

# Investor Presentation

22<sup>nd</sup> Jan 2019



TRANSFORMING THROUGH TALENT AND TECHNOLOGY

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**1**

**Q3 FY 19 Performance Highlights**

**2**

**Focus Areas & Priorities**

**3**

**Business Outlook**

# Q3 FY 19 Performance Highlights



## Maintain Strong Financial Foundation

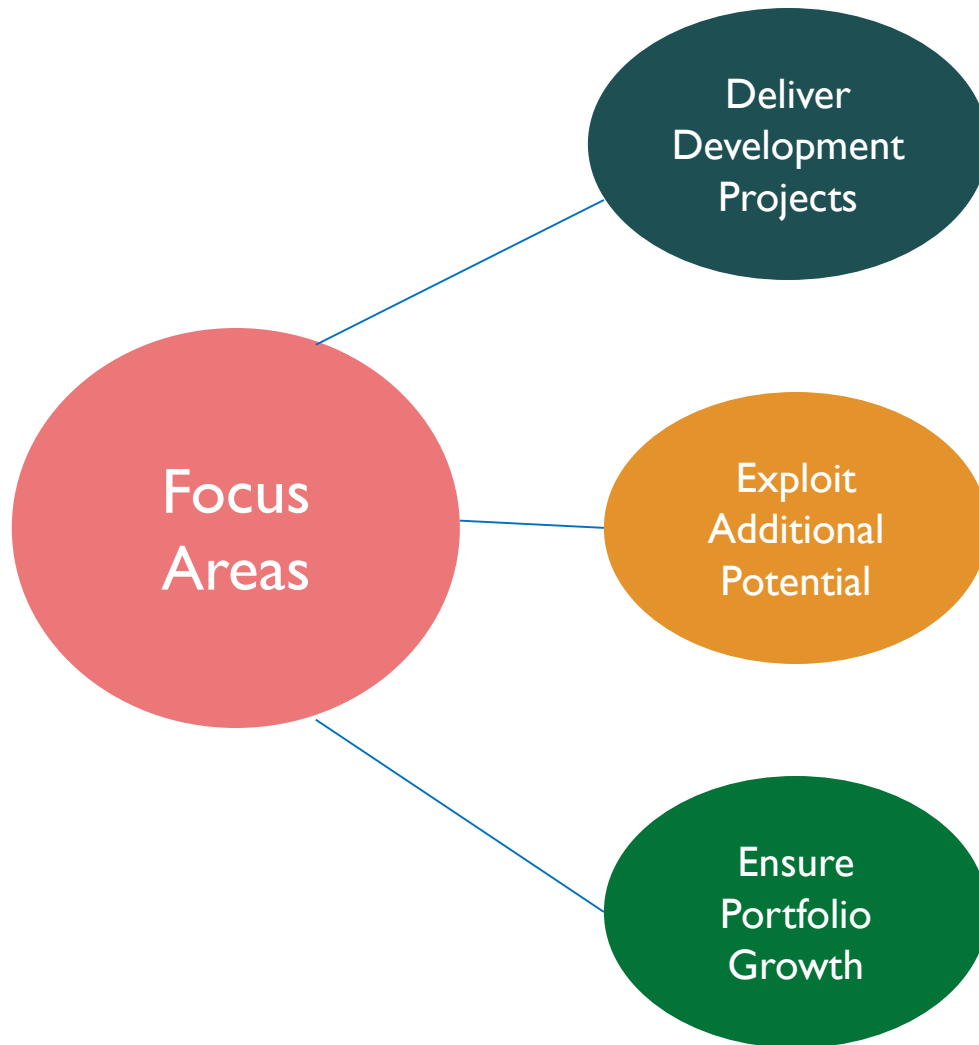
- ❑ Continue to maintain debt free balance sheet and low cost operating model
- ❑ Gross working capital ₹ 166 Crores includes ₹ 107 Crores cash and cash equivalent
- ❑ Revenue from operations increased to ₹ 66 Crores from ₹ 64 Crores in Q3 FY 18-19

## Deliver Consistent Production

- ❑ Average Gross Operated Production  
Q3 FY19 - 8942 boepd | Q2 FY19 - 9050 boepd
- ❑ Average Gas production from PY-1  
Q3 FY19 - 9.4 MMSCFD | Q2 FY19 - 9.8 MMSCFD
- ❑ Average Gas/Condensate production from Dirok  
Q3 FY19 - 32.5 MMSCFD | Q2 FY19 - 32.6 MMSCFD  
Q3 FY19 is 805 bbl/d | Q2 FY19 - 792 bbl/d

## Ensure Focus on Growth

- ❑ 'First Oil' target from B-80 by Q1 FY20-21
- ❑ Revised Field Development Plan submitted for Dirok for additional production
- ❑ Kharsang drilling program to commence after approval to unlock field potential
- ❑ Kherem Forest Clearance and PML transfer expected by Q1 FY 19-20
- ❑ Revenue Sharing Contract for block AA-ONHP-2017/19 under OALP -1 signed
- ❑ Plan to participate in DSF-2 bid round



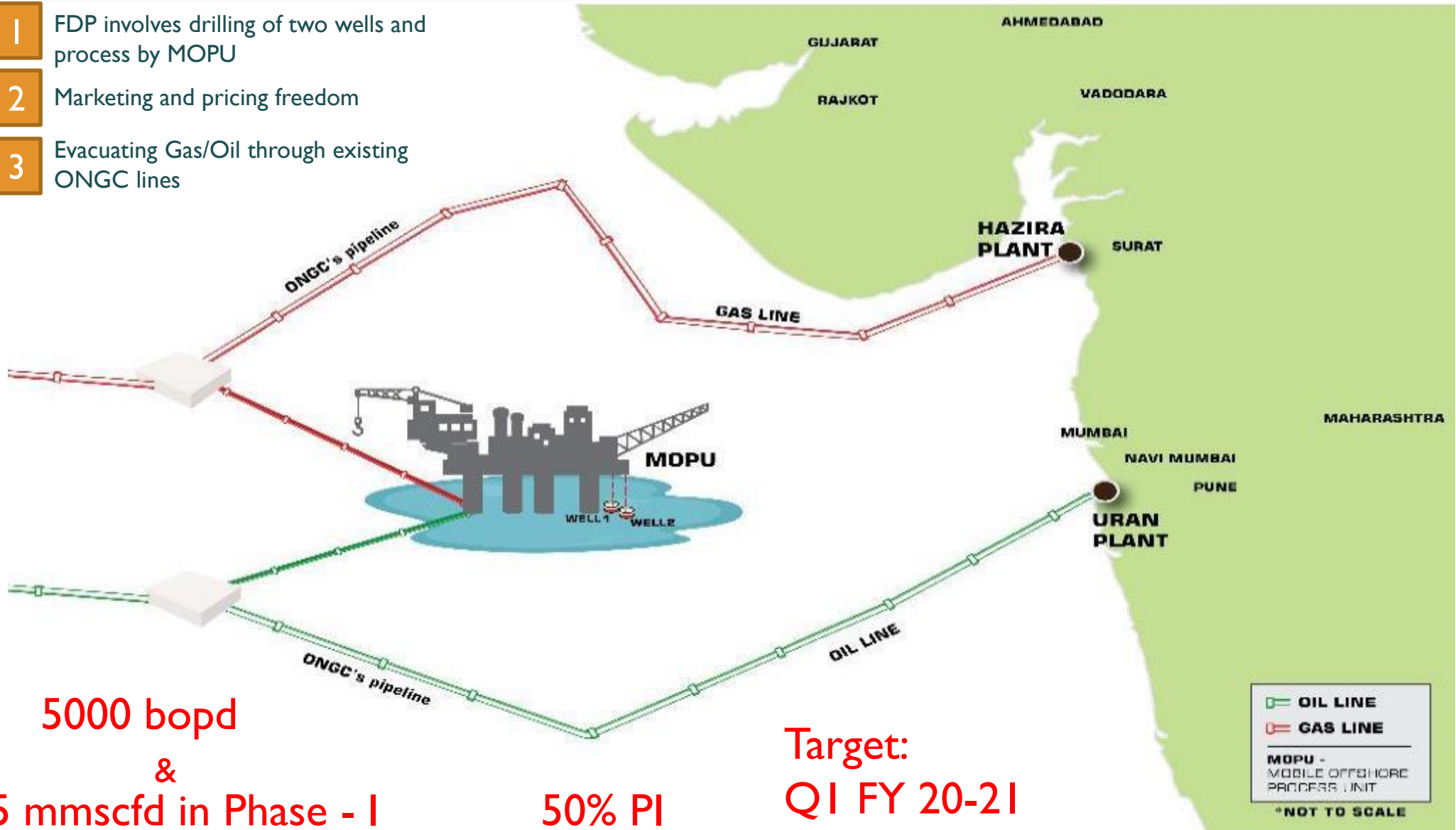
- Development of block B-80 – Deliver ‘first oil’ by Q1 FY 2020-21
- Development of block Kherem
- Work with other JV partners and regulators to revive PY-3

- Phase – II development of Dirok
- Development of additional potential in PY-I
- Work on Kharsang to exploit field potential

- Participate in DSF-2 bid round
- Exploration in block AA-ONHP-2017/19 adjacent to Dirok
- Secure and explore R-2 area of CB-ON-7
- Seize inorganic opportunities

# B-80 development overview

- 1 FDP involves drilling of two wells and process by MOPU
- 2 Marketing and pricing freedom
- 3 Evacuating Gas/Oil through existing ONGC lines



## Environmental Clearance

- EC applied for and TOR approved on 21-Dec 2017
- EIA prepared for submission by Jan 2019

## Drilling

- Identifying and securing tangibles for two wells programme in FY 2019-20
- Evaluating cost-effective drilling options

## Subsea Pipelines

- IOGPT- ONGC completed study on suitability of tapping in to existing ONGC pipelines for evacuation
- Planning to execute tie-in /laying of offshore pipelines as per project schedule

## MOPU

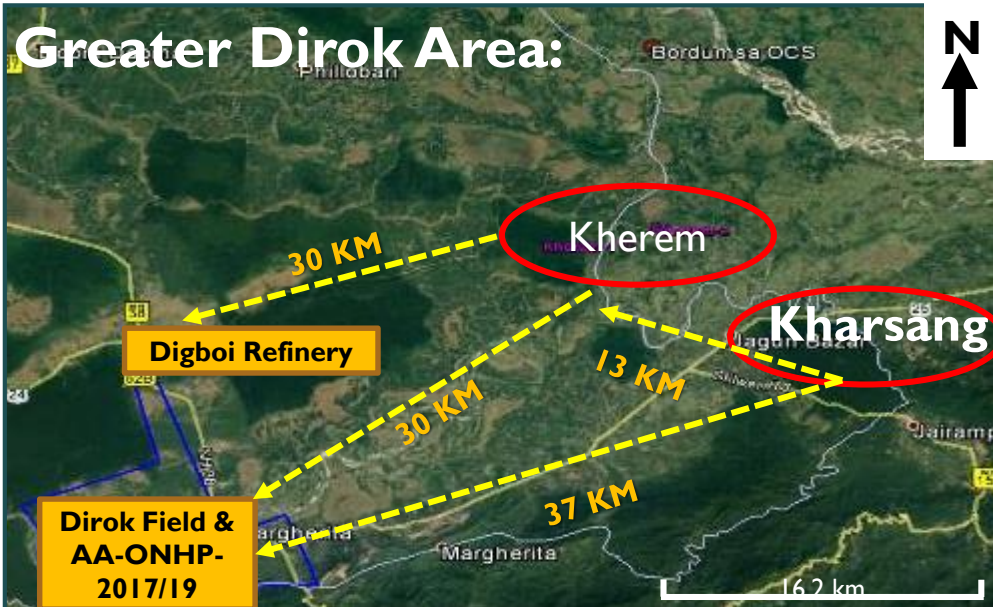
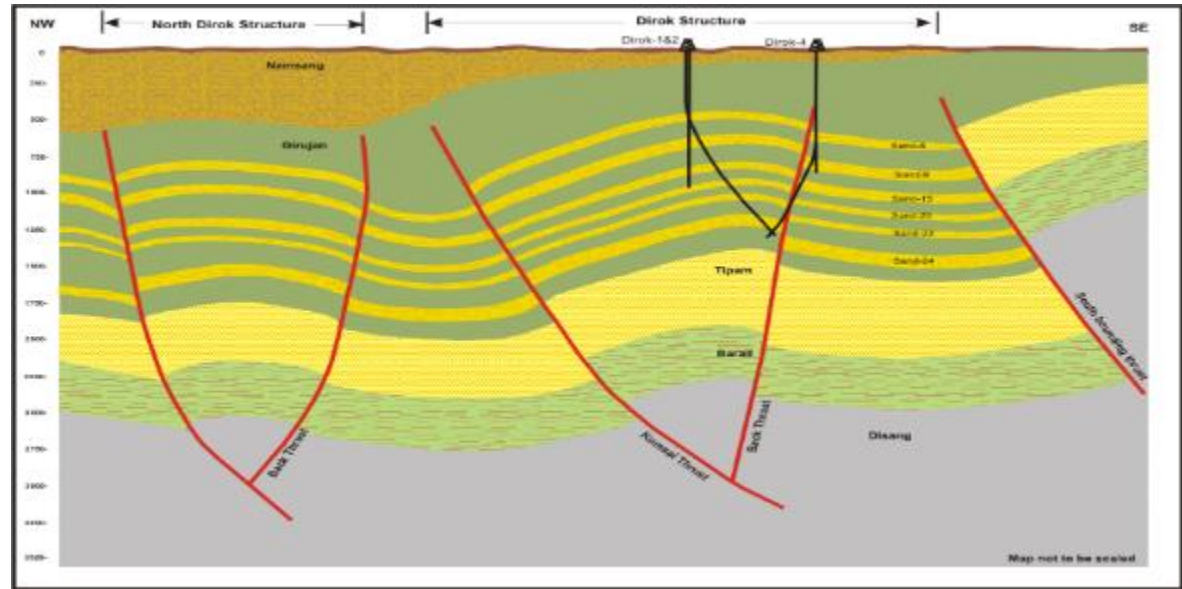
- Suitable jack-up rig identified for conversion to MOPU. Talks are on for close-out of contract
- Exploring contracting models to minimise upfront development capex exposure

Project on-track for delivery of first oil by Q1 FY 2020-21

# Dirok Phase – II development



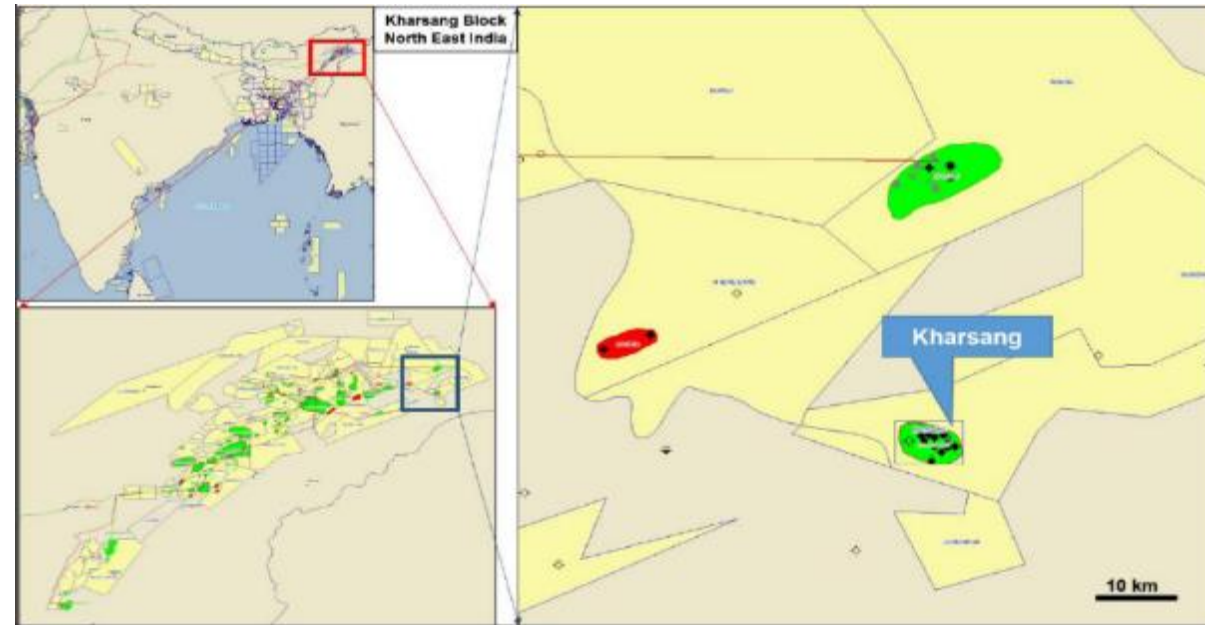
- ❑ Dirok block endowed with prolific Tipam, Barail and Girujan formation
- ❑ Revised FDP envisages
  - 4 development wells
  - Expansion of Hologong Modular Gas Processing Plant
  - Laying of 35 KM long pipeline upto Duliajan
  - Production to increase from 35 MMSCFD to 55 MMSCFD
- ❑ RFDP approval expected by March 2019



- ❑ Dirok, Kherem and Kharsang are within 50 Kms of each other
- ❑ 79 sq.km block(AA-ONHP-2017/19) adjoining Dirok awarded to HOEC under OALP-I. Revenue Sharing Contract signed
- ❑ Once completed, 35KM Margherita Gas pipeline from HMGPP will connect to Duliajan, the Gas marketing hub of North-East



- ❑ Revised FDP (RFDP) envisages drilling of additional shallow development wells
- ❑ Phase – I of Revised FDP envisages
  - 18 development wells – includes one well which drills into deeper sands
  - Production expected to increase from the current levels
- ❑ RFDP approval awaited

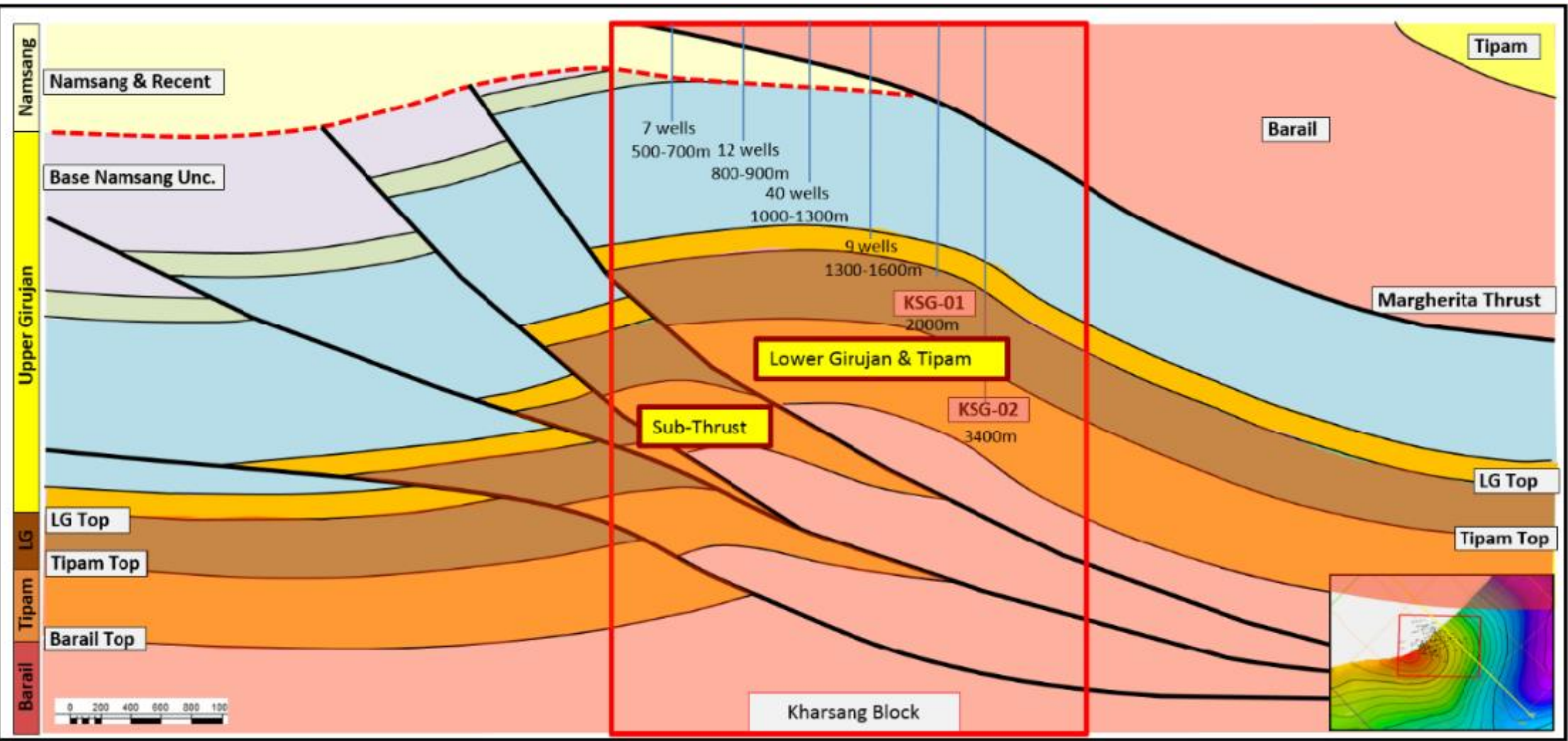


Source: Petroview

## Current Activities and Updates:

- Average Production from Kharsang till Q3 FY18-19 is 683 bopd
- Well stimulation is ongoing; Production Optimization is underway in coordination with the operator
- PSC extension along with RFDP submitted to DGH by the operator - Geoenpro
- Optimistic on securing required forest clearance at the earliest

# Kharsang Additional Appraisal Potential

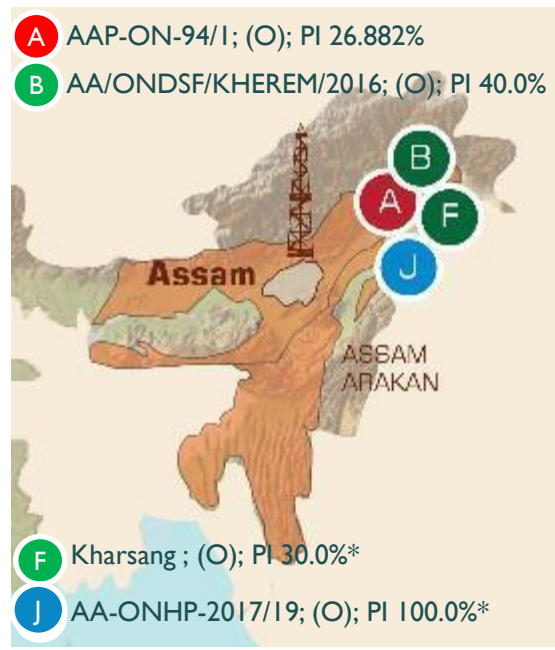


Significant deeper potential including Gas potential in Lower Girujan and Tipam formations to be appraised



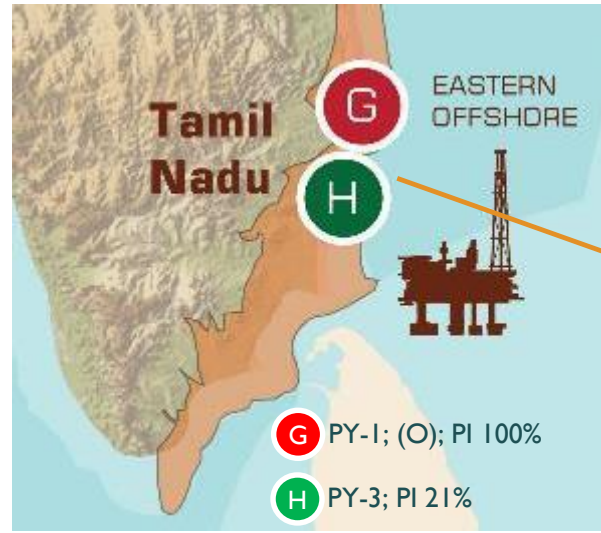
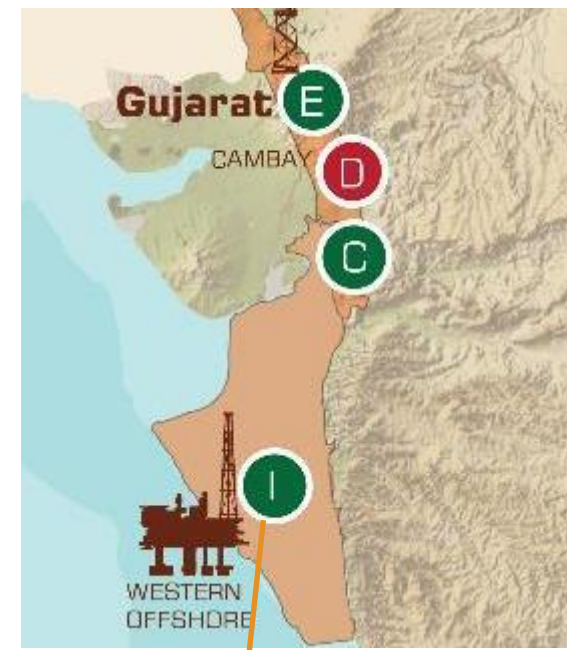
Uniquely placed to combine a quality asset portfolio with a strong organisation through a focused strategy to deliver superior returns

# Quality Asset Portfolio



- **Portfolio of discovered resources** – Nine blocks with discoveries producing / ready to be developed
- **Diverse geographical footprint** - Presence in 4 out of 7 producing basins in India
- **Balanced portfolio** – Offshore – 3 blocks/Onshore -7 blocks & Oil/Gas

- **Upside potential** for exploration within portfolio with infrastructure for **rapid monetisation**
- **Operatorship** in majority of blocks to drive value creation
- **One exploratory block** in North East next to Dirok added to portfolio through OALP - 1



- Offshore blocks** – 2 on eastern offshore and one in Mumbai high

\* -- Direct and Indirect

# Firing Up the Growth Engine



- Oil/ Cond. (bbl/d) - Total
- Gas (boe/d) - Total
- Oil/ Cond. (bbl/d) - Net
- Gas (boe/d) - Net

Gross Production - 7361 boepd  
Net Production - 3297 boepd



H1 FY18-19

Gross Production > 10,000 boepd  
Net Production > 5,300 boepd

Forecast →

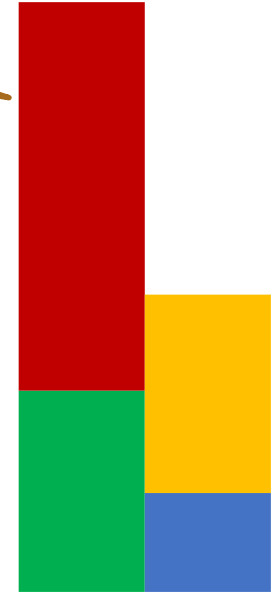
Gross Production > 15,000 boepd  
Net Production > 8,000 boepd



FY 18-19



FY 19-20



FY 20-21

~90% of current production is from Gas

## Projects Pipeline

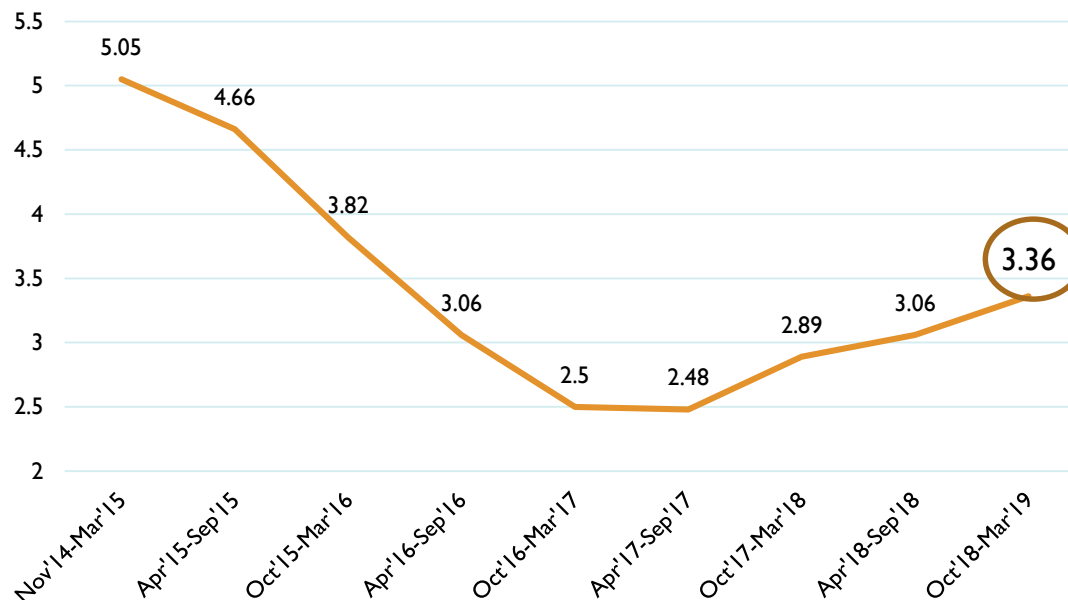
- B-80 development
- Drilling campaign in North East including Dirok / Kharsang follow on drilling, Kherem development
- Follow-on drilling campaign in PY-1

\* --Figures on the chart are not including Kharsang production

### Historic Brent price(\$/bbl)



### GoI price of Domestic Gas (\$/mmbtu)



- Oil & gas prices recovering from historic lows and settling at an average of \$60-65/bbl
- Indian E&P industry opening up due to key policy changes and introduction of OALP / DSF bid rounds
- Multiple inorganic opportunities available in core operational areas
- Domestic Gas price from Oct 2018 to March 2019 has been increased to \$3.36/mmbtu
- PY-1 gas is sold under long-term fixed price contract at \$3.66/mmbtu

- 1** Unique value proposition - Quality asset portfolio with strong organisational capabilities
- 2** Company established on **firm financial foundation** with growing cash flow from operations
- 3** Management committed to growth through executing **focused strategy**
- 4** **Robust pipeline** of low-risk, short cash cycle projects planned/under-execution
- 5** External environment indicating **considerable tailwinds**
- 6** Company **well positioned** to deliver industry leading growth and returns



# ANNEXURES





# Statement of profit & loss (Un- Audited)



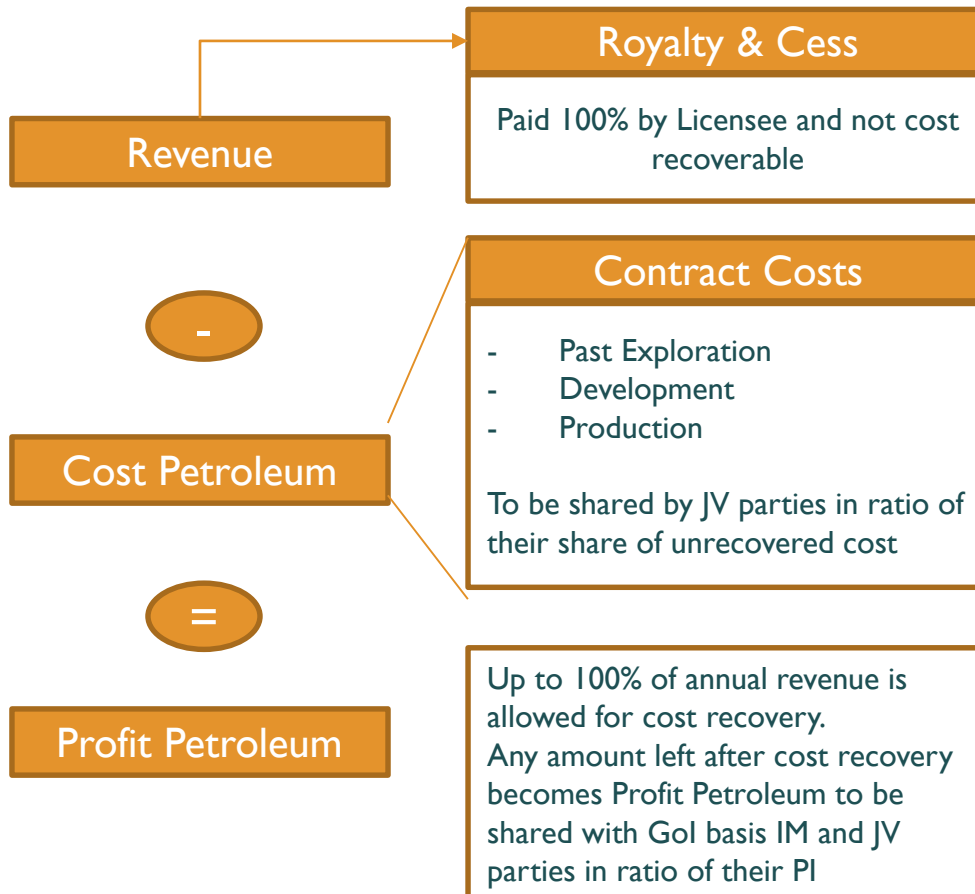
PARTICULARS	For the Quarter ended (₹ Crores)	
	Dec 31, 2018	Sep 30, 2018
<b>INCOME</b>		
Revenue from operations	66.04	64.38
Other income	2.74	2.10
<b>Total revenue</b>	<b>68.78</b>	<b>66.48</b>
<b>EXPENSES</b>		
Expenses from producing oil and gas blocks	7.81	7.10
Royalty, Cess, NCCD	8.56	2.07
Decrease / (Increase) in stock of crude oil and condensate	3.21	0.33
Employee benefits expense	0.61	0.49
Finance costs - unwinding of discount on decommissioning liability	1.27	1.27
Depreciation, depletion and amortization	10.37	10.30
Other expenses	2.14	2.07
<b>Total expenses</b>	<b>33.97</b>	<b>23.63</b>
Profit before tax and exceptional Items	34.81	42.85
Exceptional Items	-	-
<b>Profit before tax</b>	<b>34.81</b>	<b>42.85</b>
Net tax expenses -prior year tax adjustment	-	-
<b>Net profit for the year</b>	<b>34.81</b>	<b>42.85</b>
Other comprehensive income	(0.04)	(0.04)
<b>Total comprehensive income</b>	<b>34.77</b>	<b>42.81</b>
Earnings per share (Face value of ₹ 10/-each)		
Basic	₹ 2.67	₹ 3.28
Diluted	₹ 2.65	₹ 3.26

# Statement of Assets and Liabilities (Un- Audited)

ASSETS	As at ₹ crores		EQUITY AND LIABILITIES	As at ₹ crores	
	Dec 31, 2018	Mar 31, 2018		Dec 31, 2018	Mar 31, 2018
<b>Non-current assets</b>			<b>Shareholders' funds</b>		
Property, Plant and Equipment			Equity share capital	130.51	130.51
(i) Oil and gas assets	341.06	262.94	Other equity	343.91	243.02
(ii) Others	6.44	6.60	<b>Total equity</b>	<b>474.42</b>	<b>373.53</b>
Capital work-in-progress	1.70	5.62	<b>Non-current liabilities</b>		
Investment property	0.80	0.83	Financial liabilities		
Intangible assets	10.38	9.83	(i) Trade payables	22.11	22.11
Financial Assets			Provision for decommissioning	105.36	96.79
(i) Investments in subsidiary	59.46	0.50	Other non-current liabilities	0.03	0.03
(ii) Site restoration deposit	58.12	55.13	<b>Total non-current liabilities</b>	<b>127.50</b>	<b>118.93</b>
(iii) Other bank balances	-	0.05	<b>Current liabilities</b>		
(iv) Other financial assets	0.06	0.46	Financial liabilities		
<b>Total non-current assets</b>	<b>478.02</b>	<b>341.96</b>	(i) Trade payables	14.35	17.89
<b>Current assets</b>			(ii) Other financial liabilities	26.71	23.32
Inventories	21.64	28.27	Provisions	0.22	0.18
Financial assets			Other current liabilities	1.52	1.31
(i) Investments	72.06	41.84	<b>Total current liabilities</b>	<b>42.80</b>	<b>42.70</b>
(ii) Trade receivables	26.53	16.07	<b>TOTAL</b>		
(iii) Cash and bank balances	13.25	84.18		644.72	535.16
(iv) Other bank balances	21.91	7.33			
(v) Other financial assets	6.40	6.55			
Income tax assets	4.44	8.34			
Other current assets	0.47	0.62			
<b>Total current assets</b>	<b>166.70</b>	<b>193.20</b>			
<b>TOTAL</b>	<b>644.72</b>	<b>535.16</b>			

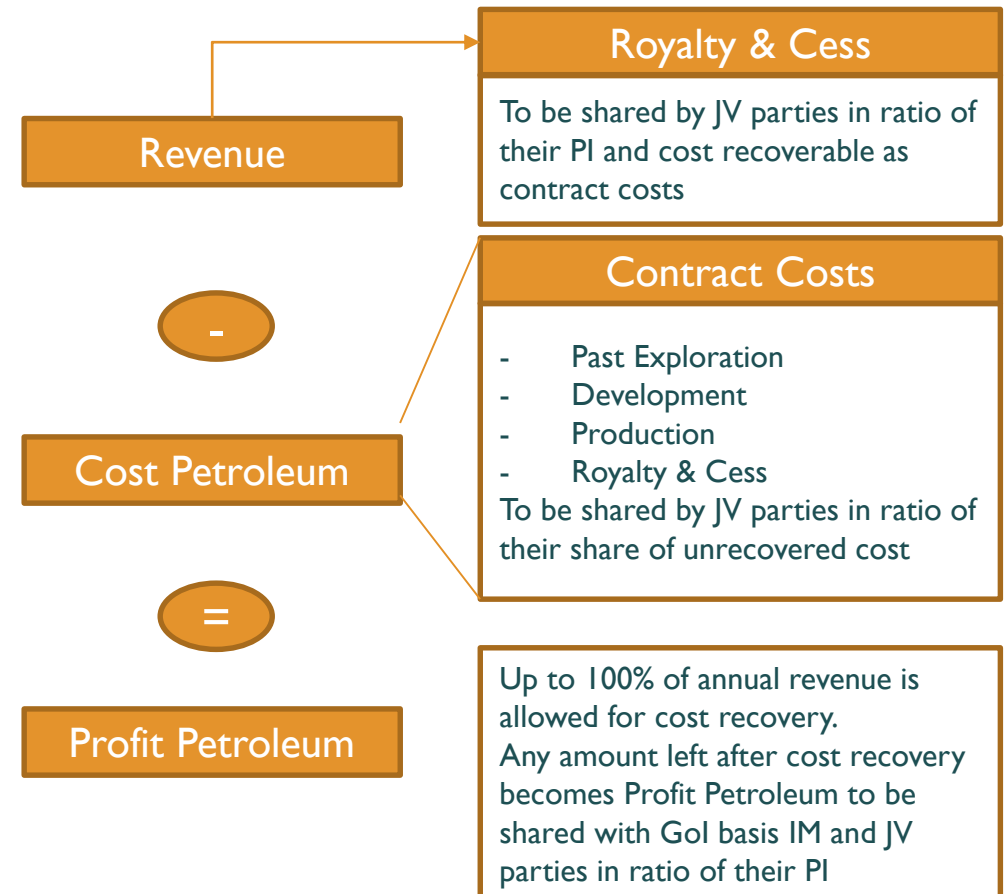
# Gol Policy on Royalty & Cess

## Previously



Differential returns to Licensee and other JV Parties

## After Gol Policy on Royalty & Cess



Returns get equalised facilitating additional investments

# Investment Multiples

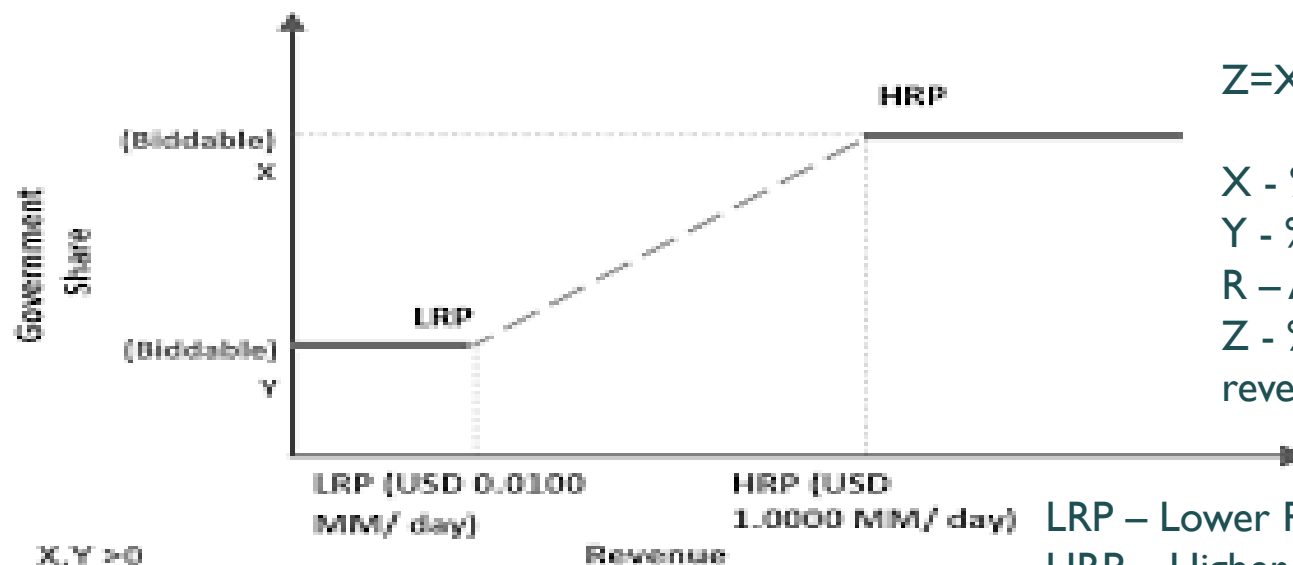


Block	AAP-ON-94/1	PY-1	PY-3	N. Balol	Asjol	CB-ON-7	Kharsang
Cost Recovery limit	80%	100%	100%	80%	100%	60%	100%
Investment Multiple							
<1	0%	0%	0%	20%	0%	0%	5%
1<1.5	10%	5%	5%	20%	10%	25%	5%
1.5<2	25%	5%	5%	30%	20%	30%	10%
2<2.5	35%	50%	50%	50%	30%	35%	15%
2.5<3	45%	50%	50%	50%	40%	40%	20%
3<3.5	50%	50%	50%	50%	50%	45%	25%
>3.5	50%	50%	50%	50%	50%	50%	30%

# RSC Parameters



Block	B-80	Kherem	AA-ONHP-2017/19
Government Share of Revenue - LRP	12%	21%	22%
Government Share of Revenue - HRP	55%	99%	99%
Royalty	10% for crude oil, condensate and Natural Gas	12.5% for crude oil and condensate; 10% for natural gas	12.5% for crude oil and condensate; 10% for natural gas
Cess	0	0	0



$$Z = X + [(Y - X) * (R - 0.01) / 0.99]$$

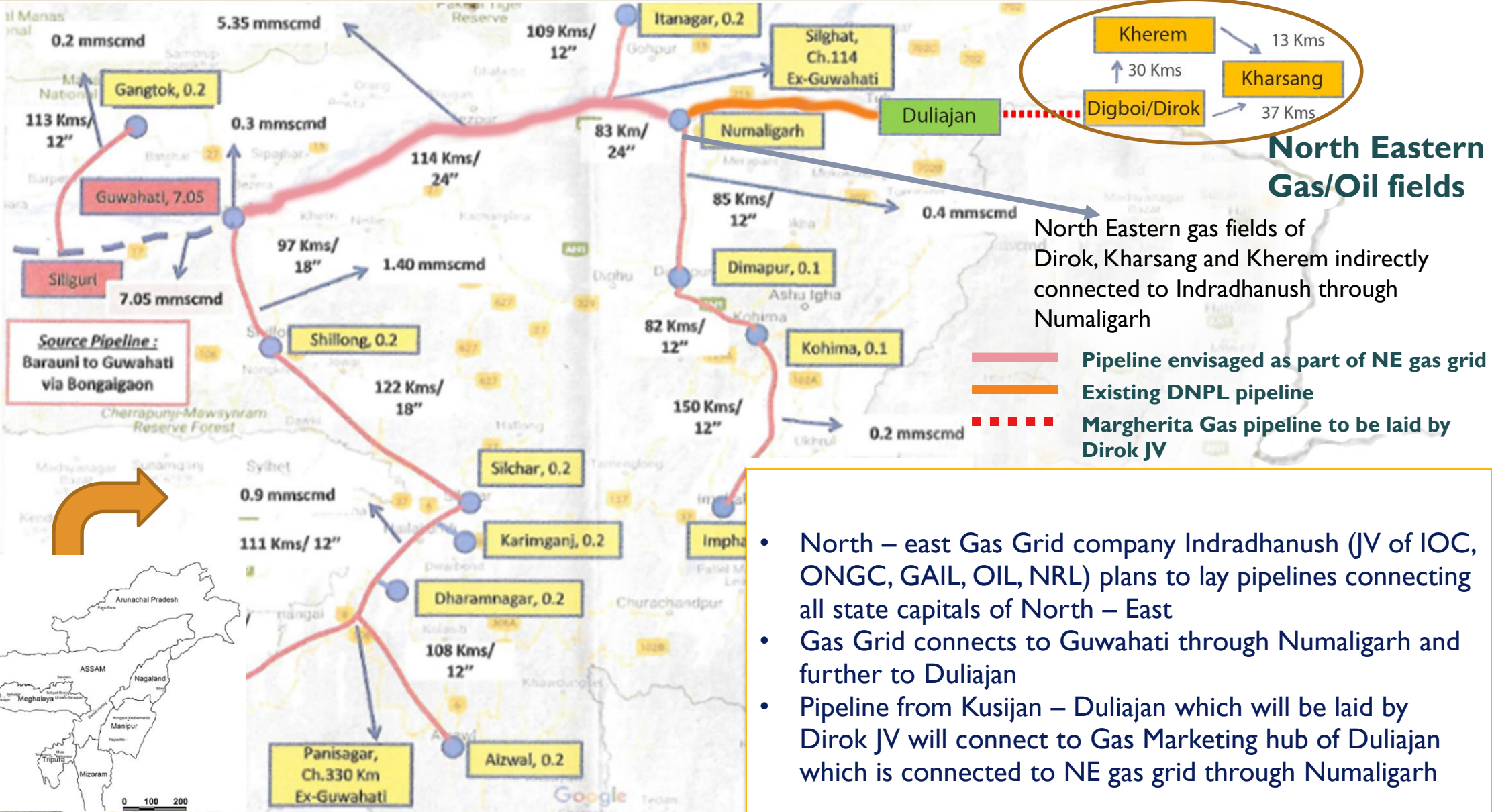
X - % of Govt. share of revenue payable at LRP  
 Y - % of Govt. share of revenue payable at HRP  
 R - Average daily revenue in Million US Dollar  
 Z - % of Govt. share of revenue when Avg. daily revenue > LRP and < HRP

LRP – Lower Revenue Point  
 HRP – Higher Revenue Point

# DIROK: Delivered Results on fast-track mode through Innovation



# Upcoming Natural Gas Grid in North - East



- North – east Gas Grid company Indradhanush (JV of IOC, ONGC, GAIL, OIL, NRL) plans to lay pipelines connecting all state capitals of North – East
- Gas Grid connects to Guwahati through Numaligarh and further to Duliajan
- Pipeline from Kusijan – Duliajan which will be laid by Dirok JV will connect to Gas Marketing hub of Duliajan which is connected to NE gas grid through Numaligarh

Markings on the Map are approximate and only representative

# Major Natural Gas Consumers in Assam



Company Name		Core business
AGCL		Gas transporter that serves 38- tea estates, 900 commercial establishments and about 27,500 domestic consumers
APL		Manufactures Petrochemicals like Methanol and Formaldehyde using Natural Gas as Feedstock
APGCL		Assam state power generation corporation
BVFCL		Brahmaputra Valley fertilizer corporation located at Namrup
BCPL		Brahmaputra Cracker and Polymer Ltd. Is a petrochemical complex located at Dibrugarh
IOC (AOD)		Indian Oil refinery located at Digboi
NEEPCO		North Eastern Electric Power Corporation
NRL		Numaligarh refinery limited

North – East natural gas grid (Indradhanush) connecting all seven NE state capitals and the national gas grid is conceptualised

Natural Gas produced from North Eastern fields will have marketing and pricing freedom as per policy approved by MoPNG

Latent demand exists among existing and new customers of Natural Gas in the North- Eastern region

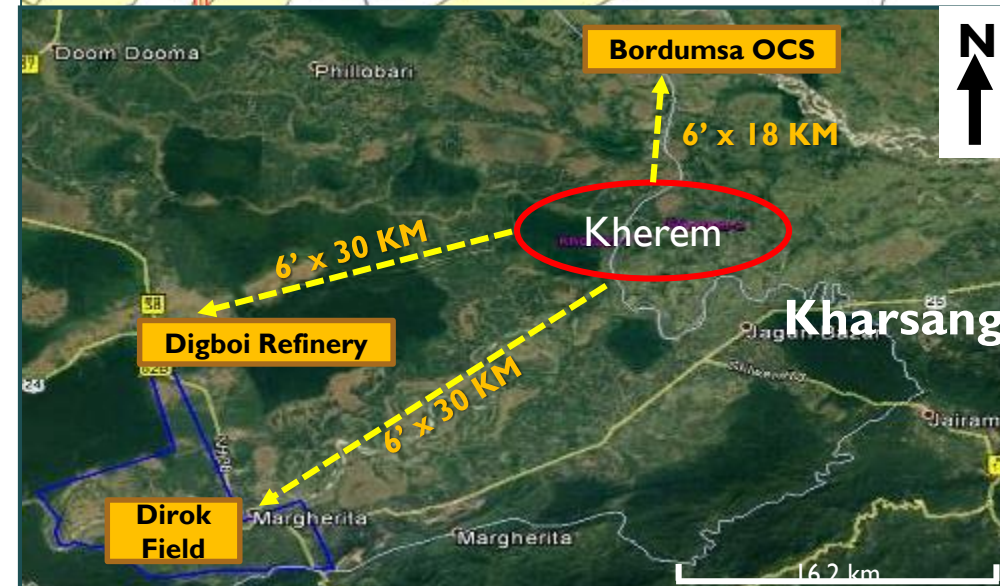
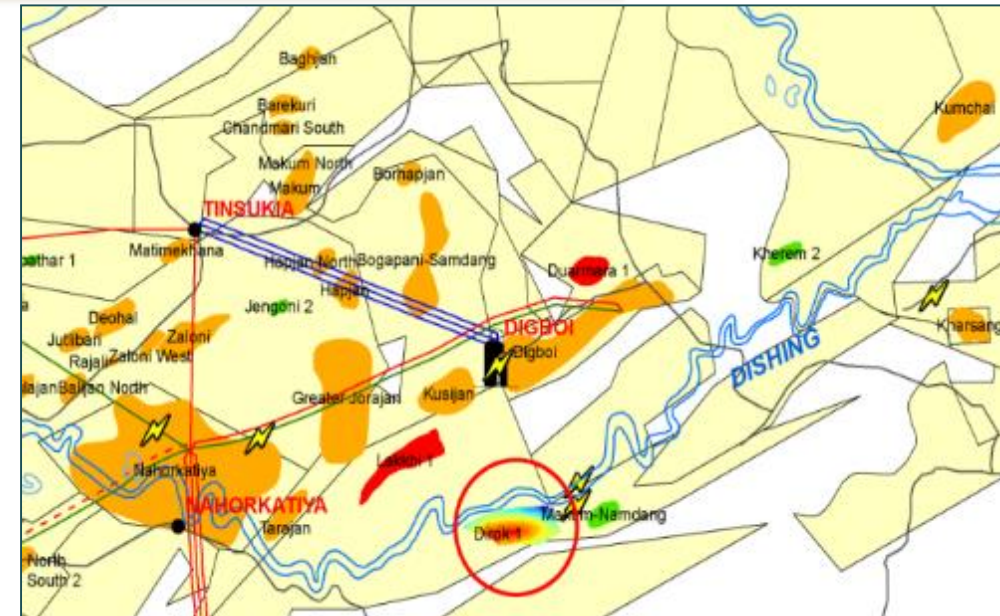


# Kherem (Arunachal Pradesh – DSF Block)

- **Block Area:** 16.45 Sq. Km.
- **Drilled Wells:** 3
- **Tested Production:**
  - Oil 402 bopd
  - Gas not measured
- **Discovered Resources:**

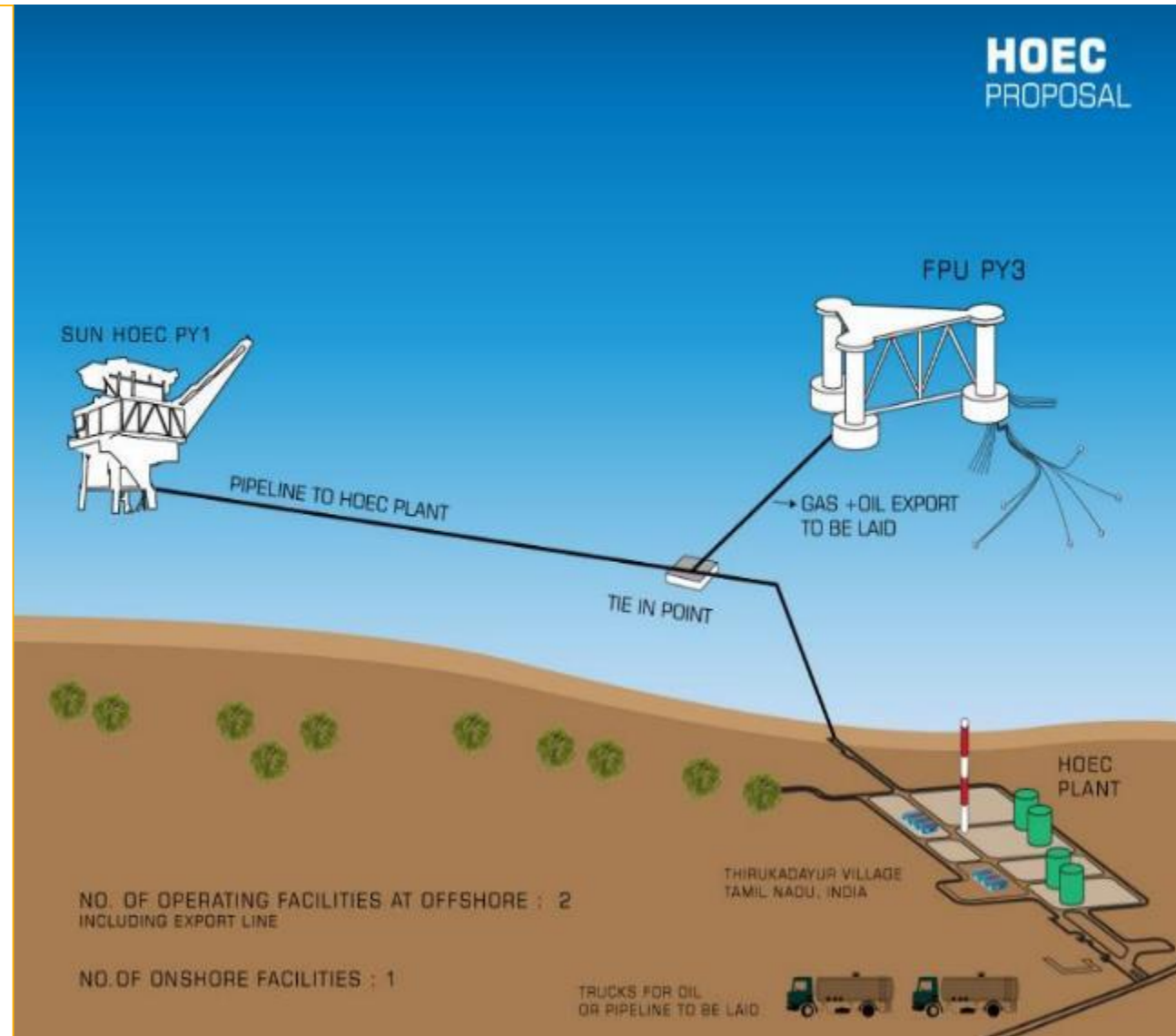
Resources	DSF Data Million BBLs	HOEC Internal Million BBLs
STOIIP	3	10.27
GIIP (BCF)	17	54.19

- **Reservoir Properties:**
  - Two pay zones Girujan pay -1 & pay - 2
  - Light oil – 38.7°API
- **Nearest facilities :**
  - Bordumasa Oil collecting Station via 6” pipeline 18kms
  - Digboi Refinery, via 6” pipeline 30 kms
- Petroleum Mining Lease transfer/(PML) still awaited
- Effective Date Starts from the date of PML transfer
- **Forest Clearance approved by State body. PML transfer expected by Q1 FY 19-20**



# PY3 - Status

- PY-3 field was shut-in on 31 July 2011 when it was producing 3000+ bopd without any sub-surface issues
- HOEC has 21% stake in PY-3 operates PY-1 Gas field with an offshore platform and onshore processing facilities close to PY-3 field
- Integration of PY-1 and PY-3 facilities through a 6 Km offshore pipeline is feasible and most cost effective to revive production from PY-3
- Alternate Integrated Field Development Plan (AIFDP) for PY-3 was submitted to stakeholders
- Application for PSC extension submitted by Operator



# Cambay Marginal Fields



**North  
Balol**  
(PI: 25%)

Wells: 2 wells under Production  
Reservoir : Balol, Babaguru & Kand Sands  
Prod. Q3 FY 18-19 (100%): **38.36 mmscf**

Reserves : 2P (100%): **6.79 BCF**  
Potential for additional wells

**Asjol**  
(PI : 50%)

Wells : 2 wells under Production  
Reservoir : Upper Suraj Pay Sandstone  
Prod. Q3 FY 18-19 (100%) : 1367 **barrels**

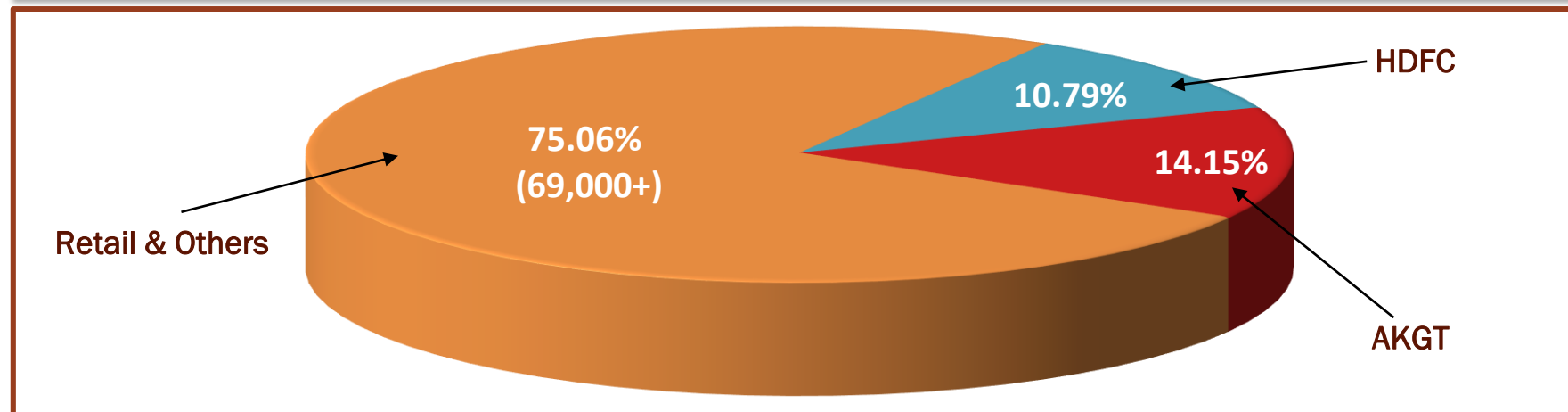
Reserves : 2P (100%): **0.6 mmbbls**  
Potential for additional wells

**CB-ON-7**  
(PI : 35%)

Wells : 3 wells under Production  
Reservoir : Hazad Sands of Ankleshwar  
Prod. Q3 FY 18-19 (100%): 7379 **barrels**

Reserves : 2P (100%): **0.359 mmbbls**  
Potential for additional wells

## Shareholding Pattern (more than 10 %)



## Board of Directors



**Sunil Behari Mathur**  
Non-Executive  
Independent Director  
/ Chairman



**P. K. Borthakur**  
Non-Executive  
Independent  
Director



**Sharmila Amin**  
Non-Executive  
Independent  
Director



**Ashok Goel**  
Non-Executive  
Non-Independent  
Director



**Rohit Rajgopal Dhoot**  
Non-Executive  
Non-Independent  
Director



**P. Elango**  
Managing Director



**R. Jeevanandam**  
Executive Director  
& CFO

# Asset Portfolio (Production / Development)



Block Name	Operator	Location	Oil/Gas	PI	Partner(s)	Oil/Gas Consumers
Dirok	HOEC	Onshore	Gas	27%		Gas – OIL India; Condensate – IOCL
PY-1	HOEC	Offshore	Gas	100%	Nil	Gas – GAIL; Condensate – CPCL
CB-ON-7	HOEC	Onshore	Oil	35%		Oil – IOCL
North Balol	HOEC	Onshore	Gas	25%	GNRL	Gas – GSPCL
Asjol	HOEC	Onshore	Oil	50%		Oil – IOCL
Kharsang	Geoenpro	Onshore	Oil	30%*		Oil - IOCL
B-80	HOEC	Offshore	Oil & Gas	50%	Adbhoot	NA
Kherem	HOEC	Onshore	Oil & Gas	40%		NA
PY-3	HEPI	Offshore	Oil	21%		NA

Producing
  Development
  Development Deferred

PI = Participating Interest

\* Direct and Indirect

## For further information, please contact:

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<p>Hindustan Oil Exploration Company Ltd. CIN: L11100GJ1996PLC029880</p> <p>G. Josephin Daisy <a href="mailto:jdaisy@hoec.com">jdaisy@hoec.com</a></p> <p><a href="http://www.hoec.com">www.hoec.com</a></p>	<p>Stellar IR Advisors Pvt. Ltd. CIN: U74900MH2014PTC259212</p> <p>Gaurang Vasani/ Vikash Verma <a href="mailto:vgaurang@stellar-ir.com">vgaurang@stellar-ir.com</a>/ <a href="mailto:vikash.verma@stellar-ir.com">vikash.verma@stellar-ir.com</a></p> <p><a href="http://www.stellar-ir.com">www.stellar-ir.com</a></p>