



*INVESTOR PRESENTATION, APRIL 2016*

**INDIA'S FIRST  
PRIVATE OIL AND GAS COMPANY**

Transforming Through Talent And Technology

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

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**FY 15-16 Highlights**

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**Growth Strategy**

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**HOEC Bardahl India Limited**



## FY 15-16 HIGHLIGHTS



# Statement of Profit & Loss

Particulars	FY 2015-16 ₹ Millions	FY 2014-15 ₹ Millions
<b>INCOME</b>		
Revenue from Operations	283	403
Other Income	74	76
<b>Total Revenue</b>	<b>357</b>	<b>479</b>
<b>EXPENSES</b>		
Operating costs	198	311
Decrease in stock of crude oil	22	1
Depreciation,depletion and amortization	122	387
Exploration costs	2	71
Finance costs	-	147
Provision for obsolete inventories	-	138
<b>Total expenses</b>	<b>344</b>	<b>1,055</b>
<b>Profit/(loss) before tax</b>	<b>13</b>	<b>(576)</b>
Exceptional items	52	(11,634)
Tax expenses (credit)	(1)	-
<b>NET PROFIT</b>	<b>66</b>	<b>(12,210)</b>

Assets		
Description	As at Mar'16 ₹ million	As at Mar'15 ₹ million
Tangible assets	684	797
Development work in progress	1,301	1,176
Other non current assets	498	837
Current asset other than cash	1,116	1,120
Cash and cash equivalent	1,168	297
<b>TOTAL</b>	<b>4,767</b>	<b>4,227</b>

Equity & Liabilities		
Description	As at Mar'16 ₹ million	As at Mar'15 ₹ million
Share capital	1,305	1,305
Reserves and surplus	1,480	1,414
Long-term provisions	1,113	1,103
Long-term liabilities (ENI)	263	263
Other Current liabilities	606	142
<b>TOTAL</b>	<b>4,767</b>	<b>4,227</b>

- Debt free balance sheet
- Positive operating cash flows
- Self funding for organic growth including Assam project
- Ability to borrow ₹ 100 Crore- rating by ICRA BBB+
- Gross working capital ₹ 228 Crore includes ₹ 117 Crore cash and cash equivalent



## COMPANY OVERVIEW





**1<sup>st</sup>**

Private Oil & Gas company in India

**3**

Decades of presence in Oil & Gas Business

**7**

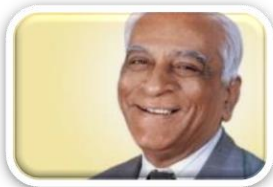
Blocks (Production/Development stage) across India

**\$500+**

Million of Investments

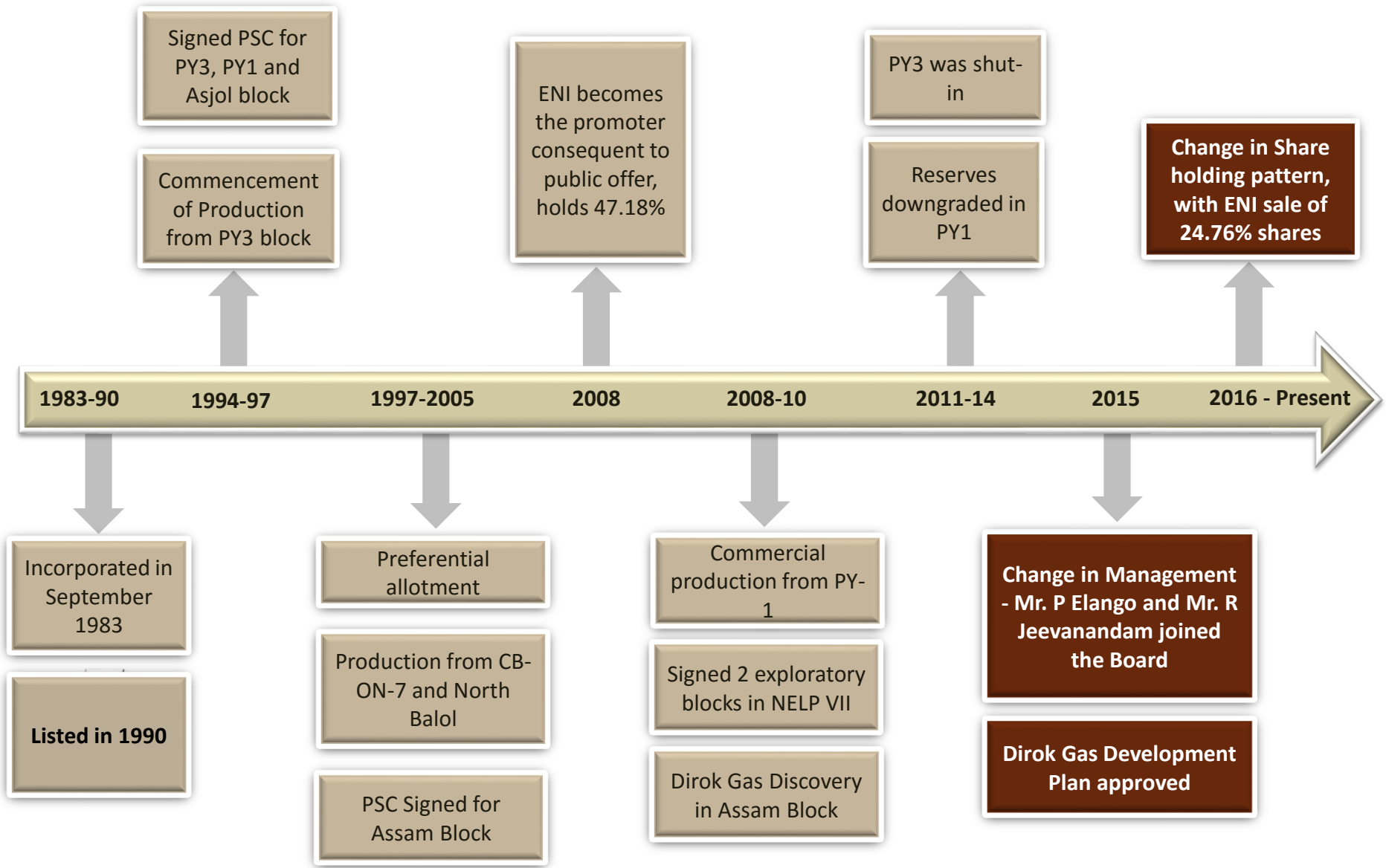
**85,000+**

Shareholders



Promoted by Late Shri H.T. Parekh

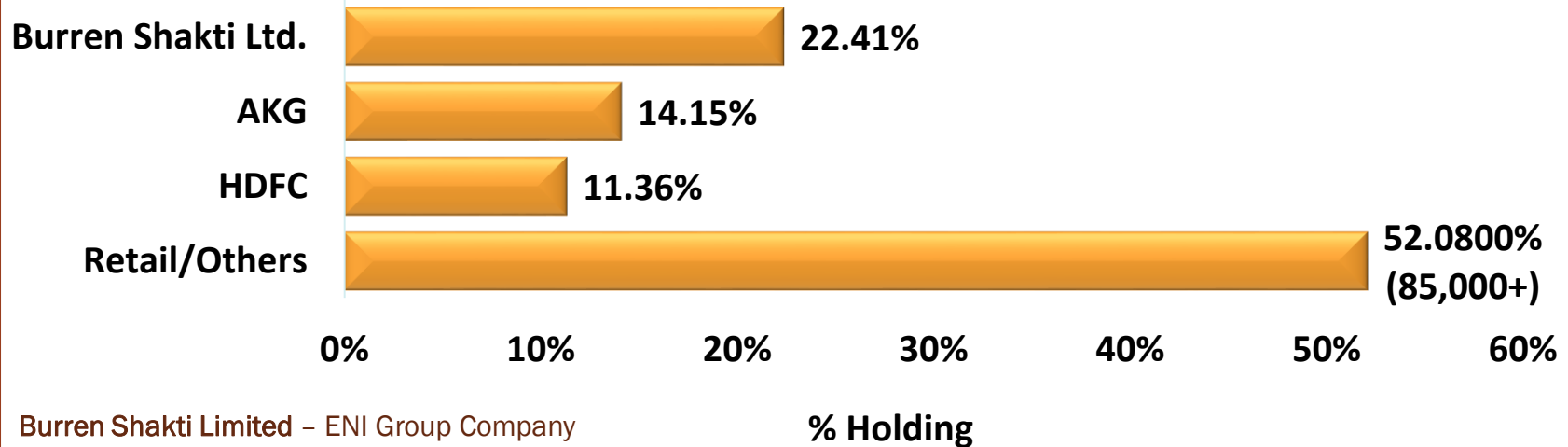
# Over 25 Years in BSE Listing



# HOEC Shareholding Pattern & Board Members (Non-Executive Directors)



## Shareholding Pattern (more than 5%)



Burren Shakti Limited – ENI Group Company

AKG – Ashok Kumar Goel

## Board of Directors (Non-Executive)



**Sunil Behari Mathur**  
Chairman



**Filippo Ricchetti**  
Additional Director



**Paolo Ceddia**  
Director



**Sharmila Amin**  
Director

# Board Members (Executive Directors)



## **P ELANGO**

Managing Director

- Over 28 years of experience in Upstream Oil & Gas Sector
- Held several leadership roles in different areas of the business and is a recognized leader in the Indian industry
- Earlier CEO of Cairn India, played a key role in building Cairn into a leading Oil & Gas company operating over 30% of the crude oil production in India
- Started career with ONGC
- One of the five finalist for Platts' first-ever Asia CEO of the Year award 2013
- Holds Masters degree in Business Administration



## **Ramasamy Jeevanandam**

CFO & Director

- Over 30 years of experience in Upstream Oil & Gas Sector
- Earlier Vice President at Aban Offshore and CFO at Hardy Exploration & Production (India) Inc
- Started career with ONGC
- Certified Public Accountant, USA, Chartered Global Management Accountant, USA, Qualified Cost Accountant, Chartered Financial Analyst, and Company Secretary with a Bachelor's Degree in Law

# Technical Experts



**Bhuwan Chandra Gariya**  
EXPLORATION MANAGER

- Over 31 years of experience as a Petroleum Geoscientist in exploration, appraisal, reservoir, development, including seismic data acquisition processing and interpretation
- Earlier Chief geophysicist at ONGC worked for 24 years
- Expertise in special studies like inversion, AVO, velocity modelling and litho-facies analysis to mitigate the exploration and development risk
- Post graduate in Physics from HN Bahuguna Central University Srinagar, Garhwal



**Sagar N. Mehta**  
HEAD-CAMBAY BUSINESS UNIT

- Over 27 years of experience in upstream E&P spanning entire life cycle from hydrocarbon prospect generation to profit center management.
- Joined Company since inception as a core team member and carried out numerous tasks in various disciplines Acts as catalyst between technical-contractual-people and JV-PSC-JOA congruence hydrocarbon production from assets.
- Masters in Geology from Mumbai University & MBA from South Gujarat University



**Doppalapudi Surendra Mohan**  
SENIOR TECHNICAL ADVISOR

- Thirty two years of experience in Exploration and Development domains in national oil company, private major oil company, multinational companies and joint ventures.
- Diverse working experience with national, global multinationals and overseas private companies
- Experience in prospect identification, field development, delivering projects to well site operations
- Working experience of global onland and offshore basins across 4 continents Experienced in reserves estimation under both SPE & SEC guidelines



**Siva Sankar Josyula**  
SENIOR TECHNICAL ADVISOR

- A total of 34 years of experience in upstream E&P industry gained through working with Cairn Energy and ONGC. Held diverse technical leadership roles in seismic data acquisition, Processing, interpretation, Reservoir Geology & Characterisation and field subsurface management with emphasis on brownfield optimisation
- Earlier worked with Cairn India for over 9 years and ONGC for over 23 years
- Expertise in planning and execution/supervision of development drilling campaigns, well intervention jobs

# Project Management Team



## **P R Krishna**

Asset Manager (Assam) & Head – Contracts & Procurement

- 25 years of Procurement and Supply Chain Management experience in on shore and offshore oil and gas fields encompassing exploration, development and production phases. Demonstrable experience in fast track execution of projects from discovery to development.
- Prior to joining HOEC, worked with ONGC in Mumbai and Tripura, Shell Petroleum in Brunei, Qatar Petroleum in Doha and with Cairn India.
- Postgraduate in Chemical Engineering from IIT, Delhi with Professional certification in Supply Chain Management from IIMM, India and from CIPS, UK.



## **Indreshwar Bharali**

Advisor (Infrastructure)

- Over 37 years of diverse experience in Upstream E & P industry covering Construction, operation and maintenance of production facilities, Gas compression facilities, Oil & Gas sales management and Construction, operation and maintenance of cross country crude oil, multi-product and gas pipelines.
- Rich experience in Corporate planning including being a liaison with Ministries, statutory authorities, engineering consultants etc.
- Served as Director in the Board of Assam Power Generation Corporation Ltd (APGCL) for three years and retired as Group General Manager (Production) from Oil India Limited after serving for 37 years
- Graduate in Mechanical Engineering from Institute of Technology, BHU



## **Debabrata Panda**

Head – Drilling & Completions

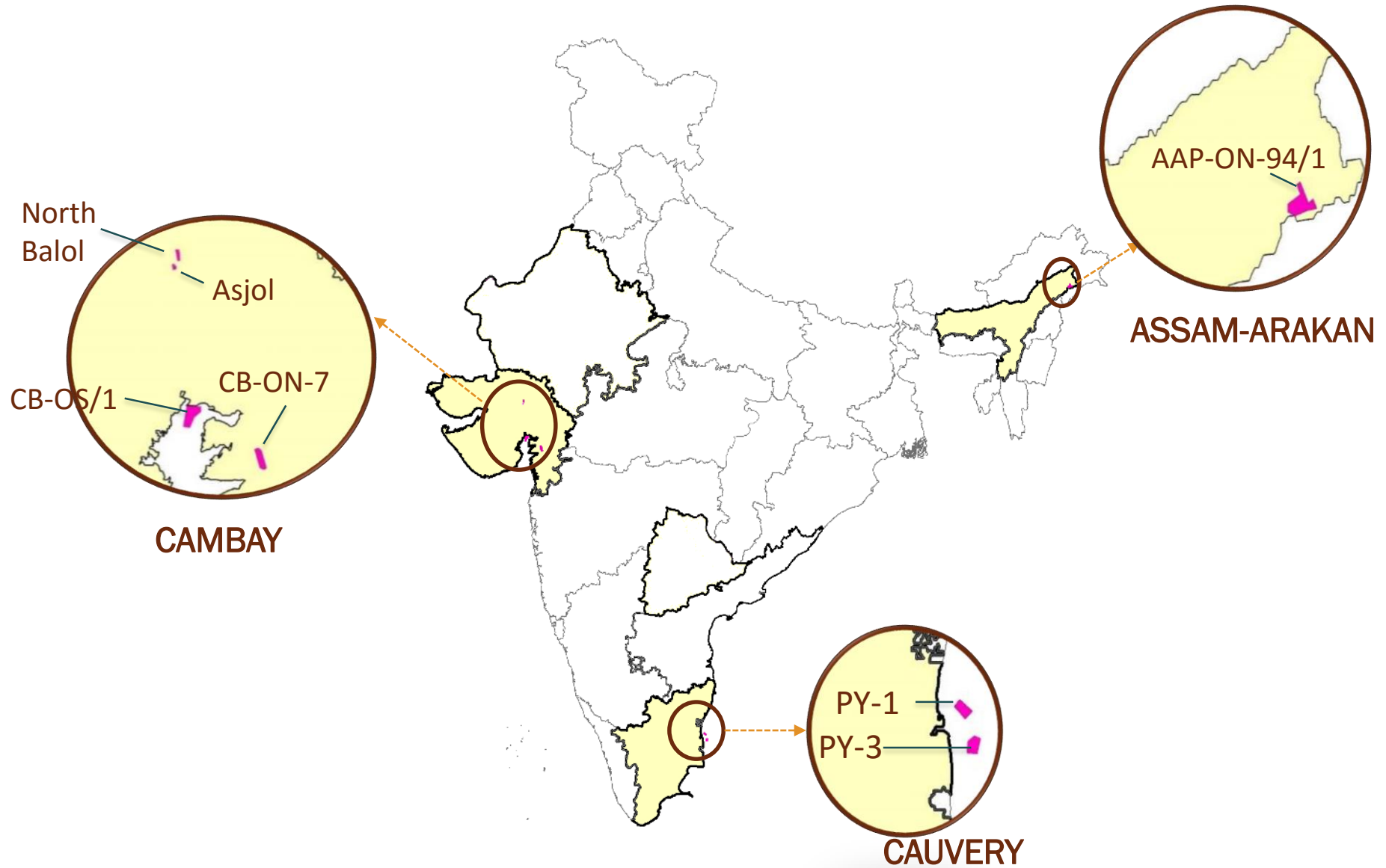
- Over 22 years of experience in upstream exploration, development and production with various oil and gas companies
- Worked with E&P companies in India such as GSPC & Cairn India; experience includes companies such as Petronas Carigali and Chevron
- Expertise in Drilling & Completion operations, project management and technology integration
- Graduate in Petroleum Engineering from ISM (Dhanbad) with MBA (Energy) from PDPU (Gandhinagar)



# ASSET PORTFOLIO
















# Asset Map (Production/Development)






# Asset Portfolio (Production/Development)

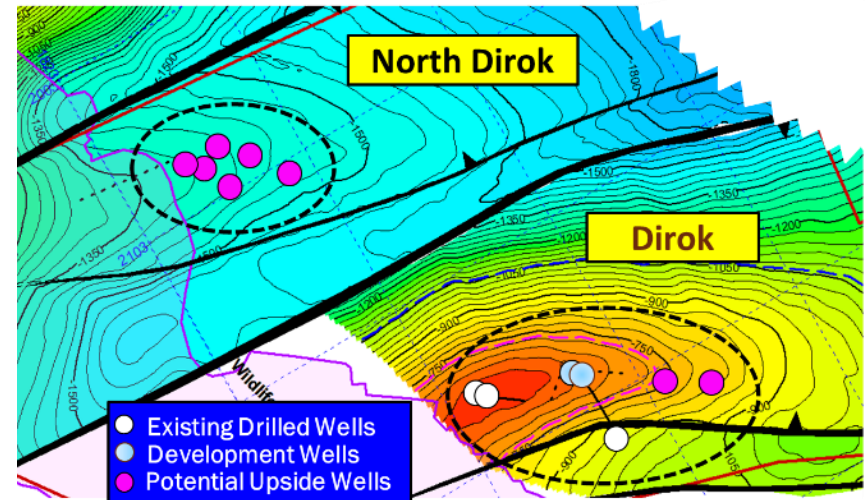
Block Name	Operator	Location	Oil/Gas	PI	Partner(s)
PY-1	HOEC	Offshore	Gas	100%	Nil
CB-ON-7	HOEC	Onshore	Oil	35%	 
North Balol	HOEC	Onshore	Gas	25%	 Heramec Ltd
Asjol	HOEC	Onshore	Oil	50%	
AAP-ON-94/1	HOEC	Onshore	Gas	27%	 
CB-OS/1	ONGC	Offshore	Oil	38%	 
PY-3	HEPI	Offshore	Oil	21%	  

 Producing  
 Development

 Development Deferred  
 PI = Participating Interest

Investment	<ul style="list-style-type: none"> <li>• ~\$100 million of Exploration &amp; Appraisal investment by JV</li> <li>• 3 Exploration, 2 Appraisal wells drilled</li> </ul>
Reservoir	<ul style="list-style-type: none"> <li>• Multiple Girujan Sands (18+)</li> <li>• 6 Sands tested with gas flow</li> <li>• Opening 2 new gas sands</li> </ul>
POD	<ul style="list-style-type: none"> <li>• Plan of Development was approved in May 2015</li> </ul>
Reserves & Production	<ul style="list-style-type: none"> <li>• Gas-Initially-in-Place (GIIP) of 244 BCF (100%)</li> <li>• Recoverable reserves (EUR) of 134 BCF (100%) as per POD</li> <li>• 20 mmscfd - plateau of 15 years, economic life of 20 years</li> </ul>
Upside Potential	<ul style="list-style-type: none"> <li>• Prolific Tipam &amp; Barail Formation and North Dirok Structures yet to be explored</li> </ul>

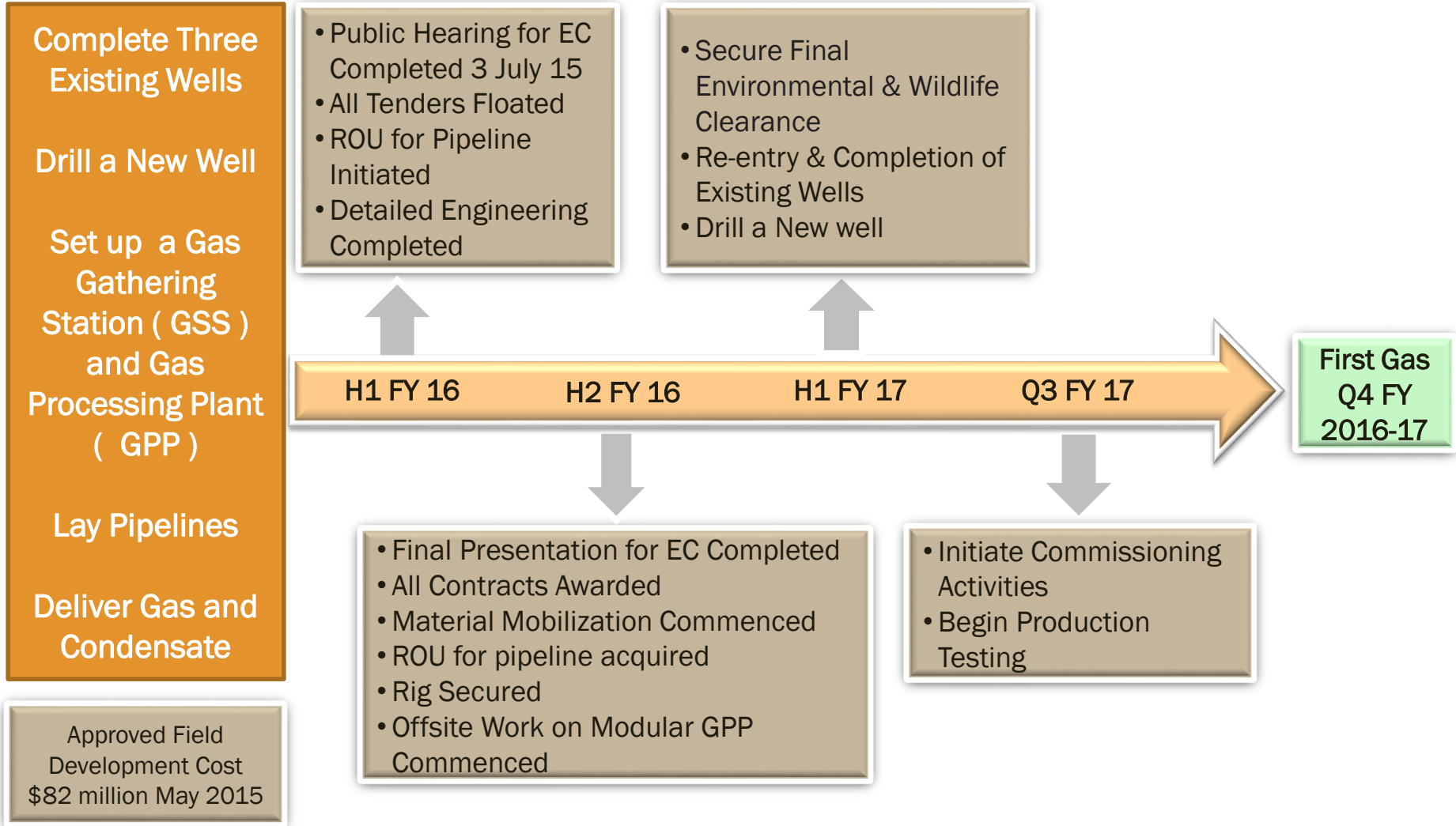
## PROSPECT MAP



Fiscal Terms	
Royalty & Cess	Nil
Cost Recovery limit	80%
Investment Multiple	>1<1.5 (10%), 1.5<2(25%), 2<2.5 (35%), 2.5<3 (45%), >3 (50%)

# Assam to come on stream by Q4 FY2016-17

## DEVELOPMENT ACTIVITIES



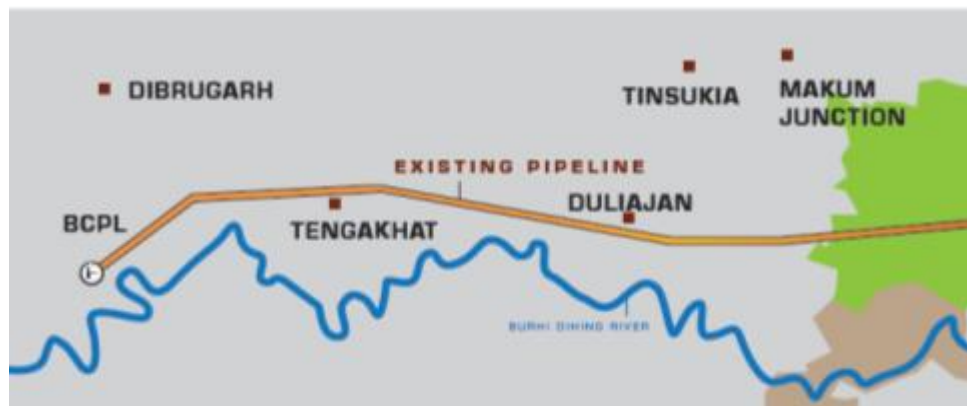


- Early Monetisation through a 4" parallel to connect to OIL India Gas Process facility at Kusijian

- Adoption of Modular Gas Processing ( MGPP) on Opex Model results in
  - Reduction in capitals costs.
  - Reduction in Project lead time

- M-GPP contract on build, maintenance and operate (BMO) model awarded to Expro, UK

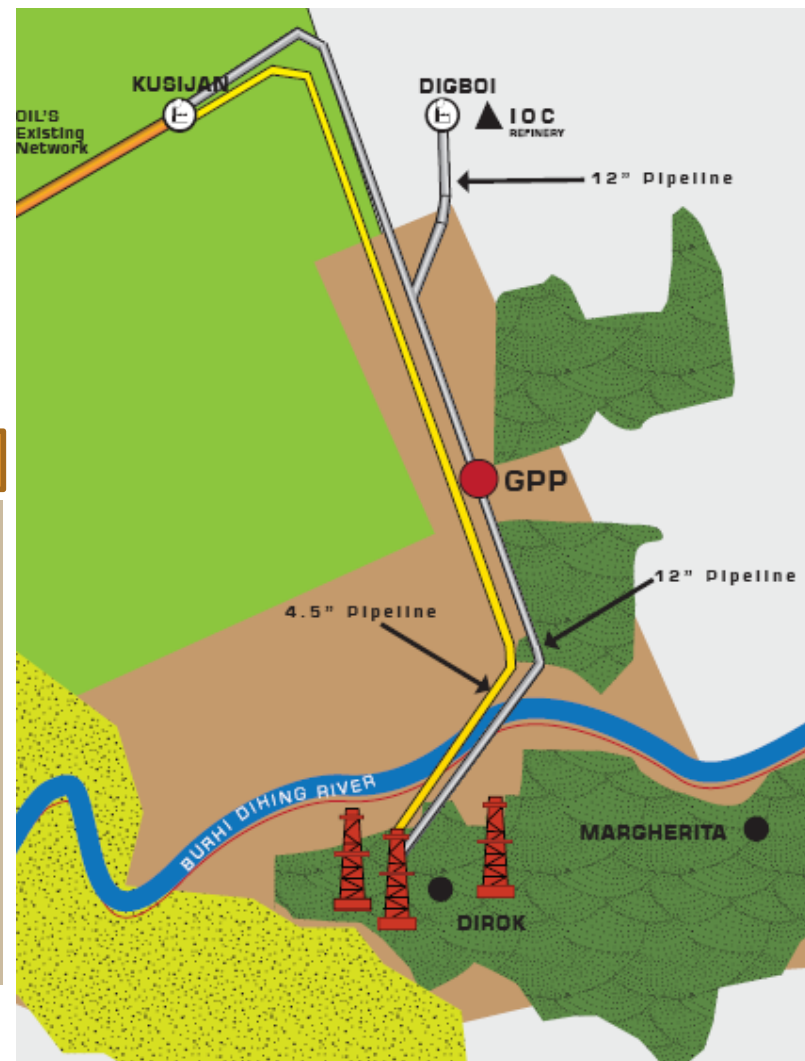
# Assam : Easy Access to Market



## Gas to BCPL Through Existing Pipeline

- Existing infrastructure provides ready access to gas market.
- Discussion on Gas Sales Agreement is in progress.
- Government notified prices is applicable in the region
- Due to low cost, the project stays viable at even lower gas prices.

- New Proposed pipeline
- Existing Pipeline



## Gas Delivery through new pipeline

\*Note: Pipeline size/length is indicative and not to scale.

# Assam – Summary

## Past Cost carry of ~\$100 Million

- HOEC entitled to higher share of revenue, PI in exploration being 40%

## Development Cost Optimised

- Softening of market and innovative project execution will reduce CAPEX
- Substantial commitment is made for materials and services

## Attractive Payout

- No Cess and Royalty payable by Companies
- Profit share with the Government for the first 6 years is minimal due to cost carry

## Early Monetization

- Easy access to market
- Gas sales agreement is in progress
- First Gas in Q4 FY 2016-17 s

**Upside potential exists**

# PY-1 (Operator : HOEC, 100% HOEC PI)

## First Gas

- November 2009

## Cumulative Investment

- Over \$400mn of Investment
- 4 Development wells and an Offshore Platform & Pipeline
- 55 mmscfd processing plant on 209 acres land

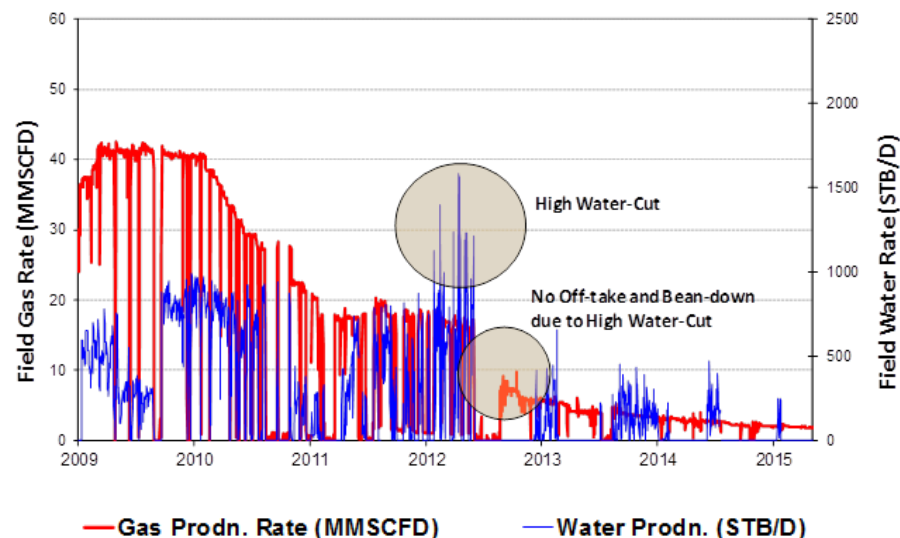
## Production & Revenue

- Avg. Current Production FY 15-16 : 2.1 mmscfd
- FY 15-16 Revenue : INR 249.4 mn
- FY 15-16 Opex: INR 117.4 mn

## Complex Reservoir

- Compartmentalized fractured granitic basement
- Water cut caused steep decline in production
- G&G, Reservoir studies are on to understand the full potential

## Decline in production due to water cut

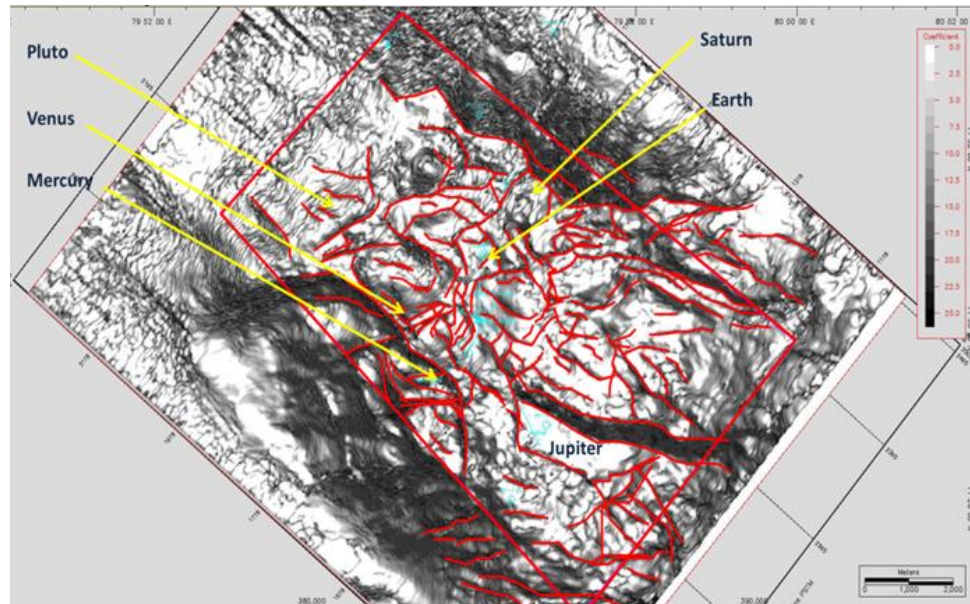


## Fiscal Terms

Royalty	10% of well head value
Cost Recovery	100%
Investment Multiple	<u>≤1 (0%)</u> , 1<2 (5%), >2 (50%)

## Technical Advisory Committee of Experts Constituted Focus Areas

- Reprocess 3D with “Controlled Beam. Migration”
- Identify type of fractures, flow of HC & water, to ascertain their production potential.
- Re-evaluate reserves
- Relook into the resources of undrilled prospects
- Map the Cretaceous shallower reservoirs
- Potential Drilling and intervention of existing wells post G & G review



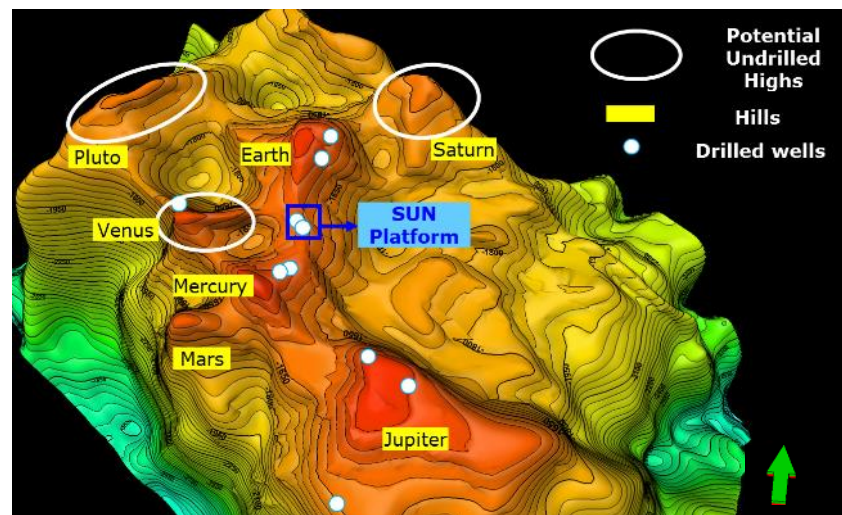
Fracture Intensity Map at Basement Top



# PY-1 – Undeveloped Resources to be accessed

## Planned Activities:

- Study on Exploring synergies with adjoining fields/block to optimize the operating cost for all stakeholders being carried out
- Results of coil tubing encourages to revisit the reserve estimation and subsequent workover and completion



## Opportunities:

- Significant yet to be recovered resource base as assessed by Independent 3<sup>rd</sup> Party:
  - 2P - 31.5 BCF, 3P - 93.5 BCF
  - Techno-commercial risks to be evaluated
- Substantial cost carry to support incremental investments
- Option for partial farm-out to share risks, PI being 100%
- New wells to target undrilled prospects at the right time

# PY-3 (Operator : Hardy, 21% HOEC PI)

## First Oil

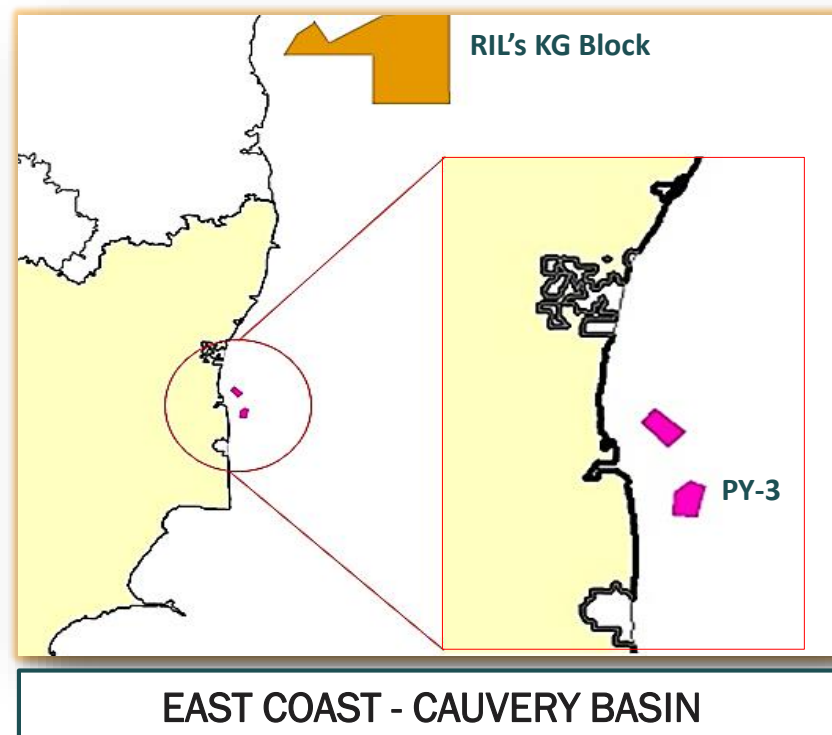
- July 1997, with FPS & subsea completion

## Current Status

- Field shut-down since July 2011
- Last Production : 3,300 bbls/day
- Opportunity to develop field with optimized cost and appropriate Price Regime

## Synergy

- Facilities synergy with adjoining fields/blocks



### EAST COAST - CAUVERY BASIN

#### Fiscal Terms

Royalty/Cess	Under review
Cost Recovery	100%
Investment Multiple	<1.5 (10%), 1.5<2 (25%), 2<2.5 (40%), 2.5<3 (50%), 3<3.5 (60%), >3.5 (70%)

# CB-OS/1 (Operator : ONGC, 38% HOEC PI)

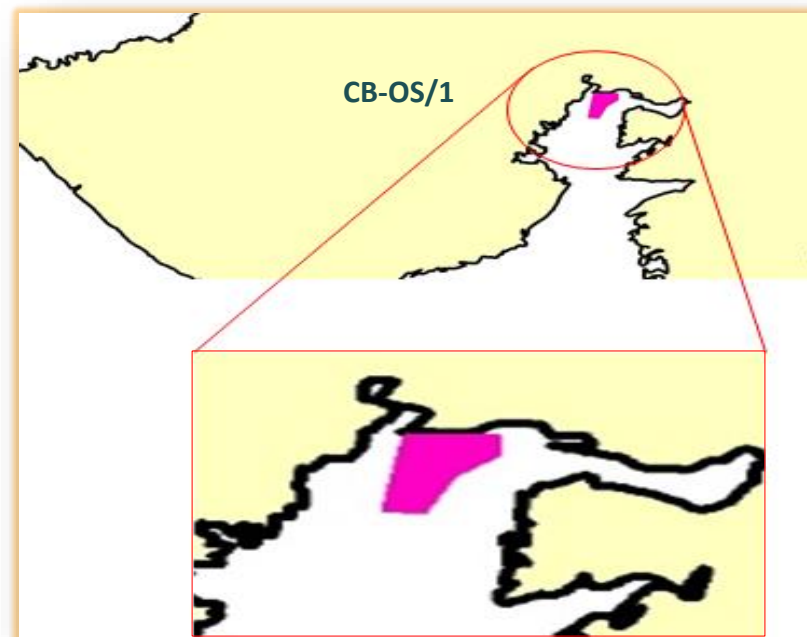
**Reserves** • 2P (100%) - 11.35 MMBbls

**Salient Features**

- Field is in the west of prolific Gandhar field of ONGC.
- Block is located in inter tidal transition zone
- Expected Field life is 10 years with Peak Production of 8,000 Barrels per day.

**Current Status**

- Development plan was approved by MC in June 2014. ONGC (operator) is optimizing the offshore development concept.
- Feasibility study under progress for revising the concept to be economical at current oil prices

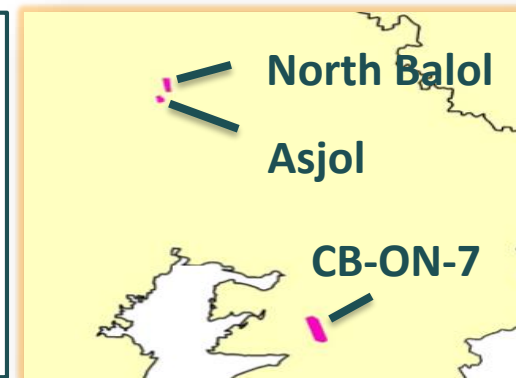


## WEST COAST – CAMBAY BASIN

Fiscal Terms	
Royalty & Cess	Nil for Companies
Cost Recovery	80%
Investment Multiple	<1.5 (20%), 1.5<2 (30%), 2<2.5 (35%), 2.5<3 (50%), 3<3.5 (65%), >3.5 (70%)

# Cambay Marginal Fields (Operator : HOEC)

CAMBAY BASIN



North Balol  
(HOEC PI : 25%)

- Wells : 9 wells (2 Producing)
- Reservoir : Balol, Babaguru & Kand Sands
- Avg Production FY 15-16 (100%): 0.5 mmscfd
- FY 15-16 Net Revenue : INR 11 mn
- FY 15-16 Opex : INR 3 mn
- Reserves : 2P (100%) : 6.92 BCF

Cost Recovery  
80%

Asjol  
(HOEC PI : 50%)

- Wells : 6 wells (2 Producing)
- Reservoir : Upper Suraj Pay Sandstone
- Avg. Production FY 15-16(100%) : 18 bopd
- FY 15-16 Net Revenue : INR 9 mn
- FY 15-16 Opex : INR 6 mn
- Reserves : 2P (100%) : 0.61 mmbbls

Cost Recovery  
100%

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

- Wells : 6 wells (3 Producing)
- Reservoir : Hazad Sands of Ankleshwar
- Avg. Production FY 15-16 (100%): 114 bopd
- FY 15-16 Net Revenue : INR 35 mn
- FY 15-16 Opex : INR 8 Mn
- Reserves : 2P (100%) : 0.40 mmbbls

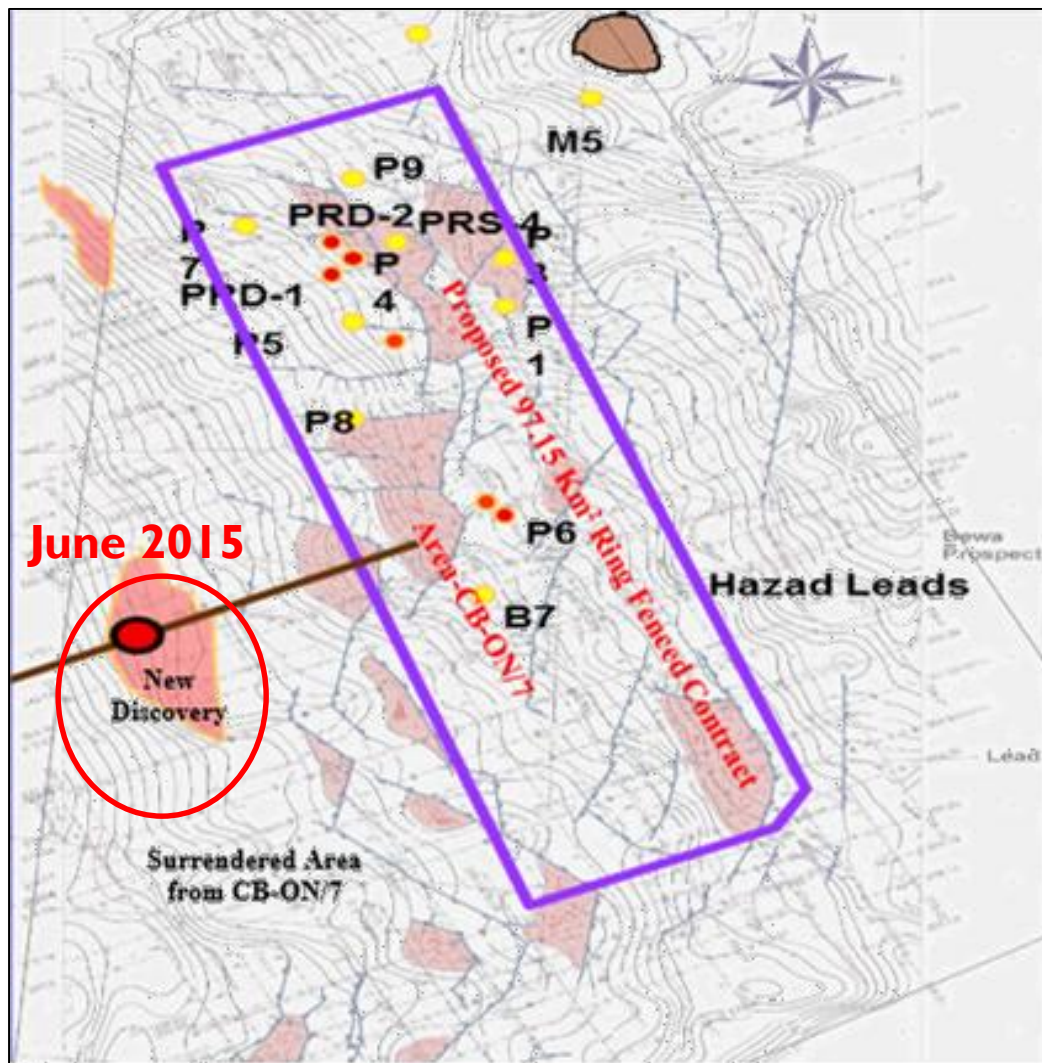
Cost Recovery  
60%

## Fiscal Terms

Royalty/ Cess	10% (NB), INR 481 per MT (Asjol), Nil (CB-ON-7) / INR 900 per MT (NB, Asjol), Nil (CB-ON-7)
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Inv. Multiple	N. Balol	Asjol	CB-ON-7
<1	20%	0%	0%
1<1.5	20%	10%	25%
1.5<2	<u>30%</u>	20%	30%
2<2.5	50%	<u>30%</u>	<u>35%</u>
2.5<3	50%	40%	40%
3<3.5	50%	50%	45%
>3.5	50%	50%	50%

# CB-ON-7 R2 Area



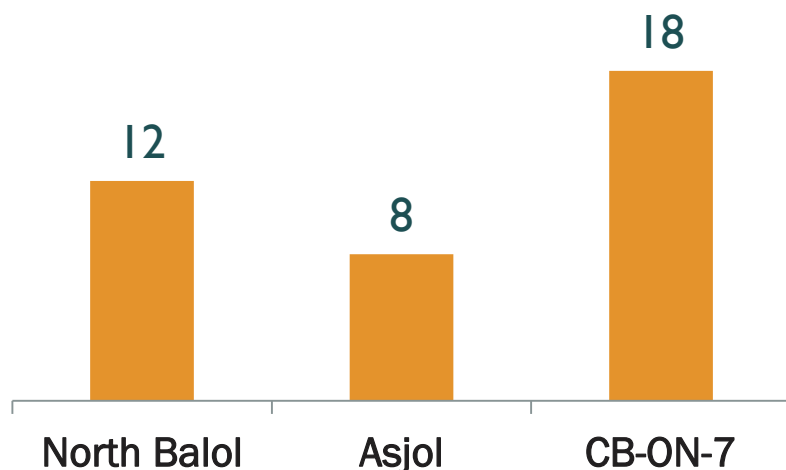
## Snapshot:

- Government has decided to grant 97.15 Sq. km of ring-fenced R2 area to JV of HOEC and GSPC through New PSC
- Recent discovery by private operator in June 2015 on the surrendered area of the Block enhances prospectivity of the Block
- Proposed PSC envisages minimum commitment of 3D seismic acquisition and drilling of 2 wells.
- PSC to be executed soon

# Leverage Expertise in Marginal Fields

## Marginal Fields' Contribution

Netback (\$/boe)



- Considerable netback/barrel despite falling oil prices
- Low cost operations
- Opportunity to enhance production through minimal investment

## Future Opportunity

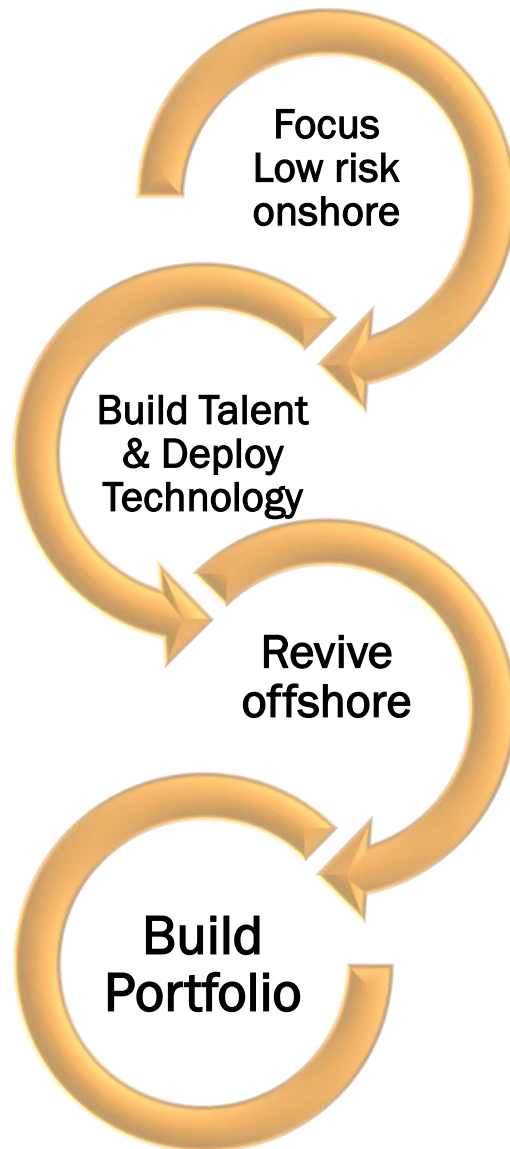
Block	Particulars
Asjol	<ul style="list-style-type: none"> <li>• Acquire 3D Seismic</li> <li>• Drill 2 Wells</li> </ul>
CB-ON-7	<ul style="list-style-type: none"> <li>• Work-over 1 well</li> <li>• Acquire 3D Seismic</li> <li>• Drill 2 Wells</li> <li>• Gas Monetization</li> </ul>
North Balol	<ul style="list-style-type: none"> <li>• Work-over 3 wells</li> <li>• 2 replacement wells</li> <li>• Acquire 3D Seismic</li> </ul>

**Competitive Edge in the upcoming bidding round for Marginal fields**



# GROWTH STRATEGY





Deliver from low risk onshore assets in Assam and Gujarat to double the current revenue by Q4 FY 2016-17

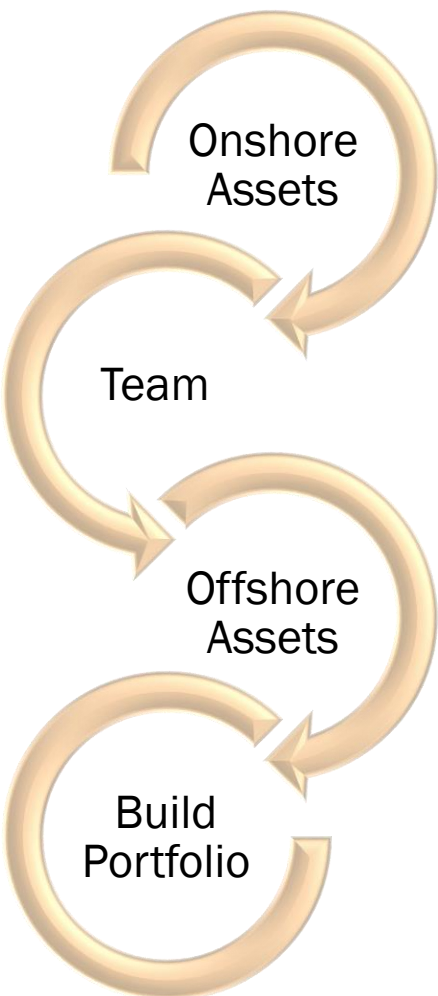
Build a strong geo-technical team

- Revive offshore assets (when the price cycle turns) and access undeveloped resources
- Emerge as leading player in Cauvery Offshore

- Participate in Marginal field bidding round
- Acquire Onshore Assets
- Leverage Natural value chain extension opportunities
- Explore low-risk investment opportunities in South East-Asia region



# ...execution plan linked to our strategy



- Fast-tracked Assam Project to deliver first-gas by Q4 FY 16-17
- Initiated planning to leverage opportunities in our Marginal Fields

- Technical Talent strengthened
- Technical Advisory Committee (TAC) of experts constituted

- Technical work plan being drawn up to revive PY-1 by TAC

- Leverage Expertise and Prepare to participate in Marginal Field bid round.

- ❖ Contract between HBIL and Bardahl Manufacturing Corp. USA (BMC. USA) expired on 15<sup>th</sup> November, 2015, extended to 29<sup>th</sup> February 2016 on the same terms and conditions.
- ❖ BMC has terminated the agreement with HBIL and entered in to an agreement with one of the distributors of HBIL.
- ❖ The Management (HBIL) has decided to invoke arbitration for adjudicating the dispute.

2P	-	Proved + Probable reserves
BCF	-	Billion Cubic Feet of Gas
GGs	-	Gas Gathering Station
GPP	-	Gas Processing Plant
Kbbbls	-	Thousand Barrels of Oil
MMbbbls	-	Million Barrels of Oil
PI	-	Participating Interest
PSC	-	Production Sharing Contract
WIP	-	Work-in-Progress
EC	-	Environmental Clearance

For further information, please contact:

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