR 10 each of Birla Floating Rate Short Term – Regular Plan – Growth	20,000,000	—
11,683.54 (Previous Year: Nil) Units of INR 1,876 each of Tata Floater Fund Plan A – Growth	22,000,000	—
1,536,145.50 (Previous Year: Nil) Units of INR 10 each of Templeton Ultra Short Term Fund – Super Instit – Growth	25,000,000	—
1,197,346.23 (Previous Year: Nil) Units of INR 10 each of HDFC Floating Rate Income Fund – Short Term – Wholesale Option – Growth	25,500,000	—
14,740.65 (Previous Year: Nil) Units of INR 10 each of Reliance Money Manager Fund – Growth	25,000,000	—
3,094,091.30 (Previous Year: Nil) Units of INR 10 each of IDFC Money Manager Fund – Treasury Plan – Growth	62,042,532	—
44,797 (Previous Year: 517,352) Units of INR 10 each of HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	449,382	5,189,812
359,131 (Previous Year: 238,407) Units of INR 100 each of ICICI Prudential Flexible Income Plan – Premium – Daily Dividend Reinvestment	37,972,971	25,208,001
(B)	305,466,968	301,397,813
Total (A)+(B)	305,515,932	301,446,777
For method of valuation, please refer section vii of Significant Accounting Policies (Note B).		
Aggregate cost of Quoted Investment	48,964	48,964
Market Value of Quoted Investment	353,063	280,407
Aggregate cost of Unquoted Investment	305,466,968	301,397,813

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	Current	
	As at March 31, 2014	As at March 31, 2013
15. Inventories		
i. Crude Oil, Condensate and Natural Gas		
— Crude Oil	15,319,557	8,908,261
— Condensate	8,786,282	38,062,530
— Natural Gas	—	624,878
ii. Stores, Spares, Capital Stock and Drilling Tangibles	344,546,200	344,164,342
(A)	368,652,039	391,760,011
iii. Stock of traded goods		
a. Unpacked		
Additives	7,099,241	6,649,543
Lubricants	2,106,278	2,448,727
Car Care	738,350	976,117
	9,943,869	10,074,387
b. Packed		
Additives	5,900,497	11,030,531
Lubricants	1,310,770	1,605,135
Car Care	1,414,744	1,908,499
	8,626,011	14,544,165
iv. Unpacked Stock in transits	8,373,189	8,293,794
v. Stock of Packing Material	2,321,777	3,060,656
(B) = (iiia+iiib+iv+v)	29,264,846	35,973,002
Total (A+B)	397,916,885	427,733,013

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts	—	—	28,197,142	49,219,603
Deposits with original maturity of less than 3 months	—	—	81,990,857	390,200,000
Cash on hand	—	—	2,024	2,024
	—	—	110,190,023	439,421,627
Other bank balances				
On current accounts (See Note a below)	—	—	—	1,176,472
Deposits with original maturity of less than 3 months	—	—	—	8,469,476
Unclaimed / Unpaid Dividend Accounts	—	—	2,909,580	3,840,125
Unclaimed / Unpaid Share Application Money	—	—	437,987	438,221
Deposits with original maturity of more than 3 months but less than 12 months	—	—	—	394,200,000
Deposits with original maturity for more than 12 months (See Note c below)	475,393,402	373,060,309	18,132,882	27,647,891
	475,393,402	373,060,309	21,480,449	435,772,185
Total	475,393,402	373,060,309	131,670,472	875,193,812

Notes:

a. Current accounts include lien marked amount of INR Nil (Previous Year: INR 1,176,472).

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

c. Deposits (with original maturity of more than 12 months) include (i) lien marked Deposits of INR 64,414,019 (Previous Year: INR 52,026,986), and (ii) deposits of INR 410,979,383 (Previous Year: INR 321,033,323) placed as "Site Restoration Fund" under section 33ABA of Income Tax Act, 1961.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	March 31, 2014	March 31, 2013
17. Revenue from Operations		
Sale of Crude oil, Condensate and Natural Gas (See Notes a & b below)	632,146,959	1,125,913,753
Less: Profit petroleum to Government of India	(40,743,704)	(46,832,137)
(A)	591,403,255	1,079,081,616
Sale of traded goods	199,070,312	207,697,662
Add: Excise Duty	28,211,805	29,018,999
(B)	227,282,117	236,716,661
Other operating revenue (C)	753,994	802,586
Total (A+B+C)	819,439,366	1,316,600,863

Notes:

a. PY-1 Field was shut in for a period of 102 days in the FY 2014 primarily on account of non evacuation of gas by GAIL (Buyer). Following the Amendment to the Gas Sales Contract which had been executed in July 2013, GAIL has been evacuating gas through the low pressure pipeline connecting PY-1 Gas Terminal to alternate consumers on a nearly continuous basis.

b. PY-3 Field, operated by Hardy Exploration & Production (India) Inc., remains shut since July 31, 2011. The Full Field Development Plan submitted by the Operator during May 2013 has been technically reviewed by all the JV Partners. Discussions are ongoing amongst the Joint Venture Partners with respect to the proposal to proportionately share cess and royalty on a cost recoverable basis.

	March 31, 2014	March 31, 2013
18. Increase/(Decrease) in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives		
Inventories at the end of the year	42,675,719	72,214,221
Inventories at the beginning of the year	72,214,221	71,069,158
	(29,538,502)	1,145,063
Less: Profit petroleum to Government of India	5,388,884	2,536,218
Net Increase/(Decrease) in inventories	(34,927,386)	(1,391,155)

	March 31, 2014	March 31, 2013
19. Other Income		
Interest income on		
Bank deposits	32,913,499	36,502,364
Other Interest	3,325	86,837
Dividend income on current investments	2,278,609	40,092,369
Dividend income on long term investments	6,094	5,841
Gain on Sale / Discard of Asset (net)	—	823
Profit on sale of current investment	19,787,984	49,292
Excess provision written back (See Note a below)	435,649	4,249,904
Miscellaneous Income	888,720	483,436
	56,313,880	81,470,866

Note:

a. Excess provision written back for the year ended March 31, 2013 represents INR 4,249,904 of reversal for Long Term Incentive Plan, being provision no longer required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

		March 31, 2014	March 31, 2013
20. Employee Benefits, Operating, Administrative and Other Expenses			
A. Employee Benefits Expenses			
Salaries, Wages and Bonus		103,149,084	103,105,849
Contribution to :			
(i) Provident Fund		5,631,436	5,598,015
(ii) Superannuation Scheme		5,210,653	4,984,448
Staff Welfare Expenses		5,560,321	5,479,002
Total Employee Benefit Expenses	(A)	**119,551,494**	**119,167,314**
B. Operating Expenses			
Hire Charges and Rent		322,189	30,710,460
Insurance		32,848,039	45,303,261
Repairs and Maintenance – Plant and Machinery		110,382,043	27,662,528
Manpower Costs and Overheads		77,365,761	66,946,800
Transportation and Logistics		3,896,075	17,280,571
Consumables		354,786	798,135
Royalty, Cess and Other Duties		44,530,703	79,802,293
Other Production Expenses		10,750,492	53,863,298
Total Operating Expenses	(B)	**280,450,088**	**322,367,346**
C. Administrative and Other Expenses			
Rent		17,874,160	14,724,921
Product Promotion Expenses		9,287,996	14,138,353
Incentives for Marketing		3,202,652	7,177,103
Rebates and Discounts		9,309,938	11,000,878
Sales Promotion		2,294,461	3,482,406
Field Staff Expenses		3,524,368	3,556,739
Electricity		2,428,103	2,488,631
Rates and Taxes		1,804,788	666,477
Repairs and Maintenance – Others		6,094,381	5,105,034
General Office Expenses		935,647	1,290,172
Travelling and Conveyance		7,727,882	8,311,777
Communication Expenses		3,793,095	3,755,437
Membership and Subscription		2,079,229	1,819,975
Legal and Professional Expenses		37,384,779	51,693,531
Insurance		658,517	751,732
Directors' Siting Fees and Commission		817,877	1,122,191
Printing and Stationary		2,569,608	2,768,499
Miscellaneous Expenses		11,896,100	9,407,536
Provisions for Doubtful Debts/Advances (See Note 12(b))		238,397	47,755,273
Loss on sale of investments		4,069	—
Loss on Foreign exchange		46,174,110	59,469,407
	(i)	170,100,157	250,486,072

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

		March 31, 2014	March 31, 2013
20. Employee Benefits, Operating, Administrative and Other Expenses (Contd.)			
Payment to Auditor:			
As Auditor:			
Audit Fee		2,516,864	2,515,740
Tax Audit Fee		168,540	154,420
Limited Review		505,620	512,947
Reimbursements		317,152	345,321
In Other Capacity:			
Other Services		67,416	64,172
Cost Audit Fees		224,720	224,720
	(ii)	3,800,312	3,817,320
Total Administrative and Other Expenses	(C) = (i+ii)	173,900,469	254,303,392
Total Employee Benefits, Operative, Administrative and Other Expenses	(A+B+C)	573,902,051	695,838,052
Less: Recovery of Expenses (See Note 34)		(123,445,390)	(185,712,609)
Total Employee Benefits, Operative, Administrative and Other Expenses		450,456,661	510,125,443

	March 31, 2014	March 31, 2013
21. Purchase of Traded Goods		
Additives	64,968,615	67,209,909
Car Care	14,911,927	13,605,573
Taxes paid on local purchase of Raw Material	2,524,200	775,499
Increase / (Decrease) in Excise duty on Closing Stock	(1,192,857)	(973,705)
Increase / (Decrease) in Output VAT on Closing Stock	34,479	—
Cost of Samples & Replacements	(740,064)	(995,545)
	80,506,300	79,621,731

	March 31, 2014	March 31, 2013
22. Repacking Cost		
Packing Material consumed	21,143,325	19,703,438
Increase / (Decrease) in Output VAT on Closing Stock of Packing Material	17,513	—
Repacking Cost	7,223,490	7,285,914
Taxes paid on local purchase of Raw Material	480,227	271,458
	28,864,555	27,260,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

	March 31, 2014	March 31, 2013
23. Finance Costs		
Interest on Fixed Term Loans	130,120,344	100,962,708
Interest (Others)*	397,250	233,424
Bank Charges and Commission	3,556,747	1,696,665
Amortization of Ancillary Borrowing Cost	2,901,701	3,137,256
	136,976,042	106,030,053

* Interest cost includes INR 39,800 paid towards Income tax demand for the Assessment year 2011-12 (March 31, 2013 – NIL).

	March 31, 2014	March 31, 2013
24. Exceptional Items		
Impairment on Assets (See Note a below)	—	4,593,886,734
Additional Depletion on Producing Property and Site Restoration Assets (See Note a below)	—	1,125,857,269
	—	5,719,744,003

Note:

a. Exceptional item in the previous year represents additional depletion and impairment loss charged to the statement of profit and loss 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 had been revised to 120.2 billion cubic feet.

The Company had carried out an impairment assessment as at Dec 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 had been disclosed under exceptional items.

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

i. Pre-tax cash flows had 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% had been considered reflecting market assessment based on transactions for similar assets.

	March 31, 2014	March 31, 2013
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 and Loss (used for both calculation of basic and diluted EPS)	(1,237,270,670)	(5,525,905,519)
	No.	No.
Weighted average number of equity shares in calculating basic and 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	(9.48)	(42.35)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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	
	2013-2014	2012-2013
Capital	5,000,200	5,000,200
Reserves	73,844,820	63,016,976
Total Assets (excluding Investments)	79,463,980	87,678,791
Total Liabilities (excluding Capital and Reserves)	39,041,313	50,059,428
Investments (See note below)	38,422,353	30,397,813
Turnover	202,499,019	212,836,715
Profit Before Taxation	15,123,107	23,791,863
Provision for Taxation	(4,295,263)	(6,364,204)
Profit After Taxation	10,827,844	17,427,659
Proposed Dividend	—	—

Note:

Details of Investments of HOEC Bardahl India Limited

	2013-2014	2012-2013
Current Unquoted (Non-Trade) **Units of Liquid / Liquid Plus Schemes of Mutual Funds**		
HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	449,382	5,189,812
Prudential ICICI Flexible Income Plan – Premium – Daily Dividend Reinvestment	37,972,971	25,208,001
Total	38,422,353	30,397,813

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 granted options in the prior years 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 previous year, the Company had written back excess provision towards cash and ESOS (deferred bonus) amounting to INR 4,249,904 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	
	2013-2014	2012-2013
Outstanding at the beginning of the Year	17,680	67,643
Granted during the Year	—	—
Forfeited / lapsed during the Year	—	35,789
Exercised during the Year	17,680	14,174
Outstanding at the end of the Year	—	17,680
– Vested	—	—
– Yet to Vest	—	17,680

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 MARCH 31, 2014

(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.

	2013-2014	2012-2013
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,217,032	1,403,245
Interest cost on benefit obligation	915,088	894,338
Expected return on plan assets	(997,479)	(825,077)
Net actuarial (gain) / loss recognized in the year	(1,010,012)	(547,868)
Adjustment to reconcile the opening fund	(116,461)	—
Net benefit expense	**8,168**	**924,638**
Balance sheet		
Benefit asset / (liability)		
Present value of defined benefit obligation	(11,999,420)	(11,846,866)
Fair value of plan assets	12,321,803	10,959,107
Plan asset / (liability)	**322,383**	**(887,759)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	11,846,865	10,961,645
Current service cost	1,217,032	1,403,245
Interest cost	915,088	894,338
Benefits paid	(1,010,390)	(880,054)
Actuarial (gains) / losses on obligation	(969,175)	(532,308)
Closing defined benefit obligation	**11,999,420**	**11,846,866**
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	10,959,105	9,463,644
Adjustment to reconcile the opening fund	116,461	—
Expected return	997,479	825,077
Contributions by employer	1,164,521	1,534,878
Benefits paid	(956,600)	(880,054)
Actuarial gains / (losses)	40,837	15,560
Closing fair value of plan assets	**12,321,803**	**10,959,105**

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

Particulars	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
Defined benefit obligation	**(11,999,420)**	(11,846,866)	(10,961,645)	(9,397,768)	(8,608,804)
Plan assets	**12,321,803**	10,959,107	9,463,644	5,976,421	5,072,866
Surplus / (deficit)	**322,383**	(887,759)	(1,498,001)	(3,421,347)	(3,535,938)
Experience adjustments on plan liabilities	**(969,175)**	(532,308)	148,853	(619,983)	(169,499)
Experience adjustments on plan assets	**40,837**	15,560	168,407	14,369	49,240

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

	2013-2014		2012-2013	
Particulars	Company	Subsidiary	Company	Subsidiary
Discount rate	9.10%	9.00%	8.10%	8.00%
Future salary increase	9.00%	6.50%	9.00%	6.50%
Expected rate of return on assets	9.00%	8.75%	9.00%	9.00%
Employee turnover	1% to 5%	1% to 5%	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 MARCH 31, 2014

(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.)	9.10%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ult.
Attrition (% p.a.)	1% to 5%

29. Segmental Reporting

Segment reporting in terms of Accounting Standard 17 is as under:

	Particulars	March 31, 2014	March 31, 2013
1	Segment Revenue		
	— Hydrocarbon	574,712,131	1,096,425,168
	— Oil Additives	194,168,413	205,754,881
	— Inter-Company Elimination	(11,256,000)	(46,257,400)
	— Unallocated	54,989,511	111,738,926
	Gross Sales / Income from Operations	812,614,055	1,367,661,575
2	Segment Results		
	— Hydrocarbon	(1,304,176,375)	(5,941,197,500)
	— Oil Additives	13,293,949	20,096,630
	— Unallocated	(70,730,533)	(29,292,526)
	Total Profit before Tax	(1,361,612,959)	(5,950,393,396)
3	Segment Assets		
	— Hydrocarbon	14,984,057,268	15,349,963,633
	— Oil Additives	66,889,266	75,720,187
	— Unallocated	1,568,905,543	2,156,685,253
	Total Assets	16,619,852,077	17,582,369,073
4	Segment Liabilities		
	— Hydrocarbon	(1,752,807,699)	(2,046,523,745)
	— Oil Additives	(39,041,313)	(50,059,428)
	— Unallocated	(9,468,608,070)	(8,858,392,625)
	Total Liabilities	(11,260,457,082)	(10,954,975,798)
5	Addition in Tangible and Intangible Fixed Assets		
	— Hydrocarbon	314,445,614	4,056,286,473
	— Oil Additives	528,484	279,247
	— Unallocated	—	—
	Total Addition in Tangible and Intangible Fixed Assets	314,974,098	4,056,565,720
6	Depreciation, Amortisation and Exploration Expenses		
	— Hydrocarbon	1,476,627,781	2,000,356,844
	— Oil Additives	795,675	773,356
	— Unallocated	—	—
	Total Depreciation, Amortisation and Exploration Expenses	1,477,423,456	2,001,130,200
7	Non-Cash Expenses other than Depreciation, Amortisation and Exploration Expenses		
	— Hydrocarbon	11,801,595	4,591,618,363
	— Oil Additives	238,396	(66,302)
	— Unallocated	—	—
	Non-Cash Expenses other than Depreciation, Amortisation and Exploration Expenses	12,039,991	4,591,552,061

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 MARCH 31, 2014

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

30. Unincorporated Joint Venture Operations

The Company has entered into Production Sharing Contracts (PSC's) for 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 consortium partners are as follows:

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%) As at March 31, 2014	Share (%) As at March 31, 2013
1	PY-1	Hindustan Oil Exploration Company Limited (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:**		
		Hindustan Oil Exploration Company Limited (O)	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development and Production:		
		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:**		
		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 and Production:		
		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	100.00
8	AAP-ON-94/1	**Exploration:**		
		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
		Development and Production:		
		Hindustan Oil Exploration Company Limited (O)	26.882	26.882
		Indian Oil Corporation Limited	29.032	29.032
		Oil India Limited	44.086	44.086
9	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited (O)	25.00	25.00
		Bharat Petro Resources Limited	25.00	25.00
		Jindal Petroleum Limited**	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

Notes:

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 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 Hindustan Petroleum Corporation Limited (HPCL) are awaited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

31. Details of Oil and Gas Reserves

As at March 31, 2014, 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	11.15	0.01	—	0.03	11.13
Gas	MMSCM	2,727.90	971.79	—	52.25	3,647.44

32. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2014 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
4. Saipem (Portugal) Comercio Maritimo Su Lda

(C) Unincorporated Joint Ventures:

As per details given in Note 30 above.

(D) Key Management Personnel:

- Mr. Manish Maheshwari – 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	— (—)	6,293,098 (21,338,976)	— (—)	— (—)
— Remuneration to Managing Director	— (—)	— (—)	— (—)	20,194,705 (20,191,035)
— Professional Fee	— (—)	21,270,620 (24,839,201)	— (—)	— (—)
— Recovery of Expenses	— (—)	— (—)	57,723,663 (53,557,572)	— (—)
— Interest Paid*	— (—)	216,516,608 (130,152,137)	— (—)	— (—)
— Bank Charges	— (—)	22,823 (121,174)	— (—)	— (—)
LOAN				
— Unsecured Loan Received*	— (—)	— (3,278,600,000)	— (—)	— (—)
— Unsecured Loan Repaid*	— (—)	137,000,000 (545,525,000)	— (—)	— (—)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures Partners	Key Management Personnel
CAPITAL EXPENDITURE				
— Exploration Expenditure	—	—	—	—
	(—)	(1,142,146)	(—)	(—)
— Development Expenditure	—	28,807,027	—	—
	(—)	(25,129,473)	(—)	(—)
AS AT YEAR END				
Loan Outstanding as at Year End*	—	9,375,950,000	—	—
	(—)	(8,631,000,000)	(—)	(—)
Amounts Payable as at Year End	—	285,358,826	—	—
	(—)	(194,845,896)	(—)	(—)

* 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, 2014	As at March 31, 2013
(i) Contingent Liabilities		
(a) Counter Guarantees on account of Bank Guarantees	256,825,234	208,107,930
(b) Claims against the Company not acknowledged as Debt		
– Income Tax Demands under Appeal	395,030,684	394,715,876
– Fringe Benefit Tax Demand where the matter is in appeal	523,345	523,345
– Central Excise demand where the matter is in appeal	300,844	2,249,153
(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)	217,881,005	51,694,208
(e) Liquidated damages under appeal (Pertaining to one Unincorporated Joint Venture)	47,630,122	47,630,122
(f) Royalty payable under appeal (Pertaining to one Unincorporated Joint Venture)	141,252,121	—
(ii) Commitments		
(a) Estimated amount of Contracts remaining to be executed and not provided for	13,417,649	397,242,309

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 5,534,431 (Previous Year INR 37,353,814) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

35. Particulars of Unhedged Foreign Currency Exposure

The particulars of Unhedged Foreign Currency Exposure of the Group, are as under:

Particulars	Exposure as at March 31, 2014	Exposure as at March 31, 2013
Secured Loans	92,175,630	167,009,795
Unsecured Loans	9,375,950,000	8,631,000,000
Sundry Creditors	295,981,547	297,073,529
Sundry Debtors	18,878,927	29,408,284
Loans and Advances	—	8,275
Bank Account and Deposit	362,793	24,036,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

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

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

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

Particulars	2013-2014	2012-2013
Exchange Differences capitalised to Fixed Assets (including Work in Progress) during the year	967,330,744	426,725,943
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	35,434,019	4,706,408
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Statement of Profit and Loss for the year	12,137,244	1,881,533

37. Deferred tax

Company (i.e. HOEC) 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, 2014 and March 31, 2013 (See Note 11).

38. The Company has capital requirements to implement its business plans and commitments under the Production Sharing Contracts (PSC) in the foreseeable future, which cannot be met through internal accruals alone. As a strategic exercise initiated pursuant to appointment of a Financial Advisor, discussions are underway between the Promoter and prospective investors. Notwithstanding uncertainties which may be attached to the outcome of any such process, the Board recognizes that the Company has a successful track record of raising capital in the past and that the Company shall raise financial resources as and when needed to meet its commitments under the Production Sharing Contracts and to transform the reserves from the existing discoveries to production in the near to mid-term. Based on the foregoing, the Financial Statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities.

39. While the EBITDA of INR 2,527.87 lacs for FY 2013-14 has been positive, the Company has reported negative EBIT of INR 12,246.37 lacs and PBT of INR 13,616.13 lacs for the same period, primarily due to high depletion, depreciation and amortization (DDA) charge in an offshore producing property, PY-1, located in the Cauvery Basin. The Company, as Operator, has commissioned a comprehensive geological and reservoir study by an independent third party for PY-1 Field, the results and recommendations of which are still awaited. Pending the results of the Study, the Company has relied on the last independent reserve report of January 2013 and the capital allocation assumption considered towards drilling additional producer wells at the time of the Impairment Test for the year ended March 2013. Should the findings of the Study and the capital allocation assumptions undergo revision, there may be uncertainty in the recoverability of the carrying value of PY-1 Asset, which as of March 31, 2014 is approximately INR 116,571 lacs.

The Auditors have qualified their opinion in this regard and the Company's position is as explained above.

40. In compliance with SEBI directions with respect to previous audit qualification relating to treatment of survey cost under the Guidance Note (Accounting for Oil and Gas Producing Activities, issued by Institute of Chartered Accountants of India), the Company has expensed off survey costs amounting to INR 4,461 lacs (INR 3,410 lacs pertaining to previous years) in the Statement of Profit and Loss which were initially capitalized as 'Exploration Expenditure'.

41. 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 : New Delhi
Date : May 30, 2014

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 30, 2014

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
bcf	–	billion cubic feet
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
CWIP	–	Capital Work In Progress
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
EBITDA	–	Earnings Before Income Tax, Depreciation & Amortisation
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
GIIP	–	Gas Initially in Place
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
HSECSR	–	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
MC	–	Management Committee
ML	–	Mining Lease
mmboe	–	Million barrels of oil equivalent
mmbtu	–	Million british thermal unit
MMm3	–	Million cubic meters a day
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
OC	–	Operating Committee
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

HOEC

NOTICE

Notice is hereby given that the 30th Annual General Meeting of the Members of Hindustan Oil Exploration Company Limited will be held on Friday, September 26, 2014 at 10:30 a.m. at 'Tropicana Hall', The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara-390 020 (Gujarat) India, to transact the following businesses:

ORDINARY BUSINESS

1. To consider and adopt: (a) the audited financial statements of the Company for the Financial Year ended March 31, 2014, the reports of the Board of Directors and Auditors thereon; and (b) the audited consolidated financial statements of the Company for the Financial Year ended March 31, 2014.

2. To appoint a Director in place of Mr. V. S. Rangan (DIN: 00030248), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.

3. To appoint a Director in place of Mr. Manish Maheshwari (DIN: 01791004), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.

4. To appoint a Director in place of Mr. Guido Papetti (DIN: 06616547), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.

5. To appoint a Director in place of Mr. Paolo Ceddia (DIN: 06638260), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.

6. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT S. R. Batliboi & Associates LLP, Chartered Accountants (ICAI Registration No. 101049W), be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration and out-of-pocket expenses as shall be fixed either by the Board of Directors of the Company or by the Board authorising the Managing Director of the Company in this regard."

SPECIAL BUSINESS

7. To appoint Mr. R. Vasudevan (DIN: 00025334) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges on which the equity shares of the Company are listed (the "Listing Agreement"), Mr. R. Vasudevan (DIN: 00025334), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting, and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, and who has the rich experience and in depth knowledge of the energy sector and has made significant contribution to the Company, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for five (5) consecutive years for a term until the conclusion of the 35th Annual General Meeting of the Company."

8. To appoint Mr. Sunil Behari Mathur (DIN: 00013239) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges on which the equity shares of the Company are listed (the "Listing Agreement"), Mr. Sunil Behari Mathur (DIN: 00013239), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting, and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, and who has rich experience and knowledge and has made significant contribution to the Company, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for five (5) consecutive years for a term until the conclusion of the 35th Annual General Meeting of the Company."

9. To appoint Mr. Dhruv S. Kaji (DIN: 00192559) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges on which the equity shares of the Company are listed (the "Listing Agreement"), Mr. Dhruv S. Kaji (DIN: 00192559), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, and who has requisite experience and knowledge, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for five (5) consecutive years for a term until conclusion of 35th Annual General Meeting."

10. To re-appoint Mr. Manish Maheshwari (DIN: 01791004) as Managing Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Articles of Association of the Company, approval of the shareholders of the Company be and is hereby accorded to the re-appointment of Mr. Manish Maheshwari (DIN: 01791004) as Managing Director of the Company, for a period of five (5) years with effect from conclusion of this Annual General Meeting until the conclusion of 35th Annual General Meeting of the Company, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with authority to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and/or remuneration as it may deem fit and as may be acceptable to Mr. Manish Maheshwari, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof;

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

11. To approve the remuneration of the Cost Auditor-in-Practice for the Financial Year ending March 31, 2015 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013, the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), General Circular 15/2011 and General Circular No. 36/2012, both issued by Cost Audit Branch, Ministry of Corporate Affairs, Government of India, the Cost Auditor-in-Practice, Mr. K. Suryanarayanan, appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

12. To approve increase in the authorised share capital of the Company and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 13, 14 and 61 and all other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) read with Article 4 of the Articles of Association of the Company, the authorised share capital of the Company of INR 2,000,000,000 (Rupees Two Hundred Crore) divided into 200,000,000 (Twenty Crore) equity shares of INR 10 (Rupees Ten) each be and is hereby increased to INR 5,000,000,000 (Rupees Five Hundred Crore) divided into 500,000,000 (Fifty Crore) equity shares of INR 10 (Rupees Ten) each, ranking pari passu with the existing shares of the Company."

13. To approve alteration of Memorandum of Association of the Company and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

V. The Authorised Share Capital of the Company INR 5,000,000,000 (Rupees Five Hundred Crore) divided into 500,000,000 (Fifty Crore) Equity shares of INR 10 (Rupees Ten) each with the power to the Company to increase or reduce or modify the said capital and to divide the shares for the time being of the Company into several classes and attach thereto such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being, be provided for by the Articles of Association of the Company."

14. To approve alteration of Articles of Association of the Company and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the existing Articles of Association of the Company be and is hereby altered by substituting the existing Article 3 with the following Article:

3. The Authorised share capital of the Company is INR 5,000,000,000 (Rupees Five Hundred Crore) divided into 500,000,000 (Fifty Crore) Equity shares of INR 10 (Rupees Ten) each."

15. To approve and ratify the remuneration paid to Mr. Manish Maheshwari as Managing Director of the Company for the period from April 01, 2013 to March 31, 2014 and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 197, 203 and other applicable provisions read with Schedule V of the Companies Act, 2013, and subject to approval of the Central Government, if applicable, the remuneration of INR 4,100,649 paid to Mr. Manish Maheshwari, Managing Director, for the period from April 01, 2013 to March 31, 2014, in his capacity as the Managing Director of the Company, being in excess of the limits specified in Schedule V, be and is hereby approved and ratified."

By Order of the Board of Directors

Place : Chennai
Date : July 26, 2014

Minesh Bhatt
Assistant Company Secretary &
Compliance Officer

Registered Office:
'HOEC House', Tandalja Road
Vadodara-390 020.

CIN: L11100GJ1996PLC029880

E-mail: hoecshare@hoec.com

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than twenty-four hours before the commencement of the Meeting.**
2. **A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. Brief resume of Directors including those proposed to be appointed/re-appointed, nature of their expertise in specific functional areas, details of companies in which they hold directorships and memberships/chairmanships of Board Committees, shareholding and relationships, if any, with the directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in this Notice.
5. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
6. The Company has notified closure of Register of Members and Share Transfer Books from Friday, August 08, 2014 to Tuesday, August 12, 2014 (both days inclusive).
7. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, Sundays and Public holidays during business hours up to the date of the Meeting.

   Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Secretarial Department so that the information required by the members can be made available at the Meeting.
10. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts.
11. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company/the Registrar and Share Transfer Agent Link Intime India Pvt. Limited, (Unit: Hindustan Oil Exploration Company Limited), B-102 & 103, Shangrila Complex, First Floor, Opp: HDFC Bank Limited, Nr. Radhakrishna Char Rasta, Akota, Vadodara – 390020 (Gujarat), Tel: 0265-2356573/2356794 Fax No. 0265-2356791, Email ID: vadodara@linkintime.co.in
12. Members/Beneficial Owners are requested to quote their Ledger Folio No./DP & Client ID Nos., as the case may be, in all correspondence with the Company. Members are also requested to quote their e-mail address, telephone, mobile and fax numbers for prompt reply to their communication.
13. The Company has transferred the unpaid or unclaimed dividends warrants for the Financial Year 2005-2006 and Rights Issue 2006 application money to the Investor Education and Protection Fund (the IEPF) established by the Central Government.

    Further, Members who have not encashed their Dividend Warrants for the years ended March 31, 2008 and March 31, 2011 and Rights Issue Application Money Refund Orders dated February 28, 2008 are requested to write to the Company, mentioning the relevant folio number(s)/ Rights Issue application number or DP ID & Client ID Number(s) for issuance of new payment instrument against the unencashed Dividend Warrants/Refund Orders. The amount remain unclaimed/un-encashed over a period of 7 years from the date they became due for payment have to be transferred by the Company to IEPF, no claim shall be tenable for the unclaimed dividend warrants/refund orders amounts transferred to IEPF.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company or Link Intime India Pvt. Limited.
15. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
16. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the

Registrar and Share Transfer Agent, Link Intime India Pvt. Limited, for consolidation into a single folio.

The Company's equity shares are under compulsory demat trading by all investors. Members are requested to convert their shares from physical form to dematerialised form, if not already done, so as to avoid inconvenience in future.

17. Non-Resident Indian Members are requested to inform Depository Participant (DP)/the Registrar and Share Transfer Agent, Link Intime India Pvt. Limited, immediately of (a) change in their residential status on return to India for permanent settlement; (b) particulars of their bank account maintained in Indiawith complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.

18. The procedure for Members of the Company for voting electronically are as under:-

PROCEDURE FOR E-VOTING

Pursuant to Section 108 and all other applicable provisions, if any, of the Companies Act, 2013 read with the relevant Rules framed thereunder, the Company is pleased to provide e-voting facility through Central Depository Services Limited as an alternative for all Members of the Company to enable them to cast their votes electronically on the resolutions mentioned in the notice of 30th Annual General Meeting of the Company scheduled to be held on September 26, 2014. The Company has also provided facility of Ballot Form to those Members who are not in a position to vote electronically. The Company has appointed Mr. Niraj Trivedi, a Company Secretary-in-Practice as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. The E-voting rights of the shareholders/beneficial owners shall be reckoned on the equity shares held by them as on August 07, 2014 (end of day). The e-voting will commence at 9.00 a.m. on September 20, 2014 and will end at 6.00 p.m. on September 21, 2014. The Members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter:

A. In case of members receiving e-mail:

(i) Log on to the e-voting website www.evotingindia.com

(ii) Click on "Shareholders" tab.

(iii) Now, select Electronic Voting Sequence Number (EVSN) Hindustan Oil Exploration Company Limited from the drop down menu and click on 'SUBMIT'

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login.

(vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user of the e-voting website www.evotingindia.com follow the steps given below:

For Members holding shares in Demat Form and Physical Form

PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/ folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB / Dividend Bank Details*	• Enter the Date of Birth (DOB) as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. • Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

* Any one of the details DOB or Dividend bank details should be entered logging in to the account.

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then reach directly the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on 140823008 (EVSN) < Hindustan Oil Exploration Company Limited > on which you choose to vote.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to www.evotingindia.com and register themselves as Corporates.
- They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

B. In case of members receiving the physical copy:

(A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.

(B) The voting period begins on September 20, 2014 from 9:00 a.m. and ends on September 21, 2014 at 6:00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on cut off of date Thursday, August 07, 2014, (end of day) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(C) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

C. Other Instructions:

i. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.

ii. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on August 07,2014 (end of day).

iii. Mr. Niraj Trivedi. Company Secretary-in-Practice (CP No. 3123), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

iv. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

v. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.hoec.com and on the website of CDSL, www.cdslindia.com within two days of the passing of the resolutions at the 30th AGM of the Company on September 26, 2014 and communicated to the Stock Exchanges, where the shares of the Company are listed.

18. Members who have not registered their e-mail addresses so far are requested to register their e-mail address with DP/ the Registrar and Share Transfer Agent, Link Intime India Pvt. Limited, for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

19. Information as required under Clause 49 of the Listing Agreement in respect of Directors being re-appointed.

Mr. V. S. Rangan

Mr. V. Srinivasa Rangan, 54 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. 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. V. Srinivasa Rangan is on the Board of the following Companies and its Committees of the Board:

Name of the Company	Position	Name of Committee & Position
Housing Development Finance Corporation Limited	Executive Director	Shareholder & Investor Grievance Committee : Member
HDFC Developers Limited	Director	—
HDFC Holdings Limited	Director	Audit Committee : Member
HDFC Investments Limited	Director	Audit Committee : Member
HDFC Property Ventures Limited	Director	—
HDFC Trustee Company Limited	Director	Audit Committee : Member
HDFC Venture Capital Limited	Director	—
Atul Limited	Director	Audit Committee : Member
Cholamandalam Investment and Finance Company Limited	Director	Audit Committee : Member
TVS Credit Services Limited	Director	Audit Committee : Member
HDFC Education & Development Services Private Limited	Director	Audit Committee : Member
Credila Financial Services Private Limited	Director	—
IVF Advisors Private Limited	Director	—

Mr. Manish Maheshwari

Mr. Manish Maheshwari, 46 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U. K. and received the Danida Fellowship. He has business experience of more than 26 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.

Mr. Guido Papetti

Mr. Guido Papetti, 53 years, doctorate in Geological Sciences from University of Milan, has around 26 years of technical and operational experience in E&P 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. Paolo Ceddia

Mr Paolo Ceddia, 53 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.

Statement pursuant to Section 102(1) of the Companies Act, 2013 ("the Act")

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice.

Item No. 7

Mr. R. Vasudevan, is Independent Director of the Company and has held the position as such for more than five (5) years.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company. Accordingly, it is proposed to appoint Mr. R. Vasudevan as Independent Director under Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement to hold office for five (5) consecutive years for a term up to the conclusion of the 35th Annual General Meeting of the Company.

Mr. R. Vasudevan is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director. Further Mr. R. Vasudevan has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Company has received notice in writing from a member alongwith the deposit of requisite amount under Section 160 of the Act, proposing the candidature of Mr. R. Vasudevan for the office of Director of the Company.

In the opinion of the Board, Mr. R. Vasudevan fulfills the conditions for appointment as Independent Director as specified in the Act and the rules made thereunder, as well as the Listing Agreement. Mr. R. Vasudevan is independent of the management.

Brief resume of Mr. R. Vasudevan, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of Board Committees, shareholding and relationships, if any, with the directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are forming part of the this Notice.

Brief resume of Mr. R. Vasudevan

Mr. R. Vasudevan, 77 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. He is Non-Executive Chairman/ Independent Director of the Company.

Mr. R. Vasudevan is on the Board of the following Companies and its Committees of the Board:

Name of the Company	Position	Name of Committee & Position
Haldia Petrochemicals Limited	Executive Director	
Cosmo Films Limited	Director	Audit Committee : Member Shareholder & Investor Grievance Committee : Member
Balrampur Chini Mills Limited	Director	Nomination & Remuneration Committee : Member
Purearth Infrastructure Limited	Whole Time Director	Audit Committee : Member

Copy of the draft letter of appointment of Mr. R. Vasudevan as Independent Director setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. R. Vasudevan is interested in the resolutions set out at Item No. 7 of the Notice with regard to his appointment. Mr. R. Vasudevan holds 22,874 equity shares granted to him and exercised from time to time under LTIP - HOEC ESOP Scheme.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 7 of the Notice for approval by the shareholders.

Item No. 8

Mr. Sunil Behari Mathur, is Independent Director of the Company and has held the position as such for more than five (5) years.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company. Accordingly, it is proposed to appoint Mr. Sunil Behari Mathur as Independent Director under Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement to hold office for five (5) consecutive years for a term up to the conclusion of the 35th Annual General Meeting of the Company.

Mr. Sunil Behari Mathur, is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director. Further Mr. Sunil Behari Mathur has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Company has received notice in writing from a member alongwith the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. Sunil Behari Mathur for the office of Director of the Company.

In the opinion of the Board, Mr. Sunil Behari Mathur fulfills the conditions for appointment as Independent Director as specified in the Act and the rules made thereunder, as well as the Listing Agreement. Mr. Sunil Behari Mathur is independent of the management.

Brief resume of Mr. Sunil Behari Mathur, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of Board Committees, shareholding and relationships, if any, with the directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are forming part of the this Notice.

Brief resume of Mr. Sunil Behari Mathur

Mr. Sunil Behari Mathur, 70 years, is a Chartered Accountant. He has more than 47 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 trusteeships, advisory/administrative roles on various Government bodies, authorities and corporations.

Name of the Company	Position	Name of Committee & Position
IDFC Trustee Company Limited	Chairman & Director	
Cholamandalam MS General Insurance Company Limited	Chairman & Director	Audit Committee – Chairman
National Stock Exchange of India Limited	Chairman & Director	Shareholder Transfer & Investor Grievance – Member
National Collateral Management Services Limited	Director	
Havells India Limited	Director	Audit Committee – Member –
DCM Sriram Industries Limited	Director	Audit Committee – Member
Infrastructure Leasing & Finance Company Limited	Director	
Housing Development Infrastructure Limited	Director	
Ultra Tech Cement Limited	Director	
Axis Bank Limited	Director	Audit Committee – Chairman Investor Grievance Committee – Member
Mindas Corporation Limited	Director	Audit Committee – Member
ITC Limited	Director	Audit Committee – Chairman
Janalakshmi Financial Services Pvt Limited	Director	
Munich Re India Services Pvt. Limited	Director	
India Mortgage Guarantee Corporation Pvt. Limited	(Nominee Director of National Housing Bank)	
National Investment Fund	Advisor	
Insurance Regulatory and Development Authority	Member	

Copy of the draft letter of appointment of Mr. Sunil Behari Mathur as Independent Director setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Sunil Behari Mathur is interested in the resolutions set out at Item No. 8 of the Notice with regard to his appointment. Mr. Sunil Behari Mathur holds 8,215 equity shares granted to him and exercised from time to time under LTIP- HOEC ESOP Scheme.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 8 of the Notice for approval by the shareholders.

Item No. 9

The Board of Directors of the Company appointed, pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company, Mr. Dhruv S. Kaji as an Additional Director of the Company with effect from February 14, 2014.

In terms of the provisions of Section 161(1) of the Act, Mr. Dhruv S. Kaji would hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member alongwith the deposit of requisite amount under Section 160 of the Companies Act, 2013 proposing the candidature of Mr. Dhruv S. Kaji for the office of Director of the Company.

Mr. Dhruv S. Kaji is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Section 149 of the Act inter alia stipulates the criteria of independence should a company propose to appoint an independent director on its Board. As per the said Section 149, an independent director can hold office for a term up to five (5) consecutive years on the Board of a company and he shall not be included in the total number of directors for retirement by rotation.

The Company has received a declaration from Mr. Dhruv S. Kaji that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

Mr. Dhruv S. Kaji possesses requisite experience and knowledge inter alia, in the field of finance and the Company is expected to gain tremendously from his guidance.

In the opinion of the Board, Mr. Dhruv S. Kaji fulfills the conditions for his appointment as an Independent Director as specified in the Act and the rules made thereunder, as well as the Listing Agreement. Mr. Dhruv S. Kaji is independent of the management.

Brief resume of Mr. Dhruv S. Kaji, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are forming part of this Notice.

Brief resume of Mr. Dhruv S. Kaji

Mr. Dhruv Kaji, 63 years, is a Chartered Accountant. He has diversified business experience in the field of textiles, apparel, cement, engineering and cosmetics in India as well as overseas. He has served on the Board of Companies like Raymond Apparel, Balaji Telefilms Limited and Colorplus Fashions. Currently, he is on the Board of Diamines & Chemicals Limited, Orion Trade FZCO and Superadd Trade & Services Pvt. Limited.

He has authored several books on Vedanta philosophy.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Mr. Dhruv S. Kaji is appointed as an Independent Director. Copy of the draft letter for appointment of Mr. Dhruv S. Kaji as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 9 of the Notice for approval by the shareholders.

Item No. 10

The Nomination and Remuneration Committee and the Board of Directors of the Company (the 'Board'), at their respective meetings held on July 26, 2014, have subject to the approval of Members, unanimously approved and recommended reappointment of Mr. Manish Maheshwari as Managing Director, for a period of five (5) years from the expiry of his present term, which expires at the conclusion of the 30th Annual General Meeting.

The Company is in receipt of the consent of Mr. Manish Maheshwari to act as the Managing Directorof the Company, if appointed.

It is proposed to seek the Members' approval for the re-appointment of and remuneration payable to Mr. Manish Maheshwari as Managing Director in terms of the applicable provisions of the Act.

Broad particulars of the terms of re-appointment and remuneration payable to Mr. Manish Maheshwari are as under:

Mr. Manish Maheshwari, 46 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received the Danida Fellowship. He has diversified business experience of more than 26 years. Prior to his appointment as the Joint Managing Director of the Company, he held the office of the Chief Financial Officer of the Company. Mr. Manish Maheshwari is also the Chairman (Non-Executive) of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

The material terms of the said appointment including the remuneration are as under:

Period: The appointment will be effective until the conclusion of the 35th Annual General Meeting.

Nature of Duties: The Managing Director is authorised to exercise substantial powers of management and shall be responsible for the day-to-day management, subject to the superintendence, direction and control of the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall also include a Committee thereof).

The Managing Director shall have the general control of the business of the Company with powers to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things which in the ordinary course of business he may consider necessary or proper in the interest of the Company and carry out such duties as may be entrusted and/or delegated to him by the Board from time to time.

Remuneration: The Managing Director shall be entitled to the following emoluments, benefits and perquisites subject to the ceiling limits laid down in Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013.

Basic Salary: INR 672,750 per month.

Perquisites/Allowances: In addition to the salary and performance bonus payable, the Managing Director shall also be entitled to perquisites and allowances such as house rent allowance, leave travel concession for self and family members, children education allowance & scholarship for upto two children, reimbursement of medical expenses incurred for self and family and flexible allowance etc. in accordance with the rules of the Company from time to time or as may be agreed to by the Board and Mr. Manish Maheshwari. However, such perquisites and allowances will not exceed the present limit of 122.23% of annual basic salary.

Provision of company car with driver, telephone and other necessary communication facilities at residence shall not be included in the computation of perquisites for the purpose of calculating the said ceiling. Personal long distance calls shall be borne by Mr. Manish Maheshwari.

Performance Bonus: Incentives by way of Bonus (including Stock options) as approved by the Board or a Committee thereof, from time to time.

Miscellaneous Benefits: Medical insurance for self and family, personal accident insurance, fees for one club (excluding admission and life membership fees).

Other Benefits: In addition to the above, Mr. Manish Maheshwari will also be entitled to the following benefits:

Gratuity payable under the Payment of Gratuity Act. Leave entitlement as may be applicable under the rules of the Company and encashable on retirement or separation. Contribution to provident fund and superannuation fund or annuity fund subject to the maximum amount as may be permitted under the rules of the Company.

These Miscellaneous and Other Benefits will not be included in the computation of limits for the remuneration or perquisites aforesaid.

Minimum Remuneration: Where in any financial year during the tenure of Mr. Manish Maheshwari as Managing Director, the Company has no profits or the profits are inadequate, remuneration by way of salary, perquisites, performance bonus as specified above, will be subject to such approvals as may be necessary.

Other Terms: (i) If at any time Mr. Manish Maheshwari ceases to be a Director of the Company for any reasons whatsoever, he shall cease to be the Managing Director; (ii) Managing Director shall not be entitled for sitting fees for attending the meetings of the Board and Committees thereof; (iii) Managing Director shall not become interested or concerned directly or through his spouse and/or minor children in any sole selling agency of the Company without the prior approval of the Central Government; (iv) Board of Directors of the Company shall have the authority to fix/revise the remuneration and other terms & conditions for the Managing Director from time to time.

Mr. Manish Maheshwari is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013.

This may be treated as an abstract of the terms and conditions governing the appointment and remuneration of Mr. Manish Maheshwari as Managing Director pursuant to the Companies Act, 2013.

Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company/thier relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Resolutions set out at Item No. 10 to the Members for their approval.

Item No. 11

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost-Auditor-in-Practice, Mr. K. Suryanarayanan to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015 on a remuneration of INR 2,00,000 (Two Lac) apart from reimbursement of out of pocket expenses incurred for the purpose of audit of cost records.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. 11 of the Notice for ratification of the remuneration payable to Cost Auditor Mr. K. Suryanarayanan, Cost Accountant-in-Practice for the Financial Year ending March 31, 2015.

None of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 11 of the Notice.

The Board commends the Ordinary Resolution set out at Item No. 11 of the Notice for approval by the Members.

Item Nos. 12, 13 & 14

The authorised share capital of the Company presently stands at INR 2,000,000,000 (Two Hundred Crore) divided into 200,000,000 (Twenty Crore) equity shares of INR 10 each. The proposed increase in the authorised capital will allow the Company to increase its share capital by fresh issue of appropriate equity instruments as and when needed for pursuing existing projects in Cauvery, Cambay, Assam and Jaisalmer Basin and address potential new opportunities. It is therefore considered advisable to increase the authorised share capital of the Company from INR 2,000,000,000 (Two Hundred Crore) to INR 5,000,000,000 (Five Hundred Crore).

The proposed increase of the authorised share capital of the Company requires the approval of the Members in General Meeting. Consequent upon the said increase, the Memorandum & Articles of Association of the Company will require alteration so as to reflect the increase in share capital. Therefore, it is necessary to alter Clause V of the Memorandum of Association and substituting a new Article 3 in place of existing Article 3 in the Articles of Association. Such increase in the authorised share capital is authorised by Article 4 of the Articles of Association of the Company.

The Board recommends the Resolutions against the Item Nos. 12, 13 and 14 for approval of the Members. The Directors' of the Company may be deemed to be concerned or interested in the said Resolutions to the extent of their shareholding.

Item Nos. 15

Mr. Manish Maheshwari was appointed as the Managing Director at the 27th Annual General Meeting of the Company held on September 28, 2011. His appointment including remuneration and other terms and conditions of appointment were approved by the Members at the aforesaid Annual General Meeting. During the year under review, he held the office of the Managing Director from April 01, 2013 to March 31, 2014.

In view of the revision in estimation of PY-1 Reserves in 2013, there has been a significant depreciation charge to Statement of Profit and Loss in this Financial Year and thus the said remuneration has been rendered in excess of the limits specified under the Companies Act, 2013. Accordingly, in terms of the applicable provisions of Schedule of the Companies Act, 2013, the said remuneration is required to be approved by the Members vide Special Resolution.

The information as required by Schedule V Part II Section II is as under:

I. GENERAL INFORMATION

(1) Nature of Industry: The Company belongs to the Exploration & Production (E&P) industry in the oil and gas sector.

(2) Due or expected date of commencement of commercial production: The Company is in production phase.

(3) Financial performance based on given indicators: The financial performance of the Company based on the indicators is detailed in the Annual Report sent along with this Notice. The same is not repeated here for the sake of brevity. Further, the Company has not made any default in payment of debt or interest payable thereon.

(4) Export Performance and net foreign exchange collaborations: The Company contributes to the domestic production of oil & gas and thus substitutes import, and reduces dependency on foreign sources of hydrocarbons.

(5) Foreign investments or collaborators, if any: Eni Group, a major integrated multinational energy company, is the promoter of the Company.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background Details:

Mr. Manish Maheshwari, 46 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received the Danida Fellowship. He has business experience of more than 26 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 (Non-Executive) of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

(2) Past Remuneration:

The remuneration drawn by Mr. Manish Maheshwari during the previous year i.e. April 01, 2012 to March 31, 2013 was INR 20,191,035.

(3) Job Profile and his suitability:

Mr. Manish Maheshwari holds B.E. (Hons.) in Chemical Engineering, and Masters in Business Administration from Strathclyde University, U.K. Prior to Hindustan Oil Exploration Company Limited, he has worked with a Danish Development Financial Institution and Tata Group including upstream oil and gas venture. Based on his performance, he was appointed as the Joint Managing Director of the Company w.e.f. August 01, 2006 vide Shareholders' Special Resolution dated September 28, 2006 and appointed as the Managing Director vide Shareholders' Special Resolution passed at the 27th Annual General Meeting held on September 28, 2011.

(4) Remuneration proposed to be approved:

Remuneration of INR 4,100,649 paid for the period April 01, 2013 to March 31, 2014 being in excess of the limits specified is proposed to be approved by the members as per provisions of the Companies Act, 2013.

(5) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person: Comparative remuneration profile for the Exploration and Production (E&P) industry in the oil and gas sector is summarised as below:

A. Remuneration of Whole-time Director of Selan Exploration Technology Limited for FY 2013-2014 was INR 35,700,000 per annum plus other statutory benefits like contributions to provident fund, gratuity etc.

(Source: Annual Report of Selan Exploration Technology Limited for FY 2013-2014).

B. Hardy Exploration and Production (India) Inc. paid an amount of equivalent to INR 30,537,240 to its Chief Executive Officer during year 2013-2014.

(Source: Annual Report and Accounts for 2013-2014 of Hardy Oil & Gas).

C. Chief Executive Officer of Jubilant Energy received remuneration of INR 24,896,360 and additional bonus of INR 8,728,500 during the year March 31, 2013.

(Source: Annual Report and Accounts for 2013 of Jubilant Energy).

The above E&P companies are comparable to HOEC in terms of size and profile.

(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Except for his remuneration, Mr. Manish Maheshwari has no pecuniary relationship directly or indirectly with the Company. He is not related to any managerial personnel or Director of the Company.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits:

Subsequent to drilling of 'Surya' Well in October 2012, there has been a reduction in the assessment of Total Proved (Developed and Undeveloped) Reserves in PY-1 Field, a fractured grantic reservior.

Due to complex mineralogical rock composition and heterogeneity of fracture system at different scales, the PY-1 reservoir response has been unexpected and materially at variance to the initial simulation results.

2. Steps taken or proposed to be taken for improvement:

To address the unexpected reservoir response noticed in PY-1 (a geologically complex granitic reservoir) marked by water breakthrough and accelerated depletion, several actions had been taken covering technical dimensions as also contractual solutions.

To mitigate the risk of frequent production interruptions on account of non-evacuation of gas by a single end user, GAIL, the buyer of PY-1 gas, was prevailed upon to enter into gas supply contracts in July 2013 with alternate consumers connected to its existing low pressure pipeline network in the State of Tamil Nadu. This arrangement enables GAIL to divert the gas to alternate consumers if the existing end user is unable to use the gas, and thus ensuring continuous production and evacuation of gas from PY-1 Field.

As part of the technical initiative, the Company has debottlenecked the onshore operations and the positive effect of this initiative is realizable over the residual life of the Field as the same would help in lowering the Field abandonment pressure.

During the year under review, HOEC appointed an international firm, with proven credentials in performing an integrated workflow for granatic basement reservoir evaluation, to comprehensively review and reconstruct, if required, Static and Dynamic Model of PY-1 Field, simulate performance prediction of this complex reservoir, and provide technical guidance on residual potential of this Field for determining future course of action. The results of this multi-disciplinary study are expected by end August/early September 2014.

On operational front, efforts to lift 'Surya' Well through rig-less intervention like huff & puff technique and use of foamer were carried out.

It may be recalled that PY-3 Offshore Field, a conventional sandstone reservoir one of the major revenue contributors and has been shut-in since July 2011. Prior to its shutdown, the Field has been producing high quality light crude oil (49° API) at a rate of 3,300 bopd. Restarting production from PY-3 Field has been a high priority and HOEC has been working proactively with all the Joint Venture Partners to achieve this objective. Operating Committee has technically approved the Comprehensive Full Field Development Plan (CFDP) and the same has been duly reviewed by DGH. The recommencement of production is expected in 2015.

Further, the Company, in conjunction with JV Partners, has taken definitive steps to develop Gulf A Discovery in Cambay and Dirok Discovery in Assam so as to commence production from these discoveries in next 16 to 24 months.

3. Expected increase in productivity and profits in measurable terms: Please refer statement in Section III.2 above.

IV. DISCLOSURES

Remuneration package of the managerial person: The remuneration of the Managing Director for the period April 01, 2013 to March 31, 2014 as approved by the Nomination and Remuneration Committee and the Board is:

in INR.

Basic Salary	672,750
Perquisites/Allowances	1,010,142
Total monthly remuneration	1,682,892
Total annual remuneration*	20,194,705

* including contribution to Provident Fund and Superannuation.

All elements of the remuneration package such as basic salary, perquisites, allowances, bonus (if any), stock options (if any) have been disclosed in the Directors' Report and the Report on Corporate Governance.

None of the Directors and the Assistant Company Secretary of the Company are interested in the said resolution except Mr. Manish Maheshwari. The Board commends the Resolution set out at Item No. 15 to the Members for their approval.

By Order of the Board of Directors

Place : Chennai
Date : July 26, 2014

Minesh Bhatt
Assistant Company Secretary &
Compliance Officer

Registered Office:
'HOEC House', Tandalja Road
Vadodara-390 020.

CIN: L11100GJ1996PLC029880

E-mail: hoecshare@hoec.com

HINDUSTAN OIL EXPLORATION COMPANY LIMITED
Regd. Office: 'HOEC House', Tandalja Road, Vadodara - 390 020
CIN:L11100GJ1996PLC029880 ♦ E-mail: hoecshare@hoec.com

ATTENDANCE SLIP

[To be presented at the entrance]

Folio No. : .... DP ID No. : ....

Client ID No. : .... No. of Shares : ....

I hereby record my presence at the 30th ANNUAL GENERAL MEETING of the Company held on Friday, September 26, 2014 at 10:30 A.M. at "Tropicana Hall", The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara-390 020 (Gujarat) India.

Name and Address of the Member/the Proxy	Signature of the Member/the Proxy

1. Only Member/Proxy holder can attend the Meeting.
2. Member/Proxy holder should bring his/her copy of the Annual Report for reference at the Meeting.

TEAR HERE

HINDUSTAN OIL EXPLORATION COMPANY LIMITED
Regd. Office: 'HOEC House', Tandalja Road, Vadodara - 390 020
CIN:L11100GJ1996PLC029880 ♦ E-mail: hoecshare@hoec.com

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) : ....

Registered address : ....

....

....

E-mail ID : ....

Registered Folio No : ....

DP ID/Client Id : ....

I/We, being the member(s) of the above named company holding .... equity shares, hereby appoint:

1. Name: ....
   Address: ....
   Email ID: .... Signature .... or failing him/her,
2. Name: ....
   Address: ....
   Email ID: .... Signature .... or failing him/her,
3. Name: ....
   Address: ....
   Email ID: .... Signature ....

as my/our proxy to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on Friday, September 26, 2014 at 10:30 A.M. at "Tropicana Hall", The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara-390 020 (Gujarat) India, and at any adjournment thereof in respect of such Resolutions as are indicated on the reverse of this page:

TEAR HERE

Sr. No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	Adoption of Audited Financial Statements, Directors' Report & Auditors' Report for the year ended March, 31, 2014		
2.	To appoint a Director in place of Mr. V. S. Rangan (DIN: 00030248), who retires by rotation and being eligible has offered himself for re-appointment		
3.	To appoint a Director in place of Mr. Manish Maheshwari (DIN: 01791004), who retires by rotation and being eligible has offered himself for re-appointment		
4.	To appoint a Director in place of Mr. Guido Papetti (DIN: 06616547), who retires by rotation and being eligible has offered himself for re-appointment		
5.	To appoint a Director in place of Mr. Paolo Ceddia (DIN: 06638260), who retires by rotation and being eligible has offered himself for re-appointment		
6.	To appoint S. R. Batliboi & Associates LLP, Chartered Accountants, as Statutory Auditors and fix their remuneration		
SPECIAL BUSINESS			
7.	To appoint Mr. R. Vasudevan (DIN: 00025334) as an Independent Director for a period of 5 years		
8.	To appoint Mr. Sunil Behari Mathur (DIN: 00013239) as an Independent Director for a period of 5 years		
9.	To appoint Mr. Dhruv S. Kaji (DIN: 00192559) as an Independent Director for a period of 5 years		
10.	To re-appoint Mr. Manish Maheshwari (DIN: 01791004) as Managing Director		
11.	To approve and ratify the remuneration of the Cost Auditor-in-Practice for the financial year ending March 31, 2015		
12.	To approve increase in the authorised share capital of the Company		
13.	To approve alteration of Clause V of Memorandum of Association of the Company		
14.	To approve alteration of Article 3 of Articles of Association of the Company		
15.	To approve and ratify the remuneration paid to Mr. Manish Maheshwari as Managing Director of the Company for the period from April 01, 2013 to March 31, 2014		

Signed this ______________________ day of ______________________ 2014.

Affix
Revenue
Stamp
(.....Signature....)

____
Signature of Shareholder(s)

____
Signature of Proxy holder(s)

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 24 hours before the commencement of the Meeting.
2. A proxy need not be a member of the Company.
3. A person can act as a Proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or a Member.
4. Please put a '√' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.
5. Appointing a proxy does not prevent a member from attending the meeting in person if he/she wishes.
6. In the case of Jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be stated.