

# Investor Presentation

24<sup>th</sup> Oct 2018



TRANSFORMING THROUGH TALENT AND TECHNOLOGY

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**Q2 FY 19 Performance Highlights**

# Q2 FY 19 Performance Highlights



## Maintain Strong Financial Foundation

- ❑ Continue to maintain debt free balance sheet and low cost operating model
- ❑ Gross working capital ₹ 130 Crores includes ₹ 46 Crores cash and cash equivalent
- ❑ Revenue from operations increased to ₹ 64 Crores from ₹ 35 Crores in Q2 FY 18-19

## Deliver Consistent Production Ramp-up

- ❑ Average Gross Operated Production increased to 9050 boepd from 5672 boepd in Q2 FY19
- ❑ After PY-1 re-entry campaign, field is producing consistently at 10 MMSCFD. Average gas production for Q2 FY 18-19 is 9.8 MMSCFD (Q1 average – 2.35 MMSCFD)
- ❑ Continue to ramp- up Dirok production by ensuring consistent offtake of gas and condensate
  - Average gas production for Q2 FY 18-19 is 32.6 MMSCFD (Q1 average – 23.1 MMSCFD) and average condensate production for Q2 FY 18 -19 is 792 bbld (Q1 average – 552 bbld)

## Ensure Focus on Growth

- ❑ 'First Oil' target from B-80 by Q1 20-21
- ❑ Revised Field Development Plan submitted for Dirok and Kharsang. Drilling program to commence after approval
- ❑ Kherem Forest Clearance and PML transfer expected by Q4 FY 18-19
- ❑ Awarded block AA-ONHP-2017/19 under OALP – 1. Revenue Sharing Contract signed

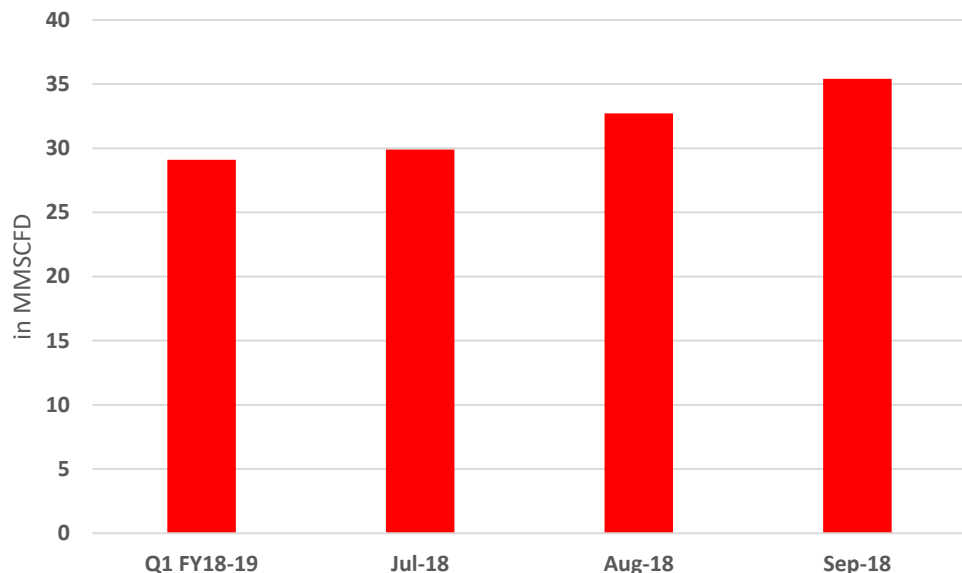
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Operations Update

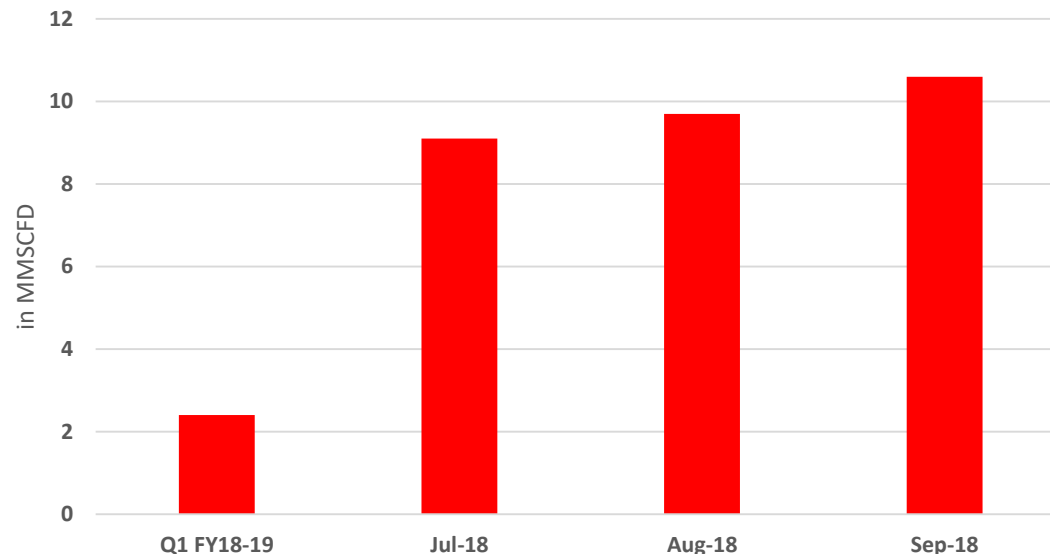
# Production Ramp – Up (Dirok & PY-1)



### Dirok Production Ramp-UP



### PY-1 Gas Production Ramp-UP



- Stabilised production from PY-1 ; Now consistently producing more than 10 MMSCFD
- Applied for PSC extension for PY-1 for 10 years upto 2030 on 21<sup>st</sup> Sep 2018
- Revised Plan of Development (RPOD) for next phase of Dirok campaign submitted on 12<sup>th</sup> October 2018. 4 development well campaign planned to increase production from current levels of 35 MMSCFD to 55 MMSCFD

**3**

**Focus Areas & Priorities**



- **Development projects lined up to ensure production growth**
  - Development of DSF blocks B-80 and Kherem
  - Work with JV partners and regulator to revive PY-3
- **Target upside potential in key producing assets**
  - Significant potential in both PY-I and Dirok blocks; Revised Field Development Plans submitted
  - Existing facilities can handle additional volumes with minimal capex
  - Ability to monetise the development quickly
- **Strategy for continued growth of asset portfolio**
  - Operational synergies to be established among all assets of north east including Kharsang;
  - Secure and explore R-2 area of CB-ON-7
  - Continue to participate in the ensuing bid rounds



# B – 80 Development Current Status



## Environmental Clearance

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

## Drilling

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

## Subsea Pipelines

- Completed study with IOGPT – ONGC establishing suitability of tapping in to existing ONGC pipelines for oil and gas evacuation
- Preparing to execute tie-in / laying of offshore pipelines as per project schedule

## MOPU

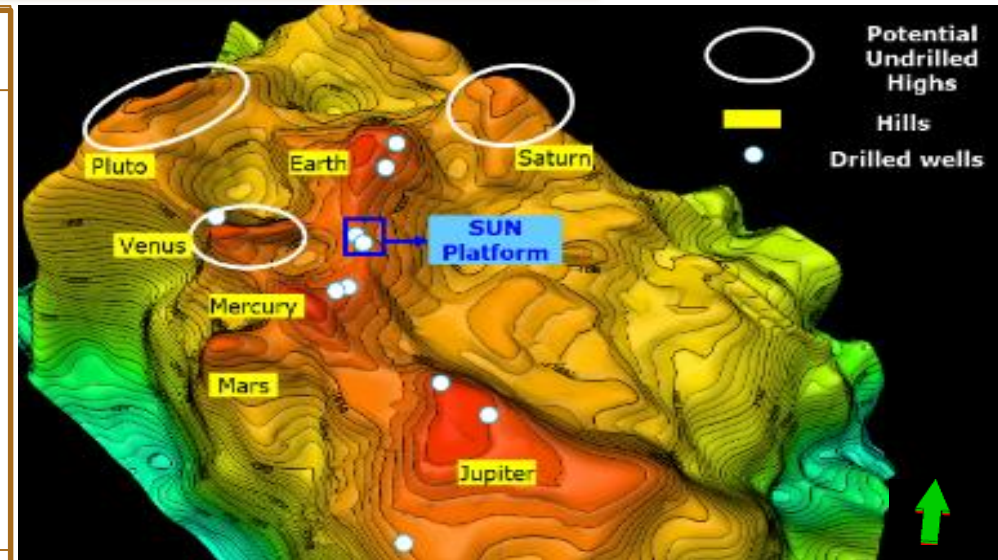
- Talks on for securing suitable jackup for conversion to MOPU
- Expected timeline for MOPU readiness - 12 months from start of conversion
- Exploring contracting models to minimise upfront development capex exposure

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

# Explore Additional Appraisal Potential in Key Assets

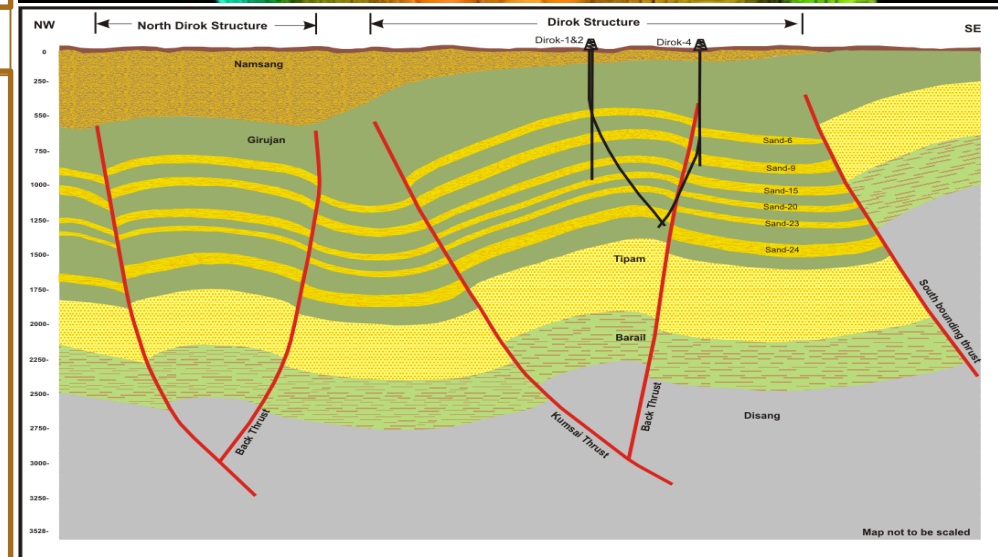
## PY - I

- Potential in Venus, Jupiter, Saturn and Pluto to be targeted in phases
- EC application submitted to MoEF for follow on drilling campaign and ToR granted
- PSC Extension upto 2030 and Revised Field Development plan submitted



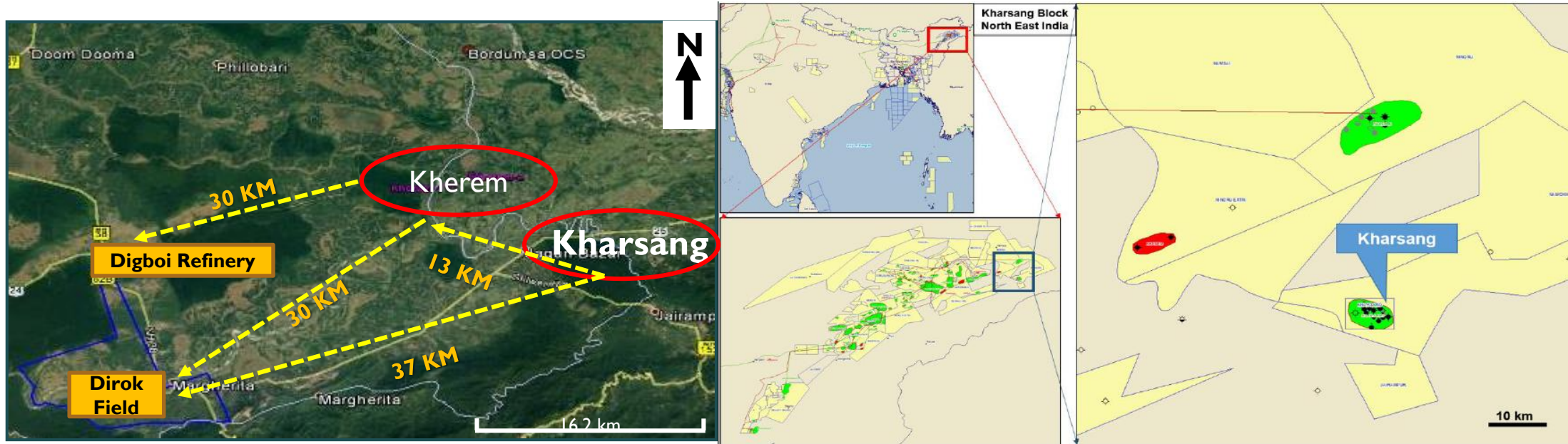
## Greater Dirok Area

- Dirok block endowed with prolific Girujan, Tipam and Barail formation
- Revised FDP submitted to DGH for second phase of Dirok development – This envisages drilling of 4 development wells, expansion of HMGPP and laying of gas delivery infrastructure upto the Gas marketing hub of Duliajan
- Block AA-ONHP-2017/19 which is 79 sq.km block adjoining Dirok awarded to HOEC under OALP-I. Revenue Sharing Contract signed





# Expanding North-East Footprint - Kharsang



Source: Petroview

- Acquisition of Geopetrol International Inc., makes HOEC to hold 30% PI in Kharsang both directly and indirectly
- M/s Geoenpro in which Geopetrol holds 50% equity is the operator of the block
- Current development targeted shallow oil potential in Namsang and Upper Girujan formations

## Current activities

- Average Production from Kharsang for H1 FY18-19 is 711 bopd
- Well Stimulation campaign currently ongoing
- Production Optimization process underway in coordination with the operator

## Regulatory Clearances

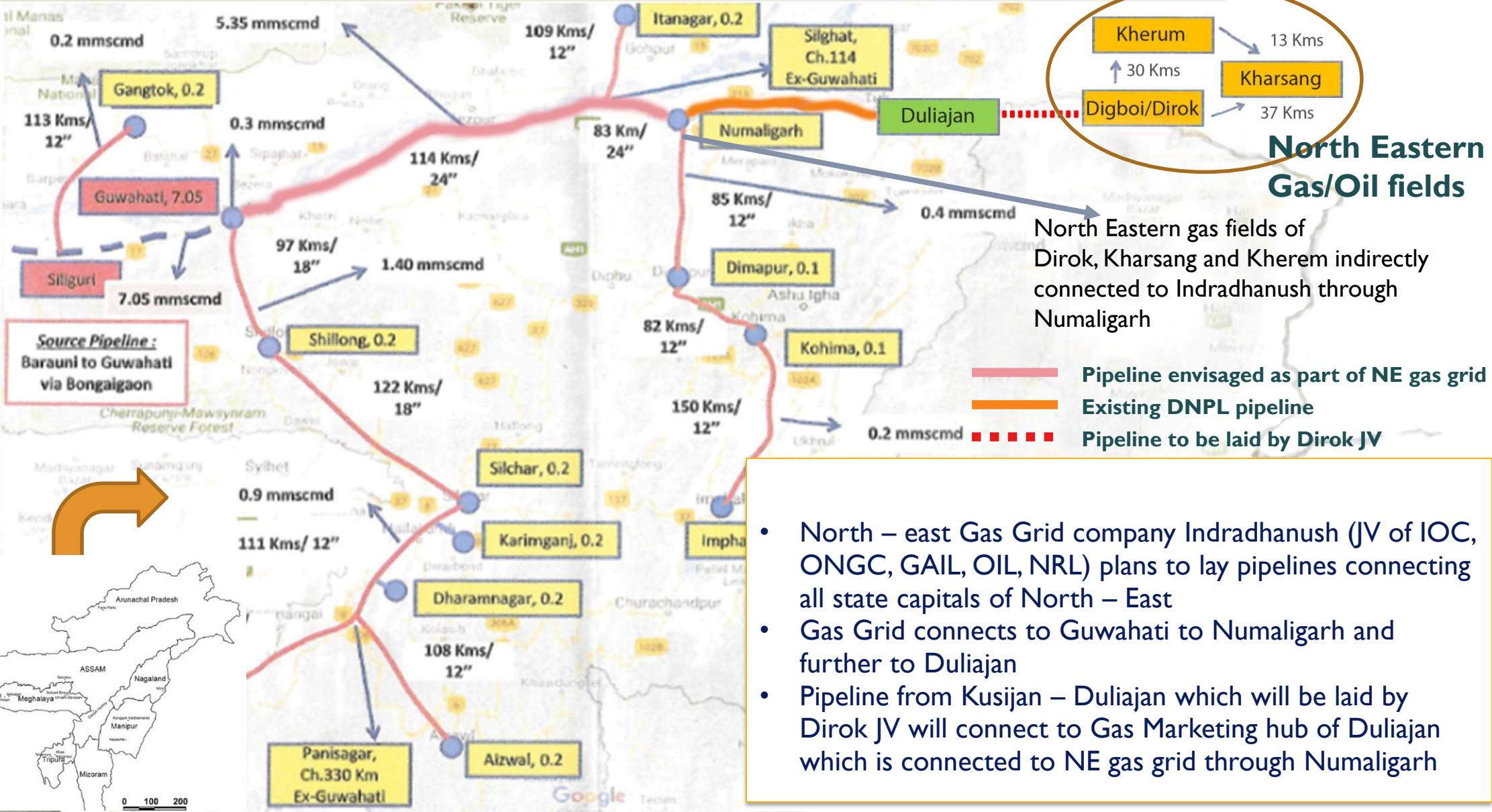
- Regulatory issues including forest clearance are being addressed to allow drilling campaign for next year

## Phase – I drilling campaign

- PSC extension along with RFDP submitted to DGH through the operator – M/s Geoenpro
- Revised field Development Plan(RFDP) envisages drilling of additional shallow development wells. RFDP approval to be granted

Phase – I drilling campaign to be kicked off once RFDP is approved

# Upcoming Natural Gas Grid in North - East



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



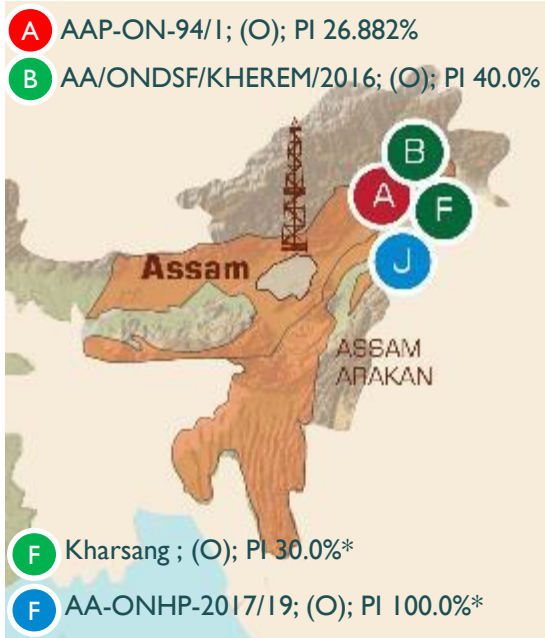
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**Business Overview**



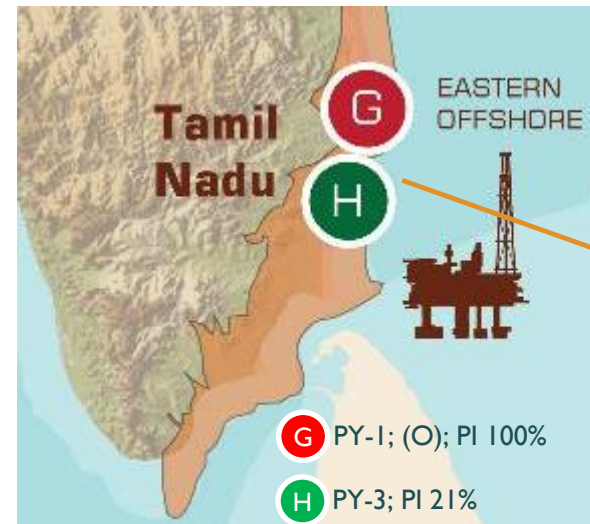
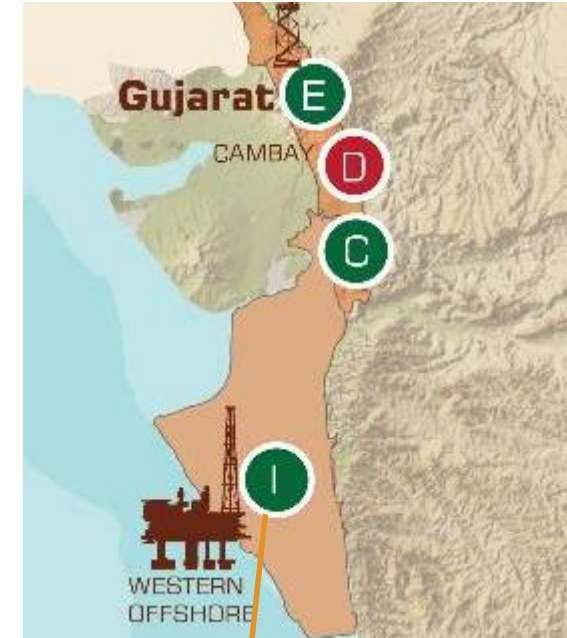
Uniquely placed to combine a quality asset portfolio with a strong organisation through a focused strategy to deliver superior returns

# 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**

- India's **first private E&P company** with decades of experience in operating onshore and offshore fields
- **Professional management** with proven industry experience
- Delivered leading HSE performance with strong focus on **safe and sustainable operations**
- **Superior technical capability** across the E&P value chain
- Proven experience in **fast track development and low-cost operations** both onshore and offshore
- Recognised as a **partner of choice** to develop and maintain social and regulatory license to operate



- Quickly monetise upside potential with existing infrastructure
- Increase portfolio of assets to ensure continuous growth rate



- Identify and develop low-risk, short cash cycle development projects
- Implement effective reservoir management to increase production & field life
- Build organisational capability across the life cycle



- Rationalise asset portfolio and mitigated risky work program commitments
- Strengthen balance sheet through effective working capital management
- Establish disciplined low-cost operating model to optimise cashflow from operations

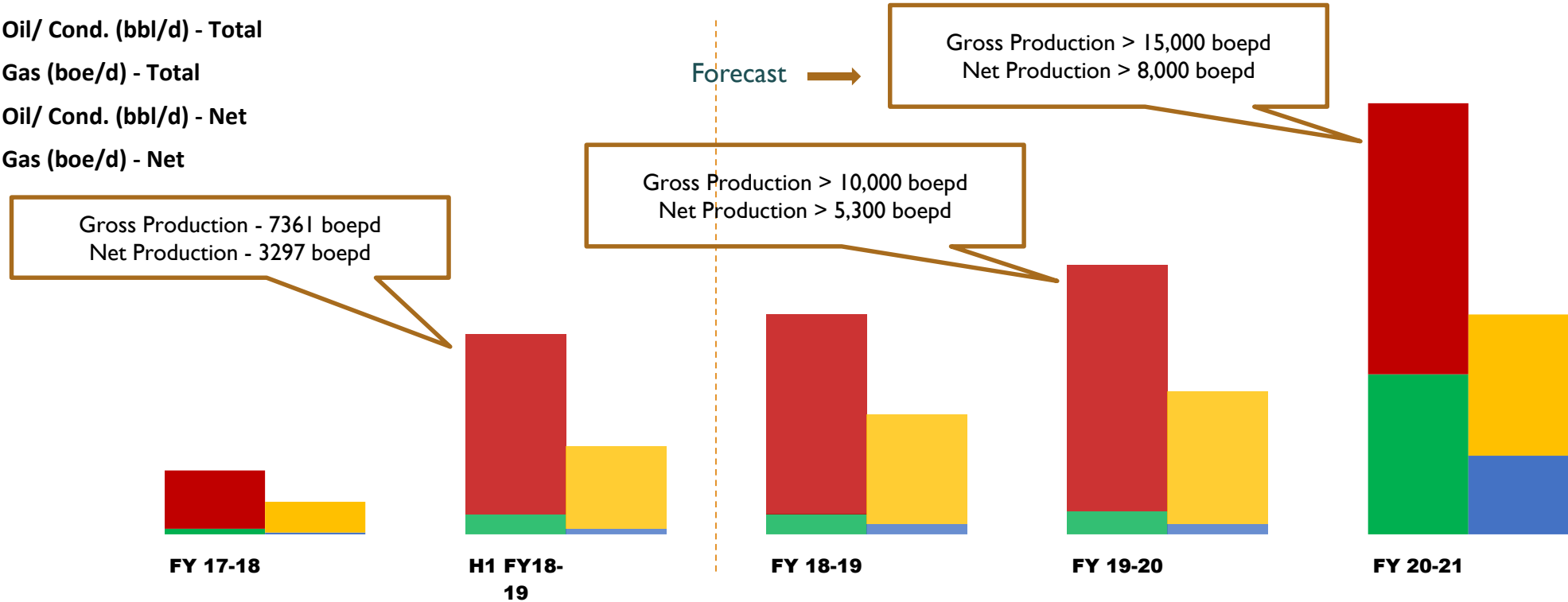
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Business Outlook

# Firing Up the Growth Engine



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



## 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

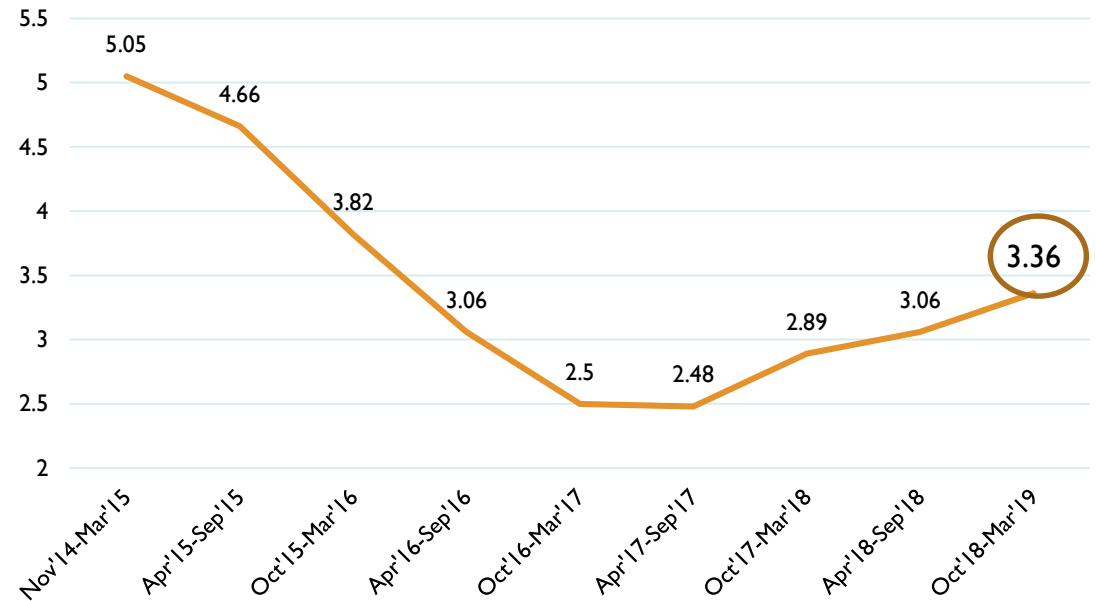
# External Environment Indicating Tailwinds



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



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



- Oil & gas prices recovering from historic lows; Analysts /Bankers revising price predictions upwards
- 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



- 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)	
	Sep 30, 2018	June 30, 2018
<b>INCOME</b>		
Revenue from operations	64.38	35.06
Other income	2.10	1.56
<b>Total revenue</b>	<b>66.48</b>	<b>36.62</b>
<b>EXPENSES</b>		
Expenses from producing oil and gas blocks	9.17	6.78
Decrease / (Increase) in stock of crude oil and condensate	0.33	0.59
Employee benefits expense	0.49	0.53
Finance costs - unwinding of discount on decommissioning liability	1.27	1.27
Depreciation, depletion and amortization	10.3	3.91
Other expenses	2.06	1.58
<b>Total expenses</b>	<b>23.63</b>	<b>14.66</b>
Profit before tax and exceptional Items	42.85	21.96
Exceptional Items – Income	-	2.31
<b>Profit before tax</b>	<b>42.85</b>	<b>24.27</b>
Net tax expenses –prior year tax adjustment	-	0.93
<b>Net profit for the year</b>	<b>42.85</b>	<b>23.34</b>
Other comprehensive income	(0.04)	(0.04)
<b>Total comprehensive income</b>	<b>42.81</b>	<b>23.30</b>
Earnings per share (Face value of ₹ 10/-each)		
Basic	₹ 3.28	₹ 1.79
Diluted	₹ 3.26	₹ 1.77

# Statement of Assets and Liabilities (Un- Audited)



ASSETS	As at ₹ crores		EQUITY AND LIABILITIES	As at ₹ crores	
	Sep 30,2018	Mar 31, 2018		Sep 30,2018	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	353.13	262.94	Other equity	309.13	243.02
(ii) Others	6.49	6.60	<b>Total equity</b>	<b>439.64</b>	<b>373.53</b>
Capital work-in-progress	0.90	5.62	<b>Non-current liabilities</b>		
Investment property	0.81	0.83	Financial liabilities		
Intangible assets	9.60	9.83	(i) Trade payables	22.11	22.11
Financial Assets			Provision for decommissioning	106.68	96.79
(i) Investments in subsidiary	53.02	0.50	Other non-current liabilities	0.03	0.03
(ii) Site restoration deposit	57.12	55.13	<b>Total non-current liabilities</b>	<b>128.82</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>481.13</b>	<b>341.96</b>	(i) Trade payables	22.62	17.89
<b>Current assets</b>			(ii) Other financial liabilities	17.50	23.32
Inventories	24.77	28.27	Provisions	0.20	0.18
Financial assets			Other current liabilities	2.88	1.31
(i) Investments	26.79	41.84	<b>Total current liabilities</b>	<b>43.20</b>	<b>42.70</b>
(ii) Trade receivables	32.53	16.07	<b>TOTAL</b>		
(iii) Cash and cash equivalent	13.06	84.18		611.66	535.16
(iv) Other bank balances	21.91	7.33			
(v) Other financial assets	6.37	6.55			
Income tax assets	4.40	8.34			
Other current assets	0.70	0.62			
<b>Total current assets</b>	<b>130.53</b>	<b>193.20</b>			
<b>TOTAL</b>	<b>611.66</b>	<b>535.16</b>			

# Investment Multiples

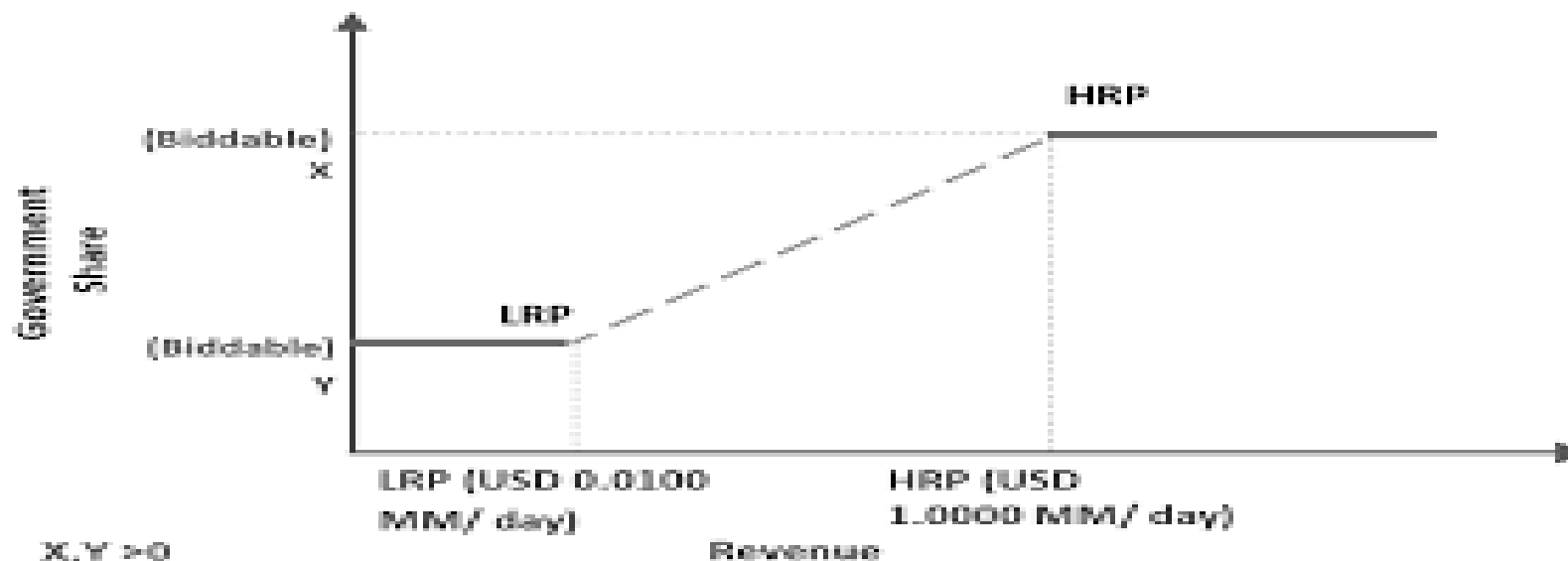


Block	AAP-ON-94/1	PY-1	PY-3	N. Balol	Asjol	CB-ON-7	Kharsang
Cost Recovery limit	80%	100%	100%	80%	100%	60%	100%
Investment Multiple							
<1	0%	0%	0%	20%	0%	0%	5%
1<1.5	10%	5%	5%	20%	10%	25%	5%
1.5<2	25%	5%	5%	30%	20%	30%	10%
2<2.5	35%	50%	50%	50%	30%	35%	15%
2.5<3	45%	50%	50%	50%	40%	40%	20%
3<3.5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

# RSC Parameters



Block	B-80	Kherum	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



LRP – Lower Revenue Point  
HRP – Higher Revenue Point



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



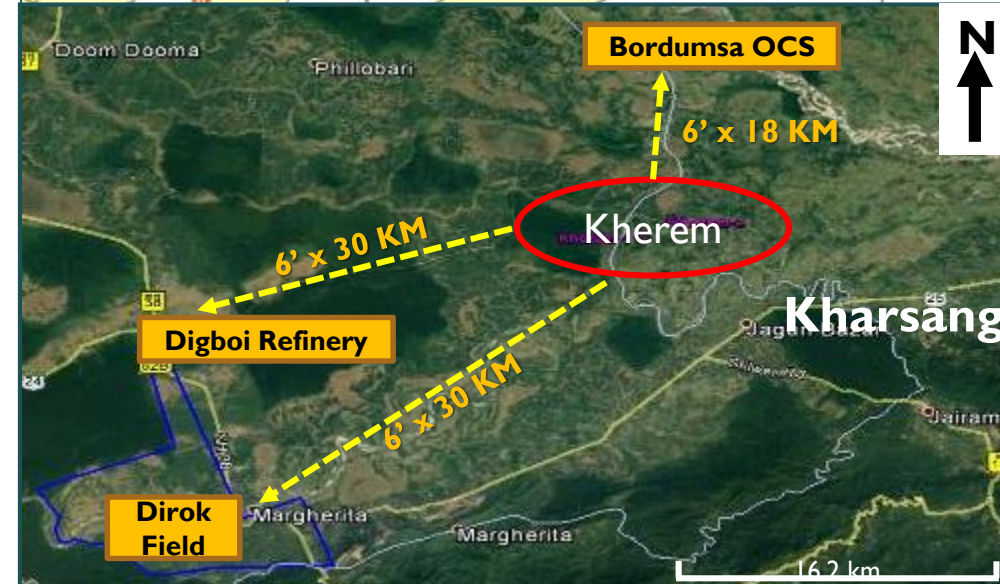
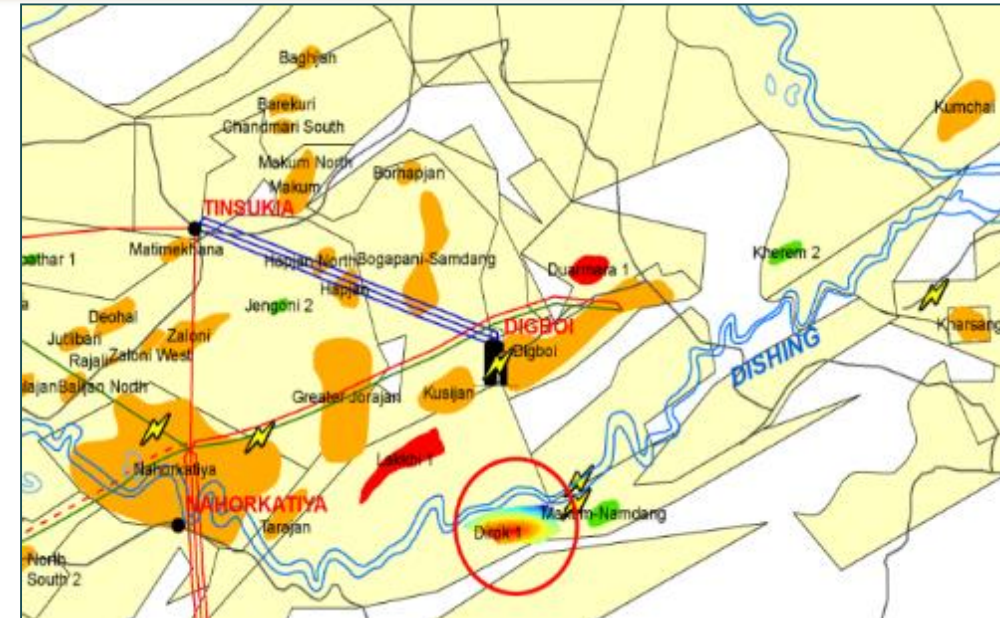


# Kherem (Arunachal Pradesh – DSF Block)

- **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

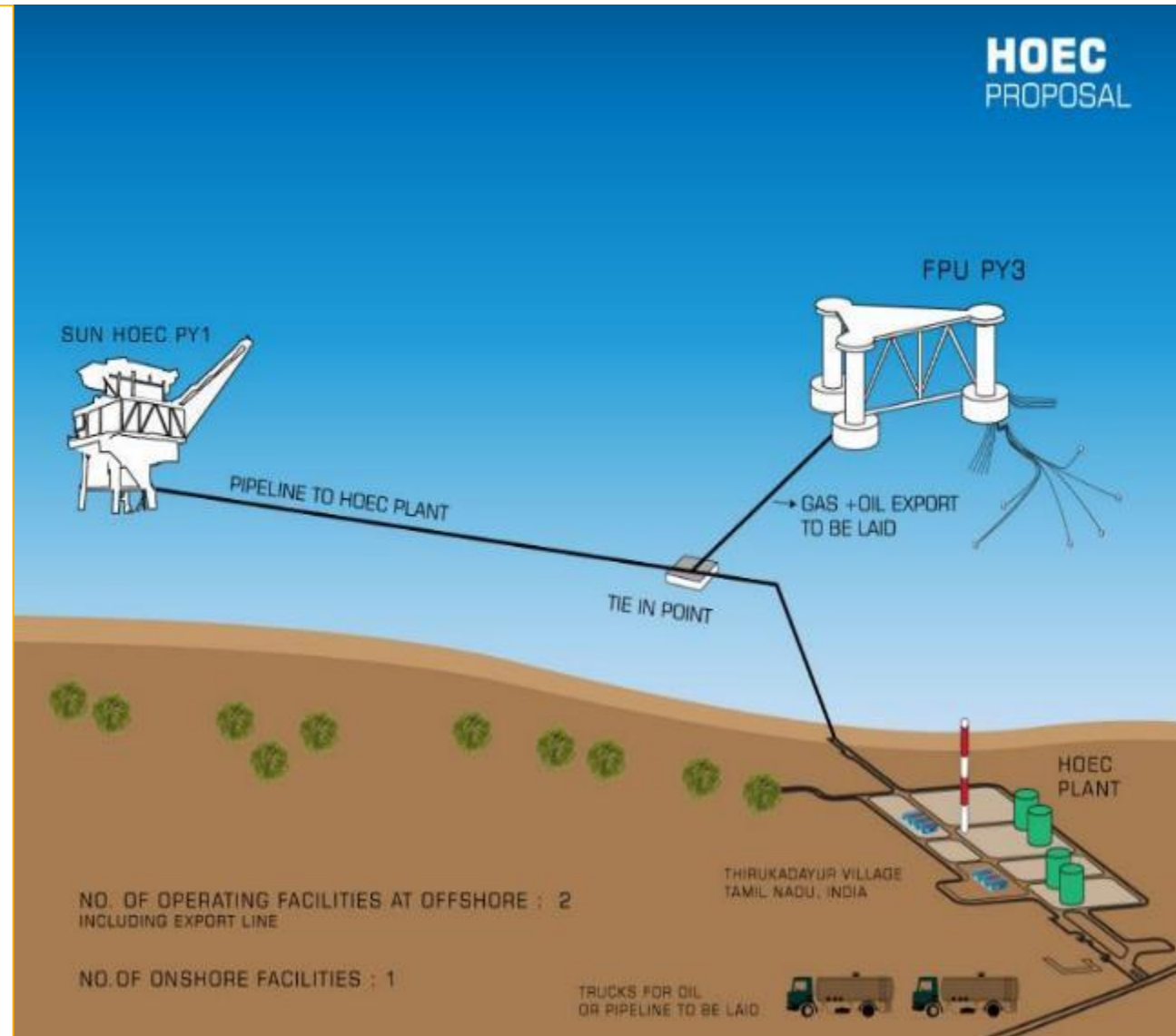
- **Reservoir Properties:**
  - Two pay zones Girujan pay -1 & pay - 2
  - Light oil – 38.7°API
- **Nearest facilities :**
  - Bordumasa Oil collecting Station via 6” pipeline 18kms
  - Digboi Refinery, via 6” pipeline 30 kms
- Petroleum Mining Lease transfer/(PML) still awaited
- Effective Date Starts from the date of PML transfer
- **Forest Clearance approved by State body. PML transfer expected by Q4 FY 18-19**





# 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. Q2 FY 18-19 (100%): **38.4 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. Q2 FY 18-19 (100%) : 1074 **barrels**

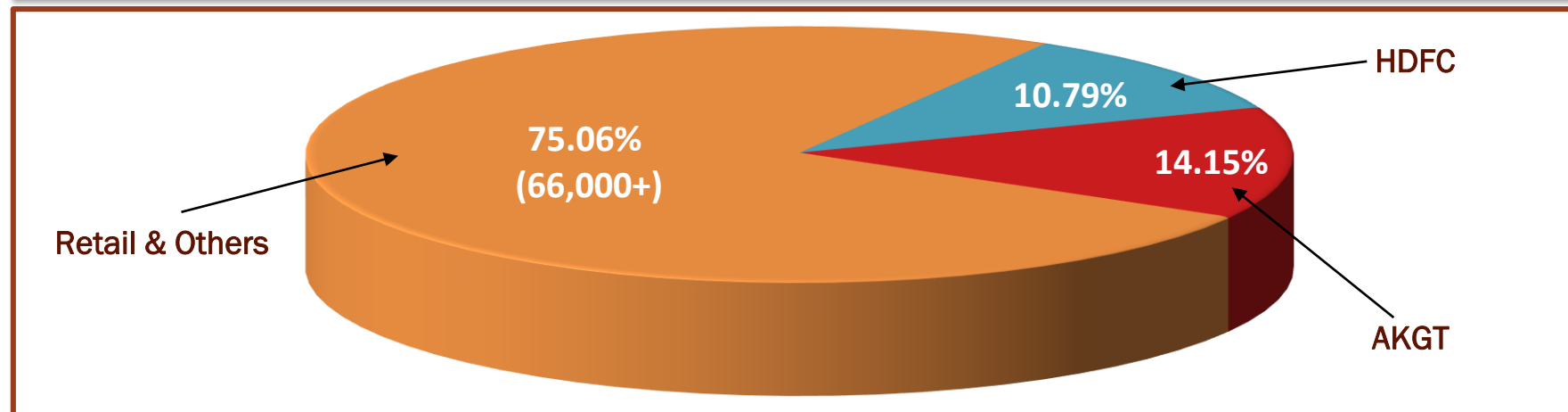
Reserves : 2P (100%): **0.6 mmbbls**  
Potential for additional wells

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

Wells : 3 wells under Production  
Reservoir : Hazad Sands of Ankleshwar  
Prod. Q2 FY 18-19 (100%): **8074 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

## For further information, please contact:

Company :	Investor Relations Advisors :
<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>

2P	-	Proved + Probable reserves	RSC	-	Revenue Sharing Contract
BCF	-	Billion Cubic Feet of Gas			
GGs	-	Gas Gathering Station			
M-GPP	-	Modular Gas Processing Plant			
MMbbls	-	Million Barrels of Oil			
MMSCFD	-	Million Standard Cubic Feet per Day			
MMSCMD	-	Million Standard Cubic Meter per Day			
STOIIP	-	Stock Tank Oil Initially In Place			
GIIP	-	Gas Initially In Place			
PI	-	Participating Interest			
PSC	-	Production Sharing Contract			
EC	-	Environmental Clearance			